

**Date and Time:** Monday 9 September 2024 18:08:00 CEST

**Job Number:** 233038829

**Documents (56)**

1. [*Kesko's interim report for the period 1 January to 31 March 2016: Kesko's profitability improved*](https://advance.lexis.com/api/document?id=urn:contentItem:5JMP-C731-F15W-N04X-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** grant and recipients or grant and fund or grant and financial or grant and instruments or recipients and fund or recipients and financial or recipients and instruments or fund and financial or fund and instruments or financial and instruments

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2. [*Contextual influences on social enterprise management in rural and urban communities*](https://advance.lexis.com/api/document?id=urn:contentItem:6BNK-C121-DY41-70SH-00000-00&idtype=PID&context=1516831)

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3. [*BMR Group PLC Pilot Plant Update with Letter of Intent*](https://advance.lexis.com/api/document?id=urn:contentItem:5JX9-61B1-F0CC-S3J3-00000-00&idtype=PID&context=1516831)

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4. [*Kesko's financial statements release for the period 1 Jan. 2015 to 31 Dec. 2015: comparable net sales at the level of the previous year, profit and financial position strengthened*](https://advance.lexis.com/api/document?id=urn:contentItem:5J0R-X2B1-F15W-N4VD-00000-00&idtype=PID&context=1516831)

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5. [*A robust legal system has been essential for the development of Trinidad and Tobago's economy*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4P1-DXYV-7083-00000-00&idtype=PID&context=1516831)

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6. [*Full text of Chinese premier's live news conference 16 March 2016*](https://advance.lexis.com/api/document?id=urn:contentItem:5J9R-PTK1-JC8S-C20X-00000-00&idtype=PID&context=1516831)

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7. [*Q4 2015*](https://advance.lexis.com/api/document?id=urn:contentItem:5GG3-BRD1-JD33-J0CK-00000-00&idtype=PID&context=1516831)

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8. [*The Philippines revises insurance sector regulations*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4N1-DXYV-74P2-00000-00&idtype=PID&context=1516831)

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9. [*Bosnian premier says country to be granted EU candidate status in 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5JRP-X641-DYRV-3014-00000-00&idtype=PID&context=1516831)

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10. [*Rules for investing in Qatar*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4P1-DXYV-70CH-00000-00&idtype=PID&context=1516831)

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11. [*Abu Dhabi diversifying the economy*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4N1-DXYV-750C-00000-00&idtype=PID&context=1516831)

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12. [*Kesko's half year financial report for the period 1 January to 30 June 2016: Kesko's net sales increased and comparable operating profit improved*](https://advance.lexis.com/api/document?id=urn:contentItem:5KCK-H4G1-F15W-N02D-00000-00&idtype=PID&context=1516831)

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13. [*At a crossroads*](https://advance.lexis.com/api/document?id=urn:contentItem:5K26-B981-F0FB-T1T0-00000-00&idtype=PID&context=1516831)

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14. [*PICTON PROPERTY INCOME LTD - Preliminary Annual Results*](https://advance.lexis.com/api/document?id=urn:contentItem:5K42-D3B1-DXP3-R1SC-00000-00&idtype=PID&context=1516831)

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15. [*A framework for assessing governance capacity: An illustration from Vietnam 's forestry reforms*](https://advance.lexis.com/api/document?id=urn:contentItem:6BGY-HK51-JBMY-H3KG-00000-00&idtype=PID&context=1516831)

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16. [*If tiny Guernsey thrives outside the EU, why can't we - the world's fifth largest economy? Concluding his definitive series, EU MP DAN HANNAN says forget the Remain camp's Project Fear. The real risk lies with staying in...*](https://advance.lexis.com/api/document?id=urn:contentItem:5JHN-9SN1-JCJY-G550-00000-00&idtype=PID&context=1516831)

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17. [*Builders lay foundation for growth Our research into private companies with the fastest-growing profits finds the building sector underpinning growth. Rhys Owen reports*](https://advance.lexis.com/api/document?id=urn:contentItem:626G-R361-JCBW-N1WP-00000-00&idtype=PID&context=1516831)

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18. [*Q4 2015 - Jordan*](https://advance.lexis.com/api/document?id=urn:contentItem:5H05-KFD1-JD33-J547-00000-00&idtype=PID&context=1516831)

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19. [*Russia: Putin's annual news conference on 17 December 2015 - Kremlin transcript*](https://advance.lexis.com/api/document?id=urn:contentItem:5HMT-4FT1-JC8S-C03R-00000-00&idtype=PID&context=1516831)

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20. [*United Kingdom Intellectual Property Office Publishes Application for Trademark "JOELLE" to Miss Joelle Amery*](https://advance.lexis.com/api/document?id=urn:contentItem:5K8K-VSW1-JDKC-R338-00000-00&idtype=PID&context=1516831)

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21. [*South Africa ’s informal economy: Reframing debates in national policy*](https://advance.lexis.com/api/document?id=urn:contentItem:6BNK-C111-DY41-747B-00000-00&idtype=PID&context=1516831)

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22. [*Kremlin transcript of Putin's annual phone-in*](https://advance.lexis.com/api/document?id=urn:contentItem:5JJ4-V9W1-JC8S-C04N-00000-00&idtype=PID&context=1516831)

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23. [*Business tax laws in the Philippines*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4N1-DXYV-74RK-00000-00&idtype=PID&context=1516831)

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24. [*INSIDER TOP500: NOTES*](https://advance.lexis.com/api/document?id=urn:contentItem:5HT7-8801-JBVM-Y17J-00000-00&idtype=PID&context=1516831)

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25. [*M and A Navigator: Deal pipeline â(EURO)"23 August*](https://advance.lexis.com/api/document?id=urn:contentItem:5KJ1-5S61-F0K1-N55T-00000-00&idtype=PID&context=1516831)

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26. [*The rules and regulations of tax in Thailand*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4N1-DXYV-74VX-00000-00&idtype=PID&context=1516831)

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27. [*HERALD WAR REPORT*](https://advance.lexis.com/api/document?id=urn:contentItem:5HTW-JDF1-F15H-C3D9-00000-00&idtype=PID&context=1516831)

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28. [*South East Europe - Q4 2015*](https://advance.lexis.com/api/document?id=urn:contentItem:5GHK-4S51-JD33-J4FJ-00000-00&idtype=PID&context=1516831)

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29. [*Regulation by Ridicule: Humorous Denigration as a Regulatory Instrument*](https://advance.lexis.com/api/document?id=urn:contentItem:6BNK-CF41-DY41-734D-00000-00&idtype=PID&context=1516831)

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30. [*In pursuit of the African PhD: A critical survey of emergent policy issues in select sub-Saharan African nations, Ethiopia , Ghana and South Africa*](https://advance.lexis.com/api/document?id=urn:contentItem:6BNK-7DJ1-DY41-73KK-00000-00&idtype=PID&context=1516831)

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31. [*The Queen?s Birthday Honours*](https://advance.lexis.com/api/document?id=urn:contentItem:5K09-2YB1-F021-63DC-00000-00&idtype=PID&context=1516831)

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32. [*Russian Foreign Ministry spokeswoman's briefing on 18 February - transcript*](https://advance.lexis.com/api/document?id=urn:contentItem:5J4N-7DB1-JC8S-C3VP-00000-00&idtype=PID&context=1516831)

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33. [*Putin's interview to Bloomberg - Kremlin transcript (full text)*](https://advance.lexis.com/api/document?id=urn:contentItem:5KMM-NKT1-DYRV-34P6-00000-00&idtype=PID&context=1516831)

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34. [*HERALD WAR REPORT*](https://advance.lexis.com/api/document?id=urn:contentItem:5HND-53N1-JDPF-N23R-00000-00&idtype=PID&context=1516831)

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35. [*Full text: China's white paper on human rights*](https://advance.lexis.com/api/document?id=urn:contentItem:5KP3-N061-JC8S-C3YD-00000-00&idtype=PID&context=1516831)

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36. [*WESTERN STATE FORMATION AND ALTERNATE STATE FORMATION: A COMPARATIVE CRITICAL APPRAISAL*](https://advance.lexis.com/api/document?id=urn:contentItem:5K14-RVP1-JD09-3204-00000-00&idtype=PID&context=1516831)

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37. [*Innovation and Local Economic Development Policy in the global South: New South African perspectives*](https://advance.lexis.com/api/document?id=urn:contentItem:6BNK-C111-DY41-7470-00000-00&idtype=PID&context=1516831)

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38. [*Social Pointillism and Starry Nights: Making Points to Make Connections in the Sudanese Civil War*](https://advance.lexis.com/api/document?id=urn:contentItem:6BH2-VXY1-JBMY-H3X1-00000-00&idtype=PID&context=1516831)

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39. [*Full text of China white paper on Xinjiang region*](https://advance.lexis.com/api/document?id=urn:contentItem:5H0M-04J1-DYRV-30C3-00000-00&idtype=PID&context=1516831)

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**Search Terms:** grant and recipients or grant and fund or grant and financial or grant and instruments or recipients and fund or recipients and financial or recipients and instruments or fund and financial or fund and instruments or financial and instruments

**Search Type:** Terms and Connectors

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| **Content Type** | **Narrowed by** |
| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

40. [*Perceived quality of private education and fears of stratification: Investigating the propositions of human capital theory by exploring the case of Colombia*](https://advance.lexis.com/api/document?id=urn:contentItem:6BNK-7DJ1-DY41-73KH-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

41. [*Employment relations and growing income inequality: Causes and potential options for its reversal*](https://advance.lexis.com/api/document?id=urn:contentItem:6BM3-69X1-DY41-72XH-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

42. [*Foreign investment overview for Myanmar*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4N1-DXYV-74C5-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

43. [*Tourism development in the Dominican Republic : An examination of the economic impact to coastal households*](https://advance.lexis.com/api/document?id=urn:contentItem:6BM4-FYP1-JBMY-H0J0-00000-00&idtype=PID&context=1516831)

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44. [*Vladimir Putin at the Valdai Discussion Club in October 2015*](https://advance.lexis.com/api/document?id=urn:contentItem:5H7F-1XM1-JC8S-C4F1-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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45. [*The $10bn question: what happened to the Marcos millions? In the 21 years Ferdinand Marcos ran the Philippines , billions went missing. As his son stands for vice-president, will the stolen fortune ever be recovered?*](https://advance.lexis.com/api/document?id=urn:contentItem:5JPT-S501-F021-61VX-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

46. [*THE UKRAINE CRISIS AND THE EU*](https://advance.lexis.com/api/document?id=urn:contentItem:5HCY-7NK1-JD09-30TN-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

47. [*Employee participation and involvement: the Italian case and trade union issues*](https://advance.lexis.com/api/document?id=urn:contentItem:6BM4-FYP1-JBMY-H2B1-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

48. [*Organizing through conflict: exploring the relationship between strikes and union membership in Germany*](https://advance.lexis.com/api/document?id=urn:contentItem:6BM4-FYP1-JBMY-H1MG-00000-00&idtype=PID&context=1516831)

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49. [*Public policies on the use of drugs in Mexico and Latin America*](https://advance.lexis.com/api/document?id=urn:contentItem:6BM4-KKS1-JBMY-H3TT-00000-00&idtype=PID&context=1516831)

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50. [*Meet the 2016 Roses*](https://advance.lexis.com/api/document?id=urn:contentItem:5KGJ-69V1-JBVM-Y3VH-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

51. [*Civil Society Organizations and Local-Level Peacebuilding in Northern Uganda*](https://advance.lexis.com/api/document?id=urn:contentItem:6BM3-50R1-JBMY-H0BS-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

52. [*Cameron mocks Boris Johnson's second referendum strategy - Politics live Rolling coverage of all the day's political developments as they happen, including David Cameron's statement to the Commons about his EU renegotiation dealLiam Fox hints he might run for Tory leadership againNo 10 rules out 2nd referendum after possible Brexit votePound falls in value after Johnson backs BrexitCost of Brexit would outweigh benefits, says Moody'sLunchtime summaryAfternoon summary*](https://advance.lexis.com/api/document?id=urn:contentItem:5J4W-GSB1-JCJY-G2BD-00000-00&idtype=PID&context=1516831)

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53. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5JT7-FSH1-JCG2-C1XR-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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54. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5KB4-39V1-DYY4-346T-00000-00&idtype=PID&context=1516831)

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55. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5HX7-0XN1-F0YS-019W-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 14 sep 2015 tot 14 sep 2016; Locatie: International; Plaats van publicatie: Europe; Taal: English |

56. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5J2P-CS61-JDGP-825Y-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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# [***Kesko's interim report for the period 1 January to 31 March 2016: Kesko's profitability improved***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JMP-C731-F15W-N04X-00000-00&context=1516831)

Hugin - English

April 27, 2016 Wednesday 8:02 AM GMT

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**Section:** Regulatory; ISIN: FI0009007900

**Length:** 12961 words

**Body**

KESKO CORPORATION INTERIM REPORT 27.04.2016 AT 09.00 1(29)

Kesko's interim report for the period 1 January to 31 March 2016: Kesko's

profitability improved

***Financial*** performance in brief:

\* The Group's net sales for January-March were EUR2,013 million (EUR2,082 million).

Net sales in local currencies excluding Anttila were at the previous year's

level, up 0.2%.

\* The operating profit excluding non-recurring items increased to EUR32.3 million

(EUR26.5 million).

\* Return on capital employed excluding non-recurring items increased to 12.4%

(rolling 12 mo).

\* Earnings per share excluding non-recurring items EUR0.26 (EUR0.19).

\* Equity ratio 54.8% (51.5%).

\* Kesko Group's net sales for the next 12 months are expected to exceed the

level of the preceding 12 months. The operating profit excluding non-recurring

items for the next 12-month period is expected to equal the level of the

preceding 12 months. The outlook does not take account of the acquisition of

Onninen, in respect of which estimates will be given in connection with its

completion.

Key performance indicators

                                                        1-3/2016  1-3/2015

Net sales, EUR million                                       2,013     2,082

Operating profit excl. non-recurring items, EUR million       32.3      26.5

Operating profit, EUR million                                 33.5    -103.6

Profit before tax, EUR million                                35.7    -103.7

Capital expenditure, EUR million                              51.4      51.5

Earnings per share, EUR, diluted                              0.28     -1.11

Earnings per share excl. non-recurring items, EUR, basic      0.26      0.19

                                                       31.3.2016 31.3.2015

Equity ratio, %                                             54.8      51.5

Equity per share, EUR                                        22.13     21.30

President and CEO Mikko Helander:

"In comparable terms, Kesko's net sales for the first quarter of the year were

at the same level as in the previous year, the operating profit increased and

the return on capital employed continued to rise.

Despite intense competition, the grocery trade performance was stable and

profitability remained at a good level. In the home improvement and speciality

goods trade, especially the net sales of the B2B trade were clearly on the rise

and outside Finland, profitability improved further. In the building and home

improvement trade, market share strengthened especially in Finland. In the car

trade, net sales increased markedly and profitability remained at a good level.

The acquisition of Suomen Lähikauppa, completed in April, is a significant step

in the implementation of Kesko's strategy. With the acquisition, Kesko's

neighbourhood retail services will improve significantly and the combination of

business operations will enable significant synergies. The Siwa and Valintatalo

stores will be converted into K-Markets within the next 12 months and in

addition, the existing K-Markets, more than 400 in all, will be renewed. The

renewal of the service station network is also progressing strongly and the

first new Neste K service station was opened in Tampere in March. In the future,

there will be nearly 100 of these new era service stations in different parts of

Finland.

The acquisition of Onninen will create an excellent platform for the growth of

Kesko's building and technical trade in Finland and the rest of Europe. The

acquisition will enable increasingly customer oriented services especially in

the B2B business, which is growing well. The acquisition is expected to be

completed in the first half of the year.

Consumers value Kesko's responsibility work. According to the results of a

recent survey, consumers consider K-stores to be the most responsible food

stores in Finland. Finnish products account for more than 80% of K-food stores'

selections and it is of primary importance for the K-Group that the vitality of

Finnish food producers and food manufacturing industry are ensured. Moreover, in

January this year, Kesko ranked 15(th) on the Global 100 Most Sustainable

Corporations in the World list and, at the same time, the most sustainable

trading sector company in the world."

***FINANCIAL*** PERFORMANCE

Net sales and profit for January-March 2016

The Group's net sales for January-March 2016 were EUR2,013 million, which is 3.3%

down on the corresponding period of the previous year (EUR2,082 million). Anttila

excluded, comparable net sales performance in local currencies was at the

previous year's level, up 0.2%. Anttila was included in the figures for the

comparative period until 16 March 2015.

In the grocery trade, the -0.8% net sales performance was affected by the

decline in prices. In the home improvement and speciality goods trade,

comparable net sales decreased by 0.4% due to the timing of Easter. In euro

terms, the reported net sales performance in the home improvement and speciality

goods trade was -10.0%. In the car trade, net sales growth was strong at 7.1%.

The Group's net sales in Finland decreased by 3.5% and the comparable

performance was -0.9%. In the other countries, net sales decreased by 2.1% but

increased by 6.0% in comparable terms. International operations accounted for

15.9% (15.7%) of net sales.

1-3/2016                    Net sales, EUR Change, %    Operating profit   Change,

                                 million                    excl. non- EUR million

                                                             recurring

                                                      items, EUR million

Grocery trade                      1,094      -0.8                31.3      -3.6

Home improvement and

speciality goods trade               695     -10.0                 0.3     +14.5

Car trade                            225      +7.1                 9.4      -0.4

Common functions and

eliminations                          -1     -79.0                -8.7      -4.8

Total                              2,013      -3.3                32.3      +5.8

The operating profit excluding non-recurring items for January-March was EUR32.3

million (EUR26.5 million). In the grocery trade, profitability was good. The real

estate arrangement completed in June 2015 weakened the operating profit

excluding non-recurring items of the grocery trade by EUR2.8 million. In the home

improvement and speciality goods trade, profitability was improved by the good

profit performance of foreign operations and the divestment of Anttila completed

in the previous year. In the car trade, profitability remained steadily at a

good level. The operating profit of the comparative period includes a EUR12.7

million operating loss from Anttila divested on 16 March 2015. The combined

effect of the real estate arrangement completed in June 2015 on the operating

profit excluding non-recurring items of the first quarter in the grocery trade

and the building and home improvement trade was EUR-3.7 million.

The operating profit was EUR33.5 million (EUR-103.6 million). The operating profit

includes EUR1.3 million (EUR-130.1 million) of non-recurring items. The non-

recurring items of the comparative period include a EUR130 million loss on the

divestment of Anttila.

The Group's profit before tax for January-March was EUR35.7 million (EUR-103.7

million). The Group's earnings per share were EUR0.28 (EUR-1.11). The Group's equity

per share was EUR22.13 (EUR21.30).

In January-March, the K-Group's (i.e. Kesko's and the chain stores') retail and

B2B sales (VAT 0%) excluding Anttila were EUR2,429 million, up 0.2% compared to

the previous year.  The K-Plussa customer loyalty programme gained 13,691 new

households in January-March 2016. At the end of March, there were 2.3 million K-

Plussa households and 3.6 million K-Plussa cardholders.

***Finance***

In January-March, the cash flow from operating activities was EUR-96.3 million (EUR-

74.8 million). The cash flow from investing activities was EUR-52.9 million (EUR-

64.5 million).

At the end of the period, liquid assets totalled EUR746 million (EUR506 million).

Interest-bearing liabilities were EUR435 million (EUR548 million) and interest-

bearing net debt was EUR-311 million (EUR41 million) at the end of March. The equity

ratio was an excellent 54.8 % (51.5%) at the end of the period.

The Group's net ***finance*** income was EUR2.7 million (net ***finance*** costs EUR0.3 million)

in January-March.

Taxes

In January-March, the Group's taxes were EUR7.0 million (EUR7.0 million). The

effective tax rate was 19.7%.

Capital expenditure

In January-March, the Group's capital expenditure totalled EUR51.4 million (EUR51.5

million), or 2.6% (2.5%) of net sales. Capital expenditure in store sites was

EUR36.9 million (EUR40.1 million), in IT EUR2.7 million (EUR4.7 million) and other

capital expenditure was EUR11.8 million (EUR6.6 million). Capital expenditure in

foreign operations represented 22.6% (53.4%) of total capital expenditure.

Personnel

In January-March, the average number of personnel in Kesko Group was 18,405

(19,058) converted into full-time employees. In Finland, the average decrease

was 735 people, while outside Finland, there was an increase of 81 people. The

decrease in the average number of personnel in Finland was affected by the

divestment of Anttila on 16 March 2015.

At the end of March 2016, the number of personnel was 21,780 (21,489), of whom

9,878 (9,829) worked in Finland and 11,902 (11,660) outside Finland. Compared to

the end of March 2015, there was an increase of 49 people in Finland and an

increase of 242 people outside Finland.

In January-March, the Group's employee benefit expenses were EUR136.3 million,

down 5.3% compared to the previous year. The change was affected by the

divestment of Anttila on 16 March 2015.

SEGMENTS

Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net

sales and operating profits of the reportable segments are not earned evenly

throughout the year. Instead, they vary by quarter depending on the

characteristics of each segment.

Grocery trade

                                                       1-3/2016  1-3/2015

Net sales, EUR million                                      1,094     1,103

Operating profit excl. non- recurring items, EUR million     31.3      34.9

Operating margin excl. non-recurring items, %               2.9       3.2

Capital expenditure,

EUR million                                                  34.7      37.6

Net sales, EUR million                                   1-3/2016 Change, %

Sales to K-food stores                                      748      -1.3

K-citymarket, non-food                                      130      -1.2

Kespro                                                      186      +0.7

K-ruoka, Russia                                              25     +20.7

Others                                                        5     -39.0

Total                                                     1,094      -0.8

January-March 2016

In the grocery trade market, the downward price trend and the intense

competitive situation continued. The strengthening of K-food stores'

competitiveness in terms of quality and price continued in accordance with

strategy. With the acquisition of Suomen Lähikauppa, completed in April, Kesko's

neighbourhood retail services will improve significantly and at the same time,

the acquisition will enable Kesko to obtain significant economies of scale and

synergies.

The net sales of the grocery trade for January-March were EUR1,094 million (EUR1,103

million), representing a change of -0.8%. In January-March, the grocery sales of

K-food stores in Finland increased by 0.1% (VAT 0%). In the grocery market in

Finland, retail prices are estimated to have changed by approximately -1.5%

compared to the previous year (VAT 0%; Kesko's own estimate based on the

Consumer Price Index of Statistics Finland) and the total market (VAT 0%) is

estimated to have increased by approximately 1.5% in January-March (Kesko's own

estimate). The sales of the food stores in Russia increased by 40.3% in the

local currency.

In January-March, the operating profit excluding non-recurring items of the

grocery trade was EUR31.3 million (EUR34.9 million). Profitability was good in the

grocery trade, although the operating profit excluding non-recurring items

decreased from the previous year. The real estate arrangement completed in June

2015 had a EUR-2.8 million impact on the operating profit excluding non-recurring

items. The operating profit of the grocery trade was EUR30.2 million (EUR35.2

million). Non-recurring items were EUR-1.1 million (EUR0.3 million).

The capital expenditure of the grocery trade in January-March was EUR34.7 million

(EUR37.6 million), of which EUR32.8 million (EUR34.2 million) was in store sites.

In January-March, two new K-supermarkets and four K-markets were opened.

Renewals and extensions were made in a total of 17 stores.

The most significant store sites under construction are the K-citymarket

shopping centre in Itäkeskus, Helsinki, a K-citymarket in Sastamala and K-

citymarket Vuosaari is being reduced to a K-supermarket. A new K-supermarket is

being built in Tampere, in Niittykumpu, Espoo, in Lappeenranta, Porvoo,

Kemiönsaari, Rovaniemi, Haapajärvi and in Lauttasaari, Kalasatama and Pasila,

Helsinki. K-market Ivalo is being extended into a K-supermarket. Two new food

stores are under construction in Russia.

Store numbers at 31.3.                  2016 2015

K-citymarket                              81   81

K-supermarket                            221  218

K-market (incl. service station stores)  484  444

K-ruoka, Russia                            9    6

Others\*                                   98  161

\* Incl. online stores

In addition, several K-food stores offer e-commerce services to their customers.

Home improvement and speciality goods trade

                                                      1-3/2016 1-3/2015

Net sales, EUR million                                       695      773

Operating profit excl. non-recurring items, EUR million      0.3    -14.2

Operating margin excl. non-recurring items, %              0.0     -1.8

Capital expenditure,

EUR million                                                  8.2      9.7

Net sales, EUR million                                    1-3/2016 Change, %

Building and home improvement, Finland                       195      -1.0

K-rauta, Sweden                                               44     +12.2

Byggmakker, Norway                                            88      -8.6

K-rauta, Estonia                                              18      +8.9

K-rauta, Latvia                                               10     -10.8

Senukai, Lithuania                                            63      +5.1

K-rauta, Russia                                               32     -17.2

OMA, Belarus                                                  19     -15.2

Intersport, Finland                                           47      -5.3

Intersport, Russia                                             4     +21.7

Indoor                                                        42      -4.0

***Agricultural*** and machinery trade                             129      -3.8

Others                                                         7     -88.3

Total                                                        695     -10.0

January-March 2016

The comparable net sales performance of the home improvement and speciality

goods trade was stable and profitability improved compared to the previous year.

This is attributable to the good profit performance in the building and home

improvement trade outside Finland and in the ***agricultural*** and machinery trade,

as well as the divestment of the loss-making Anttila in March 2015. In the

building and home improvement trade, growth strengthened especially in the B2B

trade. The market share of the K-Group's building and home improvement trade is

estimated to have strengthened especially in Finland.

The net sales of the home improvement and speciality goods trade for January-

March were EUR695 million (EUR773 million), down 10.0%. In the home improvement and

speciality goods trade, comparable net sales in local currencies excluding

Anttila were down by 0.4% due to the timing of Easter.

The net sales of the home improvement and speciality goods trade for January-

March in Finland were EUR400 million (EUR466 million), a decrease of 14.2%. In

comparable terms, net sales decreased in Finland by 3.4%. In January-March, the

net sales from the foreign operations of the home improvement and speciality

goods trade were EUR296 million (EUR307 million), a decrease of 3.6%. In comparable

terms, the net sales from foreign operations increased by 3.7%. Foreign

operations contributed 42.5% (39.7%) to the net sales of the home improvement

and speciality goods trade.

In January-March, the net sales of the building and home improvement trade were

EUR509 million (EUR524 million), a decrease of 2.9%. In local currencies, net sales

were up by 1.1%. In respective local currencies, net sales grew in Sweden by

11.6%, decreased in Norway by 0.3% and in Russia by 3.8%.

The net sales of the ***agricultural*** and machinery trade for January-March were

EUR129 million (EUR134 million), down 3.8% compared to the previous year. Net sales

in Finland were EUR112 million, a decrease of 4.2%. The net sales from foreign

operations were EUR17 million, a decrease of 1.6%. The net sales of the leisure

trade were EUR56 million, a decrease of 3.7% in local currencies.

The K-Group's sales of building and home improvement products in Finland

increased by a total of 3.6% and the total market (VAT 0%) is estimated to have

fallen by approximately 1.4% (Kesko's own estimate). The retail sales of the K-

maatalous chain were EUR86 million, down 3.2%.

In January-March, the operating profit excluding non-recurring items of the home

improvement and speciality goods trade was EUR0.3 million (EUR-14.2 million), up

EUR14.5 million compared to the previous year. The profit for the comparative

period includes a EUR12.7 million operating loss from Anttila. Profit improved in

the building and home improvement trade especially outside Finland.

Profitability improved from the previous year also in the ***agricultural*** and

machinery trade.

The operating profit of the home improvement and speciality goods trade was EUR1.8

million (EUR-144.7 million). The most important non-recurring expense in the

comparative period is the EUR130 million loss on the disposal of Anttila.

In January-March, the capital expenditure of the home improvement and speciality

goods trade totalled EUR8.2 million (EUR9.7 million), of which 68.9% (36.0%) was

abroad. Capital expenditure in store sites represented 44.2% of total capital

expenditure.

In January-March, a K-rauta building and home improvement store in Kokkola, K-

rauta Holma in Lahti and OMA Brest in Belarus, as well as Asko and Sotka

furniture stores in Narva, Estonia were opened.

The most significant store sites under construction are the K-rauta stores in

Savonlinna and St. Petersburg and a Senukai store in Vilnius.

Store numbers at 31.3.         2016 2015

K-rauta                          46   42

Rautia\*                          95   93

K-maatalous\*                     80   81

K-rauta, Sweden                  20   20

Byggmakker, Norway               88   84

K-rauta, Estonia                  8    8

K-rauta, Latvia                   8    8

Senukai, Lithuania               20   19

K-rauta, Russia                  13   13

OMA, Belarus                     13   11

Intersport, Finland\*\*            60   62

Budget Sport\*\*                   11   11

Asko and Sotka\*\*                 87   87

Kookenkä\*\*                       38   41

Intersport, Russia               16   17

Asko and Sotka, the Baltics\*\*    12   10

Konekesko                         1    1

\* In 2016, 45 (46) Rautia stores also operated as K-maatalous stores

\*\* Including online stores

In addition, the building and home improvement stores offer e-commerce services

to their customers.

Car trade

                                                      1-3/2016  1-3/2015

Net sales, EUR million                                       225       210

Operating profit excl. non-recurring items, EUR million      9.4       9.8

Operating margin excl. non-recurring items, %              4.2       4.7

Capital expenditure, EUR million                             4.6       2.7

Net sales, EUR million                                  1-3/2016 Change, %

VV-Auto                                                    225      +7.1

January-March 2016

The net sales of the car trade for January-March were EUR225 million (EUR210

million), up 7.1%. In January-March, the combined market performance of first

registrations of passenger cars and vans was +12.5% (-3.0%). The combined market

share of passenger cars and vans imported by VV-Auto in January-March was 18.5%

(18.8%).

The profitability of the car trade remained at a good level. The operating

profit excluding non-recurring items for January-March was EUR9.4 million (EUR9.8

million).

The operating profit for January-March was EUR9.4 million (EUR9.8 million).

The capital expenditure of the car trade in January-March was EUR4.6 million (EUR2.7

million).

Store numbers at 31.3. 2016 2015

VV-Auto, retail trade    10   10

Changes in the Group composition

Kesko implemented the arrangement agreed in the autumn of 2015 to centralise its

Baltic building and home improvement trade in UAB Senuku Prekybos centras

(Senukai). The company's name will be changed to Kesko Senukai.

In the arrangement, Kesko sold the shares in its wholly owned companies

responsible for the operations of K-rauta stores in Estonia and Latvia to its

subsidiary Senukai, in which Kesko has a majority interest.

Shares, securities market and Board authorisations

At the end of March 2016, the total number of Kesko Corporation shares was

100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or

68.3%, were B shares. At 31 March 2016, Kesko Corporation held 741,677 own B

shares as treasury shares. These treasury shares accounted for 1.09% of the

number of B shares, 0.74% of the total number of shares, and 0.19% of votes

attached to all shares of the Company. The total number of votes attached to all

shares was 385,652,815. Each A share carries ten (10) votes and each B share one

(1) vote. The Company cannot vote with own shares held by it as treasury shares

and no dividend is paid on them. At the end of March 2016, Kesko Corporation's

share capital was EUR197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was EUR31.12 at the end of

2015, and EUR36.95 at the end of March 2016, representing an increase of 18.7%.

Correspondingly, the price of a B share was EUR32.37 at the end of 2015, and

EUR38.81 at the end of March 2016, representing an increase of 19.9%. In January-

March, the highest A share price was EUR37.89 and the lowest was EUR28.98. The

highest B share price was EUR39.48 and the lowest was EUR29.56. In January-March,

the Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 6.9% and the

weighted OMX Helsinki Cap index by 4.9%. The Retail Sector Index was up by

18.2%.

At the end of March 2016, the market capitalisation of A shares was EUR1,173

million, while that of B shares was EUR2,621 million, excluding the shares held by

the parent company. The combined market capitalisation of A and B shares was

EUR3,794 million, an increase of EUR624 million from the end of 2015. In January-

March 2016, a total of 0.5 million (0.8 million) A shares were traded on Nasdaq

Helsinki, a decrease of 41.1%. The exchange value of A shares was EUR17 million.

The number of B shares traded was 16.6 million (17.3 million), a decrease of

3.8%. The exchange value of B shares was EUR598 million. Nasdaq Helsinki accounted

for 54% of the Kesko A and B share trading in January-March 2016. Kesko shares

were also traded on multilateral trading facilities, the most significant of

which were BATS Chi-X with 29% and Turquoise with 17% of the trading (source:

Fidessa).

During the reporting period, the Board had the authority to decide on the

transfer of a maximum of 1,000,000 own B shares held by the Company as treasury

shares. On 3 February 2016, the Board decided to ***grant*** own B shares held by the

Company as treasury shares to persons included in the target group of the 2015

vesting period, based on this share issue authorisation and the fulfilment of

the vesting criteria of the 2015 vesting period of Kesko's three-year share-

based compensation plan. This transfer of a total of 137,054 own B shares was

announced in a stock exchange release on 17 March 2016. Based on the 2014-2016

share-based compensation plan decided by the Board, a total maximum of 600,000

own B shares held by the Company as treasury shares can be ***granted*** within a

period of three years based on the fulfilment of the vesting criteria. The Board

will separately decide on the vesting criteria and target group for each vesting

period. The share-based compensation plan was announced in a stock exchange

release on 4 February 2014. In January-March, a total of 1,154 shares ***granted***

based on the fulfilment of the vesting criteria of the share-based compensation

plans (the 2011-2013 and the 2014-2016 share-based compensation plans) was

returned to the Company in accordance with the terms and conditions of the

share-based compensation plans. The returns during the reporting period were

notified in a stock exchange notification on 17 March 2016 and 31 March 2016.

Kesko's Annual General Meeting held on 4 April 2016 authorised the Company's

Board to make decisions concerning the transfer of a total maximum of 1,000,000

own B shares held by the Company as treasury shares (the 2016 share issue

authorisation). The authorisation cancelled the earlier share issue

authorisation corresponding in content. Based on the authorisation, own B shares

held by the Company as treasury shares can be issued for subscription by

shareholders in a directed issue in proportion to their existing holdings of the

Company shares, regardless of whether they own A or B shares. Shares can also be

issued in a directed issue, departing from the shareholder's pre-emptive right,

for a weighty ***financial*** reason of the Company, such as using the shares to

develop the Company's capital structure, to ***finance*** possible acquisitions,

capital expenditure or other arrangements within the scope of the Company's

business operations, and to implement the Company's commitment and incentive

scheme. Own B shares held by the Company as treasury shares can be transferred

either against or without payment. A share issue can only be without payment, if

the Company, taking into account the best interests of all of its shareholders,

has a particularly weighty ***financial*** reason for it. The authorisation also

includes the Board's authority to make decisions concerning any other matters

related to share issues. The amount possibly paid for the Company's own shares

is recorded in the reserve of unrestricted equity. The authorisation is valid

until 30 June 2020.

The Annual General Meeting held on 4 April also approved the Board's proposal

for its authorisation to decide on the acquisition of a maximum of 1,000,000 own

B shares of the Company (the 2016 authorisation to acquire own shares). B shares

are acquired with the Company's distributable unrestricted equity, not in

proportion to the shareholdings of shareholders, at the market price quoted in

public trading organised by Nasdaq Helsinki Ltd ("the exchange") at the date of

acquisition. The shares are acquired and paid in accordance with the rules of

the exchange. The acquisition of own shares reduces the amount of the Company's

distributable unrestricted equity. B shares are acquired for use in the

development of the Company's capital structure, to ***finance*** possible

acquisitions, capital expenditure and/or other arrangements within the scope of

the Company's business operations, and to implement the Company's commitment and

incentive scheme. The Board makes decisions concerning any other issues related

to the acquisition of own B shares. The authorisation is valid until 30

September 2017.

In addition, the Board has a share issue authorisation according to which the

Board is authorised to issue a maximum of 20,000,000 new B shares (the 2015

share issue authorisation). The authorisation is valid until 30 June 2018. The

shares can be issued against payment to be subscribed by shareholders in a

directed issue in proportion to their existing holdings of the Company shares

regardless of whether they hold A or B shares, or, departing from the

shareholder's pre-emptive right, in a directed issue, if there is a weighty

***financial*** reason for the Company, such as using the shares to develop the

Company's capital structure and ***financing*** possible acquisitions, capital

expenditure or other arrangements within the scope of the Company's business

operations. The amount paid for the shares is recognised in the reserve of

invested non-restricted equity. The authorisation also includes the Board's

authority to decide on the share subscription price, the right to issue shares

for non-cash consideration and the right to make decisions on other matters

concerning share issues.

At the end of March 2016, the number of shareholders was 40,193, which is 664

more than at the end of 2015. At the end of March, foreign ownership of all

shares was 27%. Foreign ownership of B shares was 39% at the end of March.

Flagging notifications

Kesko Corporation did not receive any flagging notifications during the

reporting period.

Key events during the reporting period

Kesko Corporation entered into an agreement to acquire Onninen Oy's whole share

capital from Onvest Oy. The pro forma net sales of the business to be acquired

were EUR1,438 million and the EBITDA was EUR39 million for the period from October

2014 until the end of September 2015. The price of the debt-free acquisition,

structured as a share purchase, is EUR369 million. Onninen's steel business and

Russian subsidiary are not included in the acquisition. The completion of the

acquisition is subject to the approval of the competition authorities and the

fulfilment of the other terms and conditions of the transaction. The acquisition

is estimated to be completed during the first half of 2016. (Stock exchange

release on 12 January 2016)

Tomi Korpisaari, a member of Kesko Corporation's Board of Directors, announced

that he would resign from the Company's Board of Directors for reasons of health

as of 1 March 2016. Kaarina Ståhlberg was appointed General Counsel and member

of the Management Board of Posti Group Corporation as of 1 March 2016, as a

result of which Ståhlberg announced that she would resign from Kesko

Corporation's Board of Directors as of 1 March 2016. (Stock exchange release on

5 February 2016 and 15 February 2016)

The arrangement agreed by Kesko in the autumn of 2015 to centralise its Baltic

building and home improvement trade in UAB Senuku Prekybos centras (Senukai) was

completed. The company's name will be changed to Kesko Senukai. In the

arrangement, Kesko sold the shares in its wholly owned companies responsible for

the operations of K-rauta stores in Estonia and Latvia to its subsidiary

Senukai, in which Kesko has a majority interest. (Stock exchange release on 1

April 2016)

Events after the reporting period

The transaction agreed between Kesko Corporation's subsidiary Kesko Food and the

private equity investment firm Triton to acquire Suomen Lähikauppa was closed.

The debt-free price of the acquisition, structured as a share purchase, is

approximately EUR60 million. In 2015, Suomen Lähikauppa's net sales were EUR935.7

million, it has around 600 Siwa and Valintatalo stores and around 3,800

employees. On 11 April 2016, the Finnish Competition and Consumer Authority

(FCCA) announced their approval of the acquisition. The permission contains

conditions imposed by the FCCA. The condition imposed by the FCCA to the

acquisition is an obligation to sell 60 stores of Suomen Lähikauppa Oy to

competitors. In case the sale of some store or some stores is not possible, the

selling obligation imposed on Kesko Food Ltd will cease. The FCCA also imposed

an obligation to Suomen Lähikauppa Oy, transferred to Kesko Food Ltd's

ownership, to continue purchases from Tuko Logistics Osuuskunta during a fixed

period of 18 months in order that purchases can be reduced in stages. (Stock

exchange release on 11 April 2016 and on 12 April 2016)

The Finnish Competition and Consumer Authority (FCCA) approved the acquisition

of Onninen Oy by Kesko Corporation as regards Finland. The permission does not

contain any conditions. The acquisition is yet subject to the approval of the EU

Commission as regards the other countries included in the arrangement and the

fulfilment of the other terms and conditions of the acquisition. The acquisition

is estimated to be completed during the first half of 2016. (Stock exchange

release on 20 April 2016)

Resolutions of the 2016 Annual General Meeting and decisions of the Board's

organisational meeting

Kesko Corporation's Annual General Meeting, held on 4 April 2016, adopted the

***financial*** statements and the consolidated ***financial*** statements for 2015 and

discharged the Board members and the Managing Director from liability. The

General Meeting also resolved to distribute a dividend of EUR2.50 per share as

proposed by the Board, or a total amount of EUR248,195,187.50. The dividend pay

date was 13 April 2016.

The General Meeting resolved to leave the number of Board members unchanged at

seven. The term of office of each of the seven (7) Board members elected by the

Annual General Meeting on 13 April 2015, i.e. retailer, Business College

Graduate Esa Kiiskinen, retailer, Master of Science in Economics Tomi

Korpisaari, retailer, Secondary School Graduate Toni Pokela, eMBA Mikael Aro,

Master of Science in Economics Matti Kyytsönen, Master of Science in Economics

Anu Nissinen and Master of Laws Kaarina Ståhlberg, will expire at the close of

the 2018 Annual General Meeting in accordance with Kesko's Articles of

Association. Korpisaari and Ståhlberg had resigned from the membership of the

Company's Board of Directors as of 1 March 2016. The General Meeting resolved to

replace them by retailer, trade technician Matti Naumanen and Managing Director,

Master of Science in Economics Jannica Fagerholm until the close of the Annual

General Meeting to be held in 2018. In addition, the General Meeting resolved to

leave the Board members' fees and the basis for reimbursement of expenses

unchanged.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy,

Authorised Public Accountants, as the Company's auditor with APA Mikko Nieminen

as the auditor with principal responsibility.

The General Meeting approved the Board's proposal for share issue authorisation

according to which the Board may decide on the transfer of a total maximum of

1,000,000 own B shares held by the Company as treasury shares (the 2016 share

issue authorisation). The General Meeting also approved the Board's proposal for

the authorisation to acquire own shares, according to which the Board may decide

on the acquisition of a maximum of 1,000,000 own B shares of the Company (the

2016 authorisation to acquire own shares).

Moreover, the General Meeting approved the Board's proposal for its

authorisation to decide on the donations in a total maximum of EUR300,000 for

charitable or similar purposes until the Annual General Meeting to be held in

2017 and to decide on the donation ***recipients***, purposes of use and other terms

of the donations.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an

organisational meeting in which it elected M.Sc. (Econ.) Jannica Fagerholm as

the Chair of the Audit Committee, re-elected eMBA Mikael Aro as its Deputy Chair

and M.Sc. (Econ.) Matti Kyytsönen as its member. Business College Graduate Esa

Kiiskinen (Ch.), Mikael Aro (Dep. Ch.) and M.Sc. (Econ.) Anu Nissinen were re-

elected to the Board's Remuneration Committee.

The resolutions of Annual General Meeting and the decisions of the Board's

organisational meeting were announced in more detail in stock exchange releases

on 4 April 2016.

Responsibility

Kesko was the best trading sector company (Food & Staples Retailing) on 'The

Global 100 Most Sustainable Corporations' list of 2016. Kesko placed 15(th) on

the list.

In February, Kesko, Arla Finland, HKScan Finland and Unilever Finland initiated

a Finnish soy commitment in cooperation with WWF Finland. The members of the

commitment pledge to ensure that by 2020, all the soy used in the production

chain of their private label products will be responsibly produced, either Round

Table on Responsible Soy (RTRS) or ProTerra certified soy.

In March, Kesko's Annual Report 2015 was published in Finnish at

[*http://vuosiraportti2015.kesko.fi*](http://vuosiraportti2015.kesko.fi) and in English at

[*http://annualreport2015.kesko.fi*](http://annualreport2015.kesko.fi). The Annual Report 2015 consists of the

strategy report, the GRI report, ***financial*** statements for 2015, Kesko's

Corporate Governance Statement, and the Remuneration Statement.

At the beginning of April, the Pirkka Thank the Producer product range expanded

from meat products to milks. A certain proportion of the price of the products

in the range is paid directly to Finnish producers. The objective of the K-Group

is to support Finnish producers with hundreds of thousands of euros through the

Thank the Producer operating model in 2016.

Risk management

Kesko Group has an established and comprehensive risk management process. Risks

and their management responses are regularly assessed within the Group and

reported to the Group management. Kesko's risk management and risks associated

with business operations are described in more detail on Kesko's website in the

Corporate Governance section.

The most significant near-future risks in Kesko's business operations are

associated with the general development of the economy and consumer confidence

especially in Finland and the weakening of the Russian economy and operating

conditions, as well as their impact on Kesko's sales and profit. In other

respects, no material change is estimated to have taken place during the first

part of the year in the risks described in Kesko's Report by the Board of

Directors and the ***financial*** statements for 2015 and the risks described on

Kesko's website. The risks and uncertainties related to economic development are

described in the outlook section of this release.

Outlook

Estimates for the outlook of Kesko Group's net sales and operating profit

excluding non-recurring items are given for the 12-month period following the

reporting period (4/2016-3/2017) in comparison with the 12 months preceding the

end of the reporting period (4/2015-3/2016).

The general economic situation and the expected trend in consumer demand vary in

Kesko's different operating countries. In Finland, owing to the weak trend in

consumers' purchasing power, the trading sector's performance is expected to

remain modest, which may be complicated further by actions taken to balance the

public ***finances***. In the Finnish grocery trade, intense competition is expected

to continue. The markets for the Finnish building and home improvement trade and

for the car trade are expected to improve slightly. With respect to foreign

countries, the economic situation and consumers' purchasing power, as well as

the outlook in Russia are still weak. In Sweden and Norway and the Baltic

countries, the market is expected to grow.

Kesko Group's net sales for the next 12 months are expected to exceed the level

of the preceding 12 months. The operating profit excluding non-recurring items

for the next 12-month period is expected to equal the level of the preceding 12

months. The outlook does not take account of the acquisition of Onninen, in

respect of which estimates will be given in connection with its completion.

Helsinki, 26 April 2016

Kesko Corporation

Board of Directors

The information in the interim report is unaudited.

Further information is available from Jukka Erlund, Senior Vice President, Chief

***Financial*** Officer, telephone +358 105 322 113, and Eva Kaukinen, Vice President,

Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the

interim report briefing can be accessed at    [*www.kesko.fi*](http://www.kesko.fi), at 11.30. An English-

language audio conference on the interim report will be held today at 14.30

(Finnish time). The audio conference login is available on Kesko's website at

[*www.kesko.fi*](http://www.kesko.fi).

Kesko Corporation's interim report for January-June will be published on 3

August 2016. In addition, Kesko Group's sales figures are published each month.

News releases and other Company information are available on Kesko's website at

[*www.kesko.fi*](http://www.kesko.fi).

KESKO CORPORATION

Merja Haverinen

Vice President, Group Communications

ATTACHMENTS: TABLES SECTION

Accounting policies

Consolidated statement of comprehensive income

Consolidated statement of ***financial*** position

Consolidated statement of changes in equity

Consolidated statement of cash flows

Group's performance indicators

Net sales by segment

Operating profit by segment

Operating profit excl. non-recurring items by segment

Operating margin excl. non-recurring items by segment

Capital employed by segment

Return on capital employed excl. non-recurring items by segment

Capital expenditure by segment

Segment information by quarter

Change in tangible and intangible assets

Related party transactions

Fair value hierarchy of ***financial*** assets and liabilities

Personnel average and at the end of the reporting period

Group's commitments

Calculation of performance indicators

K-Group's retail and B2B sales

DISTRIBUTION

Nasdaq Helsinki Ltd

Main news media

[*www.kesko.fi*](http://www.kesko.fi)

TABLES SECTION

Accounting policies

This interim report has been prepared in accordance with the IAS 34 standard.

The interim report has been prepared in accordance with the same principles as

the annual ***financial*** statements for 2015.

Consolidated income statement (EUR million),

condensed

                                                    1-3/   1-3/            1-12/

                                                    2016   2015 Change, %   2015

Net sales                                          2,013  2,082      -3.3  8,679

Cost of goods sold                                -1,755 -1,812      -3.2 -7,540

Gross profit                                         259    270      -4.3  1,139

Other operating income                               165    169      -2.3    800

Employee benefit expense                            -136   -144      -5.3   -545

Depreciation and impairment charges                  -28    -35     -20.0   -137

Other operating expenses                            -226   -364     -37.9 -1,063

Operating profit                                      34   -104      (..)    195

Interest income and other ***finance*** income               3      2      38.7     10

Interest expense and other ***finance*** costs              -2     -3     -41.1    -14

Exchange differences                                   1      1      (..)     -3

Share of results of equity accounted investments       0      0      (..)      1

Profit before tax                                     36   -104      (..)    188

Income tax                                            -7     -7       0.4    -71

Net profit for the period                             29   -111      (..)    117

Attributable to

  Owners of the parent                                27   -110      (..)    102

  Non-controlling

  interests                                            1     -1      (..)     16

Earnings per share (EUR)

for profit attributable to

equity holders of the parent

Basic and diluted                                   0.28  -1.11      (..)   1.03

Consolidated statement

of comprehensive income (EUR million)

                                                    1-3/   1-3/            1-12/

                                                    2016   2015  Change,%   2015

Net profit for the period                             29   -111      (..)    117

Items that will not be reclassified subsequently

to profit or loss

Actuarial gains/losses                                 4     28     -84.3     23

Items that may be reclassified subsequently to

profit or loss

Exchange differences on translating foreign

operations                                            -2      5      (..)    -17

Adjustment for hyperinflation                          -     -1         -      -

Cash flow hedge revaluation                           -1      0      (..)      0

Revaluation of available-for-sale ***financial***

assets                                                 0      1     -65.5      1

Other items                                            -      -         -      0

Total other comprehensive income for the period,

net of tax                                             2     33     -94.5      6

Total comprehensive income for the period             30    -78      (..)    124

Attributable to

  Owners of the parent                                33    -75      (..)    119

  Non-controlling

  interests                                           -2     -3     -19.7      5

(..) Change over 100%

Consolidated statement of ***financial***

position (EUR million), condensed

                                        31.3.2016 31.3.2015 Change, % 31.12.2015

ASSETS

Non-current assets

Tangible assets                             1,301     1,630     -20.2      1,282

Intangible assets                             170       172      -1.3        168

Equity accounted investments and other

***financial*** assets                              114       109       5.2        115

Loans and receivables                          65        16      (..)         67

Pension assets                                183       182       0.9        176

Total                                       1,833     2,108     -13.0      1,808

Current assets

Inventories                                   770       764       0.9        735

Trade receivables                             656       704      -6.7        582

Other receivables                             195       207      -5.9        127

***Financial*** assets at fair value

through profit or loss                        243       213      13.8        374

Available-for-sale ***financial*** assets           213       228      -6.9        372

Cash and cash equivalents                     291        65      (..)        141

Total                                       2,368     2,181       8.6      2,331

Non-current assets held for sale                0         1     -16.7          0

Total assets                                4,201     4,289      -2.0      4,139

                                       31.3.2016 31.3.2015 Change, % 31.12.2015

EQUITY AND LIABILITIES

Equity                                     2,197     2,110       4.1      2,163

Non-controlling interests                     90        79      14.9         79

Total equity                               2,287     2,188       4.5      2,242

Non-current liabilities

Interest-bearing liabilities                 256       310     -17.4        258

Non-interest-bearing liabilities              35         4      (..)         42

Deferred tax liabilities                      68        70      -3.2         71

Pension obligations                            1         1     -30.3          1

Provisions                                    13        20     -32.4         16

Total                                        373       405      -8.0        388

Current liabilities

Interest-bearing liabilities                 179       238     -24.8        181

Trade payables                               866       938      -7.6        795

Other non-interest-bearing liabilities       460       483      -4.7        495

Provisions                                    37        37      -1.5         38

Total                                      1,542     1,696      -9.1      1,509

Total equity and liabilities               4,201     4,289      -2.0      4,139

(..) Change over 100%

Consolidated statement of changes in equity (EUR million)

                 Share Re-      Cur-      Re-     Treas-   Re-    Non-     Total

                 capi- serves   rency     valu-   ury      tained con-

                 tal            trans-    ation   shares   earn-  trol-

                                lation    reserve          ings   ling

                                differ-                           inter-

                                ences                             ests

Balance at

1.1.2015           197      463       -38      -1      -31  1,594       82 2,265

Treasury shares

Share-based

payments                                                 1                     1

Dividends

Other changes                 0         0                                0     0

Net profit for

the period                                                   -110       -1  -111

Other comprehen-

sive income

Items that will

not be

reclassified

subsequently to

profit or loss

Actuarial

gains/losses                                                   34             34

Items that may

be reclassified

subsequently to

profit or loss

Exchange

differences

on translating

foreign

operations                    0         6                               -1     5

Adjustment for

hyperinflation                                                  0       -1    -1

Cash flow

hedge

revaluation                                     0                              0

Revaluation of

available-for-

sale ***financial***

assets                                          1                              1

Others

Tax related to

comprehensive

income                                          0              -7             -7

Total other

comprehensive

income                        0         6       1              27       -2    33

Balance at

31.3.2015          197      463       -32       0      -31  1,511       79 2,188

Balance at

1.1.2016           197      463       -45       0      -27  1,575       79 2,242

Share-based

payments                                                 0                     0

Increase of

share capital                                                           13    13

Acquisition of

subsidiary                                                               2     2

Net profit for

the period                                                     27        1    29

Other comprehen-

sive income

Items that will

not be

reclassified

subsequently to

profit or loss

Actuarial

gains/losses                                                    5              5

Items that may

be reclassified

subsequently to

profit or loss

Exchange

differences

on translating

foreign

operations                    0         2                               -4    -2

Cash flow

hedge

revaluation                                    -1                             -1

Revaluation of

available-for-

sale ***financial***

assets                                          0                              0

Tax related to

comprehensive

income                                          0              -1             -1

Total other

comprehensive

income                        0         2      -1               4       -4     2

Balance at

31.3.2016          197      463       -43       0      -27  1,606       90 2,287

Consolidated statement of cash flows (EUR million), condensed

                                                        1-3/ 1-3/ Change,% 1-12/

                                                        2016 2015           2015

Cash flows from operating activities

Profit before tax                                         36 -104     (..)   188

Depreciations according to plan                           28   35    -20.0   128

***Finance*** income and costs                                  -3    0     (..)     7

Other adjustments                                         -1  126     (..)    40

Change in working capital

Current non-interest-bearing

receivables, increase (-)/

decrease (+)                                            -140 -188    -25.5    -2

Inventories,

increase (-)/decrease (+)                                -35  -54    -35.0   -44

Current non-interest-bearing

liabilities, increase (+)/

decrease(-)                                               27  123    -78.2     7

***Financial*** items and tax                                   -8  -13    -38.0   -48

Net cash from operating activities                       -96  -75     28.8   276

Cash flows from investing activities

Investing activities                                     -49  -49     -0.9  -215

Sales of fixed assets                                     -3  -16    -81.2   432

Increase in non-current receivables                       -1    1     (..)    -1

Net cash used in investing activities                    -53  -64    -17.9   217

Cash flows from ***financing*** activities

Interest-bearing liabilities, increase (+)/decrease (-)   -9   39     (..)   -61

Current interest-bearing

receivables, increase (-)/

decrease (+)                                              -1    0     (..)     2

Dividends paid                                             -    -        -  -156

Equity increase                                           13    -        -     -

Short-term money market investments, increase (-)/

decrease (+)                                             169  -16     (..)  -269

Other items                                                5    7    -25.7    19

Net cash used in ***financing*** activities                    178   30     (..)  -466

Change in cash and cash equivalents                       28 -109     (..)    28

Cash and cash

equivalents and current

portion of available-for-sale ***financial*** assets at 1

Jan.                                                     334  313      6.6   313

Currency translation difference adjustment and

revaluation                                               -1    0     (..)    -7

Cash and cash

equivalents and current

portion of available-for-sale ***financial*** assets at 31

Mar.                                                     361  204     76.9   334

(..) Change over 100%

Group's performance indicators

                                          1-3/2016 1-3/2015 Change, pp 1-12/2015

Return on capital employed, %                  6.7    -18.1       24.8       9.3

Return on capital employed, %,

rolling 12 mo                                 16.4      2.6       13.8       9.3

Return on capital employed excl. non-

recurring items, %                             6.5      4.6        1.9      11.7

Return on capital employed excl. non-

recurring items, %, rolling 12 mo             12.4     10.2        2.1      11.7

Return on equity, %                            5.1    -19.9       25.0       5.2

Return on equity, %, rolling 12 mo            11.5      0.4       11.0       5.2

Return on equity excl. non-recurring

items, %                                       4.8      3.1        1.7       8.2

Return on equity excl. non-recurring

items, %, rolling 12 mo                        8.7      7.9        0.8       8.2

Equity ratio, %                               54.8     51.5        3.3      54.7

Gearing, %                                   -13.6      1.9      -15.5     -20.0

Interest-bearing net debt/EBITDA,

rolling 12 mo                                 -0.7      0.2       (..)      -1.4

                                                             Change, %

Capital expenditure, EUR million                51.4     51.5       -0.3     218.5

Capital expenditure, % of net sales            2.6      2.5        3.2       2.5

Earnings per share, basic, EUR                  0.28    -1.11       (..)      1.03

Earnings per share, diluted, EUR                0.28    -1.11       (..)      1.03

Earnings per share excl. non-recurring

items, basic, EUR                               0.26     0.19       41.0      1.70

Cash flows from operating activities,

EUR million                                      -96      -75       28.8       276

Cash flows from investing activities,

EUR million                                      -53      -64      -17.9       217

Equity per share, EUR                          22.13    21.30        3.9     21.82

Interest-bearing net debt, EUR million          -311       41       (..)      -448

Diluted number of shares, average for the

reporting period, 1,000 pcs                 99,045   99,024        0.0    99,114

Personnel, average                          18,405   19,058       -3.4    18,955

(..) Change over 100%

Group's performance indicators by quarter          1-3/  4-6/  7-9/ 10-12/  1-3/

                                                   2015  2015  2015   2015  2016

Net sales, EUR million                              2,082 2,227 2,203  2,166 2,013

Change in net sales, %                             -2.2  -6.0  -4.4   -4.4  -3.3

Operating profit, EUR million                      -103.6 175.8  83.1   39.3  33.5

Operating margin, %                                -5.0   7.9   3.8    1.8   1.7

Operating profit excl. non- recurring items, EUR

million                                            26.5  76.4  82.5   59.1  32.3

Operating margin

excl. non-recurring items, %                        1.3   3.4   3.7    2.7   1.6

***Finance*** income/costs,

EUR million                                          -0.3  -4.2  -3.5    0.9   2.7

Profit before tax, EUR million                     -103.7 172.1  78.8   40.7  35.7

Profit before tax, %                               -5.0   7.7   3.6    1.9   1.8

Return on capital employed, %                     -18.1  31.9  17.6    8.2   6.7

Return on capital employed, excl. non-recurring

items, %                                            4.6  13.9  17.5   12.4   6.5

Return on equity, %                               -19.9  28.0   8.9    4.8   5.1

Return on equity, excl.

non-recurring items, %                              3.1  10.6  10.6    9.2   4.8

Equity ratio, %                                    51.5  52.2  54.2   54.7  54.8

Capital expenditure,

EUR million                                          51.5  58.6  41.5   66.9  51.4

Earnings per share,

diluted, EUR                                        -1.11  1.48  0.43   0.22  0.28

Equity per share, EUR                               21.30 21.21 21.41  21.82 22.13

Segmental information

Net sales by segment                                   1-3/  1-3/          1-12/

(EUR million)                                            2016  2015 Change,%  2015

Grocery trade, Finland                                1,069 1,082     -1.2 4,566

Grocery trade,

other countries\*                                         25    21     20.7   107

Grocery trade, total                                  1,094 1,103     -0.8 4,673

- of which intersegment trade                             3     7    -52.8    15

Home improvement and speciality goods trade, Finland    400   466    -14.2 1,719

Home improvement and speciality goods trade, other

countries\*                                              296   307     -3.6 1,530

Home improvement and speciality goods trade total       695   773    -10.0 3,250

- of which intersegment trade                             3     1     (..)     1

Car trade, Finland                                      225   210      7.1   748

Car trade total                                         225   210      7.1   748

- of which intersegment trade                             0     0    -61.5     0

Common functions and

eliminations                                             -1    -3    -79.0     8

Finland total                                         1,693 1,755     -3.5 7,042

Other countries total\*                                  321   328     -2.1 1,637

Group total                                           2,013 2,082     -3.3 8,679

(..) Change over 100%

\* Net sales in countries other than Finland

Operating profit by segment                           1-3/   1-3/        1-12/

(EUR million)                                           2016   2015 Change  2015

Grocery trade                                         30.2   35.2   -5.0 249.4

Home improvement and speciality goods trade            1.8 -144.7  146.4 -57.2

Car trade                                              9.4    9.8   -0.4  26.1

Common functions and eliminations                     -7.8   -3.9   -3.9 -23.7

Group total                                           33.5 -103.6  137.1 194.6

Operating profit excl. non-recurring items by segment 1-3/   1-3/        1-12/

(EUR million)                                           2016   2015 Change  2015

Grocery trade                                         31.3   34.9   -3.6 177.5

Home improvement and speciality goods trade            0.3  -14.2   14.5  63.6

Car trade                                              9.4    9.8   -0.4  26.1

Common functions and eliminations                     -8.7   -3.9   -4.8 -22.7

Group total                                           32.3   26.5    5.8 244.5

Operating margin                                                         Rolling

excl. non-recurring items by segment, %      1-3/  1-3/            1-12/   12 mo

                                             2016  2015 Change, pp  2015  3/2016

Grocery trade                                 2.9   3.2       -0.3   3.8     3.7

Home improvement and speciality goods trade   0.0  -1.8        1.9   2.0     2.5

Car trade                                     4.2   4.7       -0.5   3.5     3.4

Group total                                   1.6   1.3        0.3   2.8     2.9

Capital employed by segment, cumulative                                  Rolling

average                                      1-3/  1-3/            1-12/   12 mo

(EUR million)                                  2016  2015     Change  2015  3/2016

Grocery trade                                 795 1 018       -223   871     829

Home improvement and speciality goods trade   773   910       -137   823     791

Car trade                                     119    98         22   104     107

Common functions and eliminations             303   270         33   285     294

Group

total                                       1,990 2,295       -305 2,083   2,020

Return on capital employed                         Rolling

excl. non-recurring items  1-3/ 1-3/ Change, 1-12/   12 mo

by segment, %              2016 2015     pp.  2015  3/2016

Grocery trade              15.7 13.7     2.0  20.4    21.0

Home improvement and

speciality goods trade      0.2 -6.3     6.4   7.7     9.9

Car trade                  31.6 40.2    -8.6  25.2    24.1

Group total                 6.5  4.6     1.9  11.7    12.4

Capital expenditure                         1-3/ 1-3/        1-12/

by segment (EUR million)                      2016 2015 Change  2015

Grocery trade                                 35   38     -3   129

Home improvement and speciality goods trade    8   10     -1    55

Car trade                                      5    3      2    16

Common functions and eliminations              4    1      2    18

Group total                                   51   52      0   219

Segmental information by quarter

Net sales by segment                          1-3/  4-6/  7-9/ 10-12/  1-3/

(EUR million)                                   2015  2015  2015   2015  2016

Grocery trade                                1,103 1,149 1,171  1,249 1,094

Home improvement and speciality goods trade    773   883   857    736   695

Car trade                                      210   190   170    177   225

Common functions and eliminations               -3     4     4      4    -1

Group total                                  2,082 2,227 2,203  2,166 2,013

Operating profit by segment                   1-3/  4-6/  7-9/ 10-12/  1-3/

(EUR million)                                   2015  2015  2015   2015  2016

Grocery trade                                 35.2 115.8  45.0   53.4  30.2

Home improvement and speciality goods trade -144.7  61.5  36.8  -10.9   1.8

Car trade                                      9.8   6.5   6.0    3.8   9.4

Common functions and eliminations             -3.9  -8.0  -4.6   -7.1  -7.8

Group total                                 -103.6 175.8  83.1   39.3  33.5

Operating profit excl.

non-recurring items                          1-3/ 4-6/ 7-9/ 10-12/ 1-3/

by segment (EUR million)                       2015 2015 2015   2015 2016

Grocery trade                                34.9 43.3 44.8   54.5 31.3

Home improvement and speciality goods trade -14.2 34.5 35.8    7.5  0.3

Car trade                                     9.8  6.5  6.0    3.8  9.4

Common functions and eliminations            -3.9 -8.0 -4.1   -6.7 -8.7

Group total                                  26.5 76.4 82.5   59.1 32.3

Operating margin excl.

non-recurring items                         1-3/ 4-6/ 7-9/ 10-12/ 1-3/

by segment, %                               2015 2015 2015   2015 2016

Grocery trade                                3.2  3.8  3.8    4.4  2.9

Home improvement and speciality goods trade -1.8  3.9  4.2    1.0  0.0

Car trade                                    4.7  3.4  3.5    2.1  4.2

Group total                                  1.3  3.4  3.7    2.7  1.6

Change in tangible and intangible assets (EUR million)

                                              31.3.2016 31.3.2015

Opening net carrying amount                       1,451     1,802

Depreciation, amortisation and impairment           -28       -35

Investments in tangible and intangible assets        50        51

Disposals                                            -3       -22

Currency translation differences                      1         6

Closing net carrying amount                       1,471     1,802

Related party transactions (EUR million)

The Group's related parties include its key management (the Board of Directors,

the Managing Director and the Group Management Board) and companies controlled

by them, the Group's subsidiaries, associates and joint ventures as well as

Kesko Pension ***Fund***.

The following transactions were carried out with related parties:

                                 1-3/2016  1-3/2015

Sales of goods and services            12        18

Purchases of goods and services         2         5

Other operating income                  2         3

Other operating expenses               16         8

***Finance*** costs                           1         -

                                31.3.2016 31.3.2015

Receivables                            60         8

Liabilities                            23        26

Fair value hierarchy of ***financial*** assets and liabilities (EUR million)

                                              Level  1 Level 2 Level 3 31.3.2016

***Financial*** assets at fair value through profit

or loss                                          112.7   129.9             242.7

Derivative ***financial*** ***instruments*** at fair

value through profit or loss

Derivative ***financial*** assets                                4.0               4.0

Derivative ***financial*** liabilities                           9.8               9.8

Available-for-sale ***financial*** assets              142.3    70.5    15.6     228.4

Fair value hierarchy of ***financial*** assets and liabilities (EUR million)

                                              Level  1 Level 2 Level 3 31.3.2015

***Financial*** assets at fair value through profit

or loss                                           25.0   188.1             213.2

Derivative ***financial*** ***instruments*** at fair

value through profit or loss

Derivative ***financial*** assets                               16.9              16.9

Derivative ***financial*** liabilities                          11.8              11.8

Available-for-sale ***financial*** assets               88.9   139.5    16.1     244.5

Level 1 ***instruments*** are traded in active markets and their fair values are

directly based on quoted market prices. The fair values of level 2 ***instruments***

are derived from market data. The fair values of level 3 ***instruments*** are not

based on observable market data

Personnel, average and as at 31.3.

Personnel average by

segment                                     1-3/2016 1-3/2015 Change

Grocery trade                                  6,174    6,065    109

Home improvement and speciality goods trade   10,775   11,747   -972

Car trade                                        767      775     -8

Common functions                                 688      471    217

Group total                                   18,405   19,058   -653

Personnel as at 31.3.\*

by segment                                      2016     2015 Change

Grocery trade                                  8,037    7,858    179

Home improvement and speciality goods trade   12,190   12,322   -132

Car trade                                        795      795      0

Common functions                                 758      514    244

Group total                                   21,780   21,489    291

\* Total number including part-time employees

Group's commitments (EURmillion)

                                              31.3.2016 31.3.2015  Change, %

Own commitments                                     154       207      -25.6

For associates and joint ventures                     -        65     -100.0

For others                                           16        10       58.6

Lease liabilities for machinery and equipment        26        26        3.1

Lease liabilities for real estate                 2,535     2,103       20.6

Liabilities arising from derivative ***instruments*** (EUR million)

                                                                  Fair value

Values of underlying ***instruments*** at 31.3.     31.3.2016 31.3.2015  31.3.2016

Interest rate derivatives

  Interest rate swaps                               100       101      -0.00

Currency derivatives

  Forward and future contracts                      211       240      -0.46

  Option agreements                                   -         4          -

  Currency swaps                                     50        50       2.49

Commodity derivatives

  Electricity derivatives                             8        18      -6.85

Calculation of performance indicators

                                          Operating profit x 100 / (Non-current

                                          assets + Inventories + Receivables +

Return on capital employed\*, %            Other current assets - Non-interest-

                                          bearing liabilities) on average for

                                          the reporting period

                                          Operating profit for the preceding 12

Return on capital employed, %, rolling    months x 100 / (Non-current assets +

12 months                                 Inventories + Receivables + Other

                                          current assets - Non-interest-bearing

                                          liabilities) on average for 12 months

                                          Operating profit excl. non-recurring

Return on capital employed excl. non-     items x 100 / (Non-current assets +

recurring items\*, %                       Inventories + Receivables + Other

                                          current assets - Non-interest-bearing

                                          liabilities) on average for the

                                          reporting period

                                          Operating profit excl. non-recurring

Return on capital employed excl. non-     items for the preceding 12 months x

recurring items, %, rolling 12 months     100 / (Non-current assets +

                                          Inventories + Receivables + Other

                                          current assets - Non-interest-bearing

                                          liabilities) on average for 12 months

Return on equity\*, %                      (Profit/loss before tax - Income tax)

                                          x 100 / Shareholders' equity

                                          (Profit/loss for the preceding 12

Return on equity, %, rolling 12 months    months before tax - Income tax for the

                                          preceding 12 months) x 100 /

                                          Shareholders' equity

                                          (Profit/loss adjusted for non-

Return on equity excl. non-recurring      recurring items before tax - Income

items\*, %                                 tax adjusted for the tax effect of

                                          non-recurring items) x 100 /

                                          Shareholders' equity

                                          (Profit/loss for the preceding 12

                                          months adjusted for non-recurring

Return on equity excl. non-recurring      items before tax - Income tax for the

items, %, rolling 12 months               preceding 12 months adjusted for the

                                          tax effect of non-recurring items) x

                                          100 / Shareholders' equity

Equity ratio, %                           Shareholders' equity x 100 /

                                          (Total assets - Prepayments received)

                                          (Profit/loss - Non-controlling

Earnings/share, diluted                   interests) /

                                          Average diluted number of shares

                                          (Profit/loss - Non-controlling

Earnings/share, basic                     interests) /

                                          Average number of shares

Earnings/share excl.                      (Profit/loss adjusted for non-

non-recurring items,                      recurring items - Non-controlling

basic                                     interests) / Average number of shares

                                          Equity attributable to equity holders

Equity/share                              of the parent /

                                          Basic number of shares at the balance

                                          sheet date

                                          Interest-bearing net liabilities x

Gearing, %                                100 /

                                          Shareholders' equity

                                          Interest-bearing liabilities - Money

Interest-bearing net debt                 market investments - Cash and cash

                                          equivalents

EBITDA, rolling 12 mo                     Operating profit + Depreciation,

                                          amortisation and impairment +

                                          Depreciation and impairment charges

                                          for the preceding 12 months

Interest-bearing net debt/ EBITDA,        Interest-bearing net debt/ EBITDA,

rolling 12 mo                             rolling 12 mo

\* Indicators for return on capital have been annualised

K-Group's retail and B2B sales\*, VAT 0% (preliminary data):

                                                               1.1.-31.3.2016

K-Group's retail and                                         EUR million Change, %

B2B sales

K-Group's grocery trade

K-food stores, Finland                                           1,073      -0.1

K-citymarket, non-food                                             127      -2.5

Kespro                                                             184       0.9

K-ruoka, Russia                                                     25      20.6

Grocery trade, total                                             1,409       0.1

K-Group's home improvement and speciality goods trade

K-rauta and Rautia                                                 171       0.0

Rautakesko B2B Service                                              48      19.4

K-maatalous                                                         86      -3.2

Machinery trade, Finland                                            35       3.2

Speciality goods trade, Finland                                    118      -9.8

Finland, total                                                     459      -1.5

Home improvement and speciality goods trade, other Nordic

countries                                                          165      -0.3

Home improvement and speciality goods trade, the Baltics           111       3.0

Home improvement and speciality goods trade, other countries        55     -14.5

Home improvement and speciality goods trade, total                 790      -1.7

K-Group's car trade

VV-Autotalot                                                       106      11.4

VV-Auto, import                                                    124       5.3

Car trade, total                                                   230       8.0

Finland total                                                    2,074       0.4

Other countries, total                                             356      -0.6

Retail and B2B sales,

total                                                            2,429       0.2

\* Excluding Anttila

Kesko\_interim\_report\_Q1\_2016:

[*http://hugin.info/3055/R/2007201/741894.pdf*](http://hugin.info/3055/R/2007201/741894.pdf)

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**ABSTRACT**

The idea that difference exists between rural and urban enterprise activity is not new, the obvious comparators are measures such as social architecture, resource availability and accessibility. However, when the concept and practice of management in social enterprise is compared in these two contexts then there is opportunity to further our understanding of the contextual challenges encountered by social enterprise. In this paper six cases studies are compared and analysed: three cases are urban social enterprises and three classified as remote rural social enterprises. The urban cases are social enterprises located around Glasgow in the west of Scotland and are compared with three remote rural location studies, one on the Scottish mainland peninsula, the other in northern Scotland and the final case on a Scottish western island. We conclude that the main differences between remote rural and urban management of social enterprise are heavily nuanced by in-migration levels in both rural and urban locations, leadership and community needs and therefore deserving of context relevant policy.

**FULL TEXT**

**Introduction**

Living in a rural space is understood to be a different experience when compared to living in an urban space but attachment to that ‘space’ can be equally as strong for either and can be considered as meaningful for as many similar as there are dissimilar reasons (Bailey and Biggs, 2012; Gosling and Williams, 2010; Hindendrad and Hennon, 2005; Kuehne, 2012). Throughout the world many make choices to locate in one or other of these landscapes and much of how identity and belongingness is shaped has been an evolutionary reorganisation of social infrastructure and economic activity which is widely considered as ‘life’ in a progressive society (Bryant, 1999). Of course choice and mobility of where to live is not a given and there are many born into their landscape who grow up there. Perhaps some would consider this type of connection a burden, others a social history and birthright, and others just simply having attachment to a known space (Bailey and Biggs, 2012; Campbell, 1980; Dickson, 1980). Equally the inner city may provide some with a convenience-based modern lifestyle but for others it might be a prison of poverty, the basic assumption being that the community is geographically placed.

The Scottish Government has published policy which clearly addresses key aspects of economic renewal and regeneration through enterprise activity (Scottish Government, 2010). Engaging in these policy-driven activities includes a number of communities and social enterprises all seeking to tackle a local, social or disadvantage problem and improve the lives of their community. Extensive work has resulted in a vast number of cases offering consideration of how social enterprise can be structured, how they challenge their community problems and so on. In particular Bailey and Biggs (2012) examine older adults’ conceptions of living and working in rural spaces specifically the cultural drivers and the connectivity they feel with their landscape. So despite government efforts and the wider pursuit of equality, one key feature of society is the mix of similarities and differences creating a complex landscape and one where connectivity, identity, understanding and tolerance are part of the management dynamic. This paper is concerned with the similarities and differences between managing a social enterprise organisation in a rural context and an urban context where ‘community need’ is the purpose for business sustainability and growth.

This article reports on a case study analysis of six social enterprises, three in a rural context and three in an urban context where in-depth interviews were carried out to investigate management practice. This paper continues with a review of literature that offers insight to how social enterprise is contextually shaped which will highlight current thinking in such matters before the management variables are considered. Discussion around rural and urban community perspectives (Scottish Government, 2007, 2010) informs our understanding of the context before findings are presented to show the distinctive similarities and differences of management practice in rural and urban social enterprise.

**Community ‘need’ as context**

In its broadest terms social enterprise advocates competing ideas of profit and social value. Although a contradiction in terms the output is ideally a sustainable, well-managed venture with multiple and collective benefits; but this is not without its challenges, especially in terms of communications and stakeholder agreement (Dacin et al., 2011; Santos, 2009). Patzelt and Shepherd (2011) maintain that knowledge of the social context will enhance the economic opportunity for sustainable development arguing that a social enterprise differs from a for-profit model, because it emphasises social value rather than profit, and secondly creating value for a collective is more likely to happen in groups rather than by individual entrepreneurs and as a starting point challenges management literature which focuses so often on the individual. However, before considering management concepts in context, it is necessary to establish a socio-cultural understanding of community ‘need’, the philosophical stance taken in this research.

Communities, geographical or defined by identity, are established through social and cultural processes and often the levels of attachment to the community will determine the need for change and the capability for change. Equally the wealth of that community in terms of social capital, social mobility and economic circumstances can affect the degree of change that can be expected from within a community (Smith, 2013). Jack and Anderson (2002) consider a socio-contextual view of connected rural activity arguing that the entrepreneur relates to their environment and embeds within their community in order to leverage resources. Rural businesses were selected for their study, in which the importance of the business being embedded in the local social context is revealed. This translates into the idea that, by being lodged into the local structure over a period of time, the business can feed from the array of business opportunities that become available.

Embeddedness can be considered in the context of local rural community structures, which themselves have been attributed with loyalty, co-operation and balanced with socio-economic values (Downing, 2005). The overall idea suggests that embeddedness is based on an individual's actions as s/he lives: firstly, because of the social structure within which people create ventures; secondly, because desire and passion to create is pursued on an intrinsically motivated emotional level; and thirdly, because there will be an economic outcome, either positive or negative (DiMaggio and Powell, 1983; Giddens, 1984). Although evidenced in geographically located and community-based social enterprise, similar socio-cultural bonds are evident in a community bonded by disadvantage or illness yet located across regions held together through identity and commonality; they do not have to live together but their commonality of community ‘need’ is as strong as those who do (Edwards, 2002; Williams and Williams, 2011).

Despite strong bonds which create community ‘need’, too often there are barriers inhibiting social enterprise activity, reinforcing the suggestion that Enterprise Development Policy struggles to effectively touch urban and rural neighbourhoods. Notably, the breadth of policy approaches required to create any impact are key findings generated by Williams and Williams (2011) who concluded that the urban canvas was essentially a complex mix of socio-cultural and economic factors making it difficult to generalise at any level. Supporting this stance and from a rural perspective, Steinerowski and Steinerowska-Streb (2012) argue that to assume rural and urban social enterprise are the same is a ‘faulty’ position and that rural social enterprises need to practise an ‘adaptive capacity’. This current viewpoint emphasises the complexity of community ‘needs’ and how they ‘gel’ together and argues that the socio-cultural and economic position of ‘need’ is driven by the behaviours of those involved when faced with disadvantage, structural change, in-migration levels, knowledge creation and change. Thus the context is described, the canvas revealed upon which social enterprise is created, a complex background for any new venture to successfully navigate. Where there is background there exists foreground, and the foreground in relation to this study is the internal management skills and practice of those leading and working in community-based social enterprise.

Often it takes a visionary individual, perhaps one affected through family or friendship, to step forward and lead a cause, particularly when faced with so many challenges. Strategic decision making and strategy formulation is considered a visionary process, often based on the intuition of a chief executive, and internalised by his or her own behaviour. By its very nature, it is deliberate in its vision and emergent in how the details unfold, and reflects a full knowledge of the organisational situation allowing for flexibility and adaptation because of the need for only one person to take the initiative (Druker, 1970; Mintzberg, 1973; Mintzberg and Lampel, 1999; Pettigrew, 1977). Yet social enterprise is faced with being a collaboratively and cooperatively managed entity, thus challenging the fundamental framework of management concepts which is based on individual behaviour. The individual is therefore at odds in the social enterprise – where there needs to be a collective from the community, yet without a vision so often created by the leader – it is challenging to sustain a forward momentum, Stacey (1992). Beaver and Jennings (2005) point out that, were the theory of entrepreneurship to be put into practice, with so much emphasis on the power of one individual, it could have demotivating consequences within the organisation; in addition it places the burden for strategic development on one individual, and may therefore lead to a narrow, and for some individuals, a fixed vision. This contribution highlights the importance of the benefits of visionary leadership and the chief executive in the planning process in seeking out opportunities and committing the organisation to build courses of action in situations of uncertainty, but alerts us to the dangers of individualism and the challenge faced by communities as they create and manage their social enterprise.

In summary, we argue that context is inextricably linked with community ‘need’ and influences any subsequent social enterprise management to a degree that means generalisation and national policy will struggle to meet the needs of social enterprise that is created to serve the community or is created by community be it rural or urban. The following section presents the case study approach and then reports how key issues such as community needs, social mobility, leadership and management highlighted in six case studies influence the trajectory of each organisation.

**Approach**

Qualitative studies are excellent at offering insights to nuances that affect particular situations (Neergaard and Ulhoi, 2007). Despite this, qualitative work has limitations and often findings can be difficult to apply across wider groups (Yin, 2009). However, in this study it is the differences and similarities in contrasting contexts that are being considered and as such in-depth case studies are required to enable discovery. Three social enterprises were identified through referral, all in and around Glasgow, a major city in the west of Scotland. All three interviewees held management positions within the social enterprise and were previously known to the researchers. Identification of the rural cases and interviewees also entailed referral. In this instance, however, the researchers did not know the interviewees, and contact was made through a third party. The rural cases were located in remote locations. Scotland has a large area that falls within the classification of remote rural and includes approximately 790 Islands Visit Scotland (2016) off the coast of Scotland. These three remote rural case studies represent quite different examples of the remote rural classification. One was located in northern Scotland and provides services for communities, which are widespread across the north east. The second is on a mainland peninsula where access is only by sea or a long walking route. The third is an island-based social enterprise situated on the main islands off the west coast of Scotland. These cases were typically rural in terms of isolation and rural geography. Urban cases in contrast were typical in terms of access to services, skills and featuring central locations in highly populated areas.

All cases contacted were willing to be interviewed. Interviews were with Directors, CEOs or individuals with leadership roles in the organisation and lasted between two and four hours, with extensive company documentation being made available. The interviews were taped and then transcribed (Neergaard and Ulhoi, 2007). Analysis involved reading the transcripts and preparing accounts that captured context and details of their management functions. Researchers were seeking insights to those aspects of context that drove management practice. Table 1 offers a summary of the case study companies highlighting key points of each study. Table 1.Rural and urban case studies.

| **Case study** | **Summary** |
| --- | --- |
| Rural Peninsula case | Context: • A Scottish Highland estate • A new owner broke up the estate; high levels of in-migration • Early days involved ***funding*** applications • Professional advice followed to create trading subsidiaries • Two main social enterprises were created Management: • This period required extensive skills and high levels of adaptability. • At Board level individuals had different motivations and managing agendas was found to be challenging |
| Rural Island case | Context: • Case originates from a conversation between a local estate and the crofting community over a wind farm circa 2001/2002 • There was an enthusiastic local response, and by 2004 it was up and running delivering various community services. Management: • Normally with projects 20–30 would turn up at the beginning and a sub group formed to take it forward. • A hard core of six people drove things forward. • The projects range from the local filling station, recycling to renewables each requiring a variety of skill sets. • Some jobs are advertised and able to employ local expertise in a range of roles. • Attracting personnel retiring to the area as well as reinvigorating long-standing islanders who feel passionate about the community. |
| Rural Sutherland case | Context: • Genesis of this case study is 1992 and one individual involved in a restoration project. • Evolution involved a community group ***funded*** by the local council which recycled a variety of by-products and catered to environmental concerns. • There was extensive council involvement so everyone was paid but only one volunteer • It was this one individual who, being driven by a passion, took the enterprise out of council control and created a social enterprise. Management: • To move the project forward a job came up and the entrepreneur applied and was awarded the contract, • It was now a community project fully ***funded*** for 3 years. • After 3 years the project finished but the government stepped in through a new ***funding*** pot; and so it continued from one funder to the next. |
| Urban LTD support case | Context: • Started in 1994 bringing together two organisations, one based around service provision and local authority contracts and the other a campaign organisation. • Began as a charity but has grown over the years benefiting from ad hoc and incremental development in Government policy. Management: • Grew rapidly in the 2000s because of procurement contracts from Glasgow City Council. The majority of ***funding*** is now from local authorities through ***grants***, and only 20% is from ***fund***-raising and other business relationships. • Involved in the development of social enterprise companies which helps to ***fund*** projects and activities for sufferers. • Have a very active council, people from care homes, business people, local councillors, an MSP, ***fund***-raisers and families affected by the disease. • A working group who help to support the charitable aspects of the organisation. |
| Urban Pro case | Context: • Started in 1946 and aimed to help people coming back from the war who had acquired a disability and who had little chance of employment. • Early enterprises were in the knitwear industry; however, China was able to gain this market. • Now involved in a variety of industries, mainly, however, the manufacturing and assembly of packaging. Management: • Generates income from commercial activity and is able now to support over one hundred employee places. • The company is ***funded*** significantly, 70%, through commercial activity with a mission to improve equality of opportunities engaging with large companies for commercial opportunities. • Skills and knowledge gaps are around marketing and HR, and resources are the main barrier to developing or buying in these skills. • CEO had some training in these areas; however, the company relies on retired volunteers where possible and the skills gap remains. |
| Urban inclusion case | Context: • Company is 12 years old and has a turnover of around £4.5 million, much of which comes from local authority contracts • The company also has a small income from sharing their learning by way of training services. This is the social enterprise side of the business where the money is reinvested in the business or used to grow other businesses. • It exists to support people with learning difficulties or health problems who want to live independently in their own homes. Management: • Organisation assesses individual needs and provides bespoke services with the money allocated from social services. • When the organisation grows then the company uses its expertise to develop a second generation organisation. • A third generation company is being developed which is legally and formally part of the second generation company, but will separate when it becomes ***financially*** viable. • The company has no volunteers except the seven members of the board, who bring a variety of skills, particularly HR skills, which the organisation is short of. |

The following section offers an account of each case study crafted from the transcripts and is a narrative in context containing insights to management practice in relation to context. Each case is described in depth, highlighting cultural and social aspects as well as management practices and engages with key literature themes: community regeneration needs, social structures and management. Finally, case study findings inform discussion around why contextual nuance affects management practice in rural and urban landscapes, and conclude the section.

**Rural peninsula case study**

The peninsula case study was the embryonic venture established in a landscape that had been a classic Scottish Highland estate and until the 1980s the estate was typical of rural architecture where land ownership extended to 55,000 acres and included a vast number of buildings. The interviewee reported that a new owner at this time took an approach which involved breaking up the estate. This action was disruptive to centuries of continuity and led to in-migration, with incomers buying parts of the estate: It was a totally new ownership structure because you’ve gone from one person owned everything to suddenly, ok you still had some big owners owning big bits, but you also had little owners owning their house and garden like you have anywhere else.Arguably, when new owners set up a bed-and-breakfast venture the beginnings of enterprise on the peninsula occurred. Specifically, Patzelt and Shepherd (2011) discuss this form of opportunity recognition noting that individuals will react with sustainable opportunity recognition when their communal environment appears threatened. As more ownership was established, a hydroelectric service was created for the new owners, creating revenue streams; these are types of changes often recorded in rural farming literature ownership, tenures and decoupling practices (see Cheshire et al., 2012). Then a period of unsettledness followed with different landlords on the estate and a lack of direction. Community concerns led to formation of a collective foundation created to initiate a community buyout of what remained of the estate. There were about 70 people on the peninsula at this time with an active core of 20–25 people who wanted to bring about change. Through a great deal of effort £750 thousand was raised which purchased: “16500 acres of land, 5 residential properties and a bunkhouse, a hydroelectric scheme, lots of old sheds, buildings, woodwork shop and garage”.

Although a great achievement, the new owners were deeply concerned over the new assets and described them as *‘liabilities’*. The reality was that they now needed to organise themselves and manage the new entity along with a degenerating asset base. Despite having a business plan, the mountain facing the organisation which had to be climbed was enormous: It was a business plan that worked to get us the ***funding*** and it had a lot of useful information in it but it had to make so many sort of suppositions that it had to, well you know, best guess and best stab in the dark.Appointing people to posts required networking efforts with a number of agencies to apply to for ***funds***, all requiring investment of time from unpaid volunteers. Professional advice followed to create trading subsidiaries to lessen risk and protect the various enterprises.

The organisation continues to grow but this is complex management navigation: a charity board and three separate trading boards. Managing the trading ventures traverses a number of sectors and skills, butchery, t-shirts, tourism, renewables: an extensive and testing portfolio. With no access to this location by road, visitors either sail or walk, that means marketing efforts in and by the community are about making the area a tourist destination: “it is income driven we can make more money but it’s also about … local products and local people”.

Income generation is from local trade, meaning external visitors, tourism and the like are essential to the micro economy.

**Rural island case study**

This case originated from a conversation between a local estate and the crofting community over a wind farm circa 2001/2002. By 2004 the local community had proposed that a Trust of some sort should be formed, the point being that if money was going to be made then it should be diverted back into the community. There was a huge local response, a good deal of enthusiasm and by 2004 it was up and running: we then rounded up launching this Trust by then having had sort of various community discussions with a whole tranche of things you know that could be done. Tourism. New bus routes. Care for the elderly all sorts of ideas bubbled up and there were a set of directors of you know whatever eight directors or so and it all got going.Normally, project development would involve 20–30 people at the beginning and a sub group formed to take it forward. But the steering group has got smaller and now a hard core of six people drive things forward. The projects range from the local filling station, recycling to renewables, each requiring varied skill sets. As in the previous case, Patzelt and Shepherd’s (2011) position on sustainable opportunity recognition holds true in this island based case. Some jobs are advertised and able to harness local skills. It is also attracting personnel retiring to the area as well as reinvigorating long standing islanders who feel passionate about the community, a point on identity and older adults well established by Bailey and Biggs (2012). It seems opportunities have presented themselves where economically challenged activities such as the post office are present with a vested interest for everyone. The community is able to notify priorities and seek pockets of ***funding***. That said, the Trust thinks it will take ten years before they can make money and so it is important to continue to apply for ***funding***. However, the organisation proposes that they: bring people together and without that there would be the landowner here and with a view to developing but there would be a bit of a vacuum in terms of how do you identify local priorities and make sure that what’s being planned is sustainable and you know there’s a challenge there.They say mistakes were made and they found it difficult to work out what they really needed in the management skill set. The community, however, is vibrant and much more employment has been generated creating a less fragile community.

**Rural Sutherland case study**

The genesis of this case study was 1992 and one individual involved in a restoration project. Thereafter the organisational evolution involved a community group ***funded*** by the local council which recycled a variety of by-products and catered to environmental concerns. But the project struggled: “It would go up a blind alley and all you’d do is get angry and so you’d say to them ‘eh well excuse me have you identified any sort of business opportunities in the area.”

Particularly, commercial view points and risk provided key problems. The interviewee reported: I remember the first meeting the only thing they seemed to be interested in was to making sure there was no biscuits left on the table’, (So to make the project move forward a position was created.) ‘And we got ***funding*** and were ready to go in a year and at the very last minute for other all sorts of reasons I decided that what I’d do was resign my chair and apply for the job.It was now a community project fully ***funded*** for three years, had entrepreneurial leadership with government ***funding*** secured for a period. The essence of organisational evolution had been cycles of business reinvention as the collective desperately tried to source sustainable opportunities: “And then and then the government came along and rescued us again you see the way we work the way it works is that if somebody sticks a ***funding*** pot up we’ll have a shot at it”.

The organisation continues to trade and employs those in need of employment in the local area. The group and leadership are particularly creative and handle risk well and constantly seek opportunity; So that in the pipeline there’s a ***funding*** bid to make bio-diesel so that’s a development see that’s the sort of development that’s coming up we got bio-diesel coming along we can add that to the material we collect.Their development has involved creative morphing from one shape to the next and so on as different funders have been found and applications made under the various and differing requirements. What has remained is the tenancy of one particular individual, the original volunteer who became the visionary entrepreneur, and now the organisation is succession planning and that success is based on self-reliance. Less evident in this case has been communal and environmental drive to seek sustainable opportunity and interdependency which was so evident in cases where land and local ownership were integral to the creation of enterprise (Patzelt and Shepherd, 2011).

**Urban support case study**

This organisation was launched in 1994 bringing together two organisations, one based around service provision and local authority contracts and the other a campaign organisation supporting people and their families who faced a degenerative illness. The interviewee commented: We have kept the service provision quite separate and have emphasised the policy development campaigning side bringing together service users, carers and family to represent the views of people in Scotland who have the illness.This organisation began as a charity but had grown over the years benefiting from ad hoc and incremental development in Government policy over the years. The organisation grew rapidly in the 2000s through procurement contracts from Glasgow City Council. The majority of ***funding*** now came from local authorities through ***grants***, and only 20% from fundraising. The company has since grown, developing relationships with large companies who have been generous in their ***financial*** support. Senior management realised that the company had to move away from reliance on local authority ***funding***; the plan being a shift from statutory ***funding*** to enterprise and trade activity. The company has been influenced most by the ageing population and by European legislation on procurement as well as Scottish Government policy on the illness. The commercial activity is procurement and services and any surplus money is reinvested. The plan is to reinvest money to develop social enterprises, which in turn can generate income for the company. The interviewee commented: “the vision and mission of the organisation is to ensure that no one lives through this illness on their own, including their family and carers”.

The aim is that people with the illness can have choice and control in their lives, in accordance with the Scottish Government’s self-directed support bill, and whilst still being assessed by the local authority, they can purchase their own care package (Self-directed Support Scotland Act, Scottish Government, Department of Social Care, 2013). The organisation acts as a lobbying body. The first success was in 2008 when inclusion for recognition and diagnosis of the illness into GP targets was achieved, thus improving the number of people identified as having the illness and improving early detection. This is probably the most fundamental change to the organisation.

The organisation had a fairly new Chief Executive who was actively involved in the development of social enterprise companies, for example the development of a café so that carers and sufferers can meet once or twice a week as well as seeking out new and novel methods of ***financial*** donation such as leaving envelopes on tables in restaurants and asking people to donate one pound at the end of their meal. They have also accessed Big Lottery ***Funding***. The chief executive is forward looking and very involved in strategic initiatives and the organisation continues to have a very prominent position with the Scottish Government. The interviewee commented: “we are practically partners in ***instrumenting*** new strategy’. (It was felt by the interviewee that their strength was the staff members who) “are incredibly loyal and are a huge asset”.

The interviewee proposed that that this may be because the organisation is a charity and the focus of the company is on care; they also invest as much as possible in staff training and development taking account of the latest research into caring for people suffering from this illness. In terms of commercial skills and knowledge, this was being addressed within the development team. The organisation does use external consultants mostly ***funded*** by the Scottish Government as well as ***funding*** based around social enterprise development.

The company has a very active council, people from care homes, business people, local councillors, an MSP, ***fund*** raisers and families affected by the illness. There is also a working group ***funded*** by Comic Relief who have produced materials highlighting the support available and helping to back the charitable aspects of the organisation. The organisation has developed an International Committee looking at international policy, and often experienced retired people become involved voluntarily, offering valuable business advice.

**Urban pro case study**

This organisation started in 1946 with the aim of helping people coming back from the war who had acquired a disability and little chance of employment. The company originated from a group of four who decided to use their business contacts to ensure some sort of employment for these people. There was very little state welfare provision at that time and very little employment opportunity for those injured in the war. Early enterprises were in the production of knitwear; however, this has become a highly competitive industry dominated by Chinese companies who are able to manufacture at lower costs. Ultimately, it became impossible to compete on price at a similar quality. The company is now involved in a variety of industries, mainly the manufacturing and assembly of packaging. The company does not discriminate and recruits from across the spectrum of disabilities, anyone who is disadvantaged in the labour market. The company does rely on supported places from the government; but, it increasingly generates income from commercial activity and is now able to support over one hundred employee places as well as demonstrating social return on investment in a pilot study with the local authority. Some of the employees with learning difficulties live with elderly parents or live on their own. The interviewee commented: “They enjoy going to work, which can be witnessed by the relaxed atmosphere within the organisation”.

The company is ***funded*** almost entirely, 70%, through commercial activity. The company mission is to improve equality of opportunities and they engage with large companies for commercial opportunities, i.e. IBM, Everton and Standard Life, and gained an Enterprise Solutions award for company activity. The management teams are ex-commercial employees and have been employed in various sectors including whisky, plastics, electronics and computers and who believe that social enterprise organisations need to be sustainable (Patzelt and Shepherd, 2011). Having found a niche therefore, in packaging production and assembly, the company has recently diversified into call centre activity. These activities have low margins but as a niche operator the company can offer a high quality service. Organisations like the business model that is being offered and feel that it contributes to their corporate social responsibility. Surplus money is reinvested in the organisation to sustain developing projects. The Chief Executive proposed: This is a business model that could be applied within any business organisation. The aim is to get people back into mainstream employment; however, many will not leave the organisation and the company can always redeploy workers when necessary.The company now has a mature management team who have been employed for over seven years. The main aim of the business is to protect jobs and try to make a profit/surplus whilst embracing innovation and change. The CEO believed that the organisation had grown around enterprising personalities where ideas from any level of the organisation were welcomed. Skills and knowledge gaps were identified in marketing and human resource management, and ***financial*** resources were the main barrier to buying in these skills. The CEO had some training in these areas; however, the company relied on retired volunteers where possible and the skills gap remains.

**Urban inclusion case study**

The inclusion case study company is 12 years old and has a turnover of around £4.5 million, much of which comes from local authority contracts, or where individuals use their own money to buy the company care services. The company also has a small income from sharing their learning by way of training services. This is the social enterprise side of the business where the money is reinvested in the business or used to grow other businesses. It exists, the interviewee proposed: “to support people with learning difficulties or health problems who want to live independently in their own homes”.

The aim would be that people become able, where possible, to withdraw from these services as they become more independent. The organisation has 45 clients who receive care support. The organisation treats clients as individuals, assesses their needs, provides bespoke services and keeps the money which is allocated from social services in a pot for that person. The family and client then make decisions about how the money will be used. Most of the money is spent on staff costs and some goes into central services. Some money is put into insurance so that, if a staff member is ill, the company is in the ***financial*** position to be able to cover the cost of replacing them during that time period. When the organisation grows then the company uses its expertise to develop another organisation. The Director reported: this type of organisation is able to offer better value to clients; nevertheless, some people are of the opinion that this type of organisation is too small and cannot replicate the services of a larger organisation.When this organisation becomes ***financially*** viable then the Directors operate it as a separate company. The case study company is a second generation company and, at the time of the interview, a third generation company was being developed which is legally and formally part of this company, but will separate when it becomes ***financially*** viable. Under this business model support staff are shared; however, the 2nd and 3rd generation organisations are branded as different entities. The company has paid staff members and does not rely on the services of volunteers, although the seven members of the board are volunteers, and they bring a variety of skills particularly HR skills, which the organisation is short of. Two of the members are parents of the people supported. The organisation also has four directors: ***Finance*** Director, Aid Director, Project Director, and the interviewee was a Service Director. Information Technology services are provided by another organisation. Key advances in the organisation are the result of procurement contracts issued by local councils allowing companies such as this to support people on the basis of niche, targeted services for individuals as directed by the Self-directed Support (Scotland) Act (2013) which pursues the personalisation in care agenda. The organisation did not carry out any marketing and their website was in need of work, although one client with special needs was helping with social media. Over the past few years the organisation had identified IT and marketing skills gaps and had filled these through recruitment and training.

**Dependency and interdependency**

The results of the case analysis identified the extent of community dependencies and interdependencies. Specifically, the rural cases demonstrated their inextricable linkage between where they were (their remoteness) and who they were (their community identity) (Bailey and Biggs, 2012; Gosling and Williams, 2010; Hindendrad and Hennon, 2005; Kuehne, 2012). In these rural studies, the socio-economic history underpinned the social enterprise business opportunity. For example, in the case of the Highland estate transformation, a period of unsettledness with different landlords and a lack of direction, led to the formation of a collective ‘Foundation’ created to initiate a community buyout of what remained of the estate. These were all small communities, dependant on the actions and interactions of those living and working within the area to sustain and develop employment and well-being through local enterprise. Notable in the rural case studies was interdependence and a need for sustainable, co-operative and collaborative effort as opposed to individualism (Patzelt and Shepherd, 2011) where social enterprise models offer a socio-economic solution (Dacin et al., 2011; Santos, 2009). These were local businesses being run for local people.

In comparison, the features of the urban case studies, those of an employment and manufacturing organisation for disadvantaged adults and two organisations who provide care for adults with long-term illness or disability, are less about geography driving a common need and benefit and instead their social or wellbeing commonality. The community in these cases is defined by the social purposes of the business, by their health or disadvantage thus forming a group identity. Specifically, the urban cases demonstrate how individuals or groups of individuals will work or lead for the benefit of a community that they are not necessarily a part of but with similar commitment and enthusiasm to improve the lives of others, as opposed to communities socially and economically transforming themselves (Smith, 2013). In the urban cases, there was less need for collaboration and more need for consultation with stakeholders within the restraints of government policy (Williams and Williams, 2011). The community in these cases had less direct involvement in the evolution and running of the company. This was shaped to a greater extent by policy and led by individuals with a record of business development and leadership.

**Leadership and skills shortages**

The remote rural cases in the sample were led by incomers or in-migrants, individuals attracted to the area either through job advertisement or a desire to live in that area. The leadership perspective introduces an interesting phenomenon within these cases, specifically the issue around leadership skills and capability available within communities (Mintzberg and Lampel, 1999). Linked to this is the acceptance by locals of incomers running a community-based activity. Often in social studies, narratives feature struggles between local people and incomers, surrounded by issues of trust and belongingness; however, in these cases, local people have recognised the value of leadership brought forth by incomers and most have accepted their presence (Bailey and Biggs, 2012).

In terms of the urban cases, there was no shortage of strong and experienced leadership and, because of the nature of commerce, incoming leadership was not an issue. The pool of leadership expertise and accessibility enables recruitment and selection of experienced leaders with skills and social enthusiasm appropriate to the particular enterprise (Beaver and Jennings, 2005; Stacey, 1992). Leaders in these cases did not emerge from the community itself, they were external to the community they served. Urban location had resulted in experienced appointments that had driven the businesses forward in an effective and productive manner.

There were knowledge shortages in the rural case studies, particularly in terms of ***grant*** and loan applications as well as new technology application, i.e. the hydroelectric scheme. However, in terms of skills shortages, in-migration once again features, particularly in the island case study where enterprise activity attracted retired incoming members of the community (Steinerowski and Steinerowska-Sreb, 2012). In summary, rural cases tended to show how important in-migration is to the community and how incomers are accepted when they bring socio-economic value (DiMaggio and Powell, 1983; Giddens, 1984).

In contrast, the urban phenomenon featured employment mobility and availability; however, skills shortages did exist as a direct result of ***funding*** deficits. There were no skills shortages in terms of client/service needs as these were provided in two cases through procurement of social care. Skills shortages tended to manifest in supporting business roles, for example in IT, marketing and HR, leading to gaps in business development beyond the provision of care services.

**Institutional *funding* relationships**

In two of the rural case studies, community assets formed the basis of the business social enterprise, and brought not only assets but liabilities. In one case the community was left with a building that required substantial investment before it was fit for any purpose. This feature of creating social enterprise from community-owned lands required specialist advice on business formation and opportunity that avoids the burden of liability for valueless elements of the purchase and improves the potential of sustainable business trade (Patzelt and Shepherd, 2011). The same two rural studies required specialist expertise to prepare ***grant*** and ***funding*** forms. Interestingly, these rural cases have achieved some level of income generation through trade which has decreased their dependency on ***grants*** and loans. The third rural case study presented a business life cycle that started as a fully ***funded*** community project and morphed several times until becoming a sustainable trading company, still attracting an element of ***grant*** and loan ***funding***.

Two urban case studies were heavily dependent on procurement contracts for social care, provided by local authorities. These companies were aware of the need to generate income in order to protect themselves from possible withdrawal or decline in government ***funding*** and to be able to offer further services to the client group; however, tight budgets and lack of business skills had hampered these ambitions. The third urban case study was only 30% dependant on local authority ***funding***. This was a result of pro-active commercially focused leadership. This, however, is a long-standing, early post war company which has actively pursued a business model releasing them from ***grant*** ***funding*** and positioning them in a marketplace (Patzelt and Shepherd, 2011).

In summary, findings clustered around three key areas: the first was the idea that context and community need were one and the same for the purposes of creating a social enterprise. Secondly leadership and skills were defined as key foreground issues, highlighting apparent differences between cases and specifically between the geographical communities and the non-geographically based communities. Finally, the third key finding was the relationship with ***funding*** across the life cycle of the social enterprise and the interdependencies with those who in-migrate and identify as either being part of the community or as a leader taking forward a cause, and as a member of that community with a desire to lead change.

**Conclusion**

The paper argues that context shapes the community and social enterprise efforts to a degree that means generalisation evident in current national policy will struggle to meet the needs of rural and urban social enterprise (Scottish Government, 2007, 2010). The findings reinforce the concluding statements by Steinerowski and Steinerowska-Sreb (2012) who articulate that benefits are to be gained from specific and targeted rural social enterprise policy initiatives for rural areas. Moreover, Williams and Williams (2011) acknowledge the raft of policies that affect urban areas arguing for them to be holistically considered in terms of how urban barriers to entrepreneurial activity are tackled. In summary, our findings in conjunction with these previous studies place new emphasis on what might be required to support community ‘need’ led social enterprise.

Discussion around rural and urban case studies does begin to shape our understanding of the challenges the context of community ‘need’ brings, and its varied socio-cultural architecture which subsequently impacts management decisions. Particularly it was evident that community can be shaped by geography, as was the case in two rural cases, or ‘any’ commonality irrespective of location, as was the cases in the urban studies. Indeed, it is the commonality of need that forms a community and each case study presented a range of needs; but conceptually, interdependency brought about by those needs offers interesting socio-economic insight, and highlights the need for further research into the connections between community needs and Social Enterprise Policy, Rural Development Policy, Equalities, and Urban Regeneration Policy. The number of policy approaches impacted by social enterprise is a point not missed by Williams and Williams (2011). Indeed, how can this raft of policy converge in any meaningful way to effectively shape the support offered: the forthcoming research question?

On the whole, communities in the rural cases exhibited a positive behaviour in relation to inward mobility of people. In other words, incomers were accepted when they clearly brought with them a benefit and value to the common good; in all cases individuals who came forward to lead the enterprise were not native to the community geographically. Most notable in urban cases were the observation that leaders were not necessarily members of the community, i.e. did not share any disadvantage. Effectively, the perceived value of the individual became evident as being important in the management and leadership of social enterprise. Taking this into account, skills shortages affect both rural and urban cases, specifically skills in the areas of social enterprise creation and leadership, business management, and ***funding***/income generation. These are key skills essential to social enterprise and an area where more general public policy might indeed provide effective interventions.

Evident in these studies is the defining commonality of each community being served thereafter, it is the generation of value and benefit for ‘that’ community and the shaping of management functions that deliver sustainability. This means that context and therefore commonality of need of the community, irrespective of being rural or urban, is a key factor for management decision making. This trajectory suggests, therefore, that national policy is at risk of marginalizing geographically specific groups and regional policies will fail to capture the geographically fragmented community. A community focused needs-benefit stance, recognising the variances that exist across communities and served by social enterprise, may offer policy makers a basis for future strategy aligned with mechanisms that enable convergence of community relevant policies.

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[***BMR Group PLC Pilot Plant Update with Letter of Intent***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JX9-61B1-F0CC-S3J3-00000-00&context=1516831)

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**Body**

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BMR Group PLC

01 June 2016

Wednesday 1 June 2016

BMR Group PLC ("BMR" or the "Company")

Pilot Plant Update with Letter of Intent

BMR, the Zambian-focused mineral processing business, is pleased to announce an update on its proposed operations in Kabwe, Zambia.

On 6 May 2016, BMR announced that it had received approval from the Zambia Environmental Management Agency (ZEMA) for the Company's Environmental Social Impact Assessment in respect of its tailings retreatment process and the construction of its planned pilot and main treatment plants in Kabwe.

The Company has continued to refine the process and advance the engineering design work and its plant construction plans for the pilot plant. In addition, the Directors are pleased to announce that the Company has received an approach for an off-take agreement in respect of increased levels of production than those originally anticipated from the pilot plant.

This has led to a Letter of Intent from a private South African group engaged in mining, energy and agri-business dated 24 May 2016 ("LOI"). Under the LOI, BMR can draw-down from a $2 million facility for the construction of the pilot plant which will now be configured as a semi-production unit (the "Plant"). This LOI is subject to a completed sale and purchase agreement, for the sale over a three-year period of ***agricultural*** grade zinc sulphate heptahydrate (ZSH) (500 tpm) and lead sponge (300 tpm). It also anticipates the eventual sale of LME grade zinc cathodes (300 tpm). A further announcement will be made when the various terms are finalised and related agreements are entered into.

The Directors expect the Plant to generate sufficient production capacity for the ZSH and lead sponge to satisfy the LOI. Additional production and subsequent sale of zinc cathodes will result from production at the main plant in due course. The Directors believe that the LOI off-take for ZSH and lead sponge significantly enhances the returns from BMR's zinc and lead assets over a sustained period of time to the benefit of Shareholders.

To configure the Plant for producing the ZSH and lead sponge in the quantities outlined in the LOI, the Directors estimate the capital expenditure to be approximately $2.68 million. The Directors are satisfied that this cost can be satisfied from the current cash resources, currently amounting to over GBP1 million, and from the $2 million draw-down facility. The aggregate cost of $2.68 million comprises 52% of confirmed quotations, 18% of factored costs and 30% of internally estimated costs in respect of $1.8 million for mechanicals, $0.4 million for ***instrumentation*** and electrical items and $0.48 million for labour, pipework and other ancillaries.

On 22 September 2015, the Company announced that Tony Francis BSc Eng. Metallurgy, ARSM, FIMMM, CEng, of Francis Minerals Consulting Limited had been engaged to undertake a peer review of the acid/brine leaching process for the recovery of lead and zinc from the tailings and had concluded its suitability. The Company has recently re-engaged Tony Francis to undertake a review of the costings of the Plant in respect of the configuration for the production capacity for the ZSH and lead sponge. Tony Francis has concluded that the capital expenditure of $2.68 million can be categorised as adequate for a scoping estimate with an industry-standard deviation of -30% and +50%.

The Directors are estimating the operating expenditure at the Plant to be approximately $150 per tonne of tailings, based on the current costs of acid, reagents, labour and electricity. The Directors expect that the net sales generated from the ZSH and lead sponge, once having satisfied the $2 million facility repayment under the terms of the LOI, will provide sufficient ***funds*** for the Company to complete the zinc electro-winning and copper/iron removal circuits at the Plant.

The Directors are now commencing construction of the Plant. The immediate focus is on securing larger items with long ordering lead times, including the thickeners, leach/precipitation tanks and agitators. In addition, the Company is seeking to engage the services of a project manager and skilled labour from the local market. The Directors expect the Plant to be commissioned for the commencement of production by early 2017.

Other developments

Waelz Kiln Slag ("WKS")

BMR announced on 13 May 2016, the submission of the definitive Environmental Project Brief ("EPB") in connection with the proposed sale of WKS, from its Kabwe site (comprising approximately 1.1 million tonnes of WKS, as surveyed on a JORC-compliant basis by Mineral Corporation Consultancy (Pty)). The Company expects to receive final approval from ZEMA for the EPB, in the near future and then intends to generate revenues from sales of the WKS as a construction aggregate, with a relatively limited cost of sales.

Imperial Smelting Furnace Slag ("ISF Slag")

The Company continues to assess the commercial feasibility of recovering zinc from the ISF Slag (estimated by Mineral Corporation Consultancy (Pty), in its March 2012 report, to contain 1,481,563 dry tonnes, as surveyed on a JORC compliant basis, at a mean grade of 8.07% Zn (119.6kt contained Zn)). New test work carried out by our consultants Kupfermelt designed to optimise and improve the previously achieved recovery rate of 77.2% Zn has been successful but at very high acid consumption rates. Test work continues to investigate several possible options to mitigate the high acid consumption, mainly caused by the iron content in the ISF slag, by blending it with either the wash plant tailings or the leach plant residues. In the event that this further work concludes positively, the Company will commission a full JORC-compliant survey of the ISF slag.

Exploration of the south eastern Kashitu section of the Company's Large Scale Mining Licence at Kabwe, Zambia

The Company will shortly commence an exploration programme to delineate a potential resource in the Kashitu section of the Company's Large Scale Mining Permit area. This follows a recent study carried out by Geoquest Ltd, Zambia at the Company's request to re-assess the geological potential of this area. The study undertook a forensic analysis of available historic data from previous work by Billiton, ZCCM and Teal, with the objective of scoping out a future exploration programme.

Selected historic Rotary Blast Hole (RAB) drill results identified near surface grades up to 31% zinc over 2 metres and a Reverse Circulation (RC) drill hole returning 12.6% zinc, 3 metres from surface.

The planned exploration programme will be structured to identify the grade and potential tonnage of a near surface resource amenable to mining by open pit and suitable for treatment in the Company's planned treatment plant.

***Grant*** of options

The Company announces that, as part of its remuneration and incentivisation arrangements, options over an additional 4,186,626 new ordinary shares of GBP0.01 each in the Company (the "Options") have been ***granted*** to Directors and senior management taking the total number of Options to 17,383,172 being 10.0 per cent. of the current issued share capital.

The terms of the Options are identical to those options ***granted*** on 15 June 2015 and include an exercise price of 6p for the Options, being 33.3 per cent. of the closing mid-market price on 31 May 2016, the date the Options were ***granted***. Any unexercised Options will lapse if the option holder leaves the Company for any reason. The Options vest as follows:

-- 25 per cent. immediately;

-- 25 per cent. on the first announcement of interim or year-end results following successful testing of the initial Kabwe plant;

-- 25 per cent. on the first announcement of interim or year-end results following first revenue from a commercial sale of product from the extended production plant; and

-- 25 per cent. on the announcement of the next interim or year-end results thereafter demonstrating a continuing commercial revenue stream.

The interests of the Directors in the Company following the ***grant*** of the Options are as follows:

Director Ordinary Options Options Total number

shares ***granted*** ***granted*** of Options

held 15 June 31 May now held

2015 2016

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1,066,666

Alex Borrelli\* (0.61%) 6,070,411 2,139,832 8,210,243

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Jeremy

Hawke - 2,903,240 1,023,397 3,926,637

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\* also holds 666,666 warrants following his subscription in the open offer announced on 18 February 2016.

Alex Borrelli, Chairman, commented: "We are delighted to have been offered under the Letter of Intent a $2 million drawdown facility which will enable us to complete the enlarged Plant construction and for the sale of zinc sulphate heptahydrate and lead sponge. We believe this significantly enhances the returns from BMR's zinc and lead assets over a sustained period of time to the benefit of our shareholders."

Ends

For further information:

BMR Group PLC

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NOMAD and Joint Broker Chris Fielding, Head of Corporate ***Finance***

Peterhouse Corporate ***Finance*** 020 7469 0930

Joint Broker Lucy Williams/ Duncan Vasey/ Heena Karani

**Load-Date:** June 1, 2016

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[***Kesko's financial statements release for the period 1 Jan. 2015 to 31 Dec. 2015: comparable net sales at the level of the previous year, profit and financial position strengthened***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5J0R-X2B1-F15W-N4VD-00000-00&context=1516831)

Hugin - English

February 3, 2016 Wednesday 8:00 AM GMT

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**Body**

KESKO CORPORATION ***FINANCIAL*** STATEMENTS RELEASE 03.02.2016 AT 09.00 1(35)

Kesko's ***financial*** statements release for the period 1 Jan. 2015 to 31 Dec.

2015: comparable net sales at the level of the previous year, profit and

***financial*** position strengthened

***Financial*** performance in brief:

\* The Group's net sales for January-December were EUR8,679 million (EUR9,071

million). Net sales in local currencies excluding Anttila remained at the level

of the previous year.

\* The operating profit excluding non-recurring items increased to EUR244.5 million

(EUR232.6 million).

\* Earnings per share excluding non-recurring items EUR1.70 (EUR1.65).

\* Equity ratio 54.7% (54.5%).

\* The Board's proposal for dividend is EUR2.50 per share.

\* Kesko Group's net sales for 2016 are expected to equal the level of the

previous year. The operating profit excluding non-recurring items for 2016 is

expected to slightly exceed the level of 2015. The future outlook does not take

account of the acquisitions of Suomen Lähikauppa and Onninen, in respect of

which estimates will be given in connection with their respective completions.

Key performance indicators

                                      1-12/2015  1-12/2014 10-12/2015 10-12/2014

Net sales, EUR million                      8,679      9,071      2,166      2,267

Operating profit excl. non-recurring

items, EUR million                          244.5      232.6       59.1       61.9

Operating profit, EUR million               194.6      151.4       39.3       31.7

Profit before tax, EUR million              188.0      145.0       40.7       26.4

Capital expenditure, EUR million            218.5      194.0       66.9       43.2

Earnings per share, EUR, diluted             1.03       0.97       0.22       0.17

Earnings per share excl. non-

recurring items, EUR, basic                  1.70       1.65       0.47       0.42

                                     31.12.2015 31.12.2014

Equity ratio, %                            54.7       54.5

Equity per share, EUR                       21.82      22.05

President and CEO Mikko Helander:

"Kesko's profit was at a good level also in the last quarter of 2015. Looking at

the whole year, we can also be satisfied with strategy implementation and the

***financial*** result, especially when we take account of the continued weak trend in

the purchasing power of the main market area in Finland. In the grocery trade,

market position remained stable and profitability was good. In the home

improvement and speciality goods trade, profitability improved significantly and

market share strengthened especially in Finland. In the car trade, Volkswagen

was again the market leader.

In terms of Kesko's growth strategy, it was essential to make an agreement on

the acquisition of Suomen Lähikauppa in November 2015 and on the acquisition of

Onninen announced in January 2016. With the acquisition of Suomen Lähikauppa,

Kesko's neighbourhood retail services will improve significantly. The

acquisition of Onninen, for its part, will materially strengthen Kesko's

position in the building and technical trade. Both of the acquisitions will

enable strong growth and more customer oriented services as well as significant

synergies.

Kesko's ***financial*** position was very strong in the last quarter. Liquid assets

were EUR887 million and the equity ratio stood at 54.7%. The return on capital

employed excluding non-recurring items rose to 11.7%. In addition to ***financing***

the acquisitions, the strong balance sheet enables a EUR2.50 dividend per share to

be proposed to the General Meeting to be held in April.

In January, Kesko ranked 15th in the Global 100 Most Sustainable Corporations in

the World list, and was, at the same time, the most sustainable trading sector

company in the world. Kesko's long-term corporate responsibility work is based

on our strategy and responsibility programme. All our operations are guided by

our value: The customer and quality - in everything we do."

***FINANCIAL*** PERFORMANCE

Net sales and profit for January-December 2015

The Group's net sales for January-December 2015 were EUR8,679 million, which is

4.3% down on the corresponding period of the previous year (EUR9,071 million).

Anttila was included in the Group figures until 16 March 2015. Anttila excluded,

net sales performance in local currencies equalled the level of the previous

year. The decline in consumers' purchasing power weakened consumer demand in the

reporting period in Finland and Russia.

In the grocery trade, the -1.7% net sales performance is partly attributable to

the decline in prices. In the home improvement and speciality goods trade, net

sales decreased by 8.9%, but increased by 2.3% in local currencies excluding

Anttila. In the car trade, net sales decreased by 2.4%. The Group's net sales in

Finland decreased by 4.9% and the comparable performance excluding Anttila was

-1.7%. In the other countries, net sales decreased by 1.9% but increased in

local currencies excluding Anttila by 7.6%. The weakening of the Russian rouble

impacted the net sales performance in euros especially in the home improvement

and speciality goods trade. International operations accounted for 18.9% (18.4%)

of net sales.

1-12/2015                   Net sales, EUR Change, %    Operating profit   Change,

                                 million                    excl. non- EUR million

                                                             recurring

                                                      items, EUR million

Grocery trade                      4,673      -1.7               177.5     -45.8

Home improvement and

speciality goods trade             3,250      -8.9                63.6     +63.2

Car trade                            748      -2.4                26.1      -2.8

Common operations and

eliminations                           8      (..)               -22.7      -2.8

Total                              8,679      -4.3               244.5     +11.8

(..) Change over 100%

The operating profit excluding non-recurring items for January-December was

EUR244.5 million (EUR232.6 million). In the grocery trade, profitability was good,

although the operating profit excluding non-recurring items decreased from the

previous year. This was most significantly due to intensified price competition.

In the home improvement and speciality goods trade, profitability was improved

by the divestment of Anttila in the first part of the year, as well as the good

profit performance of the building and home improvement trade especially in

Finland, Sweden, Norway and the Baltic countries. In the car trade,

profitability remained steadily at a good level. The operating profit includes a

EUR12.7 million operating loss from Anttila, divested in March; the operating loss

for the previous year was EUR63.2 million.

The operating profit was EUR194.6 million (EUR151.4 million). The operating profit

includes EUR-49.9 million (EUR-81.3 million) of non-recurring items. The most

significant non-recurring items were the EUR130 million loss on the divestment of

Anttila, the EUR75.6 million capital gain recorded on a real estate transaction

completed in the second quarter of the year and a total of EUR25.4 million in

capital gains on other real estate transactions. Due to Intersport Russia's low

volume and unprofitable performance, Kesko plans to withdraw from the Russian

sports trade in 2016. Relating to the restructuring of Intersport Russia's

operations, a total of EUR17.2 million of non-recurring impairment charges and

provisions were recorded for the fourth quarter. The non-recurring items of the

comparative period included a provision for the restructuring of Anttila, and an

impairment charge on fixed assets related to the integration of K-citymarket

non-food and Anttila, a total of EUR46.8 million, a EUR5.2 million restructuring

provision related to changes in the retail business of Byggmakker in Norway,

costs amounting to EUR4.2 million from personnel reductions related to the change

in Kesko's divisional structure, and a EUR21.0 million property impairment charge

related to the renovation of Kesko's main office building.

The Group's profit before tax for January-December was EUR188.0 million (EUR145.0

million). The Group's earnings per share were EUR1.03 (EUR0.97). The Group's equity

per share was EUR21.82 (EUR22.05).

In January-December, the K-Group's (i.e. Kesko's and the chain stores') retail

and B2B sales excluding Anttila were EUR10,818 million, down 1.5% compared to the

previous year. The K-Plussa customer loyalty programme gained 63,045 new

households in 2015. At the end of December, there were 2.3 million K-Plussa

households and 3.6 million K-Plussa cardholders.

Net sales and profit for October-December 2015

The Group's net sales for October-December 2015 were EUR2,166 million, which is

4.4% down on the corresponding period of the previous year (EUR2,267 million).

Anttila excluded, net sales increased by 0.9% in local currencies. The operating

environment of the trading sector remained challenging in Finland and especially

in Russia.

In the grocery trade, net sales decreased by 0.9%, which was especially

attributable to a decline in prices. In the home improvement and speciality

goods trade, net sales decreased by 12.0%, but Anttila excluded, they increased

in local currencies by 3.1%. In the car trade, net sales increased by 1.5%. The

Group's net sales in Finland decreased by 5.5% and Anttila excluded, by 0.3%. In

the other countries, net sales increased by 0.7%, and in local currencies by

6.2%. International operations accounted for 18.1% (17.1%) of net sales.

10-12/2015                  Net sales, EUR Change, %    Operating profit   Change,

                                 million                    excl. non- EUR million

                                                             recurring

                                                      items, EUR million

Grocery trade                      1,249      -0.9                54.5      -7.8

Home improvement and

speciality goods trade               736     -12.0                 7.5      +3.8

Car trade                            177      +1.5                 3.8      -1.4

Common operations and

eliminations                           4      (..)                -6.7      +2.6

Total                              2,166      -4.4                59.1      -2.7

(..) Change over 100%

The operating profit excluding non-recurring items for October-December was

EUR59.1 million (EUR61.9 million). The operating profit excluding non-recurring

items of the grocery trade, EUR54.5 million, was still at a good level (EUR62.2

million). The operating profit excluding non-recurring items of the home

improvement and speciality goods trade increased by EUR3.8 million. The figures of

the home improvement and speciality goods trade for the comparative period

included a EUR6.3 million operating loss from Anttila and a EUR6.5 million higher

net amount in gains on foreign exchange hedges compared to the reporting period.

In the car trade, the operating profit excluding non-recurring items decreased

by EUR1.4 million, still remaining at a good level. The effect of the real estate

arrangement completed in June on the operating profit excluding non-recurring

items of the last quarter was EUR-3.7 million.

The operating profit was EUR39.3 million (EUR31.7 million). The operating profit

includes EUR19.9 million (EUR30.2 million) of non-recurring expenses. The most

significant non-recurring expense item, EUR17.2 million, consists of impairment

charges and provisions related to the restructuring of Intersport Russia's

operations. The non-recurring items of the comparative period included EUR4.2

million in costs from personnel reductions related to the change in Kesko's

divisional structure, and a EUR21.0 million property impairment charge related to

the renovation of Kesko's main office building.

The Group's profit before tax for October-December was EUR40.7 million (EUR26.4

million). The Group's earnings per share were EUR0.22 (EUR0.17).

In October-December, the K-Group's (i.e. Kesko's and the chain stores') retail

and B2B sales (VAT 0%) were EUR2,737 million and Anttila excluded, they were up

0.5% compared to the previous year.

***Finance***

In January-December, the cash flow from operating activities was EUR276.4 million

(EUR304.4 million). The cash flow from investing activities was EUR217.1 million (EUR-

182.1 million) and it included proceeds from the sale of fixed assets in the

amount of EUR432.5 million (EUR11.2 million), of which the cash inflow from the real

estate arrangement completed in June was EUR403.0 million.

The Group's liquidity remained at an excellent level in January-December. At the

end of the period, liquid assets totalled EUR887 million (EUR598 million). Interest-

bearing liabilities were EUR439 million (EUR499 million) and interest-bearing net

debt was EUR-448 million (EUR-99 million) at the end of December. The equity ratio

was 54.7 % (54.5%) at the end of the period.

In January-December, the Group's net ***finance*** costs were EUR7.1 million (EUR6.1

million). The ***finance*** income for the previous year included interest income on

cooperative capital from Suomen Luotto-osuuskunta in the amount of EUR4.9 million.

In October-December, the cash flow from operating activities was EUR123.3 million

(EUR137.0 million). The cash flow from investing activities was EUR-70.9 million (EUR-

38.5 million).

The Group's net ***finance*** income was EUR0.9 million (net ***finance*** costs EUR5.0 million)

in October-December.

Taxes

In January-December, the Group's taxes were EUR70.7 million (EUR36.6 million). The

effective tax rate was 37.6% (25.2%) resulting from non-deductible items related

to the loss on the divestment of Anttila and the restructuring of Intersport

Russia's operations.

In October-December, the Group's taxes were EUR14.0 million (EUR5.4 million). The

effective tax rate was 34.3% (20.3%).

Capital expenditure

In January-December, the Group's capital expenditure totalled EUR218.5 million

(EUR194.0 million), or 2.5% (2.1%) of net sales. Capital expenditure in store

sites was EUR166.7 million (EUR142.7 million), in IT EUR20.4 million (EUR34.4 million)

and other capital expenditure was EUR31.4 million (EUR17.0 million). Capital

expenditure in foreign operations represented 40.2% (40.5%) of total capital

expenditure.

In October-December, the Group's capital expenditure totalled EUR66.9 million

(EUR43.2 million), or 3.1% (1.9%) of net sales. Capital expenditure in store sites

was EUR54.8 million (EUR29.2 million), in IT EUR7.7 million (EUR10.2 million) and other

capital expenditure was EUR4.5 million (EUR3.9 million). Capital expenditure in

foreign operations represented 43.8% (34.0%) of total capital expenditure.

Personnel

In January-December, the average number of personnel in Kesko Group was 18,955

(19,976) converted into full-time employees. In Finland, the average decrease

was 1,280 people, while outside Finland, there was an increase of 259 people.

At the end of December 2015, the number of personnel was 21,935 (23,794), of

whom 10,081 (12,180) worked in Finland and 11,854 (11,614) outside Finland.

Compared to the end of December 2014, there was a decrease of 2,099 people in

Finland and an increase of 240 people outside Finland. The decrease in the

number of personnel in Finland is attributable to the divestment of Anttila on

16 March 2015.

In January-December, the Group's employee benefit expenses were EUR544.8 million,

down 11.3% compared to the previous year. In October-December, employee benefit

expenses decreased by 14.9% compared to the previous year and were EUR137.6

million. The decrease is attributable to the divestment of Anttila on 16 March

2015.

SEGMENTS

New segment structure

The composition of Kesko's divisional structure and segment reporting were

changed as of 1 July 2015 to correspond to the new strategy. An ***agricultural*** and

machinery trade unit was established as part of the home improvement and

speciality goods trade division. As of 1 July 2015, Kesko Group's reportable

segments are the grocery trade, the home improvement and speciality goods trade

and the car trade.

Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net

sales and operating profits of the reportable segments are not earned evenly

throughout the year. Instead, they vary by quarter depending on the

characteristics of each segment.

Grocery trade

                                       1-12/2015 1-12/2014 10-12/2015 10-12/2014

Net sales, EUR million                       4,673     4,754      1,249      1,260

Operating profit excl. non- recurring

items, EUR million                           177.5     223.2       54.5       62.2

Operating margin excl. non-recurring

items, %                                     3.8       4.7        4.4        4.9

Capital expenditure,

EUR million                                  128.9      98.0       29.9       21.0

Net sales, EUR million                   1-12/2015 Change, % 10-12/2015  Change, %

Sales to K-food stores                     3,162      -2.2        827       -1.8

K-citymarket, non-food                       588      -1.0        182       -0.2

Kespro                                       792      +0.3        203       +1.9

K-ruoka, Russia                              107      +3.1         32      +19.0

Others                                        25     -27.7          5      -46.8

Total                                      4,673      -1.7      1,249       -0.9

January-December 2015

In 2015, the market position of the grocery trade remained stable and its

profitability was good. The strengthening of K-food stores' competitiveness in

terms of quality and price has progressed in accordance with strategy and after

the completion of the acquisition of Suomen Lähikauppa, announced in November,

Kesko's neighbourhood retail services will improve significantly.

The net sales of the grocery trade for January-December were EUR4,673 million

(EUR4,754 million), representing a change of -1.7%. In January-December, the

grocery sales of K-food stores in Finland decreased by 1.2% (VAT 0%). In the

grocery market in Finland, retail prices are estimated to have changed by

approximately -1% compared to the previous year (VAT 0%; Kesko's own estimate

based on the Consumer Price Index of Statistics Finland) and the total market

(VAT 0%) is estimated to have decreased by approximately 1% in January-December

(Kesko's own estimate). The decline in the value of the rouble affected the

sales of the food stores in Russia in euros. In the local currency, sales

increased by 35.4%.

In January-December, the operating profit excluding non-recurring items of the

grocery trade was EUR177.5 million (EUR223.2 million). Profitability was good in the

grocery trade, although the operating profit excluding non-recurring items

decreased from the previous year. This was most significantly due to intensified

price competition. Kespro's market share increased and profitability remained at

a good level. The operating profit of the grocery trade was EUR249.4 million

(EUR216.2 million). Non-recurring items, in the amount of EUR71.9 million (EUR-7.1

million), include EUR71.9 million in gains recorded on the sales of properties as

the most significant items.

The capital expenditure of the grocery trade in January-December was EUR128.9

million (EUR98.0 million), of which EUR117.7 million (EUR83.2 million) was in store

sites.

October-December 2015

The net sales of the grocery trade for October-December were EUR1,249 million

(EUR1,260 million), representing a change of -0.9%. In the grocery market in

Finland, retail prices are estimated to have changed by approximately -1%

compared to the previous year. The net sales of the food stores in Russia

increased by 19.0% in euros and by 37.4% in the local currency.

In October-December, the operating profit excluding non-recurring items of the

grocery trade was EUR54.5 million (EUR62.2 million). The effect of the real estate

arrangement completed in June on the operating profit excluding non-recurring

items was EUR-2.7 million. The operating profit was EUR53.4 million (EUR59.1 million).

Non-recurring items were EUR-1.0 million (EUR-3.2 million).

The capital expenditure of the grocery trade in October-December was EUR29.9

million (EUR21.0 million), of which EUR27.4 million (EUR15.5 million) was in store

sites.

In October-December, one new K-food store in St. Petersburg, a K-supermarket in

Oulu and two K-markets were opened. Renewals and extensions were made in a total

of 10 stores.

The most significant store sites being built are a K-citymarket shopping centre

in Itäkeskus, Helsinki, a K-citymarket in Sastamala, new K-supermarkets in

Tampere, in Niipperi and Niittykumpu, Espoo, in Lappeenranta, Haapajärvi and in

Lauttasaari, Töölö and Kalasatama, Helsinki. Two new food stores are being built

in Russia.

Store numbers at 31.12.                 2015 2014

K-citymarket                              81   81

K-supermarket                            219  218

K-market (incl. service station stores)  476  444

K-ruoka, Russia                            9    5

Others\*                                  108  164

\* incl. online stores

In addition, several K-food stores offer e-commerce services to their customers.

Home improvement and speciality goods trade

                                     1-12/2015 1-12/2014 10-12/2015 10-12/2014

Net sales, EUR million                     3,250     3,568        736        837

Operating profit excl. non-recurring

items, EUR million                          63.6       0.4        7.5        3.7

Operating margin excl. non-recurring

items, %                                   2.0       0.0        1.0        0.4

Capital expenditure,

EUR million                                 55.3      71.9       28.8       20.2

Net sales, EUR million                   1-12/2015 Change, % 10-12/2015  Change, %

Building and home improvement, Finland       794      +0.3        169       +5.9

K-rauta, Sweden                              209      +7.7         48      +12.8

Byggmakker, Norway                           418      -3.0         92       -0.3

K-rauta, Estonia                              87     +11.2         22      +10.3

K-rauta, Latvia                               52      -2.0         12       -7.9

Senukai, Lithuania                           322      +3.2         86       +0.2

K-rauta, Russia                              192     -23.1         46      -23.0

OMA, Belarus                                 116      -7.5         29       +3.1

Intersport, Finland                          174      +1.5         46       -0.6

Intersport, Russia                            12     -17.0          3      -12.4

Indoor                                       179      +1.6         46       +0.3

***Agricultural*** and machinery trade

                                             615      -0.4        133       +5.1

Others                                        90     -75.3          7      -93.8

Total                                      3,250      -8.9        736      -12.0

January-December 2015

The profitability of the home improvement and speciality goods trade improved

significantly in 2015, which was attributable to the good profit performance in

the building and home improvement trade and the divestment of the loss-making

business of Anttila in March 2015. The market share of the K-Group's building

and home improvement trade is estimated to have strengthened especially in

Finland. In the building and home improvement trade, growth strengthened

especially in the B2B trade.

The net sales of the home improvement and speciality goods trade for January-

December were EUR3,250 million (EUR3,568 million), down 8.9%. Net sales excluding

Anttila increased by 2.3% in local currencies.

The net sales of the home improvement and speciality goods trade for January-

December in Finland were EUR1,719 million (EUR2,002 million), a decrease of 14.1%.

Anttila excluded, net sales decreased in Finland by 1.0%. In January-December,

the net sales from the foreign operations of the home improvement and speciality

goods trade were EUR1,530 million (EUR1,566 million), a decrease of 2.3%. In local

currencies, the net sales from foreign operations excluding Anttila increased by

5.8%. Foreign operations contributed 47.1% (43.9%) to the net sales of the home

improvement and speciality goods trade.

In January-December, the net sales of the building and home improvement trade

were EUR2,370 million (EUR2,422 million), a decrease of 2.1%. In local currencies,

net sales were up by 2.7%. In respective local currencies, net sales in Sweden

grew by 10.8%, in Norway by 3.2% and in Russia by 0.9%.

The net sales of the ***agricultural*** and machinery trade for January-December were

EUR615 million (EUR618 million), down 0.4% compared to the previous year. Net sales

in Finland were EUR500 million, a decrease of 4.2%. The net sales from foreign

operations were EUR115 million, an increase of 20.0%. The net sales of the leisure

trade were EUR205 million, an increase of 1.3% in local currencies.

The K-Group's sales of building and home improvement products in Finland

decreased by a total of 0.3% and the total market (VAT 0%) is estimated to have

fallen by approximately 2.2% (Kesko's own estimate). The retail sales of the K-

maatalous chain were EUR437 million, down 5.5%.

In January-December, the operating profit excluding non-recurring items of the

home improvement and speciality goods trade was EUR63.6 million (EUR0.4 million), up

EUR63.2 million compared to the previous year. The EUR12.7 million (EUR63.2 million)

operating loss of Anttila, divested in March, is included in the profit of the

home improvement and speciality goods trade. The operating profit of the home

improvement and speciality goods trade, excluding non-recurring items and

Anttila, was EUR76.3 million, up EUR12.6 million on the previous year. The improved

profitability was attributable to a sales increase in foreign currency terms,

coupled with implemented cost savings. The results of the building and home

improvement trade improved especially in Finland, Sweden, Norway and the Baltic

countries. Profitability improved from the previous year also in the furniture

trade and the ***agricultural*** and machinery trade.

The operating profit of the home improvement and speciality goods trade was EUR-

57.2 (EUR-52.0 million). Non-recurring items include a EUR130 million loss on the

divestment of Anttila. Due to Intersport Russia's low volume and unprofitable

performance, Kesko plans to withdraw from the Russian sports trade in 2016.

Relating to the restructuring of Intersport Russia's operations, a total of

EUR17.2 million of non-recurring impairment charges and provisions were recorded

for the fourth quarter. In addition, the non-recurring items include EUR28 million

in gains recorded on the sales of properties.

In January-December, the capital expenditure of the home improvement and

speciality goods trade totalled EUR55.3 million (EUR71.9 million), of which 54.6%

(56.8%) was abroad. Capital expenditure in store sites represented 73.7% of

total capital expenditure.

October-December 2015

The net sales of the home improvement and speciality goods trade for October-

December were EUR736 million (EUR837 million), down 12.0%. Net sales excluding

Anttila increased by 3.1% in local currencies.

The net sales of the home improvement and speciality goods trade for October-

December in Finland were EUR376 million (EUR475 million), a decrease of 20.8%.

Anttila excluded, net sales increased in Finland by 2.3%. In October-December,

the net sales from the foreign operations of the home improvement and speciality

goods trade were EUR360 million (EUR362 million), a decrease of 0.6%. In local

currencies, the net sales from foreign operations excluding Anttila increased by

3.9%. Foreign operations contributed 48.9% (43.2%) to the net sales of the home

improvement and speciality goods trade.

In October-December, the net sales of the building and home improvement trade

were EUR550 million (EUR549 million), an increase of 0.1%. In local currencies, net

sales were up by 2.7%. In respective local currencies, net sales grew in Sweden

by 13.3%, and in Norway by 5.8% and decreased in Russia by 11.7%.

The net sales of the ***agricultural*** and machinery trade for October-December were

EUR133 million (EUR126 million), up 5.1% compared to the previous year. Net sales in

Finland were EUR113 million, an increase of 0.2%. The net sales from foreign

operations were EUR20 million, an increase of 45.4%.

The K-Group's sales of building and home improvement products in Finland

increased by a total of 5.3% and the total market (VAT 0%) is estimated to have

grown by approximately 2.9% (Kesko's own estimate). The retail sales of the K-

maatalous chain were up by 4.2%.

In October-December, the operating profit excluding non-recurring items of the

home improvement and speciality goods trade was EUR7.5 million (EUR3.7 million), up

EUR3.8 million compared to the previous year. The comparative period includes a

EUR6.3 million operating loss from Anttila and a EUR6.5 million higher net amount in

gains on foreign exchange hedges compared to the reporting period. Profit

improved especially in the building and home improvement trade in Sweden, Norway

and the Baltic countries, as well as in the furniture trade and the ***agricultural***

and machinery trade.

The operating profit of the home improvement and speciality goods trade was EUR-

10.9 (EUR-1.5 million). The non-recurring items include EUR17.2 million in

impairment charges and provisions related to the restructuring of Intersport

Russia's operations.

In October-December, the capital expenditure of the home improvement and

speciality goods trade totalled EUR28.8 million (EUR20.2 million), of which 79.3%

(41.0%) was abroad. Capital expenditure in store sites represented 83.7% of

total capital expenditure.

In October-December, K-rauta Imatra, K-rauta Express Sello, a Senukai store in

Lithuania and Asko and Sotka stores in Kuopio were opened.

The most significant store sites being built are the K-rauta stores in Kokkola

and Lahti and a Senukai store in Vilnius.

Store numbers at 31.12.        2015 2014

K-rauta                          45   42

Rautia\*                          93   96

K-maatalous\*                     80   81

K-rauta, Sweden                  20   20

Byggmakker, Norway               88   82

K-rauta, Estonia                  8    8

K-rauta, Latvia                   8    8

Senukai, Lithuania               20   19

K-rauta, Russia                  13   13

OMA, Belarus                     12   11

Intersport, Finland\*\*            60   62

Budget Sport\*\*                   11   12

Asko and Sotka\*\*                 87   86

Kookenkä\*\*                       38   44

Intersport, Russia               18   19

Asko and Sotka, the Baltics\*\*    10   10

Konekesko                         1    1

\* In 2015, 45 (46) Rautia stores also operated as K-maatalous stores

\*\* Including online stores

In addition, the building and home improvement stores offer e-commerce services

to their customers.

Car trade

                                       1-12/2015 1-12/2014 10-12/2015 10-12/2014

Net sales, EUR million                         748       766        177        175

Operating profit excl. non-recurring

items, EUR million                            26.1      28.9        3.8        5.2

Operating margin excl. non-recurring

items, %                                     3.5       3.8        2.1        3.0

Capital expenditure, EUR million              16.0      13.2        4.7        2.5

Net sales, EUR million                   1-12/2015 Change, % 10-12/2015  Change, %

VV-Auto                                      748      -2.4        177       +1.5

January-December 2015

The profitability of the car trade continued at a good level in 2015 and

Volkswagen was the market leader in Finland in passenger cars and vans.

The net sales of the car trade for January-December were EUR748 million (EUR766

million), down 2.4%. In January-December, the combined market performance of

first time registered passenger cars and vans was 2.8% (3.1%). The combined

market share of passenger cars and vans imported by VV-Auto was 19.1% (20.7%) in

January-December.

The profitability of the car trade remained at a good level. The operating

profit excluding non-recurring items for January-December was EUR26.1 million

(EUR28.9 million).

The operating profit for January-December was EUR26.1 million (EUR28.9 million).

The capital expenditure of the car trade in January-December was EUR16.0 million

(EUR13.2 million).

October-December 2015

The net sales of the car trade for October-December were EUR177 million (EUR175

million), up 1.5%. In October-December, the combined market share of passenger

cars and vans imported by VV-Auto was 18.5% (20.7%).

The profitability of the car trade remained at a good level. The operating

profit excluding non-recurring items for October-December was EUR3.8 million (EUR5.2

million).

The operating profit for October-December was EUR3.8 million (EUR5.2 million).

The capital expenditure of the car trade in October-December was EUR4.7 million

(EUR2.5 million).

Store numbers at 31.12. 2015 2014

VV-Auto, retail trade      9   10

Changes in the Group composition

During the reporting period, Kesko Corporation sold its subsidiary Anttila Oy

(Stock exchange release on 16 March 2015). As part of the real estate

arrangement completed in June, 11 real estate companies were sold.

Shares, securities market and Board authorisations

At the end of December 2015, the total number of Kesko Corporation shares was

100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or

68.3%, were B shares. At 31 December 2015, Kesko Corporation held 877,577 own B

shares as treasury shares. These treasury shares accounted for 1.29% of the

number of B shares, 0.88% of the total number of shares, and 0.23% of votes

attached to all shares of the company. The total number of votes attached to all

shares was 385,652,815. Each A share carries ten (10) votes and each B share one

(1) vote. The company cannot vote with own shares held by it as treasury shares

and no dividend is paid on them. At the end of December 2015, Kesko

Corporation's share capital was EUR197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was EUR28.56 at the end of

2014, and EUR31.12 at the end of 2015, representing an increase of 9.0%.

Correspondingly, the price of a B share was EUR30.18 at the end of 2014, and

EUR32.37 at the end of 2015, representing an increase of 7.3%. In January-

December, the highest A share price was EUR38.13 and the lowest was EUR26.94. The

highest B share price was EUR41.04 and the lowest was EUR28.30. The Nasdaq Helsinki

All-Share index (OMX Helsinki) was up by 10.8% and the weighted OMX Helsinki Cap

index by 11.7% in January-December. The Retail Sector Index was up by 6.4%.

At the end of December 2015, the market capitalisation of A shares was EUR988

million, while that of B shares was EUR2,182 million, excluding the shares held by

the parent company. The combined market capitalisation of A and B shares was

EUR3,170 million, an increase of EUR232 million from the end of 2014. In January-

December 2015, a total of 2.4 million (2.0 million) A shares were traded on

Nasdaq Helsinki, an increase of 19.4%. The exchange value of A shares was EUR75

million. The number of B shares traded was 59.4 million (47.3 million), an

increase of 25.5%. The exchange value of B shares was EUR1,994 million. Nasdaq

Helsinki accounted for 57% of Kesko A and B share trading in January-December

2015. Kesko shares were also traded on multilateral trading facilities, the most

significant of which were BATS Chi-X with 37% and Turquoise with 6% of the

trading (source: Fidessa).

On 13 April 2015, the Annual General Meeting approved a share issue

authorisation which cancelled the authorisation, identical in substance, ***granted***

by the General Meeting of 16 April 2012. In consequence, the Board has the

authority, ***granted*** by the Annual General Meeting of 13 April 2015 and valid

until 30 June 2018, to issue a total maximum of 20,000,000 new B shares. The

shares can be issued against payment to be subscribed by shareholders in a

directed issue in proportion to their existing holdings of the company shares

regardless of whether they hold A or B shares, or, deviating from the

shareholder's pre-emptive right, in a directed issue, if there is a weighty

***financial*** reason for the company, such as using the shares to develop the

company's capital structure and ***financing*** possible acquisitions, capital

expenditure or other arrangements within the scope of the company's business

operations. The amount paid for the shares is recognised in the reserve of

invested non-restricted equity. The authorisation also includes the Board's

authority to decide on the share subscription price, the right to issue shares

for non-cash consideration and the right to make decisions on other matters

concerning share issues.

In addition, the Board has the authority, valid until 30 June 2017, to decide on

the transfer of a maximum of 1,000,000 own B shares held by the company as

treasury shares. On 9 February 2015, the Board decided to ***grant*** own B shares

held by the company as treasury shares to persons included in the target group

of the 2014 vesting period, based on the valid authority to issue treasury

shares ***granted*** by the Annual General Meeting held on 8 April 2013 and the

fulfilment of the vesting criteria of the 2014 vesting period of Kesko's three-

year share-based compensation plan. This transfer of a total of 120,022 own B

shares was announced in a stock exchange release on 1 April 2015 and 7 April

2015. Based on the 2014-2016 share-based compensation plan decided by the Board,

a total maximum of 600,000 own B shares held by the company as treasury shares

can be ***granted*** within a period of three years based on the fulfilment of the

vesting criteria. The Board will separately decide on the vesting criteria and

target group for each vesting period. The share-based compensation plan was

announced in a stock exchange release on 4 February 2014.

In January-December, a total of 2,284 shares ***granted*** based on share-based

compensation plans (the 2011-2013 and the 2014-2016 share-based compensation

plans) was returned to the company in accordance with the terms and conditions

of the share-based compensation plans. The returns during the reporting period

were notified in a stock exchange notification on 23 March 2015, 4 September

2015 and 16 December 2015.

At the end of December 2015, the number of shareholders was 39,529, which is

340 less than at the end of 2014. At the end of December, foreign ownership of

all shares was 27%. Foreign ownership of B shares was 39% at the end of

December.

Flagging notifications

On 23 December 2015, Kesko Corporation received a notification according to

which the total voting rights in respect of shares in Kesko held by K-Retailers'

Association had exceeded 10 per cent on 23 December 2015. The matter was

announced in a stock exchange release on 23 December 2015.

Key events during the reporting period

Kesko sold the department store chain Anttila Oy to the German investment ***fund***

4K INVEST for EUR1 million. The transaction included all assets and liabilities in

Anttila Oy. Anttila Oy's approximately 1,500 employees continued in the

employment of the company. The date of the transaction was 16 March 2015. (Stock

exchange release on 16 March 2015)

Kesko Corporation, the Swedish life insurance company AMF Pensionsförsäkring AB

and Ilmarinen Mutual Pension Insurance Company set up a joint venture named

Ankkurikadun Kiinteistöt Oy. The joint venture owns, manages and develops store

sites acquired for it, primarily in use by Kesko Group. (Stock exchange release

on 8 May 2015 and 11 June 2015)

Kesko's Board of Directors decided on the new strategy which is aimed at

achieving profitable growth in three strategic areas: the grocery trade, the

building and home improvement trade and the car trade. At the same time,

***financial*** targets in accordance with Kesko's new strategy were announced. (Stock

exchange release on 27 May 2015)

Kesko announced its plan to merge Kesko Food Ltd and Rautakesko Ltd with the

Group's parent company as part of the Group structure simplification. Merging

the two largest division parent companies in terms of net sales with the Group's

parent company is a step forward in implementing the strategy for a more unified

Kesko. (Stock exchange release on 22 July 2015)

Kesko agreed to centralise the Baltic operations in its Lithuania-based

subsidiary, UAB Senuku Prekybos centras (Senukai). The plan is to implement the

integration in such a way that Kesko will sell the shares in its wholly owned

companies responsible for the operations of K-rauta stores in Estonia and Latvia

to Senukai. The ownership arrangement is planned to be implemented in early

2016. The implementation is subject to the approval of the competition

authority. (Stock exchange release on 4 November 2015)

Kesko Corporation's subsidiary Kesko Food Ltd made an agreement to acquire the

whole share capital of Suomen Lähikauppa Oy from the private equity investment

firm Triton. The net sales of Suomen Lähikauppa in 2014 were EUR999.2 million, it

has 643 Siwa and Valintatalo stores and 4,100 employees. The transaction price

of the debt-free acquisition, structured as a share purchase, is approximately

EUR60 million. The completion of the acquisition is subject to the approval of the

Finnish Competition and Consumer Authority and the fulfilment of the other terms

and conditions of the transaction. The handling of the matter and the

acquisition are expected to be completed in the first half of 2016. (Stock

exchange releases on 18 November 2015)

Voimaosakeyhtiö SF commenced arbitration proceedings in which Voimaosakeyhtiö SF

demands that the court of arbitration confirm that Kesko Corporation's group

company Kestra Kiinteistöpalvelut Oy is committed to the future ***financing*** of

Fennovoima Ltd's Hanhikivi nuclear power project. Kestra Kiinteistöpalvelut Oy

considers Voimaosakeyhtiö SF's claims to be unfounded. (Stock exchange release

on 17 December 2015)

Events after the reporting period

Kesko Corporation made an agreement to acquire Onninen Oy's whole share capital

from Onvest Oy. The pro forma net sales of the business to be acquired were

EUR1,438 million and the EBITDA was EUR39 million for the period from October 2014

until the end of September 2015. The transaction price of the debt-free

acquisition, structured as a share purchase, is EUR369 million. Onninen's steel

business and Russian subsidiary are not included in the acquisition. The

completion of the acquisition is subject to the approval of the competition

authorities and the fulfilment of the other terms and conditions of the

transaction. The acquisition is estimated to be completed during the first half

of 2016. (Stock exchange release on 12 January 2016)

Resolutions of the 2015 Annual General Meeting and decisions of the Board's

organisational meeting

Kesko Corporation's Annual General Meeting, held on 13 April 2015, adopted the

***financial*** statements and the consolidated ***financial*** statements for 2014 and

discharged the Board members and the Managing Director from liability. The

General Meeting also resolved to distribute a dividend of EUR1.50 per share as

proposed by the Board, or a total amount of EUR148,715,547.00. The dividend pay

date was 22 April 2015. The General Meeting resolved to leave the number of

Board members unchanged at seven. The General Meeting resolved to elect

retailer, Business College Graduate Esa Kiiskinen, Master of Science in

Economics, retailer Tomi Korpisaari, retailer, Secondary School Graduate Toni

Pokela, eMBA Mikael Aro (new member), Master of Science in Economics Matti

Kyytsönen (new member), Master of Science in Economics Anu Nissinen (new member)

and Master of Laws Kaarina Ståhlberg (new member) as Board members for a three-

year term expiring at the close of the 2018 Annual General Meeting in accordance

with the Articles of Association. In addition, the General Meeting resolved to

leave the Board members' fees and the basis for reimbursement of expenses

unchanged.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy,

Authorised Public Accountants, as the company's auditor, with APA Mikko Nieminen

as the auditor with principal responsibility. The General Meeting also approved

the Board's proposals for the Board's authorisation to issue of a total maximum

of 20,000,000 new B shares until 30 June 2018, and its authorisation to decide

on donations in a total maximum of EUR300,000 for charitable or corresponding

purposes until the Annual General Meeting to be held in 2016.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an

organisational meeting in which it elected retailer, Business College Graduate

Esa Kiiskinen as its Chair and eMBA Mikael Aro as its Deputy Chair. Master of

Laws Kaarina Ståhlberg (Ch.), eMBA Mikael Aro (Dep. Ch.) and Master of Science

in Economics Matti Kyytsönen were elected to the Board's Audit Committee. Esa

Kiiskinen (Ch.), Mikael Aro (Dep. Ch.) and Master of Science in Economics Anu

Nissinen were elected to the Board's Remuneration Committee.

The resolutions of Annual General Meeting and the decisions of the Board's

organisational meeting were announced in more detail in stock exchange releases

on 13 April 2015.

Responsibility

Kesko was the best trading sector company (Food & Staples Retailing) on 'The

Global 100 Most Sustainable Corporations' list in 2015 and 2016. In 2015, Kesko

placed 5(th) and in 2016, 15(th) on the list.

In November 2015, Kesko rose to CDP's Climate A List for the first time. The

globally established list consists of 113 selected leading companies considered

to be operating in an exemplary manner in the mitigation of climate change.

In 2015, Kesko continued to conduct human rights impact assessments in

compliance with the UN's Guiding Principles on Business and Human Rights.

Kesko aims to identify the entire supply chain of products, while also ensuring

that the ingredients are responsibly sourced. In 2015, the origin of the

ingredients in the Pirkka and K-Menu own brand products was assessed.

In February 2015, Plan International, an organisation promoting children's

rights, and Kesko launched a joint initiative to improve the sustainability of

Thailand's fish industry and the position of migrant workers. The agreement on

cooperation was made for the years 2015-2018.

In September 2015, Kesko's grocery trade, Gasum, Myllyn Paras and Wursti entered

into cooperation where biogas produced from inedible biowaste collected from

retail stores will be utilised as energy in the manufacture of new Pirkka

products.

The Blue and White Footprint campaign of the Association for Finnish Work

continued in 2015, when the K-rauta and Rautia stores joined the K-food stores

in the campaign. The objective of the campaign is to increase the sales of

Finnish products and the awareness of the positive effects of buying Finnish

work.

In spring 2015, the K-Group and the Ruokatieto association organised Local Food

Dates (Lähiruokatreffit) on six localities in Finland. These events are aimed to

provide retailers and local producers an opportunity to network and improve the

offering of local products in K-food stores.

During 2015, Kesko created the 'Thank the Producer' operating model, which aims

to draw attention to the position of producers and increase the appreciation of

Finnish production. When buying groceries for Christmas, customers had a chance

to buy a 'Thank the Producer' card. The full proceeds from the sale of the cards

were tripled and remitted to Finnish pig farmers in cooperation with the Central

Union of ***Agricultural*** Producers and Forest Owners (MTK) and meat companies.

K-stores were the main partners of the Finnish Red Nose Day and raised a record

amount of EUR420,000 for the campaign in 2015. For a third time, Kesko and K-

stores participated in the Salvation Army's Christmas Kettle Collection to help

those in need. K-food stores also participated in the Happy Christmas Spirit

collection organised by the Finnish Red Cross and the Mannerheim League for

Child Welfare.

Risk management

Risk management in Kesko Group is guided by the risk management policy approved

by Kesko's Board of Directors. The policy defines the goals and principles,

organisation, responsibilities and practices of risk management in Kesko Group.

The management of ***financial*** risks is based on the Group's ***finance*** policy

confirmed by Kesko's Board of Directors. The business division and Group

managements are responsible for the execution of risk management. Kesko Group

applies a business-oriented and comprehensive approach to risk assessment and

management. This means that key risks are systematically identified, assessed,

managed, monitored and reported at the Group, division, company and unit levels

in all operating countries.

Kesko Group's risks are considered by the Kesko Board's Audit Committee in

connection with the quarterly interim reports and the ***financial*** statements. The

Audit Committee Chair reports on risk management to the Board as part of the

Audit Committee report. The most significant risks and uncertainties are

reported to the market by the Board in the Report by the Board of Directors and

any material changes in them in the interim reports.

The following describes the risks and uncertainties assessed as significant.

Significant risks and uncertainties

Continuous decline of purchasing power and demand especially in Finland

The weak outlook for the Finnish economy, increases in taxes and public payments

resulting from the indebtedness of the public sector, coupled with increasing

unemployment, weaken purchasing power and consumer confidence and may cause a

long-term decline in the level of demand. This would have negative repercussions

especially on Kesko's home improvement and speciality goods trade and car trade

in Finland. In the food trade, price is increasingly important.

Weakening of the Russian economy and operating conditions

The level of uncertainty regarding economic development in Russia is high and

political and country risks in Russia have risen. The fall of crude oil prices

cuts the revenues of the Russian state. The low exchange rate of the rouble

weakens purchasing power, demand and profitability, and strong fluctuations in

the exchange rate increases hedging costs. The economic sanctions imposed by the

EU and the USA make it difficult to get ***financing*** in Russia. Russia's counter-

sanctions have impacts especially on food stores' operations and raise the price

level in Russia even on a wider scale. Unpredictability of officials and rapid

changes in laws and their application, as well as unexpected changes in the

operating environment can make business operations more difficult and delay

expansion.

Decline in price levels and intensification of price competition in the Finnish

food trade

The level of food prices in Finland declined in 2015. As consumers' purchasing

power has decreased, competition has become more intense and stores have lowered

their prices in order to increase market shares. The decline in price levels and

the intensified price competition can weaken the profitability of Kesko's

grocery trade and retailers.

Acquisitions in progress

After completion, the acquisitions of Suomen Lähikauppa Oy and Onninen Oy will

provide a significant business opportunity for Kesko, but they also entail

risks. The takeover and integration of the companies into Kesko will be

demanding, long lasting processes and their success will impact on the

achievement of the objectives set for sales, profit and synergies.

Strong change in the trading sector caused by digitalisation

E-commerce and online services are becoming increasingly popular in the retail

trade, especially in the speciality goods trade. International e-commerce

increases price transparency and consumers' alternatives at the same time when

making decisions to buy products and services and buying and marketing them

become more personalised and increasingly take place online. The achievement of

business objectives requires an active approach and strong expertise in the

development of online services and online stores that are attractive to

customers and the adoption of a multichannel approach with supporting electronic

customer communications. The risk is that some of the traditional brick and

mortar stores become unprofitable and that the progress of e-commerce and online

service development projects is outpaced by competitors, or that competing

online stores and online services are found more attractive by customers. In

addition, competition can be intensified by companies entering the value chain

of trade by introducing new business models. For the food trade, the challenges

in the development of e-commerce include the cost effectiveness of logistic

models and the suitability of the existing store sites for e-commerce.

Business interruptions and information system failures

The trading sector is characterised by increasingly complicated and long supply

chains and a higher dependency on information systems, data communications and

external service providers. Extended failures in information systems and payment

transfers, or in other parts of the supply chain, can cause significant losses

in sales and weaken customer satisfaction.

Retailers' operating conditions

Kesko's chain operations are, contrary to those of most competitors, based on a

retailer business model to a significant extent. The competitive advantages of

the retailer business model include the retailer's local expertise and ability

to rapidly respond to changes in customer needs or competitive situations.

Decision-making concerning the development of the chains' operations and the

implementation of changes in business operations can, however, be outpaced by

competitors. A prolonged decline in the level of demand and sales can weaken the

profitability and performance of retailer operations in Finland.

Store sites

With a view to increasing the market share, good store sites are a key

competitive factor. The acquisition of store sites can be delayed by town

planning and permit procedures and the availability and pricing of sites.

Considerable amounts of capital or lease liabilities are tied up in store

properties for years. When the share of e-commerce grows, the market situation

changes, or a chain concept proves inefficient there is a risk that a store site

becomes unprofitable and operations are discontinued while long-term liabilities

remain.

Product safety and supply chain quality

A failure in product safety control or in the quality assurance of the supply

chain can result in ***financial*** losses, the loss of customer confidence or, in the

worst case, a health hazard to customers.

Employee competencies and working capacity

The implementation of strategies and the achievement of objectives require

competent and motivated personnel. There is a risk that the trading sector does

not attract the most competent people. The acquisitions in progress as well as

other significant business and development projects, coupled with an increased

need for special competencies increase the key-person risk and the dependency on

individual expertise.

Suppliers and distribution channels

In divisions strongly dependent on individual principals and suppliers, such as

the car and machinery trade, ownership arrangements and changes in the strategy

of a principal or supplier, in product selections, product pricing and

distribution channel solutions can mean weakened competitiveness, or a loss of

sales or business.

Crime and malpractice

Crimes are increasingly committed through data networks and crime has become

more international and professional. A failure, especially if it affects the

security of payment transactions and personal information, can cause losses,

claims for damages and reputational harm. There is a risk that controls against

such crime are not sufficient.

Responsible operating practices and reputation management

Various aspects of corporate responsibility, such as the ethicality of

production and purchasing, fair and equal treatment of employees and

environmental protection are increasingly important to customers. Any failures

of responsibility would result in negative publicity for Kesko. Kesko's

challenges in corporate responsibility work include communicating its

responsibility principles to suppliers, retailers and customers, and ensuring

responsibility in the supply chain.

Compliance with laws and agreements

Compliance with laws and agreements is an important part of Kesko's

responsibility. Non-compliance can result in fines, claims for damages and other

***financial*** losses, and a loss of confidence and reputation.

Reporting to the market

Kesko's objective is to produce and publish reliable and timely information. If

any information published by Kesko proved to be incorrect, or communications

failed to meet regulations in other respects, it could result in losing investor

and other stakeholder confidence and in possible sanctions. Tight disclosure

schedules and the dependency on information systems create challenges to the

accuracy of ***financial*** information.

Risks of damage

Accidents, natural phenomena and epidemics can cause damages or business

interruptions that cannot be prevented. There is also the risk that insurance

policies do not cover all unexpected accidents and damages.

Future outlook

Estimates of the future outlook for Kesko Group's net sales and operating profit

excluding non-recurring items are given for the 12 months following the

reporting period (1-12/2016) in comparison with the 12 months preceding the

reporting period (1-12/2015).

The general economic situation and the expected trend in consumer demand vary in

Kesko's different operating countries. In Finland, owing to the weak trend in

consumers' purchasing power, the trading sector's performance is expected to

remain modest in all product lines, which may be complicated further by actions

taken to balance the public ***finances***. In the Finnish grocery trade, intense

competition is expected to continue. The market for the Finnish building and

home improvement trade and car trade is expected to remain weak. With respect to

foreign countries, the economic situation and consumers' purchasing power, as

well as the outlook in Russia have weakened further. Whereas in Sweden and

Norway and the Baltic countries, the market is expected to grow.

Kesko Group's net sales for 2016 are expected to equal the level of the previous

year. The operating profit excluding non-recurring items for 2016 is expected to

slightly exceed the level of 2015.

The future outlook does not take account of the acquisitions of Suomen

Lähikauppa and Onninen, in respect of which estimates will be given in

connection with their respective completions.

Proposal for profit distribution

The parent's distributable profits are EUR1,101,724,265.47, of which the profit

for the ***financial*** year is EUR161,817,870.11.

The Board of Directors proposes to the Annual General Meeting to be held on 4

April 2016 that a dividend of EUR2.50 per share be paid on shares held outside the

company at the date of dividend distribution. No dividend is paid on own shares

held by the company as treasury shares at the record date of dividend

distribution.

At the date of the proposal for distributions of profits, 2 February 2016, a

total of 99,142,175 shares were held outside the Company, amounting to a total

dividend of EUR247,855,437.50.

Annual General Meeting

The Board of Directors decided to convene the Annual General Meeting at

Messukeskus Helsinki, on 4 April 2016 at 13.00. Kesko Corporation will publish a

notice of the General Meeting at a later date.

Annual Report 2015 and Corporate Governance Statement

Kesko will publish the Annual Report for 2015 on week 10 on its website at

[*www.kesko.fi*](http://www.kesko.fi). The report contains a strategic review, the Report by the Board of

Directors and the ***financial*** statements for 2015, the responsibility reporting

indicators (GRI), Kesko's Corporate Governance Statement and Remuneration

Statement.

Helsinki, 2 February 2016

Kesko Corporation

Board of Directors

The information in the ***financial*** statements release is unaudited.

Further information is available from Jukka Erlund, Senior Vice President, Chief

***Financial*** Officer, telephone +358 105 322 113, and Eva Kaukinen, Vice President,

Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the

results briefing to the media and analysts can be accessed at    [*www.kesko.fi*](http://www.kesko.fi), at

11.00. An English-language audio conference on the results will be held today at

14.30 (Finnish time). The audio conference login is available on Kesko's website

at    [*www.kesko.fi*](http://www.kesko.fi).

Kesko Corporation's interim report for January-March will be published on 27

April 2016. In addition, Kesko Group's sales figures are published each month.

News releases and other company information are available on Kesko's website at

[*www.kesko.fi*](http://www.kesko.fi).

KESKO CORPORATION

Merja Haverinen

Vice President, Group Communications

ATTACHMENTS: TABLES SECTION

Accounting policies

Consolidated statement of comprehensive income

Consolidated statement of ***financial*** position

Consolidated statement of changes in equity

Consolidated statement of cash flows

Group's performance indicators

Net sales by segment

Operating profit by segment

Operating profit excl. non-recurring items by segment

Operating margin excl. non-recurring items by segment

Capital employed by segment

Return on capital employed excl. non-recurring items by segment

Capital expenditure by segment

Segment information by quarter

Change in tangible and intangible assets

Related party transactions

Fair value hierarchy of ***financial*** assets and liabilities

Personnel average and at the end of the reporting period

Group's commitments

Calculation of performance indicators

K-Group's retail and B2B sales

DISTRIBUTION

NASDAQ OMX Helsinki Ltd

Main news media

[*www.kesko.fi*](http://www.kesko.fi)

TABLES SECTION

Accounting policies

This ***financial*** statements release has been prepared in accordance with the IAS

34 standard. The ***financial*** statements release has been prepared in accordance

with the same principles as the annual ***financial*** statements for 2014.

Consolidated income

statement (EUR million),

condensed

                        1-12/  1-12/ Change, %      10-12/      10-12/   Change,

                         2015   2014                  2015        2014

                                                                               %

Net sales               8,679  9,071      -4.3       2,166       2,267      -4.4

Cost of

goods sold             -7,540 -7,832      -3.7      -1,875      -1,948      -3.7

Gross profit            1,139  1,238      -8.1         291         319      -8.8

Other operating income    800    729       9.7         178         199     -10.3

Employee benefit

expense                  -545   -614     -11.3        -138        -162     -14.9

Depreciation and

impairment charges       -137   -195     -29.9         -40         -62     -35.2

Other operating

expenses               -1,063 -1,007       5.5        -252        -262      -3.9

Operating profit          195    151      28.6          39          32      24.0

Interest income and

other ***finance*** income       10     14     -24.5           3           2      36.2

Interest expense and

other ***finance*** costs       -14    -16      -8.6          -2          -4     -35.6

Exchange differences       -3     -4     -24.0           0          -4     -99.4

Share of

results of equity

accounted investments       1      0      (..)           1           0      (..)

Profit before tax         188    145      29.6          41          26      54.6

Income tax                -71    -37      93.3         -14          -5      (..)

Net profit for the

period                    117    108       8.2          27          21      27.5

Attributable to

  Owners of the parent    102     96       5.8          22          17      30.1

  Non-controlling

  interests                16     12      26.5           5           4      17.6

Earnings per share (EUR)

for profit

attributable to

equity holders of the

parent

Basic                    1.03   0.97       5.7        0.22        0.17      30.0

Diluted                  1.03   0.97       5.9        0.22        0.17      30.2

Consolidated statement

of comprehensive

income (EUR million)

                        1-12/  1-12/

                         2015   2014  Change,% 10-12/ 2015 10-12/ 2014 Change, %

Net profit for the

period                    117    108       8.2          27          21      27.5

Items that will not be

reclassified

subsequently to profit

or loss

Actuarial gains/losses     23    -20      (..)          22         -18      (..)

Items that may be

reclassified

subsequently to profit

or loss

Exchange differences

on translating foreign

operations                -17    -28     -37.6          -4         -20     -78.8

Adjustment for

hyperinflation              -      4         -           -           0         -

Cash flow hedge

revaluation                 0      1      (..)           1           0      (..)

Revaluation of

available-for-sale

***financial*** assets            1     -3      (..)           0           0      (..)

Other items                 0      0      33.3           -           -         -

Total other

comprehensive income

for the period,

net of tax                  6    -45      (..)          18         -38      (..)

Total comprehensive

income for the period     124     63      96.2          45         -17      (..)

Attributable to

  Owners of the parent    119     49      (..)          41         -20      (..)

  Non-controlling

  interests                 5     14     -64.0           4           3      42.5

(..) Change over 100%

Consolidated statement of ***financial*** position (EUR

million), condensed

                                                 31.12.2015 31.12.2014 Change, %

ASSETS

Non-current assets

Tangible assets                                       1,282      1,624     -21.1

Intangible assets                                       168        178      -5.3

Equity accounted investments and other ***financial***

assets                                                  115        105       8.7

Loans and receivables                                    67         11      (..)

Pension assets                                          176        147      19.8

Total                                                 1,808      2,066     -12.5

Current assets

Inventories                                             735        776      -5.3

Trade receivables                                       582        584      -0.4

Other receivables                                       127        173     -26.6

***Financial*** assets at fair value

through profit or loss                                  374        219      70.7

Available-for-sale ***financial*** assets                     372        272      36.8

Cash and cash equivalents                               141        107      32.0

Total                                                 2,331      2,131       9.4

Non-current assets held for sale                          0          1     -16.7

Total assets                                          4,139      4,198      -1.4

                                       31.12.2015 31.12.2014 Change, %

EQUITY AND LIABILITIES

Equity                                      2,163      2,184      -0.9

Non-controlling interests                      79         82      -3.8

Total equity                                2,242      2,265      -1.0

Non-current liabilities

Interest-bearing liabilities                  258        319     -19.1

Non-interest-bearing liabilities               42         11      (..)

Deferred tax liabilities                       71         67       5.9

Pension obligations                             1          2     -52.8

Provisions                                     16         27     -41.6

Total                                         388        426      -8.8

Current liabilities

Interest-bearing liabilities                  181        180       0.7

Trade payables                                795        795       0.1

Other non-interest-bearing liabilities        495        490       1.1

Provisions                                     38         42     -10.1

Total                                       1,509      1,506       0.2

Total equity and liabilities                4,139      4,198      -1.4

(..) Change over 100%

Consolidated statement of changes in equity (EUR million)

                  Share Res-    Cur-      Re-     Trea-   Re-    Non-      Total

                  capi- erves   rency     valu-   sury    tained cont-

                  tal           trans-    ation   sha-res earn-  rolling

                                lation    reserve         ings   inte-

                                differ-                          rests

                                ences

Balance at

1.1.2014            197     461       -13       1     -18  1,651        73 2,352

Shares

subscribed

with options                  2                                                2

Treasury shares                                       -16                    -16

Share-based

payments                                                2                0     2

Dividends                                                   -138        -5  -143

Other changes                 0         0                      5         0     5

Net profit for

the period                                                    96        12   108

Other comprehen-

sive income

Items that will

not be

reclassified

subsequently to

profit or loss

Actuarial

gains/losses                                                 -25             -25

Items that may be

reclassified

subsequently to

profit or loss

Exchange

differences

on translating

foreign

operations                    0       -25                               -3   -28

Adjustment for

hyperinflation                                                 0         4     4

Cash flow

hedge

revaluation                                     1                              1

Revaluation of

available-for-

sale ***financial***

assets                                         -3                             -3

Others                                                         0               0

Tax related to

comprehensive

income                                          0              5               4

Total other

comprehensive

income                        0       -25      -2            -19         1   -45

Balance at

31.12.2014          197     463       -38      -1     -31  1,594        82 2,265

Balance at

1.1.2015            197     463       -38      -1     -31  1,594        82 2,265

Shares

subscribed

with options

Treasury shares                                         0                      0

Share-based

payments                                                4                      4

Dividends                                                   -149        -7  -156

Acquisition of

minority interest                                       0      0        -1    -1

Other changes                 0         0                      5         0     5

Net profit for

the period                                                   102        16   117

Other comprehen-

sive income

Items that will

not be

reclassified

subsequently to

profit or loss

Actuarial

gains/losses                                                  29              29

Items that may be

reclassified

subsequently to

profit or loss

Exchange

differences

on translating

foreign

operations                    0        -7                              -11   -17

Cash flow

hedge

revaluation                                     0                              0

Revaluation of

available-for-

sale ***financial***

assets                                          1                              1

Others                                                         0               0

Tax related to

comprehensive

income                                          0             -6              -6

Total other

comprehensive

income                        0        -7       1             23       -11     6

Balance at

31.12.2015          197     463       -45       0     -27  1,575        79 2,242

Consolidated statement of cash flows (EUR million), condensed

                          1-12/ 1-12/ Change,% 10-12/ 2015 10-12/ 2014 Change, %

                           2015  2014

Cash flows from operating

activities

Profit before tax           188   145     29.6          41          26      54.6

Depreciations according

to plan                     128   151    -15.4          31          38     -19.0

***Finance*** income and costs      7     6     16.0          -1           5      (..)

Other adjustments            40    63    -36.7          18          29     -36.9

Change in working capital

Current non-interest-

bearing

receivables, increase (-

)/

decrease (+)                 -2    32     (..)          47          76     -38.5

Inventories,

increase (-)/decrease (+)   -44    -7     (..)         -31           5      (..)

Current non-interest-

bearing

liabilities, increase

(+)/

decrease(-)                   7   -21     (..)          31         -27      (..)

***Financial*** items and tax     -48   -65    -26.3         -13         -15     -16.3

Net cash from operating

activities                  276   304     -9.2         123         137     -10.0

Cash flows from investing

activities

Investing activities       -215  -194     11.0         -65         -43      51.9

Sales of fixed assets       432    11     (..)          -6           3      (..)

Increase in non-current

receivables                  -1     0     (..)           0           1     -75.4

Net cash used in

investing activities        217  -182     (..)         -71         -38      84.3

Cash flows from ***financing***

activities

Interest-bearing

liabilities, increase

(+)/decrease (-)            -61   -46     34.2         -25           4      (..)

Current interest-bearing

receivables, increase (-

)/

decrease (+)                  2    -1     (..)           2           0      (..)

Dividends paid             -156  -143      8.8          -1          -1      21.2

Equity increase               -     2        -           -           -         -

Purchase of treasury

shares                        -   -16        -           -           -         -

Short-term money market

investments, increase (-

)/ decrease (+)            -269   -57     (..)          52         -21      (..)

Other items                  19     7     (..)           5           1      (..)

Net cash used in

***financing*** activities       -466  -254     83.6          33         -17      (..)

Change in cash and cash

equivalents                  28  -131     (..)          85          81       4.7

Cash and cash

equivalents and current

portion of available-for-

sale ***financial*** assets at

1 Jan.                      313   453    -30.8         254         239       6.3

Currency translation

difference adjustment and

revaluation                  -7    -8    -15.4          -5          -7     -28.1

Cash and cash

equivalents and current

portion of available-for-

sale ***financial*** assets at

31 Dec.                     334   313      6.6         334         313       6.6

(..) Change over 100%

Group's performance indicators

                                                  1-12/2015 1-12/2014 Change, pp

Return on capital employed, %                           9.3       6.4        2.9

Return on capital employed

excl. non-recurring items, %                           11.7       9.9        1.9

Return on equity, %                                     5.2       4.7        0.5

Return on equity excl. non-recurring items, %           8.2       7.6        0.6

Equity ratio, %                                        54.7      54.5        0.2

Gearing, %                                            -20.0      -4.4      -15.6

                                                                       Change, %

Capital expenditure, EUR million                        218.5     194.0       12.6

Capital expenditure, % of net sales                     2.5       2.1       17.7

Earnings per share, basic, EUR                           1.03      0.97        5.7

Earnings per share, diluted, EUR                         1.03      0.97        5.9

Earnings per share excl. non-recurring items,

basic, EUR                                               1.70      1.65        3.5

Cash flow from operating activities,

EUR million                                               276       304       -9.2

Cash flow from investing activities,

EUR million                                               217      -182       (..)

Equity per share, EUR                                   21.82     22.05       -1.1

Interest-bearing net debt, EUR million                   -448       -99       (..)

Diluted number of shares, average for the

reporting period, 1,000 pcs                          99,114    99,161        0.0

Personnel, average                                   18,955    19,976       -5.1

(..) Change over 100%

Group's performance              4-6/       10-12/                   7-9/ 10-12/

indicators by quarter      1-3/        7-9/          1-3/

                           2014  2014  2014   2014   2015 4-6/ 2015  2015   2015

Net sales, EUR million      2,129 2,371 2,304  2,267  2,082     2,227 2,203  2,166

Change in net sales, %     -1.4  -2.1  -2.9   -4.0   -2.2      -6.0  -4.4   -4.4

Operating profit, EUR

million                   -13.0  69.4  63.4   31.7 -103.6     175.8  83.1   39.3

Operating margin, %        -0.6   2.9   2.7    1.4   -5.0       7.9   3.8    1.8

Operating profit excl.

non- recurring items, EUR

million                    19.1  67.6  84.0   61.9   26.5      76.4  82.5   59.1

Operating margin

excl. non-recurring

items, %                    0.9   2.9   3.6    2.7    1.3       3.4   3.7    2.7

***Finance*** income/costs,

EUR million                  -1.6   2.2  -1.8   -5.0   -0.3      -4.2  -3.5    0.9

Profit before tax, EUR

million                   -14.4  71.4  61.7   26.4 -103.7     172.1  78.8   40.7

Profit before tax, %       -0.7   3.0   2.7    1.2   -5.0       7.7   3.6    1.9

Return on capital

employed, %                -2.2  11.5  10.9    5.5  -18.1      31.9  17.6    8.2

Return on capital

employed, excl. non-

recurring items, %          3.2  11.2  14.4   10.7    4.6      13.9  17.5   12.4

Return on equity, %        -2.0   9.4   8.1    3.7  -19.9      28.0   8.9    4.8

Return on equity, excl.

non-recurring items, %      2.3   9.1  11.3    8.0    3.1      10.6  10.6    9.2

Equity ratio, %            53.2  52.3  54.2   54.5   51.5      52.2  54.2   54.7

Capital expenditure,

EUR million                  43.4  55.7  51.7   43.2   51.5      58.6  41.5   66.9

Earnings per share,

diluted, EUR                -0.11  0.51  0.41   0.17  -1.11      1.48  0.43   0.22

Equity per share, EUR       22.83 21.86 22.25  22.05  21.30     21.21 21.41  21.82

Segment information

Net sales by segment

                          1-12/ 1-12/

(EUR million)                2015  2014 Change,% 10-12/ 2015 10-12/ 2014 Change, %

Grocery trade, Finland    4,566 4,650     -1.8       1,218       1,233      -1.3

Grocery trade,

other countries\*            107   103      3.2          32          27      19.0

Grocery trade, total      4,673 4,754     -1.7       1,249       1,260      -0.9

- of which intersegment

trade                        15    34    -54.9           3           9     -68.5

Home improvement and

speciality goods trade,

Finland                   1,719 2,002    -14.1         376         475     -20.8

Home improvement and

speciality goods trade,

other countries\*          1,530 1,566     -2.3         360         362      -0.6

Home improvement and

speciality goods trade

total                     3,250 3,568     -8.9         736         837     -12.0

- of which intersegment

trade                         1     0     (..)           0           0      (..)

Car trade, Finland          748   766     -2.4         177         175       1.5

Car trade total             748   766     -2.4         177         175       1.5

- of which intersegment

trade                         0     0    -12.4           0           0      -8.1

Common operations and

eliminations                  8   -18     (..)           4          -5      (..)

Finland total             7,042 7,401     -4.9       1,775       1,878      -5.5

Other countries total\*    1,637 1,669     -1.9         391         389       0.7

Group total               8,679 9,071     -4.3       2,166       2,267      -4.4

(..) Change over 100%

\* Net sales in countries other than Finland

Operating profit by segment

                               1-12/ 1-12/

(EUR million)                     2015  2014 Change 10-12/ 2015 10-12/ 2014 Change

Grocery trade                  249.4 216.2   33.2        53.4        59.1   -5.6

Home improvement and

speciality goods trade         -57.2 -52.0   -5.2       -10.9        -1.5   -9.3

Car trade                       26.1  28.9   -2.8         3.8         5.2   -1.4

Common operations and

eliminations                   -23.7 -41.7   18.0        -7.1       -31.1   23.9

Group total                    194.6 151.4   43.2        39.3        31.7    7.6

Operating profit excl. non-

recurring items by segment     1-12/ 1-12/

(EUR million)                     2015  2014 Change 10-12/ 2015 10-12/ 2014 Change

Grocery trade                  177.5 223.2  -45.8        54.5        62.2   -7.8

Home improvement and

speciality goods trade          63.6   0.4   63.2         7.5         3.7    3.8

Car trade                       26.1  28.9   -2.8         3.8         5.2   -1.4

Common operations and

eliminations                   -22.7 -20.0   -2.8        -6.7        -9.3    2.6

Group total                    244.5 232.6   11.8        59.1        61.9   -2.7

Operating margin

excl. non-recurring items by     1-12/ 1-12/            10-12/ 10-12/

segment, %                        2015  2014 Change, pp   2015   2014 Change, pp

Grocery trade                      3.8   4.7       -0.9    4.4    4.9       -0.6

Home improvement and speciality

goods trade                        2.0   0.0        1.9    1.0    0.4        0.6

Car trade                          3.5   3.8       -0.3    2.1    3.0       -0.8

Group total                        2.8   2.6        0.3    2.7    2.7        0.0

Capital employed by segment,

cumulative

average

                                 1-12/ 1-12/            10-12/ 10-12/

(EUR million)                       2015  2014     Change   2015   2014     Change

Grocery trade                      871 1,007       (..)    733    984       (..)

Home improvement and speciality

goods trade                        823   941       (..)    757    942       (..)

Car trade                          104    96        7.4    120     91       29.2

Common operations and

eliminations                       285   310      -25.4    297    306       -8.2

Group

total                            2,083 2,354       (..)  1,907  2,323       (..)

Return on capital employed

excl. non-recurring items

                           1-12/ 1-12/

by segment, %               2015  2014 Changepp 10-12/ 2015 10-12/ 2014 Changepp

Grocery trade               20.4  22.2     -1.8        29.7        25.3      4.4

Home improvement and

speciality goods trade       7.7   0.0      7.7         4.0         1.6      2.4

Car trade                   25.2  30.1     -4.9        12.6        22.7    -10.0

Group total                 11.7   9.9      1.9        12.4        10.7      1.7

Capital expenditure

                               1-12/ 1-12/

by segment (EUR million)          2015  2014 Change 10-12/ 2015 10-12/ 2014 Change

Grocery trade                    129    98     31          30          21      9

Home improvement and

speciality goods trade            55    72    -17          29          20      9

Car trade                         16    13      3           5           2      2

Common operations and

eliminations                      18    11      7           3           0      4

Group total                      219   194     25          67          43     24

Segment information by quarter

Net sales by segment                                                 7-9/ 10-12/

                          1-3/  4-6/   7-9/ 10-12/   1-3/

(EUR million)               2014  2014   2014   2014   2015 4-6/ 2015  2015   2015

Grocery trade            1,102 1,202  1,190  1,260  1,103     1,149 1,171  1,249

Home improvement and

speciality goods trade     815   974    942    837    773       883   857    736

Car trade                  218   199    175    175    210       190   170    177

Common operations and

eliminations                -6    -5     -2     -5     -3         4     4      4

Group total              2,129 2,371  2,304  2,267  2,082     2,227 2,203  2,166

Operating profit by

segment                                                              7-9/ 10-12/

                          1-3/  4-6/ 7-9/   10-12/   1-3/

(EUR million)               2014  2014 2014     2014   2015 4-6/ 2015  2015   2015

Grocery trade             44.3  54.4 58.3     59.1   35.2     115.8  45.0   53.4

Home improvement and

speciality goods trade   -64.3  11.9  1.9     -1.5 -144.7      61.5  36.8  -10.9

Car trade                 10.1   7.4  6.3      5.2    9.8       6.5   6.0    3.8

Common operations and

eliminations              -3.1  -4.4 -3.2    -31.1   -3.9      -8.0  -4.6   -7.1

Group total              -13.0  69.4 63.4     31.7 -103.6     175.8  83.1   39.3

Operating profit excl.

non-recurring items                                                  7-9/ 10-12/

                               1-3/ 4-6/ 7-9/ 10-12/  1-3/

by segment (EUR million)         2014 2014 2014   2014  2015 4-6/ 2015 2015   2015

Grocery trade                  45.4 55.3 60.3   62.2  34.9      43.3 44.8   54.5

Home improvement and

speciality goods trade        -33.2  9.3 20.6    3.7 -14.2      34.5 35.8    7.5

Car trade                      10.1  7.4  6.3    5.2   9.8       6.5  6.0    3.8

Common operations and

eliminations                   -3.1 -4.4 -3.2   -9.3  -3.9      -8.0 -4.1   -6.7

Group total                    19.1 67.6 84.0   61.9  26.5      76.4 82.5   59.1

Operating margin excl.

non-recurring items                                                  7-9/ 10-12/

                                1-3/ 4-6/ 7-9/ 10-12/ 1-3/

by segment, %                   2014 2014 2014   2014 2015 4-6/ 2015 2015   2015

Grocery trade                    4.1  4.6  5.1    4.9  3.2       3.8  3.8    4.4

Home improvement and speciality

goods trade                     -4.1  1.0  2.2    0.4 -1.8       3.9  4.2    1.0

Car trade                        4.6  3.7  3.6    3.0  4.7       3.4  3.5    2.1

Group total                      0.9  2.9  3.6    2.7  1.3       3.4  3.7    2.7

Change in tangible and intangible assets (EUR million)

                                              31.12.2015 31.12.2014

Opening net carrying amount                        1,802      1,840

Depreciation, amortisation and impairment           -137       -195

Investments in tangible and intangible assets        206        204

Disposals                                           -408        -18

Currency translation differences                     -13        -29

Closing net carrying amount                        1,451      1,802

Related party transactions (EUR million)

The Group's related parties include its key management (the Board of Directors,

the Managing Director and the Group Management Board) and companies controlled

by them, the Group's subsidiaries, associates and joint ventures as well as

Kesko Pension ***Fund***.

The following transactions were carried out with related parties:

                                 1-12/2015  1-12/2014

Sales of goods and services             64         79

Purchases of goods and services         14         21

Other operating income                  11         12

Other operating expenses                49         31

***Finance*** income                           3          0

                                31.12.2015 31.12.2014

Receivables                             63          8

Liabilities                             23         20

Fair value hierarchy of ***financial*** assets and liabilities (EUR million)

                                                Level Level 2 Level 3 31.12.2015

                                                1

***Financial*** assets at fair value through profit

or loss                                         215.1   159.1              374.2

Derivative ***financial*** ***instruments*** at fair value

through profit or loss

Derivative ***financial*** assets                              13.3               13.3

Derivative ***financial*** liabilities                          8.6                8.6

Available-for-sale ***financial*** assets             178.9   192.8    15.3      387.0

Fair value hierarchy of ***financial*** assets and liabilities (EUR million)

                                                Level Level 2 Level 3 31.12.2014

                                                1

***Financial*** assets at fair value through profit

or loss                                          23.7   195.6              219.3

Derivative ***financial*** ***instruments*** at fair value

through profit or loss

Derivative ***financial*** assets                              31.5               31.5

Derivative ***financial*** liabilities                         15.5               15.5

Available-for-sale ***financial*** assets              65.5   206.3    13.1      284.8

Level 1 ***instruments*** are traded in active markets and their fair values are

directly based on quoted market prices. The fair values of level 2 ***instruments***

are derived from market data. The fair values of level 3 ***instruments*** are not

based on observable market data.

Personnel, average and as at 31.12.

Personnel average by

segment                                     1-12/2015 1-12/2014 Change

Grocery trade                                   6,420     6,176    244

Home improvement and speciality goods trade    11,269    12,524 -1,255

Car trade                                         780       825    -45

Common operations                                 487       451     36

Group total                                    18,955    19,976 -1,021

Personnel as at 31.12.\*

by segment                                       2015      2014 Change

Grocery trade                                   8,364     8,157    207

Home improvement and speciality goods trade    12,270    14,286 -2,016

Car trade                                         783       823    -40

Common operations                                 518       528    -10

Group total                                    21,935    23,794 -1,859

\* Total number including part-time employees

Group's commitments (EUR million)

                                             31.12.2015 31.12.2014     Change, %

Own commitments                                     152        202         -25.0

For associates and joint ventures                     -         65        -100.0

For others                                           15         11          32.6

Lease liabilities for machinery and

equipment                                            27         25           6.2

Lease liabilities for real estate                 2,594      2,266          14.5

Liabilities arising from derivative

***instruments***

(EUR million)

                                                                   Fair value at

Values of underlying ***instruments*** at 31.12.   31.12.2015 31.12.2014    31.12.2015

Interest rate derivatives

  Interest rate swaps                               100        101          0.00

Currency derivatives

  Forward and future contracts                      237        328          6.90

  Currency swaps                                     50         50          4.90

Commodity derivatives

  Electricity derivatives                             9         21         -7.22

Calculation of performance indicators

Return on capital employed\*, %

Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other

current assets - Non-interest-bearing liabilities) on average for the reporting

period

Return on capital employed excl. non- recurring items\*, %

Operating profit excl. non-recurring items x 100 / (Non-current assets +

Inventories + Receivables + Other current assets - Non-interest-bearing

liabilities) on average for the reporting period

Return on equity\*, %

(Profit/loss before tax - Income tax) x 100 /

Shareholders' equity

Return on equity excl. non-recurring items\*, %

(Profit/loss adjusted for non-recurring items before tax - Income tax adjusted

for the tax effect of non-recurring items) x 100 / Shareholders' equity

Equity ratio, %

Shareholders' equity x 100 /

(Total assets - Prepayments received)

Earnings/share, diluted

(Profit/loss - Non-controlling interests) /

Average diluted number of shares

Earnings/share, basic

(Profit/loss - Non-controlling interests) /

Average number of shares

Earnings/share excl.

non-recurring items,

basic

(Profit/loss adjusted for non-recurring items - Non-controlling interests) /

Average number of shares

Equity/share

Equity attributable to equity holders of the parent /

Basic number of shares at the balance sheet date

Gearing, %

Interest-bearing net debt x 100 /

Shareholders' equity

Interest-bearing net debt

Interest-bearing liabilities - Money market investments - Cash and cash

equivalents

\*Indicators for return on capital have been annualised

K-Group's retail and B2B sales\* (VAT 0%) (preliminary data):

                                           1.1.-31.12.2015    1.10.-31.12.2015

K-Group's retail and                     EUR million Change, % EUR million Change, %

B2B sales

K-Group's grocery trade

K-food stores, Finland                       4,527      -1.7     1,164      -1.7

K-citymarket, non-food                         575      -1.0       178      -0.9

Kespro                                         785       0.2       202       1.5

K-ruoka, Russia                                106       3.1        32      18.9

Grocery trade, total                         5,993      -1.3     1,575      -0.8

K-Group's home improvement and

speciality goods trade

K-rauta and Rautia                             994      -0.9       228       4.6

Rautakesko B2B Service                         192       2.7        49       8.3

K-maatalous                                    437      -5.5       113       4.2

Machinery trade, Finland                       154       3.1        29       5.7

Speciality goods trade, Finland                492      -3.2       126      -4.5

Finland, total                               2,270      -1.8       545       2.6

Home improvement and speciality goods

trade, other Nordic countries                  873       0.6       212       5.9

Home improvement and speciality goods

trade, the Baltics                             592       6.1       144       5.4

Home improvement and speciality goods

trade, other countries                         320     -17.9        78     -14.5

Home improvement and speciality goods

trade, total                                 4,055      -1.7       978       2.1

K-Group's car trade

VV-Autotalot                                   373      -4.1        92      -2.6

VV-Auto, import                                397      -0.1        92       9.4

Car trade, total                               770      -2.1       184       3.0

Finland total                                8,927      -1.5     2,272       0.1

Other countries, total                       1,891      -1.4       465       2.4

Retail and B2B sales,

total                                       10,818      -1.5     2,737       0.5

\* Excluding Anttila

Kesko\_***financial***\_statements\_release\_2015:

[*http://hugin.info/3055/R/1983304/726800.pdf*](http://hugin.info/3055/R/1983304/726800.pdf)

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Oxford Business Group: Articles

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**Length:** 5238 words

**Body**

Trinidad and Tobago is a vibrant, diverse country that over the past two decades has forged a reputation as one of the leading destinations for direct foreign investment in Latin America and the Caribbean. After the US and Canada, T&T is the third-richest country by GDP at purchasing power parity per capita in the Americas, and as of November 2011 the OECD removed T&T from its list of developing countries. The recent collapse in the price of oil has, however, posed new substantial challenges to the local economy.

T&T has a rich democratic history and a strong commitment to the rule of law. At the base of this success is a vibrant legal system that has been integral to the development of the strongest economy in the Caribbean. As a former British Caribbean colony, upon independence T&T inherited the Westminster system of government with an elected House of Representatives and an appointed Senate. Elections are held every five years by universal suffrage, and the most recent elections, which were held on September 7, 2015 resulted in the country undertaking a peaceful change of government for the sixth time in the nation's history.

As a member of the Commonwealth of Nations, T&T enjoys healthy relationships with many countries around the world. Its unique geographic position at the south-eastern corner of the Caribbean basin has allowed it to have extensive trading relationships with the rest of the Caribbean and Latin America, along with major economic powers such as China, the US and Europe.

**Legal & Judicial System**

Fundamental legal principles, such as the rule of law, separation of powers, and the freedom of expression, press and property, are enshrined in the constitution of T&T, along with the right of its citizens, foreigners and legal entities to enjoy the same. Legislation enacted by the Parliament has been based predominantly on the English statues, and to a lesser extent Canadian and Australian legislation.

T&T has a common law jurisdiction where the doctrine of precedent applies. The highest court in the land is the Judicial Committee of the Privy Council, although there has been a campaign to move the court of final appeal to the Caribbean Court of Justice in Port of Spain, T&T.

The T&T legal system is also made up of a number of courts below the Judicial Committee of the Privy Council, in particular the Court of Appeal, the High Court of Justice and the Magistrates Court, in descending order. Additionally, there is also a Family Court, which deals with matrimonial and family matters; an Industrial Court, which deals with industrial relations and employment law matters; the Environmental Commission, which deals with offences arising under the Environmental Management Act; and the Tax Appeal Board, which has jurisdiction to hear appeals from decisions of the Board of Inland Revenue.

**Civil Procedure Rules**

In 2005 T&T followed the Lord Woolf "Access to Justice Report" and now has similar civil proceedings rules to those currently in operation in England. The rules seek to encourage the early settlement of disputes and to incorporate technology and innovation into the judicial process to improve the access to justice to those utilising the system. The courts also have the jurisdiction to ***grant*** injunctions, search orders and other orders providing interim relief where the circumstances merit same. ALTERNATIVE DISPUTE RESOLUTION SERVICES: In addition to the formal litigation process for the settlement of legal disputes, there has been a movement towards the development and utilisation of alternative dispute resolution mechanisms such as arbitration and mediation as part of the effort to improve the efficiency of the judicial system. The judiciary of T&T implemented a court annexed mediation pilot programme to encourage the early settlement of disputes in a less contentious manner, with the hopes of integrating it into the judicial system on a permanent basis. The Mediation Board of T&T oversees the training and certification of mediators, and has allowed for the establishment of a cadre of experienced practitioners in this field.

Many commercial contracts utilise arbitration clauses for the resolution of their disputes due to its speed and the fact that this process allows for the adjudication of disputes by a person with expert knowledge in a particular area. The T&T Chamber of Industry and Commerce has established the Dispute Resolution Centre (DRC) which specialises in the facilitation of these services. The DRC provides facilities where arbitrations, adjudications and mediations can take place and also provides training in these programmes.

**Judgements Extension Act**

The Judgements Extension Act allows for the courts in T&T to enforce the judgements of other courts outside of the jurisdiction. It applies to some Commonwealth and CARICOM countries, namely the UK, Australia, India, Nigeria, Guyana, Grenada, Barbados, St Vincent, the Leeward Islands, St Lucia, the Bahamas and Jamaica.

**Banking & *Finance***

The Central Bank of T&T (CBTT) is the main regulator of the banking sector. Its powers are primarily derived from the Central Bank Act Chapter 79:02 and the ***Financial*** Institutions Act Chapter 84:01.

There are eight commercial banks and 16 non-bank ***financial*** institutions in T&T.

A company wishing to establish a commercial bank or conduct business of a ***financial*** nature must apply to the CBTT and satisfy certain eligibility requirements, including the ability to meet the minimum capital requirement of $15m or such higher sum as the CBTT may require.

**Securities Industry**

The Securities and Exchange Commission is the regulatory authority for the securities sector and regulates, inter alia, public offerings, disclosure obligations applicable to reporting issuers, and other registrants and takeover bids. Companies or individuals wishing to conduct business within the capacity of a market actor are subject to registration requirements under the Securities Act.

The act provides that no person shall carry on business or hold himself or herself out as a broker, an investment advisor or an underwriter of securities unless registered in such capacity with the commission in accordance with the Securities Act.

**Corporate Law**

The Companies Act of T&T is based on the Canadian Business Corporations Act The two main options that are available under the Companies Act are the incorporation of a local limited liability company or the registration of an external company in T&T. The Companies Act provides that no association, society, body or other group consisting of more than 10 people may be formed for the purpose of carrying on trade or business for gain in T&T unless it is:

· Incorporated under the Companies Act;

· Formed under another written law (of T&T); or

· A partnership. Incorporation proceedings are straightforward (they can be competed in 1-2 days) and ***grant*** the status of limited or unlimited liability. In the case of a trading company, the most common form is that of a company limited by shares. There is no particular requirement that a company has to have a certain number of shareholders or a particular amount of required capital. Nor is it required that the shareholders be T&T nationals. The shareholders of the company may be foreigners.

Under the Companies Act, in relation to the incorporation of a subsidiary company, the name of a proposed company with limited liability must include the word "Limited" or "Ltd" as the last word in the name, and the name must be approved by the Registrar of Companies. The Companies Act also requires the preparation and registration of articles of incorporation, which comprise the constitutional ***instruments*** of the company together with other statutory forms.

Another common option that is used to establish a legal entity in T&T under the Companies Act is the registration of an external company. Section 317 of the Companies Act places an obligation on any incorporated body of persons that is formed under the laws of a country other than T&T and establishes a place of business within T&T, to register as an external company within 14 days from the establishment of its place of business.

The registration of an external company is akin to the registration of a branch office in T&T of a company incorporated in another country. As such, the parent company (head office) will be responsible for the debts and liabilities of the external company (branch office) registered in T&T.

One advantage of the registration of an external company in T&T, as opposed to the incorporation of a limited liability company, is that if the company ceases to carry on business in the country, it may simply file a notice to that effect with the Registrar of Companies, who may cancel (and subsequently revive) the registration of the external company without any further formalities being required.

**Foreign Investment Act**

For foreign investors seeking to invest in T&T, the legislation that governs the acquisition of real estate or equity in domestically incorporated companies is set out in the Foreign Investment Act Chapter 70:07.

The Foreign Investment Act defines a foreign investor as; (a) an individual who is not a national of T&T or of a CARICOM member state as defined under the Treaty of Chaguaramas; (b) any firm, partnership or unincorporated body of persons of which at least one-half of its membership is held by persons who are not nationals of T&T or another CARICOM member state; or (c) any company or corporation that is not incorporated in T&T or another CARICOM member state, or if so, is under the control of persons to whom paragraph (a) or (b) apply or is deemed to be under the control of a foreign investor.

A company or corporation shall be deemed to be under the control of foreign investors if:

· At least one-half of the votes exercisable at any meeting of the company or corporation are vested in foreign investors; or

· Having a share capital, at least one-half of the nominal amount of its issued shares that are voting shares are vested in foreign investors; or

· Not having a share capital, at least one-half in number of its members are foreign investors; or

· It is in fact controlled by foreign investors. A foreign investor who is desirous of incorporating a private company in T&T, or of acquiring shares in any private company incorporated in T&T, shall prior to doing so, supply the minister of ***finance*** with the following information:

· Name, address and nationality of the foreign investor;

· If a company, its place of incorporation, its principal place of business, names, nationality, former nationality and addresses of its directors, and the name of any controlling shareholder;

· The identity of any other country in which the foreign investor holds investments;

· The purpose of the investment;

· Whether the foreign investor is or is not a resident of T&T within the meaning of the Exchange Control Act Chapter 79:05;

· Full particulars of the consideration for the investment and of the payments and credits made, and the name of the bank through which each such payment or credit was made or given. The intended shareholder(s) of the company must pay for shares being acquired in an internationally traded currency through a local commercial bank. A foreign investor may acquire land, the area of which does not exceed one acre for residential purposes without obtaining a licence under the Foreign Investment Act.

The foreign investor can also acquire land without a licence, the area of which does not exceed five acres for the purposes of trade or business. The consideration paid for the acquisition of the land must also be in an internationally traded currency through a local commercial bank.

In addition to the restrictions and regulations outlined above, the Foreign Investment Act gives the responsible minister the power to declare any area in T&T an area in which a foreign investor must obtain a licence to acquire land regardless of its size and/or usage.

**Free Zones Act**

There are different areas and activities that may be ***granted*** free zone status including warehousing and storing; manufacturing operations; trans-shipment operations; loading and unloading operations; exporting; importing; service operations including banking, insurance and professional services; assembling; processing, refining, purifying and mixing; and merchandising including international trading products. The incentives include exemptions from Customs duties on the importation of goods into the free zone; exemptions from income tax, corporation tax, business levy, withholding taxes on remittance of profits, dividends and other distributions; and exemptions from land and building taxes on land, buildings, improvements to buildings, plants and machinery in the free zone.

This sector has remained relatively underdeveloped. Given T&T's geographical position, the development of highly efficient free zone areas should be utilised as a major initiative for economic diversification.

**Public-Private Partnerships**

Well before the fall in global commodity prices, the government recognised the need to partner with the private sector to reduce the dependency on the state to ***fund*** major projects.

As commodity prices continue in a downward trajectory, the country will be facing a new paradigm of significantly reduced energy revenues over the short to medium term, which makes the formation of pubic private partnerships (PPPs) even more relevant.

PPPs seek to combine the best of both worlds: the private sector's resources, management skills and technology; and the public sector's regulaIn 2011 the Ministry of ***Finance*** (MoF) established a PPP unit within the Investments Division of the MoF to promote a PPP infrastructure for T&T. This unit has principal responsibility for:

· Developing and disseminating PPP policy throughout the public and private sectors;

· Regulating the PPP programme to ensure PPP projects are developed in accordance with policy, principles and processes;

· Contributing to the development of PPP projects by screening projects submitted by ministries and agencies for consideration by the Ministerial Committee and subsequently becoming part of the PPP execution team responsible for implementing the project; and

· Being a repository of skills and knowledge by continually building knowledge on managing PPPs, drawing from domestic and international experience to inform PPP programme development.

**Tax Holidays**

The Fiscal Incentive Act allows for the ***granting*** of a tax holiday for periods of up to 10 years for the manufacturing of approved products by approved enterprises. The act provides for different classifications into which the enterprises may be categorised. These categories include, inter alia, enterprises utilising a significant portion of local inputs, export enterprises where products are manufactured solely for exportation and those enterprises investing in excess of TT$50m ($7.7m). An approved enterprise must be a locally incorporated company and will also be ***granted*** exemptions from Customs duties and value-added tax on the construction of the approved project. The tax exemption can be extended to dividends, which may be tax-exempt and free of non-resident withholding tax on any taxes in excess of the investor's tax rate on the dividend in his or her own country of residence.

**Employment & Labour-Related Issues**

From doctors to lawyers, engineers to IT professionals, sales clerks to gardening services, T&T has a diversified labour force and many different avenues where individuals may seek employment within the country. While Trinidad is driven by the oil and business sector, Tobago is more focused on tourism and many of its residents are employed in hotels and restaurants and often sell their own handmade creations. The present minimum wage in T&T is TT$15.00 ($2.31) per hour based on a forty-hour work week.

T&T has enjoyed low unemployment rates over the past decade (the current rate is approximately 3.6%), but this is expected to rise given the slowdown in the economy caused by the contractions in the oil and gas sector. However, it is hoped that any surplus labour from the energy sector would be absorbed by other sectors of the economy such as manufacturing, hospitality and retail, where there have been critical labour shortages.

The country has a well established trade union movement with origins that go back to the 1930's. There are unions for almost every classification of worker in T&T and they strive to ensure that employees are made aware of their rights and receive all the benefits to which they are entitled. Where labour disputes arise, they are settled at the Industrial Court, which was established under the Industrial Relations Act.

**Maternity Leave**

The Maternity Protection Act provides that a female employee shall be entitled to 13 weeks maternity leave once she has worked continuously for one year. The act also provides that such employees are entitled to receive pay to an equivalent of one month's leave with full pay and two months leave with half pay, and to resume work on no less favourable terms than were enjoyed by her prior to her departure on leave.

**Employer's Duties**

An employer is required to have a policy of insurance in force to cover worker's compensation. Compensation is based on a prescribed scale set out in the Workmen's Compensation Act.

In order to comply with the Occupational Health and Safety Act 2004, an employer must also provide, as is reasonably practicable, the safety, health and welfare of all employees, adequate and suitable protective equipment at no cost to the employee, and adequate training, instruction and supervision.

An employer may terminate an employee's tenure at will but must give notice subject to the basis on which the employee is employed. If there are no express terms in the contract, then the court will imply a period that is reasonable in the circumstances of the case and monetary compensation may be awarded. The employer must allow the employee an opportunity to respond to the allegations that constitute the reasons for his or her dismissal.

Access to the Industrial Court depends on whether or not the employee is "a worker" as defined under the Industrial Relations Act. The Industrial Court has the power to order the employer to pay compensation or reinstatement. Where the dismissal is wrongful, employees who fall outside the scope of "a worker" will have to go to the High Court where monetary compensation by way of damages can be awarded.

**Immigration & Work Permits**

Persons other than citizens and residents may work in T&T without a work permit if they are working for a maximum of 30 days within a period of 12 consecutive months. Otherwise, a work permit must be obtained by all non-national persons who wish to gain employment within the country. Work permit applications must be made by the T&T based company wishing to employ the non-national, or by a practicing T&T attorney where the person is self-employed.

However, CARICOM nationals wishing to work in T&T do not require work permits once they have obtained a Certificate of Recognition of CARICOM Skills Qualification. This certificate allows entry into any of the 12 CARICOM member states for an initial six months, whereby all qualifications are reviewed by the receiving state. Once approved, such persons will be ***granted*** indefinite entry.

**Real Estate**

Real estate and construction development in T&T is a booming industry that accounts for a significant portion of the GDP and is a major driver of employment. With a finite land area and continuous robust growth in the construction sector, real estate prices have soared over the past 10 to 15 years.

Government spending on large infrastructure projects has contributed significantly to the growth of this sector, along with the almost insatiable demand for affordable housing. Many large international companies from China, Brazil, France, Italy and the UK have participated in the development of in T&T's construction industry.

There are two systems of registration of title to land in T&T, the common law system and a registration of title system. The common law system is governed by the Conveyancing and Law of Property Act Chapter 56:01 and the Registration of Deeds Act Chapter 19:06, under which land transactions are carried out by the registration of deeds at the Land Registry.

The registration of title system is based on the well-known Torrens system and is governed by the Real Property Act Chapter 56:02 (RPA). Under the RPA all dealings with respect to property must be recorded (endorsed) on the certificate of title relating to that property. The register is considered conclusive evidence of the interest registered.

The title under this RPA system is guaranteed by the state and any person deprived of an interest in land by fraud may claim compensation from a ***fund*** called the Land Assurance ***Fund***, established by the RPA for that purpose. Notwithstanding these advantages of the RPA, most land in T&T is still held under the old common law system.

**Compulsory Acquisition**

The Land Acquisition Act Chapter 58:01 allows the state to acquire land that is likely to be required for the purposes which, in the opinion of the president of T&T, are public purposes. The state can also acquire property by way of private treaty negotiation. The compulsory process involves notifying the affected persons and allowing them to present claims for compensation and negotiations on the amount of compensation to be paid.

In some special cases, state lands may be made available to private individuals for specific investment purposes. The interested purchaser is required to submit an application to the state, together with supporting documentation such as a development plan showing the proposed use of lands. The lands will usually be vested by way of a state lease for a term of between 30 and 99 years at a rent, premium or both.

**Construction Incentives**

There are a range of tax incentives to promote local construction. These can be discretionary or performance-based.

It is anticipated that the government may be strongly considering further incentives aimed at stimulating private sector involvement in the construction industry, in light of the expected reduction in government spending in this area due to the falling energy prices. Property development companies that engage in both urban and rural property development may apply to the Board of Inland Revenue to be "approved" as an urban and rural property development company.

As a prerequisite, companies must be locally owned and undertake construction in both rural and urban areas. Once approved, they are entitled to an allowance against their taxable income of 15% of construction costs for commercial properties completed in the year of income.

**Tourism Development**

The Tourism Development Act (TDA) 2000 (as amended) lays out the benefits available to the owners/operators of various types of tourism projects, once these projects have the potential to contribute substantially to the development of the tourism sector. The benefits include:

· Tax holidays up to seven years;

· Tax exemption on profits from the initial sale of villas, condominiums and sites thereof within an integrated resort development;

· Carry-over of losses from tax exemption period;

· Duty concessions on vehicles;

· Duty exemption for building materials and articles of tourism equipment;

· Capital allowances; and

· Accelerated depreciation. To access benefits under the TDA 2000 (as amended), the tourism project must:

· Be registered with the local government corporation or the Tobago House of Assembly;

· Be subject to annual inspection by the local government corporation in respect of matters concerning Trinidad, and the assembly in matters concerning Tobago;

· Provide relevant statistics/economic data at intervals as required by the corporation or the assembly;

· As far as possible, engage and utilise the human resources of T&T;

· Show linkages to the ***agricultural***, construction and furniture industries, and other manufactured goods and services of T&T; and

· Have a minimum capital expenditure, which varies with the type of tourism project as outlined in Schedule 9 of the TDA.

**Data Protection**

The Data Protection Act 2011 sets out several general privacy principles applicable to all individuals and organisations both public and private. These principles include that information must be collected for a specified purpose; must be accurate, complete and up-to-date; collected, used or disclosed only after consent is given; and collected fairly and legally, and limited to what is necessary. The act creates several offences, for example, wilfully disclosing any personal information. The penalties for these offences include fines of up to $100,000 or up to five years imprisonment for individuals, and fines of up to 10% of the annual turnover of a company.

**Intellectual Property**

T&T has been a member of the World Trade Organisation and a signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) since 1994. The Agreement on TRIPS establishes minimum standards for the protection of intellectual property (IP) rights. It must be noted that IP is not a purely legal issue but rather a combination of law, science and business. This is the reason why IP is included in almost every trade-related matter being discussed at the global level today. In accordance with T&T's obligations under the Agreement on TRIPS, a package of IP rights-related legislation was enacted beginning with the Patents Act Chapter 82:76, which established the IP Office in 1997.

The international treaties of which T&T is a party, related to patents, are: the Paris Convention for the Protection of Industrial Property; the Patent Corporation Treaty (PCT); the Strasbourg Agreement concerning the International Patent Classification; and the Budapest Treaty of the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Procedure.

In June 2000 T&T's implementation of its IP legislation was reviewed successfully before the TRIPS council. Since then the IP Office has been faced with the task of effective implementation of the package of IP laws.

**Patents Act**

The Patents Act Chapter 82:76 provides for the majority of the provisions of the PCT, which is an international filing system for patents. This treaty is governed by the World Intellectual Property Organisation, which is a specialist arm of the UN charged with the administration of IP rights on a worldwide scale.

The PCT assists applicants in seeking patent protection internationally for their inventions, helps patent offices with their patent ***granting*** decisions, and facilitates public access to a wealth of technical information relating to those inventions. By filing one international patent application under the PCT, applicants are able to simultaneously seek protection for an invention across 148 countries throughout the world, making it a one-stop solution for registering and managing patents globally.

In recent years, the IP office in T&T has also made attempts to deal with other critical developing IP-related matters. This includes the valuation of IP, marketing and branding government-owned IP, auditing the IP inventory of T&T, IP in the sports industry and many related issues.

These issues arise because of the cross-cutting nature of IP and the fact that it deals with expressions of human intellect and endeavour. Other IP rights such as copyright, industrial designs, integrated circuits and trade secrets are also afforded protection in T&T.

***Agriculture* Protection**

A new plant variety refers to a previously known group of plants that can be consistently distinguished from any other similar group of plants, generation after generation. These new plants are not discovered in the wild, but are the result of scientific human plant breeding efforts.

A new variety can be protected by giving the plant breeder the legal right to exclude anyone who does not have his or her permission for producing for the purpose of marketing, offering for sale, or marketing his or her new variety. This legal right is often called a plant breeder's right. In T&T this right is given under the Protection of New Varieties of Plants Act (Act No.10 of 1997). To qualify for this protection, a variety must be new, distinct, uniform, stable and have an original variety denomination.

**GRTKF Protection**

The creation of the international ***instrument*** for the protection of genetic resources, traditional knowledge and folklore (GRTKF) is also of concern in T&T. GRTKF is not presently protected under conventional IP systems, as they typically belong to entire communities and not to single proprietors. They have also been in the public domain of those communities, sometimes for centuries.

Increasingly, elements of GRTKF have found themselves as part of new patent applications belonging to multinational entities. This can be seen when, for example, pharmaceutical firms turn traditional medicines into commercial drugs and treatments, but without giving any credit or remuneration to the originating communities. T&T is seeking to improve the GRTKF protection of its traditional resources. One of the proposals T&T has managed to achieve is in the area of traditional cultural expressions concerning specific language to protect "works of mas" in connection to its annual Carnival celebrations.

**Copyright**

Works covered by copyright include, but are not limited to, novels, poems, plays, reference works, articles, computer programmes, databases, films, musical compositions, paintings, drawings, photographs, sculpture, architecture, advertisements, maps and technical drawings. Copyright protection is automatic; no formalities OBG would like to thank *J.D. Sellier & Co.* for their contribution to THE REPORT Trinidad & Tobago 2016 are required as a precondition for obtaining copyright protection.

T&T became a member of the Berne Convention on August 16, 1988. The Berne Convention deals with the protection of works and the rights of their authors. It is based on three basic principles and contains a series of provisions determining the minimum protection to be ***granted***, as well as special provisions available to developing countries that want to make use of them. The three basic principles are the principle of "national treatment", the principle of "automatic protection" and the principle of "independence of protection".

As a result, the Copyright Act No. 8 of 1997 that incorporates the provisions of the Berne Convention does not require the registration of a copyright in T&T in order to obtain protection. Unlike other forms of IP, copyrights are protected without registration.

**Trademarks**

Trademark law is governed by the Trademark Act Chapter 82:81. T&T is seeking to improve the GRTKF protection of its traditional resources. Both foreign and local persons who desire protection in T&T must file individual trademark applications at the IP Office of the Ministry of Legal Affairs.

Trademarks are valid for 10 years from the filing date of the application and may be renewed for successive 10-year periods. A claim for trademark infringement can not be brought for an unregistered mark, however, T&T courts recognise that a trademark, registered or not, accrues rights under the English common law remedy of passing off. Like most Caribbean countries, T&T has not acceded to the international filing system of trademark managed by the Madrid Protocol.

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[***Full text of Chinese premier's live news conference 16 March 2016***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5J9R-PTK1-JC8S-C20X-00000-00&context=1516831)

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**Length:** 8646 words

**Body**

Full text of PRC Premier Li Keqiang's News Conference with Chinese and foreign reporters at the Great Hall of the People in Beijing, broadcast live at CCTV-1 in Mandarin on 16 March 2016.

[Li Keqiang]

Welcome to the news conference. We are thankful for your concern about and efforts you devoted to the Two Sessions. As the moderator just said, we have limited time, and so let's get down to business.

[Reuters reporter]

The recent fluctuations in China's stock market and foreign currency market have aroused great attention from international investors. Mr Premier, what do you know are the major issues and challenges the Chinese ***financial*** markets are faced with at the moment? What plans does the Chinese Government have in regard of future development of the ***financial*** markets and strengthening their supervision? What key reform measures will be forthcoming with respect to the stock, foreign currency, and bond markets? Will the recent market fluctuations have any impact upon the progress of reform? Will the Shenzhen-Hongkong Connect in the stock market be launched within 2016? Thank you!

[Li Keqiang]

As to the first question you asked, you are taking ***financial*** market problems like those in the stock and foreign currency markets as our top issue, but that is somehow understandable, for many a time a lot of ***financial*** problems actually cropped up in advance of the emergence of economic issues. But the primary mission of the ***financial*** sector is somehow to support the development of the real economy, and the greatest risk of the ***financial*** sector is stagnation of the real economy. Last year we launched a series of measures like rate cuts, reduction of the reserve requirement ratio of deposits, and applying ratio reductions to specific institutions and sectors. These are not quantitative easing measures; we are constantly paying attention to ensuring monetary supply at the right level. The main goal really is to slash the lending cost for the real economy. Therefore ***financial*** institutions should lay stress on rendering support to the real economy, and in particular to the healthy development of small and mini-enterprises. All efforts must be geared toward the real economy.

Of course, the ***financial*** sector has intrinsic rules of its own, and one has to take precautions to guard against risks. What I am concerned with even more are the ***financial*** institutions themselves. As a result of operational difficulties encountered by certain sectors and enterprises, the bad debt ratio of our ***financial*** institutions has been rising over the past year. However, we have resistance to risks, for the capital reserve ratio of our commercial banks exceeded 13 percent, which was higher than that of international standards. Our bad debt coverage rate reached 180 percent, again higher than the standard 150 percent that China set. In addition, we have some ways, via marketization, to lower the loan level of enterprises. One recognizes that the high loan level of enterprises has been an old problem, given that indirect borrowing remains the mainstream mode in China and yet residents' saving rate remains relatively high. Even so, regardless of whatever market fluctuations may emerge, we shall remain steadfast in developing capitalization markets at a multitude of levels. Furthermore, leverage rates of enterprises could be lowered in stages through the exchange of loans for shares in the market.

Last year, as a result of a multitude of causes, unusual fluctuations indeed occurred in the Chinese stock market. The authorities concerned had taken market stabilization measures with a view to preventing the emergence of systemic risks. That goal has been achieved. But what is the next step forward? Two days ago, the new chairman of China Securities Regulatory Commission, already expounded on these substantive issues. For reasons of time constraints I am not going to go into all these. Be it the stock market, the bond market, or the foreign exchange market, the crux of the matter lies in the market, and hence reform has to proceed on marketization and progression toward the rule of law. Of course, the government has the duty to supervise. As things now stand, with the situation undergoing changes, it is imperative that we reform and perfect our ***financial*** supervisory system such that all areas are covered by the system. That is because there are at present so many innovative ***financial*** products, and each one of these has to be covered in terms of supervision. Given the high correlation between different products in the ***financial*** market, coordination has to be stepped up. Moreover, coordination has to be conducted in an authoritative manner, and power and responsibilities should be compatible to each other. Both departments of the central government and local authorities have to undertake responsibilities at their respective levels. Once found, issues have to be tackled in a timely manner so as to prevent the spread of emerging problems, and of course neither may moral risks be tolerated. All in all, we have to constantly stay vigilant and practice hard to form a highly vigilant eye for supervision.

I would like to take this opportunity to stress one point. The perfection and reform of the ***financial*** supervision system is a constant process. At present the various department and local authorities have to carry out their duties in a conscientious and absolutely stringent manner in accordance with the scope of responsibilities assigned to them. In addition, they have to learn from their experiences and lessons. All these are meant to safeguard the legitimate rights of ***financial*** consumers and investors. All who fail to fulfill their obligations will be held accountable. Thank you!

[Xinhua reporter]

Thank you, moderator. Hi, Premier. I'm with Xinhua News Agency, and my question is related to economics. Since the beginning of the year, the global economy has been very unstable, and China is facing relatively great downward pressure. Some people are worried that China's economic [growth] will continue to slow, even to the point where it will slow to less than 6.5 percent. Not only will that affect the country's own development and the building of a well-off society, but it will also drag down the global economy. What are your views on that? Thank you.

[Li Keqiang]

I remember the Xinhua reporter who asked questions last year represented not only the agency but also its official Weibo account. This year you only represent the agency, but you raised a big question. However, it is impossible for me to agree that China cannot achieve its growth target this year.

Indeed, the world economic recovery is weak, and it has taken its toll on China's economy, which is deeply integrated with the world economy. As China's economy is undergoing transition itself, some conflicts accumulated over the years are rearing their heads, hence the increasing downward pressure. But one prominent feature is greater divergence among regions and industries. I remember reading a foreign media report not too long ago that says one visit to a heavy chemical company in China left the impression of depression, while the next stop at a technology park left the impression that the economy is growing at a double-digit rate. This is in line with what I felt on my field trip last year. It shows that challenges and hope coexist in China's economy. If we look at the fundamental and overall trends, hope outweighs challenges.

We are fully confident about China's long-term growth prospects. This confidence is not groundless because we believe that there will not be a hard landing as long as we stick to reform and opening up. There is still huge potential for China's markets; the general public has unlimited creativity. The government has indeed interfered in things it should not have interfered in, which hindered productivity. At the same time, we have not done a sufficient job in ensuring fair competition. As a result, through reform we can stimulate more vitality in the market, and greater creativity among the people. The hard work and wisdom of our people, if well tapped, is enough to withstand the downward pressure China is facing.

Like the deregulation and tax cuts we are pushing right now, such structural reform on the supply side will unleash the vitality of the market. Meanwhile, new forces of economic growth drivers are taking shape in a way that exceeds our expectations. China's economy is slowing over these past few years -- I mean in terms of growth, but the employment condition is not bad. Last year we created more than 13 million new urban jobs. In January and February this year, the service sector grew by 8.1 percent. Among them, there is high-tech research and development, which is giving a push to the upgrade of traditional industries. Our traditional industries still have great potential as we are in the midst of pushing ahead with industrialization and urbanization. There is room for the upgrade of industrialization. New-style urbanization has the largest domestic demand, especially in central and western regions, where there is enormous demand for effective investment. If we combine the fostering of new drivers and upgrading of traditional industries and make them the "double engines" of the Chinese economy, it will go through the pass of difficulties and leap to the plateau of hope.

Of course, world economic prospects are still uncertain, and destabilizing factors are increasing. But we have ample reserves of policy ***instruments***. Last year the world economy had seen its slowest growth in six years, but we managed to reach our growth target of 7 percent without adopting all-out stimulus measures. Instead, we chose the path of structural reform, which is a sustainable but more difficult path. There will be small and short-term volatility in the process of the country's economic development, but should the economy slide beyond an appropriate range, we have the reserves of innovative macro-adjustment measures to stabilize the economy.

It can be said that the stress test we have been through is a precious experience. I believe that under the strong leadership of the CPC Central Committee with Xi Jinping as General Secretary, as long as our new vision for development is implemented and our people in this nation work together, we will be able to deliver a good start to the 13th Five-Year Program, which will bring a warm breeze to the world. Thank you.

Allow me to interrupt. Our moderator told me that the Reuters reporter asked when the Shenzhen-Hong Kong stock connect will be launched. I am impressed with your Chinese, but perhaps I do not hear very well, so I did not answer your question clearly. I have a relatively heavy local accent, so let me add this: we have already launched the Shanghai-Hong Kong stock connect, so we have accumulated relatively more experience. The execution shows that the program benefits both cities. The mainland is currently in close consultation with Hong Kong, and we strive to launch the Shenzhen-Hong Kong stock connect this year. Thank you.

[US NBC reporter in English]

Mr. Premier, in your Government Work Report, you put forward a series of measures aimed at stabilizing the economic growth in China, and these measures will also be conducive to the development of the world economy. However, at the same time there is a factor of uncertainty, namely there have always been some differences on certain issues between China and the United States, the two largest economies in the world. Mr. Premier, what measures do you think China should take to improve the China-US relations? How would the Chinese side respond to a series of concerns of the United States on certain issues such as market access, investment restrictions, fair treatment for US businesses, and fair trade so as not to encroach on US domestic jobs, and to the concerns put forward by some candidates in the US presidential election?

[Li Keqiang]

There are extensive common interests between China and the United States. It goes without saying that there are, of course, also differences between them, some of which are even quite big. For quite some time, many people have been talking about the differences between China and the United States, but they tend to have forgotten something important that took place last year between China and the United States, namely China became the largest trading partner of the United States, with a trade volume close to $560 billion. This itself has shown that the common interests between China and the United States are continually expanding and are far more than the differences between them.

How do we ensure the healthy advancement of the China-US relations? I think that we still need to follow the principle of treating each other on an equal footing and seeking mutual benefit and a win-win outcome. At present both China and the United States are saying that they want to actively push forward the negotiations on a China-US bilateral investment treaty. We will relax or gradually relax the entry barriers for US investments in China. However, this should be something mutual. The opening up should be on a reciprocal basis. Therefore, we also hope that, during the process of the negotiations on the bilateral investment treaty, the United States will push forward the negotiations based on the win-win principle. I believe that the common interests between us will continue to expand. As for the disagreements between us, we have hundreds of bilateral dialogue mechanisms. As long as we are sincere and properly manage and control our differences, I believe that the common interests between China and the United States will continue to further expand. During the process, the number of differences will increase but their proportion will come down. That will benefit both China and the United States and will also benefit the world.

The development of the China-US economic and trade relations has always brought a win-win outcome. US businessmen are very much aware of this point. Right now a presidential election is going on in the United States. It is very lively and has attracted a lot of eyeballs. However, no matter who emerges victorious and no matter who eventually becomes the new president, I believe that the general trend of advancing China-US relations will remain unchanged. It has been decades since China and the United States established diplomatic relations and there have been a lot of ups and downs between the two countries since then, and yet the general trend has been that the China-US relations will move forward. Thank you!

[Reporter from Zhongguo Xinwen She and Zhongguo Xinwen Wang]

Thank you, moderator. Hello Premier, I am a reporter for Zhongguo Xinwen She and Zhongguo Xinwen Wang. It has been learned that now some localities are already having difficulty distributing old-age pensions, with some cities and counties disbursing them through loans. Premier, could you tell us whether the central government will sit by and look on or intends to foot the bill for them? Thank you.

[Li Keqiang]

This question raised by you indeed is very incisive. I tell you the truth: Indeed one or two localities suffer from the problem of having difficulty distributing old-age pensions but this is only a difficulty limited to isolated localities and a momentary emergency. As China now implements provincial-level old-age pension pooling, provincial-level governments have the responsibility and ability to raise ***funds*** in various ways to guarantee the distribution of old-age pensions. In cases where there indeed are prominent difficulties, the central government would give ***grants*** as long as the local governments have done the best they can. Over the last three years, for instance, our central ***finance*** took out as three trillion yuan. However, there is one condition: You must carry out your duties and fulfill your responsibilities. Furthermore, the central government is going to press you to distribute old-age pensions on time and in full.

Everybody will come to a day when he or she retires or needs old-age provision and here I would like to give an official notice to reassure the people. Accurately speaking, nevertheless, in the long run the Chinese Government has no problem guaranteeing the distribution of old-age pensions to Chinese citizens. Last year our old-age insurance had an income and expenditure surplus of more than 340 billion yuan, accumulating a surplus of more than 3.4 trillion yuan. In addition, more than 1.6 trillion yuan in our social security ***fund*** reserves have not been touched and we also have the ability to appropriate state-owned assets to replenish old-age pension ***funds***. Therefore, I can say for sure that "the elderly being properly looked after" would not and absolutely cannot be empty talk. Thank you.

[Bloomberg News reporter, in English]

My name is Nick Wadhams from Bloomberg News. Mr. Premier, in this very room last year you said China was determined to press ahead with reforms that would be as painful as taking a knife to one's own flesh. In this year's work report you talked of the need for a minimum of 6.5 percent growth target and we have also heard numerous officials said there would be no layoffs as China proceeds with cut to overcapacity. So I am wondering how you address concerns that these growth target and the desire to avoid potentially destabilizing layoffs would bind China's hands and make it impossible to press ahead with the reforms that you yourself said are crucial for China's economy. Thank you.

[Li Keqiang]

You looked serious when asking question and that made me feel a little gloomy. I can say with certainty that China is determined to push ahead with reform and reform and development are not contradictory. Instead, by pursuing structural reforms, we can release market vitality and drive economic development. However, in this process, we must acknowledge that in some sectors, there are indeed more serious problems of overcapacity, especially in the heavy and petrochemical industries. We have selected the steel and coal sectors to start with the effort of cutting overcapacity. At the same time, we also want to avoid mass layoffs.

In the past two years, we phased out up to 100 million tons of capacity in the steel sector alone involving some one million employees. As we attached high priority to protecting the rights and interests of the enterprise employees, ensuring job transfer or proper resettlement for massive number of workers, we have gained good experience. To press further ahead with cutting overcapacity, we must be able to cut overcapacity, at the same time ensure that there will be no massive job losses, and strive to assign new jobs to them. For those who are unable to adapt, the central and local governments have the ***financial*** resources to properly take care of them. The central government has established a one hundred billion yuan ***fund*** for job transfer and resettlement purpose, and if necessary it could be further increased. Naturally local governments must also do their parts. We hope to make this process a win-win one in order to realize what you mentioned just now, striking a proper balance. By cutting overcapacity, we hope to realize sustainable and healthy development in the heavy and petrochemical industries sectors. Thank you.

[Reporter from Renmin Ribao, Renmin Wang and client (mobile app outlet)]

Thank you, moderator. Hi Mr. Premier. I am the reporter with Renmin Ribao, Renmin Wang and client [mobile app outlet]. [Li: This is right.] Thank you, premier. We will disseminate this through all of our our media outlets. You just mentioned that through streamlining administration and delegating power we can stimulate market vitality. Therefore, I would like to ask a question on streamlining administration and delegating power. We noticed that such a reform has been going on for several years. However, some corporations and people also expressed the fact that it is still difficult for them to get many things done. In the process of handling some cases, they are particularly at a loss as to what to do. May I ask you, premier, how do you plan to address these phenomena and issues? Thank you.

[Li Keqiang]

I am glad to kill three birds with one stone. But I don't intend to kill but answer the questions. Streamlining administration and delegating power are crucial to transforming the government functions. Three years ago, I specified on the same occasion that we would cut the number of items that require the government review and approval by one third during this term. Now we have fulfilled this target. Based on third party evaluations, most of the corporations and people are relatively satisfied with the current condition. However, there are still many problems. And people have greater expectations.

At present, there are still too many items that require government supervision and approval. And for those items, many do not have unified standards. A few days ago, while I was attending a panel discussion, some NPC deputies said that he wants to establish an institute that provides a mix of medical and elderly care services. The idea is popular among the masses but he has to run it by numerous government departments in charge of approving the operation of elderly care institutes, medicare designated hospitals, and expense supervision. The crux of the problem is that these departments do not have unified standards so they feel at a loss and cannot find a way to solve it as you have just mentioned. All this has held back the industrial development and constrained the consumer demand

We must make persistent efforts to streamline administration and delegate power. Wherever there is a problem or an obstacle, we need to find a way to solve it. This is a matter of cutting back on the interests of government departments. We want to use the pain from reducing the government power to seek the satisfaction of corporations and people. This year, we are determined to slash another batch of items that require supervision and approval and leave them to the market. For items that still require supervision and approval, we need to simplify their procedures.

We in particular must seek to unify the standards. Over the past two years, we have implemented reform of the business system. We integrated several certificates and licenses and introduced the practice of issuing a unified business license with a unified social credit code. All this have spurred the entrepreneurial passion of the masses. There are now 30,000 market entities being created on a daily basis I wonder why we can make it happen in this field and cannot make it happen elsewhere. Therefore, we need to task them with a tough mission and give them a timetable. Additionally, there are still quite a lot of unnecessary certificates and licenses. We need to get rid of half of them this year.

For documents with no legal ground, documents that have unreasonably held back the entrepreneurship of the people, and documents that have even undermined people's interests should all be cleaned up or abolished. However, delegating power is not tantamount to taking a hands-off approach. We need to implement targeted supervisory measures required to build an environment for fair competition. We also need to prevent wayward and arbitrary examination. Only by doing so can we use streamlining administration and delegating power to boost our productivity and benefit our people. We should also provide optimized services. For example, the transparent government affairs and the use of Internet will help the masses get things done without running from one department to another. Thank you.

[Spain's Agencia EFE reporter in English]

Just in the last two months, the North Korean actions have prompted the United States to increase their military presence in South Korea. At the same time, military tensions have increased in the South China Sea. And now Australia is in talks with the United States in order to host the strategic plane bombers in its territory. And in the trade area, 12 countries, but not China, have signed the Trans-Pacific Partnership. And my question is, Mr. Premier, if putting these together, don't you think that President Obama's new focus on the Asia-Pacific region is already becoming a problem for China? Or if you see any other sources of instability in the whole Asia-Pacific area. Thank you.

[Li Keqiang]

You asked a series of questions and there is not enough time for me to answer them one by one. Generally speaking, you asked about the issue concerning China's surrounding areas. China has always advocated a stable surrounding environment and friendly relations with its neighbors. The key to maintaining regional stability and realizing friendly relations with neighbors still hinges on the efforts of the countries in the region. When there are disputes in the neighborhood, which are inevitable, we can completely maintain the region's stability as long as we treat each other with sincerity and adhere to using diplomatic and peaceful means to resolve them. As for countries from outside the region, it can be said that the United States has never left the Asia-Pacific. We can carry out cooperation in the Asia-Pacific region and manage and control differences.

China is currently promoting modernization, and development is the top priority. We need a stable surrounding environment and a peaceful international environment. China's development and strengthening will be a powerful force in safeguarding world peace and also benefit its surrounding areas. China will resolutely and unswervingly follow the path of peaceful development while unambiguously safeguarding national sovereignty and territorial integrity. There is no contradiction between the two. We hope that countries from within or outside the region could do more things that benefit the regional stability, rather than the opposite. Otherwise, it will benefit no one. Thank you!

[China Radio International reporter]

Good day, Premier. We have noted that one topic on the agenda of the last State Council executive meeting before the Two Sessions was on deploying the work to enhance the protection of cultural relics. I would like to ask that, with China so big and having so many problems to solve, and the government being so busy with work, is this issue of such urgency? Thank you.

[Li Keqiang]

Thank you for your concern with the agenda of the State Council executive meeting. Actually, our secretary-general can answer your question, but personally I also agree on discussing the issue of enhancing protection of cultural relics, so I would like to reply to you that, our protection of cultural relics is in fact about boosting the development of cultural undertakings, bringing nourishment to moral strength, passing down our traditional culture, and pushing forward the coordinated economic and social development. For many current problems in the economic domain that have been criticized by people, such as swindling and deception, selling counterfeit and inferior-quality products, and lacking in honesty and integrity, we can also find their causes in cultural aspects and make prescriptions. The market economy is an economy governed by laws and should also be an economy governed by moral values. The development of culture can cultivate moral strength, and in our drive toward modernization, we need to both build up rich material wealth and also provide rich spiritual products to the people through culture, and win the respect of the world using the strength of civilization and morality. Thank you.

[Phoenix Satellite TV reporter]

Greetings, Mr. Premier. My question is related to Hong Kong. In the past few years, whenever we returned to the Mainland from Hong Kong, "What has really happened to Hong Kong?" was the question we were asked the most. I think this statement has many levels of implications. Not too long ago, riots took place in Mong Kok on the first day of the Lunar New Year, which highlighted some existing issues in the Hong Kong society. At the same time, Hong Kong's economic growth has also been slowing. Next year marks the 20th anniversary of Hong Kong's reversion. This year also marks the 20th anniversary of the establishment of Phoenix Satellite TV; it can be said that Phoenix Satellite TV has borne witness to Hong Kong's course of development since its reversion. In the current Hong Kong society, everyone is discussing where Hong Kong will go in the future. Therefore, I would like to ask Mr. Premier: In your view, where will Hong Kong go? Will the central government introduce new measures to support Hong Kong's development? Thank you.

[Li Keqiang]

If someone else asks you what is happening to Hong Kong, I would suggest that you answer: Hong Kong will maintain long-term prosperity and stability. The policy of the central government in adhering to "one country, two systems," Hong Kong people governing Hong Kong, and a high degree of autonomy has not changed, and will not change. Furthermore, we believe that the Hong Kong Special Administrative Region government has the ability and the Hong Kong people have the wisdom to handle the various complex issues and situation facing Hong Kong.

Speaking on development, it is not only the need of Hong Kong itself, it is also the need of the country. Of course, Hong Kong's development must rely on its own efforts. Hong Kong's economy is an advanced economy, and an economic growth of 2.4 percent last year cannot be considered low. Hong Kong can further bring into play its strengths, and of course, it can also grasp the opportunities offered by the development in the Mainland. As long as it is conducive to Hong Kong's long-term prosperity and stability, and conducive to improving the well-being of the Hong Kong people, the central government will fully support any matters put forward by the Special Administrative Region government. I am optimistic about Hong Kong's prospects. Thank you.

[Caijing Magazine reporter]

Thank you, moderator. Good day, Premier. We noticed that the concept of new economy was put forward for the first time in this year's Government Work Report. Does it refer to the current emerging e-commerce and small and micro enterprises? How does it relate to the "mass entrepreneurship and mass innovation" that you mentioned earlier? What role does it play in easing the current economic downward pressure? Thank you.

[Li Keqiang]

When referring to developing a new economy, we mean cultivating a new momentum to enhance the transformation of the Chinese economy. The coverage and content of the new economy is extensive, which involves the primary, secondary, and tertiary industries. It not only refers to the emerging industries and formats within the tertiary industry, such as Internet+, Internet of Things, cloud computing, and e-commerce, but also includes smart manufacturing and large scale custom-made production within the industrial sector. It also covers family farms and share-holding cooperative system that will facilitate the promotion of appropriately-scaled enterprise operations in the primary industry, as well as integrated development of the primary, secondary, and tertiary industries, and so on. In addition, when developing the new economy, small and micro enterprises could accomplish a lot, and large companies will have an even more promising future. Many big enterprises are also establishing makerspaces and there are many of such examples.

Furthermore, it is only natural for the traditional momentum to weaken after having been developed to a certain stage; many countries have gone through this path, especially developed countries, where there are many precedents that could be found. At that moment, there will be a need for the rise of a new momentum in order to accommodate the industrial revolution trend. Also, when the new momentum is combined with the traditional one and elevated, they may form a mixed momentum.

In addition, new momentum is significant to the transformation and elevation of the traditional momentum. For instance, in pushing for cutting excessive industrial capacity, [we found that] there is indeed a problem of over-staffing among heavy industries and chemical companies. We need to transfer them to other job positions. As such, the development of the new momentum will be able to provide more employments and jobs, and allow us to put in greater efforts to cut down capacity. Our current "mass entrepreneurship and mass innovation" initiative is in fact a step to provide a platform for large, medium, and small enterprises, as well as research agencies and so on; and to create active space for crowdsourcing, crowdfunding, mass innovation, and so on.

In other words, if we could bring to play the creativity of the masses of multimillion people and stimulate their enthusiasm, we could form an unstoppable momentum; and with the addition of forceful determination, we could withstand the economic downward pressure and promote economic transformation. The prosperity and progress of a country still depend on the participation of the masses of multimillion people, and this can also bring about the all-round human development. Thank you.

[Russia Today International reporter]

Thank you, Mr. Moderator. How do you do, Premier Li? Both China and Russia have said many times that the level of Russia-China economic cooperation is lagging behind the political development and both sides have promised to make efforts to improve such a situation by not only working to promote the trading exchanges but also vigorously developing investment and cooperation. However, what we have seen is that not a lot of Chinese investors have entered Russia. Why is that? Is it related to Western countries' sanctions against Russia? Or is it related to Russia's economic situation? Have Chinese enterprises received pressures from countries such as the United States in their cooperation with Russia? In addition, some experts hold that China does not really want to invest in Russia, but is only interested in the country's cheap energy. What is your view on this? Thank you.

[Li Keqiang]

China and Russia are each other's largest neighbors and enjoy strategic cooperation partnership. The China-Russia relations can be considered as comprehensive. President Xi Jinping and President Putin meet with each other on a regular basis. We do not only have good political relations, but also enjoy warming economic ties because we have a lot of cooperation in many fields. China has always upheld the principles of mutual respect, mutual benefit, and win-win when developing relations with Russia. Moreover, China abides by an independent foreign policy. The China-Russia relations will not be affected by the changes of the international situations and China has neither any burden nor pressure. We will continue to promote the advancement and development of the China-Russia relations. Of course, China also abides by a nonalignment policy. The cooperation between us does not target any third party, is not subject to the pressure of any third party, and does not target any third party, either.

I just said that our cooperation in the economic aspect is also increasing. For example, last year, our import of Russian oil increased again by more than 8 million tons. But unfortunately, our overall import and export volumes, not just trade with Russia, declined due to the drop of bulk commodity prices. In other words, the quantity did not decrease, but the trade volume declined. Neither of our two countries should be responsible for that. However, I had an in-deep discussion with Premier Medvedev at the end of last year. For example, we can carry out the cooperation in the integration of oil and natural gas sectors so as to attract investment from the Chinese side to Russia. We can also expand more trading channels to realize the diversification of trade. I would like to see your participation in this news conference next year, and if there is the chance, I can give you the answer that the trend of the China-Russia economy, trade, and investment has taken a turn for the better.

I would like to say another word to our Russian friends that such a turn for the better also shows that the world trade is taking a turn for the better. Let's bring some warm breeze to the world trade. Thank you.

[China Daily reporter]

Thank you, and hello Mr. Premier. Before this year's Two Sessions, China Daily and the Jinri Toutiao [Today's Headlines] client application [mobile app outlet] jointly launched an online poll titled "I Would Like to Ask the Premier." Up to now, a total of 24 million Internet users have taken part in the online poll and voted for 10 questions, which are closely related to the people's livelihood. So far it seems the top question concerns speeding up the advancement of a national online network for medical insurance. More than 10 million Internet users have voted for this question. Maybe they are watching the live TV broadcast in anticipation of an answer from you. So my question is: Mr. Premier, do you have a timetable for solving this issue? Thank you.

[Li Keqiang]

First of all, I would like to thank you for making use of the online poll to learn about problems in the people's livelihood and to suggest topics for the government. That is also helping the government to improve its work. What you just mentioned has reminded me that I often hear that some elderly people, after retirement, live with their children away from their hometown and even help take care of the grandchildren, but when they fall sick and are hospitalized, they still have to go back where they used to work in order to obtain reimbursement. These things appear to be individual issues but for the people or families who have encountered such things, these can become something hugely problematic.

Therefore, the government is determined to push forward a national network for medical insurance. We need to basically achieve, within this year, the direct settlement for health care anywhere within the same province. On that basis, we will try to achieve, within two years, the direct settlement of hospitalization expenses for elderly people living in different places so that the issue of justified and reasonable ***financial*** settlement in different locations is no longer a pain for the masses. Of course, this requires our various relevant departments to make great efforts. What is the objective for us to rule the country? The end purpose is precisely to improve the people's livelihood and to let the calls and demands of the masses on the people's livelihood force our development and push forward and test our reforms. Thank you all.

[Taiwan CTI TV reporter]

I would like to ask you, Taiwan has seen its ruling party altered this year. Public opinion has it that the alteration of ruling parties might bring about some uncertainty to the future development of cross-Strait relations. Could you share your views regarding the prospects of the cross-Strait relations in the future? I would also like to know whether China will continue to introduce new measures that will promote cross-Strait economic cooperation and are conducive to the people's livelihood. Thank you.

[Li Keqiang]

The peaceful development of cross-Strait relations has indeed benefited people on both sides of the Strait. Cross-Strait economic and social relations have also been growing closer and they need positive interaction. I remember when I inspected Fujian last year, we held a forum with Taiwan businessmen. Many Taiwan businessmen are very sensitive to the economic measures introduced by China and expressed their concern about whether there would be changes to the preferential policies in favor of Taiwan-invested enterprises. We heard them well and, in reaction, issued documents right after we came back, making it clear as an reassurance that the existing preferential policies toward Taiwan businessmen and Taiwan-invested enterprises shall not change.

Why did we do that? It is because we are all compatriots.

We will continue to introduce initiatives conducive to cross-Strait economic cooperation on the premise, of course, that there will be continued peaceful development of cross-Strait relations, and the bedrock of this remains the "1992 Consensus." As long as we adhere to this political principle and consensus and recognize that both sides belong to one China, anything can be discussed. I feel optimistic about the prospects of the peaceful development of cross-Strait relations. There is a strong blood tie between us that cannot be severed. I believe that the development of cross-Strait economic relations will also bring benefits to people on both sides and improve their livelihood. Thank you.

[China National Radio reporter]

Thank you, moderator. Good day, Premier. You just mentioned increasing transparency in government affairs when you were speaking on streamlining administration and delegating authority. Everyone has increasingly higher expectations for greater openness in government affairs. The number of applications for the release of government information has been on the rise each year. But some localities and departments have not done a good enough job. The release of information has been relatively slow, and everyone is a bit anxious and unhappy. May I ask the Premier, what is your view on this [matter]? Thank you.

[Li Keqiang]

Transparency in government affairs, as well as streamlining administration and delegating authority, is key to pushing forward the transformation of government functions. The central authorities also clearly demand that openness in government affairs must be pushed forward. We will make further efforts on certain fronts. First of all, everything that should be made public is to be made public. Disclosure is the convention; non-disclosure is the exception. Especially, transparency should be intensified for measures that involve public interests, budgets, balance sheets, and so on, so that the public can see them very clearly, without missing anything, like swiping bar codes.

Secondly, everything that can be uploaded to the Internet is to be uploaded as much as possible. Lists of government powers must be uploaded; the exercise of powers must be uploaded too; records must be created so as to reduce the space for discretion. People often say that what man is doing the heavens are watching. Today is the age of cloud computing. We must let the cloud watch the use of power. One should not make petty calculations when exercising power.

Thirdly, we must respond to the concerns of society. We roll out some policies for the benefit of the people in the first place, so if they do not understand or have questions, then we need to explain. Regarding some reasonable suggestions, what should be revised is to be revised. We should make the policy content transparent and respond to public opinion. This year, before the Two Sessions, I asked the State Council ministers to take the initiative to speak and answer reporters' questions. There was a media stakeout with ministers, was there not? I told them they cannot just wave their hands and walk away when reporters ask questions. They should open their mouths and answer questions in a straightforward manner. I heard that the ministers' performance this year has been welcomed by reporters. Is that right? [laugh]

In substance, openness in government affairs allows for supervision of government powers; this is also conducive to increasing government efficiency and also to the institutional prevention of power abuse. We welcome supervision from all circles of society, including journalists and friends from the media. Thank you.

[Nihon Keizai Shimbon reporter]

Greeting to you Premier Li. I am a journalist from the Nihon Keizai Shimbon. I would like to ask a question about the China-Japan-South Korea leaders' meeting. Last year this trilateral leaders' meeting resumed in Seoul of the ROK. This year Japan is the host country. There are many areas where the three countries can work with each other, for example the Korean nuclear issue and the FTA involving the three countries. So my question is, what are the Chinese side's expectations of the trilateral leaders' meeting this year? To attend this meeting, you will visit Japan for the first time in your current capacity. Many experts believe that as China is in the process of economic transformation and upgrading, Japanese companies can play a big role in this process. So I want to ask for your perspective on the economic complementarities between China and Japan. Thank you.

[Li Keqiang]

Last year I went to the ROK and attended the trilateral leaders' meeting. This meeting mechanism should have been an annual event. It was only resumed after a three-year interval and this has not come easily. As to whether the meeting can be held smoothly in future, the three sides need interactions. In particular, the relations between China and Japan, despite some signs of improvement, are not fully established yet and are still relatively fragile. We should adhere to the consensus reached between the two sides on the issue of the principle involving history, and match one's words with concrete actions. I do not wish to see that we return to the old ways.

Talking about relations among China, Japan and ROK reminds me of a much lighthearted topic, that is the recent human and computer Go match between the ROK player and AlphaGO. It has attracted attention from people in these three countries, and that shows in a way that there is much cultural commonality among the three countries. I have no intention of making a comment on the results of the match here because regardless of the results, this machine is made by human. China, Japan or ROK, or between China and Japan, we should have the wisdom to promote smart manufacturing and science and technology cooperation, in order to create high-quality products that can meet people's needs. In addition, the economies of the three countries account for one-fifth of the global and 70 percent of the Asian economy. There are strong complementarities among us, and we can cooperate to open up the larger global market. Thank you.

[Reporter from CCTV, CNTV, and CCTV client (mobile app outlet)]

Thank you, moderator, for give me the last chance to ask a question. Good day, Premier, I am a reporter from CCTV, CNTV, and CCTV client [mobile app outlet], so you will be killing three birds with one stone. My question pertains to the "five insurances and one ***fund***" [pension insurance, health care insurance, unemployment insurance, workplace injury insurance, maternity insurance, and housing ***funds***]. Presently, there is a more focused call from society to reduce contributions to the "five insurances and one ***fund***," and if we can look at the case of an employee whose monthly wage on his pay slip is 8,000 yuan, the actual wage he gets is less than 5,000 yuan, after contributing 3,000 yuan to the "five insurance and one ***fund***." On the other hand, the "five insurances and one ***fund***" are also a heavy burden on enterprises as they think that to paying the contributions is a huge pressure. The enterprises and employees all hope to make less contributions. However, when viewed from another angle, if they all make less contributions, the imbalance between income and expenditure may further strain the ***fund***, which is already under strain. I would like to ask the Premier, how would you respond to such discontentment from the society? How would you solve such a thorny dilemma? Is this issue listed in your government work agenda for this year, and how do you prepare to concretely solve this issue? Thank you.

[Li Keqiang]

You have turned killing three birds with one stone into "five insurances and one ***fund***," which has obviously increased its importance. Perhaps many Chinese reporters present here may have faced such a situation. When I was attending the Two Sessions, some deputies and delegates have also proposed giving consideration to the appropriate adjustment of the contribution ratio of the "five insurance and one ***fund***." The Party Central Committee and the State Council pay great attention to this issue, and last year the State Council has in fact adjusted downward the contribution ratios to the workplace injury, unemployment, and maternity insurances.

Of course, overall there is still room for appropriate adjustment of the "five insurances and one ***fund***," with the situations varying across localities. The state guarantees...or rather, I have said earlier, the social security ***fund*** is sufficient; under the unified framework stipulated by the state, we can give more independent [decision-making] power to the localities and it is possible to let them make appropriate downward adjustments in phases to the contribution ratios of the "five insurances and one ***fund***" in accordance with the actual local situations. All in all, the purpose is to lessen the burden of enterprises and let employees get more cash. Thank you.

[Li Keqiang]:

There is a lady in the center of the floor who kept holding up the placard with word peasant, and I cannot bear to see it, as I was once a peasant. As a matter of fact we still attach a great deal of emphasis to peasants. [reporter's voice is unclear.] Let us keep it simple due to time constraints so that everyone's time is not delayed. Is that alright?

[Nongmin Ribao reporter]:

Thanks! I would like to ask the Premier: In September last year, at the time when harvest for corn was about to be carried out, the central authorities released the new provisional reserve price for corn, which was down by almost over 20 percent. While it is understood that structural realignment in the ***agricultural*** sector is also a major initiative as well as a necessary requirement in the ongoing supply-side reform, the peasants had indeed incurred grave losses. Mr Premier, What is your take on this issue? Are better policies forthcoming this year in regard to foodstuff subsidies and ***agricultural*** product pricing? Thank you.

[Li Keqiang]:

You have asked a important question that we are all very concern about and place great attention on. Due to time constraint I can only be brief on this. The current prices of ***agricultural*** products -- mainly grain products such as corn, wheat, and rice -- are higher than the international market by nearly 600 yuan per ton, and this is mainly due to our lower labour productivity rate. The next step forward is to forge ahead with coordinated development of new-style urbanization and ***agricultural*** modernization, and to allow more peasants to come and stay in cities as long as they meet the necessary conditions, so that the current income of peasants could also be boosted. Meanwhile, we can push forward many forms of moderate scale operation that allow peasants to raise their labour productivity, and that in turn would help make our ***agricultural*** products competitive. Of course, the ***agricultural*** industry is always a weak industry and the State will not reduce its degree of support to the ***agricultural*** industry, nor the degree of support to the peasants. The ultimate resolution to China's problems hinges upon resolving peasant issues. We shall endeavor to root out this problem and let them become prosperous and lead a modern and civilized life. Thanks!

We will always pay a great degree of attention to the "three rural issues" [san nong -- developing ***agriculture***, raising farmer income, and developing the rural economy], and we will also place great degree of attention on how to protect the legitimate rights of workers. Given that you all come from all places, there is indeed not enough time to answer every single question. If I offer a reply to a certain question, then I cannot afford to answer the others. Hope to see you again next year.

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Chile Country Risk Report

October 1, 2015 Thursday

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**Length:** 6031 words

**Highlight:** Chile's economic growth will accelerate in H216 on the back of rising fixed investment and household consumption. Thereafter, the country's long-term shift away from copper export dependence will drive growth.

**Body**

**Economic Activity - Stronger Growth As Reliance On Copper Falls**

*BMI View: Chile'seconomicgrowth will accelerate in H216 on the back of rising fixed investment and household consumption. Thereafter, the country's long-term shift away from copper export dependence will drive growth.*

* Business confidence in Chile will rebound following President Michelle Bachelet's cabinet shake-up in May, which saw the appointment of a market-friendly ***finance*** minister, Rodrigo Valdes.

1. Household consumption growth will accelerate as rising business spending feeds through to a stronger labour market and higher wages.
2. Short-term investment will pick up as copper miners modestly expand production and repair facilities damaged in multiple natural disasters in H115.
3. Over the longer term, a weaker real exchange rate will encourage investment into non-commodity sectors and rebalance the Chilean economy away from copper export dependence.

In H215 and 2016, Chilean real GDP growth will significantly accelerate as investment activity and household consumption pick up. This follows a temporary slowdown of growth in H115 after a spate of corruption allegations eroded both business and consumer confidence in Chile's historically stable political environment. Businesses in Chile will increase their inventories and investment in fixed capital projects after natural disasters shut down several copper mines. Moreover, tailwinds from low oil prices will boost household consumption. We forecast real GDP growth of 3.0% in 2015 and 3.7% in 2016, from a five-year low of 1.9% in 2014.

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| After Temporary Dip, Economy Will Re-Accelerate |
| Chile - Seasonally Adjusted IMAEC Index, %chg y-o-y 3mma |
|  |
| *Source: BCC, BMI* |

**Confidence Poised To Rebound**

The appointment of Valdes as Bachelet's ***finance*** minister in May will contribute to a rebound in business confidence. Valdes is broadly seen as a market-friendly economist. This is reflected in the country's strong operational environment, which we rank as the highest in Latin America in our Operational Risk Index ( *see 'Corruption Allegations Will Temper Bachelet's Reform Agenda', May 13*). This is in contrast to a weak relationship between former ***finance*** minister Alberto Arenas and the business community. Although we believe the appointment will have little effect on the actual policies implemented by Bachelet, it will assure firms of the country's commitment to investment-friendly policies.

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| Employment Remains Robust Despite Commodity Weakness |
| Chile - Labour Force Unemployment, % |
|  |
| *Source: BCC, BMI* |

Consumer confidence will also trend higher in the second half of the year. Declining spending on fuels will boost disposable incomes in H215 and feed through to rising private consumption. The impact on business confidence from corruption allegations against the ruling Nueva Mayoria and opposition Union Democrata Independiente, which have tempered investor sentiment over the past few months, will decline. As business confidence improves, firms will begin to hire new employees, leading to a drop in unemployment and further wage gains.

**Export-Based Investment Will Drive Long-Term Growth**

Over the longer term, Chile will experience an economic shift away from dependence on copper exports to more value-added manufacturing products and services. The weakened peso will significantly increase the attractiveness of non-commodity exports and draw foreign investment. Though Chile has always maintained a strong operational environment, a strong appreciation of its real exchange rate in recent years has discouraged investment into manufacturing and services sectors. In contrast, countries such as South Korea and Slovenia, which are similarly ranked to Chile in our Operational Risk Index, have historically had relatively weaker real exchange rates, encouraging investment into higher-skill industries such as technology and ***financial*** services. We expect Chile's more competitive real exchange rate, which is near historic lows, will help attract investment to develop these sectors and propel itself to an average of 4.8% over the next decade.

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| Weakening Real Exchange Rate Will Benefit Chile |
| OECD - GDP Per Capita & Operational Risk Index |
|  |
| *Note: Per capita figures from 2014 . Source: Respective n ational s tatistics a gencies, BMI* |

**Key Characteristics Of GDP By Expenditure**

Total consumption is the main driver of GDP in Chile, comprising 77.4% of annual expenditures. This has remained relatively consistent over the past decade, though from 2004 to 2006 it dropped to 70.0% as the economy became more reliant on investment and net exports. Since then, net exports have trended significantly lower, dropping from 14.3% of GDP in 2006 to 1.5% of GDP in 2014.

**Private Consumption:** We expect a modest decline in the share of household consumption in the coming years, forecasting a drop from 64.2% of GDP in 2014 to 62.9% by 2024. The economy will still be heavily reliant on household consumption growth, where we see significant upside in the coming years as Chilean households benefit from higher paying jobs in non-mining industries.

**Chile - Private Consumption Forecasts**

|  | **2014** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Private final consumption, CLPbn | 94,532.9 | 101,324.7 | 108,017.2 | 114,817.9 | 120,982.5 | 129,596.5 | 138,509.2 | 149,999.3 | 164,407.9 | 180,191.4 | 198,398.7 |
| Private final consumption, % of GDP | 64.2 | 64.2 | 63.9 | 63.5 | 62.8 | 62.9 | 62.5 | 62.8 | 63.0 | 63.0 | 62.9 |
| Private final consumption, real growth % y-o-y | 2.2 | 2.7 | 3.0 | 3.2 | 3.0 | 4.0 | 4.0 | 5.7 | 6.4 | 6.8 | 7.3 |

f=BMI forecast; Source: BCC, BMI

**Government Consumption:** Successive centre-left governments will see Chile's government consumption as a proportion of GDP rise. Since 2006, public consumption has risen from 10.0% of GDP to 12.9% in 2014. Over the next 10 years, we expect this to grow to 14.7%. Rising levels of investment and consumption will provide tailwinds to the government's tax take and encourage the implementation of social spending programmes, most notably Bachelet's upcoming government-***funded*** education system.

**Chile - Government Consumption Forecasts**

|  | **2014** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Government final consumption, CLPbn | 18,954.0 | 20,869.6 | 22,464.1 | 24,989.0 | 27,097.6 | 29,585.1 | 32,836.0 | 34,988.0 | 37,844.2 | 41,943.4 | 46,482.8 |
| Government final consumption, % of GDP | 12.9 | 13.2 | 13.3 | 13.8 | 14.1 | 14.4 | 14.8 | 14.7 | 14.5 | 14.7 | 14.7 |
| Government final consumption, real growth % y-o-y | 4.4 | 5.5 | 4.0 | 8.0 | 6.0 | 6.0 | 8.0 | 4.0 | 5.0 | 8.0 | 8.0 |

f=BMI forecast; Source: BCC, BMI

**Gross Fixed Capital Formation:** With investment set to be a key driver of growth over the coming decade, we anticipate it will play an increasingly important role in the country's GDP composition. Fixed capital formation will rise from 22.0% of GDP in 2014 to 23.8% by 2024. This change represents the growing importance of non-copper capital formation.

**Chile - Gross Fixed Capital Formation Forecasts**

|  | **2014** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fixed capital formation, CLPbn | 32,421.9 | 33,996.3 | 35,369.7 | 37,881.0 | 40,956.9 | 44,282.6 | 48,330.1 | 53,240.4 | 59,192.7 | 66,595.3 | 75,059.6 |
| Fixed capital formation, % of GDP | 22.0 | 21.5 | 20.9 | 21.0 | 21.3 | 21.5 | 21.8 | 22.3 | 22.7 | 23.3 | 23.8 |
| Fixed capital formation, real growth % y-o-y | -6.1 | 2.8 | 2.0 | 5.0 | 6.0 | 6.0 | 7.0 | 8.0 | 9.0 | 10.3 | 10.5 |

f=BMI forecast; Source: BCC, BMI

**Net Exports:** As Chile reorients its economy, growth will become less dependent on net exports, seeing their share of the economy dip from 14.3% in 2006 to 1.5% in 2014, and we forecast a drop to 0.2% by 2024. Though Chile will begin to export more non-copper goods, imports will also begin to rise due to higher disposable income from Chilean households.

**Chile - Net Exports Forecast**

|  | **2014** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Net exports of goods and services, CLPbn | 2,183.2 | 3,596.1 | 5,145.3 | 5,400.6 | 6,186.6 | 5,466.7 | 5,020.7 | 4,077.2 | 3,379.3 | 1,758.6 | 547.8 |
| Net exports of goods and services, % of GDP | 1.5 | 2.3 | 3.0 | 3.0 | 3.2 | 2.7 | 2.3 | 1.7 | 1.3 | 0.6 | 0.2 |
| Net exports of goods and services, real growth % y-o-y | -54.5 | -18.1 | -39.3 | 48.5 | 9.4 | 63.1 | 33.6 | 32.5 | 21.7 | 24.8 | 17.3 |

f=BMI forecast; Source: BCC, BMI

**Monetary Policy - BCC Will Initiate Tightening Amid Stabilising Economy**

*BMI View: Chile's improving economic outlook will allow the BCC to normalise monetary policy beginning in 2016. The central bank's rate hikes will be enough to stymie inflation derived from the peso's depreciation without derailing the country's improving terms of trade.*

* The Banco Central de Chile (BCC) will begin monetary policy normalisation in Q116, raising its policy rate 75 basis points (bps) to 3.75% by year-end as it looks to combat high levels of core inflation.

1. An improving economic outlook on the back of rising foreign investment and a positive view on consumption will empower the BCC to raise rates.
2. This will stabilise the peso, alleviating inflationary pressure caused by rising import costs.
3. More hawkish monetary policy will not derail Chile's economic recovery, as a historically weak exchange rate and robust business environment will attract foreign investment.

The BCC's monetary policy normalisation, which we expect to begin in Q116, will temper core inflation while keeping Chile on the path to higher economic activity. Press releases from the BCC's most recent meetings have taken a considerably more hawkish tone, as falling oil prices have not reduced consumer price inflation at the rate expected by the bank. This leads us to forecast that the BCC will raise its benchmark policy rate to 3.75% from 3.00% currently beginning in Q116 ( *see 'Hiking Cycle To Commence In 2016', March 12*).

**Monetary Policy (Chile 2014-2019)**

| **Geography** | **Indicator** | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Chile | Real lending rate, %, eop | 1.5 | 3.6 | 3.7 | 3.8 | 4.0 | 3.7 |
| Chile | Consumer price inflation, % y-o-y, eop | 5.5 | 3.9 | 3.3 | 2.7 | 2.5 | 2.8 |
| Chile | Consumer price inflation, % y-o-y, ave | 4.4 | 4.4 | 3.5 | 3.0 | 2.3 | 3.0 |
| Chile | Wholesale price inflation, % y-o-y, eop | 4.1 | 4.9 | 5.4 | 5.6 | 5.8 | 6.2 |
| Chile | Exchange rate CLP/USD, eop | 606.45 | 620.00 | 615.00 | 600.00 | 575.00 | 570.00 |
| Chile | Exchange rate CLP/USD, ave | 570.77 | 635.00 | 615.00 | 600.00 | 575.00 | 570.00 |
| Chile | M1, CLPbn | 25,490.8 | 28,804.6 | 31,397.0 | 33,908.8 | 36,282.4 | 38,459.4 |
| Chile | M1, % y-o-y | 15.3 | 13.0 | 9.0 | 8.0 | 7.0 | 6.0 |
| Chile | Exchange rate CLP/EUR, ave | 764.83 | 698.50 | 658.05 | 660.00 | 661.25 | 684.00 |

f = BMI forecast. Source: BCC, BMI

A brightening growth outlook has emboldened the BCC to take a more hawkish tone on monetary policy, as core inflation in Chile remains above 5.0%, higher than the bank's upper band of 4.0%. However, over the past year, even as prices spiked, the BCC kept its policy rate on hold as the economy experienced its lowest levels of growth in the past five years on the back of weak investment. A historically low exchange rate has increased goods export competitiveness, increasing the attractiveness of Chile's non-commodity industries for investors. This will give the BCC space to raise its policy rate to target inflation.

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| Elevated Core Inflation Will Prompt Rate Hike |
| Chile - Consumer Price Inflation, % chg y-o-y |
|  |
| *Source: BCC, BMI* |

Rising interest rates will stabilise the peso after the currency experienced a 33.3% depreciation since 2013. Though we do not expect significant appreciation in 2016 as copper prices, Chile's largest export, remain well below their 2011 highs and exert downward pressure on the currency, we forecast that the unit will strengthen to an average CLP615.0/USD in 2016, from CLP635.0/USD in 2015. This will temper inflation as import costs remain steady. Though the BCC has been willing to allow the currency to depreciate over the past two years, the central bank has noted that elevated costs of foreign goods have driven inflation. Therefore, a stable exchange rate will see inflation fall to an average of 3.5% in 2016, down from a forecast 4.4% in 2015.

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| Policy Normalisation Will Not Upset Recovery |
| Chile - Central Bank Policy Rate, % |
|  |
| *Source: BCC* |

Chile's economic recovery will remain on track despite higher interest rates. The peso will still remain well below historical levels, preserving the export competitiveness for non-mining industries gained through the weaker peso. This, combined with the country's robust business environment, will drive investment into Chile's manufacturing and services industries as inventories are drawn down amid stronger non-commodity goods exports. Since the start of 2015, data releases from the BCC have shown signs of a recovery in fixed investment, with real gross fixed capital formation declining only 1.7% y-o-y in Q115 compared with a fall of 6.1% in 2014 ( *see 'Economic Recovery Beginning To Gain Steam', May 19*). Further, both business and consumer confidence have likely bottomed, as disposable incomes are set to rise due to a fall in fuel prices and disinflation, leading us to forecast private consumption growth to accelerate to 3.0% in 2016, from 2.7% in 2015. These factors will persist even as the BCC's rate hikes drive an acceleration in headline GDP growth.

**Characteristics Of Inflation**

**Structural Factors:** Chile's inflation is often dictated by the country's terms of trade. Due to the country's dependence on copper as its main export, the real exchange rate was elevated through the 2000s due to large dollar revenues. This has precluded the development of a large manufacturing sector given the country's expensiveness compared with other markets, specifically in Asia. Therefore, Chile is highly dependent on imports for consumption of goods, making the exchange rate a key indicator of inflation. Though the country's dependence on copper will fade over a multiyear time frame, in the short term the industrial metal will continue to play a major role in the country's terms of trade ( *see 'Large FDI Stock Will Ensure External Account Stability', June 10*).

**Breakdown Of Inflation Basket:** Chile released a new consumer price inflation index in 2013, which changed the subcomponent weightings of the inflation measure. The transport, food and utilities sectors compose 47.4% of the new index, broadly in line with their previous weighting of 51.5%. These encompass all ***agricultural*** and fuel commodities consumed in the country and have displayed more volatility than other subcomponents. Given historical commodity price volatility, the utilities subcomponent can have a significant impact on the country's headline inflation.

**Chile - Weighting Of Consumer Price Inflation Basket**

| **Category** | **Weight** | **Category** | **Weight** |
| --- | --- | --- | --- |
| Food | 19.1% | Transport | 14.5% |
| Alcohol And Tobacco | 3.3% | Communications | 5.0% |
| Clothing | 4.5% | Recreation | 6.8% |
| Lodging And Utilities | 13.8% | Education | 8.1% |
| Household Goods | 7.0% | Hospitality Services | 4.4% |
| Healthcare | 6.4% | Other | 7.2% |

Note: Up-to-date as of June 26 2015. Source: BCC

The rest of the index is weighted towards consumer goods and gives importance to services that are consumed domestically. In contrast to indexes with close commodity correlations, domestic services have seen elevated price growth. A weaker peso, which has weighed on Chileans' ability to consume internationally produced manufactured goods, has seen prices of domestic services raise in tandem as businesses attempt to maintain their ability buy in foreign markets.

**Fiscal Policy - Debt Burden Will Remain Low**

*BMI View: Chile's ability to repay its debt will remain high even as President Michelle Bachelet ramps up spendingto support her social and economic agenda. Revenue growth will begin to accelerate as a corporate tax hike implemented in 2014 will boost the government's tax take.*

Chile's creditworthiness will remain high even as social spending and fixed investment increases in the coming years under President Michelle Bachelet. Strong tax revenue growth will mostly offset greater government spending. This will result in only a modestly wider budget deficit, which we forecast of 2.1% of GDP in 2015, compared to 1.6% in 2014. We then forecast the fiscal shortfall to average 0.5% of GDP between 2016 and 2019, keeping central government debt, which came in at 15.1% of GDP in 2014, relatively low in the coming years.

**Fiscal Policy (Chile 2011-2019)**

| **Indicator** | **2011** | **2012** | **2013** | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Revenue, % of GDP | 22.7 | 22.0 | 20.4 | 20.7 | 20.9 | 22.3 | 23.1 | 24.5 | 26.1 |
| Fiscal expenditure, CLPbn | 26,001.5 | 28,042.5 | 29,051.6 | 32,854.5 | 36,417.5 | 39,230.1 | 41,971.7 | 44,338.5 | 46,255.4 |
| Expenditure, % of GDP | 21.4 | 21.5 | 21.0 | 22.3 | 23.1 | 23.2 | 23.2 | 23.0 | 22.4 |
| Budget balance, CLPbn | 1,560.6 | 727.7 | -908.1 | -2,410.9 | -3,395.5 | -1,575.2 | -179.5 | 2,871.5 | 7,562.7 |
| Budget balance, % of GDP | 1.3 | 0.6 | -0.7 | -1.6 | -2.1 | -0.9 | -0.1 | 1.5 | 3.7 |
| Primary balance CLPbn | 6,499.9 | 5,853.8 | 4,073.4 | 3,192.0 | 1,490.0 | 3,588.9 | 5,004.5 | 8,227.4 | 12,495.5 |
| Primary balance % of GDP | 5.4 | 4.5 | 2.9 | 2.2 | 0.9 | 2.1 | 2.8 | 4.3 | 6.1 |

f=BMI forecast; Source: BCC, DIPRES, BMI

**Accelerating Revenue Expansion Due To Tax Hike**

After revenue growth slowed to an average of 3.5% from 2012 to 2014, from 12.1% in the prior decade, we expect it will reaccelerate in the coming years. Bachelet's recent corporate tax hikes will begin to offset declining copper revenues this year. The corporate tax rate increase from 21.0% to 22.5% this year, and is scheduled to be hiked to 25.0% by 2017. Moreover, growing household income and consumption will drive VAT receipts higher. In 2015, tax receipts will grow 12.5% compared to 8.2% in 2014 and then will expand by 14.0% in 2016, according to our forecast.

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| Chile's Tax Share Will Increase |
| Latin America - Fiscal Revenues, % of GDP |
|  |
| *f=BMI forecast; Source: National Statistics Agencies, BMI* |

**Growth Projects Will Drive Rising Spending**

The Chilean government will begin to implement a series of social programmes over the coming years which will keep expenditure growth elevated. Even as Bachelet implements modest transfers with the intent of reducing Chile's high levels of inequality, the main driver of expenditure growth will be her proposed changes to the country's education system. These changes would make all university level education run by the government, and a public right, eliminating Chile's privatised schooling system. This would increase the government's expenses by up to an estimated USD8.0bn per year, according to Bachelet's estimates. Current expenditures will begin to increase this year due to initial spending on education

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| Capital Expenditures Poised For A Boost |
| Chile - Central Government Capital Spending |
|  |
| *Source: BCC, BMI* |

Capital expenditures will experience a one-time boost in 2015 as the government implements a stimulus programme through infrastructure construction. In the budget proposal for 2015, Bachelet implied that infrastructure spending would increase at least 27.5%. This will mostly be spent on improving Santiago's connectivity with the country's remote northern and southern regions. As well, the government will continue to spend on improving public transit in the country's metropolitan regions and will likely propose expansions of cable car systems in port cities in the months ahead.

**Borrowing Costs Will Remain Low**

Even as the deficit expands, Chile's borrowing costs will not significantly climb due to its commitment to keeping the long-term deficit below 3.0% of GDP, the nature of the spending increases and the low base of debt. As the bulk of the expenditure increases are targeted at supporting the long-term outlook for the country, investors will not perceive sustained deficits in the same light as countries such as neighbouring Argentina, where rising social spending and an unwillingness to pay debts has led to a consistent erosion of investor confidence in recent years. Moreover, the country's large savings over the past decade while copper revenues were high gives Chile a significant buffer in the event of a large fiscal shock, further supporting low borrowing costs.

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| Five-Year Debt Costs Remain Manageable |
| Chile - Central Government Debt Payment Schedule, USDmn |
|  |
| *Note: DIPRES forecasts; Source: DIPRES, BMI* |

As well, Chile's decision to largely borrow in its domestic currency rather than issuances of eurobonds gives the country flexibility in meeting its obligations. With most debt being locally held at ***financial*** institutions, Chile has significant room to manoeuvre fiscally. Most non-peso debt has been issued by the government with the stated intent of setting a benchmark for domestic companies looking to tap international capital markets rather than for ***funding*** itself. Furthermore, when Chile has issued externally, the issuances are frequently oversubscribed.

**Key Fiscal Characteristics**

**Taxation:** Chile's recent corporate tax hike, which will be slowly enacted through the end of 2017, will make Chile modestly less attractive as an investment destination. The tax will increase to 25.0% from 20.0% with exemptions on profits that are reinvested back into the business, as the government looks to facilitate continued capital flows into the economy. Given that the corporate tax rate will remain below the OECD average of 25.5%, and that household incomes are expanding, higher taxes will not undermine investment into the country. Moreover, firms operating in Chile pay extremely low amounts of labour taxes with only 4.0% of profits going towards labour as firms do not have to contribute to social security. Chile has also consistently given tax deductions to foreign firms looking to invest. However, by keeping taxes low, the government generates significantly less revenue than the regional average, collecting only 20.7% of GDP compared to 23.3% on average for Latin America.

**Willingness To Pay Debt:** Chile has long been committed to maintaining strong relationships with creditors. The country has prioritised attracting foreign investment as a means of generating jobs and economic growth. This has led to the government to ensure positive relationships with foreign credits. Given the government's desire to attract ***funds*** into non-mining sectors as prices of commodities remain low, we believe that Chile will continue to reliably service its debt in the coming years.

**Debt Composition:** The government of Chile has not made significant use of international capital markets for ***funding***, and has instead chosen to utilise peso debt. Moreover, after averaging a fiscal surplus over the past decade, the government has not had a large need to obtain foreign currency.

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| Minor FX Exposure |
| Chile - Central Government Debt Composition |
|  |
| *Source: DIPRES, BMI* |

**FX Structure Of Debt:** The Chilean government's debts are mostly denominated in pesos. This stems from two factors, the first of which is that the Chilean government has not frequently run fiscal deficits and when it does, they're relatively small. This keeps the government's ***financing*** needs low and ensures that the quantity of outstanding debt is small. Because of this, local ***financial*** institutions often buy all debt issued by the government and hold it through maturity. Secondly, Chile has not developed a liquid bond market; turnover is relatively low which can discourage foreign entrants.

**Balance Of Payments - Large FDI Stock Will Ensure External Account Stability**

*BMI View: Chile's balance of payments position will remain stable over the coming years, bolstered bya large stock of direct investment in the country andastrong operational environment. Theslowprocess of current account rebalancing will alsobolsterthe country's external accounts,ascontinued export diversification will reduce dependency on mining.*

* Chile's strong operational environment will ensure steady foreign direct investment (FDI) inflows even as copper prices remain far below their 2011 highs.

1. After only minor gains since late 2012, domestic firms will increase their international assets as Chilean household spending growth accelerates, boosting businesses' incomes.
2. Over the longer term, the country will rebalance away from industrial metals dependency due to investment into the services and manufacturing industries, leading to a narrowing of the current account deficit.

**Strong Operational Environment Will Drive FDI**

The stock of international investment in Chile will remain robust in the coming years even with copper prices well below their 2011 high of USD8826.0/tonne. This comes even as most capital flows into Chile over the past decade have been related to the country's significant copper reserves, driving international investment liabilities to USD322.6bn in Q115, from USD61.1bn at the end of 2003. Chile's robust operational environment, the highest ranked in Latin America in our Operational Risk Index, will ensure Chile's economic competitiveness. Moreover, with the peso at multiyear lows, labour and operating costs will decline, enabling firms to maintain their margins and keep investor interest rooted in the country. Despite maintaining a net liabilities position, more than 60% of foreign investments are FDI, ensuring that even as commodity prices decline, capital will not rapidly exit Chile given the fixed nature of investments. This is in contrast to other markets in the region, such as neighbouring Argentina, which has maintained a pegged currency even in light of declining prices of dominant commodities.

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| Direct Investment Dominates International Capital Stock |
| Chile - Net International Investment Position (liabilities), USDmn |
|  |
| *Source: BCC, BMI* |

A highly educated workforce will also increasingly see foreign firms bolster their presence in the country and begin to develop Santiago into a business hub for the southern half of the continent over the next several years. In the latter half of our forecast period, education reform, which we expect will be implemented by President Michelle Bachelet by the end of 2015, will increase the pool of high-skilled labourers in Chile and drive investment higher. Growing integration between Pacific Alliance economies, which includes Chile, will drive foreign firms to look to gain access to some of Latin America's most well-developed economies ( *see 'Pacific Alliance: Integration Paves The Way For Enhanced Competitiveness', March 12 2014*).

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| International Asset Accumulation Set To Accelerate |
| Chile - Net International Investment Position (assets), USDmn |
|  |
| *Source: BCC, BMI* |

Chile's stock of international investment assets will also increase in the coming years as domestic firms increasingly expand into foreign markets. Agreements such as the Trans-Pacific Partnership (TPP), which we expect to be passed in 2016, and the Pacific Alliance will ***grant*** these businesses increased access to large foreign markets, especially in Asia. Already, Chilean firms have increased their international direct investment assets by 200.2% since the end of 2007, to USD106.3bn as of March. The total stock of Chile's international assets has grown to USD332.6bn, up from USD164.0bn in December 2007. However, since the end of 2012, this figure has only grown 10.7%. As the copper industry stabilises and adjusts to a lower price environment, and the Chilean economy rebounds, domestic businesses will be able to expand their international positions. Moreover, the current stock of assets is more than enough to cover Chile's more liquid international liabilities (including the stock of portfolio and other investments), which totalled USD133.8bn in March.

**Capital And *Financial* Account**

|  | **2010** | **2011** | **2012** | **2013** | **2014** |
| --- | --- | --- | --- | --- | --- |
| Capital account, USDbn | 6.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital account, % of GDP | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| ***Financial*** account, USDbn | 9.0 | -3.6 | -9.4 | -11.0 | -3.3 |
| ***Financial*** account, % of GDP | 4.1 | -1.4 | -3.5 | -3.9 | -1.3 |
| Net FDI inflows, USDbn | -5.9 | -2.6 | -6.2 | -9.3 | -12.1 |
| Net FDI inflows, % of GDP | -2.7 | -1.0 | -2.3 | -3.3 | -4.7 |
| Net portfolio investment, USDbn | 6.4 | -11.5 | 2.2 | -5.0 | -3.2 |
| Net portfolio investment, % of GDP | 3.0 | -4.6 | 0.8 | -1.8 | -1.3 |
| Net other Investment, USDbn | 4.5 | -6.1 | -5.0 | 2.3 | 9.4 |
| Net other Investment, % of GDP | 2.1 | -2.4 | -1.9 | 0.8 | 3.6 |

Source: BCC, BMI

**Export Rebalancing Will Strengthen Current Account Position**

Chile will slowly reorient its economy away from copper exports towards manufactured goods and services exports in the coming years. This will help to narrow the current account deficit to 0.1% of GDP on average over the next decade, compared with an average deficit of 2.4% since the end of the commodity boom in 2011. Investment into non-mining industries will increase non-mining productivity. Indeed, a highly educated workforce, access to Asian markets and government policies that facilitate investment will all support growing productivity as Chile utilises its highly educated labour force to build a comparative advantage in high value-add products. The TPP will also drive trade with Asian economies for products other than copper, increasing opportunities for Chilean businesses ( *see'TPP Membership Will Bolster Long-Term Relationships', April 10*). Mining's share of goods and services exports has already declined from a peak of 54.1% in June 2011, when copper prices began to decline, to 46.7% in March. We expect this trend to continue in the coming years as goods and services exports grow 5.0% per year through 2024 following three consecutive years of contraction.

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| Currency Depreciation Will Facilitate Rebalancing |
| Chile - Exchange Rate, CLP/USD |
|  |
| *Source: Bloomberg* |

Primary income inflow growth will begin to outpace repatriation of ***funds*** from Chile in the years ahead, further supporting the current account balance. We forecast the primary income deficit to narrow from an average of 7.0% of GDP over the past decade to 2.5% over the coming one. This will be driven by tepid growth in the value of copper exports in the near term, which will reduce foreign firms' outflows from mining projects. Towards the latter half of the decade, as domestic firms begin to boost their international activity, rising inlays will serve to further narrow the primary income shortfall. However, the secondary income account will not change substantially in the coming years, as increased inflows from Chileans abroad will be offset by increased foreign presence in the country. Nonetheless, the secondary income account plays only a minor role in the current account and will post a 0.4% of GDP average surplus in the next 10 years, down from 1.4% over the previous decade.

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| Continued Rebalancing Will Narrow Current Account Deficit |
| Chile - Current Account Breakdown & Balance |
|  |
| *f = BMI forecast. Source: BCC, BMI* |

**Reserves and Policy Stability Will Ensure Market Attractiveness**

**Reserve Adequacy:** Despite running a current account deficit since 2012, the Banco Central de Chile (BCC) maintains a high level of import cover at 5.8 months as of end-2014. This figure is up from 3.7 months at the end of 2007, despite falling copper prices. The BCC will be able to keep its current level of import cover as increasing FDI ***grants*** the bank growing access to US dollars. However, it is unlikely that the BCC will raise its current level of import cover, as imports will return to steady growth in the years ahead. Given low costs for Chile to tap international capital markets, replenishment of reserves through Eurobond issuances remains an option for the BCC in the event of an exogenous shock to Chile's external accounts that would require depletion of reserves.

**Transfer And Convertibility Risk:** Chile has long facilitated foreign capital flows with relatively few restrictions and will continue to do so for the foreseeable future. Even as portfolio investment into emerging markets rapidly increased following the global ***financial*** crisis in 2008, Chile did not limit investment by implementing capital controls, unlike China, Brazil and India. This has helped Chile to gain a strong reputation among foreign investors and has encouraged long-term investment into the economy. Indeed, even as portfolio flows have grown to USD77.1bn as of March, from USD20.0bn in 2007, long-term assets have remained in line with their historical share of international liabilities at 62.8%.

**Current Account Balance Forecasts**

|  | **2013** | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Balance of trade in goods, USDbn | 2.1 | 7.8 | 9.0 | 11.8 | 13.1 | 15.7 | 13.9 |
| Balance of trade in goods, % of GDP | 0.8 | 3.0 | 3.6 | 4.3 | 4.4 | 4.7 | 3.8 |
| Balance of trade in services, USDbn | -2.9 | -3.8 | -3.4 | -3.4 | -4.1 | -5.0 | -4.3 |
| Balance of trade in services, % of GDP | -1.0 | -1.5 | -1.3 | -1.2 | -1.4 | -1.5 | -1.2 |
| Income account balance, USDbn | -11.1 | -8.9 | -9.3 | -10.2 | -10.1 | -9.6 | -8.9 |
| Income account balance, % of GDP | -4.0 | -3.4 | -3.7 | -3.7 | -3.4 | -2.9 | -2.5 |
| Net transfers, USDbn | 2.2 | 1.9 | 1.9 | 1.7 | 1.5 | 1.4 | 1.3 |
| Net transfers, % of GDP | 0.8 | 0.7 | 0.8 | 0.6 | 0.5 | 0.4 | 0.4 |
| Current account balance, USDbn | -9.7 | -3.0 | -1.7 | -0.1 | 0.4 | 2.5 | 2.0 |
| Current account balance, % of GDP | -3.5 | -1.2 | -0.7 | 0.0 | 0.1 | 0.8 | 0.5 |

f=BMI forecast; Source: BCC, BMI

**Exchange Rate Policy - CLP: Only Modest Appreciation In 2016**

**BMI Chile Currency Forecast**

|  | **Spot** | **2015** | **2016** |
| --- | --- | --- | --- |
| CLP/USD, ave | 638.6 | 635.0 | 620.0 |
| CLP/EUR, ave | 712.1 | 698.5 | 658.1 |
| Policy Rate, %eop | 3.00 | 3.75 | 4.25 |

Note: Updated as of June 30, 2015; Source: Bloomberg, BCC, BMI

*BMI View: The Chilean peso will remain near historic lowsthrough the end of 2015due toweakcopper prices.Tighter monetary policy by the BCCbeginning in Q116willmodestly strengthenthe currencyin 2016.*

* Low copper prices will exert downward pressure on the Chilean peso in the short-term as the country's export basket remains dominated by the industrial metal, driving the currency to average CLP635.0/USD this year.

1. The US Federal Reserve (Fed)'s rate hiking cycle, beginning in as early as September, will place depreciatory pressures on the peso.
2. Policy normalisation by the Banco Central de Chile (BCC) in Q116 will preclude further depreciation of the currency, which we forecast will average CLP620.0/USD in 2016.
3. Over a longer time horizon, the peso will slowly appreciate as the country's export basket gradually shifts away from copper and towards more manufactured goods.

**Short Term (Three-To-Six Months)**

We expect the Chilean peso to resume its depreciatory trend through end-2015. A relief rally in copper prices between January and May drove a temporary appreciation in the peso through that period. However, since then these gains have been erased. This leads us to reaffirm our 2015 forecast for an average of CLP635.0/USD, compared to CLP570.8/USD in 2014 ( *see 'CLP: Weakness To Persist In 2015, Moderate Strength In 2016', March 19*). Our commodities team expects the price of copper to remain well below previous highs, averaging USD5750.0/tonne in 2015 compared to USD6829.6/tonne in 2014. Chinese demand for industrial metals will remain weak as the economy enters a period of slower, consumption-driven growth, in contrast to the investment-based expansion seen over the past decade, which fuelled significant demand for commodities.

|  |
| --- |
| Peso Will Weaken Through End Of Year |
| Chile - Exchange Rate, CLP/USD |
|  |
| *Source: Bloomberg* |

Further, as the Fed begins its rate hiking cycle in the coming months, broad USD strength will likely persist through end-2015. A narrower interest rate differential between Chile and the US will reduce the attractiveness of holding Chilean portfolio ***instruments***. Nonetheless, as the composition of foreign ***funds*** in Chile are in fixed assets rather than more liquid and volatile portfolio investments, reducing the country's exposures to capital outflows.

**Long Term (Six-To-24 Months)**

The BCC's rate hiking cycle, which we expect will begin in Q116, will lead to modest appreciation of the peso in 2016 ( *see 'BCC Will Initiate Tightening Amid Stabilising Economy', June 29*). However, structurally low copper prices, combined with the BCC's stance of supporting a weak currency to bolster export competitiveness, will keep the peso weak by historical standards.

|  |
| --- |
| Low Copper Prices Will Limit Appreciation |
| Copper, USD/tonne |
|  |
| *Source: Bloomberg, BMI* |

Over a longer time horizon, the peso will slowly appreciate to CLP600.0/USD by 2017. As our commodities team forecasts that copper prices will bottom in 2015, depreciatory pressures will recede. Moreover, growing non-commodity exports will contribute to a gradual appreciation of Chile's exchange rate.

**Load-Date:** July 18, 2015

**End of Document**



[***The Philippines revises insurance sector regulations***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4N1-DXYV-74P2-00000-00&context=1516831)

Oxford Business Group: Articles

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**Body**

While still relatively small in comparison to many of its ASEAN peers, the Philippine insurance sector has shown strong growth in recent years, averaging 10% expansion between 2008 and 2014. The signs are that with the country's continued economic growth and a burgeoning middle class, the sector's expansion will continue to be impressive, while moves on the legislative side, partly aimed at bringing the country into line with other ASEAN markets, are also facilitating wider take-up and awareness.

The year ahead also poses challenges, particularly in the non-life insurance sector, where smaller companies are likely to find new capital requirements onerous, with many predicting a wave of consolidation. Yet this shake-up will likely leave the market stronger and more able to cope with future obstacles. This includes the challenge posed by nature, as the country is highly prone to catastrophic natural disasters such as typhoons. However, both 2014 and 2015 were relatively good years, with few major events impacting the country - much to the benefit of insurers and the relief of inhabitants.

**Market Structures**

The main regulatory body is the Insurance Commission (IC), which comes under the Department of ***Finance*** (DoF) and is headed by the insurance commissioner. Currently, this post is occupied by Emmanuel F Dooc. The IC supervises and regulates both life and non-life insurers, as well as mutual benefit associations, health maintenance organisations, pre-need lines and charitable trusts. The IC also has the task of issuing licenses to agents, underwriters, brokers, actuaries and adjusters. Also key to the sector is the Philippine Insurers and Reinsurers Association (PIRA), which dates back to 1954 and was expanded in the 1990s via a merger with the Insurance and Surety Association of the Philippines. PIRA today encompasses all the non-life insurance firms in the country and represents their collective interests to the IC and other market stakeholders.

The legal framework for the IC and for the sector is provided by the Insurance Code, first issued in 1974 and amended several times. The most recent of these updates was in 2013, when Republic Act (RA) 10607 was introduced. This has had a major impact on the sector, for several reasons. First, it includes the legal recognition of bancassurance, allowing banks to cross-sell products over the counter. While previously, banking sector regulations had allowed banks only to sell insurance products sold by companies in which the bank itself had at least 5% equity, the new regulations allow banks to sell products from any insurance firm, provided that the company fulfils all of the requirements set forth by the IC and the country's central bank, Bangko Sentral ng Pilipinas. Persons engaged in selling these products must also be licensed by the IC.

**Capitalisation Hikes**

Another key change in the code is a hike in minimum capitalisation requirements. Under the original 1974 Code, the minimum paid-up capital was set at P5m ($111,000), with the secretary of ***finance*** reserving the right to increase this. In 2013 this was done, and RA 10607 set lower limits. The new limits required existing domestic insurance firms to reach at least P250m ($5.6m) in paid-up capital by the end of June 2013, then P550m ($12.2m) by the end of 2016, then P900m ($20m) by the end of 2019 and finally P1.3bn ($28.9m) by the end of 2022; of the 61 non-life insurers in the market in 2016, only four meet this 2022 figure. New insurers, as well as local branches of foreign firms, must start with at least P1bn ($22.2m) in paid-up capital to register for a licence. The insurance commissioner may also require stockholders to put together a surplus ***fund*** of at least P100m ($2.2m) prior to ***granting*** a licence. The minimum capital requirement for reinsurers is now P3bn ($66.6m). This must be held in cash, with at least 50% of it paid up and at least P400m ($8.9m) held as a contributed surplus.

**Higher Standards**

The regulation also provides new and stricter reporting standards for insurance companies, along with definitions of micro-insurance and variable contracts, illustrating the growing diversity of the Philippines market. Insurers are also allowed to invest more in ***financial*** ***instruments*** - these may reach up to 25% of their admitted assets in obligations issued or guaranteed by banks, local or foreign. Modifications were also made in the methods of reserve valuation. The insurance commissioner's term of office was also extended to six years, without re-appointment. The new regulations are aimed at securing a more stable and robust sector, with greater security for the insured as well. This will likely mean a visible reduction in the number of smaller players through consolidation, as the capital requirements become increasingly difficult for small firms to meet. "There are around 70 non-life companies at the moment," Victorio Valledor, CEO of Lockton Philippines Insurance and Reinsurance, told OBG. "But with these new capital requirements, that number might fall by half." Currently, there are no restrictions on foreign ownership, with full and branch licences available. To set up, a foreign insurer must, in addition to meeting the capital requirements, also leave a statutory deposit of P1bn ($22.2m) with the IC, appoint a general agent who is a resident of the Philippines, and possess additional ***funds*** of at least P100m ($2.2m) before being licensed to open a branch office. A Code of Ethics and Bill of Rights for customers is also in the works.

**Market Numbers**

According to the most recent IC figures, in the first three quarters of 2015, combined net income in the non-life and life segments grew 65.8% year-on-year (y-o-y) to reach P20.4bn ($452.9m), up from P12.3bn ($273.1m) in the same period of 2014. Meanwhile, combined premium revenues of the two sectors was up 29.75% y-o-y, from P132.9bn ($2.95bn) to P172.4bn ($3.83bn), while the industry's total investments stood at P952.13bn ($21.14bn), up 19.1% on the P799.44bn ($17.74bn) recorded in the same period of the previous year.

The industry saw growth of 10.1% y-o-y, from P0.99trn ($22bn) to P1.09trn ($24.2bn), while net worth of the combined life and non-life sectors in that period reached P195.4bn ($4.3bn), up 6.05% on P184.25bn ($4.1bn) in the first three quarters of 2014. In 2012 total assets had stood at just P125.5bn ($2.8bn), illustrating robust growth in recent years.

The third-quarter figures made 2015 into a banner year. Indeed, IC Commissioner Dooc described it as likely "to be the best ever" on announcing the above results in an October 2015 press release. Those figures far outstripped those of 2013, when total premium production reached P198.1bn ($4.4bn) for the full 12-month period. The third-quarter 2015 figures also demonstrated that life continues to outstrip non-life in terms of net worth, total assets and net premiums. During the period in question, non-life represented 36.8% of the total net worth, 15.1% of total assets and about 15.6% of net premiums.

Such figures have gone hand-in-hand with a strong performance in the overall economy. GDP at current prices has risen steadily, with 6.8% growth in 2012, 7.2% in 2013 and 6.1% in 2014. The World Bank estimated growth in 2015 at 5.8%, and forecast this to pick up to 6.4% in 2016 and 6.2% in 2017. The population has meanwhile also grown, if not as rapidly. In 2012 this hit around 96.4m, rising to 98.8m in 2013, and was estimated at 102m in early 2016, according to the Philippines Statistical Authority (PSA) and the UN. This yields an annual growth rate of 1.82% for 2010-15, with 1.64% forecast for 2015-20.

Putting these two statistical sets together, per capita income has been rising, from $2372 at current prices in 2011 to $2606 in 2012, $2788 in 2013 and $2871 in 2014. The Philippines also possesses a high degree of income inequality, however; the above per capita figures mask a major disparity between the rich, poor and middle classes. The most recent PSA figures, which compare the years 2006, 2009 and 2012, show that the portion of Filipinos earning P100,000-P249,999 ($2220-$5550) per year rose from 36% in 2006 to 42.3% in 2012, while the portion earning over P250,000 ($5550) climbed from 18.8% to 29.1%. The wealth of these classes has also benefitted from low levels of inflation for emerging markets. In 2012 the consumer price index registered a 3.25% rise, then 3% in 2013 and 4.1% in 2014. This makes investment more attractive, as well as more affordable to more Filipinos with surplus earnings, and is good news for life and non-life insurers.

**On The Rise**

There is also plenty of room for growth, especially from the younger generation. "The millennial market in the Philippines is huge due to the country's demographics," Peter Grimes, president and CEO of FWD Life, told OBG. "They are more ***financially*** responsible and aware than previous generations. However, barriers still exist to successfully resonating with millennials, ranging from affordability to lack of trust." According to the IC, overall penetration rates for insurance are low, though steadily increasing. In 2010 the overall penetration rate stood at 1.09%, rising to 1.2% in 2011, 1.45% in 2012 and 1.78% in 2013. Commissioner Dooc announced in September 2015 that the rate stood at 1.84% at the end of the first half of 2015, and predicted that it would reach 3% by 2019. This would bring it in line with existing ASEAN averages. The sector consisted of some 101 firms in 2013: 70 in the non-life segment, 26 in life, four composite companies and one reinsurer. In November 2015, however, the Philippines Life Insurance Association - which represents all life insurers in the country - had 30 members, suggesting a growing life segment.

The National Reinsurance Corporation of the Philippines (PhilNaRe) is the sole reinsurer, and is listed on the Philippines Stock Exchange. As of year-end 2014, PhilNaRe's portfolio consisted of 50% fire insurance, 23% life, 21% casualty and others, 6% marine and aviation, and 2% overseas business. Several other firms also possess reinsurance licences, such as Lockton Philippines Insurance, and Jardine Lloyd Thompson. Many big-ticket infrastructure projects, however, by law must be reinsured through the state insurance system, though private reinsurers can still bid for non-mandated projects.

**Non-Life Players**

In the non-life sector, figures for the third quarter of 2015 showed a 122.1% rise in total net income y-o-y, with the number jumping from P1.63bn ($36.2m) to P3.6bn ($79.9m). Total net premiums written (NPWs) were also up, by 13.97%, from P23.6bn ($523.9m) to P26.9bn ($597.2m), while total investments rose 7.66%, from P60.8bn ($1.35bn) to P65.5bn ($1.45bn). Total assets in the sector stood at P167.9bn ($3.73bn) in September 2015, up 2.26% on September 2014. The net worth of the non-life sector also rose, by 13.33%, from P63.4bn ($1.4bn) to P71.8bn ($1.6bn).

According to the most recent statistics compiled by the IC on the premiums earned by non-life insurance firms active in the Philippines, at the end of 2014 the largest was Prudential Guarantee, which had earned total premiums of P3.33bn ($73.9m) that year. In terms of NPWs, Prudential also came on top, with P3.46bn ($76.8m), a figure up 11.4% y-o-y. The second spot went to Malayan Insurance, with P2.6bn ($57.7m) in premiums earned and P2.67bn ($59.27m) in NPW. Third was BPI/MS Insurance, with P2.07bn ($45.95m) in premiums earned and P2.15bn ($47.73m) in NPW. Six other companies had premiums earned and NPWs of over P1bn ($22.2m), with these being - in descending order - Charter Ping An, Federal Phoenix Assurance, MAPFRE Insular Insurance, UCPB General Insurance, Pioneer Insurance and Surety, and the Standard Insurance Company.

A total of 69 non-life insurers were registered with the IC in 2014, a group whose number has declined in recent years from some 84 in 2009 to 76 in 2012 and then 70 in 2013. Meanwhile, the total industry-wide NPW for 2014 stood at P31.1bn ($690.4m), up 15.64% on 2013. Of this figure, the top three insurers accounted for around a quarter (26.6%).

**Lines Of Business**

In terms of non-life segments, car and vehicle insurance and fire are the largest product lines. The most recent IC statistics, for 2013, show fire with some 32% of all gross written premiums (GWPs), with motor taking 31.4%. Casualty is the third-largest segment, with 22.4% that year. Other key lines are marine, which took 10.11% that year, followed by suretyship - a specialised line in which one party guarantees to fulfil an obligation by another party via a surety bond, which garnered 4.05% of total GWPs in 2013. The final line of business was life for professional reinsurers, which took 0.05%. These proportions have stayed relatively constant over the years, although fire only overtook motor in 2012. In terms of net premiums, however, motor was by far the largest segment, with 53.16% of the total, followed by casualty (18.5%), fire (14.2%), marine (6.6%), suretyship (6.64%) and life for professional reinsurers (0.9%).

**Auto Segment**

A current issue in motor is that of compulsory third-party liability (CTPL) insurance. The government Land Transportation Office (LTO) issued a circular in 2015 envisaging the creation of a cartel to administer the issuance of CTPL. This would have a single administrator and is aimed at countering problems in the sector such as fake CTPL issuers, the undercutting of tariffs and tax leaks. Yet sector bodies such as PIRA disagree with this proposal, arguing it will lead to the creation of an effective monopoly in CTPL, depriving non-life insurers of a major income stream, while also making many of those working in this line of business redundant. The IC cautioned against the idea in late 2015, with the possibility that legal challenges would be made against it during 2016.

The LTO move comes after an earlier attempt to set up a CTPL pool, an idea tried in other markets as a way of dealing with a chronic issue in motor insurance, whose low margins and reputation for false claims make it unattractive to many. The pool was unsuccessful, as was an attempt by the Government Security Insurance System to take on the role of central administrator. The issue thus looks likely to remain a key topic in the non-life segment.

The fire segment includes a number of "allied perils" - earthquakes, typhoons, floods and other extended coverage. Thus, 2013 was a particularly bad year for loss ratios in this area, as the Philippines was hit by Super Typhoon Haiyan, which killed around 10,000 people. Yet the impact on the insurance sector was not as massive as it might have been in a more developed market, as most of the areas impacted were low-income and very under-insured. Of an estimated $14bn cost to the economy, only around $2bn was likely covered by insurance. For 2014, non-life, personal accident and health care GWPs were only around 0.5% of GDP, against an average of 1.5% for the Asia-Pacific Economic Cooperation (APEC), whose members experience over 70% of the world's natural disasters. Nonetheless, loss ratios in the Philippines for flood and extended coverage hit 194.4% and 371.4%, respectively, in 2013, with the overall loss ratio for the fire segment rising to 101.69%, from 72.90% in 2012. Given these major and unpredictable swings in losses, non-life firms underwriting fire and allied perils are required to secure catastrophe reinsurance cover of at least 5% of their aggregate net retained insured values in this segment - although given the frequency of such events, catastrophic risk management is generally integrated into a firm's entire risk structure. Undercapitalised firms are themselves a risk in this area, with the recent moves to strengthen capital requirements aimed at weeding out insurers who may not be able to cope with catastrophic events.

Debate is ongoing over creation of a Philippines Catastrophe Insurance Pool, which would be a mandatory system for homeowners and owners of small and medium-sized enterprises. This initiative is backed by PIRA, the IC, the World Bank and International ***Finance*** Corporation, which hope it may come into being following the 2016 presidential elections.

Another area where micro-insurance initiatives have recently had a big impact is catastrophe insurance. Such schemes target low-income earners and keep premiums and fees low - the average payment does not exceed 7.5% of the daily minimum wage of a non-***agricultural*** worker in Metro Manila. Figures from the Micro-insurance Network suggest coverage of this product reached 28.1% in 2015, up from 20% in 2014 and accounting for some 28m people.

**Pre-Need**

In addition to non-life and life, a further segment is pre-need. This is a product line different from life insurance in that pre-need policies are open-ended, with the insurer guaranteeing payment of a future need, regardless of its future cost. Such needs can include funerals, educational fees, illness and/or disability coverage, and even retirement. Several company collapses prior to the IC assuming regulatory oversight of the pre-need segment in 2009 damaged the industry's reputation in the 2000s, with the growth of life insurance also affecting the market. In October 2015 the IC issued a micro-pre-need regulatory framework, aiming to channel such schemes into the micro-market. The framework limits micro-pre-need payments to 7.5% of the wage of a non-***agricultural*** worker in Metro Manila, adding that the maximum sum of guaranteed benefits cannot be more than 1000 times the daily minimum wage for such a worker.

**Outlook**

Both life and non-life are likely to see continued growth, with the penetration rate advancing towards its goal of 3% by 2019. The stronger regulatory framework should ensure firms are better able to respond to market events. A period of consolidation lies ahead, particularly in the non-life segment. With 2016 an election year, much of the new regulatory activity is likely to see a hiatus. While growth may not be at the best-ever levels of 2015, it will likely continue to impress regional investors. The continued state spending on infrastructure will involve major requirements for coverage of all kinds, particularly in property and project reinsurance.

**Load-Date:** March 12, 2020

**End of Document**



[***Bosnian premier says country to be granted EU candidate status in 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JRP-X641-DYRV-3014-00000-00&context=1516831)

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**Body**

Text of report by Bosnian edition of Croatian daily Vecernji list, on 9 May

[Interview with Denis Zvizdic, chair of the B-H Council of Ministers, by Zoran Kresic; place and date not given: "From EU, We Expect 1.2 Billion Euros for 14 Projects That We Nominated" - first paragraph is Vecernji List introduction]

Denis Zvizdic is a big optimist, and also a visionary. He sees a lot of room for Bosnia-Hercegovina's development and progress in this region of vast opportunities. He talked about all of these things in his interview for Vecernji List B-H Edition.

[Kresic] The Sarajevo Business Forum concluded, or indicated, that the investment opportunities were vast. How do you see the fact that a brighter perspective is finally opening up for Bosnia-Hercegovina, and the entire region as well?

[Zvizdic] The "Sarajevo Business Forum/China + 16" has shown and demonstrated the facts that we in the Council of Ministers have been talking about over the past year. Bosnia-Hercegovina has good natural resources and development potential, which gives us a competitive and comparative edge not just in the west Balkans region, but also beyond.

[At the Sarajevo Business Forum] there were 1,300 participants from 30 countries, and 350 projects were presented. The entire event attracted the attention of the business world, which showed that the investors were refocusing on the west Balkans region and Bosnia-Hercegovina. It is important that the entire Balkans, and not just Bosnia-Hercegovina, broadens its horizons - that we step out of the current boundaries of small and fragmented markets, and very narrow boundaries in terms of economic potential and development projects. We need to have an integrated region in the presentation of serious energy, infrastructural, and other projects to investors coming from either the East or the West.

What is key for Bosnia-Hercegovina is to continue removing the administrative barriers and creating a legislative framework that provides full security to foreign and domestic investments. If that should be the case, I am quite certain that we would continue with the positive economic growth that we had noted last year.

[Kresic] On the other hand, various ideologies are trying to keep things far away from reality by digging up things from the past [as published]. It seems that certain politicians literally make a living by doing that?

[Zvizdic] The answer to that question is contained in a single word, and that word is "truth." All participants in the process in the region must understand and accept correctly the events from the past, which provides a good foundation for the future. We live in a region that is in agreement on very important things, as is the case with EU accession.

There is no reason for our neighbours that are already in the EU - and I am primarily referring to Croatia - not to help us on this path, because they have the know-how and the skills that can significantly facilitate our accession to the EU. Within this process, I see room for reconciliation and cooperation, in order to pave the way for an environment of long-term peace, stability and progress.

In any case, we have been living here for centuries, and have gone through various phases of our nations' maturity. Each of the peoples living in this part of the world has become a political people, which is one of the highest levels of its maturity [as published]. We also experienced the tragic consequences of this growing up, and now it is time to release the positive energy that the citizens and peoples living in this part of the world have.

[Kresic] The European Commission envisaged significant ***funds*** for Southeast Europe. What are the B-H authorities doing to utilize those ***funds*** and to release energy, primarily the energy of the young people?

[Zvizdic] Please allow me to provide some background information. I need to mention the British-German initiative, which meant a new approach to Bosnia-Hercegovina. It released the political, economic, and all other energies in the country. It united us and created the lowest common denominator - the path to the EU. Complementary with this is another brilliant initiative - the Berlin initiative - that was launched by German Chancellor Angela Merkel. The goal of that initiative is to integrate, already in the early phase, the west Balkans in the EU in terms of the economy, infrastructure, and energy. The seed money has been provided.

It is up to us to create the national strategies and projects. I am talking about the road and energy infrastructure, as well as about projects in the areas of environmental protection, education, and incentives to entrepreneurs, with a focus on youth employment. Bosnia-Hercegovina has understood this message seriously. We have thus far nominated 14 projects from the entire Bosnia-Hercegovina, with a total worth of 1.2 billion euros.

We, at the same time, have been preparing projects in the energy sector, which is one of the most attractive sectors and is a significant foundation for serious economic development. If we were to maintain the political will that we have had over the past year, and to maintain the stability of the region, then we could be optimistic about the project implementation going in a positive direction.

It is a fact that serious energy sector projects were signed at the Sarajevo Business Forum, as was the case with Thermo Bloc 7 Tuzla. Banovici is in the final stage of negotiations, and there is also Kakanj. There is intensive work being done on the construction of certain sections of the motorway, including the Adriatic-Ionian Motorway, as well as of the Adriatic-Ionian Gas Pipeline. These projects are focusing on our ***agricultural***, tourist, and industrial potentials. This shows that Bosnia-Hercegovina has a serious perspective, which primarily requires stabilization of the political situation and mutual understanding of the political partners.

[Kresic] Can this positive political atmosphere be maintained solely through the implementation of economic and social reforms? Can these goals be achieved and can we join the EU without political reforms?

[Zvizdic] Sometimes the solutions for the most complicated issues in Bosnia-Hercegovina are quite simple. Readiness for talks and compromise, grounded in correct relations, is the best formula for cooperation among all political factors in Bosnia-Hercegovina, which will certainly lead to constant progress. Any resolution of a problem that neglects the view of any of the three sides will not lead to progress in Bosnia-Hercegovina. We in the Council of Ministers are a good example of how significant progress can be made on the basis of correct cooperation, mutual understanding, and compromise.

[Kresic] So, there are no turbulences in the Council of Ministers - that is, in the ruling majority?

[Zvizdic] There are no turbulences in the Council of Ministers. There is always a readiness for talks; dialogue is the key ***instrument*** for finding a solution. We do not have the same views when we start out; however, through talks - ultimately, between my deputies and me - we arrive at the best solutions or the solutions with the best arguments. Compared to the previous compositions of the Council of Ministers, we held the biggest number of meetings; adopted the biggest number of documents; passed very important decisions; and adopted strategic documents that could not have even been contemplated in the previous terms. And we have done all of those things unanimously.

[Kresic] Considering that Bosnia-Hercegovina has a complex organization, it is not enough to reach an agreement at the state level only. You recently had a meeting with RS [Serb Republic] Prime Minister Zeljka Cvijanovic and FB-H [Federation of Bosnia-Hercegovina] Prime Minister Fadil Novalic. There are constant tensions between the government and the opposition in the RS. To what extent does that fact affect the work of the Council of Ministers?

[Zvizdic] That is not a problem for me, as long as each of us is behaving in accordance with the constitutional powers. At the inauguration of the Council of Ministers, we said that we would solely act within our powers, without interfering with the powers of other levels or government, but we would always stand ready to give them support.

Everyone knows, however, that Bosnia-Hercegovina is a complex country. Owing to all of the procedures that we have to implement, the pace of project implementation is being slowed down. If we had the same ruling parties in each level of government, we would probably have more impetus. I, however, do not think that this is the key problem at this moment. The most important thing is that EU membership is a strategic goal, not a goal that someone merely pays lip service to. In addition to that, we should very much care about reaching that goal, far more than the EU itself cares, and the EU keeps sending positive signals.

[Kresic] At the meeting in Banja Luka, you discussed again the harmonization of the coordination mechanism. The opposition subsequently asked if Bosnia-Hercegovina, in the end, had a document about that, and if, consequently, a credible application for EU membership had been sent?

[Zvizdic] Mr [Dragan] Covic [Croat member of B-H Presidency, chairman of HDZ B-H - Croat Democratic Union of Bosnia-Hercegovina] sent a credible application, because we have not heard from relevant institutions and individuals that the application was not credible. The Council of Ministers adopted the text of the coordination mechanism, and that is our jurisdiction, with respect for all levels of government that need to be in that process and on the path to the EU. The RS thought that certain things could be set up in a more effective way, and we in the Council of Ministers had no obstacles to giving a positive reply to that. We have made significant steps forward, and are on the brink of a final solution for the coordination mechanism and the Stabilization and Association Agreement [SAA], which takes us to the next step - receiving a questionnaire from the EU.

[Kresic] What is the update on the SAA negotiations?

[Zvizdic] The negotiations between B-H officials and the European Commission are in the final stage. According to information received, what has been created is a possible draft of the agreement that is highly correct, positive, and encouraging for Bosnia-Hercegovina. In a matter of weeks, and no longer of months, I expect the Council of Ministers to reply to that agreement and forward it to the B-H Presidency. I would like to appeal to the public, politicians, and experts to finally start analysing the issue of SAA adaptation from the aspect of real facts, especially when it comes to ***agriculture***.

[Kresic] In other words, Bosnia-Hercegovina and its ***agriculture*** will not be at loss?

[Zvizdic] Bosnia-Hercegovina has to be better organized from the inside. For some time now we have been losing 30 to 40 million euros a year because we are not ready to adopt certain strategies or to create bodies required by the EU in the ***agricultural*** sector. This strategy and these bodies do not in any way mean that powers will be taken from any level of government. It just means a good organization in order to receive and utilize the ***funds*** from the EU.

[Kresic] Are you referring to the law on food?

[Zvizdic] I am talking in general about ***agricultural*** laws, rural development, the payment operation agencies in that sector, and everything else required by the EU. Once we become organized in that regard, we will be in a position to receive millions of euros a year in the ***agricultural*** sector, which is one of the most important sectors in Bosnia-Hercegovina. We increased the number of companies that export milk and dairy products from four to eight. We are preparing for export of white meat and consumer eggs. We will get bigger quotas for the export of fish, wine, and sugar. There is a consensus in the Council of Ministers to introduce "blue diesel" as a new way to boost ***agriculture***. There are many positive elements. That is why this issue needs to be discussed from the professional aspect, not from the political aspect.

[Kresic] I will rephrase my question. Will the B-H ***agriculture*** emerge as a winner from this process?

[Zvizdic] The B-H ***agriculture*** will be equipped and competitive for the big market that awaits us. ***Agricultural*** producers will get the opportunity to export to this market, and will get the necessary support from the Council of Ministers and all other levels of government. That is why we are calling on lower levels of government to be of help to ***agricultural*** producers, so that they do not have to wait for incentives for months, because this is a sector with vast potential.

[Kresic] Are you an optimist that Bosnia-Hercegovina will get EU candidate status in 2017?

[Zvizdic] I am a big optimist, and I think that we will get that status in the second half of next year. That will open a completely new chapter in the relations between Bosnia-Hercegovina and the EU, and start an irreversible process.

[Kresic] How important is that for Bosnia-Hercegovina and the region, keeping in mind the ongoing arguments, as well as the painful war episode?

[Zvizdic] It is of exceptional importance. That is why it is important to emphasize the positive aspects of our path to the EU. There is no bigger priority for us than membership of NATO and the EU. That brings the rule of law, permanent peace and stability, which, in turn, brings security for investments and overall progress. That goal is also achieved through reforms that should change the current pattern of behaviour.

[Kresic] You mentioned NATO. You are aware that there is no agreement on that in Bosnia-Hercegovina?

[Zvizdic] Yes, I often mention NATO, because I am aware how important that question is for Bosnia-Hercegovina's future. We know what attitudes and views we have in Bosnia-Hercegovina in this regard. I respect the position of all parties and levels of government, but I am invoking the fact that we need to move on and that we all agree that MAP [NATO's Membership Action Plan] should be activated. I am truly an optimist that the efforts of all levels of government, and especially of the B-H Presidency, will be recognized by NATO, and that MAP will be activated at the Warsaw summit.

[Kresic] Mr Prime Minister, how do we stop the brain drain? How do we stop the people who should take your place one day from leaving the country?

[Zvizdic] I have to say that we do not focus enough attention on our key macroeconomic problem, which is youth unemployment. The present situation is unbearable. We have young people who are educated and talented, who can and have to be a motor force behind the positive changes and the country's progress. We, however, are not creating a good environment for them to link their ambitions to their homeland. Even in the political parties themselves, we see a big fear of handing over the leading posts to young people.

My view is completely the opposite. You have hundreds of examples of young people running important companies and significantly improving them. That is why youth employment must occupy the number one spot in the agenda of every level of government - from the local level, through the cantons and the entities, to the state level. I would like to praise the FB-H Government for investing 50 million convertible marks [KM] with a focus on youth employment. A few days ago I read in your newspaper an interview with Jelka Milicevic, the esteemed FB-H ***finance*** minister, who said that nearly 7,000 young people would get jobs that way. Those are the patterns that everyone should follow. We need to enable young people to have access to cheap capital, so they can start their own businesses because they are innovative. In the places where this is done by the existing institutions and companies, we particularly need to encourage youth employment.

[Kresic] The GDP [gross domestic product] growth projection is encouraging. When it comes to the key macroeconomic indicators, what are your expectations of the years ahead?

[Zvizdic] The floods [in 2015] caused us big damage. Despite that, the GDP growth last year was 3 per cent, and the export [grew by] four per cent. We reduced the foreign trade deficit by 8.9 per cent, and increased industrial production by 3 per cent. What is particularly important is to reinforce the competitiveness of our goods, to reduce the gap between import and expert, and to reduce the foreign trade deficit through job creation. The Reform Agenda has given us clear guidelines.

[Kresic] The state level has maintained the same level of spending for years now. What is the problem with other levels of government? Why are they unable to do that, and why are they constantly taking on new debts to bridge the public spending gap?

[Zvizdic] Because we are not well organized in the fiscal and ***financial*** sectors. We have to boost discipline in that regard, and put a cap on budget spending for that type of public consumption. Finally, in organizational terms, we have to develop the area of payment of obligations to the point where no one can evade that. If we sort out that system - and that is one of the basic goals in the Reform Agenda - then I think that Bosnia-Hercegovina will come to a point where it is self-sustainable in terms of its revenues and expenditure.

As for the B-H-level budgeting, the Council of Ministers, under law, is entitled to increase its budget. However, for reasons of solidarity of sorts, we have retained the same level. On the other hand, we will make a serious analysis for next year. We think that, if we were able to increase the budget, we could invest, in a highly transparent fashion, the ***funds*** where they are needed the most in Bosnia-Hercegovina today - as support to small and medium enterprises, youth employment, and ***agriculture*** and other sectors.

[Kresic] The entities are on the brink of collapse, and will not be able to make it without the IMF's money. Will there be a new loan issued?

[Zvizdic] Major problems are evident; they are somewhat bigger in the RS than in the FB-H. I am more in favour of taking a loan from the IMF than from commercial banks. The IMF has more favourable conditions; it also offers expertise and technical assistance, and monitors the implementation of the obligations that we assume. The IMF presented clear views, but, as is usually the case in Bosnia-Hercegovina, different parties have understood them differently.

The IMF clearly requested introduction of order in the banking sector, which is far more important than the status of a single bank. It also requested independent auditing, so as to avoid having a threat of liquidation looming over banks from one week to another, and, especially, to avoid the loss of public ***funds***. The letter of intent requests concrete cooperation - and not just a promise to cooperate - between the tax administrations, with a shared browsing methodology so that no one can avoid paying their obligations. The IMF announced a visit in mid-May. That is when their mission should finish, and I think that it will, despite everything, have a positive outcome. The entities could expect to receive initial ***funds*** in the second half of this year.

[Kresic] How can the conflict over the publication of the population census results be resolved?

[Zvizdic] That issue, unfortunately, has slid from the area of expertise to the political arena. We should have adhered to the recommendations that the monitoring team made when we finished the census. Provided were clear guidelines about the methodology of the state-level Statistical Agency, and we should have resolved the issue that way. What I would like to stress about the census is that it is a key document for Bosnia-Hercegovina's macroeconomic strategies and planning. There is no way that I would reduce the census to just questions about one's ethnic background.

We will find the answers to most of the questions in the EU questionnaire in the census. Without the census, we will not be able to answer those questions. If we do not publish the census results soon, our European path will be jeopardized. If necessary, I can accept some new ideas in order to move the deadline for publication of the results. What I cannot accept or understand, however, are the statements that we would reach an agreement about how many residents there were in Bosnia-Hercegovina, and about how big was each ethnic group in the country. It is not acceptable to treat a person as merely an ***instrument*** on the basis of which we distribute the tax money, without simultaneously accepting this person's identity.

[Kresic] What are the relations with the neighbours like? You announced a joint session of the Council of Ministers and the Croatian Government. Which issues will you raise, and how can their resolution be encouraged?

[Zvizdic] In the focus of the Council of Ministers are our first neighbours, the broader region, and the EU. I had several meetings with Croatian Prime Minister Tihomir Oreskovic. We agreed that we would not insist to hold a joint session before a minimum of first 100 days of the Croatian Government had passed. In the next couple of months we will find a date for our joint session. The session will not be burdened with numerous issues; there, instead, will be four or five issues that are important for both countries.

We share the longest border with Croatia, and Croatia gives us significant help on the European path. We will raise the issue of improving the road infrastructure and the energy sector. We are interested in the Adriatic-Ionian gas pipeline; they are interested in energy facilities like the Dubrovnik hydroelectric power plant and those in the western region of the country. We will definitely talk about the nuclear waste disposal, too; I think there is much disinformation in that regard, and that is why we need to clarify things. We also have problems with international border crossings; the process of people crossing the border needs to be facilitated.

We will sign several memoranda and accords, and one of them will be about joint activities of the institutions on our path towards European integration. Croatia translated 25,000 pages of documents, and a part of that can certainly be of use to us.

[Kresic] When Brussels or the rest of the world communicates with your office, they see you as the prime minister and top man in the executive, along with the B-H Presidency. The reality, however, is different. Are you bothered by the fact that you are not a real prime minister of Bosnia-Hercegovina?

[Zvizdic] I personally am not bothered by it. On the other hand, I think that we need to change that in the future, especially in light of the fact that we have the regular practice of rotation of chairs from each of the three constitutive peoples. Thus, no one can usurp this post with a larger number of terms of office. There is also the decision making mechanism in the Council of Ministers, which is always linked to a consensus of all members of this institution. There are no fears that someone could dominate. For the sake of representation of Bosnia-Hercegovina, as well as for the sake of its internal position, I think that, in the subsequent terms of office, it would be far better if someone bearing the title of "B-H prime minister" were to appear in Brussels, Washington, and the East or the West. On the other hand, as long as we have this setup, I solely behave as the chair of the Council of Ministers. I guarantee you that there are no statements, actions, or moves that deviate in any way from the Constitution and law.

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[***Rules for investing in Qatar***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4P1-DXYV-70CH-00000-00&context=1516831)

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**Body**

The current tax rules in Qatar are governed by Law No. 21 of 2009, which came into force with effect from January 1, 2010. The executive regulations, effective from July 1, 2011, contain the detailed rules related to the administration of the tax regime. The Qatar Tax Department (QTD) also issues circulars from time to time to provide guidance on the interpretation of provisions in the Qatar tax law and its application in practice.

**Electronic Tax Administration**

The Ministry of ***Finance*** has launched a new online tax administration system to "modernise and transform tax administration functions". This is available via its website [*www.tasportal.mof.gov.qa*](http://www.tasportal.mof.gov.qa) and went live on September 28, 2014. From that date it has been mandatory for any correspondence (e.g. tax returns, withholding tax statements, extension requests, tax card applications, objections, appeals, etc.) submitted to the tax department to be made through the new electronic filing system. The intention is to move away from the requirement to submit hard copies of correspondence. However, at the moment hard copies have to be submitted in addition to the online submission.

The Qatar ***Financial*** Centre (QFC) has also now introduced online filing. This was initially not mandatory but from January 1, 2016 all tax returns must be submitted online using the QFC tax portal. From this date, the QFC tax department will not accept tax returns in hard copy or via email.

**Local Source Income**

Qatar tax law imposes income tax on local source income generated by residents and non-residents with permanent establishments in Qatar. Local source income includes the following:

* Gross income derived from an activity carried on in Qatar; and

1. Gross income derived from contracts wholly or partly performed in Qatar. The legal provisions do not apply to the following:
2. Private associations and foundations and private foundations of public interest;
3. Not-for-profit bodies;
4. Salaries, wages and allowances;
5. Gross income from legacies and inheritances; and
6. Qatar ***Financial*** Centre (QFC) entities. The only exception to this is the withholding tax compliance obligation, which applies to all bodies other than those registered in the QFC.

**Permanent Establishment**

The definition of permanent establishment in Qatar's tax law is close to the terms of the definition in the OECD Model Convention; in essence, "a fixed place of business through which the business of the taxpayer is wholly or partially carried on, including for instance a branch, office, factory, workshop, mine, oil or gas well, quarry, building site, assembly project or place of exploration, extraction or exploitation of natural resources".

The activity in Qatar of a "dependent agent", i.e. a person (other than an independent agent) "acting on behalf of the taxpayer or in its interest" may also create a permanent establishment in Qatar. Companies that have a permanent establishment in the country are likely to be subject to corporate income tax in Qatar.

**Exemptions**

The tax law provides that the following income will be exempt from tax:

* Bank interest and returns due to natural persons other than those carrying on a taxable activity in the state, whether or not resident in the state;

1. Interest and returns on public Treasury bonds, development bonds and public corporation bonds;
2. Capital gains on the disposal of real estate and securities derived by natural persons provided that the real estate and securities disposed of are not part of the assets of a taxable activity;
3. Dividends and other income from shares if the amounts distributed during a taxable year were taken from profits that were:

1. Subject to the tax under Law No. 21 or other laws; or
2. Distributed by a company the income of which is exempt from tax under Law No. 21 or other laws.

1. ​Gross income from handcraft activities that do not use machines provided that the gross income does not exceed QR100,000 ($27,400) per year, the average number of employees does not exceed three during the taxable year and the activity is carried out in one single establishment, in accordance with the limits and conditions provided for in the executive regulations of Law No. 21;
2. Gross income from ***agriculture*** and fishing;
3. Gross income of non-Qatari air and sea transport companies that are operating in the state, subject to reciprocity;
4. Gross income of Qatari natural persons resident in the state, including their shares in the profits of legal persons. Under the GCC reciprocity agreement, this exemption is extended to GCC nationals resident in the state; and
5. Gross income of legal persons resident in the state and wholly owned by Qatari nationals.

Under the GCC reciprocity agreement, this means that legal persons that are wholly owned by Qatari/GCC nationals are generally exempt from tax. However, they are still required to file a tax return and submit audited ***financial*** statements if the share capital is equal to or greater than QR2m ($549,000) or the gross revenue is equal to or greater than QR10m ($2.7m). Other tax exemptions may be provided for under special laws or international agreements, or may be ***granted*** by the Tax Exemption Committee under provisions 51 to 56 of the tax law.

**Tax Status Of Subsidiaries Of Limited Entities**

Law No. 17 of 2014, which has effectively replaced Law No. 20 of 2008, continues to provide a tax exemption for profits of companies listed on the Qatar Stock Exchange. This exemption was historically interpreted as applying equally to wholly owned Qatar tax resident subsidiaries of such listed companies. The QTD issued and then suspended an order that subsidiaries of listed companies should be *prima facie* within the scope of Qatar tax law. As such, there continues to be uncertainty whether this tax exemption will continue to apply under Law No. 17 of 2014.

**Corporate Income Tax Rate**

Profits attributable to non-Qatar nationals are generally subject to income tax at a flat rate of 10%. A different tax rate may apply to entities with oil and gas operations or where the activities are carried out under an agreement with the government. Non-residents who run a business in Qatar without a permanent establishment may be subject to withholding tax at either 5% or 7% (depending on the nature of the payment) on gross receipts.

**Deductions & Losses**

Taxable income is determined by subtracting allowable deductions and losses from gross income. To be deductible, expenses must meet the following requirements;

* They are necessary to derive the gross income;

1. They are actually incurred and supported by documentary evidence;
2. They do not increase the value of fixed assets used in the activity; and
3. They are related to the taxable year.

The following are specifically non-deductible:

* Expenses and costs incurred to derive exempt income;

1. Payments that are made in breach of the laws of the state;
2. Fines and penalties for the breach of the laws of the state;
3. Expenditures or losses in respect of which compensation is receivable or has been received if that compensation has not been included in the taxpayer's gross income;
4. The share of total expenditures on entertainment, hotel accommodation, restaurant meals, vacations, club fees and gifts to customers, in accordance with the circumstances, conditions and limits provided for in the executive regulations of Law No. 21;
5. Salaries, wages and similar remuneration including fringe benefits paid to the owner, his/her spouse and children, members of a general or limited partnership or the director of a limited liability company who owns, directly or indirectly, the majority of the shares; and
6. The share of the branch in the headquarters' or head office's general and administrative expenses that exceeds the percentage determined in the executive regulations of Law No.21.

Tax losses may be carried forward for a period of up to three years.

**Tax Depreciation**

The executive regulations outline the depreciation methods and rates that are permitted when calculating allowable depreciation for tax purposes. For certain assets, depreciation is calculated on a straight line basis at the following rates:

* Buildings and infrastructure, including roads, bridges, pipelines, storage tanks and port ducks inside the establishment and excluding ready-made light constructions: 5% per annum;

1. Ships and boats: 10% per annum;
2. Aeroplanes and helicopters: 20% per annum;
3. Drilling ***instruments***: 15% per annum;
4. Intangible assets: i. Pre-establishment expenses: 50% per annum; ii. Trademarks and patents: amortised on expected lifetime of the asset, provided that amortisation allowance shall not exceed 15% per annum. Other assets are divided into groups with tax depreciation available for the group on a reducing balance basis at the following rates:
5. Computer hardware and software accessories: 33.33%;
6. Machineries, plants, office equipment, electric appliances, transportation means of goods and persons including cars, vehicles, tractors and cranes: 20%; and
7. Furniture, fixtures installation, other fixed assets depreciated as per groups not mentioned above: 15%.

The group value for an accounting period will be calculated as follows: the net carrying value of the assets of the group for the previous accounting period, plus the costs incurred to acquire any fixed assets during the accounting period, less the consideration of the assets disposed of in the group. Depreciation rates provided in the regulations may be increased by the Minister of ***Finance***. A taxpayer wishing to request increased depreciation rates should submit an application to the QTD. It is also important to note that the executive regulations state that in the case of depreciation the requirement for expenses to be "actually incurred and supported by documentary evidence" shall only be met if "the depreciation or provision is registered in the accounts, and only up to the amounts registered in the accounts". The QTD interprets this provision narrowly to limit tax depreciation to accounting depreciation in the year.

**Withholding Tax System**

The tax law introduced a requirement for all entities registered in Qatar or with a permanent establishment in Qatar to withhold a percentage of certain payments made to non-residents. This means that although the withholding tax liability falls on the non-resident with activities in Qatar without a permanent establishment, the withholding tax compliance requirement is borne by the Qatar entity. The withholding tax rates are as follows:

* 5% of the gross amount of royalties and technical fees; and

1. 7% of the gross amount of interest (some exclusions apply), commissions, brokerage fees, director's fees, attendance fees, and any other payments for services carried out wholly or partly in the state.
2. There is no withholding tax on dividends. The company that makes the payment to its foreign supplier is required to withhold the tax and remit to the tax department the ***funds*** that were withheld by the 16th day of the following month. In the event that the company does not make a payment to the tax department, the company will be liable for a penalty equal to the amount of unpaid tax due, in addition to the withholding tax.

Circular No. 3 of 2011 confirmed that the requirement to withhold applies to all entities registered in the state of Qatar, including government bodies, public authorities and corporations.

The circular also includes an instruction for such entities to refrain from including conditions relating to exemption from income tax or the bearing of its burden by them (e.g. gross-up clauses) unless written approval from the Ministry of ***Finance*** is obtained. Entities registered in the QFC do not have to withhold.

**Taxation Of Non-Resident Capital Gains**

Following a change in approach by the Qatar tax authority, certain practical barriers to non-residents filing tax returns have been overcome. In particular, the historic requirement that in order to file a Qatar tax return a company must have a Qatar tax card (which is not possible where the non-resident does not have either a formal legal presence, i.e. a commercial registration, or is registered as a permanent establishment with the Qatar tax authority) has been removed. As the practical barriers to non-residents in respect of filing a tax return have been removed, it may be necessary for non-residents to consider whether they have realised Qatar-sourced income and thus are required to file Qatar tax returns and pay tax due. This may be of particular relevance to non-residents selling shares in a Qatar company as in order to register the change in share ownership you must receive a no-objection letter from the tax authority or have the exchange officially stamped.

**Tax Registration & Tax Card**

Taxpayers carrying on a business activity in Qatar should register with the QTD and submit an application for a tax card within 30 days of obtaining commercial registration or the first day of realisation of income from the activity. In practice it is prudent to act within 30 days of obtaining commercial registration even if there may be a delay before you receive your first income from the activity.

A penalty of QR5000 ($1370) may be imposed for failure to register and apply for a tax card within the deadline. The first taxable period must be a minimum of six months and a maximum of 18 months. Thereafter, each period will be 12 months in duration. The default tax year-end date is December 31. An application may be made to the QTD to seek approval for a different year-end date.

**Filing & Payment Requirements**

Those subject to tax in Qatar are required to submit an income tax declaration and pay any tax due to the QTD within four months of the end of the accounting period (e.g. by April 30, 2016 for an accounting period that ends on December 31, 2015). The penalty for late filing is QR100 ($27.40) per day of delay, capped to a maximum of QR36,000 ($9880). A separate penalty applies for the late payment of tax. This penalty is 1.5% of the amount of tax due per month (or part of month) of the delay.

**Audit Requirements**

Businesses that are wholly or partially foreign (non-GCC) owned are required to submit audited ***financial*** statements signed by a locally registered auditor together with the tax declaration to the QTD if:

* The capital of the taxable entity in Qatar exceeds QR100,000 ($27,400); or

1. The annual taxable income of the entity exceeds QR100,000 ($27,400); or
2. In the case of a branch, if the head office is situated outside of Qatar. The tax law requires accounts to be prepared in accordance with International ***Financial*** Reporting Standards; however, a taxpayer may make an application to the QTD to use another accounting method. There is a requirement that the tax return is co-signed by a registered auditor in Qatar.

The taxpayer is required to keep and maintain records and documentation pertaining to their activities in Qatar for a period of 10 years following the end of the taxable year to which the records and documentation relate, unless released from this obligation through meeting conditions outlined in the executive regulations of the law. The tax law states that taxpayers who are carrying out a tax-exempt activity shall also submit a tax return accompanied by audited ***financial*** statements. Circular No. 4 of 2011, dated August 7, 2011, confirms that companies and permanent establishments wholly owned by Qatari or GCC nationals are required to file corporate income tax returns (accompanied by audited ***financial*** statements) if:

* Their share capital is greater than or equal to QR2m ($549,000); or

1. Their gross revenue is greater than or equal to QR10m ($2.7m). A penalty of QR15,000 ($4120) may be imposed for failure to comply with the requirements to submit audited ***financial*** statements and keep accounting records as described above.

**Tax Assessments**

Articles 22-24 of the tax law outline that tax is assessed on the basis of the taxable income as determined in the return, but the QTD has the right to seek information or clarifications from the taxpayer and to reassess the tax due. Once an assessment is made, the QTD should issue a notice of assessment to the taxpayer.

The taxpayer may object within 30 days from the date of its notification, and the QTD should respond to an objection within 60 days. If no response is provided within 60 days this is regarded as an implicit rejection of the objection.

**Statute Of Limitations**

The statute of limitations in Qatar is five years following the year in which the taxpayer submits the return.

Where the taxpayer fails to submit the return, the statute of limitations is extended to 10 years following the taxable year in respect of which the taxpayer did not file the return.

**Double Tax Treaties**

Qatar has a growing network of double-tax treaties, with more than 60 treaties in force at time of press.

**Retention Requirement**

On June 12, 2011 the Ministry of ***Finance*** issued Circular No. 2 of 2011 in respect of the retention policy under the new tax law. The instructions provided under Circular No. 2 of 2011 replace the retention rules in previous circulars. Circular No. 2 of 2011 confirms the retention system continues to apply to payments made under contracts wholly or partly executed in Qatar, with the operation of retention dependent on the status of the ***recipient*** of the payment.

For taxpayers that are resident in Qatar and permanent branches (whose activities are not associated with a fixed period, contract or project), the final payment should be made when the taxpayer or branch submits a valid tax card issued by the QTD. A tax assessment issued by the QTD is not required. In the case of registered branches with a period of activity of one year or more on a fixed period, contract or project, retention should be made on whichever is the higher of the final payment or 3% of the value of the contract (after excluding the value of supplies and work performed outside Qatar).

The retained amounts can be released once the branch produces a no-objection letter issued by the QTD. Interim contract payments can be made in full if a tax card is presented. Payments to taxpayers that do not have a commercial registration, or that are registered for an activity or project of less than one year, will be subject to withholding tax. Payments to taxpayers who are registered in the QFC may be made once the taxpayer submits a certificate issued by the QFC confirming that the taxpayer is registered there.

**Contract Notification Obligation**

The law requires ministries, other government bodies, public corporations and establishments, and companies to notify the QTD of the contracts that they have entered into if their amounts exceed limits specified in the executive regulations.

**Anti-Avoidance & Transfer Pricing**

The tax law gives power to the QTD to counteract any tax advantage obtained by arrangements, operations or transactions, one of the main purposes of which is to avoid paying tax. In those cases where tax avoidance is present, the QTD may apply the arm's length value to the particular transaction and adjust the amount of tax due by the taxpayer.

Executive regulations provide that the arm's length value should be determined in accordance with the "unrelated comparable price method". They also provide that the taxpayer should submit an application to the QTD if it wishes to apply any other pricing method approved by the OECD.

**BEPS**

Although Qatar is not an OECD or G20 member, the recommendations made under the OECD BEPS project have started to have an impact on the approach of tax authorities in the Middle East region, including Qatar, particularly in the area of inter-company transactions, transfer pricing and documentation rules.

**Other Taxes**

Customs duties are applied to goods originating outside the GCC, normally at a rate of 5%. The introduction of value-added tax or a sales tax in the GCC is under discussion.

**Qatar *Financial* Centre (QFC)**

The QFC was established in 2005 to attract international ***financial*** institutions and multinational corporations to the ***financial*** services sector. It has its own tax regulations and rules, and Qatari tax laws do not apply to the licensed activities of entities established in the QFC. QFC entities are generally subject to corporate income tax in respect of activities undertaken pursuant to their QFC licence at the rate of 10%. A 90% Qatari-owned QFC limited liability company that fulfills certain conditions may elect for its chargeable profits to be charged to tax at the concessionary rate of 0%.

**Qatar Science & Technology Park (QSTP)**

QSTP is a special zone for technology-based companies. QSTP entities must be physically located within QSTP, and are only able to engage in activities specified in their licence. However, they can apply for a full exemption from corporate income taxes, and they can import goods and services free of Customs duties.

**Special Economic Zones**

Manateq is the organisation working on the development of the special economic zones. Its key task is to develop and operate economic zones that will offer world-class infrastructure that supports various economic sectors, at three locations in Qatar, with a focus on industry. The physical development of the first zone is expected to be completed in 2017.

**Load-Date:** March 17, 2020

**End of Document**



[***Abu Dhabi diversifying the economy***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4N1-DXYV-750C-00000-00&context=1516831)

Oxford Business Group: Articles

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**Length:** 4272 words

**Body**

Recent decades have seen the GCC become increasingly connected to the wider global economy through trade and investment links. Over the years capital flows between the Gulf and the rest of the world have deepened significantly, a process first driven by trade and investment with the historically important blocs of Europe and North America, and more recently by strengthening ties with emerging market economies such as India, China and Brazil. In 2015 a slowdown in emerging economies and the hesitant recovery in some more established markets led to a more mixed picture in terms of investment patterns, but one which the outward-looking jurisdiction of the UAE continues to benefit from.

**Trading Activity**

Foreign trade plays an important role in Abu Dhabi's economy, as it is considered one of the main pillars of economic development in the emirate, leading to an improved standard of living and economic well being. The foreign trade of the emirate of Abu Dhabi constitutes more than 48% of GDP at current prices, with net trade in goods reaching an equivalent of 25.8% of GDP in 2014, according to the Statistics Centre - Abu Dhabi (SCAD). Given the emirate's status as a globally significant producer of hydrocarbons, it is not surprising that oil and gas export activity accounts for the majority of goods exiting Abu Dhabi; in 2014 oil and gas products worth around Dh309.5bn ($84.2bn) left the emirate for markets around the world, representing approximately 87.5% of total exports.

The Abu Dhabi National Oil Company (ADNOC) controls the extraction, production and export of the emirate's oil and gas via 16 subsidiaries, which include both the pipeline and tanker operations that underpin the trading of these resources (see Energy chapter). This infrastructure continues to develop, the most recent significant addition being the Abu Dhabi Crude Oil Pipeline (ADCOP), opened in 2012 and running 380 km from Habshan to Fujairah. The construction of the pipeline gave the UAE a direct connection between the oil fields of its western desert and the Gulf of Oman - and from there to markets around the world. With a capacity of 1.5m barrels per day (bpd), ADCOP allows the nation to export a sizeable proportion of its production capacity via the Emirate of Fujairah, bypassing the Strait of Hormuz, thereby ***granting*** the nation a degree of protection against any blockage of this strategically important channel.

**Beyond Oil**

While oil and gas exports will remain the chief source of trading activity for decades, one of the more interesting trade trends of recent years is the relative increase of non-oil exports from Abu Dhabi as a percentage of total trading activity. In 2014 around Dh18.96bn ($5.1bn) of non-oil exports left the emirate, up from Dh15.99bn ($4.3bn) the previous year. With non-oil imports taken into account, the total value of non-oil foreign merchandise trade was Dh169.11bn ($46bn) in 2015, an increase of 11%, or Dh16.8bn ($4.6bn), compared with 2014. Since 2005 the contribution of non-oil exports to total trading activity (including imports) has grown from 1.4% to 4.1%. The largest contributor to non-oil exports in 2014 was the manufactured goods category, which accounted for 51.2% of the total, of which 47 percentage points came from base metals and associated products. The Dh1.1bn ($299.4m) increase of manufactured goods leaving the emirate over the year represented a 13% increase for a total of Dh9.7bn ($2.6bn) on 2013, and was driven largely by the non-ferrous metals segment, according to SCAD. This continuous increase in non-oil exports is consistent with the government's decision to make radical changes in the structure of the economy through a deliberate policy of economic diversification.

Moreover, it stands testament to the emirate's success in executing such policy, a process in which the manufacturing of steel and aluminium, and their downstream products, plays a central part (see Industry chapter). Abu Dhabi's well-developed petrochemicals industry has also played a prominent role in the growth of non-oil exports, with chemicals and related products, (including plastic, rubber and articles thereof, which account for Dh6.7bn, $1.8bn) accounting for 36.8% of the total in 2014, establishing it as the second-largest category. In terms of growth rate, it outpaced manufactured goods to post a year-on-year (y-o-y) gain of Dh1.8bn ($490m), or 33.9%. The third-largest contributor in 2014 was machinery and transport equipment, which accounted for 5.7% of the total. In terms of geography, the bulk of Abu Dhabi's non-oil exports in recent years have been destined for the growing economies of Asia, which accounted for 84.5% of all exports in 2014. Africa was the second-largest destination (claiming 6.8%), followed by Europe (6.3%) and North America (1.8%).

Looking to imports, the domestic demand for personal transport, construction machinery and new mass transit options means that machinery and transport equipment is the largest single import category, accounting for 47.2% of the total in 2014. This was followed by manufactured goods (with 22.2% of the total) and chemicals and related products (10%). The bulk of these imports, some 44.3% of the total, originated in Asia, with Europe (30.1%) and North America (13.9%) the next largest sources of goods. Abu Dhabi, then, can be categorised as an importer of goods from the economies of the West and an exporter of goods to the emerging markets of the East. In the case of Abu Dhabi's trading partners, there is a record of stability in both trade and economic relations. For four consecutive years Saudi Arabia has occupied first place on the list of trading partners of the emirate of Abu Dhabi, with total trade amounting to Dh22.45bn ($6.1bn), accounting for 14.74% of the total merchandise trade of non-oil products for the emirate. The US maintained its second place position, with total trade with the emirate worth Dh14.06bn ($3.8bn).

**Trade Agreements**

Beyond its advantageous location, the trade policy of the emirate of Abu Dhabi is based on the economic policy of the UAE. The UAE believes that free trade is a necessary condition for enhancing competitiveness and increasing productivity in the long term. The UAE also views protectionist policies as enabling the establishment of an incompetent and inefficient private sector. The country's free trade policy has led to an expanding array of trade agreements which influences the trade volumes entering and exiting its ports. Since 2002 the trade policy of the emirate of Abu Dhabi and the UAE has been based on the unified trade policy of the GCC, and as part of the UAE, the emirate enjoys the benefits of the 2002 Economic Agreement signed between the nations of the GCC, while the UAE's membership in the Greater Arab Free Trade Area (GAFTA) provides it with privileged access to markets in 17 states in the Middle East and North Africa. The UAE has been a member of the World Trade Organisation since 1996, and as a leading member of the GCC negotiation team, it is at the forefront of talks to establish free trade agreements with a number of significant markets, such as the EU, Japan, China, India and the South American Mercosur bloc which includes inter alia Brazil and Argentina. On January 1, 2015 the free trade agreement (FTA) between Singapore and the GCC entered force - the culmination of a process that began in 2006. The new FTA removes the tariffs from 93.9% of tariff lines on Singaporean goods imported to the GCC, with a further 2.7% to be removed by 2018. All GCC imports to Singapore are, in return, ***granted*** zero-tariff status. The agreement also established a lower value-added content threshold for Singaporean manufacturers to meet in order to qualify for preferential market access, as well as a commitment from the UAE, Kuwait, Oman and Qatar to recognise Singapore's halal certification standards.

Many in the business community hope that 2016 will see the full implementation of one of the longest-running trade negotiations entered into by the GCC. The possibility of an FTA with the European Free Trade Association (EFTA), comprised of Norway, Iceland, Liechtenstein and Switzerland, has been explored since the 1990s, and by the year 2000 the two blocs had signed a declaration of cooperation. Progress on ratifying a deal was slow, with the EFTA-GCC Free Trade Agreement finally coming into force in June 2015. The deal encompasses a wide range of areas, including trade in goods and services, government procurement and competition. The agreement also establishes an EFTA-GCC Joint Committee, which first met in January 2015, and will in future supervise the application of the FTA.

Other important components include a provision for dispute settlement through arbitration and a number of bilateral arrangements on ***agricultural*** products between three individual EFTA states and products between three individual EFTA states and the GCC. However, while the FTA has been ratified by both parties, technical issues on the GCC side prevented its full implementation on schedule. In October 2015, the member states of the GCC informed EFTA that the agreement was not yet being applied by their various national authorities, and therefore preferential treatment for goods originating in EFTA states was not being ***granted*** - a situation which may be resolved over the coming months.

The UAE stands to benefit from the GCC's focus on emerging markets to the East. In June 2015, Datuk Seri Mustapa Mohamed, Malaysia's minister of international trade and industry, announced that negotiations between his country and the Gulf states would shortly resume, rekindling a process which was first set in motion in 2011. While a framework agreement to boost economic, commercial, investment and technical cooperation already exists between the two parties, talks to establish an FTA were put on hold due to unrest in the Arab region. Expectation is also building around the prospect of renewed trade talks with Australia. Discussions aimed at establishing a GCC-Australia FTA came to a halt in 2009, but a visit to the region in 2015 by Andrew Robb, the Australian minister for trade and investment, has raised the possibility of a fresh effort. Adding to the recovering momentum, the Australian Trade Commission hosted a series of events to promote bilateral trade, including one in Abu Dhabi. More interest is coming from the New Zealand government. Its minister of trade, Tim Groser, stated in 2015 that he was confident a deal would be reached "as soon as possible". According to the minister, the terms of the FTA have already been agreed upon, and the ratification of the deal awaited only the agreement of the parties' legal experts on the final text. The commitment of Abu Dhabi's government to enhancing economic ties with its partners is a key element in achieving its vision.

**Trading Infrastructure**

The facilities established by Abu Dhabi in order to conduct its trading activity are central to its future expansion. The UAE was the highest-ranked MENA country in the World Economic Forum's "The Global Enabling Trading Report 2014", which placed the country 16th out of 138 nations. The report drew attention to the UAE's success in establishing itself as a logistics, trade and tourism hub, and credited its well-developed transportation system as one of the key enabling factors of this status. Within the wider UAE, Abu Dhabi is playing a leading role in the continued development of the nation's transport infrastructure. Major new road projects include a 62-km expansion of the existing highway between the capital and neighbouring Dubai, while the minor road network continues to grow and now stands in excess of 18,000 km. While the road network is presently the only form of land transport in Abu Dhabi, the emirate will soon be connected to the nation's first rail system. The Dh40bn ($10.9bn) Etihad Rail Network is a 1200-km scheme in which Abu Dhabi holds a majority-ownership stake of 70%, with the remainder held by the UAE federal government. The development is being undertaken in three stages, the first of which is 264 km in length and will see more than 22,000 tonnes of granulated sulphur transported daily from the sour gas fields of Shah and Habshan, to the Port of Ruwais for export.

In December 2015 the Federal Transport Authority issued the final safety approvals that will allow Etihad Rail to begin commercial operations on the first leg of its route. The second phase of the project was due for completion in 2016, with preliminary engineering already completed. However, as of late January 2016, the company had decided to temporarily suspend building the 628-km second phase of the project. When the second phase of the construction process is completed, it will see a line run from Mussafa to the Gulf ports of Khalifa and Jebel Ali and to the Omani and Saudi borders (see Transport chapter).

Abu Dhabi's expansive air transport links are also being upgraded. Abu Dhabi International Airport already records in excess of 16m passenger movements per year, and is currently undergoing a major redevelopment in the form of the Midfield Terminal Building. The new terminal will have an initial capacity of 30m passengers per year, expandable to 40m, thereby tripling the airport's current annual passenger capacity to around 60m in total.

The project is being developed on a 700,000-sq-metre site - making it the largest building in the emirate - and is due to be completed in 2017. Abu Dhabi also boasts world-class sea transport infrastructure in the form of Khalifa Port.

The new port, which opened in 2012, is the first semi-automated container port in the region and has taken over the handling of Abu Dhabi's cargo and container traffic. Covering an area of 2.7 sq km, it already has an annual capacity of 2.5m twenty-foot equivalent units (TEUs) and 12m tonnes of general cargo, and when all of its development phases are completed it will be capable of handling 15m TEUs and 35m tonnes of general cargo per year.

**Foreign Direct Investment**

The development of the investment environment in the emirate along with the trade agreements and transport infrastructure that have helped to drive the growth of trading activity in Abu Dhabi are some of the key factors underpinning the emirate's attractiveness as a destination for foreign direct investment (FDI). Other powerful draws for foreign capital are its political stability, derived from its part in a federal system for over 40 years that has carefully pursued an open diplomatic policy, and a robust economy which has earned the UAE "AA" sovereign ratings from S&P and Fitch, and an "Aa2" rating from Moody's. Advanced health care and education systems also act as pull factors, thanks in large part to the presence of leading health care facilities such as the Cleveland Clinic and Johns Hopkins Hospital, plus a raft of local institutions have partnered with global universities, such as the Sorbonne, INSEAD, NYU and MIT. Abu Dhabi has also sought to attract foreign investment by providing a wide range of specialised locations in which industrial and manufacturing activity can take place. These take a number of forms, from the simplest industrial areas such as those at Mafraq and Madinat Zayed, which cater to modest, local enterprises in segments such as light industry, packaging and building materials, to the four specialised zones operated by the Higher Corporation for Specialised Economic Zones (known as Zonescorp) and the Khalifa Industrial Zone Abu Dhabi (KIZAD) being developed by Abu Dhabi Ports.

**FDI Patterns**

The total stock of FDI in Abu Dhabi has grown steadily over recent years, from Dh60.9bn ($16.6bn) in 2012, to Dh71.9bn ($19.6bn) in 2013 and Dh81.1bn ($22.1bn) in 2014, according to SCAD. The real estate sector still constitutes the highest percentage of FDI in the emirate of Abu Dhabi, a trend that has been underpinned by the UAE's status as a "safe haven" country during a time of regional political disturbance. In 2014 real estate accounted for Dh23.5bn ($6.4bn) of total FDI. Abu Dhabi's industrial zones, transport infrastructure and access to regional markets have helped to establish the manufacturing sector as the second-largest ***recipient*** of FDI, accounting for Dh15.5bn ($4.2bn) of the total in 2014. The emergence of Abu Dhabi Securities Exchange (ADX) as an institution of global significance and the presence of sizeable banking, ***financial*** investment and insurance sectors in the emirate, mean that the ***financial*** institutions and insurance category attracts a significant share of the country's FDI, worth a total of Dh2.7bn ($734.9m) in 2014. Other key sectors with regard to FDI include mining and quarrying (which includes the important oil and gas segments), utilities, construction and transport. In terms of FDI origin, European countries have traditionally directed the single largest share of capital to Abu Dhabi, accounting for Dh33bn ($9bn), or 40.7%, of the total in 2014, according to the most recent data from SCAD. Over the same period, FDI from non-GCC Arab countries claimed the second-largest share, with Dh6.6bn ($1.8bn), followed by non-GCC Asian countries (Dh8bn, $2.2bn), GCC countries (Dh2.8bn, $768m) and North America (Dh1.8bn, $489m).

**Abu Dhabi Chamber Of Commerce & Industry**

A key vehicle for fostering foreign investment in Abu Dhabi is the Abu Dhabi Chamber of Commerce and Industry, an independent organisation that promotes the private sector interests of businesses in the Abu Dhabi emirate. Founded in 1969, the organisation is headed by Mohamed Helal Al Muhairi. The chamber promotes Abu Dhabi as a centre for global business and maintains close ties with a diverse group of partners, including the Singapore Business Federation and the China Council for the Promotion of International Trade. These partnerships reflect the growing importance of Abu Dhabi's trade with Asia. Bilateral trade volume between China and the UAE as a whole has grown from $100m in 1984 to $54bn in 2014. The chamber regularly hosts high-profile delegations from China in partnership with the China Council for Promotion of International Trade and has helped arrange trips for Abu Dhabi business people to China. Singapore has often been a model for the UAE. In June 2015, the Abu Dhabi Chamber of Commerce announced plans to open a representative office in Singapore. This decision was influenced by the chamber's ties to the Singapore Business Federation and the UAE's position as Singapore's second-largest trading partner in the Middle East. The group also hosts functions, which bring together investors from countries with strong trading ties to Abu Dhabi. Besides working to promote Abu Dhabi's interest abroad, the chamber serves as a centre of information for those interested in working in the emirate, and it organises important events such as various business forums for foreign investors in Abu Dhabi.

In the summer of 2015, the Abu Dhabi Chamber of Commerce, in close collaboration with the Abu Dhabi Technology Development Committee (TDC), organised an event on promoting joint ventures between Korean and Abu Dhabi IT companies. Ten leading Korean IT companies, with global expertise ranging from software development to internet security, visited the chamber, during which they gave detailed presentations on their advanced products and services. These companies were then put in direct touch with the management of twofour54, the Abu Dhabi media free zone, which in turn explored cooperation opportunities in the IT sector.

**Portfolio Investment**

Abu Dhabi has long been associated with buy-side investment activity, thanks in part to the large number of high-net-worth investor residents there and the fiscal surpluses that the government has traditionally been able invest via a range of entities. The Abu Dhabi Investment Authority (ADIA) was established in 1976 as the principal ***instrument*** through which the government of Abu Dhabi invests its sovereign wealth, with a view to creating long-term value, and in June 2015 it held around $773bn in assets, according to the Sovereign Wealth ***Fund*** Institute, making it the second-largest sovereign wealth ***fund*** (SWF) in the world after Norway's Pension ***Fund*** Global, with around $873bn. Over the years it has established a broad portfolio, the largest single component of which is equities derived from developed markets (which ADIA's risk profile targets at between 32% and 42% of the total), followed by emerging market equities (10% to 20%) and government bonds (10% to 20%). In all, the ***fund*** invests in around 24 asset classes, which also include real estate, small-cap equities and private equity. In terms of geography, ADIA's investment policy is weighted towards North America (which it targets at between 35% and 50% of its portfolio), followed by Europe (20% to 35%), developed Asia (10% to 20%) and emerging markets (15% to 25%). More domestically targeted sovereign wealth is also channelled by the government through the Abu Dhabi Investment Council, which was spun off from ADIA in 2007, and the Mubadala Development Company - an Abu Dhabi-based investment and development company, which has been instrumental in the development of some of the most strategically important projects in the emirate (see Economy chapter). Abu Dhabi's individual investors, meanwhile, gain access to global and regional assets through the investment arms of domestic banks, such as National Bank of Abu Dhabi Securities and Abu Dhabi Commercial Bank's Investment and Protection Division, as well as a range of investment companies licensed by the Central Bank of the UAE, such as The National Investor, ADS Securities, Invest AD and Al Ramz Capital. Between them they offer a full range of asset management and merchant banking services to both individual and institutional investors, operating a wide array of ***funds*** focused on the MENA equity markets.

**Domestic Focus**

The larger investment story of today, however, is not Abu Dhabi's sizeable interests around the globe, but the increased interest with which the international investment community is viewing Abu Dhabi. In part, this is a region-wide phenomenon: according to UK-based investor relations advisors Fairvue Partners, international equity investment in the GCC plus Jordan and Lebanon increased from $5bn in June 2012 to almost $10bn by April 2014. The UAE has played an important role in this trend, with 80% of investment into the region's equities directed towards the UAE and Qatar as of September 2014, compared to just 62% at the close of 2011. Much of this increased activity can be explained by the decision by first MSCI and then S&P Dow Jones to reclassify the two countries from frontier market to emerging market status in their respective indices. Implemented in 2014, these decisions have increased the amount of index investments some of the ADX's listed companies are exposed to. It is estimated that some $1bn of total equity tracks the MSCI Frontier Market Index, while this increases significantly to $88.6bn for the MSCI Emerging Market Index. As a result of the UAE's reclassification Abu Dhabi will see an increase in focus on the ADX (see Capital Markets chapter). The recent promotion of the UAE represents a considerable boost for the ADX's long-term development prospects, but in the shorter term the emirate's investment landscape is undergoing a significant structural change that is likely to claim the majority of interest over the coming year.

The new Abu Dhabi Global Market (ADGM) is taking shape on the capital's Al Maryah Island, and will be the emirate's first ***financial*** free zone. Centred on private banking, wealth management and asset management, ADGM has its own regulatory structure, and independent companies registrar, and independent legal system. In 2016, it is registering its first ***financial*** companies. The development promises to significantly add to Abu Dhabi's inward and outward investment activity over the coming years. "The establishment of the ADGM is a very positive step for the emirate as it will benefit the banking sector more than anything as Abu Dhabi has truly become the banking hub in the region," Jassim Alseddiqi, CEO of Abu Dhabi ***Financial*** Group (ADFG), told OBG.

**Outlook**

Abu Dhabi's status as a major oil exporter will remain central to its trade activity over the long term, supplemented by its expanding metals exports in the form of steel and aluminium (see Industry chapter). The downstream manufacturing processes that are enabled by these anchor industries are to add further export potential. This growing industrial and manufacturing base will continue to attract FDI, thanks to supportive government policy that has seen the implementation of investor-friendly incentives and state investment in new infrastructure. The weightings ***granted*** to UAE firms in emerging market indices exposes them to more substantial capital pools, and raises the prospect of further gains in international investment. Finally, a new investment law - the first draft of which was approved by the UAE's Ministry of Justice Committee and the Cabinet in 2015 - promises to re-shape the patterns of FDI in the country. Should it be ratified, the legislation will allow more than 49% ownership of companies by foreigners in selected sectors. While the precise areas of the economy that this development will make accessible to foreign investors remains to be seen, social infrastructure sectors such as health and education are potential starting points for the government as it sets about this process of economic diversification.

**Load-Date:** March 12, 2020

**End of Document**



[***Kesko's half year financial report for the period 1 January to 30 June 2016: Kesko's net sales increased and comparable operating profit improved***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5KCK-H4G1-F15W-N02D-00000-00&context=1516831)

Hugin - English

August 3, 2016 Wednesday 8:00 AM GMT

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**Body**

KESKO HALF YEAR ***FINANCIAL*** REPORT 03.08.2016 AT 09.00 1(35)

Kesko's half year ***financial*** report for the period 1 January to 30 June 2016:

Kesko's net sales increased and comparable operating profit improved

***Financial*** performance in brief:

\* Group's net sales for January-June were EUR4,624 million (EUR4,310 million)

Net sales grew by 7.3% and in local currencies, acquisitions and disposals

excluded, by 2.5%

\* Comparable operating profit was EUR111.4 million (EUR102.9 million)

\* Operating profit was EUR101.6 million (EUR72.2 million)

\* Comparable return on capital employed increased to 12.6% (rolling 12 mo)

\* Comparable profit before tax was EUR113.7 million (EUR99.1 million)

\* Comparable earnings per share were EUR0.85 (EUR0.71)

\* Kesko Group's net sales for the next 12 months are expected to exceed the

level of the preceding 12 months. The comparable operating profit for the next

12-month period is expected to exceed the level of the preceding 12 months.

Key performance indicators

                                          1-6/2016  1-6/2015 4-6/2016 4-6/2015

Net sales, EUR million                         4,624     4,310    2,610    2,227

Operating profit, comparable,

EUR million                                    111.4     102.9     79.1     76.4

Operating profit, EUR million                  101.6      72.2     68.0    175.8

Profit before tax, comparable,

EUR million                                    113.7      99.1     79.2     72.7

Profit before tax, EUR million                 103.8      68.5     68.1    172.1

Capital expenditure, EUR million               564.1     110.1    512.7     58.6

Earnings per share, EUR, diluted                0.76      0.38     0.49     1.48

Earnings per share, comparable, EUR, basic      0.85      0.71     0.59     0.52

                                         30.6.2016 30.6.2015

Equity ratio, %                               44.8      52.2

Equity per share, EUR                          20.31     21.21

President and CEO Mikko Helander:

"The implementation of Kesko's growth strategy progressed significantly during

the second quarter, as the acquisition of Suomen Lähikauppa was completed in

April and that of Onninen in June. With the acquisition of Suomen Lähikauppa

Kesko will grow in the neighbourhood retail market of the grocery trade and the

neighbourhood retail services valued by Finnish consumers will improve

significantly. The conversion of Suomen Lähikauppa's Siwa and Valintatalo stores

into K-Market stores began in May and will continue for about a year.

Kesko is clearly Finland's most internationalised trading sector company. The

acquisition of Onninen will further strengthen our position in Finland and open

up new, interesting opportunities for growth in the building and technical trade

in Europe.

Both acquisitions will provide significant economies of scale and synergies for

Kesko.

Thanks to the acquisitions, Kesko's net sales for the second quarter increased

by 17.2% and in local currencies, excluding the impact of acquisitions, by

4.6%. Both the comparable operating profit and the return on capital employed

increased.

In the grocery trade, profitability remained at a good level thanks to the

enhancement actions taken. In the building and technical trade, net sales were

clearly on the rise and the comparable operating profit of the division

continued to grow. In the car trade, net sales increased markedly and

profitability remained at a good level.

The completion of the acquisitions and the implementation of the strategy are

expected to further improve Kesko's growth and profitability.

During the reporting period, a decision was made in the building and technical

trade to combine the Rautia and K-rauta stores into a new K-rauta chain in

spring 2017. At the same time, all of the 140 building and home improvement

stores in Finland will be revamped.

A key role in the implementation of Kesko's strategy is also played by the

revision of K-Plussa. In the future, the revised K-Plussa will be the most

personally rewarding customer loyalty programme and offer the best digital

services.

Kesko's new K-kampus will also take the one, unified Kesko a leap forward. K-

kampus will be built in Kalasatama, Helsinki, in cooperation with Varma Mutual

Pension Insurance Company. Kampus will be completed in spring 2019 and it will

bring together around 1,700 Kesko employees."

***FINANCIAL*** PERFORMANCE

Net sales and profit for January-June 2016

The Group's net sales for January-June 2016 were EUR4,624 million, which is 7.3%

up on the corresponding period of the previous year (EUR4,310 million).

Acquisitions and disposals excluded, net sales in local currencies grew by

2.5%. Suomen Lähikauppa Oy has been consolidated into Kesko Group as of 12 April

2016 and Onninen Group as of 1 June 2016. Anttila was included in the figures

for the comparative period until 16 March 2015.

In the grocery trade, the 8.6% net sales growth was significantly attributable

to the acquisition of Suomen Lähikauppa. Net sales in local currencies,

excluding Suomen Lähikauppa, were up 0.9%. In the building and technical trade,

net sales increased by 5.1% and in local currencies, excluding Onninen and

Anttila, by 3.5%. In the car trade, net sales were markedly up by 9.5%. The

Group's net sales in Finland increased by 6.9%, and acquisitions and disposals

excluded, by 1.1%. In the other countries, net sales increased by 8.9% and in

local currencies, acquisitions and disposals excluded, by 8.6%. International

operations accounted for 18.5% (18.2%) of net sales.

1-6/2016         Net sales, Change, %  Change in local      Operating  Change, EUR

                  EUR million             currency excl.        profit,    million

                                      acquisitions and    comparable,

                                          disposals, %      EUR million

Grocery trade         2,447      +8.6             +0.9           74.8       -3.4

Building and

technical trade       1,741      +5.1             +3.5           38.2      +17.9

Car trade               438      +9.5             +9.5           15.2       -1.1

Common functions

and eliminations         -3      (..)             (..)          -16.9       -4.9

Total                 4,624      +7.3             +2.5          111.4       +8.5

(..) Change over 100%

The Group's comparable operating profit for January-June was EUR111.4 million

(EUR102.9 million). The total effect of the real estate arrangement completed in

June 2015 on the comparable operating profit of the first six months of the year

in the grocery trade and the building and technical trade was EUR-7.4 million. In

the grocery trade, profitability was good. The comparable operating profit was

EUR74.8 million (EUR78.2 million), adversely affected by EUR5.5 million from the real

estate arrangement completed in June 2015. In the building and technical trade,

profitability was improved by the good profit performance of foreign operations

and the divestment of Anttila completed in the previous year. In the car trade,

profitability remained steadily at a good level.

The operating profit was EUR101.6 million (EUR72.2 million). The items affecting

comparability totalled EUR-9.8 million (EUR-30.7 million). The key items affecting

comparability included EUR4.8 million in gains on the disposal of real estate, EUR-

6.5 million in asset transfer taxes on acquisitions and EUR-6.0 million in real

estate impairment charges. In the previous year, the items affecting

comparability included a EUR130 million loss on the divestment of Anttila and EUR100

million in gains on the disposal of real estate.

Items affecting comparability, EUR million 1-6/2016 1-6/2015

Operating profit, comparable                111.4    102.9

Items affecting comparability

+gains on disposal                            7.1     99.9

-losses on disposal                          -0.3   -131.6

-real estate impairment charges              -6.0        -

+/-structural arrangements                   -8.7        -

+/-others                                    -1.9      1.0

Total items affecting comparability          -9.8    -30.7

Operating profit                            101.6     72.2

The Group's profit before tax for January-June was EUR103.8 million (EUR68.5

million). The Group's earnings per share were EUR0.76 (EUR0.38). The Group's equity

per share was EUR20.31 (EUR21.21).

In January-June, the K-Group's (i.e. Kesko's and the chain stores') retail and

B2B sales (VAT 0%) were EUR5,665 million, up 6.2% compared to the previous year.

The K-Plussa customer loyalty programme gained 25,776 new households in January-

June 2016. At the end of June, there were 2.3 million K-Plussa households and

3.6 million K-Plussa cardholders.

Net sales and profit for April-June 2016

The Group's net sales for April-June 2016 were EUR2,610 million, which is 17.2% up

on the corresponding period of the previous year (EUR2,227 million). Acquisitions

excluded, net sales in local currencies grew by 4.6%.

In the grocery trade, the 17.7% net sales growth was affected by the acquisition

of Suomen Lähikauppa. Net sales growth in local currencies, excluding Suomen

Lähikauppa, was 2.3%. In the building and technical trade, net sales increased

by 18.4% and in local currencies, excluding Onninen, by 6.7%. In the car trade,

net sales increased by 12.1%. The Group's net sales in Finland increased by

17.3% and acquisitions excluded, by 3.1%. In the other countries, net sales

increased by 16.8% and in local currencies, acquisitions excluded, by 10.5%.

International operations accounted for 20.4% (20.5%) of net sales.

4-6/2016         Net sales, Change, %  Change in local      Operating  Change, EUR

                  EUR million             currency excl.        profit,    million

                                       acquisitions, %    comparable,

                                                            EUR million

Grocery trade         1,353     +17.7             +2.3           43.6       +0.2

Building and

technical trade       1,046     +18.4             +6.7           37.9       +3.4

Car trade               214     +12.1            +12.1            5.8       -0.7

Common functions

and eliminations         -2      (..)             (..)           -8.2       -0.2

Total                 2,610     +17.2             +4.6           79.1       +2.8

(..) Change over 100%

The comparable operating profit for April-June was EUR79.1 million (EUR76.4

million). The effect of the real estate arrangement completed in June 2015 on

the Group's comparable operating profit for the second quarter was EUR-3.7

million. The EUR43.6 million comparable operating profit of the grocery trade was

at a good level (EUR43.3 million). The impact of the real estate arrangement

completed in June 2015 on the comparable operating profit of the grocery trade

was EUR-2.8 million. In the building and technical trade, the comparable operating

profit was increased by the good profit performance of foreign operations and

the acquisition of Onninen. In the car trade, the comparable operating profit

was EUR5.8 million (EUR6.5 million).

The operating profit was EUR68.0 million (EUR175.8 million). The operating profit

includes items affecting comparability in the amount of EUR-11.1 million (EUR99.4

million). In the previous year, the items affecting comparability mainly

included gains on the disposal of real estate.

Items affecting comparability, EUR million 4-6/2016 4-6/2015

Operating profit, comparable                 79.1     76.4

Items affecting comparability

+gains on disposal                            5.9     99.6

-losses on disposal                          -0.3     -1.0

-real estate impairment charges              -6.0        -

+/-structural arrangements                   -8.7        -

+/-others                                    -1.9      0.9

Total items affecting comparability         -11.1     99.4

Operating profit                             68.0    175.8

The Group's profit before tax for April-June was EUR68.1 million (EUR172.1 million).

The Group's earnings per share were EUR0.49 (EUR1.48).

In April-June, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B

sales (VAT 0%) were EUR3,236 million, up 13.2% compared to the previous year.

***Finance***

In January-June, the cash flow from operating activities was EUR-17.8 million

(EUR67.5 million). The cash flow from operating activities was impacted by an

increase in working capital resulting from sales growth and seasonal changes,

coupled with EUR30 million in taxes of the previous ***financial*** year paid on a cash

basis. The cash flow from investing activities was EUR-529.0 million (EUR334.3

million).

At the end of the period, liquid assets totalled EUR327 million (EUR843 million).

Interest-bearing liabilities were EUR657 million (EUR483 million) and interest-

bearing net debt was EUR330 million (EUR-359 million) at the end of June. The equity

ratio was 44.8% (52.2%) at the end of the period.

The Group's net ***finance*** income was EUR4.3 million (net ***finance*** costs EUR4.5 million)

in January-June.

In April-June, the cash flow from operating activities was EUR78.5 million (EUR142.3

million). The cash flow from investing activities was EUR-476.0 million (EUR398.7

million).

The Group's net ***finance*** income was EUR1.7 million (net ***finance*** costs EUR4.2 million)

in April-June.

Taxes

In January-June, the Group's taxes were EUR21.4 million (EUR26.4 million). The

effective tax rate was 20.6% (38.5%).

In April-June, the Group's taxes were EUR14.3 million (EUR19.4 million). The

effective tax rate was 21.1% (11.2%).

Capital expenditure

In January-June, the Group's capital expenditure totalled EUR564.1 million (EUR110.1

million), or 12.2% (2.6%) of net sales. Capital expenditure in store sites was

EUR100.5 million (EUR78.5 million), acquisitions EUR431.0 million, capital expenditure

in IT EUR8.9 million (EUR8.6 million) and other capital expenditure EUR23.6 million

(EUR23.0 million).

In April-June, the Group's capital expenditure totalled EUR512.7 million (EUR58.6

million), or 19.6% (2.6%) of net sales. Capital expenditure in store sites was

EUR63.6 million (EUR38.3 million), acquisitions EUR428.1 million, capital expenditure

in IT EUR6.2 million (EUR3.9 million) and other capital expenditure EUR14.7 million

(EUR16.4 million).

Personnel

In January-June, the average number of personnel in Kesko Group was 20,593

(19,065) converted into full-time employees. The increase was due to the

acquisitions of Suomen Lähikauppa and Onninen.

At the end of June 2016, the number of personnel was 30,257 (22,894), of whom

16,232 (10,774) worked in Finland and 14,025 (12,120) outside Finland. The

number of Suomen Lähikauppa's personnel was 4,180 and that of Onninen 3,123.

SEGMENTS

Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net

sales and operating profits of the reportable segments are not earned evenly

throughout the year. Instead, they vary by quarter depending on the

characteristics of each segment.

Grocery trade

                                        1-6/2016  1-6/2015 4-6/2016  4-6/2015

Net sales, EUR million                       2,447     2,252    1,353     1,149

Operating profit, comparable, EUR million     74.8      78.2     43.6      43.3

Operating margin, comparable, %              3.1       3.5      3.2       3.8

Capital expenditure, EUR million             139.3      70.9    104.6      33.2

Net sales, EUR million                    1-6/2016 Change, % 4-6/2016 Change, %

Sales to K-food stores                     1,550      +0.5      802      +2.2

K-citymarket, non-food                       263      -1.5      133      -1.8

Suomen Lähikauppa                            185         -      185         -

Kespro                                       390      +2.3      204      +3.7

K-ruoka, Russia                               54      +8.5       29      -0.2

Others                                         5     -60.5        0      (..)

Total                                      2,447      +8.6    1,353     +17.7

(..) Change over 100%

January-June 2016

The net sales of the grocery trade for January-June were EUR2,447 million (EUR2,252

million), representing a growth of 8.6%. Suomen Lähikauppa excluded, net sales

in local currencies increased by 0.9%. In January-June, the grocery sales of K-

food stores in Finland decreased by 0.1% (VAT 0%) (excluding Suomen Lähikauppa)

and Suomen Lähikauppa included, sales were up 7.7%. In the grocery market in

Finland, retail prices are estimated to have changed by approximately -1%

compared to the previous year (VAT 0%; Kesko's own estimate based on the

Consumer Price Index of Statistics Finland) and the total market (VAT 0%) is

estimated to have increased by approximately 1.5% in January-June (Kesko's own

estimate). The sales in roubles of the food stores in Russia increased by 32.4%.

The acquisition of Suomen Lähikauppa was completed on 12 April 2016 and the

conversion of Siwa and Valintatalo stores into K-Market stores was begun in May.

At the same time, the renewal of the entire K-Market chain started. Kesko's

neighbourhood retail services improve significantly and the acquisition will

provide significant economies of scale and synergies for Kesko. The downward

price trend and the intense competitive situation continued in the Finnish

grocery trade market.

In January-June, the comparable operating profit of the grocery trade was EUR74.8

million (EUR78.2 million). Thanks to the enhancement actions taken, profitability

was good in the grocery trade. The real estate arrangement completed in June

2015 had a EUR-5.5 million impact on the comparable operating profit. The

operating profit of the grocery trade was EUR74.3 million (EUR151.0 million). The

items affecting comparability were EUR-0.6 million (EUR72.8 million).

The capital expenditure of the grocery trade in January-June was EUR139.3 million

(EUR70.9 million), of which EUR70.2 million (EUR64.3 million) was in store sites and

acquisitions were EUR54.1 million.

April-June 2016

The net sales of the grocery trade for April-June were EUR1,353 million (EUR1,149

million), representing a growth of 17.7%. Suomen Lähikauppa excluded, net sales

in local currencies increased by 2.3%. In April-June, the grocery sales of K-

food stores in Finland decreased by 0.3% (VAT 0%) (excluding Suomen Lähikauppa)

and Suomen Lähikauppa included, sales increased by 14.9%. In the grocery market

in Finland, retail prices are estimated to have changed by approximately -1%

compared to the previous year. The sales in roubles of the food stores in Russia

increased by 25.8%.

In April-June, the comparable operating profit of the grocery trade was EUR43.6

million (EUR43.3 million). The real estate arrangement completed in June 2015 had

a EUR-2.8 million impact on the comparable operating profit. The operating profit

was EUR44.1 million (EUR115.8 million). The items affecting comparability were EUR0.5

million (EUR72.4 million). Suomen Lähikauppa contributed EUR-1.1 million to the

comparable operating profit for April-June and EUR-2.4 million to the operating

profit.

The capital expenditure of the grocery trade in April-June was EUR104.6 million

(EUR33.2 million), of which EUR37.3 million (EUR30.1 million) was in store sites and

acquisitions were EUR54.1 million.

In April-June, two new K-supermarkets and four K-Markets were opened. Renewals

and extensions were made in a total of 58 stores.

The most significant store sites under construction are the K-citymarket

shopping centre i3 in Itäkeskus, Helsinki and a K-citymarket in Sastamala. A new

K-supermarket is being built in Tampere, in Niittykumpu, Espoo, in Lappeenranta,

Porvoo, Kemiönsaari, Haapajärvi and in Lauttasaari, Kalasatama and Pasila,

Helsinki. Two food stores are being built in Russia.

Store numbers at 30.6.                  2016 2015

K-citymarket                              81   81

K-supermarket                            223  220

K-Market (incl. service station stores)  484  441

Suomen Lähikauppa                        601    -

K-ruoka, Russia                            9    8

Others\*                                   96  160

\* Including online stores

In addition, several K-food stores offer e-commerce services to their customers.

Building and technical trade

                                        1-6/2016  1-6/2015 4-6/2016  4-6/2015

Net sales, EUR million                       1,741     1,656    1,046       883

Operating profit, comparable, EUR million     38.2      20.3     37.9      34.5

Operating margin, %, comparable              2.2       1.2      3.6       3.9

Capital expenditure, EUR million             412.9      18.4    404.7       8.7

Net sales, EUR million                    1-6/2016 Change, % 4-6/2016 Change, %

Building and home improvement

trade, Finland                               436      +4.1      241      +8.7

Indoor                                        87      +0.2       45      +4.5

K-rauta, Sweden                              111      +7.5       67      +4.6

Byggmakker, Norway                           206      -4.4      118      -1.0

Kesko Senukai, the Baltics                   221      +5.0      130      +6.0

K-rauta, Russia                               77     -17.4       45     -17.5

OMA, Belarus                                  46     -13.9       27     -12.9

Onninen                                      136         -      136         -

Intersport, Finland                           83      +0.8       37      +9.8

Intersport, Russia                             7      +7.5        3      -5.8

***Agricultural*** and machinery trade             324      +1.9      195      +6.1

Others                                        12     -82.9        5     -44.0

Total                                      1,741      +5.1    1,046     +18.4

January-June 2016

The net sales of the building and technical trade for January-June were EUR1,741

million (EUR1,656 million), up 5.1%. The net sales of the building and technical

trade in local currencies, excluding acquisitions and disposals, increased by

3.5%. In January-June, the net sales of the building and technical trade in

Finland were EUR941 million (EUR921 million), up 2.1%. Acquisitions and disposals

excluded, net sales in Finland grew by 0.5%. In January-June, the net sales from

the foreign operations of the building and technical trade were EUR800 million

(EUR735 million), up 9.0%. In local currencies, excluding acquisitions and

disposals, the net sales from foreign operations increased by 7.0%. Foreign

operations contributed 46.0% (44.4%) to net sales.

The acquisition of Onninen was completed in 1 June 2016. Onninen's net sales in

June 2016 were EUR136 million. The acquisition accelerates the implementation of

the international growth strategy of Kesko's building and technical trade and

provide significant synergy potential. The division's business operations expand

in the HEPAC and electrical product groups and it is able to better serve

contractor customers in particular.

In January-June, the net sales of the building and home improvement trade were

EUR1,179 million (EUR1,178 million), representing the level of the previous year. In

local currencies, net sales were up by 4.6%. In respective local currencies, net

sales grew in Sweden by 7.1%, in Norway by 4.2% and in Russia by 0.8%. In the

building and home improvement trade, growth strengthened especially in the B2B

trade. The market share of the K-Group's building and home improvement trade is

estimated to have strengthened especially in Finland, Sweden and Norway. The K-

Group's sales of building and home improvement products in Finland increased by

a total of 5.6% and the total market (VAT 0%) is estimated to have grown by

approximately 2.4% (Kesko's own estimate).

The net sales of the ***agricultural*** and machinery trade for January-June were EUR324

million (EUR318 million), up 1.9% compared to the previous year. Net sales in

Finland were EUR264 million, down 2.4%. The net sales from foreign operations were

EUR60 million, up 25.8%. The retail sales of the K-maatalous chain in Finland were

EUR221 million, down 1.8%.

The net sales of the leisure trade were EUR99 million, an increase of 2.1% in

local currencies.

In January-June, the comparable operating profit of the building and technical

trade was EUR38.2 million (EUR20.3 million), up EUR17.9 million compared to the

previous year. The profit for the comparative period includes a EUR12.7 million

operating loss from Anttila divested in March 2015. Profitability was improved

by the good profit performance of foreign operations.

The operating profit of the building and technical trade was EUR34.6 million (EUR-

83.1 million). The most significant items in the previous year affecting

comparability include a EUR130 million loss on the divestment of Anttila and EUR27

million in gains on the disposal of real estate.

In January-June, the capital expenditure of the building and technical trade

totalled EUR412.9 million (EUR18.4 million), of which EUR376.9 million were

acquisitions and capital expenditure in store sites was EUR29.7 million (EUR11.5

million). The acquisitions include EUR364.1 million for the acquisition of Onninen

and EUR10.0 million for increasing the ownership interest in the Belarusian OMA.

April-June 2016

The net sales of the building and technical trade for April-June were EUR1,046

million (EUR883 million), up 18.4%. Net sales in local currencies, excluding

acquisitions, increased by 6.7%.

In April-June, the net sales of the building and technical trade in Finland were

EUR541 million (EUR456 million), up 18.8%. Acquisitions excluded, net sales in

Finland grew by 4.1%. In April-June, the net sales from the foreign operations

of the building and technical trade were EUR505 million (EUR428 million), up 18.0%.

In local currencies, excluding acquisitions, the net sales from foreign

operations increased by 9.5%. Foreign operations contributed 48.3% (48.4%) to

net sales.

In April-June, the net sales of the building and home improvement trade were

EUR671 million (EUR655 million), up 2.5%. In local currencies, net sales grew by

7.4%. In respective local currencies, net sales grew in Sweden by 4.2%, in

Norway by 7.9% and in Russia by 4.8%. The K-Group's sales of building and home

improvement products in Finland increased by a total of 6.7% and the total

market (VAT 0%) is estimated to have grown by approximately 4.8% (Kesko's own

estimate).

Onninen's net sales in June 2016 were EUR136 million.

The net sales of the ***agricultural*** and machinery trade for April-June were EUR195

million (EUR184 million), up 6.1% compared to the previous year. Net sales in

Finland were EUR152 million, down 1.0%. The net sales from foreign operations were

EUR44 million, up 40.8%. The retail sales of the K-maatalous chain in Finland were

down by 0.9%.

The net sales of the leisure trade were EUR43 million, an increase of 10.4% in

local currencies.

In April-June, the comparable operating profit of the building and technical

trade was EUR37.9 million (EUR34.5 million), up EUR3.4 million compared to the

previous year. The operating profit was increased by the growth of the operating

profit of the building and home improvement trade in the Nordic and the Baltic

countries, the acquisition of Onninen and the good profit performance of the

leisure trade. Onninen's operating profit in June 2016 was EUR2.2 million,

adversely impacted by the fair value allocations of inventories written off in

the amount of EUR0.9 million.

The operating profit of the building and technical trade was EUR32.8 million

(EUR61.5 million). Items affecting comparability were EUR-5.1million (EUR27.0

million).

In April-June, the capital expenditure of the building and technical trade

totalled EUR404.7 million (EUR8.7 million), of which EUR374.1 million were

acquisitions and capital expenditure in store sites was EUR26.0 million (EUR6.4

million).

In April-June 2016, two Senukai stores in Lithuania and the OMA Bobruisk

building and home improvement store in Belarus were opened. In June, Onninen

Express stores were opened in Finland and Sweden.

The most significant store sites under construction are a K-rauta store in

Savonlinna and two K-rauta stores in St. Petersburg.

Store numbers at 30.6.        2016 2015

K-rauta                         46   43

Rautia\*                         95   93

K-maatalous\*                    80   81

K-rauta, Sweden                 20   20

Byggmakker, Norway              86   83

K-rauta, Estonia                 8    8

K-rauta, Latvia                  8    8

Senukai, Lithuania              22   19

K-rauta, Russia                 13   13

OMA, Belarus                    13   11

Onninen                        146    -

Intersport, Finland\*\*           58   62

Budget Sport\*\*                  11   11

Asko and Sotka\*\*                87   87

Kookenkä\*\*                      37   42

Intersport, Russia              16   16

Asko and Sotka, the Baltics\*\*   12   10

Konekesko                        1    1

\* In 2016, 43 (45) Rautia stores also operated as K-maatalous stores

\*\* Including online stores

In addition, the building and home improvement stores offer e-commerce services

to their customers.

Car trade

                                        1-6/2016  1-6/2015 4-6/2016  4-6/2015

Net sales, EUR million                         438       400      214       190

Operating profit, comparable, EUR million     15.2      16.3      5.8       6.5

Operating margin, comparable, %              3.5       4.1      2.7       3.4

Capital expenditure, EUR million               8.1       6.6      3.5       3.8

Net sales, EUR million                    1-6/2016 Change, % 4-6/2016 Change, %

VV-Auto                                      438      +9.5      214     +12.1

January-June 2016

The net sales of the car trade for January-June were EUR438 million (EUR400

million), up 9.5%. In January-June, the combined market performance of first

registrations of passenger cars and vans was 14.6% (-2.8%). The combined market

share of passenger cars and vans imported by VV-Auto in January-June was 18.6%

(20.0%).

The profitability of the car trade remained at a good level. The comparable

operating profit for January-June was EUR15.2 million (EUR16.3 million). The

operating profit for January-June was EUR15.2 million (EUR16.3 million).

The capital expenditure of the car trade in January-June was EUR8.1 million (EUR6.6

million).

April-June 2016

The net sales of the car trade for April-June were EUR214 million (EUR190 million),

up 12.1%. The combined market share of passenger cars and vans imported by VV-

Auto in April-June was 18.7% (21.2%).

The profitability of the car trade remained at a good level. The comparable

operating profit for April-June was EUR5.8 million (EUR6.5 million). The operating

profit for April-June was EUR5.8 million (EUR6.5 million). VV-Auto's order books

strengthened markedly from the previous year.

The capital expenditure of the car trade in April-June was EUR3.5 million (EUR3.8

million).

Store numbers at 30.6. 2016 2015

VV-Auto, retail trade    10    9

Changes in the Group composition

Kesko implemented the arrangement it had agreed in the autumn of 2015 to

centralise its Baltic building and home improvement trade in UAB Senuku Prekybos

centras (Senukai). The company's name has been changed to Kesko Senukai. In the

arrangement, Kesko sold the shares in its wholly owned companies responsible for

the operations of K-rauta stores in Estonia and Latvia to its subsidiary

Senukai, in which Kesko has a majority interest. (Stock exchange release on 1

April 2016).

Kesko Food Ltd, a Kesko Corporation subsidiary, acquired the whole share capital

of Suomen Lähikauppa Oy from the private equity investment firm Triton. (Stock

exchange release on 12 April 2016).

Kesko Corporation acquired Onninen Oy's whole share capital from Onvest Oy. The

acquisition does not include Onninen's steel business or Russian subsidiary.

(Stock exchange release on 1 June 2016).

Shares, securities market and Board authorisations

At the end of June 2016, the total number of Kesko Corporation shares was

100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or

68.3%, were B shares. At 30 June 2016, Kesko Corporation held 742,272 own B

shares as treasury shares. These treasury shares accounted for 1.09% of the

number of B shares, 0.74% of the total number of shares, and 0.19% of votes

attached to all shares of the Company. The total number of votes attached to all

shares was 385,652,815. Each A share carries ten (10) votes and each B share one

(1) vote. The Company cannot vote with own shares held by it as treasury shares

and no dividend is paid on them. At the end of June 2016, Kesko Corporation's

share capital was EUR197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was EUR31.12 at the end of

2015, and EUR35.49 at the end of June 2016, representing an increase of 14.0%.

Correspondingly, the price of a B share was EUR32.37 at the end of 2015, and

EUR38.12 at the end of June 2016, representing an increase of 17.8%. In January-

June, the highest A share price was EUR37.89 and the lowest was EUR28.98. The

highest B share price was EUR39.51 and the lowest was EUR29.56. In January-June, the

Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 8.1% and the weighted

OMX Helsinki Cap index by 5.4%. The Retail Sector Index was up by 12.2%.

At the end of June 2016, the market capitalisation of A shares was EUR1,126

million, while that of B shares was EUR2,575 million, excluding the shares held by

the parent company. The combined market capitalisation of A and B shares was

EUR3,701 million, an increase of EUR531 million from the end of 2015. In January-

June 2016, a total of 0.9 million (1.5 million) A shares were traded on Nasdaq

Helsinki, a decrease of 41.9%. The exchange value of A shares was EUR30 million.

The number of B shares traded was 28.6 million (32.2 million), a decrease of

11.4%. The exchange value of B shares was EUR1,030 million. Nasdaq Helsinki

accounted for 53% of the Kesko A and B share trading in January-June 2016. Kesko

shares were also traded on multilateral trading facilities, the most significant

of which were BATS Chi-X with 28% and Turquoise with 19% of the trading (source:

Fidessa).

During the reporting period, the Board had the authority to decide on the

transfer of a maximum of 1,000,000 own B shares held by the Company as treasury

shares. On 3 February 2016, the Board decided to ***grant*** own B shares held by the

Company as treasury shares to persons included in the target group of the 2015

vesting period, based on this share issue authorisation and the fulfilment of

the vesting criteria of the 2015 vesting period of Kesko's three-year share-

based compensation plan. This transfer of a total of 137,054 own B shares was

announced in a stock exchange release on 17 March 2016, and the transfer of

2,670 own B shares was announced in a stock exchange release on 27 April 2016.

Based on the 2014-2016 share-based compensation plan decided by the Board, a

total maximum of 600,000 own B shares held by the Company as treasury shares can

be ***granted*** within a period of three years based on the fulfilment of the vesting

criteria. The Board will separately decide on the vesting criteria and target

group for each vesting period. The share-based compensation plan was announced

in a stock exchange release on 4 February 2014. In January-June, a total of

4,419 shares ***granted*** based on the fulfilment of the vesting criteria of the

share-based compensation plans (the 2011-2013 and the 2014-2016 share-based

compensation plans) was returned to the Company in accordance with the terms and

conditions of the share-based compensation plans. The returns during the

reporting period were notified in a stock exchange notification on 17 March

2016, 31 March 2016, 27 April 2016 and 30 May 2016.

Kesko's Annual General Meeting held on 4 April 2016 authorised the Company's

Board to make decisions concerning the transfer of a total maximum of 1,000,000

own B shares held by the Company as treasury shares (the 2016 share issue

authorisation). The authorisation cancelled the earlier share issue

authorisation corresponding in content. Based on the authorisation, own B shares

held by the Company as treasury shares can be issued for subscription by

shareholders in a directed issue in proportion to their existing holdings of the

Company shares, regardless of whether they own A or B shares. Shares can also be

issued in a directed issue, departing from the shareholder's pre-emptive right,

for a weighty ***financial*** reason of the Company, such as using the shares to

develop the Company's capital structure, to ***finance*** possible acquisitions,

capital expenditure or other arrangements within the scope of the Company's

business operations, and to implement the Company's commitment and incentive

scheme. Own B shares held by the Company as treasury shares can be transferred

either against or without payment. A share issue can only be without payment, if

the Company, taking into account the best interests of all of its shareholders,

has a particularly weighty ***financial*** reason for it. The authorisation also

includes the Board's authority to make decisions concerning any other matters

related to share issues. The amount possibly paid for the Company's own shares

is recorded in the reserve of unrestricted equity. The authorisation is valid

until 30 June 2020.

The Annual General Meeting held on 4 April 2016 also approved the Board's

proposal for its authorisation to decide on the acquisition of a maximum of

1,000,000 own B shares of the Company (the 2016 authorisation to acquire own

shares). B shares are acquired with the Company's distributable unrestricted

equity, not in proportion to the shareholdings of shareholders, at the market

price quoted in public trading organised by Nasdaq Helsinki Ltd ("the exchange")

at the date of acquisition. The shares are acquired and paid in accordance with

the rules of the exchange. The acquisition of own shares reduces the amount of

the Company's distributable unrestricted equity. B shares are acquired for use

in the development of the Company's capital structure, to ***finance*** possible

acquisitions, capital expenditure and/or other arrangements within the scope of

the Company's business operations, and to implement the Company's commitment and

incentive scheme. The Board makes decisions concerning any other issues related

to the acquisition of own B shares. The authorisation is valid until 30

September 2017.

In addition, the Board has a share issue authorisation according to which the

Board is authorised to issue a maximum of 20,000,000 new B shares (the 2015

share issue authorisation). The authorisation is valid until 30 June 2018. The

shares can be issued against payment to be subscribed by shareholders in a

directed issue in proportion to their existing holdings of the Company shares

regardless of whether they hold A or B shares, or, departing from the

shareholder's pre-emptive right, in a directed issue, if there is a weighty

***financial*** reason for the Company, such as using the shares to develop the

Company's capital structure and ***financing*** possible acquisitions, capital

expenditure or other arrangements within the scope of the Company's business

operations. The amount paid for the shares is recognised in the reserve of

invested non-restricted equity. The authorisation also includes the Board's

authority to decide on the share subscription price, the right to issue shares

for non-cash consideration and the right to make decisions on other matters

concerning share issues.

At the end of June 2016, the number of shareholders was 39,933, which is 404

more than at the end of 2015. At the end of June, foreign ownership of all

shares was 30%. Foreign ownership of B shares was 43% at the end of June.

Flagging notifications

Kesko Corporation did not receive any flagging notifications during the

reporting period.

Key events during the reporting period

Tomi Korpisaari, a member of Kesko Corporation's Board of Directors, announced

that he would resign from the Company's Board of Directors for reasons of health

as of 1 March 2016. Kaarina Ståhlberg was appointed General Counsel and member

of the Management Board of Posti Group Corporation as of 1 March 2016, as a

result of which Ståhlberg announced that she would resign from Kesko

Corporation's Board of Directors as of 1 March 2016. (Stock exchange release on

5 February 2016 and 15 February 2016)

The arrangement agreed by Kesko in the autumn of 2015 to centralise its Baltic

building and home improvement trade in UAB Senuku Prekybos centras (Senukai) was

completed. The company's name has been changed to Kesko Senukai. In the

arrangement, Kesko sold the shares in its wholly owned companies responsible for

the operations of K-rauta stores in Estonia and Latvia to its subsidiary

Senukai, in which Kesko has a majority interest. (Stock exchange release on 1

April 2016)

The transaction agreed between Kesko Corporation's subsidiary Kesko Food and the

private equity investment firm Triton to acquire Suomen Lähikauppa was

completed. The debt-free price of the acquisition, structured as a share

purchase, was EUR54 million. In 2015, Suomen Lähikauppa's net sales were EUR935.7

million, it has around 600 Siwa and Valintatalo stores and around 3,800

employees. The Finnish Competition and Consumer Authority (FCCA) announced their

approval of the acquisition on 11 April 2016. The permission contains conditions

imposed by the FCCA. The FCCA made the acquisition conditional on the sale of

60 stores of Suomen Lähikauppa Oy to competitors. In case the sale of some store

or some stores is not possible, the selling obligation imposed on Kesko Food Ltd

will cease. The FCCA also imposed an obligation to Suomen Lähikauppa Oy,

transferred to Kesko Food Ltd's ownership, to continue purchases from Tuko

Logistics Osuuskunta during a fixed period of 18 months in order that purchases

can be reduced in stages. (Stock exchange release on 11 April 2016 and 12 April

2016)

The transaction agreed between Kesko Corporation and Onvest Oy to acquire Suomen

Lähikauppa was completed. The acquisition does not include Onninen's steel

business or Russian subsidiary. In 2015, the pro forma net sales of the acquired

business were EUR1,465 million and the EBITDA was EUR39 million. The price of the

debt-free acquisition, structured as a share purchase, was EUR364 million. (Stock

exchange release on 12 January 2016, 20 April 2016 and 1 June 2016)

Events after the reporting period

The operations of Intersport Russia were sold in July 2016.

Resolutions of the 2016 Annual General Meeting and decisions of the Board's

organisational meeting

Kesko Corporation's Annual General Meeting, held on 4 April 2016, adopted the

***financial*** statements and the consolidated ***financial*** statements for 2015 and

discharged the Board members and the Managing Director from liability. The

General Meeting also resolved to distribute a dividend of EUR2.50 per share as

proposed by the Board, or a total amount of EUR248,195,187.50. The dividend pay

date was 13 April 2016.

The General Meeting resolved to leave the number of Board members unchanged at

seven. The term of office of each of the seven (7) Board members elected by the

Annual General Meeting on 13 April 2015, i.e. retailer, Business College

Graduate Esa Kiiskinen, retailer, Master of Science in Economics Tomi

Korpisaari, retailer, eMBA Toni Pokela, eMBA Mikael Aro, Master of Science in

Economics Matti Kyytsönen, Master of Science in Economics Anu Nissinen and

Master of Laws Kaarina Ståhlberg, will expire at the close of the 2018 Annual

General Meeting in accordance with Kesko's Articles of Association. Korpisaari

and Ståhlberg had resigned from the membership of the Company's Board of

Directors as of 1 March 2016. The General Meeting resolved to replace them by

retailer, trade technician Matti Naumanen and Managing Director, Master of

Science in Economics Jannica Fagerholm until the close of the Annual General

Meeting to be held in 2018. In addition, the General Meeting resolved to leave

the Board members' fees and the basis for reimbursement of expenses unchanged.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy,

Authorised Public Accountants, as the Company's auditor with APA Mikko Nieminen

as the auditor with principal responsibility.

The General Meeting approved the Board's proposal for share issue authorisation

according to which the Board may decide on the transfer of a total maximum of

1,000,000 own B shares held by the Company as treasury shares (the 2016 share

issue authorisation). The General Meeting also approved the Board's proposal for

the authorisation to acquire own shares, according to which the Board may decide

on the acquisition of a maximum of 1,000,000 own B shares of the Company (the

2016 authorisation to acquire own shares).

Moreover, the General Meeting approved the Board's proposal for its

authorisation to decide on the donations in a total maximum of EUR300,000 for

charitable or similar purposes until the Annual General Meeting to be held in

2017 and to decide on the donation ***recipients***, purposes of use and other terms

of the donations.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an

organisational meeting in which it elected M.Sc. (Econ.) Jannica Fagerholm as

the Chair of the Audit Committee, re-elected eMBA Mikael Aro as its Deputy Chair

and M.Sc. (Econ.) Matti Kyytsönen as its member. Business College Graduate Esa

Kiiskinen (Ch.), Mikael Aro (Dep. Ch.) and M.Sc. (Econ.) Anu Nissinen were re-

elected to the Board's Remuneration Committee.

The resolutions of Annual General Meeting and the decisions of the Board's

organisational meeting were announced in more detail in stock exchange releases

on 4 April 2016.

Responsibility

Kespro was ***granted*** the MSC and ASC Chain of Custody - the traceability

certificate - in April. All phases of Kespro's fish and shellfish supply chain

have been audited, and Kespro and its certified customer restaurants can use MSC

and ASC ecolabelling in their marketing.

Kesko and the child rights organization Plan International Finland continue

cooperating to improve the responsibility of the fishing industry and the

situation of migrant workers in Thailand. As a part of the project, already 60

children from migrant families have been able to start school.

Kesko's grocery trade and the Finnish cancer foundation Syöpäsäätiö signed an

agreement on main sponsorship in the Pink ribbon campaign in May. The objective

is to generate tenfold donations to the fundraising from K-food stores compared

to what they were before.

Pirkka Street Basket events were arranged in 16 localities in Finland in May.

Pirkka Street Basket 2016 is part of the Little Wolves project by the Finnish

Basketball Association and Kesko's grocery trade that aims to promote physical

activity for children.

Kesko had Finland's largest property-specific solar utility built on the roof of

K-citymarket Tammisto in Vantaa in May-June. The peak power of the solar utility

is 503 kWp and it generates electricity for the property.

The K-maatalous Experimental farm made a Baltic Sea Commitment to Baltic Sea

Action Group, BSAG, in June. The Experimental farm's commitment concentrates on

developing soil condition and nutrient usage measurement practices and

technology.

Risk management

Kesko Group has an established and comprehensive risk management process. Risks

and their management responses are regularly assessed within the Group and

reported to the Group management. Kesko's risk management and risks associated

with business operations are described in more detail on Kesko's website in the

Corporate Governance section.

The most significant near-future risks in Kesko's business operations are

associated with the general development of the economy and consumer confidence

in Finland and the weakening of the Russian economy and operating conditions, as

well as their impact on Kesko's sales and profit. There are risks involved in

the integration of the business operations of Suomen Lähikauppa, Onninen and

Kesko Senukai that, if realised, may slow the achievement of the ***financial***

objectives set. In other respects, no material change is estimated to have taken

place during the first part of the year in the risks described in Kesko's Report

by the Board of Directors and the ***financial*** statements for 2015 and the risks

described on Kesko's website. The risks and uncertainties related to economic

development are described in the outlook section of this release.

Outlook

Estimates for the outlook of Kesko Group's net sales and comparable operating

profit are given for the 12-month period following the reporting period (7/2016-

6/2017) in comparison with the 12 months preceding the end of the reporting

period (7/2015-6/2016).

The general economic situation and the expected trend in consumer demand vary in

Kesko's different operating countries. In Finland, owing to the weak trend in

consumers' purchasing power, the trading sector's growth is expected to remain

slow. In the Finnish grocery trade, intense competition is expected to continue.

The markets for the Finnish building and technical trade are expected to improve

slightly. With respect to foreign countries, the outlook for the Russian economy

is still modest. In Sweden and Norway and the Baltic countries, the market is

expected to grow.

Kesko Group's net sales for the next 12 months are expected to exceed the level

of the preceding 12 months. The comparable operating profit for the next 12-

month period is expected to exceed the level of the preceding 12 months.

Helsinki, 2 August 2016

Kesko Corporation

Board of Directors

The information in the half year ***financial*** report is unaudited.

Further information is available from Jukka Erlund, Senior Vice President, Chief

***Financial*** Officer, telephone +358 105 322 113, and Eva Kaukinen, Vice President,

Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the

half year ***financial*** report briefing can be viewed from 11.30 at [*www.kesko.fi*](http://www.kesko.fi). An

English-language audio conference on the half year ***financial*** report will be held

today at 14.30 (Finnish time). The audio conference login is available on

Kesko's website at    [*www.kesko.fi*](http://www.kesko.fi).

Kesko Corporation's interim report for January-September will be published on

26 October 2016. In addition, Kesko Group's sales figures are published each

month. News releases and other Company information are available on Kesko's

website at    [*www.kesko.fi*](http://www.kesko.fi).

KESKO CORPORATION

ATTACHMENTS: TABLES SECTION

Accounting policies

Consolidated statement of comprehensive income

Consolidated statement of ***financial*** position

Consolidated statement of changes in equity

Consolidated statement of cash flows

Group's performance indicators

Net sales by segment

Operating profit by segment

Operating profit by segment, comparable

Operating margin by segment, comparable

Capital employed by segment

Return on capital employed by segment, comparable

Items affecting comparability

Capital expenditure by segment

Segment information by quarter

Acquisitions

Change in tangible and intangible assets

Transactions conducted by persons discharging managerial responsibilities or

persons closely associated with them

Fair value hierarchy of ***financial*** assets and liabilities

Personnel average and at the end of the reporting period

Group's commitments

Calculation of performance indicators

K-Group's retail and B2B sales

DISTRIBUTION

Nasdaq Helsinki Ltd

Main news media

[*www.kesko.fi*](http://www.kesko.fi)

TABLES SECTION

Accounting policies

This half year ***financial*** report has been prepared in accordance with the IAS 34

standard. The half year ***financial*** report has been prepared in accordance with

the same principles as the annual ***financial*** statements for 2015.

Consolidated income

statement (EUR million),

condensed

                            1-6/   1-6/ Change, %   4-6/   4-6/ Change, %  1-12/

                            2016   2015             2016   2015             2015

Net sales                  4,624  4,310       7.3  2,610  2,227      17.2  8,679

Cost of goods sold        -3,990 -3,748       6.5 -2,235 -1,935      15.5 -7,540

Gross profit                 634    562      12.7    375    292      28.5  1,139

Other operating income       348    449     -22.4    183    280     -34.6    800

Employee benefit expense    -316   -282      12.2   -180   -138      30.4   -545

Depreciation and

impairment charges           -66    -67      -1.9    -38    -33      17.3   -137

Other operating expenses    -498   -589     -15.5   -272   -225      20.6 -1,063

Operating profit             102     72      40.7     68    176     -61.3    195

Interest income and other

***finance*** income                 7      4      52.7      4      2      68.1     10

Interest expense and

other ***finance*** costs           -4     -7     -42.4     -2     -4     -43.3    -14

Exchange differences           2     -1      (..)      1     -2      (..)     -3

Share of results of

equity accounted

investments                   -2      1      (..)     -2      1      (..)      1

Profit before tax            104     68      51.7     68    172     -60.4    188

Income tax                   -21    -26     -18.9    -14    -19     -25.9    -71

Net profit for the period     82     42      95.9     54    153     -64.8    117

Attributable to

  Owners of the parent        76     37      (..)     48    147     -67.1    102

  Non-controlling

  interests                    7      5      40.1      5      6      -7.9     16

Earnings per share

for profit attributable

to

equity holders of the

parent, (EUR)

Basic and diluted           0.76   0.38      (..)   0.49   1.48     -67.2   1.03

Consolidated statement

of comprehensive income

(EUR million)

                            1-6/   1-6/  Change,%   4-6/   4-6/  Change,%  1-12/

                            2016   2015             2016   2015             2015

Net profit for the period     82     42      95.9     54    153     -64.8    117

Items that will not be

reclassified subsequently

to profit or loss

Actuarial gains/losses         9     14     -41.1      4    -13      (..)     23

Items that may be

reclassified subsequently

to profit or loss

Exchange differences on

translating foreign

operations                     2      3     -30.9      4     -3      (..)    -17

Adjustment for

hyperinflation                 -      -         -      -      1         -      -

Cash flow hedge

revaluation                    1      0      (..)      2     -1      (..)      0

Revaluation of available-

for-sale ***financial*** assets      0      1     -74.0      0      0      (..)      1

Other items                    0      0      -1.0      0      0      -1.0      0

Total other comprehensive

income for the period,

net of tax                    11     18     -37.7      9    -15      (..)      6

Total comprehensive

income for the period         93     60      56.6     63    138     -54.3    124

Attributable to

  Owners of the parent        88     59      48.5     55    134     -59.1    119

  Non-controlling

  interests                    6      1      (..)      8      3      (..)      5

(..) Change over 100%

Consolidated statement of ***financial***

position (EUR million), condensed

                                        30.6.2016 30.6.2015 Change, % 31.12.2015

ASSETS

Non-current assets

Tangible assets                             1,359     1,265       7.4      1,282

Intangible assets                             416       171      (..)        168

Equity accounted investments and other

***financial*** assets                              121       115       5.3        115

Loans and receivables                          69        73      -5.0         67

Pension assets                                188       165      14.2        176

Total                                       2,153     1,788      20.4      1,808

Current assets

Inventories                                 1,017       740      37.5        735

Trade receivables                             988       676      46.3        582

Other receivables                             199       160      24.4        127

***Financial*** assets at fair value

through profit or loss                         97       430     -77.4        374

Available-for-sale ***financial*** assets            84       328     -74.5        372

Cash and cash equivalents                     146        84      72.8        141

Total                                       2,531     2,418       4.7      2,331

Non-current assets held for sale               28         0      (..)          0

Total assets                                4,712     4,206      12.0      4,139

                                       30.6.2016 30.6.2015 Change, % 31.12.2015

EQUITY AND LIABILITIES

Equity                                     2,016     2,103      -4.1      2,163

Non-controlling interests                     86        76     -12.4         79

Total equity                               2,102     2,179      -3.6      2,242

Non-current liabilities

Interest-bearing liabilities                 360       266      35.3        258

Non-interest-bearing liabilities              39        35      11.3         42

Deferred tax liabilities                      61        63      -3.4         71

Pension obligations                            1         1     -33.0          1

Provisions                                    14        16     -12.4         16

Total                                        475       381      24.5        388

Current liabilities

Interest-bearing liabilities                 296       217      36.5        181

Trade payables                             1,257       918      36.9        795

Other non-interest-bearing liabilities       538       475      13.3        495

Provisions                                    44        36      24.7         38

Total                                      2,135     1,646      29.8      1,509

Total equity and liabilities               4,712     4,206      12.0      4,139

(..) Change over 100%

Consolidated statement of changes in equity (EUR million)

                 Share Re-      Cur-      Re-     Treas-   Re-    Non-     Total

                 capi- serves   rency     valu-   ury      tained con-

                 tal            trans-    ation   shares   earn-  trol-

                                lation    reserve          ings   ling

                                differ-                           inter-

                                ences                             ests

Balance at

1.1.2015           197      463       -38      -1      -31  1,594       82 2,265

Share-based

payments                                                 4               0     4

Dividends                                                    -149       -6  -155

Other changes                 0         0                       5        0     5

Net profit for

the period                                                     37        5    42

Other comprehen-

sive income

Items that will

not be

reclassified

subsequently to

profit or loss

Actuarial

gains/losses                                                   18             18

Items that may

be reclassified

subsequently to

profit or loss

Exchange

differences

on translating

foreign

operations                    0         7                               -4     3

Cash flow hedge

revaluation                                     0                              0

Revaluation of

available-for-

sale ***financial***

assets                                          1                              1

Others                                                          0              0

Tax related to

comprehensive

income                                          0              -4             -4

Total other

comprehensive

income                        0         7       1              14       -4    18

Balance at

30.6.2015          197      463       -31       0      -28  1,502       76 2,179

Balance at

1.1.2016           197      463       -45       0      -27  1,575       79 2,242

Share-based

payments                                                 4                     4

Increase in

share capital                                                           13    13

Acquisition of

subsidiary and

minority

interest                                                        0      -10    -9

Dividends                                                    -248       -1  -250

Other changes                                                   9              9

Net profit for

the period                                                     76        7    82

Other comprehen-

sive income

Items that will

not be

reclassified

subsequently to

profit or loss

Actuarial

gains/losses                                                   11             11

Items that may

be reclassified

subsequently to

profit or loss

Exchange

differences

on translating

foreign

operations                    0         3                               -1     2

Cash flow

hedge

revaluation                                     1                              1

Revaluation of

available-for-

sale ***financial***

assets                                          0                              0

Tax related to

comprehensive

income                                          0              -2             -2

Total other

comprehensive

income                        0         3       1               8       -1    11

Balance at

30.6.2016          197      463       -42       1      -23  1,419       86 2,102

Consolidated statement of cash flows (EUR million), condensed

                                     1-6/ 1-6/ Change,% 4-6/ 4-6/ Change,% 1-12/

                                     2016 2015          2016 2015           2015

Cash flows from operating activities

Profit before tax                     104   68     51.7   68  172    -60.4   188

Depreciations according to plan        60   67    -10.8   32   33     -1.1   128

***Finance*** income and costs               -4    4     (..)   -2    4     (..)     7

Other adjustments                       4   23    -81.5    5 -103     (..)    40

Change in working capital

Current non-interest-bearing

receivables, increase (-)/

decrease (+)                         -198 -119     67.1  -59   69     (..)    -2

Inventories,

increase (-)/decrease (+)             -19  -31    -38.4   16   23    -30.3   -44

Current non-interest-bearing

liabilities, increase (+)/

decrease(-)                            81   69     17.5   55  -54     (..)     7

***Financial*** items and tax               -45  -15     (..)  -37   -1     (..)   -48

Net cash from operating activities    -18   68     (..)   79  142    -44.8   276

Cash flows from investing activities

Investing activities                 -530 -109     (..) -481  -60     (..)  -215

Sales of fixed assets                   4  444    -99.2    7  460    -98.5   432

Increase in non-current receivables    -3   -1     (..)   -2   -2      6.7    -1

Net cash used in investing

activities                           -529  334     (..) -476  399     (..)   217

Cash flows from ***financing*** activities

Interest-bearing liabilities,

increase (+)/decrease (-)             213  -18     (..)  222  -57     (..)   -61

Current interest-bearing

receivables, increase (-)/

decrease (+)                            2   -1     (..)    3   -1     (..)     2

Dividends paid                       -250 -149     67.8 -250 -149     67.8  -156

Equity increase                        13    -        -    -    -        -     -

Short-term money market investments,

increase (-)/ decrease (+)            406 -295     (..)  237 -279     (..)  -269

Other items                             6    9    -29.9    1    2    -44.2    19

Net cash used in ***financing***

activities                            390 -454     (..)  213 -484     (..)  -466

Change in cash and cash equivalents  -156  -52     (..) -185   57     (..)    28

Cash and cash

equivalents and current

portion of available-for-sale

***financial*** assets at 1 Jan.            334  313      6.6  361  204     76.9   313

Currency translation difference

adjustment and revaluation              1    1     -3.6    2    1     (..)    -7

Cash and cash

equivalents and current

portion of available-for-sale

***financial*** assets at 30 Jun.           178  262    -32.0  178  262    -32.0   334

(..) Change over 100%

  Group's performance indicators

                                         1-6/2016  1-6/2015 Change, pp 1-12/2015

  Return on capital employed, %               9.7       6.4        3.2       9.3

  Return on capital employed, %,

  rolling 12 mo                              11.1       7.3        3.8       9.3

  Return on capital employed,

  comparable, %                              10.6       9.2        1.4      11.7

  Return on capital employed,

  comparable, %, rolling 12 mo               12.6      10.9        1.7      11.7

  Return on equity, %                         7.6       3.8        3.8       5.2

  Return on equity, %, rolling 12 mo          7.4       4.9        2.5       5.2

  Return on equity, comparable, %             8.4       6.8        1.6       8.2

  Return on equity, comparable, %,

  rolling 12 mo                               9.4       8.4        1.0       8.2

  Equity ratio, %                            44.8      52.2       -7.3      54.7

  Gearing, %                                 15.7     -16.5       32.2     -20.0

  Interest-bearing net debt/EBITDA,

  rolling 12 mo                               0.9      -1.0        1.9      -1.4

                                                             Change, %

  Capital expenditure, EUR million            564.1     110.1       (..)     218.5

  Capital expenditure, % of net sales        12.2       2.6       (..)       2.5

  Earnings per share, basic, EUR               0.76      0.38       (..)      1.03

  Earnings per share, diluted, EUR             0.76      0.38       (..)      1.03

  Earnings per share, comparable,

  basic, EUR                                   0.85      0.71       20.1      1.70

  Cash flows from operating

  activities,

  EUR million                                   -18        68       (..)       276

  Cash flows from investing

  activities,

  EUR million                                  -529       334       (..)       217

  Equity per share, EUR                       20.31     21.21       -4.3     21.82

  Interest-bearing net debt, EUR

  million                                     330      -359       (..)      -448

  Diluted number of shares, average

  for the reporting period, 1,000 pcs      99,221    99,084        0.1    99,114

Personnel, average                 20,593    19,065      8.0     18,955

  (..) Change over 100%

Group's performance indicators by quarter   1-3/  4-6/  7-9/ 10-12/  1-3/  4-6/

                                            2015  2015  2015   2015  2016  2016

Net sales, EUR million                       2,082 2,227 2,203  2,166 2,013 2,610

Change in net sales, %                      -2.2  -6.0  -4.4   -4.4  -3.3  17.2

Operating profit, EUR million               -103.6 175.8  83.1   39.3  33.5  68.0

Operating margin, %                         -5.0   7.9   3.8    1.8   1.7   2.6

Operating profit, comparable, EUR million     26.5  76.4  82.5   59.1  32.3  79.1

Operating margin, %, comparable              1.3   3.4   3.7    2.7   1.6   3.0

***Finance*** income/costs,

EUR million                                   -0.3  -4.2  -3.5    0.9   2.7   1.7

Profit before tax, EUR million              -103.7 172.1  78.8   40.7  35.7  68.1

Profit before tax, %                        -5.0   7.7   3.6    1.9   1.8   2.6

Return on capital employed, %              -18.1  31.9  17.6    8.2   6.7  12.3

Return on capital employed, comparable, %    4.6  13.9  17.5   12.4   6.5  14.3

Return on equity, %                        -19.9  28.0   8.9    4.8   5.1   9.8

Return on equity, comparable, %              3.1  10.6  10.6    9.2   4.8  11.7

Equity ratio, %                             51.5  52.2  54.2   54.7  54.8  44.8

Capital expenditure,

EUR million                                   51.5  58.6  41.5   66.9  51.4 512.7

Earnings per share,

diluted, EUR                                 -1.11  1.48  0.43   0.22  0.28  0.49

Equity per share, EUR                        21.30 21.21 21.41  21.82 22.13 20.31

Segment information

Net sales by segment

                                  1-6/  1-6/           4-6/  4-6/          1-12/

(EUR million)                       2016  2015 Change,%  2016  2015 Change,%  2015

Grocery trade, Finland           2,393 2,203      8.6 1,324 1,120     18.2 4,566

Grocery trade,

other countries\*                    54    50      8.5    29    29     -0.2   107

Grocery trade, total             2,447 2,252      8.6 1,353 1,149     17.7 4,673

- of which intersegment trade        6    10    -42.7     2     3    -15.3    15

Building and technical trade,

Finland                            941   921      2.1   541   456     18.8 1,719

Building and technical trade,

other countries\*                   800   735      9.0   505   428     18.0 1,530

Building and technical trade

total                            1,741 1,656      5.1 1,046   883     18.4 3,250

- of which intersegment trade        6     1     (..)     3     0     (..)     1

Car trade, Finland                 438   400      9.5   214   190     12.1   748

Car trade total                    438   400      9.5   214   190     12.1   748

- of which intersegment trade        0     0    -82.2     0     0     (..)     0

Common functions and

eliminations                        -3     1     (..)    -2     4     (..)     8

Finland total                    3,769 3,525      6.9 2,077 1,770     17.3 7,042

Other countries total\*             854   784      8.9   534   457     16.8 1,637

Group total                      4,624 4,310      7.3 2,610 2,227     17.2 8,679

(..) Change over 100%

\* Net sales in countries other than Finland

Operating profit by segment

                                      1-6/  1-6/         4-6/  4-6/        1-12/

(EUR million)                           2016  2015 Change  2016  2015 Change  2015

Grocery trade                         74.3 151.0  -76.7  44.1 115.8  -71.7 249.4

Building and technical trade          34.6 -83.1  117.7  32.8  61.5  -28.7 -57.2

Car trade                             15.2  16.3   -1.1   5.8   6.5   -0.7  26.1

Common functions and eliminations    -22.5 -11.9  -10.6 -14.7  -8.0   -6.7 -23.7

Group total                          101.6  72.2   29.4  68.0 175.8 -107.8 194.6

Operating profit by segment,          1-6/  1-6/         4-6/  4-6/        1-12/

comparable (EUR million)                2016  2015 Change  2016  2015 Change  2015

Grocery trade                         74.8  78.2   -3.4  43.6  43.3    0.2 177.5

Building and technical trade          38.2  20.3   17.9  37.9  34.5    3.4  63.6

Car trade                             15.2  16.3   -1.1   5.8   6.5   -0.7  26.1

Common functions and eliminations    -16.9 -12.0   -4.9  -8.2  -8.0   -0.2 -22.7

Group total                          111.4 102.9    8.5  79.1  76.4    2.8 244.5

Operating margin by                                                      Rolling

segment, comparable   1-6/  1-6/             4-6/  4-6/            1-12/   12 mo

(%)                   2016  2015 Change, pp  2016  2015 Change, pp  2015  6/2016

Grocery trade          3.1   3.5       -0.4   3.2   3.8       -0.5   3.8     3.6

Building and

technical trade        2.2   1.2        1.0   3.6   3.9       -0.3   2.0     2.4

Car trade              3.5   4.1       -0.6   2.7   3.4       -0.7   3.5     3.2

Group total            2.4   2.4        0.0   3.0   3.4       -0.4   2.8     2.8

Capital employed by

segment, cumulative                                                      Rolling

                      1-6/  1-6/             4-6/  4-6/            1-12/   12 mo

average (EUR million)   2016  2015 Change      2016  2015 Change      2015  6/2016

Grocery trade          823   988       -164   853   975       -122   871     784

Building and

technical trade        849   888        -39   914   861         53   823     805

Car trade              118    96         22   120    95         24   104     111

Common functions and

eliminations           312   272         41   321   273         48   285     309

Group total          2,103 2,243       -141 2,207 2,204          3 2,083   2,009

Return on capital

employed by segment,                                                     Rolling

comparable (%)           1-6/ 1-6/            4-6/ 4-6/            1-12/   12 mo

                         2016 2015 Change, pp 2016 2015 Change, pp  2015  6/2016

Grocery trade            18.2 15.8        2.3 20.4 17.8        2.7  20.4    22.2

Building and technical

trade                     9.0  4.6        4.4 16.6 16.0        0.6   7.7    10.1

Car trade                25.7 33.9       -8.3 19.4 27.3       -7.9  25.2    22.5

Group total              10.6  9.2        1.4 14.3 13.9        0.5  11.7    12.6

Items affecting comparability

 EUR million                              1-3/   4-6/   7-9/ 10-12/   1-3/    4-6/

                                        2015   2015   2015   2015   2016    2016

Items affecting

comparability

Gains on disposal                        0.3   99.6    1.2    0.1    1.3     5.9

Losses on disposal                    -130.6   -1.0   -0.2      -      -    -0.3

Impairment charges                         -      -      -      -      -    -6.0

Structural arrangements                    -      -      -  -19.3    0.0    -8.7

Others                                   0.2    0.9   -0.4   -0.7      -    -1.9

Items in operating profit affecting

comparability                         -130.1   99.4    0.7  -19.9    1.3   -11.1

Items in income taxes affecting

comparability                           -2.1    4.5   10.4    4.6   -0.1    -0.8

Total items affecting comparability   -132.2  103.9   11.1  -15.2    1.2   -12.0

Operating profit, comparable

Operating profit                      -103.6  175.8   83.1   39.3   33.5    68.0

Net of

Items in operating profit affecting

comparability                         -130.1   99.4    0.7  -19.9    1.3   -11.1

Operating profit, comparable            26.5   76.4   82.5   59.1   32.3    79.1

Operating margin, %, comparable          1.3    3.4    3.7    2.7    1.6     3.0

Capital employed, average              2,295  2,204  1,889  1,907  1,990   2,207

Return on capital employed,

comparable, %                            4.6   13.9   17.5   12.4    6.5    14.3

Profit before tax, comparable

Profit before tax                     -103.7  172.1   78.8   40.7   35.7    68.1

Net of

Items in operating profit affecting

comparability                         -130.1   99.4    0.7  -19.9    1.3   -11.1

Profit before tax, comparable           26.4   72.7   78.2   60.6   34.5    79.2

Profit, comparable

Profit before tax, comparable           26.4   72.7   78.2   60.6   34.5    79.2

Net of

Income tax                              -7.0  -19.4  -30.4  -14.0   -7.0   -14.3

Items in income taxes affecting

comparability                           -2.1    4.5   10.4    4.6   -0.1    -0.8

Profit, comparable                      17.4   57.8   58.2   51.3   27.3    64.0

Equity, average                        2,227  2,184  2,189  2,220  2,265   2,195

Return on equity, comparable, %          3.1   10.6   10.6    9.2    4.8    11.7

Profit attributable to owners of

the parent, comparable

Profit, comparable                      17.4   57.8   58.2   51.3   27.3    64.0

Profit attributable to non-

controlling interests                   -1.1    5.9    5.8    5.1    1.3     5.5

Profit attributable to owners of

the parent, comparable                  18.5   51.9   52.5   46.1   26.0    58.6

Average number of shares, basic,

1,000 pcs                             99,024 99,084 99,104 99,114 99,163  99,221

Earnings per share, comparable, EUR       0.19   0.52   0.53   0.47   0.26    0.59

  Capital expenditure

                                         1-6/ 1-6/        4-6/ 4-6/        1-12/

  by segment, EUR million                  2016 2015 Change 2016 2015 Change  2015

  Grocery trade                           139   71     68  105   33     71   129

  Building and technical trade            413   18    394  405    9    396    55

  Car trade                                 8    7      2    4    4      0    16

  Common functions and eliminations         4   14    -10    0   13    -13    18

  Group total                             564  110    454  513   59    454   219

Segment information by quarter

Net sales by segment,              1-3/  4-6/  7-9/ 10-12/  1-3/   4-6/

EUR million                          2015  2015  2015   2015  2016   2016

Grocery trade                     1,103 1,149 1,171  1,249 1,094  1,353

Building and technical trade        773   883   857    736   695  1,046

Car trade                           210   190   170    177   225    214

Common functions and eliminations    -3     4     4      4    -1     -2

Group total                       2,082 2,227 2,203  2,166 2,013  2,610

                                         1-3/  4-6/ 7-9/ 10-12/ 1-3/  4-6/

Operating profit by segment, EUR million   2015  2015 2015   2015 2016  2016

Grocery trade                            35.2 115.8 45.0   53.4 30.2  44.1

Building and technical trade           -144.7  61.5 36.8  -10.9  1.8  32.8

Car trade                                 9.8   6.5  6.0    3.8  9.4   5.8

Common functions and eliminations        -3.9  -8.0 -4.6   -7.1 -7.8 -14.7

Group total                            -103.6 175.8 83.1   39.3 33.5  68.0

Items affecting

                                         1-3/  4-6/ 7-9/ 10-12/ 1-3/  4-6/

comparability, EUR million                 2015  2015 2015   2015 2016  2016

Grocery trade                             0.3  72.4  0.2   -1.0 -1.1   0.5

Building and technical trade           -130.4  27.0  1.0  -18.4  1.5  -5.1

Car trade                                   -     -    -      -    -     -

Common functions and eliminations           -   0.0 -0.6   -0.5  0.9  -6.5

Group total                            -130.1  99.4  0.7  -19.9  1.3 -11.1

Operating profit by segment, comparable,  1-3/ 4-6/ 7-9/ 10-12/ 1-3/ 4-6/

EUR million                                 2015 2015 2015   2015 2016 2016

Grocery trade                             34.9 43.3 44.8   54.5 31.3 43.6

Building and technical trade             -14.2 34.5 35.8    7.5  0.3 37.9

Car trade                                  9.8  6.5  6.0    3.8  9.4  5.8

Common functions and eliminations         -3.9 -8.0 -4.1   -6.7 -8.7 -8.2

Group total                               26.5 76.4 82.5   59.1 32.3 79.1

Operating margin by segment, %, comparable 1-3/ 4-6/ 7-9/ 10-12/ 1-3/ 4-6/

                                           2015 2015 2015   2015 2016 2016

Grocery trade                               3.2  3.8  3.8    4.4  2.9  3.2

Building and technical trade               -1.8  3.9  4.2    1.0  0.0  3.6

Car trade                                   4.7  3.4  3.5    2.1  4.2  2.7

Group total                                 1.3  3.4  3.7    2.7  1.6  3.0

Acquisitions

On 12 April 2016, Kesko Food Ltd, a Kesko Corporation subsidiary, acquired the

whole share capital of Suomen Lähikauppa Oy from the private equity investment

firm Triton. In addition, Kesko Corporation acquired Onninen Oy's whole share

capital from Onvest Oy on 1 June 2016.

                                                 Suomen Lähikauppa Onninen group

                                                         EUR million     EUR million

Consideration paid                                              54           364

Provisionally determined values of assets

acquired and liabilities assumed as at the date

of acquisition

Intangible assets                                                5            97

Tangible assets and

investments                                                     33            21

Inventories                                                     33           227

Receivables                                                     12           238

Deferred tax asset                                              22             3

Cash and cash equivalents                                        8            17

Total assets                                                   113           602

Trade payables, other

liabilities and provisions                                     138           275

Deferred tax liability                                           0            16

Total liabilities                                              138           291

Net assets acquired, total

                                                               -25           311

Provisional goodwill                                            79            53

Provisional cash flow impact

of acquisition

Consideration paid                                             -54          -364

Cash and cash equivalents                                        8            17

acquired

Provisional cash flow impact

of acquisition

                                                               -46          -347

Suomen Lähikauppa Oy

On 12 April 2016, Kesko Food Ltd, a Kesko Corporation subsidiary, acquired the

whole share capital of Suomen Lähikauppa Oy from the private equity investment

firm Triton. The debt-free price of the acquisition, structured as a share

purchase, was EUR54 million.

Suomen Lähikauppa concentrates on grocery stores located near customers. The

acquisition underpins Kesko's new strategy, one focus area of which is to

increase and renew the neighbourhood store network.

The tables above are a condensed presentation of the consideration paid to

Triton, the values of the assets acquired and liabilities assumed by Kesko Group

as at the date of the acquisition, as well as the cash flow impact of the

acquisition.

The EUR79 million of goodwill from the acquisition reflects the synergies expected

to arise especially from purchasing and logistics, marketing, store site network

development, information system expenses and administration. Kesko estimates

that it will achieve synergy benefits of approximately EUR25-30 million at EBITDA

level from the acquisition as of 2018. The achievement of synergies will require

conversion costs for the renewal of the stores acquired from Suomen Lähikauppa.

The costs of store and network conversion, to be treated as restructuring costs

affecting the comparability of the operating profit, will total approximately

EUR30 million in 2016-2018. The goodwill derived from the acquisition is not tax

deductible.

The Group's profit for January-June 2016 includes costs incurred from the

acquisition in the amount of EUR0.9 million, the most significant of which is the

EUR0.6 million asset transfer tax. The costs are presented within items affecting

comparability.

Suomen Lähikauppa contributed EUR185 million to the net sales of the April-June

period.  The impact on the comparable operating profit for the April-June period

was EUR-1.1 million. Management estimates that if the acquisition had been

completed on 1 January 2016, the impact on the Group's net sales would have been

approximately EUR405 million. The impact on the comparable operating profit would

have been EUR-10 million. When determining the amounts of net sales and comparable

operating profit, management estimates that the fair values recognized at the

date of acquisition would have been the same if the acquisition had been

completed on 1 January 2016.

Onninen Oy

Kesko Corporation acquired Onninen Oy's whole share capital from Onvest Oy on 1

June 2016. The debt-free price of the acquisition, structured as a share

purchase, was EUR364 million.

Onninen is the leading provider of HEPAC and electrical products and services in

the Baltic Sea Region and Scandinavia. The group specializes in the B2B trade

and has around 150 units in Finland, Sweden, Norway, Poland, the Baltic

countries and Russia.  Kesko's business operations will expand in the HEPAC and

electrical product groups and it will be able to better serve contractor

customers in particular. In addition, Kesko will gain new customer relationships

in the infrastructure and industry customer groups.

The tables above are a condensed presentation of the consideration paid to

Onvest Oy, the values of the assets acquired and liabilities assumed by Kesko

Group as at the date of the acquisition, as well as the cash flow impact of the

acquisition.

The total provisional value of the intangible assets acquired as at the date of

the acquisition (including customer relationships and trademarks) is EUR97

million. The carrying amount of current trade receivables equals their fair

value.

The EUR53 million of goodwill from the acquisition reflects the synergies mainly

expected to arise from making use of common customer relationships, purchasing

and logistics, the development of the store site network, as well as from ICT

and administration in particular. Kesko estimates that the acquisition will

generate around EUR30 million in annual synergies at the EBITDA level from 2020

onwards. The achievement of synergies will require both capital expenditures and

non-recurring costs. The combined net cash flow impact of synergies is estimated

at around EUR25 million positive in 2016-2019. The goodwill derived from the

acquisition is not tax deductible.

The Group's profit for January-June 2016 includes costs incurred from the

acquisition in the amount of EUR6.8 million, the most significant of which is the

EUR5.8 million asset transfer tax. The costs are presented within items affecting

comparability.

Onninen contributed EUR136 million to the net sales of June. The impact on the

comparable operating profit for June was EUR2.2 million, adversely impacted by the

fair value allocations of inventories written off in the amount of EUR0.9 million.

Management estimates that if the acquisition had been completed on 1 January

2016, the impact on the Group's net sales would have been approximately EUR728

million. The impact on the comparable operating profit would have been EUR1.7

million. When determining the amounts of net sales and comparable operating

profit, management estimates that the fair values recognized at the date of

acquisition would have been the same if the acquisition had been completed on 1

January 2016.

Change in tangible and intangible assets (EUR million)

                                              30.6.2016 30.6.2015

Opening net carrying amount                       1,451     1,802

Acquisitions                                        289         -

Depreciation, amortisation and impairment           -66       -67

Investments in tangible and intangible assets       136        98

Disposals                                           -38      -402

Currency translation differences                      3         4

Closing net carrying amount                       1,775     1,435

Transactions conducted by persons discharging managerial responsibilities or

persons closely associated with them (EUR million)

The Group's persons discharging managerial responsibilities or persons closely

associated with them include its management (the Board of Directors, the

Managing Director and the Group Management Board) and companies controlled by

them, the Group's subsidiaries, associates and joint ventures as well as Kesko

Pension ***Fund***.

The following transactions were carried out with persons discharging managerial

responsibilities or persons closely associated with them:

                                 1-6/2016  1-6/2015

Sales of goods and services            37        35

Purchases of goods and services        69         9

Other operating income                  5         6

Other operating expenses               31        15

***Finance*** costs                           0         -

                                30.6.2016 30.6.2015

Receivables                            72        62

Liabilities                            59        24

Fair value hierarchy of ***financial*** assets and liabilities (EUR million)

                                              Level  1 Level 2 Level 3 30.6.2016

***Financial*** assets at fair value through profit

or loss                                           17.2    80.0              97.2

Derivative ***financial*** ***instruments*** at fair

value through profit or loss

Derivative ***financial*** assets                                2.6               2.6

Derivative ***financial*** liabilities                           8.2               8.2

Available-for-sale ***financial*** assets               50.9    32.8    15.2      98.9

Fair value hierarchy of ***financial*** assets and liabilities (EUR million)

                                              Level  1 Level 2 Level 3 30.6.2015

***Financial*** assets at fair value through profit

or loss                                          216.4   214.0             430.4

Derivative ***financial*** ***instruments*** at fair

value through profit or loss

Derivative ***financial*** assets                                9.6               9.6

Derivative ***financial*** liabilities                           8.4               8.4

Available-for-sale ***financial*** assets              150.1   178.0    15.1     343.2

Level 1 ***instruments*** are traded in active markets and their fair values are

directly based on quoted market prices. The fair values of level 2 ***instruments***

are derived from market data. The fair values of level 3 ***instruments*** are not

based on observable market data.

Personnel, average and as at 30.6.

Personnel average by

segment                            1-6/2016 1-6/2015 Change

Grocery trade                         7,660    6,374  1,287

Building and technical trade         11,430   11,421      9

Car trade                               777      783     -5

Common functions                        726      488    238

Group total                          20,593   19,065  1,528

Personnel as at 30.6.\*

by segment                             2016     2015 Change

Grocery trade                        12,952    9,003  3,949

Building and technical trade         15,639   12,493  3,146

Car trade                               819      832    -13

Common functions                        847      566    281

Group total                          30,257   22,894  7,363

\* Total number including part-time employees

Group's commitments (EUR million)

                                              30.6.2016 30.6.2015  Change, %

Own commitments                                     193       167       15,6

For others                                           15        11       32,5

Lease liabilities for machinery and equipment        36        26       38.8

Lease liabilities for real estate                 2,825     2,666        6.0

Liabilities arising from derivative ***instruments*** (EUR million)

                                                                  Fair value

Values of underlying ***instruments*** at 30.6.     30.6.2016 30.6.2015  30.6.2016

Interest rate derivatives

  Interest rate swaps                                40       101       0.12

Currency derivatives

  Forward and future contracts                      208       579      -1.20

  Currency swaps                                     20        50       1.53

Commodity derivatives

  Electricity derivatives                             8        15      -4.98

Calculation of performance indicators

Return on capital employed\*, %

Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other

current assets - Non-interest-bearing liabilities) on average for the reporting

period

Return on capital employed, %, rolling 12 months

Operating profit for the preceding 12 months x 100 / (Non-current assets +

Inventories + Receivables + Other current assets - Non-interest-bearing

liabilities) on average for 12 months

Return on capital employed\*, %, comparable

Comparable operating profit x 100 / (Non-current assets + Inventories +

Receivables + Other current assets - Non-interest-bearing liabilities) on

average for the reporting period

Return on capital employed, comparable, %, rolling 12 months

Comparable operating profit for the preceding 12 months x 100 / (Non-current

assets + Inventories + Receivables + Other current assets - Non-interest-bearing

liabilities) on average for 12 months

Return on equity\*, %

(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of

the beginning and end of the reporting period

Return on equity, %, rolling 12 months

(Profit/loss for the preceding 12 months before tax - Income tax for the

preceding 12 months) x 100 / Shareholders' equity, average of the beginning and

end of the reporting period

Return on equity\*, %, comparable

(Profit/loss adjusted for items affecting comparability before tax - Income tax

adjusted for the tax effect of items affecting comparability) x 100 /

Shareholders' equity, average of the beginning and end of the reporting period

Return on equity, %, comparable, rolling 12 months

(Profit/loss for the preceding 12 months adjusted for items affecting

comparability before tax - Income tax for the preceding 12 months adjusted for

the tax effect of items affecting comparability) x 100 / Shareholders' equity,

average of the beginning and end of the reporting period

Equity ratio, %

Shareholders' equity x 100 /

(Total assets - Prepayments received)

Earnings/share, diluted

(Profit/loss - Non-controlling interests) /

Average diluted number of shares

Earnings/share, basic

(Profit/loss - Non-controlling interests) /

Average number of shares

Earnings/share,

basic, comparable

(Profit/loss adjusted for items affecting comparability - Non-controlling

interests) / Average number of shares

Equity/share

Equity attributable to equity holders of the parent /

Basic number of shares at the balance sheet date

Gearing, %

Interest-bearing net liabilities x 100 /

Shareholders' equity

Interest-bearing net debt

Interest-bearing liabilities - ***Financial*** assets at fair value through profit or

loss - Available-for-sale ***financial*** assets - Cash and cash equivalents

EBITDA, rolling 12 mo

Operating profit + Depreciation, amortisation and impairment + Depreciation and

impairment charges for the preceding 12 months

Interest-bearing net debt/ EBITDA, rolling 12 mo

Interest-bearing net debt/ EBITDA, rolling 12 mo

\* Indicators for return on capital have been annualised

K-Group's retail and B2B sales\*, VAT 0% (preliminary data):

                                           1.1.-30.6.2016      1.4.-30.6.2016

K-Group's retail and                     EUR million Change, % EUR million Change, %

B2B sales

K-Group's grocery trade

K-food stores, Finland                       2,212      -0.4     1,139      -0.6

K-citymarket, non-food                         257      -1.9       130      -1.1

Suomen Lähikauppa                              182         -       182         -

Kespro                                         387       2.3       202       3.6

K-ruoka, Russia                                 54       8.5        29      -0.2

Grocery trade, total                         3,091       6.3     1,682      12.0

K-Group's building and technical trade

K-rauta and Rautia                             488       3.0       316       4.7

Rautakesko B2B Service                         109      19.2        61      19.0

Onninen                                         68         -        68         -

K-maatalous                                    221      -1.8       135      -0.9

Machinery trade, Finland                        87      -2.8        52      -6.4

Speciality goods trade, Finland                232      -3.3       114       0.4

Finland, total                               1,206       2.1       747      12.7

Building and technical trade, other

Nordic countries                               472      13.8       307      23.1

Building and technical trade, the Baltic

countries                                      293      10.5       182      15.6

Building and technical trade, other

countries                                      151      -1.7        96       7.4

Building and technical trade, total          2,122       5.3     1,332      14.9

K-Group's car trade

VV-Autotalot                                   219      12.5       113      13.6

VV-Auto, import                                234       7.6       110      10.2

Car trade, total                               452       9.9       222      11.9

Finland total                                4,695       5.5     2,622      12.3

Other countries, total                         970       9.8       614      16.9

Retail and B2B sales,

total                                        5,665       6.2     3,236      13.2

Keskos\_Half\_Year\_***Financial***\_Report\_2016:

[*http://hugin.info/3055/R/2032778/756744.pdf*](http://hugin.info/3055/R/2032778/756744.pdf)

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Development and Cooperation

February 29, 2016 Monday

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**Length:** 1526 words

**Byline:** Hans Dembowski

**Body**

The WTO summit in Nairobi late last year achieved important new trade agreements. The multilateral organisation is in crisis nonetheless, and its Doha Development Round looks like a dead-end street.

Biennial ministerial summits are the World Trade Organization's (WTO) main decision-making forum. Decisions require consensus. Since achieving consensus among more than 160 nations is difficult, the WTO did not make much progress in recent years.

The summit in Nairobi in December, however, was different. Several small, though relevant deals were made, and disagreement on the future of the Doha Development Round was made explicit. The Doha Round is the negotiation process that was started 14 years ago in Qatar. It was supposed to improve opportunities for poor countries. It is unlikely to be continued since open disagreement in a setting that requires consensus indicates the lack of a clear mandate to keep going.

On the other hand, some progress was made. For instance, it was agreed that WTO members can ***grant*** least-developed countries (LDCs) preferential market access for services for another 15 years. It has similarly been made easier to ***grant*** them preferential market access for processed goods.

Another new agreement reached in Nairobi concerns information technology (IT). Tariffs will be removed on 201 products, including high-tech semi-conductors, magnetic-resonance imaging machines and video game consoles. The goods concerned make up about 10% of global trade, according to the International Centre for Trade and Sustainable Development, a non-governmental organisation that monitors the WTO and publishes the influential newsletter "Bridges".

The IT agreement will make electronic goods cheaper. It may help to reduce the digital divide which separates those people who have access to computerised systems from those who do not. However, the LDCs do not play a major role in the global IT trade so the developmental impact will probably not be big.

***Agriculture*** progress

The most important new agreement concerns ***agriculture***. Three crucial elements are:

- Export subsidies will be eliminated by 2020, and the use of other types of export ***instruments***, such as credit or food aid, will be limited more stringently than so far.

- There will be a safeguard mechanism allowing developing countries and emerging markets to raise tariffs temporarily in response to high food price volatility. The details must yet be agreed.

- Developing countries will be entitled to hold public stocks of farm goods for safeguarding sufficient supply at affordable prices. Permanent rules must yet be defined, but temporary rules exist and have been extended.

These issues are of great developmental relevance. ***Agriculture*** subsidies severely distort global trade. Huge, high-tech farms in rich nations benefit from government support, while smallholder farmers in poor world regions must do without. They struggle to compete. Export subsidies and other kinds of export promotion have compounded the problems. All too often, farmers in poor countries are crowded out of domestic markets and reduced to subsistence farmers, if they do not give up ***agriculture*** altogether.

The new agreement states that export subsidies will be phased out this year. There are a few exceptions, but those exceptions must end by 2020. Export credits will henceforth be limited to 18 months rather than 24 months. Advanced nations are now committed to refrain from in-kind food aid wherever it hurts local and regional markets, moreover, and the extent to which their agencies may sell food-aid supplies in order to raise ***funds*** for development projects will be limited too.

These steps are valuable. The downside, however, is that ***agriculture*** subsidies in the developed world still distort international trade. When the Doha Round was started in 2001, developing countries had expected more concessions - and sooner. What has happened since is subsidy policies have changed in the prosperous world.

The EU, for example, used to subsidise farms per produced litre of milk, bushel of wheat or kilo of pork. Now it subsidises farms according to the land they use. The more hectares a farm has, the more support it gets. Accordingly, its access to credit for major investments becomes easier too. This policy means that big farms grow ever bigger, while small farms are discontinued.

Doha disappointment

Trade negotiators from disadvantaged world regions, however, had wanted the Doha Round to improve matters for farmers in their countries. The shift from product-related to land-related subsidies in rich countries has made a difference, but not the big difference expected. Therefore, a strong sense of disappointment in regard to the Doha Round prevails among developing countries and emerging markets.

One thing the governments of developing countries and emerging markets liked about the Doha Round was that it did not include a list of issues that governments of rich nations wanted to tackle. These issues are called the Singapore issues and they include the rights of investors, competition rules and government procurement. In Doha, the developing world opposed putting these issues on the agenda in fear of losing policy space needed for catching up with established economic powers.

In order to get an agreement, the EU and the USA finally agreed to launch a round of negotiations that did not include the Singapore issues. They wanted to send a signal of global unity at the Doha summit, which took place only a few weeks after the 9/11 terror attacks. However, it soon became clear that neither the EU nor the USA were really willing to forsake these issues.

Indeed, their efforts to put them on the WTO agenda again failed, and they began to show ever growing interest in bilateral trade deals which included the Singapore issues. The most prominent bilateral deal is the Trans-Pacific Partnership (TPP) which was agreed by 12 governments last year, but must still be ratified by national legislatures. Another one is the Transatlantic Trade and Investment Partnership (TTIP) on which EU and US negotiators are still working.

Both TTP and TTIP are highly controversial. One worry is that they will not only undermine the WTO, but development-friendly bilateral trade agreements as well (see article by Theresa Krinninger or by Clara Weinhardt et al.). The reasoning is that, once the USA, EU and Japan are covered by these deals, all other nations will have to accept those rules. After all, these economies are especially important. Another worry is that TTP and TTIP may ***grant*** excessive rights to foreign investors and thus thwart national policy making (see article by Alan Robles).

Leaders in emerging markets, moreover, are fully aware of US President Barack Obama stating repeatedly that the idea of TTP is to define global rules and not leaving matters to countries like China. They resent being excluded from decision making for obvious reasons.

The most important aspect, however, is that a multilateral trade regime would serve all parties by providing comparatively simple rules for all parties involved. A host of bilateral agreements, on the contrary, leads to "spaghetti bowl" complexity, as Jagdish Bhagwati, a prominent economist, has often argued (see for instance article by Bhagwati). A complicated setting with many different rules, depending on what country exports go to, serves the business of trade lawyers, whom the poorest partners involved can hardly afford.

Where we are now

World trade is a most complex issue. Views diverge on where the WTO stands now. Joseph Stiglitz, the former chief economist of the World Bank, has expressed regret about the end of the Doha Round and blames the rich nations - in particular the USA - of egotism. According to Germany's Federal Ministry for Economic Cooperation and Development, on the other hand, the phasing out of export subsidies for ***agricultural*** goods and easier market access for LDCs add up to meaningful progress. Both stances make sense.

The comment of the ***Financial*** Times was that it had been high time to discontinue the Doha Round. One reason it gave was that emerging markets have grown so fast in the past one and a half decades that it does not make sense to consider them developing countries anymore. Indian newspapers, on the other hand, expressed frustration. The background is that trade opportunities for LDCs have indeed improved in the past decades, whereas the outlook for most middle-income countries has not improved that much since the WTO was established in 1995.

It is interesting to consider the recent decisions from the perspective of the WTO's self-interest. By brokering new deals, it has proven that it is still a relevant institution in spite of the Doha gridlock. Some critics had argued that only its trade-dispute settlement system, which can punish countries for not sticking to WTO rules, mattered anymore.

By agreeing to disagree in Nairobi, however, the WTO has managed to inch forward on making rules. This is what probably mattered most to Roberto Azevedo, WTO director-general, and Amina Mohamed, who is a former WTO staff member and hosted the summit as Kenya's foreign minister.

**Load-Date:** June 23, 2016

**End of Document**



[***PICTON PROPERTY INCOME LTD - Preliminary Annual Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5K42-D3B1-DXP3-R1SC-00000-00&context=1516831)

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28 June 2016

PICTON PROPERTY INCOME LIMITED

PRELIMINARY ANNUAL RESULTS

("PICTON" OR THE "COMPANY")

Picton (LSE: PCTN) announces its annual results for the year ended 31 March 2016.

Strong full year results

·          Total return of 17.9% for the year

·          Increase in net assets of 12.7% to £417.1 million

·          EPRA earnings has increased by 30.1% to £19.9 million

·          Reduction in Ongoing Charges ratio by 8% to 1.1%

Continued growth in NAV, earnings and dividends

·          Increase in EPRA NAV per share of 12.7%, to 77 pence per share

·          EPRA earning per share increased by 8.3% to 3.7 pence per share

·          Dividend increased by 10% to 3.3 pence per share

·          Dividends paid of £17.8 million, with a dividend cover of 112%

Maintained focus on asset management and continued to out-perform MSCI IPD

·          Total property return of 14.3%, out-performing the MSCI IPD Quarterly Benchmark of 11.3%

·          Improved portfolio occupancy from 95% to 96%

·          15 lease renewals and re-gears retaining £2.9 million per annum, on average 2.1% above the March 2015 estimated rental value

·          35 lettings completed securing £2.3 million in additional annual income, on average 3.8% above the March 2015 estimated rental value

Ongoing investment and repositioning of portfolio

·          Invested £73.1 million in five new property assets during the year

·          Sold three assets for £9.4 million, on average 11% ahead of the March 2015 valuation

·          Over £4.4 million invested into refurbishment projects

·          19% increase in average lot size to £11.3 million

Improving debt structure

·          Net loan to value of 34.6%, with a weighted average debt maturity of 10.7 years

·          94% of debt facilities fixed with a weighted average interest rate of 4.4%

·          Post year end, entered into a new five year £27.0 million revolving credit facility

·          £37.2 million of undrawn facilities now available to meet zero dividend preference share liability

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | **2015** | **2014** |
| **Total Return** | **17.9%** | **27.4%** | **21.6%** |
| **NAV per Share** | **77p** | **69p** | **56p** |
| **Earnings per Share** | **12.0p** | **15.4p** | **10.4p** |
| **EPRA Earnings per Share** | **3.7p** | **3.4p** | **3.7p** |
| **Dividend per Share** | **3.3p** | **3.0p** | **3.0p** |
| **Dividend Cover** | **112%** | **117%** | **124%** |
| **Property Assets\*** | **£646.0m** | **£532.9m** | **£417.6m** |
| **Net Assets** | **£417.1m** | **£370.0m** | **£214.1m** |
| **Profit after Tax** | **£64.8m** | **£68.9m** | **£37.3m** |
| **EPRA Earnings** | **£19.9m** | **£15.3m** | **£13.3m** |

\* Net of lease incentives

Picton Chairman, Nicholas Thompson, commented:

"Picton has again demonstrated the effectiveness of its strategy and quality of the property portfolio by delivering yet another strong set of results with a post tax profit of £64.8 million. We believe that Picton is well positioned among its peers as income becomes an increasingly sought after and important component of total returns."

Michael Morris, Chief Executive of Picton Capital, commented:

"During the last year we have continued to strengthen the business improving operational and ***financial*** efficiency which has resulted in an 8.3% increase in EPRA earnings per share. In addition we improved occupancy, outperformed our IPD benchmark and further reshaped the portfolio. We have also recently agreed a new loan facility that reduces our overall cost of debt from October and provides flexibility in respect of our use of debt, reflecting a more uncertain political and economic backdrop."

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Note to Editors

Picton Property Income Limited is an income focused, property investment company listed on the London Stock Exchange. Picton can invest both directly and indirectly in commercial property across the United Kingdom.

With Net Assets of £417.1 million at 31 March 2016, the Company's objective is to provide shareholders with an attractive level of income, together with the potential for capital growth by investing in the principal commercial property sectors. [*http://www.picton.co.uk*](http://www.picton.co.uk)

Chairman's statement

Picton has produced another strong set of results, demonstrating the progress we have made over the last 12 months.

Performance

We are pleased to report a total profit of £64.8 million, attributed to an income profit of £19.9 million and capital gains of £44.9 million, which have produced a total return for the year of 17.9%. EPRA earnings per share have risen by 8.3% this year and net asset value per share is now 77 pence, an increase of 12.7%. At a portfolio level we have delivered a total property return of 14.3%, which is around 300 basis points ahead of the MSCI IPD Quarterly Benchmark.

Property performance is covered in more detail within both the Chief Executive's Review and the Investment Manager's Report, and I am delighted to advise that not only has the portfolio outperformed its MSCI IPD Quarterly Benchmark over 12 months, but more importantly over the four year period since we adopted our internalised management model.

Picton continues to perform well against many metrics, despite a more uncertain economic backdrop and as returns for the property market appear to be moderating after several strong years.

In line with the wider real estate equities market, our share price performance has lagged the growth in net asset value. With the EU referendum vote last week, the share price discount has widened and currently stands at 15% to the March net asset value. A primary focus of the Board is to ensure that this does not disrupt our operational progress.

We have now passed our tenth anniversary since launch and I am pleased to record that over this period we have distributed over £150 million in dividends to our shareholders and our portfolio has outperformed the MSCI IPD Quarterly Benchmark.

Portfolio Reshaping

Since March 2015, we have invested a further £73 million into the property market, through five acquisitions and have made three disposals totaling £9.4 million.

The portfolio is now valued at £655 million and is 21% larger than last year, reflecting both valuation gains and new acquisitions.

We continue to have an overweight position to the industrial, warehouse and logistics sectors, whilst at the same time remaining underweight to the underperforming retail sector.

We have made some very good progress with the assets over the year, across all our sectors, but have been particularly encouraged by our progress at Angel Gate and also the value creation at recent acquisitions in Gloucester, Chatham and Radlett.

A key differentiator of the Picton model is the economies of scale that can be achieved through growth. By reshaping the portfolio in this way, and with the same team, these efficiencies have been evident.

Income and dividends

Our EPRA earnings, after the deduction of all corporate costs and interest payments, was £19.9 million, 30% higher than the £15.3 million recorded in 2015.

In May 2015, we increased the annual dividend payable to 3.3 pence, an increase of 10% compared with the previous rate, which had been set in 2012. Despite this increased payment, our dividend cover has remained at a healthy level of 112%, which has contributed approximately £2 million to our growth in net assets this year.

The Ongoing Charges ratio has again fallen over the year, demonstrating how our structure is able to deliver economies of scale as we continue to grow the portfolio. Over the last three years, the Ongoing Charges ratio has fallen by more than 35%.

As a Board we will continue to review the level of dividends, but are inclined, in the short term, to maintain a prudent approach in light of current macro economic and political risks.

Gearing

I have spoken previously about managing gearing through the property cycle. Gearing has again made a positive contribution to our results this year. Our level of gearing has generally been on a downward trend, as the property market has been in a broad recovery since 2012 and our successful placing programme generated new equity and a larger asset base.

Our loan to value ratio as at 31 March 2016 was 34.6%. This has increased slightly from last year, due to the investment of the additional cash held into new acquisitions, as discussed above, but is down from 47.7% two years ago.

In addition, we have made use of our revolving credit facility to part ***fund*** a highly income accretive acquisition in the final quarter of the year. The full income benefit of this acquisition will be reflected in future results.

The Group's zero dividend preference shares mature in October this year. We intend to repay these in full at maturity, and have recently concluded a new five year £27 million revolving credit facility, which can be used for the repayment. The new facility will provide ***finance*** at a much lower rate, and will give us greater operational flexibility. Once the zero dividend preference shares are repaid, we expect to see a marked reduction in ***finance*** costs which will improve earnings next year.

Recognition

Notwithstanding the clear ***financial*** success we have delivered this year, it is always positive for our efforts to be recognised by others. This year we have been either shortlisted or have won awards from the European Public Real Estate Association, the British Council for Offices, The Association of Investment Companies/Investment Week, FT/Investment Chronicle Wealth Awards and MSCI/IPF Investment Awards.

In particular, our strong performance over a one, two and three year horizon led to us being named Best Large Investment Trust, by Money Observer, which was particularly pleasing as this was entirely based on our ***financial*** results compared to 117 other investment companies, all larger than £300 million in terms of market capitalisation.

Shareholder engagement

We take our responsibilities to shareholders very seriously and are keen to engage with shareholders on our register throughout the year.

Our website has been upgraded during the year to make it more user friendly (via both computer and tablet) with a specific section for investors, providing more detailed information. Shareholders are also now able to sign up for email alerts to gain access to ***financial*** reports and newsletters.  Further information is available at[*http://www.picton.co.uk*](http://www.picton.co.uk)

In addition, we have recently undertaken an independent investor perception audit, which we have found helpful in forward planning for the business.

Legislative developments

There has been much discussion and debate in the press regarding offshore investments, and recently the UK government has announced its proposals in respect of the Base Erosion and Profit Shifting (BEPS) project. Until detailed legislation is published it is unclear to what extent these proposals may impact the Group, and indeed the real estate industry generally. Along with our advisers, we are keeping this subject under close review.

We continue to assess the efficiency of the overall corporate structure and whether conversion to a UK REIT would benefit shareholders. However we believe the current structure remains appropriate, unless and until we are able to identify clear advantages in converting.

Outlook

The referendum on membership of the EU, held last week, has dominated the news for some time and caused considerable uncertainty in ***financial*** markets. The result, for the UK to leave the European Union, is bound to cause a further period of uncertainty, and more volatility in the markets. The full implications of this vote are difficult to predict, for both the UK economy generally and the commercial property market more specifically.

We have been cautious regarding the short term and have planned accordingly. Our recently announced revolving credit facility is one example of this.

Despite this, we believe that the portfolio is well positioned, with overweight positions to the better performing office and industrial sectors. Our occupancy rate is ahead of the market, we have a diversified and stable income flow, and a well covered dividend.

I am confident that the Company is in a good position to be able to navigate through these uncertain times.

Nicholas Thompson

Chairman

27 June 2016

Chief executive's review

Over the past year, Picton has continued to deliver against its five strategic priorities and this is set out below.

Our overall performance was again strong for the year, with a total return of 17.9%. The net asset value increased by 12.7%, our EPRA earnings per share were up by 8.3% and our Ongoing Charges ratio fell again, to 1.1%. The return from the property portfolio was 14.3%, ahead of the MSCI IPD Quarterly Benchmark for the year. The portfolio has been reshaped following a combination of non-core asset disposals and new acquisitions. This has increased the average lot size by some 70% over the last four years.

As the Chairman has already mentioned in his statement, Picton has won a number of awards this year or been recognised for the results it has achieved. This is encouraging and reflects the efforts of our relatively small, but highly dedicated, team.

We are continuing to develop our 'occupier focused, opportunity led' approach, not only internally, but also with our service providers. I believe this has helped to deliver the achievements set out within the Investment Manager's Report.

Growth of net income

A close relationship with our occupiers, advisers and the markets in which we are invested is key to growing net income.

Net property income has risen by more than £5 million this year primarily reflecting the larger portfolio and improved occupancy, but also as a result of our ability to capture emergent rental growth.

Rental growth is no longer confined to the core areas within central London, and whilst this will not have an immediate impact on income until it is captured at lease expiry or at the next rent review, in the interim it is having a positive effect on valuations.

Working with our occupiers

Within our portfolio, occupancy continues to be above that recorded by the MSCI IPD Index. We have had considerable success increasing occupancy to 96% from 95% 12 months ago.

Key to this success has been our ability to attract new occupiers while retaining existing ones through our occupier focused approach. We have, over the course of the year, worked with numerous occupiers to help them 'right size' their businesses and I consider that this personal approach and attention to detail is key as we continue to manage our assets effectively and improve their attractiveness to occupiers.

We are intending to communicate more regularly with our occupiers and have during the year created a specific occupier focused section on our website.

We continue to work with CBRE, our day to day Property Manager, at improving service delivery and we have a number of further initiatives that we intend to roll out during the course of the next 12 months.

Operational efficiency

As the Group's net assets have risen again this year, by over 12% to £417 million, the structure of our team means we have been able to absorb this growth while reducing the Company's Ongoing Charges ratio, a measure of how efficiently the business is run, by 8% from 1.2% to 1.1%.

Portfolio and asset management

Following the progress made last year, our property performance continues to be ahead of the market and our 'hands-on' approach has contributed to this success. We have made selective disposals over the period, crystalised historic gains and captured the value created from our asset management activity. There has been a lot of portfolio level activity this year and a comprehensive update by sector is provided within the Investment Manager's Report.

Effective use of debt

The use of debt has further enhanced returns this year, but our intention to continue to bring the level of gearing down and to be disciplined about the risk/return profile when using debt, remains paramount.

As we have seen valuation gains across the portfolio during the year, we have also experienced a positive effect from the level of gearing, with a property return of 14% giving rise to a total return of just under 18% for the year. We continue to be mindful of the need to manage gearing effectively and to reduce it in a structured and disciplined way as we progress through the cycle.

Our current level of gearing, a reduction from 48% two years ago, remains appropriate under the circumstances. However, as highlighted a year ago, we expect returns from UK commercial property to be lower than in the past couple of years and hence the risks associated with gearing are elevated. With that in mind our aim is to reduce gearing further, and our expectation is that future asset sales will help us achieve this. We believe the correct mid-cycle gearing for Picton is around 35%.

As we look forward, our new revolving credit facilities will provide us with a greater level of operational flexibility. Once the zero dividend preference shares have been repaid later this year we expect our ***finance*** costs to reduce, which will also have a positive effect on income profit and dividend cover.

Outlook

Without wishing to be complacent, I believe that with each successive year Picton continues to get better and stronger. We are building a sustainable and profitable business and are making good progress on many fronts, which is demonstrated by the strength of our results. For us, it is not always about extracting the last penny from every transaction, but also about building relationships with our occupiers that will add value over the long term.

Although we continue to be able to access opportunistic acquisitions, we have a team that has proven that it can create value through ownership, rather than simply acting as asset aggregators, with an 'assets under management' mentality.

We strive to have a positive impact in the markets in which we operate and I genuinely believe despite wider uncertainties caused by the EU referendum vote, we are well positioned to develop the business.

Michael Morris

Chief Executive, Picton Capital Limited

27 June 2016

Our marketplace

Economic backdrop

The past twelve months has been an extraordinary year of political and economic uncertainty, which has led to increased risk in global ***financial*** markets.

Global economic issues have included the slowdown in growth in China, the fall in oil prices, negative interest rates and deflation in Europe. In the last few days the UK's decision to leave the European Union has added further volatility to ***financial*** markets.

UK Economy

At this early stage, the full impact of the changes to the UK's relationship with the rest of Europe is unclear, in particular how the UK economy, ***financial*** markets and trade might be affected. In the short term, until the terms of exit are finalised, there will be no immediate change to the UK's trading position with the EU.

The uncertainty surrounding the EU referendum and a weakening manufacturing sector caused a slow down in the first quarter of 2016 in particular. Based on preliminary estimates UK GDP grew by 2.1% in the year to March 2016 compared to 2.4% in the year to March 2015.

The unemployment rate at the end of April 2016 was 5.0%, down from 5.5% a year ago and at its lowest level since 2005. There were 23 million people working full time at the end of April, 304,000 more than a year earlier. Average weekly earnings in the three months to April including bonuses rose by 2.0% compared to a year earlier.

Figures from the Office of National Statistics show that CPI inflation rose by 0.3% in the year to May 2016 which is relatively unchanged from 2015, but well below the Monetary Policy Committee's target of 2.0%.

Against this backdrop, ten year gilt yields at the end of March 2016 stood at 1.5% compared to 1.7% at the end of March 2015. The Bank of England base rate has not changed over the course of the last twelve months and remains at 0.5%.

UK Property Market

The MSCI IPD Quarterly Index shows that total return for All Property in the year to March 2016 was 11.1%, comprising of 5.9% capital growth and 4.9% income return. In terms of total return, industrial and offices were the two best performing sectors delivering almost double the returns recorded for retail.

The MSCI IPD Quarterly Index shows yields have remained relatively stable in the year. However, an improving UK economy with a strengthening occupational market from growing employment levels and a low supply of available space has helped commercial property rents rise over the course of the last twelve months. Total return figures for the period showed income return making up a bigger component of total returns.

Capital growth has slowed, growing by 5.9% in the year to March 2016 compared to 11.2% in the year to March 2015. However, rents have increased over the same period, growing by 4.0% in the year to March 2016 compared to 3.2% in the year to March 2015.

The impact of the March 2016 budget and the resultant increase in stamp duty had a negative one on one off impact in March.  Since that date the MSCI IPD monthly index recorded positive, but slower, growth in both April and May.

The MSCI IPD Index recorded an occupancy rate of 91.4% in March 2016, relatively unchanged from 91.5% in March 2015. The highest occupancy was recorded for retail at 95.3% (March 2015: 94.4%) followed by industrial at 90.7% (March 2015: 92.3%)  and offices at 86.4% (March 2015: 86.5%).

According to Property Data, investment volumes over the year remained stable but slowed down in the first quarter of 2016, possibly a reflection of the EU referendum. Total investment in the year to March 2016 totalled £65.9 billion compared to £70.0 billion in the year to March 2015. Uncertainty surrounding the outcome of the referendum resulted in investment in the first quarter of 2016 falling by 26% to £13.8 billion, compared to the first quarter in the previous year.

Official figures from the Bank of England showed total outstanding debt to commercial property at the end of March stood at £151 billion.  At the end of March 2016, net new lending to property was £1.5 billion compared to -£1.3 billion in March 2015. Lending has improved since the previous year and since February 2016 has seen a significant uplift, however figures can be inconsistent month to month, and therefore should be viewed with caution.

Whilst we expect the impact of the EU referendum to result in lower economic growth, at least in the short term, this may be offset by looser monetary policy. The Bank of England has indicated that it will take additional measures as required to protect the economy.

It is too early to assess the impact of the decision in the EU referendum on future capital values. Looking at the UK commercial property market as a whole, on average capital values still remain some 20% lower than their peak in June 2007, and only markets in London have seen capital appreciation relative to that date. This means that in many markets a lack of development activity and limited supply should be supportive of current pricing.

Market Trends

Industrial market trends

Industrial total returns were 14.3% in the year to March 2016. Returns comprised 5.4% income return and 8.6% capital growth. Rental growth in the year was 4.5%.

The supply of floor space within the industrial sector has been low for several years, which, together with strong occupier demand and positive rental growth prospects, has led to increased speculative development.

Consensus forecasts suggest that the industrial sector is expected to outperform in the medium term.

Retail market trends

Retail total returns were 7.6% in the year to March 2016. Returns comprised 5.2% income return and 2.3% capital growth. Rental growth in the year was 1.4%.

Online retailing has caused a structural shift in how people shop, which has exacerbated the oversupply of retail. Whilst London markets and other destination locations have been less affected, the performance of retail over the year has varied by geography and retail segment. Standard Retail in London and the South East and retail warehouses have performed well.

Office market trends

Office total returns were 14.8% in the year to March 2016. Returns comprised 4.2% income return and 10.2% capital growth. Rental growth in the year was 7.8%.

In London, office rental growth has slowed, although it remains at a higher level than in regional markets. Across all key regional centres, take-up has increased over the year and at the end of 2015 was above its five year average. In 2015 regional take-up grew into the double digits for five of the six main key centres. Most notable was Manchester, which was the top performer in terms of take-up.

Looking ahead, regional office rents are at a lower base compared to London, which, together with improving rental growth from growing occupier demand, is likely to result in the sub-sector outperforming.

Investment manager's report

Introduction

The asset management team have had another successful year. We have seen a strong occupational market, which has assisted us in completing 35 lettings, pushing up our occupancy level to 96%.

Numerous active management transactions have been undertaken and these have assisted us in again outperforming the MSCI IPD Quarterly Benchmark, on a total return basis, which we have done for the last one, three and ten years.

There has been significant activity in terms of reshaping the portfolio over the year. We have acquired three modern office buildings and a city centre retail warehouse asset, as well as adding a further building at our Angel Gate holding, investing in total £73 million after costs. All were acquired on favourable terms and offer potential for future income and capital growth, some of which has already occurred as a result of our active management. In addition, we have disposed of three non-core assets for total proceeds of £9.4 million after costs, following the completion of asset management initiatives.

Our portfolio now comprises 58 assets, with around 400 occupiers, it is valued at £655 million, and the average lot size has increased to £11.3 million. As a result of the new acquisitions, and rental growth in the portfolio, the passing rent has risen to £40.4 million, up from £34.6 million a year ago, with an estimated rental value of £47.6 million.

We have set out in the following sections the principal activity in each of the sectors in which we are invested. Looking ahead we will continue to be 'opportunity led and occupier focused' and look forward to unlocking further active management initiatives.

Portfolio overview

As at 31 March 2016, the portfolio generated a net initial yield of 5.6% after void costs, which in rental terms reflects a current passing rent of £40.4 million per annum.

The portfolio's total return for the year to 31 March 2016 was 14.3%, which equates to a 300 basis points out-performance relative to the MSCI IPD Quarterly Benchmark. The Picton portfolio's overweight exposure to City offices, South East offices and South East industrials, along with the effect of active management initiatives, has helped the portfolio .

The portfolio's capital value for the year grew by 9%. Regional office values rose by 15%, with London offices growing by 19%. Industrial values grew by 9% and retail and leisure by 1%.

Overall, like-for-like growth in the portfolio's estimated rental values was 5% during the year to March 2016. Estimated rental values in the office sector grew by 10% over the year, predominantly driven by growth in London of 20%. Industrial estimated rental values grew by 6% with retail and leisure declining by 1%.

We have had a good year for lettings, generating an additional £2.3 million of income after incentives, the overall rent being 3.8% ahead of the March 2015 estimated rental values. As predicted last year we were able to increase the occupancy rate which currently stands at 96%. Our aim is to continue to maintain occupancy at a high level across the portfolio.

The estimated rental value (ERV) of the void portfolio is £1.9 million per annum and 50% of our void property has only been vacant for under a year.

Income retained through lease renewals and re-gears totalled £2.9 million per annum after incentives, 2% ahead of the March 2015 estimated rental values.

We have continued our strategy of re-shaping the portfolio. As a result of three disposals and five acquisitions the number of properties in the portfolio is 58 and the average lot size has increased by 19% to £11.3 million.

Our sector and geographic weightings, as at 31 March 2016, were:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Industrial**  **(%)** | **Offices**  **(%)** | **Retail & Leisure**  **(%)** | **Total**  **(%)** |
| Central & Greater London | 3.3 | 18.9 | 5.3 | **27.5** |
| South East | 20.1 | 11.2 | 0.8 | **32.1** |
| Rest of UK | 12.7 | 8.5 | 19.2 | **40.4** |
| **Total** | **36.1** | **38.6** | **25.3** | **100.0** |

Outlook for the coming year

The occupational market remains robust and we expect to maintain our high occupancy level, whilst capturing rental growth as supply remains limited. Whilst we have a shorter than average lease expiry profile, we see this as a positive in a rising market. On lettings and renewals, we are able to secure longer leases locking in higher rents and creating value.

A number of our current voids are under offer and over the next 12 months our two largest lease events are at 50 Farringdon Road in London, where we are seeing strong demand, and at 180 West George Street in Glasgow, where, as predicted on purchase, we have two floors coming back in November. Our refurbishment timetable at this property will mean the building is ready to let in early 2017, when we believe there will be little competing space in the market.

Market forecasts suggest the Rest of UK offices and industrial sub-sectors are likely to be better performers on an annualised basis between 2016 and 2020. Half of our office portfolio is located outside of London, while our industrial exposure is also higher than the MSCI IPD Quarterly Benchmark, at 36% compared to 19%.

Our retail and leisure assets account for 25.3% of the portfolio, compared to the MSCI IPD Quarterly Benchmark of 50.6%. The London retail sub-sector continues to be the top performer across all asset classes and our Stanford House asset in Covent Garden accounts for 21% of our total retail and leisure exposure. The retail asset rents have mostly been rebased and we see tentative signs of rental growth, predominantly in our retail warehouse assets, coming through in the next year.

Income has become a more significant component of total returns, accounting for 44% at the end of March 2016, compared to 31% in March 2015. Capital growth as a percentage of total returns fell to 53% in March 2016 from 65% in March 2015.

The focus is on continuing the strategy of de-risking income through active management and capturing rental growth. With high occupancy levels and good demand, we believe we are in a strong position to capitalise on this throughout the portfolio.

Top ten assets

The largest assets in the portfolio as at 31 March 2016, ranked by capital value, represent just over 46% of the total portfolio valuation and are detailed below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Asset** | **Acquisition**  **Date** | **Property**  **Type** | **Tenure** | **Approximate**  **Area (sq ft)** | **Occupancy Rate** |
| Parkbury Industrial Estate, Radlett | March 2014 | Industrial | Freehold | 336,700 | 97% |
| River Way Industrial Estate, Harlow | December 2006 | Industrial | Freehold | 455,000 | 88% |
| Angel Gate, City Road, London EC1 | October 2005 | Office | Freehold | 64,500 | 93% |
| Stanford House, Long Acre, London WC2 | May 2010 | Retail | Freehold | 19,700 | 100% |
| Boundary House, Jewry Street, London EC3 | May 2006 | Office | Freehold | 45,000 | 100% |
| 50 Farringdon Road, London EC1 | October 2005 | Office | Leasehold | 32,000 | 100% |
| Belkin Unit, Shipton Way, Rushden | July 2014 | Industrial | Leasehold | 312,850 | 100% |
| Pembroke Court, Chatham | June 2015 | Office | Leasehold | 86,300 | 100% |
| Phase II, Parc Tawe Retail Park, Swansea | October 2005 | Retail Warehouse | Leasehold | 116,700 | 100% |
| Queens Road, Sheffield | August 2015 | Retail Warehouse | Freehold | 103,000 | 100% |

Top ten occupiers

The top ten occupiers, based as a percentage of contracted rent, as at 31 March 2016, are summarised as follows:

|  |  |  |
| --- | --- | --- |
| **Occupier** | **Contracted Rent (£000)** | **%** |
| Belkin Limited | 1,690 | 4.0 |
| DHL Supply Chain Limited | 1,560 | 3.7 |
| B&Q Plc | 1,243 | 2.9 |
| Snorkel Europe Limited | 1,008 | 2.4 |
| The Random House Group Limited | 1,000 | 2.4 |
| Cadence Design Systems Limited | 972 | 2.3 |
| Trainline.com Limited | 835 | 2.0 |
| Edward Stanford Limited | 785 | 1.8 |
| Portal Chatham LLP | 707 | 1.7 |
| XMA Limited | 652 | 1.5 |
| **Total** | **10,452** | **24.7** |

Longevity of income

As at 31 March 2016, based as a percentage of contracted rent, the average length of the leases to the first termination was 5.9 years. This is summarised as follows:

|  |  |
| --- | --- |
| **Years** | **%** |
| Up to 5 | 62.0 |
| 5 to 10 | 24.0 |
| 10 to 15 | 7.4 |
| 15 to 25 | 5.4 |
| 25 and over | 1.2 |
| **Total** | **100** |

Retention rates

Total income at risk in the portfolio fell from £4.3 million in the year to March 2015 to £2.4 million in the year to March 2016, a 43% reduction. The portfolio retained 54% of total income at risk in the year to March 2016, this comprised of 52% retention for those on lease expiry and 68% after break options.

Income concentration

There is a wide diversity of occupiers within the portfolio, as set out below, which are compared to the MSCI IPD Quarterly Benchmark by contracted rent, as at 31 March 2016.

|  |  |  |
| --- | --- | --- |
| **Industry Sector** | **Picton (%)** | **Benchmark (%)** |
| Services | 27.0 | 20.6 |
| Retail Trade | 23.7 | 35.9 |
| ***Financial*** Services | 13.6 | 15.5 |
| Manufacturing | 13.5 | 8.1 |
| Transportation, Communications | 11.2 | 5.8 |
| Public Administration | 3.8 | 3.6 |
| Wholesale Trade | 3.4 | 4.2 |
| Construction | 1.7 | 0.7 |
| Mining | 0.0 | 0.6 |
| Undetermined/ ineligible/ unmatched | 2.1 | 5.0 |
|  | **100** | **100** |

Source: MSCI IPD IRIS Report March 2016

Industrial portfolio

|  |  |  |
| --- | --- | --- |
|  | **2016** | **2015** |
| Value | £236.6 million | £217.7 million |
| Internal Area | 2,745,200 sq ft | 2,736,500 sq ft |
| Annual Rental Income | £14.4 million | £14.2 million |
| Estimated Rental Value | £16.8 million | £15.9 million |
| Occupancy | 94.2% | 96.5% |
| Number of Assets | 18 | 18 |

|  |  |  |
| --- | --- | --- |
| **Property** | **Area**  **(sq ft)** | **Freehold/**  **Leasehold** |
| Units A-G2, River Way Industrial Estate, Harlow, Essex | 455,000 | F |
| Parkbury Industrial Estate, Radlett, Herts. | 336,700 | F |
| Grantham Book Services, Trent Road, Grantham, Lincs. | 336,100 | L |
| Belkin Unit, 3 Shipton Way, Rushden, Northants. | 312,850 | F |
| Vigo 250, Birtley Road, Washington, Tyne and Wear | 246,800 | F |
| Unit 3220, Magna Park, Lutterworth, Leics. | 160,900 | L |
| Lawson Mardon Buildings, Kettlestring Lane, York | 157,800 | F |
| Units 1-13 Dencora Way, Sundon Park, Luton, Beds. | 127,500 | L |
| Haynes Way, Swift Valley Industrial Estate, Rugby, Warwickshire | 101,800 | L |
| The Business Centre, Molly Millars Lane, Wokingham, Berks. | 100,500 | F |
| Lyon Business Park, Barking, Essex | 98,000 | F |
| Easter Court, Gemini Park, Warrington | 81,500 | F |
| Abbey Business Park, Mill Road, Newtownabbey, Belfast | 61,700 | F |
| Datapoint Business Centre, Cody Road, London E16 | 54,800 | L |
| Nonsuch Industrial Estate, 1-25 Kiln Lane, Epsom, Surrey | 41,700 | L |
| Western Industrial Estate, Downmill Road, Bracknell, Berks. | 41,500 | F |
| Manchester Road/Drury Lane, Oldham, Lancs. | 16,400 | F |
| Magnet Trade Centre, Winnersh, Reading | 13,700 | F |

|  |  |
| --- | --- |
| **Largest occupiers** | **% of total**  **portfolio** |
| 1.   Belkin Limited | 4.0 |
| 2.   DHL Supply Chain Limited | 3.7 |
| 3.   Snorkel Europe Limited | 2.4 |
| 4.   The Random House Group Limited | 2.4 |
| 5.   XMA Limited | 1.5 |

Occupancy in the industrial portfolio is 94.2%, a slight decrease on last year, and in total we have nine units to let. Our largest void is the 50,000 sq ft unit D in Harlow, which is currently being refurbished and will be ready to let in the summer. We are seeing strong demand for this estate, demonstrated by the fact that we have three units coming back later this year, two of which are currently under offer before the existing leases have expired.

Our second largest industrial void is unit O at Lyon Business Park, Barking, which was surrendered in an active management transaction in January 2015. The unit was under offer to a good covenant last summer but due to the prospective tenant being unable to secure planning, the letting was aborted at a late stage. The unit is now under offer at a rent ahead of that agreed last year.

Activity across the industrial portfolio included the letting of eight units at a combined rent of £0.52 million per annum, the renewal of seven leases with a combined rent of £1.2 million per annum and the surrender of two leases to facilitate active management.

We have seen rental growth of 6% across the industrial portfolio and are experiencing demand across all of our estates.

Highlights of the year

At the Group's largest holding at Parkbury, Radlett, we surrendered a 22,000 sq ft unit and the next month re-let the space (without refurbishment) to an existing occupier on a ten year lease (no break) for £220,000 per annum with six months rent free. The letting was 20% ahead of the previous passing rent and ERV. The transaction allowed our occupier to 'right size' their business by staying on the estate in line with our Picton occupier promise. Three rent reviews were settled increasing the annual rent roll by £62,000, 6% ahead of ERV. One lease was renewed for a further five years, increasing the previous passing rent by 5% to £104,000 per annum, which was 3% ahead of ERV. There is currently one vacant unit out of 24, which is being refurbished.

In Harlow, DHL committed to a new ten year lease at the largest unit on the estate, subject to break, at an initial rent of £0.62 million per annum. Three months rent free was ***granted*** and the initial rent is in line with ERV. In smaller transactions we have renewed the lease at unit F2 for a further five years at a rent of £68,000 per annum, 3.5% ahead of ERV and with a four month rent free period. The September 2016 break option at Unit F3, where the passing rent is £58,000 per annum, was removed in return for a capital contribution to a power upgrade equivalent to three months rent free. The September 2016 rent review remains open and we expect an uplift. The rent review at unit A, dated February 2015, was settled at £170,000 per annum, a 16% uplift on the previous passing rent and 6% ahead of ERV.

Over the coming year we have three units with an ERV of £0.58 million per annum coming back in Harlow due to tenant break options. Due to the strong occupier demand for this estate, two of the units are already under offer with the new leases commencing the day after the break date.

At our multi-let industrial estate, Datapoint in Bromley-by-Bow, we completed two rent reviews securing a combined uplift of £68,000 per annum. The overall uplift was 25% ahead of the previous passing rent and 21% ahead of ERV. At nearby Lyon Business Park in Barking two units have been let for a combined £75,000 per annum, 13% ahead of ERV. We have two units available, both of which are refurbished and under offer.

In Epsom, at Nonsuch Industrial Estate, assisting another occupier to 'right size', we surrendered a lease and subsequently re-let the unit for a ten-year term, without break, at a rent of £37,000 per annum with no incentive. The new rent equates to £16 per sq ft, which is 6% ahead of ERV and sets a new tone for the estate. A further lease was renewed for a further ten years without break, increasing the previous passing rent by 29% to £40,000 per annum, which was 14% ahead of ERV. Two rent reviews were settled increasing the annual rent roll by £17,000, 13% ahead of ERV. We have one remaining unit to let.

Following completion of the refurbishment of three units at Dencora Way in Luton, we have let them all for a combined £173,000 per annum, 5% ahead of ERV. In another transaction on the estate, we removed a tenant break clause securing £54,000 per annum for another five years, at a level 11% ahead of the current ERV. A rent review was also settled increasing the annual rent roll by £16,000, 10% ahead of ERV.

At Wokingham we renewed the lease of the second largest unit on the estate, with the occupier taking a ten year lease (subject to break) at £228,000 per annum rising to £255,000 in year three with three months rent free. The initial rent is 60% ahead of ERV and sets great evidence on the estate. A rent review was settled increasing the annual rent roll and was 28% ahead of ERV. We currently have two small units to let, one of which is under offer.

Sector outlook

The de-risking of income streams will continue and strong occupational demand means we can negotiate longer leases on renewal with little or no incentive as can be seen from the transactions described above. Looking forward, we expect to maintain the high occupancy rate and continue to capture the rental growth coming through on lettings and lease events on the back of the demand and reducing supply.

Office portfolio

|  |  |  |
| --- | --- | --- |
|  | **2016** | **2015** |
| Value | £252.1 million | £173.4 million |
| Internal Area | 999,400 sq ft | 799,800 sq ft |
| Annual Rental Income | £14.8 million | £10.6 million |
| Estimated Rental Value | £19.9 million | £14.2 million |
| Occupancy | 95.8% | 93.1% |
| Number of Assets | 21 | 20 |

|  |  |  |
| --- | --- | --- |
| **Property** | **Area**  **(sq ft)** | **Freehold/**  **Leasehold** |
| Colchester Business Park, The Crescent, Colchester, Essex | 150,700 | L |
| Pembroke Court, Chatham, Kent | 86,300 | L |
| Longcross Court, Newport Road, Cardiff | 72,900 | F |
| Metro Building, Salford, Manchester | 71,000 | F |
| Angel Gate Office Village, City Road, London EC1 | 64,500 | F |
| 401 Grafton Gate East, Milton Keynes, Bucks. | 57,100 | F |
| 180 West George Street, Glasgow | 52,000 | F |
| Queens House, 19/29 St Vincent Place, Glasgow | 50,200 | F |
| 800 Pavilion Drive, Northampton Business Park, Northampton | 49,400 | F |
| Citylink, Addiscombe Road, Croydon | 48,200 | F |
| Boundary House, Jewry Street, London EC3 | 45,000 | F |
| L'Avenir, Opladen Way, Westwick, Bracknell, Berks. | 41,300 | F |
| Sentinel House, Ancells Business Park, Fleet, Hants. | 33,600 | F |
| 50 Farringdon Road, London EC1 | 32,000 | L |
| Waterside Park, Longshot Lane, Bracknell, Berks. | 30,200 | F |
| Waterside House, Kirkstall Road, Leeds | 25,200 | F |
| Atlas House, Third Avenue, Globe Park, Marlow, Bucks. | 24,800 | F |
| Merchants House, Crook Street, Chester | 22,200 | F |
| Trident House, 42/48 Victoria Street, St Albans, Herts. | 18,900 | F |
| 1-3 Chancery Lane, London WC2 | 15,100 | F |
| Marshall Building,122-124 Donegall Street, Belfast | 8,700 | F |

|  |  |
| --- | --- |
| **Largest occupiers** | **% of total portfolio** |
| 1.   Cadence Design Systems Limited | 2.3 |
| 2.   Trainline.com Limited | 2.0 |
| 3.   Portal Chatham LLP | 1.7 |
| 4.   Ricoh UK Limited | 1.5 |
| 5.   BPP Holdings Limited | 1.2 |

Occupancy in the office portfolio is 95.8%, 2.7% ahead of last year. Our largest void is an office suite in St. Albans, which is under offer, and the second largest is at Longcross Court in Cardiff where we have four suites to let, one of which is under offer. The Cardiff market has been challenging and we are pleased to see renewed occupational activity at this asset.

We let 24 suites at a combined rent of £1.5 million per annum, in line with ERV, renewed five leases with a combined rent of £344,000 per annum, 11% ahead of ERV, and surrendered six leases to facilitate active management.

The most significant activity included the acquisition of three modern office buildings for a combined price of £51 million, which are currently valued at £54 million. This growth in capital value is attributable to the early active management at Chatham and Glasgow, which is highlighted below.

We have seen total rental growth of 9.1% across the office portfolio.

Highlights of the year

Two office buildings in Chatham, Kent were acquired for £19.05 million in June 2015, reflecting a net initial yield of 8.62%. 30 and 50 Pembroke Court comprise two attractive and well specified modern buildings of 35,000 sq ft and 51,000 sq ft respectively. They are prominently positioned on an established business park located in the Chatham Maritime office district, 35 miles south east of central London. On purchase, the average weighted lease length to the earliest termination was 2.9 years. Since purchase we have completed a lease regear at one of the buildings, extending the income of £0.6 million per annum (subject to review in 2018) by a further ten years to 2028, in return for a short rent free period. Following this, we also regeared another occupier's lease, securing a ten year term at an initial rent of £0.71 million, with 2.5% per annum compound increases for the length of the lease. No incentive was given and the initial rent is 6% ahead of ERV. We have now regeared 80% of the income from this property since acquisition and the average weighted lease length to the earliest termination is now 9.5 years.

We acquired a modern office building in Glasgow for £14.25 million in August, reflecting a net initial yield of 7.8%. 180 West George Street was constructed in 2000 and provides 52,000 sq ft of office accommodation over basement, ground and six upper floors and is located on a prime street in the heart of Glasgow's central business district. It is fully let and produces a net annual rental income of £1.18 million, equivalent to an average rent of under £23 per sq ft. Occupiers include TSB Bank, Standard Life and Michael Page and the weighted average unexpired lease term is 1.7 years. We have agreed to regear the lease of a floor, setting new evidence at £26 per sq ft, which is in line with our assumptions on purchase. Space is coming back at this property in November, as predicted on purchase, and the building is going to be fully refurbished in order to launch a Grade A product in early 2017, which we believe will be good timing due to a lack of competing space.

Metro, Trafford Road, Salford Quays, was acquired in February. The building is approximately two miles west of Manchester city centre and close to the BBC's home at Media City. Constructed in 2008, it comprises a 71,000 sq ft office building with a BREEAM "Excellent" rating and 228 car spaces. The location, next to the Exchange Quay tram link, provides excellent connectivity to the surrounding area. The property was acquired for £17.6 million and is fully let to four tenants producing £1.15 million per annum, reflecting a net initial yield of 6.2%, rising to 8.3% in April 2017, with an average lease length of 8.3 years to expiry (5.6 years to break). It is let off a low average rent of £21.50 per sq ft, including the car parking spaces.

Continuing our ongoing consolidation strategy at Angel Gate, London EC1, the long leasehold interest at Unit 12 was acquired for £1.1 million, reflecting approximately £350 per sq ft. The unit comprises a 3,200 sq ft self-contained office which was approximately 70% occupied. The passing rent was £46,000 per annum on purchase and we have already leased the vacant space, which increased income by £24,000 per annum, effectively increasing the running yield to 6.0% on the purchase price, with a reversionary yield of 8.1%.

Also at Angel Gate, we have continued our rolling refurbishment program which has resulted in four lettings adding £466,000 per annum, 23% ahead of ERV. We have regeared a lease, securing a minimum five-year term on an unrefurbished property at £132,000 per annum, which is 9% ahead of ERV and 62% ahead of the previous passing rent. We continue to see strong demand for this scheme and have one vacant building to let where the refurbishment has just completed; it is under offer.

In terms of disposals, the sale of non-income producing land at Westlea in Swindon was completed during the year, as the final conditions following planning consent were satisfied, enabling a 15,000 sq ft foodstore and up to 70 residential units on the site. The 1.6 acre retail element of the site was sold to Aldi for £1.65 million and the remaining 4.4 acres were sold to a national housebuilder for £3.12 million. The sale of College Place, Southampton was completed for £1.5 million. The sale of this mixed use property follows the leasing of the ground floor unit at a rent of £50,000 per annum, 39% ahead of the preceding ERV. The sale price was 11% ahead of the preceding valuation.

In St. Albans we surrendered an office suite where the occupier was paying £173,000 per annum (£24.50 per sq ft). The floor is being refurbished and we have entered into an Agreement for Lease on half the space at a rent of £93,000 per annum (£28.50 per sq ft) and have strong interest in the rest of the space. During the year we also surrendered an occupier's lease with a year to break and re-let the suite for a term of five years at £44,000 per annum, 10% ahead of both ERV and the previous passing rent.

In Fleet, the leasing transaction of 33,000 sq ft completed to a serviced office occupier, following refurbishment works undertaken by Picton, at a stepped rent rising to £400,000 per annum, plus a top up reflecting occupancy within the building. Due to the stepped rent incentive, the letting was 42% below ERV, taking the average of the rent over the first five years of the lease; however, a minimal rent free period was ***granted***.

At Building 100, Colchester Business Park, we renewed the lease for a further ten years, subject to break, at a rent of £200,000 per annum with three months rent free. The rent is 19% ahead of ERV. There are currently three vacant offices available, one of which came back at the end of March and the other two are under offer.

Elsewhere we are pleased to confirm the following properties are now fully let:

Citylink, Croydon where an occupier took a seven year lease, subject to break, at £104,000 per annum (10% ahead of ERV)401 Grafton Gate, Milton Keynes where we let 6,500 sq ft on a ten year lease, subject to break, at £114,000 per annum (6% ahead of ERV)Queens House, Glasgow where six suites were let for a combined £100,000 (18% ahead of ERV)

At 50 Farringdon Road we are getting two floors back in the summer, following an occupier break option. The current passing rent is £0.84 million per annum and the occupier had a capped rent review at £1.14 million per annum (£45 per sq ft) and would have received six months rent free after the break date. The building was comprehensively refurbished five years ago and we are seeing strong demand for this mid-town location adjacent to Farringdon Station. We expect to let the space quickly for £1.4 million per annum (£55 per sq ft) with minimal expenditure.

Sector outlook

Our central London portfolio remains almost fully let, with the only void at Angel Gate, which is under offer. The floors at Farringdon Road are coming back this summer, but the building presents well and we already have interest. The regional portfolio is seeing growth in occupier demand, demonstrated by our experience in St. Albans, translating into rental growth in markets where good quality space is becoming scarce. The only other notable voids on the horizon are in a number of south east offices, but a combination of reducing supply and the advantages of attractive higher value uses are likely to create opportunities rather than be seen as a short term risk.

Retail and leisure portfolio

|  |  |  |
| --- | --- | --- |
|  | **2016** | **2015** |
| Value | £165.9 million | £149.7 million |
| Internal Area | 830,700 sq ft | 732,300 sq ft |
| Annual Rental Income | £11.2 million | £9.8 million |
| Estimated Rental Value | £10.9 million | £9.9 million |
| Occupancy | 99.4% | 96.1% |
| Number of Assets | 19 | 19 |
|  |  |  |
| **Property** | **Area**  **(sq ft)** | **Freehold/**  **Leasehold** |
| Parc Tawe, Phase II, Link Road, Swansea | 116,700 | L |
| Gloucester Retail Park, Eastern Avenue, Gloucester | 112,400 | F |
| Queens Road, Sheffield | 103,000 | F |
| 62/68 Bridge Street, Peterborough | 88,700 | F |
| Strathmore Hotel, Arndale Centre, Luton, Beds. | 81,600 | L |
| Angouleme Way Retail Park, Bury, Greater Manchester | 76,200 | F/L |
| 17/19 Fishergate, Preston, Lancs. | 59,900 | F |
| Regency Wharf, Broad Street, Birmingham | 44,300 | L |
| Scots Corner, High Street/Institute Road, Birmingham | 30,000 | F |
| 56 Castle Street, 2/12 English Street and 12-21 St Cuthberts Lane, Carlisle, Cumbria | 23,900 | F |
| Stanford House, 12-14 Long Acre, London WC2 | 19,600 | F |
| 6/12 Parliament Row, Hanley, Staffs. | 17,300 | F |
| Units 1-3, 18/28 Victoria Lane, Huddersfield, West Yorks. | 14,600 | L |
| 53/55/57 Broadmead, Bristol | 10,500 | L |
| 72/78 Murraygate, Dundee | 9,700 | F |
| 7 & 9 Warren Street, Stockport | 8,700 | F |
| 78-80 Briggate, Leeds | 7,700 | F |
| 2 Bath Street, Bath | 4,700 | F |
| 6 Argyle Street, Bath | 1,200 | F |

|  |  |
| --- | --- |
| **Largest occupiers** | **% of total portfolio** |
| 1.   B&Q Plc | 2.9 |
| Edward Stanford Limited | 1.8 |
| 3.   Asda Stores Limited | 1.4 |
| 4.   GLH Hotels Limited | 1.2 |
| 5.   Homebase Limited | 1.0 |

Occupancy in the retail and leisure portfolio is 99.4%, a 3.3% increase on last year. We have three small shops available in Birmingham, Carlisle and Hanley with a combined ERV of £60,000 per annum.

Three units were let during the year for a combined income of £227,500 per annum (after incentives), 2% ahead of ERV.

We have seen negative rental growth of 1% across the retail and leisure portfolio, reflecting trading conditions in this sector.

Highlights of the year

We acquired a freehold retail warehouse in Sheffield for £17.7 million, reflecting a net initial yield of 6.6%. The property is well located close to Sheffield city centre, in an established retail warehouse location and adjacent to Queens Road Retail Park. It was built in 2002 on a nine acre site, comprising a 103,000 sq ft retail warehouse with a 40,000 sq ft outdoor garden centre, builders' yard and 460 space car park. The property is leased to B&Q Plc for a further 11.8 years at an annual rent of £1.24 million, which equates to a low overall rent of approximately £12 per sq ft and is subject to review in December 2017.

A non-core high street retail unit in Guildford was sold for £3.25 million, reflecting a net initial yield of 4.3%. The unit is leased to L'Oreal (UK) Limited, trading as Kiehl's, for a further 4.8 years at an annual passing rent of £148,000. This price reflects a 9.2% premium to the preceding valuation and a 30% uplift from the 2010 acquisition price.

At Gloucester Retail Park, acquired in March 2015, we have secured planning under an Agreement for Lease with Pure Gym who are, in a back to back transaction, taking the Carpetright unit on a ten year lease at a rent of £140,000 per annum, 32% ahead of ERV. The surrender premium from Carpetright is covering the works to the unit and the letting sets new evidence on the park. In a separate transaction, we await planning for a drive through in the car park which is under offer to a Starbuck's franchisee. Both lettings improve the tenant mix on the park and will drive footfall.

Following a wider repositioning exercise at Regency Wharf, Birmingham, two lettings have completed, achieving 100% occupancy. We leased the ground floor unit to Karaoke Box at a rent of £80,000 per annum and the third floor unit to Rub Smokehouse, at a rent of £70,000 per annum, both of which were in line with the preceding ERV.

We have partly settled the legal dispute in respect of the Strathmore Hotel in Luton, but are still pursuing another interested party, seeking a final settlement in respect of this issue within the next ***financial*** year.

At our former industrial holding in Oldham, which was vacant, we have entered into an Agreement to Purchase an adjoining plot of land from the Council for £80,000 to increase the car parking provision, entered into an Agreement for Lease with The Gym Limited and secured planning for a change of use. The lease completes in the early summer following works to the unit and The Gym Limited is taking a 15 year lease at £150,000 per annum. The rent secured is 52% ahead of the former ERV.

Sector outlook

The portfolio remains very well let and we expect to maintain these high occupancy levels. Rents have been rebased across the majority of the assets and we are beginning to see pockets of rental growth such as at Gloucester.

***Financial*** review

2016 was another year of strong ***financial*** results for Picton. The total profit of nearly £65 million pushed net assets to over £417 million, an increase of over 12%. Taking into account the increased dividend paid out this year, our total return was close to 18%. Our average annual return over the last three years is more than 22%, providing evidence of the continued success of our strategy. We have strengthened the portfolio through a number of notable acquisitions, investing more than £73 million in new assets, and a further £4 million in existing assets.

As a result of this investment, we have been able to grow the income profit by 30% to nearly £20 million.

Our growth in net assets has produced further economies of scale, resulting in another fall in the Ongoing Charges ratio, down 8% compared to last year, to 1.1%.

Net asset value

The net assets of the Group rose over the year by 12.7%, to £417.1 million, driven by a total profit for the year of £64.8 million, or earnings per share of 12 pence. The EPRA net asset value rose from 69 pence to 77 pence.

The following table reconciles the net asset value calculated in accordance with International ***Financial*** Reporting Standards (IFRS) with that of the European Public Real Estate Association (EPRA).

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016**  **£m** | 2015  £m | 2014  £m |
| Net asset value - EPRA and IFRS | **417.1** | 370.0 | 214.1 |
| Fair value of debt | **(21.8)** | (19.8) | 17.8 |
| EPRA Triple Net Asset Value | **395.3** | 350.2 | 231.9 |
|  |  |  |  |
| Net Asset Value per share (pence) | **77** | 69 | 56 |
| EPRA Net Asset Value per share (pence) | **77** | 69 | 56 |
| EPRA Triple Net Asset Value per share (pence) | **73** | 65 | 61 |

Income statement

Total revenue from the property portfolio was £45.9 million, an increase of 15.8% over 2015. This reflects the additional income generated from the new assets acquired in the year. Net property income, after deducting the direct expenses associated with the portfolio, was up over 18% to £35.9 million.

Operating expenses increased to £4.4 million, partly due to the impact of the market testing of staff salary rates in early 2015, but also some additional corporate level costs.

***Financing*** costs are broadly in line with previous years, given the fixed interest rates in place on the majority of the Group's borrowings, but with some extra costs associated with the new revolving credit facility and the zero dividend preference shares. The repayment of the ZDPs is discussed further below.

Capital gains on the portfolio were £45 million for the year, as detailed further under the Investment Properties section.

The Group is subject to UK tax on its net property income and management fees, in total £0.2 million for the year. We are monitoring the UK government's BEPS proposals closely, and the implications for the Group if these are implemented as currently drafted, however at this stage it is too early to provide a definitive response.

The income profit for the year was £19.9 million, an increase of 30% from 2015. This, together with the capital gains, resulted in a total profit for the year of £64.8 million.

Dividends

We paid four quarterly dividends of 0.825 pence per share, totalling 3.3 pence for the year, an increase of 10% over 2015. As a result of the increase, dividend cover has fallen back to 112% for the year, but we consider this to be an appropriate level, given that a full year's impact of the new acquisitions has yet to come through in the results. The Board will continue to monitor the level of dividends.

Investment properties

The fair value of our investment property portfolio increased to £646.0 million at 31 March 2016, up from £532.9 million in March 2015. Included within this uplift are acquisitions of £73.1 million, which are detailed in the Investment Manager's Report, and capital expenditure across the existing portfolio of £4.4 million, enhancing the quality of the assets and space available. Three small non-core assets were disposed of, for proceeds of £9.4 million, realising £0.8 million when compared to the 2015 valuation. The overall revaluation gain was £44.2 million, representing a 9.2% like-for-like increase in the valuation of the portfolio. At 31 March 2016 the portfolio comprised 58 assets, with an average lot size of £11.3 million.

Borrowings

Total borrowings increased to £249.5 million at 31 March 2016, largely due to the draw down under the revolving credit facility to help ***fund*** the acquisition of the Salford Quays asset. Our senior loan facilities with Canada Life and Aviva remained in place, reduced only by the amortisation of the Aviva facility (£1.0 million in the year). The Group remained fully compliant with the loan covenants throughout the year.

Our 22 million zero dividend preference shares continued to roll up additional capital at an annual rate of 7.25%, £1.9 million over the year. These shares mature this year in October 2016, and it is our intention to repay them in full. With current market interest rates considerably lower than the effective ZDP rate, we expect to make a significant saving on ***finance*** costs in the future, if the current level of borrowing is maintained.

In February 2016 we made our first draw down under the Santander revolving credit facility, for £15.8 million. This facility is set at a floating rate of interest, 175 basis points above 3 month LIBOR. There remains a further £10.2 million undrawn under this facility.

We have now recently agreed a new five year revolving credit facility with Santander for £27 million, on broadly the same terms as the existing facility. In addition to potentially utilising this for the ZDP repayment, it also provides us additional ***financing*** for the future at a time when capital raising may be more constrained.

The Group's loan to value ratio increased to 34.6% at 31 March 2016, as was expected, compared to 2015, when the Group held higher cash balances following the equity raise in the year.

The fair value of our borrowings at 31 March 2016 was £271.3 million, higher than the book amount, due to the current very low gilt rates and lower margins in the lending market.

A summary of our borrowings is set out below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | 2015 | 2014 |
| Total borrowings (£m) | **249.5** | 232.8 | 234.0 |
| Borrowings net of cash (£m) | **226.8** | 162.8 | 201.7 |
| Undrawn facilities (£m) | **10.2** | 26.0 | - |
| Loan to value ratio (%) | **34.6** | 30.1 | 47.7 |
| Weighted average interest rate (%) | **4.4** | 4.6 | 4.5 |
| Average duration (years) | **10.7** | 12.4 | 13.4 |

Capital structure

Our equity balance remained unchanged over the year, as, along with the real estate sector generally, our share price moved to a discount to net asset value.

The Group's net gearing ratio, using the method prescribed by the AIC, increased to 59.2%, from 48.9% a year ago.

Cash flow and liquidity

Our cash balances fell to £22.8 million at the year end, which represents a more normal position compared to 2015. Operating activities generated £24.0 million for the year, an increase from £15.6 million last year.

Andrew Dewhirst

***Finance*** Director, Picton Capital Limited

27 June 2016

Directors' responsibility statement in respect of the annual report and ***financial*** statements

The Directors confirm that to the best of their knowledge and belief the report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

Directors' responsibility statement under the disclosure and transparency rules 4.1.12

The Directors confirm to the best of their knowledge and belief:

·          the ***financial*** statements, prepared in accordance with International ***Financial*** Reporting Standards, as issued by the IASB, give a true and fair view of the assets, liabilities, ***financial*** position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

·          the Strategic Report includes a fair review of development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Robert Sinclair

27 June 2016

Consolidated statement of comprehensive income

For the year ended 31 March 2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes | Income  £000 | Capital  £000 | **2016**  **Total**  **£000** | 2015  Total  £000 |
| **Income** |  |  |  |  |  |
| Revenue from properties | 3 | 45,923 | - | 45,923 | 39,662 |
| Property expenses | 4 | (10,001) | - | (10,001) | (9,320) |
| **Net property income** |  | **35,922** | **-** | **35,922** | **30,342** |
|  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |
| Management expenses | 6 | (2,901) | - | (2,901) | (2,591) |
| Other operating expenses | 8 | (1,510) | - | (1,510) | (1,194) |
| **Total operating expenses** |  | **(4,411)** | **-** | **(4,411)** | **(3,785)** |
|  |  |  |  |  |  |
| **Operating profit before movement on investments** |  | **31,511** | **-** | **31,511** | **26,557** |
|  |  |  |  |  |  |
| **Investments** |  |  |  |  |  |
| Profit on disposal of investment properties | 14 | - | 799 | 799 | 412 |
| Investment property valuation movements | 14 | - | 44,171 | 44,171 | 53,163 |
| **Total profit on investments** |  | **-** | **44,970** | **44,970** | **53,575** |
|  |  |  |  |  |  |
| **Operating profit** |  | **31,511** | **44,970** | **76,481** | **80,132** |
|  |  |  |  |  |  |
| ***Financing*** |  |  |  |  |  |
| Interest received |  | 144 | - | 144 | 184 |
| Interest paid | 9 | (11,561) | - | (11,561) | (11,114) |
| **Total *finance* costs** |  | **(11,417)** | **-** | **(11,417)** | **(10,930)** |
|  |  |  |  |  |  |
| **Profit before tax** |  | **20,094** | **44,970** | **65,064** | **69,202** |
| Tax | 10 | (216) | - | (216) | (347) |
| **Total comprehensive income** |  | **19,878** | **44,970** | **64,848** | **68,855** |
|  |  |  |  |  |  |
| **Earnings per share** |  |  |  |  |  |
| Basic and diluted | 12 | 3.7p | 8.3p | 12.0p | 15.4p |

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income. The supplementary income return and capital return columns are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All of the profit and total comprehensive income for the year is attributable to the equity holders of the Company.

Notes 1 to 27 form part of these consolidated ***financial*** statements.

Consolidated statement of changes in equity

For the year ended 31 March 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Notes | Share  Capital  £000 | Retained  Earnings  £000 | Total  £000 |
| **Balance as at 31 March 2014** |  | **57,192** | **156,904** | **214,096** |
| Issue of ordinary shares |  | 102,176 | - | 102,176 |
| Issue costs of shares |  | (2,055) | - | (2,055) |
| Profit for the year |  | - | 68,855 | 68,855 |
| Dividends paid | 11 | - | (13,102) | (13,102) |
|  |  |  |  |  |
| **Balance as at 31 March 2015** |  | **157,313** | **212,657** | **369,970** |
| Issue costs of shares | 20 | 136 | - | 136 |
| Profit for the year |  | - | 64,848 | 64,848 |
| Dividends paid | 11 | - | (17,822) | (17,822) |
|  |  |  |  |  |
| **Balance as at 31 March 2016** |  | **157,449** | **259,683** | **417,132** |

Notes 1 to 27 form part of these consolidated ***financial*** statements.

Consolidated balance sheet

As at 31 March 2016

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | **2016**  **£000** | 2015  £000 |
| **Non-current assets** |  |  |  |
| Investment properties | 14 | 646,018 | 532,926 |
| Tangible assets |  | 57 | 101 |
| Accounts receivable | 15 | 3,331 | 3,871 |
| **Total non-current assets** |  | **649,406** | **536,898** |
|  |  |  |  |
| **Current assets** |  |  |  |
| Accounts receivable | 15 | 14,649 | 14,019 |
| Cash and cash equivalents | 16 | 22,759 | 70,092 |
| **Total current assets** |  | **37,408** | **84,111** |
|  |  |  |  |
| **Total assets** |  | **686,814** | **621,009** |
|  |  |  |  |
| **Current liabilities** |  |  |  |
| Accounts payable and accruals | 17 | (18,321) | (16,365) |
| Loans and borrowings | 18 | (29,091) | (1,012) |
| Obligations under ***finance*** leases | 22 | (109) | (103) |
| **Total current liabilities** |  | **(47,521)** | **(17,480)** |
|  |  |  |  |
| **Non-current liabilities** |  |  |  |
| Loans and borrowings | 18 | (220,444) | (231,834) |
| Obligations under ***finance*** leases | 22 | (1,717) | (1,725) |
| **Total non-current liabilities** |  | **(222,161)** | **(233,559)** |
|  |  |  |  |
| **Total liabilities** |  | **(269,682)** | **(251,039)** |
|  |  |  |  |
| **Net assets** |  | **417,132** | **369,970** |
|  |  |  |  |
| **Equity** |  |  |  |
| Share capital | 20 | 157,449 | 157,313 |
| Retained earnings |  | 259,683 | 212,657 |
|  |  |  |  |
| **Total equity** |  | **417,132** | **369,970** |
|  |  |  |  |
| **Net asset value per share** | 23 | **77p** | **69p** |

These consolidated ***financial*** statements were approved by the Board of Directors on 27 June 2016 and signed on its behalf by:

Robert Sinclair

Director

27 June 2016

Notes 1 to 27 form part of these consolidated ***financial*** statements.

Consolidated statement of cash flows

For the year ended 31 March 2016

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | **2016**  **£000** | 2015  £000 |
| **Operating activities** |  |  |  |
| Operating profit |  | 76,481 | 80,132 |
| Adjustments for non-cash items | 21 | (43,198) | (55,427) |
| Interest received |  | 144 | 184 |
| Interest paid |  | (8,980) | (8,879) |
| Tax paid |  | (426) | (369) |
| **Cash inflows from operating activities** |  | **24,021** | **15,641** |
|  |  |  |  |
| **Investing activities** |  |  |  |
| Capital expenditure on investment properties | 14 | (4,403) | (4,070) |
| Acquisition of investment properties | 14 | (73,084) | (62,059) |
| Disposal of investment properties | 14 | 9,365 | 4,410 |
| Purchase of tangible assets |  | (1) | (10) |
| **Cash outflows from investing activities** |  | **(68,123)** | **(61,729)** |
|  |  |  |  |
| ***Financing* activities** |  |  |  |
| Issue of ordinary shares |  | - | 102,176 |
| Issue costs of ordinary shares |  | - | (2,055) |
| Borrowings repaid |  | (1,011) | (2,936) |
| Borrowings drawn |  | 15,800 | - |
| ***Financing*** costs |  | (198) | (255) |
| Dividends paid | 11 | (17,822) | (13,102) |
| **Cash (outflows)/ inflows from *financing* activities** |  | **(3,231)** | **83,828** |
|  |  |  |  |
| **Net (decrease)/ increase in cash and cash equivalents** |  | **(47,333)** | **37,740** |
|  |  |  |  |
| Cash and cash equivalents at beginning of year |  | 70,092 | 32,352 |
|  |  |  |  |
| **Cash and cash equivalents at end of year** | 16 | **22,759** | **70,092** |

Notes 1 to 27 form part of these consolidated ***financial*** statements.

Notes to the consolidated ***financial*** statements

For the year ended 31 March 2016

1. General information

Picton Property Income Limited (the "Company" and together with its subsidiaries the "Group") was registered on 15 September 2005 as a closed ended Guernsey investment company. The consolidated ***financial*** statements are prepared for the year ended 31 March 2016 with comparatives for the year ended 31 March 2015.

2. Significant accounting policies

Basis of accounting

The ***financial*** statements have been prepared on a going concern basis and adopt the historical cost basis, except for the revaluation of investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The ***financial*** statements are prepared in accordance with International ***Financial*** Reporting Standards ("IFRS") as issued by IASB and are in compliance with the Companies (Guernsey) Law, 2008.

The Board is satisfied that the Group has sufficient ***financial*** resources available to it to meet the liability arising from the maturity of the zero dividend preference shares in October 2016. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the ***financial*** statements.

The ***financial*** statements are presented in pounds sterling, which is the Company's functional currency. All ***financial*** information presented in pounds sterling has been rounded to the nearest thousand, except when otherwise indicated.

New or amended standards issued

The accounting policies adopted are consistent with those of the previous ***financial*** period, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

·     Annual Improvements to IFRSs (2010-2012 Cycle)

·     Annual Improvements to IFRSs (2011-2013 Cycle)

·     IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contribution

At the date of approval of these ***financial*** statements, the following standards and interpretations were in issue but not yet effective for the ***financial*** year ended 31 March 2016 and have not been adopted early:

·     IFRS 9: ***Financial*** ***Instruments***

·     Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

·     IFRS 16: Leases

·     Amendments to IAS 1: Disclosure Initiative

·     Amendments to IAS 16: Property Plant and Equipment

·     Amendments to IAS 27: Equity Method in Separate ***Financial*** Statements

·     Amendments to IAS 28: Investments in Associates and joint Ventures

·     Amendments to IAS 38: Intangible Assets

·     Amendments to IAS 41: ***Agriculture***

·     Annual Improvements to IFRSs (2014)

The Directors are in the process of assessing the full impact of the standards listed above but do not expect them to have a material impact on the Group's ***financial*** statements in the year of initial application, other than on presentation and disclosure.

Use of estimates and judgements

The preparation of ***financial*** statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The critical estimate and assumption relate to the investment property valuations applied by the Group's independent valuer and this is described in more detail in Note 14. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Critical judgements, where made, are disclosed within the relevant section of the ***financial*** statements in which such judgements have been applied. Key judgements relate to the treatment of business combinations, lease classifications, or employee benefits where different accounting policies could be applied. These are described in more detail in the accounting policy notes below, or in the relevant notes to the ***financial*** statements.

Basis of consolidation

The consolidated ***financial*** statements incorporate the ***financial*** statements of the Company and entities controlled by the Company at the reporting date. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. These ***financial*** statements include the results of the subsidiaries disclosed in Note 13. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, the following criteria are considered:

·     The number of items of land and buildings owned by the subsidiary;

·     The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary; and

·     Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes, including provision of all relevant administration and information to the entity's owners.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

Goodwill on business combinations is measured as the fair value of the consideration transferred less the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, this is recognised immediately in the Consolidated Statement of Comprehensive Income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Presentation of the Consolidated Statement of Comprehensive Income

In order to better reflect the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income.

Fair value hierarchy

The fair value measurement for the assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

Investment properties

Freehold property held by the Group to earn income or for capital appreciation or both is classified as investment property in accordance with IAS 40 'Investment Property'. Property held under ***finance*** leases for similar purposes is also classified as investment property. Investment property is initially recognised at purchase cost plus directly attributable acquisition expenses. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.

The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and ***financially*** feasible. The Group ensures the use of suitable qualified external valuers valuing the investment properties held by the Group.

The fair value of investment property generally involves consideration of:

·     Market evidence on comparable transactions for similar properties;

·     The actual current market for that type of property in that type of location at the reporting date and current market expectations;

·     Rental income from leases and market expectations regarding possible future lease terms;

·     Hypothetical sellers and buyers, who are reasonably informed about the current market and who are motivated, but not compelled, to transact in that market on an arm's length basis; and

·     Investor expectations on matters such as future enhancement of rental income or market conditions.

Gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income in the year in which they arise. Purchases and sales of investment property are recognised when contracts have been unconditionally exchanged and the significant risks and rewards of ownership have been transferred.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Consolidated Statement of Comprehensive Income in the year the item is derecognised. Investment properties are not depreciated.

Realised and unrealised gains on investment properties have been presented as capital items within the Consolidated Statement of Comprehensive Income.

The loans have a first ranking mortgage over the majority of properties, see Note 14.

Leases

***Finance*** leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between ***finance*** charges and a reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. ***Finance*** charges are charged directly to the Consolidated Statement of Comprehensive Income.

An operating lease is a lease other than a ***finance*** lease. Lease income is recognised in income on a straight-line basis over the lease term. Direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The ***financial*** statements reflect the requirements of SIC 15, 'Operating Leases - Incentives' to the extent that they are material. Premiums received on the surrender of leases are recorded as income immediately if there are no relevant conditions attached to the surrender.

Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities in three months or less and that are subject to an insignificant risk of change in value.

Income and expenses

Income and expenses are included in the Consolidated Statement of Comprehensive Income on an accruals basis. All of the Group's income and expenses are derived from continuing operations.

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

Lease incentive payments are amortised on a straight-line basis over the period from the date of lease inception to the lease end. Upon receipt of a surrender premium for the early termination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in revenue from properties.

Property operating costs include the costs of professional fees on letting and other non-recoverable costs.

The income charged to occupiers for property service charges and the costs associated with such service charges are shown separately in Notes 3 and 4 to reflect that, notwithstanding this money is held on behalf of occupiers, the ultimate risk for paying and recovering these costs rests with the property owner.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Comprehensive Income in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.  A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

The fair value of the amounts payable to employees in respect of the Deferred Bonus Scheme, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in the Consolidated Statement of Comprehensive Income.

Dividends

Dividends are recognised in the period in which they are declared.

Trade receivables

Trade receivables are stated at their nominal amount as reduced by appropriate allowances for estimated irrecoverable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Consolidated Statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process.

Other assets and liabilities

Other assets and liabilities, including trade creditors and accruals, other debtors and creditors, and deferred rental income, are not interest bearing and are stated at their nominal value.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Taxation

The Directors conduct the affairs of the Group such that the management and control of the Group is not exercised in the United Kingdom and that the Group does not carry on a trade in the United Kingdom. Accordingly the Group will not be liable to United Kingdom taxation on its income or capital gains arising in the United Kingdom, other than certain income deriving from a United Kingdom source.

The Group is subject to United Kingdom taxation on income arising on the investment properties after deduction of allowable debt ***financing*** costs and allowable expenses. The Group is tax exempt in Guernsey for the year ended 31 March 2016.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for ***financial*** reporting purposes. Deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. As the Directors consider that the value of the property portfolio is likely to be realised by sale rather than use over time, and that no charge to Guernsey or United Kingdom taxation will arise on capital gains, no provision has been made for deferred tax on valuation uplifts.

Principles for the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows has been drawn up according to the indirect method, separating the cash flows from operating activities, investing activities and ***financing*** activities. The net result has been adjusted for amounts in the Consolidated Statement of Comprehensive Income and movements in the Consolidated Balance Sheet which have not resulted in cash income or expenditure in the relating period.

The cash amounts in the Consolidated Statement of Cash Flows include those assets that can be converted into cash without any restrictions and without any material risk of decreases in value as a result of the transaction. Dividends that have been paid are included in the cash flow from ***financing*** activities.

3. Revenue from properties

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Rents receivable (adjusted for lease incentives) | 39,663 | 34,088 |
| Surrender premiums | 339 | 464 |
| Dilapidation receipts | 108 | 528 |
| Other income | 660 | 71 |
| Service charge income | 5,153 | 4,511 |
|  | **45,923** | **39,662** |

Rents receivable includes lease incentives recognised of £1.2 million (2015: £1.2 million).

4. Property expenses

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Property operating expenses | 3,308 | 2,861 |
| Property void costs | 1,540 | 1,948 |
| Recoverable service charge costs | 5,153 | 4,511 |
|  | **10,001** | **9,320** |

5. Operating segments

The Board is charged with setting the Company's investment strategy in accordance with the Company's investment restrictions and overall objectives. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value. As the total return on the Group's net asset value is calculated based on the net asset value per share calculated under IFRS as shown at the foot of the Balance Sheet, assuming dividends are re-invested, the key performance measure is that prepared under IFRS. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the ***financial*** statements.

The Board have delegated the day-to-day implementation of this strategy to the Investment Manager but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The operating activities of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board.

The Investment Manager has been given authority to act on behalf of the Company in certain situations. Under the terms of the Investment Management Agreement, subject to the overall supervision of the Board, the Investment Manager advises on the investment strategy of the Company, advises the Company on its borrowing policy and geared investment position, manages the investment of the Company's short-term liquid resources, and advises on the use and management of derivatives and hedging by the Company. Whilst the Investment Manager may make operational decisions on a day-to-day basis regarding the property investments, any changes to the investment strategy or allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager.

The Board therefore retains full responsibility for investment policy and strategy. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the Board. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the opinion that the Group, through its subsidiary undertakings, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom, and therefore no segmental reporting is required. The portfolio consists of 58 commercial properties, which are in the industrial, office, retail, retail warehouse, and leisure sectors.

6. Management expenses

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Staff costs | 2,328 | 2,019 |
| Other management costs | 573 | 572 |
|  | **2,901** | **2,591** |

The Investment Manager for the Group is Picton Capital Limited, a wholly owned subsidiary company. The above staff and other management costs are those incurred by Picton Capital Limited during the year.

7. Staff costs

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Wages and salaries | 1,475 | 1,258 |
| Social security costs | 204 | 175 |
| Other pension costs | 150 | 125 |
| Share-based payments | 499 | 461 |
|  | **2,328** | **2,019** |

Staff costs are those of the employees of Picton Capital Limited. Employees in the Group participate in a share-based Deferred Bonus Scheme, previously called the Long Term Incentive Plan. Awards made under the Deferred Bonus Scheme are linked to the Company's share price and dividends paid, and normally vest after periods of two or three years. Employees must still be in the Group's employment to receive payment on the vesting date. During the year the Group made awards of 744,444 units (2015: 719,512 units), of which 372,222 units vest on 31 March 2018 and 372,222 units vest on 31 March 2019.

The table below summarises the awards made under the Deferred Bonus Scheme to Picton Capital Limited's staff. Employees have the option to defer the vesting date of their awards for a maximum of seven years. The units which vested at 31 March 2016 and were not deferred were paid out subsequent to the year end at a cost of £391,000 (2015: £147,000).

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Vesting Date |  | Units  at 31 March  2014 | Units  ***granted***  in the year | Units  cancelled  in the year | Units  redeemed  in the year | Units  at 31 March 2015 | Units  ***granted***  in the year | Units  redeemed  in the year | Units  at 31 March 2016 |
| 31 March 2014 |  | 114,070 | - | - | (104,100) | 9,970 | - | (7,050) | 2,920 |
| 31 March 2015 |  | 356,695 | - | (2,480) | (186,165) | 168,050 | - | (13,050) | 155,000 |
| 31 March 2016 |  | 583,293 | - | (3,232) | - | 580,061 | - | (502,385) | 77,676 |
| 31 March 2017 |  | 310,793 | 359,756 | (1,982) | - | 668,567 | - | - | 668,567 |
| 31 March 2018 |  | - | 359,756 | - | - | 359,756 | 372,222 | - | 731,978 |
| 31 March 2019 |  | - | - | - | - | - | 372,222 | - | 372,222 |
|  |  | **1,364,851** | **719,512** | **(7,694)** | **(290,265)** | **1,786,404** | **744,444** | **(522,485)** | **2,008,363** |

The emoluments of the Directors are set out in the Remuneration Report.

The Group employed 13 members of staff at 31 March 2016 (2015: 12). The average number of people employed by the Group for the year ended 31 March 2016 was 13 (2015: 12).

8. Other operating expenses

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Valuation expenses | 108 | 87 |
| Administrator fees | 201 | 192 |
| Auditor's remuneration | 142 | 163 |
| Directors' fees | 224 | 212 |
| Professional fees | 505 | 382 |
| Other expenses | 330 | 158 |
|  | **1,510** | **1,194** |

|  |  |  |
| --- | --- | --- |
| Auditor's remuneration comprises: | **2016**  **£000** | 2015  £000 |
| **Audit fees:** |  |  |
| Audit of Group ***financial*** statements | **56** | 56 |
| Audit of subsidiaries' ***financial*** statements | **48** | 63 |
| **Audit related fees:** |  |  |
| Review of half year ***financial*** statements | **19** | 19 |
|  | **123** | **138** |
| **Non-audit fees:** |  |  |
| Additional controls testing | **15** | 14 |
| FCA CASS audit | **4** | 4 |
| Tax compliance | **-** | 7 |
|  | **19** | **25** |
|  | **142** | **163** |

9. Interest paid

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Interest payable on loans at amortised cost | 8,751 | 8,758 |
| Capital additions on zero dividend preference shares | 1,900 | 1,766 |
| Interest on obligations under ***finance*** leases | 115 | 115 |
| Non-utilisation fees | 169 | - |
| Amortisation of ***finance*** costs | 626 | 475 |
|  | **11,561** | **11,114** |

The loan arrangement costs incurred to 31 March 2016 are £5,728,000 (2015: £5,728,000). These are amortised over the duration of the loans with £626,000 written off in the year ended 31 March 2016 (2015: £475,000).

10. Tax

The charge for the year is:

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Current UK income tax | 235 | 250 |
| Income tax adjustment to provision for prior year | (137) | (54) |
|  | **98** | **196** |
| UK corporation tax | 118 | 151 |
|  | **118** | **151** |
| **Total tax charge** | **216** | **347** |

A reconciliation of the income tax charge applicable to the results at the statutory income tax rate to the charge for the year is as follows:

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Profit before taxation | 65,064 | 69,202 |
| Expected tax charge on ordinary activities at the standard rate of taxation of 20% | 13,013 | 13,840 |
| Less: |  |  |
| Revaluation gains not taxable | (8,994) | (10,715) |
| Income not taxable, including interest receivable | (215) | (138) |
| Expenditure not allowed for income tax purposes | 696 | 584 |
| Losses utilised | (129) | (102) |
| Capital allowances and other allowable deductions | (4,136) | (3,334) |
| Losses carried forward to future years | - | 115 |
| Adjustment to provision for prior years | (137) | (54) |
| **Total income tax charge** | **98** | **196** |

For the year ended 31 March 2016 there was an income tax liability of £98,000 in respect of the Group (2015: £196,000) and corporation tax of £118,000 (2015: £151,000).

The Group is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed fee of £1,200 per company per year is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains.

The Directors conduct the affairs of the Group such that the management and control of the Group is not exercised in the United Kingdom and that the Group does not carry on a trade in the United Kingdom.

The Group is subject to United Kingdom taxation on rental income arising on the investment properties after deduction of allowable debt ***financing*** costs and allowable expenses. The treatment of such costs and expenses in estimating the overall tax liability for the Group requires judgement and assumptions regarding their deductibility. The Directors have considered comparable market evidence and practice in determining the extent to which these are allowable. This is shown above as Current UK income tax. UK corporation tax relates to the corporation tax arising in respect of Picton Capital Limited.

No deferred tax asset has been recognised from unused tax losses which total £4.6 million (2015: £4.8 million) as the Group is only able to utilise the losses to offset taxable profits in certain discrete business streams, and the Directors consider that the probability of realising the benefit of these losses, except to an immaterial extent, to be low.

11. Dividends

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| **Declared and paid:** |  |  |
| Interim dividend for the period ended 31 March 2014: 0.75 pence | - | 2,849 |
| Interim dividend for the period ended 30 June 2014: 0.75 pence | - | 3,294 |
| Interim dividend for the period ended 30 September 2014: 0.75 pence | - | 3,294 |
| Interim dividend for the period ended 31 December 2014: 0.75 pence | - | 3,665 |
| Interim dividend for the period ended 31 March 2015: 0.825 pence | 4,455 | - |
| Interim dividend for the period ended 30 June 2015: 0.825 pence | 4,455 | - |
| Interim dividend for the period ended 30 September 2015: 0.825 pence | 4,456 | - |
| Interim dividend for the period ended 31 December 2015: 0.825 pence | 4,456 | - |
|  | **17,822** | **13,102** |

The interim dividend of 0.825 pence per ordinary share in respect of the period ended 31 March 2016 has not been recognised as a liability as it was declared after the year end. A dividend of £4,455,000 was paid on 31 May 2016.

12. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The following reflects the profit and share data used in the basic and diluted profit per share calculation:

|  |  |  |
| --- | --- | --- |
|  | **2016** | 2015 |
| Net profit attributable to ordinary shareholders of the Company from continuing operations (£000) | 64,848 | 68,855 |
| Weighted average number of ordinary shares for basic and diluted profit per share | 540,053,660 | 445,259,094 |

13. Investments in subsidiaries

The Company had the following principal subsidiaries as at 31 March 2016:

|  |  |  |
| --- | --- | --- |
| **Name** | **Place of**  **incorporation** | **Ownership proportion** |
| Picton UK Real Estate (Property) Limited | Guernsey | 100% |
| Picton (UK) REIT (SPV) Limited | Guernsey | 100% |
| Picton (UK) Listed Real Estate | Guernsey | 100% |
| Picton UK Real Estate (Property) No 2 Limited | Guernsey | 100% |
| Picton (UK) REIT (SPV No 2) Limited | Guernsey | 100% |
| Picton (UK) Listed Real Estate Limited | Guernsey | 100% |
| Merbrook Business Property Unit Trust\* | Jersey | 100% |
| Merbrook Prime Retail Property Unit Trust\* | Jersey | 100% |
| Merbrook Bristol Property Unit Trust\* | Jersey | 100% |
| Picton Capital Limited | England & Wales | 100% |
| Picton ZDP Limited | Guernsey | 100% |
| Picton (General Partner) No 2 Limited | Guernsey | 100% |
| Picton (General Partner) No 3 Limited | Guernsey | 100% |
| Picton No 2 Limited Partnership | England & Wales | 100% |
| Picton No 3 Limited Partnership | England & Wales | 100% |
| Picton Property No 3 Limited | Guernsey | 100% |
| Picton ***Finance*** Limited | Guernsey | 100% |

\* (the "JPUTs")

The results of the above entities are consolidated within the Group ***financial*** statements.

Picton UK Real Estate (Property) Limited and Picton (UK) REIT (SPV) Limited own 100% of the units in Picton (UK) Listed Real Estate, a Guernsey Unit Trust (the "GPUT"). The GPUT holds a 99.9% interest in both Picton No 2 Limited Partnership and Picton No 3 Limited Partnership.

Picton No 3 Limited Partnership owns all of the units in the JPUTs, which are each registered as Jersey Unit Trusts. During the year Merbrook Swindon Property Unit Trust was wound up following the disposal of its property assets. The Directors have approved the winding up of the three remaining JPUTs once their assets and liabilities have been distributed to Picton No 3 Limited Partnership.

14. Investment properties

The following table provides a reconciliation of the opening and closing amounts of investment properties classified as Level 3 recorded at fair value.

|  |  |  |
| --- | --- | --- |
|  | **2016 £000** | 2015  £000 |
| Fair value at start of year | 532,926 | 417,632 |
| Acquisitions | 73,084 | 62,059 |
| Capital expenditure on investment properties | 4,403 | 4,070 |
| Disposals | (9,365) | (4,410) |
| Realised gains on disposal | 799 | 438 |
| Realised losses on disposal | - | (26) |
| Unrealised gains on investment properties | 51,125 | 60,094 |
| Unrealised losses on investment properties | (6,954) | (6,931) |
| **Fair value at the end of the year** | **646,018** | **532,926** |
|  |  |  |
| **Historic cost at the end of the year** | **685,499** | **628,645** |

The fair value of investment properties reconciles to the appraised value as follows:

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Appraised value | 654,605 | 540,905 |
| Valuation of assets held under ***finance*** leases | 1,731 | 1,155 |
| Lease incentives held as debtors | (10,318) | (9,134) |
| **Fair value at the end of the year** | **646,018** | **532,926** |

The investment properties were valued by CBRE Limited, Chartered Surveyors, as at 31 March 2016 and 31 March 2015 on the basis of fair value in accordance with the RICS Valuation - Professional Standards (2014). The total fees earned by CBRE Limited from the Group is less than 5% of their total UK revenue.

The fair value of the Group's investment properties has been determined using an income capitalisation technique, whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable market transactions on an arm's length basis.

The Group's investment properties are valued quarterly by independent valuers. The valuations are based on:

·     Information provided by the Investment Manager including rents, lease terms, revenue and capital expenditure. Such information is derived from the Investment Manager's ***financial*** and property systems and is subject to the Group's overall control environment.

·     Valuation models used by the valuers, including market related assumptions based on their professional judgement and market observation.

The assumptions and valuation models used by the valuers, and supporting information, are reviewed by the Investment Manager and the Board through the Property Valuation Committee. Members of the Property Valuation Committee, together with the Investment Manager, meet with the independent valuer on a quarterly basis to review the valuations and underlying assumptions, including considering current market trends and conditions, and changes from previous quarters. The Directors will also consider where circumstances at specific investment properties, such as alternate uses and issues with occupational tenants, are appropriately reflected in the valuations. The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and ***financially*** feasible.

As at 31 March 2016 and 31 March 2015 all of the Group's properties are Level 3 in the fair value hierarchy as it involves use of significant inputs. There were no transfers between levels during the year. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

Information on these significant unobservable inputs per sector of investment properties is disclosed as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2016** | 2015 |  |  |  |  |
|  | **Offices** | **Industrial** | **Retail and Leisure** | Offices | Industrial | Retail and  Leisure |
| Appraised value (£000) | **252,085** | **236,635** | **165,885** | 173,420 | 217,745 | 149,740 |
| Area (sq ft, 000s) | **999** | **2,745** | **831** | 800 | 2,736 | 732 |
|  |  |  |  |  |  |  |
| **Range of unobservable inputs:** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Gross ERV (sq ft per annum) |  |  |  |  |  |  |
| - range | **£7.57-£56.35** | **£3.15-£16.78** | **£5.24-£80.36** | £7.57-£50.99 | £2.98-£15.31 | £5.74-£81.04 |
| - weighted average | **£29.38** | **£7.33** | **£28.75** | £26.83 | £6.94 | £30.53 |
|  |  |  |  |  |  |  |
| Net initial yield |  |  |  |  |  |  |
| - range | **1.04%-18.75%** | **-4.75%-9.64%** | **3.23%-12.58%** | -1.09%-25.47% | 0%-10.55% | 2.65%-14.47% |
| - weighted average | **5.23%** | **5.61%** | **6.22%** | 5.36% | 6.18% | 6.00% |
|  |  |  |  |  |  |  |
| Reversionary yield |  |  |  |  |  |  |
| - range | **5.05%-15.94%** | **5.30%-11.87%** | **4.25%-9.27%** | 5.07%-18.02% | 5.68%-13.15% | 4.08%-18.46% |
| - weighted average | **7.12%** | **6.60%** | **5.78%** | 7.64% | 6.87% | 6.39% |
|  |  |  |  |  |  |  |
| True equivalent yield |  |  |  |  |  |  |
| - range | **5.05%-14.73%** | **5.48%-10.94%** | **4.38%-9.53%** | 0%-13.13% | 5.80%-12.59% | 4.50%-20.05% |
| - weighted average | **6.98%** | **6.67%** | **6.51%** | 7.15% | 7.03% | 6.93% |

An increase/decrease in ERV will increase/decrease valuations, while an increase/decrease to yield decreases/increases valuations. The table below sets out the sensitivity of the valuation to changes of 50 basis points in yield.

|  |  |  |  |
| --- | --- | --- | --- |
| Sector | Movement | **2016**  **Impact on valuation** | 2015  Impact on valuation |
| Industrial | Increase of 50 basis points | Decrease of £18.0m | Decrease of £15.7m |
|  | Decrease of 50 basis points | Increase of £21.1m | Increase of £18.2m |
| Office | Increase of 50 basis points | Decrease of £19.9m | Decrease of £12.5m |
|  | Decrease of 50 basis points | Increase of 22.0m | Increase of £14.4m |
| Retail and Leisure | Increase of 50 basis points | Decrease of £12.5m | Decrease of £10.5m |
|  | Decrease of 50 basis points | Increase of £14.6m | Increase of £12.3m |

15. Accounts receivable

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| **Current** |  |  |
| Tenant debtors (net of provisions for bad debts) | 3,209 | 3,871 |
| Lease incentives | 10,318 | 9,134 |
| Other debtors | 578 | 388 |
| Income tax receivable | 4 | - |
| Capitalised ***finance*** costs | 540 | 626 |
|  | **14,649** | **14,019** |
| **Non-current** |  |  |
| Capitalised ***finance*** costs | 3,331 | 3,871 |
|  | **3,331** | **3,871** |
|  | **17,980** | **17,890** |

Tenant debtors, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

16. Cash and cash equivalents

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Cash at bank and in hand | 20,063 | 16,416 |
| Short-term deposits | 2,696 | 53,676 |
|  | **22,759** | **70,092** |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The carrying amounts of these assets approximate their fair value.

17. Accounts payable and accruals

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Accruals | 4,197 | 3,803 |
| Deferred rental income | 8,621 | 7,482 |
| VAT liability | 1,934 | 1,935 |
| Income tax liability | - | 206 |
| Trade creditors | 232 | 750 |
| Other creditors | 3,337 | 2,189 |
|  | **18,321** | **16,365** |

18. Loans and borrowings

|  |  |  |  |
| --- | --- | --- | --- |
|  | Maturity | **2016 £000** | 2015  £000 |
| **Current** |  |  |  |
| Aviva facility | - | 1,057 | 1,012 |
| Zero dividend preference shares | 15 October 2016 | 28,034 | - |
|  |  | **29,091** | **1,012** |
| **Non-current** |  |  |  |
| Santander revolving credit facility | 25 March 2018 | 15,800 | - |
| Canada Life facility | 20 July 2022 | 33,718 | 33,718 |
| Canada Life facility | 24 July 2027 | 80,000 | 80,000 |
| Aviva facility | 24 July 2032 | 90,926 | 91,982 |
| Zero dividend preference shares | 15 October 2016 | - | 26,134 |
|  |  | **220,444** | **231,834** |
|  |  | **249,535** | **232,846** |

The Group has a loan with Canada Life Limited for £113.7 million, which is fully drawn. The loan is for a term of 15 years, with £33.7 million repayable on the tenth anniversary of drawdown. Interest is fixed at 4.08% over the life of the loan. The loan agreement has a loan to value covenant of 65% and an interest cover test of 1.75. The loan is secured over the Group's properties held by Picton No 2 Limited Partnership and Picton UK Real Estate Trust (Property) No 2 Limited, valued at £270.5 million (2015: £256.9 million).

Additionally the Group has a term loan facility agreement with Aviva Commercial ***Finance*** Limited for £95.3 million, which was fully drawn on 24 July 2012. The loan is for a term of 20 years, with approximately one third repayable over the life of the loan in accordance with a scheduled amortisation profile. The Group has repaid £1.0 million in the year (2015: £1.0 million). Interest on the loan is fixed at 4.38% over the life of the loan. The facility has a loan to value covenant of 65% and a debt service cover ratio of 1.4. The facility is secured over the Group's properties held by Picton No 3 Limited Partnership, Picton Property No 3 Limited and the JPUTs, valued at £229.1 million (2015: £206.4 million).

On 26 March 2015 a £26.0 million revolving credit facility was put in place with Santander Corporate & Commercial Banking for three-years. On 17 February 2016 £15.8 million was drawn down under the facility, leaving £10.2 million undrawn at year end. Interest is charged at 175 basis points over three month LIBOR and the non-utilisation fee is 70 basis points. The facility is secured over properties held by Picton (UK) REIT (SPV No 2) Limited, valued at £57.1 million (2015: £54.7 million).

The fair value of the secured loan facilities at 31 March 2016, estimated as the present value of future cash flows discounted at the market rate of interest at that date, was £243.1 million (2015: £224.9 million). The fair value of the secured loan facilities is classified as Level 2 under the hierarchy of fair value measurements.

The Group has 22,000,000 zero dividend preference shares ('ZDPs') in issue with a maturity date of 15 October 2016. The ZDPs accrue additional capital at a rate of 7.25% per annum, resulting in a final capital entitlement at maturity of 132.3 pence per share. The ZDPs do not receive any dividends or income distributions, and are listed on the London Stock Exchange. The ZDPs were issued by Picton ZDP Limited, a wholly owned subsidiary company.

The fair value of the zero dividend preference shares at 31 March 2016, based on the quoted market price at that date, was £28.2 million (2015: £27.7 million). The fair value of the zero dividend preference shares is classified as Level 1 under the hierarchy of fair value measurements (2015: Level 1).

There were no transfers between levels of the fair value hierarchy during the current or prior years.

The weighted average interest rate on the Group's borrowings as at 31 March 2016 was 4.43% (2015: 4.56%).

In accordance with the AIFM Directive, information in relation to the Group's leverage is required to be made available to investors. The Group's maximum and average actual leverage levels at 31 March 2016 are shown below:

|  |  |  |
| --- | --- | --- |
|  | Gross  method | Commitment method |
| Maximum limit | 285% | 285% |
| Actual | 157% | 160% |

For the purpose of the AIFM Directive, leverage is any method which increases the Group's exposure, including the borrowing of cash and use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Incorporation.

19. Contingencies and capital commitments

The Group has entered into contracts for the refurbishment of 13 properties with commitments outstanding at 31 March 2016 of approximately £3.3 million (2015: £3.2 million). No further obligations to construct or develop investment property or for repairs, maintenance or enhancements were in place as at 31 March 2016.

20. Share capital

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| **Authorised:** |  |  |
| Unlimited number of ordinary shares of no par value | **-** | - |
| **Issued and fully paid:** |  |  |
| 540,053,660 ordinary shares of no par value |  |  |
| (31 March 2015: 540,053,660) | **-** | - |
| Share premium | **157,449** | 157,313 |

The Company issued no new ordinary shares during the year (2015: 160,183,931 shares). The issue costs of new shares in the year ended 31 March 2015 of £2.1 million included an over-accrual of £136,000 which was reversed in the current year.

Subject to the solvency test contained in the Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights.

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue, subject to the annual renewal of the authority from shareholders and provided that the ZDP Share Cover for the ZDPs is not less than 3.5 times, after the proposed repurchase. Any buy back of ordinary shares will be made subject to Guernsey law, and the making and timing of any buy backs will be at the absolute discretion of the Board.

21. Adjustment for non-cash movements in the cash flow statement

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Profit on disposal of investment properties | (799) | (412) |
| Increase in investment property valuation | (44,171) | (53,163) |
| Depreciation of tangible assets | 45 | 49 |
| Increase in receivables | (712) | (3,764) |
| Increase in payables | 2,439 | 1,863 |
|  | **(43,198)** | **(55,427)** |

22. Obligations under leases

The Group has entered into a number of leases in relation to its investment properties. These leases are for fixed terms and subject to regular rent reviews. They contain no material provisions for contingent rents, renewal or purchase options nor any restrictions outside of the normal lease terms.

***Finance*** lease obligations in respect of rents payable on leasehold properties were payable as follows:

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Future minimum payments due: |  |  |
| Within one year | 116 | 116 |
| In the second to fifth years inclusive | 466 | 466 |
| After five years | 7,732 | 7,849 |
|  | **8,314** | **8,431** |
| Less: ***finance*** charges allocated to future periods | (6,488) | (6,603) |
| **Present value of minimum lease payments** | **1,826** | **1,828** |

The present value of minimum lease payments is analysed as follows:

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| **Current** |  |  |
| Within one year | 109 | 103 |
|  | **109** | **103** |
| **Non-current** |  |  |
| In the second to fifth years inclusive | 397 | 351 |
| After five years | 1,320 | 1,374 |
|  | **1,717** | **1,725** |
|  | **1,826** | **1,828** |

Operating leases where the group is lessor

The Group leases its investment properties under operating leases.

At the reporting date, the Group's future income based on the unexpired lessor lease length was as follows (based on annual rentals):

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Within one year | 39,556 | 35,617 |
| In the second to fifth years inclusive | 124,853 | 121,873 |
| After five years | 116,228 | 134,409 |
|  | **280,637** | **291,899** |

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining lease terms of more than five years.

23. Net asset value

The net asset value per ordinary share is based on net assets at the year end and 540,053,660 (2015: 540,053,660) ordinary shares, being the number of ordinary shares in issue at the year end.

At 31 March 2016, the Company had a net asset value per ordinary share of £0.77 (2015: £0.69).

24. ***Financial*** ***instruments***

The Group's ***financial*** ***instruments*** comprise cash and cash equivalents, accounts receivable, secured loans, zero dividend preference shares, obligations under ***finance*** leases and accounts payable that arise from its operations. The Group does not have exposure to any derivative ***financial*** ***instruments***. Apart from the secured loans and the zero dividend preference shares, as disclosed in Note 18, the fair value of the ***financial*** assets and liabilities is not materially different from their carrying value in the ***financial*** statements.

Categories of ***financial*** ***instruments***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 March 2016** | Note | **Held at fair value through profit or loss**  **£000** | ***Financial* assets and liabilities at amortised cost**  **£000** | **Total**  **£000** |
| ***Financial* assets** |  |  |  |  |
| Accounts receivable | 15 | - | 17,980 | 17,980 |
| Cash and cash equivalents | 16 | - | 22,759 | 22,759 |
|  |  | **-** | **40,739** | **40,739** |
| ***Financial* liabilities** |  |  |  |  |
| Loans | 18 | - | 249,535 | 249,535 |
| Obligations under ***finance*** leases | 22 | - | 1,826 | 1,826 |
| Accounts payable and accruals | 17 | - | 18,321 | 18,321 |
|  |  | **-** | **269,682** | **269,682** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 31 March 2015 | Note | Held at fair value through profit or  loss  £000 | ***Financial*** assets  and liabilities at amortised cost  £000 | Total  £000 |
| ***Financial* assets** |  |  |  |  |
| Accounts receivable | 15 | - | 17,890 | 17,890 |
| Cash and cash equivalents | 16 | - | 70,092 | 70,092 |
|  |  | **-** | **87,982** | **87,982** |
| ***Financial* liabilities** |  |  |  |  |
| Loans | 18 | - | 232,846 | 232,846 |
| Obligations under ***finance*** leases | 22 | - | 1,828 | 1,828 |
| Accounts payable and accruals | 17 | - | 16,365 | 16,365 |
|  |  | **-** | **251,039** | **251,039** |

25. Risk management

The Group invests in commercial properties in the United Kingdom. The following describes the risks involved and the applied risk management. The Investment Manager reports regularly both verbally and formally to the Board, and its relevant committees, to allow them to monitor and review all the risks noted below.

Capital risk management

The Group aims to manage its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group consists of debt, as disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Group is not subject to any external capital requirements.

The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group has managed its capital risk by entering into long-term loan arrangements which will enable the Group to reduce its borrowings in an orderly manner over the long-term. The Group intends to repay its zero dividend preference shares in full on the maturity date, and has a new five year revolving credit facility which can be used for this purpose but also provides greater flexibility in managing the level of borrowings.

The Group's net debt to equity ratio at the reporting date was as follows:

|  |  |  |
| --- | --- | --- |
|  | **2016**  **£000** | 2015  £000 |
| Total liabilities | 269,682 | 251,039 |
| Less: cash and cash equivalents | (22,759) | (70,092) |
| **Net debt** | **246,923** | **180,947** |
| **Total equity** | **417,132** | **369,970** |
| **Net debt to equity ratio at end of year** | **0.59** | **0.49** |

Interest rate risk management

Interest rate risk arises on interest payable on the revolving credit facility only. The Group's senior debt facilities have fixed interest rates over the lives of the loans and thus the Group has limited exposure to interest rate risk on the majority of its borrowings and no sensitivity is presented.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's ***financial*** assets/(liabilities).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 March 2016** | **Less than**  **one year**  **£000** | **1 to 5**  **Years**  **£000** | **More than**  **5 years**  **£000** | **Total**  **£000** |
| **Floating** |  |  |  |  |
| Cash and cash equivalents | 22,759 | - | - | 22,759 |
| Secured loan facilities | - | (15,800) | - | (15,800) |
| **Fixed** |  |  |  |  |
| Secured loan facilities | (1,057) | (4,718) | (199,926) | (205,701) |
| Zero dividend preference shares | (28,034) | - | - | (28,034) |
|  | **(6,332)** | **(20,518)** | **(199,926)** | **(226,776)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 31 March 2015 | Less than  one year  £000 | 1 to 5  Years  £000 | More than  5 years  £000 | Total  £000 |
| **Floating** |  |  |  |  |
| Cash and cash equivalents | 70,092 | - | - | 70,092 |
| **Fixed** |  |  |  |  |
| Secured loan facilities | (1,012) | (4,517) | (201,183) | (206,712) |
| Zero dividend preference shares | - | (26,134) | - | (26,134) |
|  | **69,080** | **(30,651)** | **(201,183)** | **(162,754)** |

Credit risk

The following tables detail the balances held at the reporting date that may be affected by credit risk:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 March 2016** | Note | **Held at fair value through profit or loss**  **£000** | ***Financial* assets and liabilities at amortised cost**  **£000** | **Total**  **£000** |
| ***Financial* assets** |  |  |  |  |
| Tenant debtors | 15 | - | 3,209 | 3,209 |
| Cash and cash equivalents | 16 | - | 22,759 | 22,759 |
|  |  | **-** | **25,968** | **25,968** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 31 March 2015 | Note | Held at fair value through profit or   loss  £000 | ***Financial*** assets  and liabilities at amortised cost  £000 | Total  £000 |
| ***Financial* assets** |  |  |  |  |
| Tenant debtors | 15 | - | 3,871 | 3,871 |
| Cash and cash equivalents | 16 | - | 70,092 | 70,092 |
|  |  | **-** | **73,963** | **73,963** |

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in ***financial*** loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of ***financial*** loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade debtors consist of a large number of occupiers, spread across diverse industries and geographical areas. Ongoing credit evaluations are performed on the ***financial*** condition of trade debtors, and where appropriate, credit guarantees are acquired. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid ***funds*** is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Rent collection is outsourced to managing agents who report regularly on payment performance and provide the Group with intelligence on the continuing ***financial*** viability of occupiers.

A provision of £288,000 (2015: £2,049,000) exists at the year end, in relation to outstanding debtors that are considered to be impaired based on a review of individual debtor balances. The Group believes that unimpaired amounts that are overdue by more than 30 days are still collectable, based on the historic payment behaviours and extensive analyses of the underlying customers' credit ratings. At 31 March 2016 debtors overdue by more than 30 days totalled £227,000 (2015: £2,595,000).

The carrying amount of ***financial*** assets recorded in the ***financial*** statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. The Board continues to monitor the Group's exposure to credit risk.

The Group has a panel of banks with which it makes deposits, based on credit ratings with set counterparty limits. The Group's main cash balances are held with National Westminster Bank plc ("NatWest"), Santander plc ("Santander"), Nationwide International Limited ("Nationwide") and The Royal Bank of Scotland plc ("RBS"). Bankruptcy or insolvency of the bank holding cash balances may cause the Group's rights with respect to the cash held by them to be delayed or limited. The Group manages its risk by monitoring the credit quality of its bankers on an ongoing basis. NatWest, Santander, Nationwide and RBS are rated by all the major rating agencies. If the credit quality of these banks deteriorates, the Group would look to move the short-term deposits or cash to another bank. Procedures exist to ensure that cash balances are split between banks to minimise exposure. At 31 March 2016 and at 31 March 2015 Standard & Poor's credit rating for Nationwide and Santander was A-1 and the Group's remaining bankers had an A-2 rating.

There has been no change in the fair values of cash or receivables as a result of changes in credit risk in the current or prior periods, due to the actions taken to mitigate this risk, as stated above.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term ***funding*** and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and loan facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of ***financial*** assets and liabilities. The Group has concluded on a new five year revolving credit facility to manage liquidity requirements arising from the ZDP maturity.

The table below has been drawn up based on the undiscounted contractual maturities of the ***financial*** assets/(liabilities), including interest that will accrue to maturity.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 March 2016** | **Less than**  **one year**  **£000** | **1 to 5**  **Years**  **£000** | **More than**  **5 years**  **£000** | **Total**  **£000** |
| Cash | 22,787 | - | - | 22,787 |
| Accounts receivable | 14,649 | 3,331 | - | 17,980 |
| ***Finance*** lease liability | (116) | (466) | (1,244) | (1,826) |
| Fixed interest rate loans | (38,822) | (38,832) | (262,370) | (340,024) |
| Floating interest rate loans | (364) | (16,158) | - | (16,522) |
| Accounts payable and accruals | (18,321) | - | - | (18,321) |
|  | **(20,187)** | **(52,125)** | **(263,614)** | **(335,926)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 31 March 2015 | Less than  one year  £000 | 1 to 5  Years  £000 | More than  5 years  £000 | Total  £000 |
| Cash | 70,180 | - | - | 70,180 |
| Accounts receivable | 14,019 | 3,871 | - | 17,890 |
| ***Finance*** lease liability | (116) | (466) | (1,246) | (1,828) |
| Fixed interest rate loans | (9,708) | (67,945) | (272,078) | (349,731) |
| Accounts payable and accruals | (16,365) | - | - | (16,365) |
|  | **58,010** | **(64,540)** | **(273,324)** | **(279,854)** |

Market risk

The Group's activities are primarily within the real estate market, exposing it to very specific industry risks.

The yields available from investments in real estate depend primarily on the amount of revenue earned and capital appreciation generated by the relevant properties as well as expenses incurred. If properties do not generate sufficient revenues to meet operating expenses, including debt service and capital expenditure, the Group's revenue will be adversely affected.

Revenue from properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the Group operates, the attractiveness of the properties to occupiers, the quality of the management, competition from other available properties and increased operating costs (including real estate taxes).

In addition, the Group's revenue would be adversely affected if a significant number of occupiers were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditure associated with each equity investment in real estate (such as external ***financing*** costs, real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in revenue from properties. By diversifying in regions, sectors, risk categories and occupiers, the Investment Manager expects to lower the risk profile of the portfolio. The Board continues to oversee the profile of the portfolio to ensure risks are managed.

The valuation of the Group's property assets is subject to changes in market conditions. Such changes are taken to the Consolidated Statement of Comprehensive Income and thus impact on the Group's net result. A 5% increase or decrease in property values would increase or decrease the Group's net result by £32.7 million (2015: £27.0 million).

Concentration risk

As discussed above, all of the Group's investments are in the UK and therefore it is exposed to macroeconomic changes in the UK economy. Furthermore, the Group places reliance on a limited number of occupiers for its rental income, with one occupier accounting for 4.0% of the Group's annual contracted rental income.

Currency risk

The Group has no exposure to foreign currency risk.

26. Related party transactions

The total fees earned during the year by the Directors of the Company was £223,500 (2015: £211,875). As at 31 March 2016 the Group owed £nil to the Directors (2015: £nil). The emoluments of each Director are set out in the Remuneration Report.

Picton Property Income Limited has no controlling parties.

27. Events after the balance sheet date

A dividend of £4,455,000 (0.825 pence per share) was approved by the Board on 25 April 2016 and paid on 31 May 2016.

A new five-year £27 million revolving credit facility has been entered into with Santander Corporate & Commercial Banking on 21 June 2016.

The result of the referendum on 23 June was that the UK should leave the EU. While the full impact of this result is uncertain, the Directors are considering the implications for the Group.

**Load-Date:** June 28, 2016

**End of Document**



[***A framework for assessing governance capacity: An illustration from Vietnam's forestry reforms***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BGY-HK51-JBMY-H3KG-00000-00&context=1516831)

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Bas Arts

**Body**

**ABSTRACT**

Over the last two decades, governance has become a central area of research in various disciplines of social sciences. Although scholars widely recognize the importance of governance in sustainable development, the quality of governance and how to measure it in a comprehensive way are still under discussion. In response to this, we developed a framework for assessing governance capacity that is based on the policy arrangement approach. The framework highlights three elements—enabling rules of the game, converging discourses, and facilitating resources—and their inter-linkages. To illustrate the use of the framework, we present its application to the policy of forest land allocation in Vietnam. Our findings indicate the complicated link between institutional capacity and governance performance and the effects of socioeconomic contexts on actors' interactions in a policy arrangement.

**FULL TEXT**

**Introduction**

Over the last two decades, governance has become a catchword in the social sciences (Kjær, 2004; Jordan, 2008). Although scholars still argue over the theoretical conceptualizations of the term (Arts and Visseren-Hamakers, 2012; Ruhanen et al., 2010), it is generally agreed that effective governance occurs when societal actors cooperate in order to solve collective problems (Driessen et al., 2012; González and Healey, 2005; Kooiman, 1999; Mayntz, 1998). As governance is widely recognized as one of the crucial preconditions for political, social, and economic development (Cubbin and Stern, 2006; Degnbol-Martinussen, 2002; Goodwin, 1998; Graham and Fortier, 2009; Kaufman and Kraay, 2002), assessing governance has become a growth industry, involving not only social scientists but also practitioners in, for example, international development organizations. Concepts such as governance capacity and institutional capacity are widely used as theoretical tools for these assessments (Gualini, 2005; Healey et al., 2002; Pikner, 2008). However, the issues of what constitutes governance capacity (Gissendanner, 2004; Grindle, 2007; Hall, 2002) and how to assess it in a comprehensive manner (Fuchs and Lorek, 2005) are still under discussion.

This paper puts forward a framework for assessing governance capacity. The framework is inspired by the theoretical perspectives of the policy arrangement approach (PAA) and informed by the literature on governance capacity and institutional capacity. To illustrate the framework's utility, we examine the Vietnamese policy of forest land allocation (FLA), which has evolved under *Doi Moi* (the socioeconomic reforms adopted in 1986). *Doi Moi* comprises the enhancement of democratization and information dissemination, the implementation of a socialist market-oriented economy, and an open-door policy in foreign relations (Beresford, 2008). These macro-transformations have paved the way for a new discourse of forestry socialization, which promotes the involvement of non-state actors in forest management (Dang et al., 2012). The institutionalization of the discourse into the Forest Protection and Development Law in the early 1990s has led to nationwide forest devolution: forest lands have been allocated to households and organizations to use and manage. By presenting this framework and illustrating its application, this paper not only contributes to ongoing debates on governance capacity and its assessments, but also to a better understanding of Vietnam's forest governance reforms.

The paper is organized as follows. We first review current discussions on governance capacity and institutional capacity. We then present our framework for assessing governance capacity and illustrate its application. After presenting our main findings, we discuss the theoretical and practical implications for governance capacity and the FLA policy, evaluate the framework, and suggest issues for future research.

**Governance capacity**

Governance capacity has been examined extensively in the literatures on public administration, development, capacity building, and environmental governance. Here, we define governance capacity as the ability of societal actors to work together in order to solve collective problems (Ahrens, 2000; Graham and Fortier, 2009; Knill and Lehmkuhl, 2002; Nelissen, 2002). This capacity is shaped both by the agencies of individual actors and the wider institutional and structural settings influencing the prospects for collaboration. Governance capacity includes the potential of actors' cooperation and the performance in terms of solving collective problems (Arts and Goverde, 2006), both of which are the outcome of actors' interactions (Caffyn and Jobbins, 2003; Pahl-Wostl, 2009), and evolve under and are influenced by wider social contexts (Healey, 2002). Actors' interactions, which refer to their mutually influencing relations, take place at both structural and strategic levels (Kooiman, 1999, 2000). Structural interactions are shaped by institutional settings, which determine the actors' behavior (Hyden et al., 2000; Kjær, 2011; March and Olsen, 1995), their relations (Caffyn and Jobbins, 2003; González and Healey, 2005), and the flow of resources for collective action (DiGaetano and Klemanski, 1993; Healey, 2006). Strategic interactions, on the other hand, take place when actors' interests, values, norms, ideas, and frames of reference shape their choices in collective action (Caffyn and Jobbins, 2003; Knill and Lehmkuhl, 2002; Kooiman, 1999).

The concept of institutional capacity is widely used in the literature to analyze state capacity and the functioning of institutions. The concept generally refers to the degree to which rules and procedures enable actors to work together in order to solve collective problems (Bhagavan and Virgin, 2004; Cornell, 2002; Savitch, 1998; Solokow, 1979; Wickham et al., 2009; Willems and Baumert, 2003). Institutional capacity also comprises potential and realized capacity (Li and Zusman, 2006) and is also influenced by socioeconomic contexts (Phelps and Tewdwr-Jones, 2000).

Importantly, it is worth highlighting that there are commonalities (i.e. collective problem solving) and differences (capacity of actors and functioning of institutions, respectively) between the concept of governance capacity and that of institutional capacity. The terms share two theoretical puzzles. First, authors still debate the link between potential and realized capacity. For example, while Sokolow (1979) says that the two capacities may not be related, Li and Zusman (2006) argue that potential capacity would have a positive effect on realized capacity. Second, although many authors agree that governance capacity and institutional capacity are context-dependent (González and Healey, 2005; Grindle, 2007; Healey et al., 2002; Phelps and Tewdwr-Jones, 2000), it is still an open question how socioeconomic factors influence actors' interactions (González and Healey, 2005).

However, the two terms differ in focus. Institutional capacity emphasizes the institutional settings under which actors interact (Willems and Baumert, 2003), with potential institutional capacity centering on institutional opportunities and constraints for collective action and realized institutional capacity highlighting regulatory enforcement (Li and Zusman, 2006). Governance capacity, on the other hand, has a broader focus (Wickham et al., 2009). Without disqualifying the important role of rules of the game in collective action, governance capacity goes beyond institutions and decision-making structures, to also emphasize actors' discourses and resources. We therefore prefer to use the broader concept of governance capacity to denote the “quality” of governance. As institutional capacity, in our opinion, can be considered as an essential part of the broader concept of governance capacity, this paper is informed by the literature on both concepts.

Despite this rich literature on governance capacity, a coherent framework for assessing governance capacity is still lacking, and scientists employ various evaluative approaches (Kersbergen and Waarden, 2004). For example, authors discuss the appropriateness of goal-based versus goal-free assessments for governance capacity. In the former, authors assess social interventions (Rossi et al., 2004) against their defined goals (Verschuren and Zsolnai, 1998). In the latter, they facilitate the interaction of stakeholders to examine the different concerns and issues (Guba and Lincoln, 1989). Some authors adopt an in-between approach. Arts and Goverde (2006), for example, focus on both the policy goals and the views of affected actors. This approach appears to be more appropriate for governance assessments. As governance capacity denotes the ability of societal actors to work together in collective action, it seems fair to include their concerns in governance assessments. Moreover, since the aim of social cooperation is to solve collective problems, its assessment should clarify the extent to which these goals are realized.

To contribute to these discussions, we designed a framework for assessing governance capacity. Our main research questions were: what constitutes governance capacity and how can it be assessed in a comprehensive manner? When developing the framework, we had two major considerations: In order to build upon the general consensus in the governance capacity literature, the framework should pay attention to both governance processes and impacts and support the investigation of institutional settings.In order to contribute to on-going discussions on the remaining theoretical puzzles, the framework should facilitate the examination of both structural and strategic interactions, the link between potential and realized capacity, and the interplay between governance capacity and socioeconomic contexts.

**A framework for assessing governance capacity**

The development of the framework was inspired by the theoretical perspectives of the PAA, which is highly relevant to governance capacity assessment for four reasons. First, although the approach was developed to analyze environmental policy changes (Arts et al., 2006; Wiering and Arts, 2006), it has been increasingly used in governance assessments (Arnouts and Arts, 2009; Arts and Goverde, 2006; Van der Zouwen, 2006; Van Gossum et al., 2010). In doing so, the PAA conceptualizes policy as “the *what*” (actors' perspectives, definitions of problems, goals, and solutions) and governance as “the *how*” (collective action, problem solving), with the two representing the “two sides of the same coin” named policy making. Second, by taking into account the effects of larger socio-economic contexts on social cooperation, the approach facilitates a better understanding of the context-dependency of governance capacity. Third, the PAA helps to incorporate discursive aspects, to which the governance capacity literature pays relatively little attention, as discourses are included in its four dimensions (discourse, actors, rules of the game, and resources). And fourth, since the approach pays attention to both potential and realized capacity, it supports the investigation of potential links between them and their influence on governance processes and impacts.

**The policy arrangement approach**

The PAA is a mid-range theory (Arts and van Tatenhove, 2004; Van Tatenhove and Leroy, 2000) that builds on neo-institutionalism (March and Olsen, 1989), network theory (Marsh and Rhodes, 1992), the advocacy coalition framework (Sabatier, 1987, 1988), and discourse analysis (Hajer, 1995). The approach centers on three connected theoretical concepts: policy arrangements, institutionalization, and political modernization. A policy arrangement denotes “the temporary stabilization of content and organization of a policy domain” (Arts et al., 2006: 96). Institutionalization refers to the continual shaping and structuring of the content and organization of a policy arrangement. This process takes place under the on-going process of political modernization, which relates to the shifting relations between the state, market, and civil society under economic, social, and cultural developments (Arts et al., 2006). A policy arrangement consists of four dimensions: Actors—actors and their coalitions in a policy domain.Discourses—the perspectives of the actors involved, considering their norms and values, definitions of problems, goals, and approaches to solutions.Rules of the game—both formal and informal rules for policy and decision making, such as legislation and procedures.Resources—the division of power and influence among actors through their mobilization, division, and deployment of resources.

An examination of a policy arrangement can start at any PAA dimension (Liefferink, 2006), with different departures facilitating different analytical foci. For example, analyses focusing on the positions and roles of actors may start at the actor dimension, while studies focusing on the influence of institutional changes could begin with rules of the game. Subsequently, the other three dimensions are further conceptualized and operationalized from the perspective of the first entry point. This move brings back the number of dimensions from four to three, simplifying and at the same time focusing the analysis. This is not to say that one dimension is lost; on the contrary, the other ones are considered from the perspective of the dimension that is the starting point of the analysis.

The governance capacity of a specific policy arrangement is shaped by the level of interconnectedness of its four dimensions (Arts and Goverde, 2006). Arts and Goverde (2006) differentiate between potential and realized governance capacity through the following concepts. First, indicative governance capacity refers to the potential contribution of a policy arrangement to manage or solve societal and administrative problems. This means that an arrangement is organized and structured in such a way that it enables societal actors to work together in order to solve collective problems. As this capacity is largely shaped by the institutional settings under which actors have to operate, “indicative governance capacity” shares meaning with “potential institutional capacity.” Second, performative governance capacity concerns the actual performance of a policy arrangement in achieving collective goals. If such capacity exists, the arrangement indeed facilitates cooperation and problem solving among societal actors. From the perspective of the PAA, such performance includes, but also goes beyond, regulatory enforcement to embrace both governance processes and impacts (e.g. social learning as well as goal achievement; see the operationalization below). Performative governance capacity therefore has a broader meaning than “realized institutional capacity.”

As the terms of indicative capacity and performative capacity are not widely used in the scholarly literature, we decided to adopt other ones. We use “institutional capacity” to refer to potential capacity and “governance performance” to realized capacity (Figure 1). In doing so, we better facilitate discussion on the contribution of the framework to the relevant literature than the original concepts of Arts and Goverde (2006). Figure 1.Conceptualization of “governance capacity.”

**The governance capacity framework**

Our governance capacity framework (Table 1) departs from the actor dimension of the PAA, from which the other three dimensions (discourses, rules, resources) are conceptualized and operationalized, thus bringing back the four PAA dimensions to what we will now call three governance capacity *elements* (to prevent confusion with the term “dimension” in the PAA). We take actors as the entry point for our analysis and assessment, because capacity is vested in actors (Bebbington et al., 2006), and governance capacity is about actors' cooperation. It is actors who initiate and carry out the shift in governing: they frame collective problems and carry out strategies for problem solving, and they are affected by these actions. Table 1.The governance capacity framework.

|  |  |  |
| --- | --- | --- |
| Governance capacity | Elements | Criteria |
| Institutional capacity | Governance performance |  |
| Enabling rules of the game | Codification of decision-making rights | Practising rights |
| Converging discourses | Venues | Social learning |
| Open attitudes |  |  |
| Facilitating resources | Resource availability | Effectiveness and cost effectiveness |

The framework consists of three operational steps. The first distinguishes three elements of governance capacity: Enabling rules of the game for actor involvement;Converging discourses of various actor coalitions;Facilitating resources for actor commitment.

In the second step, these elements are operationalized into criteria in order to be able to assess governance capacity in more detail. An important element of governance capacity is the rules of the game, since to govern means to make rules for a set of actors who act in relation to others (Carlsson and Sandström, 2008). Concerted effort by actors to pursue their common goals is unlikely to occur if there are no rules regulating who can be involved, their roles, and how they should interact. As rules provide the structure under which social cooperation takes place, they could constrain or enable social cooperation (Thye, 2000). Although enabling rules of the game may vary from case to case, a generally important aspect of this element is to provide actors, particularly those who used to be marginalized, with the rights to get involved in decision making in multi-actor governance processes. Joint decision making makes decisions more responsive to affected actors and thereby helps gain their support for problem-solving strategies (Carcasson and Sprain, 2010). To assess enabling rules of the game in terms of institutional capacity, we examined the codification of decision-making rights, defined as the extent to which actors obtain the legal rights to be involved in decision making. As there may be gaps between this codification and its realization, the practicing of rights is used as criterion to assess governance performance.

We examined discourses, which mediate not only the thinking and speaking of actors but also their actions (Arnouts and Arts, 2009), as the second element of governance capacity. Actors' perspectives on the problems at stake could determine not only their willingness to become involved but also their proposed objectives and solutions. Converging discourses support cooperation through the objectives and strategies that the involved actors jointly consider appropriate (Hajer and Versteeg, 2005). However, actors involved in collective action often have different interests and values (Ahrens, 2000; Frischtak, 1994: vii), and converging discourses will be impossible if actors are unable to reconcile their goals and preferred solutions. For such reconciliation to take place, actors need spaces and processes for discussion (Carcasson and Sprain, 2010). We therefore used the concepts of venues and open attitudes of involved actors toward each other's positions to assess the institutional capacity and social learning to evaluate its governance performance. Venues are defined as places and practices that offer the possibility for actors to discuss and arrive at their common goals (Williamson and Fung, 2005). Given available venues, actors still might not reconcile if they do not value and respect each other's ideas and interests (Bloomfield et al., 2010). Having open attitudes toward other positions means being open to the logic of others' views and being willing to adjust one's goals and strategies (Carcasson and Sprain, 2010). By offering participants new information and perspectives and facilitating the exchange of ideas, venues and open attitudes foster social learning (Dana and Nelsons, 2012). Social learning is understood as “a deliberate attempt to adjust the goals or techniques of policy in the light of past experience and new information so as to better attain the ultimate objectives of governance” (Hall, 1993: 278). These adjustments enable actors to accommodate differences and negotiate their interests in governance processes (White et al., 2005).

Finally, we dealt with resource mobilization for social cooperation as the third element of governance capacity, because actors need resources to carry out activities for problem solving, and social cooperation is often driven by resource constraints (Börzel, 1998). Actors cooperate because they depend on each other's resources to achieve common goals (Börzel, 1998) and can make effective use of their own resources only if they are able to access the relevant resources of other actors. For example, in many developing countries, the state controls forest resources, but lacks the labor and ***funding*** to protect and manage those resources effectively. On the other hand, as local people often lack access to forest resources, they cannot make use of their labor and traditional knowledge for forest protection and management. To examine the extent to which actors in societal cooperation access the relevant resources needed for their collective action, we used resource availability to assess institutional capacity and effectiveness and cost-effectiveness to evaluate governance performance. Resource availability is obviously an essential condition for effectiveness (Bäckstrand, 2006), because it enhances the likelihood that social cooperation will achieve its goals. Due to commonly experienced resource constraints, actors also struggle to reduce the cost of problem-solving efforts. For that reason, cost-effectiveness, which denotes “the total cost per favorable outcome” (Davies et al., 1998: 196), is also used to assess governance performance.

As a third and final operational step, the framework explicitly takes into consideration the inter-linkages among the various elements of governance capacity and between the policy arrangement and the wider socioeconomic context.

**An illustration from Vietnam's forestry reforms**

We selected the case of FLA in Tay Ninh province, South Vietnam, to illustrate the application of the framework. The case is relevant because it conveys a shift in forest governance from the domination of forest state enterprises to shared responsibilities between forestry agencies and local participants. In addition, since the policy has been pursued for over 20 years, the case provides detailed observations of the policy's processes and impacts.

Tay Ninh is located around 100 km northwest of Ho Chi Minh City (formerly Saigon). When the country was unified after the civil war in 1975, 36% of the Tay Ninh area (145,000 ha) was natural forest. Wood exploitation and forest conversion reduced the province's forest cover to only 10% (40,400 ha) in the late 1980s. To address the problem, the province in 1990 adopted the policy of FLA in order to mobilize resources for forest rehabilitation and to contribute to the livelihoods of local people, whose income is mainly derived from cash crop production.

The policy's implementation was decentralized from the Ministry of ***Agriculture*** and Rural Development (MARD) to the Provincial People's Committee (PPC), which supervises the policy through its Department of ***Agriculture*** and Rural Development (DARD). The PPC and DARD thus have a strong influence on the policy and are powerful players in the process. District and communal authorities are also involved in decision making. The province dismantled state forest enterprises and established forest management boards (FMBs), which contracted their forest lands to 1984 households for forest plantations and to 37 groups of households for the protection of natural forests (SFIPI, 2005). FMBs managed forests with the help of forest rangers, supervised by DARD, who were responsible for sanctioning forest violations (GoV, 2006). The province divided its forest lands (69,626 ha) into three categories: Special-use forests for the conservation of biodiversity and cultural values;Protection forests for environmental protection;Production forests for the production of wood and forest products.

**Application of the governance capacity framework**

Considering the context of the policy, we applied the governance capacity framework in the following manner. For the codification of rights, we focused on property rights because they determine the extent to which ***recipients*** can be involved in decision making. Property rights are defined as rights to own and possess something (Ewert et al., 2004) and are referred to as “bundle of rights” (Schlager and Ostrom, 1992), which comprise access (to enter the resource), withdrawal (to extract something from the resource), management (to modify the resource), exclusion (to determine who can use the resource), and alienation rights (to transfer rights to others). Venues denoted meetings at the provincial and local levels (districts, communes, and villages) where villagers exchanged information and discussed FLA with forestry agencies (FMBs, DARDs, forest rangers). Open attitudes related to the fact that the different actors at the provincial and local level were open toward each other's concerns and interests. We specified resource availability in terms of ***funding***, forests, and information, which are essential for forest rehabilitation. Practicing rights referred to the extent to which ***recipients*** used their property rights; and social learning concerned changes in the views of state actors and villagers in terms of goals and solutions for forest rehabilitation. As cost-effectiveness is not a priority of the policy, we focused on effectiveness instead and specified it by forest condition and the local income derived from the forest lands.

We conducted fieldwork from December 2010 to April 2011 and collected our data through literature review, document analysis, semi-structured interviews, and questionnaires. We selected 59 key informants for the interviews (Purdon et al., 2001) by snowball and saturation sampling (Frank and Snijders, 1994) from the forestry and land management sectors, local authorities, local NGOs, forestry contractors, and villagers. We carried out a survey through questionnaires in three districts, which, between them, represent the allocation of the three forest categories: Tan Bien has special-use forests, Tan Chau has protection forests, and Chau Thanh has production forests. We chose 98 respondents for the survey by stratified random-sampling (Nichols, 1991) from lists of forestry contractors. We triangulated data from different sources before processing. We carried out qualitative data analysis using the method developed by Miles and Huberman (Punch, 2005), with data reduction, data display, drawing, and verifying conclusions. We used basic statistical analysis (frequencies from cross tabulation) by SPSS IPM Statistic 20 to analyze data from the questionnaires.

**FLA institutional capacity**

This section analyzes the codification of decision-making rights, venues and open attitudes, and resource availability for forest rehabilitation. The analysis highlights how these criteria together shape FLA institutional capacity.

**Codification of decision-making rights**

There are two ***instruments*** of FLA: land-use certificates (LUCs) and forestry contracts. Only ***recipients*** of LUCs are forest owners because LUCs ***grant*** ownership of the forest lands allocated. The use of these ***instruments*** is regulated by Decision No 08/2001/QĐ-Ttg (hereby called Decision 08) on the management schemes of the three forest categories (GoV, 2001) and the 2004 Law on Forest Protection and Development (NAV, 2005). According to these regulations, only FMBs can become forest owners of special-use and protection forests, while other actors (organizations, households, and individuals) can be owners of production forests. All forest owners can have contracts with other actors who implement forest rehabilitation activities.

Decision 08 ***grants*** FLA ***recipients*** of the three forest categories different bundles of rights (Table 2). All ***recipients*** have access and exclusion rights, but different withdrawal, management, and alienation rights. Overall, owners of production forest plantations obtain a rather complete bundle of rights. Owners of natural production forests, however, have restricted management rights and can only harvest 10% of the wood growth volume generated by their forest management activities. For special-use and protection forests, the owners' proposals for management have to be approved by DARD, the PPC, and MARD, even though the owners have LUCs. Table 2.FLA bundles of rights.

| **Forest category** | ***Recipients*** | **Forest type** | **Property rights** |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Access** | **Withdrawal** | **Management** | **Exclusion** | **Alienation** |  |  |  |
| Special-use and protection | FMBs | FP | Yes | Limited | Limited | Yes | No |
| NF | Yes | No | Very limited | Yes | No |  |  |
| Contractors | FP | Yes | Limited | No | Yes | No |  |
| NF | Yes | No | No | Yes | No |  |  |
| Production | Other actors | FP | Yes | Yes | Limited | Yes | Yes |
| NF | Yes | Limited | Limited | Yes | No |  |  |

FP: forest plantations; NF: natural forests.

To increase forest cover, Tay Ninh province designated 85% of its forest lands as special-use and protection forests. Both these forests and the small area of production forests (9508 ha) were allocated to FMBs. As a result, villagers only played a role as their forestry contractors. At the beginning of FLA (1993–1997), villagers received forestry contracts for 1-year term. They received payments for their forest management activities and were allowed to harvest 70% of the auxiliary trees, which were planted to provide the main trees with shade. Since 1997, villagers obtain long-term contracts (up to 50 years), which allow them to harvest all the auxiliary trees and intercrop ***agricultural*** crops on the forest lands. However, contractors for natural forests still only receive annual contracts and have no withdrawal rights.

In short, the extent to which FLA actors obtained the legal rights to become involved in decision making was shaped by two ***instruments***, LUCs and forestry contracts, with the former offering ***recipients*** more rights over the forest lands than the latter. The use of these ***instruments*** was regulated differently among the three forest categories. As only ***recipients*** of production forest plantations acquired a rather complete bundle of rights, the provincial government used forest designation to shape the—often limited—property rights ***granted*** to villagers involved in the policy.

**Venues and open attitudes**

FLA planning involved a fairly open process. FLA master plans, formulated by DARD, were open to feedback from local authorities and relevant sectors, such as the Department of Land Management. However, this process, although open, mainly involved information exchange instead of deliberation. FMBs' discussions with villagers on the policy were also limited, since exchanges merely involved FMBs informing villagers of the approved plans at local meetings in communes and villages. Overall, 61% of questionnaire respondents were informed about FLA just before they signed the contracts, and 80% did not attend any meetings during the term of their contracts. Moreover, 48% of respondents proposed some changes in forest plantations; for example, they requested to reduce the tree density in forest plantations and increase the annual harvest area, which was only 25%. However, only 18% of them received feedback from FMBs. As a result, 71% of survey respondents were not satisfied with the manner in which local meetings were organized.

FLA actors had different views on the policy's goals. While DARD and FMBs emphasized the rehabilitation of protection and special-use forests with the use of native species, forestry contractors advocated production forests and the use of rubber trees in order to enhance local livelihoods. Nevertheless, from the late 1990s, DARD and FMBs expressed a rather open attitude: they acknowledged the concerns of villagers on their rights and benefits in forest rehabilitation. By contrast, villagers still stuck to their views and remained hesitant to support forest rehabilitation, because the profits they received from forest plantations were much lower than those from cash crops. Consequently, although 82% of respondents recognized the importance of forests, only 7% got involved to protect forests and 75% only passively participated in the policy, because they were cultivating cash crops on forest lands and they would like to continue intercropping there.

**Availability of resources: Forests, *funding*, and information**

Under the forestry contracts scheme, DARD and FMBs controlled the forest lands, ***funding***, and information. Forestry contractors received small plots, averaging 5 ha/household. However, villagers encroached on forest land in order to access more land for cash crop production. To avoid conflicts, FMBs contracted the occupied lands to the encroachers. As a result, villagers who had not illegally occupied forest lands could not obtain forestry contracts with FMBs.

In terms of ***funding***, FMBs invested only 50–60% of the actual cost of forest plantations, and forestry contractors had to contribute the rest. In order to reduce their costs, the latter therefore did not carry out the required activities. For natural forests, contractors received 100,000 VND (about US $5) per ha per year for patrolling the forest and reporting to FMBs incidents of encroachment, illegal logging, and poaching. This low payment discouraged contractors from actively patrolling. All key informants in the interviews and 21% of survey respondents acknowledged the insufficient ***funding*** (from both FMBs and contractors) for forest plantations.

The flow of information between FMBs and forestry contractors was limited. FMBs met contractors only two or three times a year to inform them of the activities required for forest planting. At the end of the year, they checked the survival rates of trees to determine the payments. As a result, 51% of survey respondents did not understand FLA regulations and procedures, 22% did not know who were forest owners, and only 13.5% received information from FMBs on the importance of forests. They also lacked instructions on silvicultural techniques and information on the prices of forest products.

Summarizing, although forestry contractors obtained access to some forest lands and were able to harvest the auxiliary trees, their management rights were restricted. Local meetings did not offer them the opportunities to become involved in defining the collective goals. As a result, forestry contractors, who became involved to obtain land for cash crops, invested insufficiently (in terms of ***finance*** and labor) in forest rehabilitation. Together, these constraints had significant impacts on the governance performance, as presented below.

**FLA governance performance**

This section evaluates the practicing of rights, social learning, and effectiveness. The evaluation reveals the interplay of these criteria in FLA governance performance.

**The practising of rights**

Many forestry contractors practiced their access and withdrawal rights: 69% intercropped on the forest lands, 31% harvested wood, and 9% collected non-timber forest products (NTFPs). However, contractors remained frustrated with their restricted management rights. For example, as they were allowed to cut only 25% of the matured auxiliary trees per year, it took them 4 years to finalize the harvest. Also, although they preferred to plant rubber, which would bring them more income, they had to plant the tree species selected by FMBs.

Even though FMBs and forestry contractors were ***granted*** the exclusion right, it appears that this right was enforced rather weakly. Due to inadequate regulations for sanctioning violators and contractors' infrequent patrolling, forest encroachment and illegal logging, although reduced, still occurred in both natural forests and forest plantations. Also, although forest rangers and local authorities' land management officers shared the responsibility for sanctioning forest encroachment, they did not coordinate their activities well enough to help FMBs deter and exclude encroachers. These problems were subsequently exacerbated, especially from the mid-2000, when prices for ***agricultural*** crops, including cassava, sugar cane, and rubber, increased dramatically. Moreover, national and provincial policies supporting the development and expansion of ***agriculture*** contributed further to their worsening.

**Social learning: Adjustment of goals and solutions**

Semi-structured interviews showed that during the early 1990s, villagers were not interested in forest rehabilitation. The long-term contracts, which offered contractors the rights to use the auxiliary trees and to intercrop in the forest lands, did motivate villagers to become involved, but they still focused on cash crops instead of forest trees. State actors seemed to take more lessons on board than villagers. The low-resource mobilization for forest rehabilitation compelled DARD and FMBs, who had focused on the goal of improving forest conditions, to make four adjustments to enhance the practicing of rights by forestry contractors.

First, since 1993, FMBs have applied new models of forest plantations, which have low density of trees and combine both slow-growing native species and fast-growing exotic species. These models allow contractors to harvest the fast-growing trees and to have space for their ***agricultural*** intercropping. Second, in 2006, the province increased the area of production forests (which provide contractors more elaborate management rights and are more profitable for them than protection or special-use forests) from 2783 to 9508 ha. Third, in 2008, DARDs and FMBs increased the annual harvest area of plantations from 25 to 50%, so that forestry contractors can increase their harvest and replant the lands. Fourth, although rubber was only allowed in production forests, former encroachers on lands for protection forests who became forestry contractors are now allowed to keep 50% of their rubber.

These adjustments, however, had both positive and negative impacts. Although these responses eased tensions between FMBs and forestry contractors, the new rules on the use of rubber trees induced tactical behavior by the contractors. After harvesting the auxiliary trees, many contractors planted rubber trees in harvested areas, even though this was not allowed. Some even uprooted the young auxiliary trees in order to plant rubber trees and argued that it was legal because FMBs allowed others to use rubber trees.

**Effectiveness: Condition of the forests and local incomes**

The FLA policy aimed to improve forest condition and local incomes. While the forestry sector emphasized improvements in terms of forested area and forest quality, villagers were more interested in their income from ***agricultural*** intercropping.

Thanks to the mobilization of ***funding*** and labor from forestry contractors, the area of forest plantations in the province has, over the last decade, increased from 5672 to 12,583 ha (an increase of over 120%); the area of natural forests has stabilized at 35,516 ha (MARD, 2011). This can be considered a success, since in the same period, forest loss continued in other areas in the country. Nevertheless, both the key informants and survey respondents expressed great concerns about the quality of forests (wood stock, species composition, NTFPs, and wildlife), because forest plantations made up 87% of the increase of forest area in the province. Moreover, some areas of natural forest were further degraded as a result of illegal logging, poaching, and forest encroachment. As contractors of forest plantations did not fulfill their tasks in planting and managing their plantations, the productivity of forest plantations was poor. Furthermore, as these plantations were composed of only one native species (selected from a list of four to five native species) and one fast-growing exotic species, they failed to ensure species diversity.

The impact of FLA on local people's income was also mixed. Income from the allocated forest lands contributed 46% to the total household's income of forestry contractors, of which 36% came from intercropping and 10% came from forests. Contractors blamed their low income from forests on the poor productivity of forest plantations, caused by poor seedlings and silvicultural techniques. DARD and FMBs, however, put the blame on contractors' insufficient investments in their plantations.

In sum, the mixed goal achievement of the policy was determined by the inter-linkages between the limited practicing of rights and the tactical behavior of some forestry contractors as a response to some changes in the policy induced by social learning among governmental actors. The socioeconomic contexts, characterized by ***agricultural*** development and high profits on cash crops, also had a strong influence on FLA impacts.

**Synthesis and discussion**

The FLA case provides insights for the discussion on what constitutes governance capacity and how to assess it in a comprehensive manner. It suggests that governance capacity is determined by the interplay of enabling rules of the game, converging discourses, and facilitating resources. The extent to which rules enable actors to participate in decision making affects how views on the collective goals can converge among the various actors, shaping their commitment to make resources available. Also, adjustments of actors' goals have a bearing on how they practice their rights and mobilize available resources for cooperation. While the first pattern (rules-goals-resources) shapes the institutional capacity of FLA, the second (learning-practicing-mobilization) does so regarding governance performance.

Although the case supports the argument that rules of the game can enable or constrain actors' actions (Hyden et al., 2000; Kjær, 2011; March and Olsen, 1995), it also demonstrates how actors' views on the collective goals interfere with this influence. For example, since the codification of rights in forestry contracts was still limited (in terms of contractors' decision-making rights, opportunities to co-define the policy's goals in local meetings and access to ***funding*** and information), it contributed to the divergence of goals among the actors involved, paving the way for opportunistic behavior. While the provincial government designated most forest lands as protection and special-use forests in order to increase forest cover, contractors of these forests became involved mainly to obtain land for cash crops. Rules of the game (forest designation, access rights) thus provided actors opportunities to tactically influence resource availability (forest lands), shaping the potential of their cooperation.

The influence of social learning on how contractors practice their rights, and as such on policy effectiveness, characterizes FLA governance performance. For example, the new models of forest plantations, which allow for ***agricultural*** intercropping and provide contractors with improved withdrawal rights, had unexpected impacts on the condition of the forest, because contractors used their rights to gain profits from cash crops and neglected their obligations in forest planting. The fact that contractors received a higher income at the cost of forest quality illustrates how social learning might unexpectedly facilitate actors to take advantage of rights to mobilize available resources for their own interests, thereby negatively affecting cooperative performance.

The case also sheds light on the possible influence of the wider socioeconomic contexts on actors' cooperation. It shows that these impacts are exerted through discourses, which influence resource mobilization. ***Agriculture*** policies and high profits from cash crops deepened actors' divergent goals (forest rehabilitation versus cash crop intercropping) in the policy, shaping villagers' passive involvement and discouraging them from investing in forest rehabilitation.

The evidence from the case corresponds with the general assumption that high-institutional capacity facilitates governance performance, and low-institutional capacity is often the basis for low-governance performance (Bhagavan and Virgin, 2004; Colfer and Capistrano, 2005; Evans and Harding, 1997; Fucchs and Lorek, 2005; Gibbs et al., 2001; Li and Zusman, 2006; Wichkham et al., 2009). For example, FMBs' open attitudes facilitated their social learning, which was reflected in the new models of forest plantations. However, this relationship is sometimes less straightforward. The fact that contractors insufficiently practiced their exclusion rights is a good example of institutional capacity not always fully materializing into governance performance. Furthermore, a high score for an element of institutional capacity could also constrain governance performance. For example, the improved access and withdrawal rights of forestry contractors not only encouraged villagers' involvement but also triggered their opportunistic behavior.

The above discussion provides three implications for governance capacity assessment. First, the inter-linkages among the practicing of rights, social learning, and effectiveness in the case show that the sole use of goal-based or goal-free evaluations will provide only a partial view of the complicated picture of governance performance. This implies that governance assessments need to incorporate both goal-based and goal-free approaches. Second, a high-governance performance may not be a simple sum of the various scores on the different criteria. On the contrary, these often pose trade-offs. Governance assessment, therefore, should go beyond the scoring of each criterion to investigate the interplay of the three elements of governance capacity and the link between institutional capacity and governance performance. In addition, due to the evolution of and changes in governance capacity over time, regular assessments and policy revisions are vital to sustain and enhance governance performance in the longer term. Third, the large influence of contextual factors on the institutional capacity and governance performance in the case casts doubt on the use of large-N samples across countries, as is often done by international development agencies in governance capacity assessments. More importantly, the influence of the wider socioeconomic contexts on actors' cooperation suggests that governance capacity assessments in the field of natural resource management should pay greater attention to the influence of macro policy making, because it may facilitate the development of one policy field (in the FLA case ***agriculture***) at the cost of other (in the FLA case forestry).

**Implications for Vietnam's forestry reforms**

The involvement of local people in FLA undoubtedly indicates changing forest governance under Vietnam's forestry reforms. The key issue of this change seems not whether but why and how local people participate in the policy. While some authors (Castella et al., 2006; Nguyen et al., 2008; Thang et al., 2010; Thanh and Sikor, 2006) blame the low level of local participation on the limited property rights ***granted*** to FLA ***recipients***, trade-offs between the two FLA goals (forest rehabilitation and income generation) and their impacts on forest condition allow us to argue that diverging goals are also an important challenge for local involvement. Actors' tactical behavior in practicing their property rights are likely to occur if they do not share the goals for cooperation. This challenge underlines the importance of venues for deliberation and suggests that the sole emphasis of state actors on improving ***recipients***' property rights is not sufficient to facilitate local involvement. Local meetings thus should facilitate villagers to participate in the definition of the FLA goals and provide them with information on both FLA and silvicultural techniques, which help improve forests' productivity and enhance income. Mechanisms to strengthen collaboration between the ***agriculture*** and the forestry sector in policymaking are also important to better manage trade-offs between the development of cash crops and forest rehabilitation.

**Strengths and shortcomings of the framework and its applicability**

The case reveals three strengths of the framework. First, by including both organizational and substantive aspects of collective action, the framework supports a systematic identification of governance issues and the examination of actors' structural and strategic interactions in governance processes. Second, its attention to the wider socioeconomic contexts offers a better understanding of main factors influencing governance capacity. Third, the examination of both institutional capacity and governance performance facilitates a deeper understanding of the different determinants and aspects of governance capacity, making it a comprehensive tool for governance assessments. Nevertheless, the framework is demanding, especially regarding the large amount of information required for the overall assessment of three elements and the in-depth analysis of the various criteria. On the other hand, although comprehensive and demanding, the framework also inevitably ignores crucial factors for cooperation and collective action. A good example might be “trust” that is superficially touched upon—through social learning, e.g.—but not thoroughly addressed and assessed in-depth.

The framework contributes to the elaboration of the PAA from an analytical tool for environmental policy change (Leroy and Arts, 2006; Wiering and Arts, 2006; Wiering and Immink, 2006) and governance processes (Arnouts and Arts, 2009; Van Gossum et al., 2010), into an evaluative tool for governance capacity assessment. The fact that we focused on Vietnam and forestry policies does not limit the framework to this country or sector. On the contrary, we claim its generalizability for the following reasons. As the elements “enabling rules of the game,” “converging discourses,” and “facilitating resources” reflect key elements of governance capacity in the literature and encompass both governance process and impacts, the framework is applicable in different types of assessments. The general character of its criteria creates space for further specification in different situations. In particular, the framework is applicable for assessing other policies, either in Vietnam or in any other country that is shifting from strong state governance to a more participatory system. It is not forests, but new modes of governance that are key to the framework.

Finally, the case also highlights how the combination of qualitative and quantitative data might benefit governance assessments based on the framework. Although our conclusions mainly draw from qualitative analysis, basic statistics (frequencies from cross tabulation) and their display by tables, charts, and diagrams were especially helpful for outlining the relationships between different criteria and for strengthening arguments through triangulation.

**Conclusions**

This paper has presented a framework to analyze governance capacity and has illustrated the application of the framework using the case of FLA in Vietnam. The paper has argued that enabling rules of the game, converging discourses and facilitating resources are essential elements of governance capacity because their interplay shapes both institutional capacity and governance performance. This interplay reveals a challenge for Vietnam's forestry reforms: diverging goals and strategies of the actors involved. This challenge thus calls for social learning on the co-definition of collective goals.

The following three questions remain for future research on governance capacity. First, although the case indicates the links between institutional capacity and governance performance, the question remains how this link might express itself in other policy fields or countries. Second, actors' strategic interactions in the case take place under divergent discourses and constraining rules of the game. These unfavorable contexts reflect only a partial picture of the complicated governance situation. It would be interesting to study the strategic behavior of actors in other, more favorable conditions, which may be characterized by enabling rules of the game and more convergence among actors' discourses. Third, although our illustration already shows how the wider socioeconomic context affects forest governance capacity (the expansion of cash crops at the cost of forest rehabilitation), more studies are necessary to provide for a better understanding of whether, and, if so, under what conditions, this wider context supports or constrains governance capacity in specific sectors, like forestry.

**Highlights**

The paper introduces a framework for assessing governance capacity that is based on the PAAThe framework highlights three elements—enabling rules of the game, converging discourses, and facilitating resources—and their inter-linkages.The illustration case of FLA in Vietnam indicates the high relevance of these three elements in governance capacity assessments.The case shows the complicated link between the potential and realized governance capacity and the effects of socioeconomic contexts on actors' interactions in a policy arrangement.

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[***If tiny Guernsey thrives outside the EU, why can't we - the world's fifth largest economy? Concluding his definitive series, EU MP DAN HANNAN says forget the Remain camp's Project Fear. The real risk lies with staying in...***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JHN-9SN1-JCJY-G550-00000-00&context=1516831)

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**Section:** NEWS

**Length:** 2363 words

**Byline:** DANIEL HANNAN, CONSERVATIVE MEP, WRITING FOR THE DAILY MAIL

**Body**

Yesterday in his insider's account of the EU, Euro MP Daniel Hannan exposed Britain's impotence in trying to deal with Brussels. Here, in the final part of his powerful series, he insists that our future could be very bright indeed - as long as we vote to leave...

Euro enthusiasts love to sneer at Brexiters like me: 'So what's your alternative? D'you want Britain to be like Norway? All cold and empty?

'Or like Switzerland? Making chocolate? And cuckoo clocks? That's what you want, is it? Eh?'

It's tempting simply to answer that, if you're in a structurally unsafe building, the obvious alternative to remaining is walking out.

And with the migration and euro crises deepening, the EU is just that - structurally unsafe. So much so that staying in is a greater risk than leaving.

But I know, too, that fear of change is deep in people's genomes, and we tend to vote accordingly.

Given the chance to win something of greater value by staking something of lesser value, we tend to make the mathematically irrational decision to stick with what we've got.

As Remain campaigners are well aware, referendums the world over tend to be won by whichever side is opposing change. And they can hardly be blamed for making change-aversion their key argument.

They don't want to get drawn into arguments about democracy, or sovereignty, or the EU's declining share of the world economy, or border control, or Britain's budget contributions. They'd much rather conjure up unspecific, inchoate fears about change.

Fear of the unknown has become the mainstay of their case.

One pro-EU friend, a Conservative MP, put it to me: 'It's like banks. Everyone moans about their bank. But how many people take their accounts elsewhere?'

To which I reply: Well, you'd move your account pretty sharpish if you thought the bank might fail. In my view, the EU is now so rickety that sticking with it can hardly be called risk-averse. Voting to leave is now the safer option.

What people need to understand before they choose which box to tick is that there is no status quo in this referendum. What we face, rather, is a choice between two futures, both of which we can sketch with some confidence.

One future involves being part of the continuing political amalgamation of the EU, a process that has been rumbling along since 1956, but in which we will cede control over the larger questions of foreign affairs, economics, security, human rights and citizenship to Brussels institutions.

The other involves a new relationship based on a common market, not a common government.

A vote to leave will result in a trade-only deal with the EU. We will remain part of the European free trade zone that stretches from non-EU Iceland to non-EU Turkey.

No one in Brussels argues that Britain would leave that common market if it left the EU. Given that every non-EU territory from the Faroe Islands to Montenegro has access to the European free trade area, it would be preposterous to claim that the UK, uniquely, would be denied full market access.

This is obvious when we consider that the balance of UK-EU trade is very much in our favour. The UK market is worth £289 billion, so the EU is hardly likely to turn its back on us.

Indeed, it needs our market more than we need theirs, so it is absurd to claim that non-participation in the various political structures in Brussels would mean trade coming to a halt.

We will keep our trade links and, like every other independent state, we will negotiate our own deal on departure, tailored to suit our own conditions and needs.

Will it be the Swiss, Norwegian or Icelandic model? No, none of these. It will be one especially for us.

In terms of trade, Norway gets a better deal than Britain currently does, and Switzerland a better deal than Norway.

But a post-EU Britain, with 65 million people compared to Switzerland's eight million and Norway's five million, could expect something better yet.

But won't we still have to conform to huge chunks of EU rules when we are outside, just as Norway and Iceland do?

Gasping and swooning with all the theatricality of Victorian matrons, EU supporters have claimed this as a clincher in their case. Yet that issue has proved to be more a problem in theory than in practice. Between 2000 and 2013, the EU generated 52,183 legal ***instruments***, of which Norway and Iceland adopted fewer than 10 per cent (and the Swiss none at all).

In that same period, Britain, by contrast, had to apply 100 per cent of EU regulations to its economy. So even if we had to settle for a Norway or an Iceland-style agreement - which we won't - we would be far better off out.

The very fact of mentioning Norway and Switzerland will lead to more scoffing from the pro-EU campaign. 'How can you possibly compare us to those countries?' they will ask. 'Britain is very different.'

So, if Norway and Switzerland are too exotic for a true comparison, how about Guernsey in the Channel Islands? Guernsey is an English-speaking, common law, parliamentary democracy. Its currency is the pound. Its head of state is the Queen.

It is, for certain purposes, in political union with the UK. Its political system resembles ours in every way.

Except one. Guernsey is outside the EU. Essentially, it opts into the economic aspects of EU membership, but opts out of everything else.

The Channel Islands are outside the Common Fisheries Policy, outside the Common ***Agricultural*** Policy (except for import duties on non-EU produce) and outside the common rules on justice, home affairs, foreign policy, employment law and environmental regulation.

Guernsey is part of a free-movement area with the UK and Ireland, but controls immigration from the rest of the EU. Indeed, startlingly to British eyes, it really does have an immigration policy: its legislators vote on whom to admit, on what terms and in what numbers.

They set an annual population target, and issue their residence permits accordingly, mainly taking in temporary workers from Latvia and Madeira.

They are currently debating how many Syrian refugees they might take in.

Parliamentary sovereignty evidently suits the people of Guernsey. Their economy has been growing steadily at around 3 per cent a year, their GDP per capita is one of the highest in the world, unemployment is in the hundreds and crime is virtually non-existent.

Ah, say EU supporters, but Guernsey is a tax haven - that's why it is doing so well.

If, by that, they mean there are lower taxes in Guernsey because - unfettered by Brussels - they can run their own affairs efficiently and attract investment, this is surely an argument for leaving.

'But you can't compare us to Guernsey,' the scoffers will then cry. 'It's tiny!' But are we seriously supposed to think that small nations can thrive outside the EU, but large ones can't?

It's extraordinary how quickly EU supporters switch from 'Britain has to be part of a bigger bloc' to 'You can't compare us to small countries'. Apparently, we're simultaneously too large and too small to prosper.

The Chief Minister of Guernsey is a hugely impressive man called Jonathan Le Tocq, one of the last islanders to have been brought up speaking the local Norman French dialect.

He studied in Paris and feels very European. But what he prizes above all is the sense of accountability intrinsic in the island's parliamentary system.

'People know that they're in control,' he told me. 'If they don't like a policy, they can get it changed'. Extraordinary, really, that such a thing should need saying.

Extraordinary, too, that Britain, which developed and exported the sublime idea that laws should not be passed, nor taxes raised, except by elected representatives, should now look enviously at its Crown possessions off the Normandy coast.

WHY Vote Leave by Daniel Hannan is published by Head of Zeus at £9.99. Offer price £7.99 (20 per cent discount) until April 20, 2016. Call 0844 571 0640 or visit mailbookshop.co.uk. P&P free on orders over £12.

Our pessimism about our country's ability is staggering

Please imagine that you are on a bus whose destination - a federalist United States of Europe - is clearly marked on the front.

Just in case any passengers have missed the point, the driver keeps calling out the stops ahead: common European taxation, a unified welfare system, an EU army. If you don't want to go to any of those stops, let alone the final destination, what should you do?

Should you remain motionless in your seat as the bus purrs along its route? Or should you politely get off and wave it on its way?

Yes, it takes nerve to do so, and Remainers play on our anxiety about change. The EU might be remote, they say, it might be self-serving, frustrating and arrogant and expensive and wasteful and corrupt, but can we be sure that the alternative won't be even worse?

The implicit pessimism here, the low opinion of Britain and her capabilities, is staggering.

Other countries take it for ***granted*** that they can live under their own laws while working with neighbours and allies. New Zealand shows no interest in merging with Australia, yet the Kiwis are not written off as insular Australo-sceptics who have failed to adjust to the modern world.

Japan is not applying to join China. But people don't hector the Japanese for being nostalgic Sinosceptics who simply can't get over the loss of their empire.

Self-government is the normal condition for a modern democracy. What we need is the self-confidence to grasp it while we can.

Are we prepared to use our faculty for reason, rather than be swayed by instinctive risk aversion? Are we prepared to aim, calmly and reasonably, for an economics-based deal that would suit both sides better than the current rancour?

Because, if not, the alternative is too awful to contemplate.

What, then, of a vote to leave? Where will that take us?

I have a very clear vision of what it will be like in an independent Britain if we're bold and determined. Just think ahead a few years.

It is 2020, and the UK is flourishing outside the EU. The rump EU, now a united bloc and known officially as the European Federation, continues its genteel decline, but Britain has become the most successful and competitive knowledge-based economy in the region.

Our universities attract the world's brightest students.

We lead the way in software, biotech, law, ***finance*** and the audio-visual sector. We have forged a distinctive foreign policy, allied to Europe, but giving due weight to the U.S., India and other common law, Anglophone democracies.

More intangibly, but no less significantly, we have recovered our self-belief.

As Nicolas Sarkozy, president of the European Federation, crossly puts it: 'In economic terms, Britain is Hong Kong to Europe's China, Singapore to our Indonesia.'

We remain full members of the EU's common market, covered by free movement of goods, services and capital, but we have also made a slew of free-trade agreements with the rest of the world, including the U.S., India and Australia.

Non-EU trade matters more than ever.

Since 2010, every region in the world has experienced significant economic growth, except Europe. The prosperity of distant continents has spilled over into Britain. Our Atlantic ports, above all Glasgow and Liverpool, are entering a second golden age.

London, too, is booming. Eurocrats never had much sympathy for ***financial*** services. As their regulations took effect in Frankfurt, Paris and Milan - a ***financial*** transactions tax, a ban on short selling, restrictions on clearing, a bonus cap, windfall levies, micro-regulation of ***funds*** - waves of young financiers brought their talents to the City instead.

Our farmers, freed from the Common ***Agricultural*** Policy, are world-beating.

Our fisheries are, once again, a great renewable resource. Breaking free from the EU's rules on data management made Hoxton in East London the global capital for software design.

Scrapping EU rules on clinical trials has allowed Britain to recover its place as a world leader in medical research.

Universities no longer waste their time on Kafkaesque EU ***grant*** applications. Now, they compete on quality, attracting talent from every continent and charging accordingly.

Immigration is keenly debated. Every year, Parliament votes on how many permits to make available for students, medical workers and refugees.

Every would-be migrant can compete on an equal basis: the rules that privileged Europeans over Commonwealth citizens, often with family links to Britain, were dropped immediately after independence.

Unsurprisingly, other European states have opted for a similar deal to ours, including Norway, Switzerland, Sweden, Denmark, Turkey and Georgia.

The result is that the United Kingdom leads a 21-state bloc that forms a common market with the remaining members of the European Federation, but is outside its political structures.

Meanwhile, the 25 countries of the Federation have pushed ahead with full integration, including a European army and police force and harmonised taxes, prompting Ireland and the Netherlands to announce referendums on whether to follow Britain.

Best of all, we have cast off the pessimism that infected us during our EU years, the sense that we were too small to make a difference.

We are the fifth largest economy on Earth, the fourth military power, a leading member of the G7, a permanent seat-holder on the UN Security Council. We are home to the world's greatest city and most widely spoken language.

Our brands, from Wimbledon to Manchester United, from the Duchess of Cambridge to Downton Abbey, are recognised around the world.

We used to think of ourselves - in the phrase once used by the veteran actress Emma Thompson as an argument for staying in - as a 'tiny little island'. But not any more.

And, from our position of independence, we know we have plenty more to give.

This brave new world I have outlined here is within our grasp, if we bite the bullet and vote to leave the EU at the referendum in June.

Two futures beckon. Neither can be foreknown with total certainty. But there is one thing we know in our bones: a confident country does not fear to follow her own path. As the poet Robert Frost wrote:

Two roads diverged in a wood, and I -

I took the one less travelled by,

And that has made all the difference.

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[***Builders lay foundation for growth; Our research into private companies with the fastest-growing profits finds the building sector underpinning growth. Rhys Owen reports***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:626G-R361-JCBW-N1WP-00000-00&context=1516831)

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**Section:** PROFIT TRACK 100;BUSINESS; Pg. 1,3,4,5

**Length:** 9218 words

**Byline:** Rhys Owen

**Body**

Britain, the chancellor will be pleased to hear, is building again. More than a quarter of the companies on our 17th annual Sunday Times BDO Profit Track 100 league table operate in building-related industries, up from 15 companies last year.

They range fromhousebuilder Thomas Homes (No 47) to architect Wilkinson Eyre (No43) and software firm Excitech (No 39), which provides CAD design services to architects and engineers.

All have achieved extraordinary profit growth. The league table ranks the 100 private UK companies with the fastestgrowing profits over a three-year period. This year's cohort have, on average, achieved annual profit growth of 82% over that time, compared with an annual average of68%last year, and amere55% back in 2000.

Look beyond building and the league table captures the diverse nature of Britain's economy, fromcommercialising the latest greentechnology(No1company Anesco and Solarcentury, No 5), to serving up fresh sushi for hungry office workers inLondon(Wasabi,No 80).There are 41 companies providing services, ranging from outside broadcasting to office design, 23 retailers and24manufacturers, including GCH Capital (No 69), which makes a range of products from wooden vegetableboxestosteelforshipbuilding.It is run by Cassie Hutchings, 32, with backing from her father Greg, 69, former head of listed conglomerate Tomkins. She is one of six women running a company in the league table.

There is also somediversity in terms of where the Profit Track100 companies are based, as Stuart Lisle ofBDOnotesbelow. Just over half are located outside southeastEnglandand8 of the top10 are headquartered away from the capital - such as polymer engineer Balmoral Group (No 7) inAberdeen,andGloucestershirebased price comparison [*www.siteMoney.co.uk*](http://www.siteMoney.co.uk) (No 8). However, London and southeast Englandremain thedominant regions for HQs, followed by northwest England, with 13 companies, including online retailer the Hut Group (No 6), based in Northwich in Cheshire.

Entrepreneurs are the driving force behind most of the companies, with 64 majority-owned by their leaders, a significant increase on last year, when entrepreneurswerethemajority-owners ofonly 44 companies. Examples this year include Nitin Passi, founder and chief executive of Manchester-based online fashion retailer Missguided (No 32). The challenges of ownership are explored further by PhillipWood ofUBSon page 2.

Thirteen companies have partly fuelled growth by selling amajority stake to private equity firms. They include doughnut maker Krispy Kreme (No 55), ownedby AlcuinCapital andIndigoCapital,andOasisDentalCare(No18),owned by Bridgepoint. A total of 20 companies have external capital. Twelve are family-owned, including Lancashire's Cormar Carpets (No 99), owned by the Cormack family. The remaining 11 companies are owned by management and staff.

They all make a significant contribution to the economy, taking total profits from £300m to £1.5bn over three years, and adding 25,000 jobs to support the direct employment of more than 65,000 people. They are also highly productive, with average profits per employee hitting £23,543 this year, up from £14,843 achieved by the class of 2011 - a rise of 59%andanencouragingtrendamidconcern over Britain's "productivity puzzle".

1ANESCO Energy efficiency consultancy 179.15%

Shrinking the UK's carbon footprint has helped drive up profits for this Reading group, which specialises in identifying and commercialising the latest green technology from Britain and overseas.

Anesco installs and maintains renewable energy equipment such as solar panels and heat pumps for homeowners, local authorities and businesses. Its partnerships range from Oxford-based Oxis Energy-which claims its lithium-sulfur battery could outperformthe lithium-ion versions used by firms such as Tesla-to the RSPB, which is helping it nurture biodiversity at its solar sites.

The company was spun out of Scottish & Southern Energy in 2010 by co-founders Adrian Pike, 48, and Tim Payne, 53. They were helped by £3m from SSE Ventures, which initially held a 40% stake, and a further £3m from Zouk Capital, which in 2013 sold its stake to Scottish Equity Partners and Hermes Private Equity. In November 2014, CBPE Capital acquired these stakes for an undisclosed amount.

Operating profits have increased 179% a year, on average, over the last three years, reaching £20.7m in 2015, on sales of £160.2m. Growth has been helped by government renewable energy subsidies but, as these are cut, Anesco has been quick to diversify into other areas, from street lighting to biomass boilers.

Anesco says it was also the first British company to offer the installation of batteries charged by solar power, in 2014, storing energy that can be released back to the National Grid at times of peak demand.

In an increasingly competitive cleantech industry, this pioneering approach has helped the company stride ahead. "We're helping customers to transform their operations, save money, and all while reducing the country's carbon footprint," says Pike. As the UK tries to hit stringent targets on reducing carbon dioxide emissions, the company continues to thrive, with profits expected to rise further on sales of £210min the year to March 2016.

2GTECH Appliance manufacturer 162.83%

Convinced he could create a worldbeating lightweight cordless vacuum cleaner, inventor Nick Grey, 47, left Vax in 2001 to set up on his own. Gtech, initially based in his own home and ***funded*** by his savings, is nowtaking on established brands such as Dyson, Vax and Hoover. The Worcester company also makes cordless sweepers and garden tools, and last August launched an electric bicycle, with a battery disguised as a water bottle. The popularity of its flagship AirRam vacuum helped to push up profits to £13.9mlast year.

3 HOPKINS HOMES Housebuilder 162.14%

Former fine-art dealer and fishmonger James Hopkins, 56, started Hopkins Homes in 1992 after buying a run-down cottage, fixing it up, and selling it for a profit. The group operates from one of its 200-home developments in Suffolk, and is also building in Norfolk, Essex and Cambridgeshire. Strong demand helped to cement record profits of £22.8m in 2015. In the same year, the group won The Sunday Times British Homes Development of the Year award for its renovation of a Victorian listed building near Norfolk.

4 FIRST UTILITY Energy supplier 156.61%

First Utility is one of the largest independent energy companies in Britain, supplying gas and electricity to more than 1.5m homes. As well as offering cheaper tariffs and energy saving tips, it is rolling out smart meters, which need to be installed in all homes by 2020. Under chief executive Ian McCaig, 49, this Warwick firm lifted profits to £11.6m in 2014, helped by television and online advertising, though operating profit margins were slim. It is also expanding overseas, partnering Royal Dutch Shell in Germany.

5 SOLARCENTURY Solar technology developer 128.84%

To raise its profile in the renewables sector, Solarcentury is donating a solar roof system to the Tate Modern gallery, reviving the building's heritage as an energy generation site. Founded in 1998 by former geologist and Greenpeace employee Jeremy Leggett, 62, and run by chief executive Frans van den Heuvel, 51, the London firm develops, builds and runs solar projects around the world. Rooftop installations for national retailers helped lift profits to £10.7m in 2015. Despite subsidy cuts it is forecasting growth in overseas markets.

6 THE HUT GROUP Online retailer 125.59%

This online retailer shipped 9morders last year for sports nutrition and beauty products, vitamins and weight management items to 192 countries. Led by founders Matt Moulding, 44, and John Gallemore, 47, it sells direct to consumers across 72 group websites, all backed by its proprietary technology. It ranked at No1 on Profit Track 100 in 2014 and 2015, and last year its growing international customer base helped profits rise to £18.1m. In the last six months, the group completed its new £100m distribution and production centre, announced plans to invest £10m in an American Myprotein production facility, and acquired two beauty brands -Grow Gorgeous and Mio Skincare.

7 BALMORAL GROUP Polymer engineer and manufacturer 125.12%

Aberdeen-based Balmoral manufactures polymer-based flotation equipment for the deepwater oil and gas industry, as well as industrial storage tanks, and operates Balmoral Business Park. Founded in 1980 by chairman JimMilne, 75, the group has offices in Houston and Rio de Janeiro, and acquired Barnsleybased tank maker Galglass from administrators in 2014. Despite reduced industry activity, a strong order book of long-terminternational contracts combined with tight cost controls helped profits reach £31m last year.

8 [*www.MONEY.CO.UK*](http://www.MONEY.CO.UK) Price comparison website 123.89%

Claiming to be the sixth most-visited comparison website in the UK, Gloucestershire-based [*www.Money.co.uk*](http://www.MONEY.CO.UK) was launched in 2008 by founder and managing director Chris Morling, 45, after he taught himself to write computer code for websites some years earlier. The site generates revenue through commissions on the products it features, such as credit cards, insurance and loans. Strong demand helped profits hit £15.4m in 2014, on margins of 66%, the highest on the league table.

9 REWARD GATEWAY Employee engagement technology 121.55%

Reward Gateway creates technology to attract, engage and reward employees through benefits, incentives and improved communication. It runs schemes for more than 1,200 companies including IBM, American Express and McDonald's. Chief executive Glenn Elliott, 43, founded the London-based business in 2006, and has since opened offices in America, Australia, Bulgaria and Macedonia, achieving profits of £6.6m in the year to June 2015. The following month, private equity firm Great Hill Partners bought a majority stake from Inflexion for £140m.

10 BREWDOG Brewery 120.11%

Scotland's largest independent brewery launched an £18m crowdfunding appeal in America in February to ***finance*** a brewhouse and network of brewpubs across the US. The craft beer firm exports to more than 50 countries and has opened bars as far afield as Brazil and Japan. Its founders are James Watt and Martin Dickie, both 33. Profits for 2015 are cited before depreciation and amortisation and were estimated at £5.5m. After the close of research this was revised to £4.9m, marginally down on the previous year.

11 MOBILE PHONES DIRECT Online mobile phone retailer 112.24%

This online phone retailer was founded by chairman Karl Borges, 51, in 2011, who started with a bricks-and-mortar retailer of the same name. Based in Thatcham, Berkshire, and led by chief executive Ben Branson, 43, the company sells mobile phone accessories, handsets and contracts from providers EE, Vodafone, and Talkmobile. After focussing on improving its search engine rankings and online marketing, profits grew to £5.2m last year.

12 CHURCHILL RETIREMENT LIVING Housebuilder 111.61%

Having started out building stone and thatched cottages around Dorset and Wiltshire, it was only when this developer switched to purpose-built retirement complexes that profits took off. Headed by brothers Spencer and Clinton McCarthy, 50 and 51 respectively, the Hampshire business operates from six regional offices, recently opening in Manchester and Exeter. Growing demand from an ageing population helped the company increase properties sold by 31% to 492, pushing profits up to £43.5m in 2015.

13 ABLE GROUP Ports, developments and decommissioning 110.92%

Founded in 1966 by chairman Peter Stephenson, 68, Able provides a range of services from decommissioning ships to maintaining oil and gas drilling rigs. It also has a property portfolio in excess of 4,000 acres in the north of England. This includes its £450m development on the Humber, a marine energy and logistics port with 1.3km of quays serving the offshore renewable energy sector, creating 4,000 jobs. Profits reached £11m in 2014, 85% of which are derived from property investment activities. Its operating margin of 49% is one of the highest on the league table.

14 TANGLE TEEZER Hair products supplier 109.06%

Rejected by the Dragons' Den tycoons in 2007, hairdresser and founder Shaun Pulfrey, 54, clinched a deal with Boots in 2008 to stock his detangling hair brush, and sales started to climb. The London company nowships its British-made products to customers in more than 110 countries. Exports made up 80% of its £23.2m sales last year, lifting profits to £7.3m.

15 PRINCIPAL HOTELS Hotel operator 105.13%

Harrogate business Principal Hotels was bought by American private equity house Starwood Capital for a reported £360m in 2013. The following year, Starwood acquired De Vere Venues Group and Four Pillars Hotels, increasing its investment in the British hospitality market to a reported £700m. Under chief executive Tony Troy, 53, the group has restructured to consolidate all three businesses, contributing to a 93% annual increase in profits to £62.1m in 2014.

16 MOTORPOINT Car supermarket 103.76%

This car supermarket was founded in Derby in 1998 selling newand used cars cheaper than main dealers. Last year it opened its ninth site-near Gateshead, its first in the northeast-at a cost of £5m. The business is led by co-founder David Shelton, 63, and managing director Mark Carpenter, 44, who, despite slim margins, sawprofits increase to £12.1m last year, helped by growing consumer confidence. The company is reported to be considering a stock market listing this year.

17 ALPHASIGHTS Business information provider 101.09%

Max Cartellieri and Andrew Heath, both 43, met at Stanford business school in California and had set up their own companies before joining forces to found AlphaSights in 2008. Describing itself as a "knowledge broker", the company connects clients from the corporate, investment and advisory community with experts in a particular discipline. It is based in London and has offices in New York, Dubai and Hong Kong. Profits reached £6.9m in 2014.

18 OASIS DENTAL CARE Dental care provider 99.24%

This company's dentists treat more than 3m NHS and private patients across Britain, with services ranging from check-ups to specialist implants. In 2013, private equity firm Bridgepoint paid Duke Street £185m for the Bristol-based group. Under chief executive Justin Ash, 51, its practice network grew 65% in 2015, to 340 locations, after buying Apex Dental Care and Smiles Dental for undisclosed sums. These acquisitions helped 2015 profits hit £9.1m.

19 VAN ELLE Engineering contractor 97.14%

Led by co-founder and chairman Michael Ellis, 71, and chief executive Jonathan Fenton, 56, Van Elle is a piling specialist providing ground engineering services to the construction, civil engineering, housing and rail sectors. The Nottinghamgroup has been buoyed by increased residential building, along with a steep rise in average contract value from £36,000 to £65,000, which helped 2015 profits more than double to £7.2m. Planning for further growth, last year the group invested £8.5m in newplant and machinery.

20 HARGREAVE HALE Stockbroker and ***fund*** manager 94.41%

Hargreave Hale provides investment management and stock broking services to private clients, companies and charities, and says the value of its managed ***funds*** reached £5bn in 2015. The group is headquartered in Blackpool, where it began trading in 1897, and is chaired by Giles Hargreave, 67, who in 1988 merged his own company with the family stockbroking business. It has nine offices, adding Norwich and Nottingham last year, which helped profits hit £3.7m.

21 WRIGHTS Bus manufacturer 94.03%

Wrights Group's latest fleet of electric buses in Milton Keynes receive a wireless booster charge from plates in the road, allowing them to run for longer. Founded in 1946 and still owned by the Wright family, the County Antrim firm pioneered low-floor buses in Britain and built London's fleet of 1,000 hybrid electric Routemasters. A growing overseas business in markets such as India-where it opened a factory last year-helped profits hit an annualised £12.9m in 2014. Mark Nodder, 60, is chairman and chief executive.

22 FOX INTERNATIONAL Fishing tackle supplier 93.41%

The growing popularity of angling as a global sport helped this fishing tackle business reach profits of £4.1m in 2014, more than double the previous year. Founded by Clifford Fox in 1964, the Essex business sells its range of 3,000 products through retailers in 30 European countries, launching in the Czech Republic, Poland and Hungary last year. Mayfair Equity Partners bought a majority stake from investment firm Next Wave Partners last September, valuing the group at £50m. Its chief executive is David Algar, 54.

23 BILL'S RESTAURANTS Restaurant operator 91.49%

When Bill Collison's Sussex greengrocers was destroyed by a flood in 2000, he was forced to start again, this time adding a café, which grew into a restaurant. The business was bought by Côte Restaurants in 2008, which demerged it four years later. Now majority-owned by retail and restaurant entrepreneur Richard Caring, Bill's has more than 70 restaurants and an online shop. Profits hit an annualised £6.5m in 2015. Collison, 53, is still involved in the firm, alongside chief operating officer Roberto Moretti, 49.

24 ANNODATA Cloud and managed services 91.28%

Founded in 1988 by brothers Andrew and TimHarman, 53 and 49, Annodata provides IT, communications, and print managed services to customers from its headquarters in Hertfordshire and 10 locations across Britain. In 2014, the company expanded with the acquisition of IT reseller Keltec, and tight cost control increased margins on already rising sales, with profits increasing fivefold to £5.8m. Last year it acquired wide-format print specialist STS for an undisclosed sum.

25 UNITED TRUST BANK Bank 90.23%

Founded in 1955, this specialist bank is led by chief executive Graham Davin, 60, group managing director Harley Kagan, 46, and the management team. It provides services including savings accounts, ISAs and secured loans for SMEs and individuals, including property development ***funding***, asset ***finance*** and mortgages. It generally lends from £25,000 to £20m. Strong demand, an increased product range and low borrower defaults helped profits rise to £15.2m in 2015.

26 MECH-TOOL ENGINEERING Protection equipment manufacturer 89.60%

This Darlington-based business designs and manufactures specialist cladding and other materials that prevent fires on oil and gas rigs. Previously part of AIM listed Ferrum Holdings, the company was taken private in 2004 by chief executive Marshall Garner, 64. Growing international business with clients such as Hyundai and Samsung helped profits reach £4.3m in 2015.

27 REDFERN TRAVEL Business travel agent 88.81%

Bradford's Redfern Travel says it manages one transaction every 3.6 seconds. Under chief executive Mark Bowers, 53, the business, which was founded in 1937, focuses on the corporate travel market and has developed an automated online booking system that reduces costs by suggesting time and money-saving trips. It also manages travel reservations for 10 government departments. New contract wins contributed to last year's profits doubling to £5m, though profit margins were slim.

28 MILLER GROUP Housebuilder 88.78%

This housebuilder and commercial property company has set itself a target of building 3,000 homes a year, up from nearly 2,000 in 2014, when it sold its construction division to Galliford Try for £17m. The Edinburgh firmgrew strongly on the back of the economic recovery and its homes division helped to increase profits to £76.7m last year. Plans to float on the stock market were postponed last year, and chief executive Keith Miller subsequently left, with divisional heads nowreporting direct to board chairman Philip Bowman, 63.

29 OKTRA Office interior design and fit out 88.18%

Fromits beginnings in the early 1900s producing manufacturing equipment and furniture, this London business now designs and refurbishes offices for a client list that includes Tripadvisor, Nando's and Ricoh. Chief executive Geoff Andrew, 43, led a management buy-in of the firm from its previous family owners in 2007, and since rebranding the business from Margolis Office Environments in 2013, profits have grown to £4.2m.

30 ASPIN GROUP Civil engineer 86.91%

This nationwide civil engineering contractor started in 2000 as a railway sector specialist, and has grown nationally, diversifying into roads, electricity pylons and renewable energy. The acquisitions of McGrattan Piling in 2013 and bridge inspection firm RSI in 2014 helped founders Barry McMahon, 43, and Andy Hoffman, 45, to increase their latest profits to £5.4m. Last year they sold a minority stake to the private equity firmLDC for £25m.

31 MINT VELVET Ladies' clothing retailer 86.31%

Mint Velvet's range of women's clothing, accessories and footwear is available online and at its 28 shops and 92 department store concessions. The company was founded in 2009 by Liz Houghton, 51, Stuart ***Grant***, 41, Lisa Agar-Rea, 47, and Jane Rawlings, 49. New store openings helped to increase its latest profits to £10.8m. Last year it opened shops in Switzerland and Dubai, and in December the company sold a stake of undisclosed size to Lewis Trust Group, the investment business set up by the founders of River Island.

32 MISSGUIDED Online fashion retailer 86.08%

This online retailer-founded in Manchester in 2009 by Nitin Passi, 33- offers catwalk looks and celebrityinspired fashion to women aged 16 to 35. Its website sells more than 8,000 products and has 3m registered users. Celebrity endorsements and overseas expansion in France, America and Australia helped profits grow five-fold to £4.8m in 2015. Last year also sawthe brand launch its first concessions in Selfridges in Manchester and American department store Nordstrom.

33 GLENDINNING Quarry and concrete products 85.64%

Devon's largest family-owned quarrying, concrete and road contracting business began extracting limestone from its Ashburton site in 1958. It has a second quarry in Bude, and five offices across Devon and Cornwall supplying industries such as ***agriculture*** and construction. Increased demand for asphalt and concrete helped profits rise to £4.6m in 2015. To run the business, the Glendinning family typically appoints non-family members, such as managing director Barry Wilson, 50.

34 ORIGIN Bi-fold door manufacturer 85.50%

Family-owned Origin was founded in 2002 when cousins Neil Ginger, 42, and Victoria Brocklesby, 36, recognised a gap in the market for high quality bi-folding aluminium doors, made to bespoke specifications. The Buckinghamshire group has since expanded its range to include aluminium windows and electronic roller blinds. Alongside a sales office in Dubai, the group is investing to expand in the US, which helped profits rise to £3.4m in 2014.

35 HAYS TRAVEL Travel agency 85.16%

John Hays, 66, opened his first travel agency in County Durham in 1980 and nowhas more than 120 branches and two call centres. The Sunderland group more than doubled its retail shop network in 2013 when it bought Bath Travel for an undisclosed sum, lifting profits to £6.3m in 2015, though margins were slim. It plans to open 30 stores in West Yorkshire in the next fewyears.

36 DRAYTON GROUP Car dealer 84.49%

This motor dealership group sells new and used Mercedes-Benz and Smart cars from its seven showrooms in the West Midlands. Owned by the Guest and Forbes families, it is run by chairman Ken Forbes, 65. Its Shrewsbury business relocated to a new£4m facility in 2014, helping to boost newcar sales that year by 50% and increasing profits to £5.4m, though margins were slim.

37 ICG MEDICAL Medical recruitment consultancy 83.36%

Co-founders James Parsons, 39, and Adrian Treacy, 36, set up this London recruitment agency in 2003. By 2015 it had expanded from a two-man operation to an international business with 175 staff and profits of £5.1m. Last year, the group focused on healthcare recruitment, and demerged Arrows Group, a technology recruitment firm.

38 KINAPSE Pharmaceutical regulations consultancy 83.31%

Johnson & Johnson, GSK, Novartis and Bayer are just some of the global pharmaceutical companies who work with Kinapse, which provides advisory and operational services to the life sciences sector. Founded in 2005 by former Accenture consultants Andy Black, 49, and Nick Edwards, 54, the London firmnowhas offices in India and America, helping generate £3.9m in profits last year. In January, private equity firm HgCapital acquired a majority stake from Synova Capital Partners for an undisclosed sum.

39 EXCITECH CAD services and consultancy 82.48%

Excitech was founded by chairman Adrian Atkinson, 59, in 1985, when computer-aided design was in its infancy. The company continues to provide CAD software as well as IT services and consultancy to support the construction industry and architects. Growth in its sector, as well as the government's digital modelling mandate for construction firms, helped profits increase to £3.3m in 2015.

40 CROWN TIMBER Timber importer 80.97%

This Gloucestershire-based business imports timber from Scandinavia, Germany and North America, then delivers it to timber engineering and merchant customers via its four distribution terminals. Steady demand for making roof trusses and timber frames and the acquisition of a sawmill in Finland helped lift profits to £6.7m in 2014. Earlier this month Crown was bought by Swedish sawmiller Sodra.

41 ESENDEX Business messaging services 80.95%

More than 12,000 organisations- from schools and fire services, to brands such as Ocado and Specsavers-use Esendex's mobile messaging services to communicate with staff and customers. Darwin Private Equity led an £11m buyout from Esendex's founders in 2013, and the group is nowled by chief executive Geoff Love, 45. Strong demand in Europe and Australia, and the acquisition of ***financial*** services specialist Collstream last November, for an undisclosed sum, helped profits at the Nottingham firm rise to £3.2m in 2015.

42 CMS WINDOWSYSTEMS Door and window systems 80.92%

CMS manufactures and installs windows, doors and curtain walls using energy efficient and sustainable technology, such as its zero-carbon windowthat uses 100%recycled material. It employs 245 staff at its two manufacturing and recycling plants in North Lanarkshire and Fife. Recent projects include student accommodation at The Glasgow School of Art. A more active construction sector sawincreased demand from house builders, architects and utility companies, helping profits rise to £3.6m in 2015 under founder and managing director Andy Kerr, 45.

43 WILKINSON EYRE Architect 80.90%

Recent projects by this award-winning architect include the restoration of the Mary Rose museum in Portsmouth, Battersea power station and the £80m refurbishment of Oxford University's Weston Library. Profits hit £6.4m last year, thanks to overseas projects such as the six-star Crown Sydney hotel. The firm has offices in London and Hong Kong and is led by founder, Chris Wilkinson, 70, and director, JimEyre, 57.

44 LION TRACKHIRE Temporary roadway provider 80.85%

In the 1960s, the father of Lion's managing director Dale Robinson, 50, built the original portable trackway for the National Grid. Today the company supplies its aluminium trackways for events including Wimbledon and the Leeds and Reading music festivals. The Worksop business is chaired by Carl Springthorpe, 58, and had profits of £4.6m last year, helped by demand from renewable energy companies.

45 CHILDRENSALON Childrenswear retailer 80.74%

Childrensalon was started in 1952 by Sybil Harriman with a single shop in Tunbridge Wells selling handmade children's clothes. Sales of traditional styles have surged since the births of Prince George and Princess Charlotte, with well-off parents in Europe, America and Australia snapping up luxury brands such as Gucci and Dolce & Gabbana for their offspring. The company is headed by the founder's daughter, Michele Harriman-Smith, 64, and her husband George Smith, 68. The opening of a second warehouse and increased sales to the Middle East helped profits rise to £10.8m last year.

46 FAIRVIEWNEW HOMES Housebuilder 80.28%

North London-based Fairview New Homes specialises in developing housing on brownfield sites in London and the home counties. Its projects include a 70-home development on the site of the old Surrey Docks Stadium, which it bought for £6m in 2013. Increased demand and higher house prices boosted profits to £53.9m in 2014. Fairview is led by executive chairman Gerald Malton, 55.

47 THOMAS HOMES Housebuilder 79.95%

Brothers Hugh and David Thomas started this Berkshire-based property developer in 1974. The group specialises in the development of properties in sensitive locations, such as the refurbishment of historic buildings, or conversion of office buildings into new homes. Still led by Hugh, 73, the company doubled profits to £8.6m in 2015, helped by favourable planning applications, land values and high demand. Recent projects include the conversion of the old Great Western Railway works in Swindon.

48 EURO GARAGES Fuel forecourt operator 78.86%

Entrepreneurs Zuber Issa, 43 and brother Mohsin Issa, 44, run Euro Garages, which owns and manages 341 forecourt sites under BP, ESSO and Shell fuel brands. Last year, the group bought 172 sites from Exxon Mobil and Shell, before private equity firmTDR Capital acquired a minority stake valuing the group at £1.3bn. Retail concessions with brand partners such as Starbucks, Subway and Greggs helped profits hit £41m in 2015.

49 RIDGEONS Timber and builders' merchant 78.20%

Started as a timber merchant in Cambridge more than a century ago, Ridgeons' products nowrange from kitchens to flooring, and last year it launched PlumbStock, a heating and plumbing brand. Led by managing director Nick Sims, 56, and group ***finance*** director Ian Northen, 41, it serves customers from 26 stores across east England. Profits reached £6.2min 2014, thanks to strong timber sales and the expansion of its Anglia Tool Centre brand, which nowhas five stores.

50 THE ENTERTAINER Toy retailer 76.71%

This Buckinghamshire firm is the biggest independent toy retailer in Britain, with 116 stores. Founded in 1981 by husband and wife team Gary and Catherine ***Grant***, 57 and 62 respectively, it has franchised stores in Pakistan and Azerbaijan, and plans to use this model to enable further international growth. It also operates website [*www.thetoyshop.com*](http://www.thetoyshop.com), contributing 20% of overall sales. Aided by newstore openings, profits hit £8.6m last year, 10% of which were donated to charitable causes.

51 GRAVITY MEDIA TV production equipment provider 76.51%

Founded in 2000 following a management buyout from Gearhouse, Gravity Media sells or rents equipment used in television studios, control rooms and outside broadcasts. With offices in five countries, the group also undertakes global location work, televising some of the world's most watched live events, including the 2015 US Open tennis championship. Under founder John Newton, 52, profits rose to £8.4m in 2014. In December last year, the group acquired Hyperactive Broadcast for an undisclosed sum, helping to expand its live broadcast hire business.

52 ACORN INSURANCE Specialist car insurer 76.39%

This Liverpool-based broker specialises in niche motor insurance, covering modified and imported vehicles or drivers with more limited access to insurance such as learners or those with motoring convictions. It is also popular with taxi drivers insuring multiple vehicles. Strong renewal rates and its strategy of focussing on areas less served by larger firms helped profits increase to £5.7m in 2014, under the leadership of managing director Alan Keating, 49.

53 MACDONALD HUMFREY Technology systems integrator 75.63%

This Luton-headquartered systems developer supplies passenger security screening, flight information and baggage handling software to airports including Heathrow, and farther afield in America, Canada and the Middle East, where it is looking for further growth. It also supplies aerospace and logistics customers, and builds more efficient assembly lines for automotive companies including JLR and Aston Martin. Growth in its markets helped profits reach £18.1min 2014. It is led by founder and chief executive Mick MacDonald, 61.

54 ESH GROUP Construction contractor 75.32%

Durham-based Esh Group has divisions involved in most areas of construction, including civil engineering, property development and social housing maintenance. Improved market confidence, the acquisition of Border Construction for an undisclosed sum and investment in its Yorkshire operations, where it doubled its office space, helped profits more than double to £11.6min 2014. The group is led by chief executive Brian Manning, 58.

55 KRISPY KREME Doughnut retailer and wholesaler 73.56%

The UK franchise owner of the Krispy Kreme brand opened its first British outlet in Harrods in 2003. It has since opened more than 60 stores, while its 16 varieties of doughnuts are sold in selfservice cabinets in more than 600 Tesco stores and service stations. Haven Burke, 74, founded the Surrey-based retailer after securing the franchise agreement from Krispy Kreme Doughnuts Inc, before Alcuin Capital and Indigo Capital acquired a majority stake for an undisclosed sum in 2011. Under chief executive Mike Dowell, 60, the company made a £7.3m profit last year.

56 CLARANET IT services provider 72.44%

Founded in 1996 by Charles Nasser, 46, London-based Claranet sells IT hosting, networking and communications services to more than 5,500 businesses, including Airbus, Peugeot and Channel 5. It has 18 offices in six European countries and acquisitions in France, Portugal and Holland helped profits reach £11.8min 2015. More recently the purchases of British firms Techgate and LinuxIT, and French hosting business Aspaway, sawthe business expand into newareas such as disaster recovery.

57 JATO DYNAMICS Motor industry information 71.54%

Jato provides business intelligence to its automotive partners, with services that include real-time sales data, pricing, specifications and market news. Chairman and owner Jake Shafran, 64, founded the Harrow-based group in 1984. He has led its expansion from a small research firmto an international group providing services in 50 markets. Led by chief executive Andy Rothery, 54, geographical and product diversification helped profits rise to £8.5m in 2014.

58 PATERSONS QUARRIES Quarry operator 69.91%

Though it was incorporated in 1973, Patersons traces its history back to 1826. It began with just one quarry near Glasgow, but nowcontrols six in Scotland and has diversified into waste management, road haulage and facilities management. It also owns George Newberry Coachbuilders, which customises commercial vehicles such as minibuses. Chairman William Paterson, 70, sawprofits hit £3.6m in 2014.

59 APICAL Imaging technology developer 69.68%

Apical develops microchip technology used in more than one billion mobile devices. Clients include Chinese telecoms giant Huawei and South Korea's Samsung, and booming sales of smartphones helped lift latest profits to £8.7m, on margins of 52%, among the highest on the league table. Last year, it launched a new microchip technology which uses sensors to learn an individual's behaviour and has potential applications ranging from smart home security to elderly care. The London-based business is run by founder and chief executive Michael Tusch, 46.

60 ADVANCE CONSTRUCTION Construction services 69.26%

Founded in 1993 by managing director Seamus Shields, 47, this company provides groundworks and civil engineering services to residential and commercial developments. Growth in the commercial side of the business, as well as public sector contracts for health centres, hospitals and primary schools, helped the Glasgow-based firm increase profits to £8.2m last year.

61 ID MEDICAL Recruitment consultancy 68.56%

This medical recruitment firm has more than 45,000 candidates on its books, ranging from doctors and nurses to physiotherapists, radiographers and clerical staff. The Milton Keynes company had profits of £4.5m in 2014, having attained preferred supplier status with more than 90% of NHS hospitals and private clinics nationwide. It is owned by chairman Mo Sacoor, 76, his son Mike Sacoor, 45, who is chief executive, and managing director Deenu Patel, 36, who together set up the consultancy in 2002.

62 STORY HOMES Housebuilder 68.36%

Chairman Fred Story, 59, founded this Carlisle construction group in 1988, and in 2013 demerged the business from civil engineer Story Contracting to focus on housebuilding. Growth has been based on a strong land bank and expansion into Scotland and the northeast and northwest of England. Under chief executive Steve Errington, 46, profits hit £15.2m last year after the firm completed on 410 properties, up 63% on the previous year.

63 MARITIME GROUP Container transport & logistics 68.27%

This Suffolk firm says its fleet of 1,400 road vehicles makes it the largest container logistics company in the UK, transporting goods for high street stores and grocery chains. It has 25 depots at sites including London's Tilbury docks and the BirminghamIntermodal Freight Terminal. In 2014 it acquired competitor Roadways Container Logistics for £6.5m, boosting profits to £14.3m that year. John Williams, 57, is group managing director.

64 BPD Building product manufacturer 68.19%

This Cheshire company makes ventilation and specialist building products, such as protective membranes used in roofing and timber-framed buildings. Led by joint managing directors Graham Dronfield, 51, and Neil Rideout, 54, the business has manufacturing sites in Derbyshire and South Wales, and expansion into Europe helped profits reach £3.9m in 2015.

65 RANDOX LABORATORIES Medical diagnostics manufacturer 68.05%

Randox designs and manufactures diagnostic ***instruments*** and tests used in medical laboratories. It also supplies antibodies and proteins to the healthcare industry. The group sells to more than 145 countries, and says 370m people across the globe are diagnosed using one of its products every year. Under founder and managing director Peter FitzGerald, 65, profits hit £16.6m in 2014.

66 BUTCHER'S PET CARE Pet food manufacturer 67.59%

Chairman Graham Baker, 64, started Butcher's Pet Care in 1987 to use byproducts from the family's butchery business. The firm nowproduces 5m cans of dog and cat food each week and exports to Italy, Poland and eastern Europe. Profits grew to £7.3m in 2015, helped by production efficiencies at its Northamptonshire factory.

67 SAHARA SYSTEMS Audio-visual products supplier 67.57%

The beginnings of Sahara Presentations Systems date back to 1924, when it sold typewriters. Led today by Kevin Batley, 61, who is managing director, and his brother Nigel, 58, ***finance*** director, the company nowsells audiovisual products and software from brands that include Panasonic, Hitachi and NEC. The Kent firm also manufactures its own brands, including Clevertouch-a growing range of interactive touchscreens for use in classrooms-that helped lift profits to £3.5m in 2014.

68 QUANTICATE Clinical research provider 66.69%

This clinical research organisation was founded in 2007 when chief executive David Underwood, 63, merged his previous company, Statwood, with Oxford Pharmaceutical Sciences. Since then, it has worked with its numerous clients to safely collect, analyse and report clinical trial data. The Hertfordshire firm has offices in America, Poland, South Africa and India, and overseas expansion helped drive profits to £3.7m in 2014.

69 GCH CAPITAL Manufacturing conglomerate 66.69%

Cassie Hutchings, 32, leads this manufacturing group, started in 2010 with ***funding*** from her father Greg, the former head of listed conglomerate Tomkins. The group comprises seven businesses, including Bradford's Dent Steel, which supplies steel for shipbuilding, and HK Timbers in Lincolnshire, which makes wooden vegetable boxes. Profits rose to £7.1m in 2014, helped by the acquisition of Leeds-based Sycamore Lighting in April that year. The company bought Newcastle-based ADMPressings in December 2015.

70 JJ FOOD SERVICE Food distributor 66.38%

This north London company was established by Mustafa Kiamil, 59, in 1988 to supply food, drink and packaging products. With more than 700 staff in eight depots, it delivers to a wide range of caterers, restaurants and hotels. Clients can order online, though 63% nowuse the click-andcollect service to save on delivery costs. Expansion of its gluten-free, fresh meat, fruit, vegetable and own brand lines helped profits rise to £11m in 2015.

71 MARTIN GROUP Transport and waste service provider 66.22%

Started 40 years ago as a fencing contractor by managing director Harold Martin, 81, this Derbyshire business has diversified into traffic management, safety barriers, waste management and maintenance of vehicles and plant. The group has erected thousands of metres of security fencing for clients such as Network Rail, and increased demand from public sector clients such as Highways England lifted profits to £11.4m last year.

72 WHITE CLARKE ***Finance*** software developer 65.26%

In 1992, management consultants Ed White, 71, and the late Dara Clarke founded their consulting and software business, which provides automotive and ***finance*** technology to 30 countries and 100 customers, including Volkswagen ***Financial*** Services and Ford Credit. The group has nine offices, and opened its second in Germany in 2015. Profits rose to £4m in the same year.

73 FOUR COMMUNICATIONS Communications agency 64.86%

Launched in 2001, this London-based PR, marketing and media agency is led by its four co-founders including chief executive Nan Williams, 53. The group has offices in Abu Dhabi and Dubai. It added another in Wales last year after its acquisition of Cardiff-based Francis Balsom Associates for an undisclosed sum. BGF invested £10m for a 30% stake in the business in August. Profits hit £4.1min the year to December.

74 CHEVRON Traffic management service provider 64.82%

Fromcontraflows to night-time lane closures, Chevron Traffic Management works with the police, Highways England, local authorities and civil engineering contractors to facilitate the safe maintenance and improvement of Britain's roads. Led by managing director Timothy Cockayne, 37, the company has its head office in Oxfordshire and 10 regional depots. Chevron says that repositioning its services to support safety-critical roadworks helped to increase profits fivefold to £5.8m in 2014.

75 CITY & COUNTRY Housebuilder 64.36%

Developing historic properties such as former grade II listed Bristol General Hospital, which is being turned into 205 apartments and houses, is the speciality of this Essex firm. Founded in 1962, it is still owned by the Sargeant family and run by chief executive TimSargeant, 50. The company posted profits of £16.2m in 2015, and in January proposed the conversion of a former grade II listed prison in Portsmouth into 230 homes.

76 JSM GROUP Utilities service provider 64.32%

This company installs, maintains and repairs cable networks for the power and communications industries. The group successfully trialled a "no-dig" method of extracting cables and is nowcarrying out commissioned work. Based in Hertfordshire, it has a London operations centre in Docklands and has opened a number of project offices servicing the wider UK network, helping profits rise to £3.3m in 2014. Stuart Wiltshire, 52, is co-founder and managing director.

77 HEATHCOAT Fabrics manufacturer 63.80%

Parachutes, wedding dresses, body armour and drive belts for car engines are just some of the uses for this Devonbased company's specialist fabrics. Strong demand from the automotive sector and a focus on lean manufacturing sawprofits, which are partly shared with employees, rise to £5.2m last year. The company is family-owned and led by managing director Cameron Harvie, 49.

78 ADVANCED INSULATION Insulation products manufacturer 61.57%

This Gloucester-based manufacturer produces coatings for the offshore oil and gas industry, including fireproofing and insulation. Led by managing director Andrew Bennion, 48, the company is backed by private-equity firm Growth Capital Partners, which bought a minority stake in 2014 for an undisclosed sum. The firm has offices in countries such as Kazakhstan, Brazil, Angola and Malaysia. Despite industry cut backs, profits hit £14.4min 2015.

79 ANIMAL FRIENDS Pet insurance provider 61.50%

Managing director Elaine Fairfax, 61, founded this pet insurance company in 1998 with her husband Chris, 58, with the aim of raising money to ***fund*** animal welfare. The Wiltshire firm has since donated £2.5m to 300 charities. It has sold over 500,000 policies to date and an advertising and social media campaign helped profits more than double to £5.2min 2014, on margins of 36%, among the highest on the league table.

80 WASABI Sushi bar chain 61.04%

Expanding from one branch on London's Embankment in 2002 to 45 branches nationwide and three in New York, this takeaway Japanese food chain serves fresh sushi and also operates Korean restaurant brand Kimchee. Founder and managing director Dong Hyun Kim, 42, has overseen increases in like-for-like sales and efficiency gains that increased profits to £4.4m in 2014. The business plans to expand with further branch openings in Britain and America.

81 PREMIER DECORATIONS Festive decorations wholesaler 60.83%

Premier was founded in 1988 by managing director John Athwal, 63, to import Christmas decorations from China. Based in Middlesex, the group also has offices in Hong Kong and a sister company in Guangzhou through which it procures Christmas decorations, Halloween novelties and outdoor living products that are then sold both to independent and large multiple retailers. Expansion of its product range and cost savings helped profits hit £5.6m in 2015.

82GEORGEROBERTSSCAFFOLDING Scaffolding equipment supplier 60.61%

This Liverpool-based scaffolding supplier is run by chairman and chief executive George Roberts, 63, who founded the company in 1992. The firm also supplies staircases, safety equipment and temporary roofs, and exports to six continents. Profits climbed to £3.2m in 2014, helped by strong demand from the housebuilding sector and expansion of its sales and marketing team, which moved into a new, purpose-built office building last year.

83 ROBERTSON Construction services 60.42%

This Stirling-based infrastructure and construction group builds houses, schools, supermarkets, hospitals and office blocks, and is involved in property development, civil engineering, asset management and facilities maintenance. It has worked for many of Scotland's distillers and in 2014 landed the £100m development of the newMacallan distillery and visitor centre for The Edrington Group. Company profits were £11.5m last year, and it says it has a £1.7bn order book. Founder Bill Robertson, 70, is executive chairman.

84 SYMPHONY Furniture supplier 59.32%

Customers of Symphony's fitted kitchen, bedroomand bathroomfurniture business include private property developers, social housing providers, hoteliers and retailers. Profits at the Barnsley business grew to £5.9m in 2014 thanks to strong growth in the private development market. The company is chaired by founder Douglas Gregory, 76, and run by managing director Martyn Davis, 68.

85 EDINBURGH WOOLLEN MILL Clothing retailer 59.09%

The Edinburgh Woollen Mill opened its first shop in Scotland in 1970, selling mainly woollens and cashmere garments and textiles. It also owns the Peacocks brand, bought out of administration in 2012. New store openings in 2015 took the total estate to more than 1,000 shops and helped the company reach a profit figure that is among the highest on the league table at £83.1m. Chief executive Philip Day, 50, has announced plans for a further 100 stores over the next two years, creating up to 800 jobs.

86 STEADFAST ENGINEERING Threaded screw manufacturer 59.04%

Celebrating its 30th birthday this year, Steadfast makes stud bolts and fasteners for the oil, gas and water industries, and counts Shell and Amec Foster Wheeler as customers. Based in Cheshire, and with offices in Aberdeen and Falkirk, the group also supplies contractors across Europe, the Middle East, the Asia-Pacific region and North America. Under founder and managing director Ken Sharp, 69, profits rose to £4.5m in 2015.

87 TITHEGROVE Civil engineer 58.58%

Swindon-based Tithegrove is a civil engineer operating in and around the M4 corridor, and more broadly across southern and southwest England, providing services to housebuilders such as Taylor Wimpey and Persimmon. The group is led by managing director Paul Walton, 68, who joined shortly after the business was established in 1984. A buoyant housebuilding market and a newoffice in Yeovil helped profits rise to £3.4min 2015.

88 EVANS VANODINE INTL Chemicals manufacturer 58.23%

Fromits manufacturing and research plant in Preston, family-owned Evans Vanodine provides cleaning and animal health products to 78 countries, supported by a global network of licensed manufacturing units. A worldwide trend for higher quality food and increased regulation has encouraged producers to raise animal care standards, boosting profits to £3.2min 2015. Peter Evans, 60, is managing director.

89 PENINSULA Employment law consultancy 57.35%

This employment lawfirm was started in 1983 by Betfred co-founders and brothers Fred and Peter Done, 73 and 69 respectively, after they were faced with an employment tribunal and experienced first-hand the lack of legal support for SMEs. The Manchesterheadquartered business also provides HR and health and safety services for its 30,000 clients. Peninsula owns a majority stake in Australian HR specialist Employsure, whose performance helped increase profits to £24.2m last year.

90 JOHN ADAMS Toy and leisure products wholesaler 57.02%

Toy brands Fuzzy Felt, Rubik's Cube, and swimming pool brand Intex are sold under the John Adams banner. Founded almost 50 years ago, the Cambridgeshire company merged with Toy Brokers in 2009 after managing director Simon Pilkington, 49, led a buyout of both businesses. It sells through a network of independent retailers as well as the likes of Amazon and Argos. An expanding range of products helped profits reach £4.8m in 2014.

91 BET365 Online bookmaker 56.84%

Stoke-based Bet365 recorded revenue of £1.6bn last year and improved margins, with profits rising nearly a third to £413.3m, the biggest on the league table. As well as betting on a variety of sports, customers can bet on the ***financial*** markets and play casino games or watch 50,000 live sporting events every year. The business is owned by the Coates family, and is the majority shareholder of Stoke City Football Club. It has customers in more than 100 countries.

92 TELEGENIC Outside broadcasting equipment 56.59%

The 2014 FIFA World Cup Finals in Brazil and 2015 Six Nations rugby tournament were among the sporting events televised by Telegenic's outside broadcasting trucks, helping to triple profits to £3.1m in 2015. The High Wycombe business, led by managing director Peter Bates, 52, and chairman Terry James, 58, is developing ultra-HD/4K equipment for use in live broadcasts, and is a key supplier for all the big UK broadcasters including Sky, BT Sport, ITV and the BBC.

93 AL MURAD TILES Tile and stone retailer 55.91%

Al Murad is one of Britain's largest importers and retailers of ceramic tiles and natural stone. The Leeds-based group operates from more than 40 stores and 30 UK franchises, and also sells underfloor heating and tile accessories. Under founder and managing director Murad Patel, 58, improved consumer confidence and newstore openings helped profits rise to £6.1m in 2015.

94 LOVEHONEY Sex toys retailer 55.65%

Two self-styled internet nerds set up this ecommerce business in 2002, and it now sells one-in-three sex toys bought online in the UK. Richard Longhurst, 46, and Neal Slateford, 52, have nowlaunched American, French, Australian and German websites, and the Bath firm sells to distributors and retailers around the world. The retailer has exclusive rights to manufacture Fifty Shades of Grey adult toys and bondage items, and this, plus the relaunch of its erotica brand Coco de Mer, helped profits hit £3.3m last year.

95 CLC GROUP Painting and maintenance contractor 55.59%

Started in Southampton as a painting contractor in 1969, CLC has nowgrown into a national maintenance provider, with 14 branches throughout Britain. It specialises in the refurbishment of occupied properties such as homes, schools, universities and hotels. The re-opening of its Leeds branch in 2014 helped profits to reach £7.1m that year, under managing director Nick Hilton, 54.

96 MICK GEORGE Earthworks, haulage and plant hirer 54.87%

Named after its 59-year-old founder and managing director, this Cambridgeshire firm provides services to the construction industry that include demolition, bulk excavation, ready-mix concrete, earthmoving and waste management. It also operates a network of quarries and recycling facilities throughout East Anglia and the East Midlands, producing aggregates such as limestone, sand and gravel. Profits doubled last year to £11.4m helped by investment in vehicles and a new concrete plant in Cambridge.

97 BLUE CHIP IT consultancy and data centre 54.41%

Managing director Brian Meredith, 65, founded Blue Chip in Bedford in 1987 to provide IBM hardware maintenance. The group has since expanded into managed cloud and hosting services, disaster recovery and IT consultancy. Conscious of the environmental impact of its power-hungry servers, it has invested in "cold aisle" containment to cool air naturally. Lowpower usage levels and improved efficiencies helped last year's profits rise to £4.3m.

98 AVECTO IT security software developer 54.30%

This Manchester-based firm's software helps global companies including ***financial*** institutions, defence and technology companies protect themselves from cyber threats. It was founded in 2008 by Mark Austin, 47, and Paul Kenyon, 44. Profits hit £3.5m last year, boosted by newoffices in Frankfurt and Melbourne. In December, JMI Equity invested £32m for a minority stake, which the firm plans to use to develop newproducts and build brand awareness.

99 CORMAR CARPETS Carpet manufacturer 53.88%

While most carpet sold in Britain today is imported, this family business is still making its products at its two Lancashire mills. Founded by the late Neville Cormack in 1956, Cormar recently began selling overseas, including in Hong Kong and South Korea. Managing director David Judge, 59, has overseen a doubling of sales in the last 10 years to £104.3m in 2014, when profits reached £6.6m.

100 BUCKINGHAM GROUP Civil engineering contractor 53.61%

This civil engineer is best known for its expertise in building sports stadiums, but a twelve-fold increase in 2014 profits to £5.3mis largely a result of long-term contracts with its key clients. Last year it finished the £320mrail link between Oxford Parkway and London Marylebone, the first newline between London and a large city in the UK for 100 years. Paul Wheeler, 62, is founder and chairman.

**Graphic**

Green champion: Adrian Pike's Anesco installs energy-saving technology such as solar panels and batteries to help companies cut their carbon footprint and their costsBuoyant: Balmoral makes flotation equipment for the oil and gas industryLooking good: Mint Velvet, which sells a range of women's clothing, accessories and footwear, pushed its profits to £10.8m after opening shops in Switzerland and DubaiHome help: David Cameron lends a hand with Story Homes latest project. The Carlisle construction company completed 410 properties in 2015, up 63% on the previous yearGrowth on the menu: Wasabi founder Dong Hyun Kim has expanded from one branch in 2002 to 45 across Britain and three in New York, raising his profits to £4.4m in 2014

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Jordan and the West Bank & Gaza Country Risk Report

October 1, 2015 Thursday

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**Length:** 5924 words

**Highlight:** Following a series of political and economic reforms by the government in the recent years, we maintain that Jordan's long-term political outlook is among the most stable in the region. Nonetheless, we highlight that the social uprisings that emerged in the region at the start of 2011 are indicative of the threat that high unemployment, low living standards and lack of political freedoms - all features that Jordan shares - pose to the long-term sustainable stability.

**Body**

**Long-Term Political Outlook - Further Reforms On The Horizon?**

*BMI View: Following a series of political and economic reforms by the government in the recent years, we maintain that Jordan's long-term political outlook is among the most stable in the region. Nonetheless, we highlight that the social uprisings that emerged in the region at the start of 2011 are indicative of the threat that high unemployment, low living standards and lack of political freedoms - all features that Jordan shares - pose to the long-term sustainable stability.*

Jordan is one of the most stable countries in the Middle East and North Africa (MENA) region, with political power wielded by King Abdullah II, who succeeded his father King Hussein in 1999. However, the country is not immune to unrest, and the political upheaval that shook MENA in early 2011 demonstrated that even seemingly durable and stable regimes can be overthrown or brought to the brink of revolution.

In the longer run, Jordan is likely to remain largely under monarchical rule. The more reformist policies that have occurred in the country since King Abdullah II ascended to the throne point towards a continuation of political stability. Like Morocco, Jordan has been implementing reforms over the past decade, ensuring a stable political ground for the monarchy to continue over the longer term. However, the absence of major progress addressing corruption and persistently high rates of unemployment will continue to represent substantial challenges for the government. Moreover, while the king will likely remain a relatively popular figure and the monarchy will be less threatened than the cabinet, the government will certainly come under pressure and more ministerial reshuffles are likely.

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| Dangerous Neighbourhood |
| Jordan - Regional Map |
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| *Source: BMI* |

**Challenges And Risks To Political Stability**

**Lack Of Separation Of Powers:** The king is the head of state and main executive authority in Jordan, holding power in all three branches. According to the constitution, the king appoints and dismisses the prime minister, has the power to approve and dismiss the parliament and names all judges. The separation of powers is therefore weak, and heavily skewed toward handing most entitlement to the executive, particularly the king. While this ensures a smooth political process, with laws being passed and enacted without significant delays, in the long run, the lack of balance and the overwhelming power of the king is likely to strengthen opposition movements. Although a political reform plan recently established by King Abdullah II has seen the prime minister's position relegated to appointment by parliamentarians since 2013, the monarchy will continue to retain significant powers.

The lack of checks and balances is further confirmed by the poor level of freedom of the media. Although freedoms of opinion and of the press are guaranteed by the constitution, this freedom is still subject to several restrictions. Journalists are not allowed to write about the king or the royal family without authorisation, and reporting anything that could damage the state's 'reputation and dignity' is also forbidden. Consequently, self-censorship among journalists is widespread in Jordan, and in fact, pre-censorship of newspapers is also ***granted*** by law to a certain degree. Cases of journalists being imprisoned for criticising the government do exist, a fact that is reflected in the 'Reporters Without Borders' Press Freedom Index. According to the 2015 Index, Jordan was ranked 143 rd in the overall ranking covering 180 countries.

**Succession Of Power:** Although the matter of who will succeed to the throne should King Abdullah II vacate his post is not immediately pressing, it will become more so over the coming decade. Abdullah ascended the throne on February 7 1999, replacing his father King Hussein.

**Large Youth Population:** An estimated 64% of Jordan's population is under 30, and although levels of education are increasingly higher, job opportunities remain limited. Indeed, youth unemployment stands at approximately 30%, with female unemployment thought to be as high as 50% in some areas. With no energy reserves and relatively weak industrial production, Jordan's reliance on foreign aid from the wealthier Gulf Cooperation Council (GCC) states will not ensure sustainable long-term economic growth, and unless the private sector creates new jobs in the coming years, the risks of economic stagnation cannot be ruled out. In the long term, this could increase social unrest and result in rising support for Islamist of other radical political groups.

**Tensions Between 'Native' Jordanians And Palestinians:** A major social fault line exists between 'native' Jordanians and residents of Palestinian origin. The former comprise the bedrock of support for the monarchy and the existing political establishment. The latter community accounts for a majority of Jordan's population, but are marginalised from political and military posts.

**Corruption:** Corruption is among the greatest obstacles that Jordan will face in the coming decade. According to surveys, almost two-thirds of Jordanians perceive both the public and the private sector as corrupt, and 'corruption, favouritism and nepotism' was named second behind regional instability in a list of major obstacles to democracy in Jordan. Transparency International's Corruption Perceptions Index indicates corruption persisting in recent years, with Jordan scoring 4.9 out of 10 in the latest 2014 score released, ranking it in 55th place out of 175 countries.

**Unpredictable Geopolitical Environment:** Although Jordan has avoided entanglement in regional conflicts such as Lebanon and Iraq, and has signed a peace treaty with Israel, it still faces a highly unpredictable geopolitical environment. The Iraq War drove hundreds of thousands of Iraqi refugees to flee to Jordan, putting great pressure on its economy. More recently, Jordan has welcomed more than half a million refugees fleeting the conflict in neighbouring Syria, putting great strains on its public ***finances*** and its labour market. Jordan also continues to host millions of Palestinian refugees, whom the government hopes will return to a Palestinian state if and when one is successfully created. Given this backdrop, any further instability in the region would be highly destabilising for Jordan.

**Scenarios For Political Change**

**Preservation Of The Status Quo:** The most likely scenario to unfold over the coming decade is King Abdullah II remaining the head of state and keeping most of his powers to intervene in political decision making. The army will remain under the command of the king, and sporadic protest movements will be appeased through short-term ***financial*** aid - and possibly suppressed with the use of security forces if they turn violent. The monarchy is likely to give away some of its powers and cede some of its business influence, yet most of these actions will be primarily symbolic and the effects will be minimal. The reforming process will continue to be skewed towards increasing ties with the GCC states and to a lesser extent with Western states, and maintaining the high reliance on ***financial*** aid from the wealthier oil exporters in the Gulf. The political process will remain relatively opaque, with the cabinet of ministers continuing to be used as a buffer between the king and the population. Consequently, further cabinet reshuffles are expected in the next 10 years, as an ***instrument*** to respond to social demands and accusations of inefficiency in enacting reforms. Nevertheless, the political class will remain largely unchanged, and power will be rotated among the same political figures.

**Pursuit Of Reforms:** In the best-case scenario, the government will undertake more comprehensive political and economic reforms. A series of privatisations would cause job losses in the immediate term, which would arouse some public opposition. However, in the longer term inefficiencies in the economic process would be reduced and further dynamism would add to sustainable private sector expansion.

While programmes of economic reforms and liberalisation would benefit Jordan's economy, the political outlook could actually be hurt. Indeed, greater ***financial*** autonomy among Jordanian youth could fuel renewed expectations of a greater role in the policy-making process. This could generate stronger business groups that can have an increasingly greater say in the political arena. This way, the status quo would come under threat and the monarchy's power could be undermined. Eventually, this could result in Jordan becoming a constitutional monarchy, with full executive powers being transferred to the government and parliament.

**Escalation Of Social Unrest:** In the worst-case scenario, Jordan could face major civil unrest between military forces and protesters demanding reduced power for the monarchy. Considering the social issues with which Jordan is confronted, further failure to reform and improve living standards, create jobs and assign more political freedoms to the population could intensify protest activities. The wave of protests that emerged through the region at the start of 2011 is certainly a precedent to take into consideration for assessing the threat of more pronounced social upheaval over the coming decade. Should the population's grievances not be addressed effectively, similar tensions could arise and degenerate into more violent clashes between protesters and military forces. Faced with increased dissent, the army and security services under the command of the monarchy would be forced to respond, with the possibility of large-scale confrontations with opposition groups. High civilian casualties could trigger greater civil support for the protesters, ultimately degenerating into a civil war, thus significantly destabilising the monarchy.

**JORDAN - POLITICAL OVERVIEW**

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| System of Government | Parliamentary monarchy based on the constitution of January 8 1952. |
| The *Majlis al-Umma* (National Assembly) consists of two chambers. The *Majlis al-Nuwaab* (Chamber of Deputies) and the *Majlis al-Aayan* (Assembly of Senators). |  |
| The Chamber of Deputies has 150 members, elected using a mixed system - 123 members elected using the single, non-transferable vote system in multi-member districts and 27 members elected using a closed national list system based on proportional representation. Nine of the 150 seats are reserved for Christians, and three seats are reserved for Chechens/Circassians. Members serve four-year terms. |  |
| The Assembly of Senators, which is led by the prime minister, has 60 members appointed by the king for four-year terms. |  |
| Head of State | King Abdullah II bin Al-Hussein |
| Head of Government | Prime Minister Abdullah Ensour |
| Last Election | Parliamentary - 23 January 2013 |
| Municipal - 27 August 2013 |  |
| Next Election | Parliamentary - 2017 |
|  |  |
| Key Figures | Umayya Toukan - Minister of ***Finance***; Nasser Judeh - Minister of Foreign Affairs; Ziad Fariz - Central Bank Governor |
| Main Political Coalitions | Islamic Action Front - Islamist party that is the political wing of the Jordanian Muslim Brotherhood. Formed in 1992 with 350 initial members. Currently the only opposition party to hold seats in the Chamber of Deputies. Claims to be a moderate, pro-democratic party that wants relations with the US based on mutual respect, although policies remain untested in government. |
|  | A number of other non-parliamentary parties including the Communist Party of Jordan, the Jordanian People's Democratic Party, the Arab Democratic Front, the Muslim Centre Party and the National Constitutional Party |
| Current Parliamentary Make-up | Independents of various factions - 123 seats (82%), Elected on closed national list - 27 seats (18%). Allocated to women via special panel - 15 seats (10%) |
| Ongoing Disputes | None |
| Key Relations/ Treaties | US (Major Non-NATO Ally) EU (Association Agreement and Joint Action Plan), Arab League, OIC, UN, WHO, WTO |
| BMI Short-Term Political Risk Index | 61.9 |
| BMI Structural Political Risk Index | 66.6 |

Source: BMI

**Economic Activity - Navigating Through Regional Insecurity**

*BMI View: Despite growing relatively faster thanmostMENAeconomies, regionalinstability and high unemployment levels will weigh onJordanianeconomic activityover the coming quarters.As a result, we forecastJordan's economy to expand by 3.0% in 2015 and 3.3% in 2016, below the annualised rate of 5.2% recorded between 2000 and 2014.*

We expect the Jordanian economy to remain exposed to regional instability over the coming quarters, providing strong headwinds to economic growth. Nevertheless, Jordan will be able to navigate through instability better than most of its MENA peers. Sustained levels of foreign ***grants*** and preferential loans from multilateral organisations and the US and the GCC in particular will allow the Jordanian government to push ahead with major infrastructure projects, boosting fixed capital formation.

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| Among The Outperformers... |
| Selected Countries - Real GDP Growth, % chg y-o-y |
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| *e/f = BMI estimate/forecast. Source: National Sources, BMI* |

Private consumption will also remain steady over the coming quarters, as inflation remains low - we forecast CPI to average 2.9% in 2016, compared to 1.5% in 2015 - and Amman rolls back some of the subsidy cuts it had implemented over the past years. Indeed, in late July, Jordan signed a USD3bn framework agreement with the International Islamic Trade ***Finance*** Corporation (ITFC), aimed at ***financing*** the import basic goods and commodities - such as oil, petroleum derivatives, liquefied gas, drinking water and foodstuffs including wheat, barley, sugar and rice - in the event of those prices spiking.

We believe this will boost private consumption, without significantly weakening fiscal consolidation. Amman will benefit from low global oil and food prices - we forecast Brent to average USD58 per barrel (bbl) over the next five years compared to USD102/bbl between 2010 and 2014. The fall in oil prices has provided a supportive backdrop for the implementation or continuation of subsidy reforms, helping to shield consumers from what would otherwise have been a direct hit to their spending power.

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| ...But Below Past Achievements |
| Jordan - Real GDP Growth, % chg y-o-y |
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| *e/f = BMI estimate/forecast. Source: CBJ, BMI* |

Jordanian growth over the coming years will be below the rates recorded between 2000 and 2010. This will come as a result of the country's exposure to its neighbours' conflicts, with the closure of border points and higher regional instability acting as a brake on tourism and the export sector. Growth will remain subdued until at least 2018, as we do not expect any significant security improvement in the region over the next two years.

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| Instability To Continue |
| MENA - Terrorist Attacks And Violent Conflict |
|  |
| *Source: BMI* |

In the first three months of 2015 exports to Iraq fell by a quarter y-o-y and we do not expect to see any uptick soon. Indeed the **Jordanian Truck Owners Association** - an association that regroups the majority of transport truck services in the country - decided to halt land exports to Iraq and Syria in February 2015. Revenues from tourism - which contributed to close to 15% of Jordan's GDP in 2014 - was down 15% during the first four months of 2015 compared to the same period last year. This figure came before the Sousse terrorist attack in Tunisia in June, which we believe will further hurt tourism across the region.

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| Unemployment To Remain High |
| Jordan - Unemployment Rate, % Labour Force |
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| *f = BMI forecast. Source: Jordan Department Of Statistics, BMI* |

In addition, Syrian refugees in Jordan now number close to 650,000, more than 10% of the country's population, and this is crowding out the domestic labour market, which already suffers from high levels of unemployment. Given that Syrian refugees do not officially have the right to work in Jordan, the crowding out is occurring in low-wage, traditionally informal sectors, such as construction, ***agriculture*** and retail trade, with the Northern governorates - closer to the Syrian border - more impacted than the South of the country.

GDP By Expenditure Outlook

Household spending accounts for around 75% of GDP and will remain the main driver of the economy over our 10-year forecast period. Concomitantly, fixed capital formation levels will remain elevated - at around 20% of GDP - as the government pushes ahead with large infrastructure projects.

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| Over Reliant On Private Consumption |
| Jordan - GDP By Expenditure, % GDP |
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| *e/f = BMI estimate/forecast. Source: National Statistics, BMI* |

The country will nevertheless remain exposed to the Syrian and Iraqi conflicts, and we expect exports to remain subdued over the coming years, decreasing from 46% of GDP in 2014 to 41% in 2019. Government spending will also remain low - close to 15% of GDP - as Amman continues its efforts towards fiscal consolidation.

**Private consumption:** Jordan's headline growth will remain sensitive to household spending over the coming years, as the latter will continue making up over 70% of the country's GDP. Jordanian households will continue to benefit from high levels of remittances, which amounted to 15% of GDP in 2014, while unemployment will remain the main brake on household spending growth - total unemployment figures vary from 12% to 22%, with youth unemployment estimated to be as high as 35%. In particular, the large influx of Syrian refugees in Jordan will push up unemployment by crowding out the labour market. Nevertheless, we expect private consumption to increase by 5.4% on average over the next five years, compared to 2.1% between 2010 and 2014, as sustained low global oil prices and low inflation boost consumer's purchasing power.

**Private Consumption Forecasts**

|  | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **JODmn** | 11183 | 11630 | 12095 | 12639 | 13271 | 13935 | 14632 | 15363 | 16131 | 16938 | 17785 |
| **Real Growth, % chg y-o-y** | 2.7 | 4.0 | 4.0 | 4.5 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| **% of GDP** | 78.7 | 75.3 | 74.1 | 72.9 | 72.1 | 71.5 | 70.8 | 70.1 | 69.5 | 68.9 | 68.3 |

e/f = BMI estimate/forecast. Source: UN data, BMI

**Government Consumption:** We expect government spending to grow by 4.3% on average over the next five years after having contracted by 1.5% in real terms on average between 2010 and 2014 - as a result, government spending will make up 16% of GDP in 2019 compared to 22% in 2008. This decrease will come as a result of the government's ongoing efforts towards fiscal consolidation, imposed since 2012 by the USD2.0bn Stand-By Arrangement with the IMF.

**Government Consumption Forecasts**

|  | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **JODmn** | 2698 | 2763 | 2873 | 3017 | 3168 | 3326 | 3492 | 3667 | 3850 | 4043 | 4245 |
| **Real Growth, % chg y-o-y** | 1.5 | 2.4 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| **% of GDP** | 17.8 | 16.7 | 16.5 | 16.3 | 16.1 | 16.0 | 15.8 | 15.7 | 15.5 | 15.4 | 15.2 |

e/f = BMI estimate/forecast. Source: UN data, BMI

**Fixed Investment:** We expect gross fixed capital formation (GFCF) to grow steadily in Jordan over the coming years, driven by large government's infrastructure investment projects in energy, tourism, transportation, housing and water. Indeed, the Jordanian government will be able to dedicate a larger part of its spending on capital projects, as its current expenditure levels remain constrained and its debt burden narrows. In addition, ***financial*** support from the international community, and the US and the GCC in particular, will allow the Jordanian government to access relatively cheap ***funding***. As a result, we expect GFCF to expand by 4.9% on average over the next five years, at a much faster rate than the average 0.7% recorded between 2010 and 2014.

**Fixed Investment Forecasts**

|  | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **JODmn** | 3441 | 3606 | 3779 | 3968 | 4166 | 4375 | 4594 | 4823 | 5064 | 5318 | 5583 |
| **Real Growth, % chg y-o-y** | 4.9 | 4.8 | 4.8 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| **% of GDP** | 22.5 | 21.7 | 21.5 | 21.2 | 21.0 | 20.8 | 20.6 | 20.4 | 20.2 | 20.1 | 19.9 |

e/f = BMI estimate/forecast. Source: UN data, BMI

**Net Exports:** Export growth will remain subdued in Jordan over the coming years, as violent conflicts in Syria and Iraq cut off trade routes and limit demand from key trade partners. Indeed, exports to Iraq - 14% of total Jordanian exports in 2014 - fell by 24% in the first six months of 2015 compared to the same period in 2014. Over the next decade, Jordan should profit from greater energy diversification: the country, which still relies almost entirely on oil and gas imports, has ambitious plans to develop renewables, alternative import routes, and nuclear energy, and this will reduce oil and gas imports.

**Net Exports Forecasts**

|  | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** | **2020f** | **2021f** | **2022f** | **2023f** | **2024f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **JODmn** | -3859 | -4128 | -4410 | -4809 | -5231 | -5678 | -6120 | -6555 | -6950 | -7366 | -7807 |
| **Real Growth, % chg y-o-y** | 15.4 | 7.0 | 6.8 | 9.0 | 8.8 | 8.5 | 7.8 | 7.1 | 6.0 | 6.0 | 6.0 |
| **% of GDP** | -20.5 | -15.1 | -13.4 | -11.6 | -10.3 | -9.4 | -8.2 | -7.2 | -6.1 | -5.2 | -4.2 |

e/f = BMI estimate/forecast. Source: UN data, BMI

**Balance Of Payments - Current Account Deficit To Disappear**

*BMI View: Jordan's current account deficit will significantly narrow over the coming years, as low global oil prices considerably cut the import bill. Concomitantly, the country's exports will keep decreasing, as the region remains mired in the Iraqi and Syrian conflicts. Overall, we forecast the current account deficit to reach2.9% of GDPin 2015 and1.8% of GDPin 2016, compared to7.2% of GDPin 2014,before reaching a balance over the next five years.*

We expect Jordan's current account deficit to narrow significantly over the coming years, reaching a balance over the next five years, primarily on the back of global oil prices remaining low - we forecast Brent to average USD66.0/bbl in 2019 compared to USD99.5/bbl in 2014. Indeed, Jordan imported 96% of its oil and gas in 2014, accounting for almost 20% of GDP. As a result, we forecast the Jordanian current account deficit to narrow to 2.9% of GDP in 2015 and 1.8% of GDP in 2016, compared to an average of 11.4% over the past ten years.

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| Oil To Drive Current Account Evolution |
| Jordan - Current Account Balance (LHS), And Brent Prices (RHS) |
|  |
| *f=BMI forecast. Source: National Sources, BMI* |

We expect Jordanian exports to continue decreasing amid regional instability. Iraq and Syria will remain mired in violent conflicts over the coming years, thus significantly impacting Jordanian trade. Disruption in the Iraqi trade will lead to the major losses incurred by Jordanian exporters, as Iraq imported 16% of total Jordanian exports in 2014. In the first three months of 2015 exports to Iraq fell by 24% y-o-y and we expect this trend to continue as regional instability shows no sign of improvement. Indeed the **Jordanian Truck Owners Association** - an association that regroups the majority of transport truck services in the country - decided to halt land exports to Iraq and Syria in February 2015.

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| Iraqi Exports Badly Hit By Regional Instability |
| Jordan - Monthly Exports By Destination, JODbn |
|  |
| *Source: CBJ, BMI* |

We believe Jordanian exports will also be impacted by India's weak ***agricultural*** outlook for 2015/2016. Chemical and mineral fertilisers made up 12% of Jordanian exports and India imported 30% of that total in 2014. The weak 2015 monsoon will affect Indian farmers' demand for ***agricultural*** inputs, including fertilisers *(see 'Another Challenging Year For Indian* ***Agriculture****'*, *June 9)*. In addition, the ***agricultural*** reform launched by the Modi government in 2014 could have significant implications for Jordanian fertilisers' exports in the long run. Given our view that the ***agricultural*** reform will take time to unfold - for example, the government has pushed back the reform of fertiliser subsidy policy this year ( *see 'India On Track To Slowly Reform Its* ***Agriculture****', April 27)* - we do not expect Jordanian exports will be impacted heading into 2016. Nevertheless, this will remain an important point to follow over the coming years.

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| Remittances' Structure Will Remain Similar |
| Jordan - 2012 Remittance Inflow By Country Of Origin, % |
|  |
| *Source: Pew Research Center, BMI* |

Jordanian foreign currency reserves reached USD13.6bn in May 2015, covering more than seven months of imports, compared to USD13.2bn in May 2014. This slight increase comes as a result of sustained high levels of foreign ***grants***, particularly from the GCC *(see 'Lower Deficit Despite Lack Of Further Reform', 14 April)*, and more importantly from high levels of remittances, which accounted to 15% of GDP in 2014. Given the historically steady level of remittances to Jordan - with very little variation during the international ***financial*** crisis or in the aftermath of the Arab Spring - we expect this trend to remain stable in the long-run.

**Current Account (Jordan 2011-2019)**

| **Indicator** | **2011** | **2012** | **2013** | **2014** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Goods imports, % of GDP | 58.2 | 59.4 | 58.1 | 55.2 | 48.6 | 46.7 | 44.8 | 43.5 | 42.6 |
| Goods exports, USDbn | 8.0 | 7.9 | 7.9 | 8.4 | 8.6 | 9.0 | 9.7 | 10.4 | 11.2 |
| Goods exports, % of GDP | 27.7 | 25.4 | 23.5 | 22.9 | 21.4 | 20.6 | 20.1 | 19.7 | 19.5 |
| Goods exports, % of imports | 47.6 | 42.8 | 40.5 | 41.5 | 44.1 | 44.2 | 44.9 | 45.3 | 45.7 |
| Balance of trade in goods, USDbn | -8.8 | -10.5 | -11.6 | -11.8 | -11.0 | -11.4 | -11.9 | -12.5 | -13.4 |
| Balance of trade in goods, % of GDP | -30.5 | -34.0 | -34.6 | -32.3 | -27.2 | -26.0 | -24.7 | -23.8 | -23.1 |
| Services imports, USDbn | 4.5 | 4.5 | 4.6 | 4.6 | 4.8 | 4.9 | 5.0 | 5.2 | 5.5 |
| Services imports, % of GDP | 15.5 | 14.6 | 13.7 | 12.6 | 11.8 | 11.2 | 10.5 | 9.9 | 9.4 |
| Services exports, USDbn | 5.7 | 5.7 | 6.4 | 7.1 | 7.8 | 8.5 | 9.2 | 10.1 | 11.0 |
| Services exports, % of GDP | 19.8 | 18.3 | 18.9 | 19.5 | 19.3 | 19.3 | 19.2 | 19.1 | 19.0 |
| Goods and services exports, USDbn | 13.7 | 13.6 | 14.3 | 15.5 | 16.4 | 17.5 | 18.9 | 20.4 | 22.2 |
| Goods and services exports, % of GDP | 47.5 | 43.7 | 42.4 | 42.4 | 40.7 | 40.0 | 39.3 | 38.8 | 38.5 |
| Balance of trade in goods and services, USDbn | -7.6 | -9.4 | -9.9 | -9.3 | -7.9 | -7.8 | -7.7 | -7.7 | -7.8 |
| Balance of trade in goods and services, % of GDP | -26.1 | -30.3 | -29.4 | -25.4 | -19.7 | -17.9 | -16.0 | -14.6 | -13.6 |
| Income account balance, USDbn | -0.3 | -0.4 | -0.3 | -0.4 | -0.5 | -0.5 | -0.6 | -0.7 | -0.8 |
| Income account balance, % of GDP | -0.9 | -1.3 | -1.0 | -1.1 | -1.2 | -1.2 | -1.3 | -1.3 | -1.4 |
| Net transfers, USDbn | 4.9 | 4.3 | 6.7 | 7.3 | 7.3 | 7.6 | 7.9 | 8.3 | 8.6 |
| Net transfers, % of GDP | 16.8 | 14.0 | 19.8 | 19.9 | 18.1 | 17.4 | 16.5 | 15.7 | 14.9 |
| Current account balance, USDbn | -3.0 | -5.4 | -3.6 | -2.4 | -1.1 | -0.8 | -0.4 | -0.2 | 0.0 |
| Current account balance, % of GDP | -10.2 | -17.6 | -10.6 | -6.7 | -2.8 | -1.7 | -0.8 | -0.3 | 0.0 |
| Openness to international trade, % | 85.9 | 84.8 | 81.5 | 78.2 | 70.0 | 67.3 | 64.9 | 63.2 | 62.1 |

f = BMI forecast. Source: CBJ, BMI

**Monetary Policy - Looser Monetary Policy To Continue**

*BMI View: Weak inflation and record-high levels of foreign exchange reserves will enable the Central bank of Jordan (CBJ) to cut rates once more in 2015, after a 25basis points reduction in earlyJuly. This will come as an effort to boost credit growth amid economic slowdown, and we forecast the discount rate to reach 3.50% by the end of the year.*

The Central Bank of Jordan (CBJ) will maintain its looser monetary policy for the remainder of 2015, after a 25 basis point rate cut in early July. As inflation remains weak, foreign currency reserves are close to their historical high, and with sluggish economic and credit growth in Q115, we have revised our interest rates forecast and expect an additional cut in 2015, which will bring the discount rate down to 3.50% by year's end, its lowest level in 11 years.

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| Oil Prices Driving Low Inflation |
| Jordan - Central Bank Policy Rate, % (LHS) And Inflation Rate, % chg y-o-y (RHS) |
|  |
| *Source: CBJ, BMI* |

We expect inflation in Jordan to remain subdued for the rest of 2015, despite the impact of low global oil prices wearing off at the end of the year - for the first five months of 2015, transportation prices in Jordan dropped by 15.2%. This will come as a result of the Jordanian dinar remaining strong alongside the dollar - to which it is pegged - and the absence of strong inflationary pressures from the other main components of the Jordanian Consumer Price Index (CPI) basket. In particular food and housing prices - which make up more than 55% of the CPI basket - grew by only 0.8% and 1.5% respectively over the first five months of 2015 and will remain low for the coming quarters. As a result, we expect headline inflation to reach 2.2% by the end of the year, averaging 1.1% in 2015.

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| Close To Record High Levels |
| Jordan - Foreign Currency Reserves (LHS) And % chg y-o-y (RHS) |
|  |
| *Source: CBJ, BMI* |

The CBJ has even greater leeway to cut rates given that foreign exchange reserves have increased to USD15.0bn in July - covering 8 months of imports - close to their record-high level of USD15.3bn in August 2014. In addition, the current account deficit will narrow over the coming years - and turn into a surplus by 2020 - as global oil prices remain low while the threat of dollarization has waned, given the stronger confidence in the Jordanian peg.

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| Sluggish Growth |
| Jordan - Domestic Credit Extended By The Banking System, JODbn (LHS) And % chg y-o-y (RHS) |
|  |
| *Source: CBJ, BMI* |

We expect the CBJ to cut its policy rate in order to boost economic growth. Indeed, Jordan's economy grew by only 2.0% in the first quarter of 2015 amid an unstable regional situation that is negatively impacting Jordanian trade and tourism. We expect this will continue over the coming quarters, and have therefore revised down our forecast for real GDP growth for 2015 to 3.0% from 3.6% previously.

However, we remain sceptical about the Central Bank's interest cut being passed on to consumers by commercial banks. In fact, credit growth dropped in the past two years, while the CBJ was cutting its rate five times, from 5.00% to 3.75%. Latest CBJ data shows the weighted average interest rate on loans and advances by commercial banks declining to 8.58% in April 2015 from 9.10% in the same period last year. We believe this drop will be too small to have a significant impact on Jordanian credit growth.

**Monetary Policy (Jordan 2011-2019)**

| **Indicator** | **2011** | **2012e** | **2013e** | **2014e** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Consumer price inflation, % y-o-y, ave | 4.2 | 4.5 | 4.8 | 2.9 | 1.5 | 2.9 | 3.5 | 3.5 | 3.5 |
| Producer price inflation, % y-o-y, eop | 14.0 | 2.7 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Producer price inflation, % y-o-y, ave | 14.5 | 4.8 | 3.7 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Wholesale price inflation, % y-o-y, ave | 3.9 | 5.0 | 5.6 | 3.4 | 2.9 | 3.9 | 4.5 | 4.5 | 4.5 |
| Wholesale price inflation, % y-o-y, eop | 3.0 | 7.0 | 4.1 | 2.7 | 3.2 | 4.5 | 4.5 | 4.5 | 4.5 |
| M1, JODbn | 7.3 | 7.2 | 8.4 | 9.6 | 10.5 | 11.4 | 12.5 | 13.6 | 14.8 |
| M1, % y-o-y | 11.0 | -0.8 | 16.6 | 14.4 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| M2, JODbn | 24.1 | 24.9 | 27.4 | 29.7 | 32.4 | 35.3 | 38.5 | 41.9 | 45.7 |
| M2, % y-o-y | 8.1 | 3.4 | 9.7 | 8.6 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Central bank policy rate, % eop | 4.50 | 5.00 | 4.50 | 4.25 | 3.50 | 4.50 | 5.00 | 6.00 | 6.00 |
| Lending rate, %, eop | 8.7 | 9.0 | 9.0 | 8.5 | 8.5 | 9.0 | 9.0 | 9.0 | 9.0 |
| Lending rate, %, ave | 8.8 | 8.8 | 9.0 | 8.8 | 8.7 | 8.8 | 9.0 | 9.0 | 9.0 |
| Real lending rate, %, eop | 5.7 | 3.0 | 5.9 | 6.8 | 6.3 | 5.5 | 5.5 | 5.5 | 5.5 |
| Real lending rate, %, ave | 4.6 | 4.3 | 4.2 | 5.9 | 7.1 | 5.9 | 5.5 | 5.5 | 5.5 |

e/f = BMI estimate/forecast. Source: CBJ, BMI

**Fiscal Policy - Fiscal Reforms To Continue, Deficit To Narrow**

*BMI View: The Jordanian fiscal deficit willwidenslightly to 2.9% of GDP in 2016, as the government raises capital expenditure under the Vision 2025 programme. From 2017 however, we expect the budget balance to narrow significantly, averaging 2.6% of GDP over the next decade compared to 5.4% of GDP between 2005 and 2014.*

We expect the Jordanian deficit to increase slightly in 2016, as the government raises capital expenditure in line with the Vision 2025 programme, a strategic plan adopted in May that aims to bolster economic diversification and growth, and includes over 400 policy proposals ( *see 'Government's Vision 2025: Too Ambitious', June 15*). The government's intention to reduce the fiscal deficit will however remain intact over the coming years, with Amman likely to enter a new three-year agreement with the IMF for fiscal reform support. As a result, we forecast the budget deficit to reach 2.9% of GDP in 2016, compared to 8.3% in 2012 and 2.6% in 2015.

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| Narrowing From 2017 |
| Jordan - Budget Balance, % GDP |
|  |
| *f = BMI forecast. Source, CBJ, BMI* |

We expect the Jordanian government will focus on non-priority current spending in 2016, stepping up its efforts to contain the wage bill and pushing ahead with food subsidy cuts. We believe Amman will manage only partially to cap the wage bill, as the public sector will remain the first and last resort for employment for a majority of native Jordanians. Around 40% of the labour force is employed in the public sector, which offers job stability and relatively high wages compared to the private sector. The Jordanian government will be more successful in pushing ahead with further subsidy reforms, after having completely eliminated fuel subsidies over the past year. In particular, ***Finance*** Minister Umayya Toukan will focus on electricity and food prices.

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| Surge In Public Capital Expenditure |
| Jordan - Breakdown Of The Budget |
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| *f = BMI forecast. Source: CBJ, BMI* |

The electricity price hike will be aimed at lowering the **National Electric Power Company**'s ( **NEPCO**) losses to about 1 percent of GDP in 2016, reach cost recovery at the latest by 2018, and wipe the company's arrears by the end of 2016. NEPCO piled up debts after it was forced to pay for energy generated from costly diesel and heavy fuel after the suspension of cheap Egyptian gas. An important element of the new strategy is the recent start of operations of the liquefied natural gas (LNG) terminal in the southern port of Aqaba.

Risk To Outlook

Risks are weighed to the downside, given the high level of political instability in the Levant. According to the UNHCR, 628,000 Syrians have found refuge in Jordan - 10% of the Jordanian population - since the beginning of the Syrian civil war in 2011, with only 30% of the ***funding*** requirements having been paid by international donors. A new large influx of Syrian refugees would therefore add significant pressure on Jordanian public ***finances*** and force us to review our fiscal deficit forecast to the upside. In particular, and although not our core scenario, the fall of Damascus or the southern Deraa and Suwayda provinces to IS would create such a new wave.

**Fiscal Policy (Jordan 2011-2019)**

| **Indicator** | **2011** | **2012** | **2013** | **2014** | **2015f** | **2016f** | **2017f** | **2018f** | **2019f** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Revenue, % of GDP | 26.4 | 23.0 | 24.1 | 28.1 | 27.0 | 26.5 | 26.1 | 25.7 | 25.3 |
| Fiscal expenditure, JODbn | 6.8 | 6.9 | 7.1 | 7.9 | 8.4 | 9.1 | 9.8 | 10.6 | 11.4 |
| Expenditure, % of GDP | 33.2 | 31.3 | 29.7 | 30.4 | 29.6 | 29.4 | 28.8 | 28.4 | 28.0 |
| Current expenditure, JODbn | 5.7 | 6.2 | 6.1 | 6.7 | 7.3 | 7.8 | 8.4 | 9.0 | 9.7 |
| Current expenditure, % of total expenditure | 84.4 | 90.2 | 85.6 | 85.5 | 85.9 | 85.7 | 85.4 | 85.1 | 84.8 |
| Current expenditure, % of GDP | 28.0 | 28.2 | 25.4 | 26.0 | 25.4 | 25.2 | 24.6 | 24.1 | 23.7 |
| Capital expenditure, JODbn | 1.1 | 0.7 | 1.0 | 1.1 | 1.2 | 1.3 | 1.4 | 1.6 | 1.7 |
| Capital expenditure, % of total expenditure | 15.6 | 9.8 | 14.3 | 14.5 | 14.1 | 14.3 | 14.6 | 14.9 | 15.2 |
| Capital expenditure, % of GDP | 5.2 | 3.1 | 4.3 | 4.4 | 4.2 | 4.2 | 4.2 | 4.2 | 4.3 |
| Budget balance, JODbn | -1.4 | -1.8 | -1.3 | -0.6 | -0.7 | -0.9 | -1.0 | -1.0 | -1.1 |
| Budget balance, % of GDP | -6.8 | -8.3 | -5.5 | -2.3 | -2.6 | -2.9 | -2.8 | -2.7 | -2.6 |
| Primary balance JODbn | -1.0 | -1.2 | -0.6 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 |
| Primary balance % of GDP | -4.7 | -5.6 | -2.4 | 1.3 | 0.8 | 0.3 | 0.2 | 0.1 | 0.0 |

F = BMI forecast. Source: CBJ, BMI

**Load-Date:** September 22, 2015

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[***Russia: Putin's annual news conference on 17 December 2015 - Kremlin transcript***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5HMT-4FT1-JC8S-C03R-00000-00&context=1516831)

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**Body**

Text of "Vladimir Putin's annual news conference 17 December 2015, Moscow" in English by Russian presidential website on 18 December

The President's news conference was broadcast live by Rossiya-1, Rossiya-24 and Channel One, as well as Mayak, Vesti FM and Radio Rossii radio stations.

Television channel Public Television of Russia (OTR) and its site ([*http://www.otr-online.ru/online/*](http://www.otr-online.ru/online/)) provided live sign language interpretation of the news conference.

\* \* \*

President of Russia Vladimir Putin: Friends and colleagues,

We regularly meet at the end of the year. Only recently I made my Address [to the Federal Assembly]. Honestly speaking, I do not know what else to add to what I said then. I believe I covered all the key points.

Nevertheless, there must be issues, which you want us to clarify. When I say 'us', I am referring to my colleagues in the Presidential Executive Office and the Government Cabinet and myself.

Therefore, I suggest that we skip any lengthy monologues and get right down to your questions so as not to waste time.

Mr Peskov, please.

Presidential Press Secretary Dmitry Peskov: Last year we started a good tradition by beginning the press conference with a question from one of the most experienced members of the Kremlin's press pool, Vyacheslav Terekhov. However, we have another press pool old-timer, Aleksander Gamov from the Komsomolskaya Pravda. I would like to give him the opportunity to ask the first question.

Aleksander Gamov: Thank you very much Mr President, for your 11th press conference of this kind.

Economy

Here is my question. Before coming here, I reread the transcript of your last year's press conference, and there we also discussed the difficult situation developing in the Russian economy. When Vyacheslav Terekhov and our other colleagues asked you then how long it would take to get over this complicated situation, you said in the worst case scenario this would take a year or two. These were your words. I am sure you remember them. This means this would be roughly late 2016 - early 2017.

Could you please tell us if your feelings regarding our economic recovery have changed? The country is going through very hard times, and you know this better than we do. What is your forecast for the future?

Sorry, I forgot to introduce myself: Aleksander Gamov, Komsomolskaya Pravda - radio station, website and newspaper. Thank you.

Vladimir Putin: To begin with, I will tell you a very old joke.

Two friends meet and one asks the other: "How are you?" The other says: "My life is all stripes - black stripes followed by white ones." - "So which one is it now?" - "Now I'm in the black one." Another six months pass, they meet again: "How's life? I know it's all stripes, but which one is it now?" - "It's black now." - "But it was black last time!" - "Looks like it was white last time."

We are having something very similar.

When a year ago we spoke of our plans and how we would move ahead to recover from the crisis, about our prospects, we, knowing that unfortunately our economy is very dependent on foreign economic factors, mainly the prices for our traditional exports like oil and gas, petroleum products and chemicals, which are all calculated based on oil and gas prices, proceeded from the idea that the average price of Brent, our crude oil, would be around $100 a barrel.

This was in early 2014. We used this figure in all our further calculations of macroeconomic parameters, revenue and spending, and social support and support for the economy, and late last year the Economic Development Ministry built its development plans proceeding from these figures. However, by the end of this year we had to rerun all our calculations, and even last year we had to do this as oil prices fell almost by half, not by some percentage, but by half from $100 a barrel to $50.

We calculated the budget for next year based on this very figure, a very optimistic one of $50 a barrel. However, now it is what - $38? Therefore, I believe we will have to make further adjustments.

At the same time, I would like to use your question to demonstrate where we stand.

Statistics show that the Russian economy has generally overcome the crisis, or at least the peak of the crisis, not the crisis itself.

Naturally, after the drop in energy resource prices all our other figures started 'sliding'. What are they? The GDP has gone down by 3.7 per cent. As of December 7, the inflation has reached 12.3 per cent since the beginning of the year.

I find it important to say this, because there are sure to be other questions dealing with our development prospects and our current state of affairs. To understand these things we need to know these figures and proceed from them.

The real disposable household income has gone down; fixed investment has dropped by 5.7 per cent over the first 10 months of the year. At the same time, as we have already said, statistics show that the Russian economy has generally overcome the crisis, or at least the peak of the crisis, not the crisis itself.

Starting with the 2nd quarter of this year, we have been observing signs of economic stabilization. What leads us to such a conclusion? In September-October the GDP grew (it is growing already) by about 0.3-0.1 per cent compared to the previous month. The volumes of industrial production stopped falling as of May. In September-October, we also had a small growth in industrial production - 0.2-0.1 per cent. Incidentally, industrial production in the Far East grew by 3.1 per cent.

***Agriculture*** is demonstrating positive dynamics with an at least 3 per cent growth. This means we are doing all the right and timely things to support ***agriculture***. For the second year running our grain crops exceeded 100 million tonnes - 103.4. This is very good. I would like to use this opportunity to once again thank our ***agricultural*** workers for their effort.

The labour market is stable, with the unemployment rate hovering around 5.6 per cent. We can see that if we look back at 2008, this is an overall positive result of the Government's efforts.

Our trade balance also remains positive. The overall trade volumes have gone down, but the export surplus remains at a rather high level of about $126.3 billion. Our international reserves stand at $364.4 billion - this is a slight reduction, but a good figure nevertheless.

The Russian Federation's external debt has gone down by 13 per cent compared to 2014. Capital outflow has also significantly dropped. Moreover, in the 3rd quarter we observed a net inflow.

The reduction in our debt burden is a very important positive indicator. This is the other side dealing with the so-called sanctions. It would have been good, of course, to have access to foreign refinancing markets, so that all the money would stay in the country and help us develop, but on the other hand over-crediting is also a bad sign.

So, what did we do? Despite all limitations, we complied with all our commitments to our partners, including international credit institutions. We pay everything due on time and in full. As a result, the overall joint debt, which is not the state debt, but the total debt of our ***financial*** institutions and companies operating in the real sector of the economy - the overall joint debt has gone down, which is generally a very positive thing.

As I have already said, we are observing a net capital inflow, which is also a very positive factor, and I am sure experts are saying this as well. This means that investors, seeing the realities of our economy, are beginning to show some interest in working here. Despite the complicated situation, the fuel and energy complex continues developing. The production of oil, coal and electricity has grown. More than 4.6 gigawatt of new generating capacity will be commissioned by the end of the year.

We have already commissioned about 20 facilities; this is somewhat less than last year and the year before that. In the previous two years, we had an absolute record, but 4.6 gigawatt is also very good. We will retain this rate in the following years. This is also very important as it shows the growing capacity of the economy as a whole, its energy security.

The infrastructure is also developing actively. Russia's entire seaport infrastructure has grown by 19.5 million tonnes worth of capacity. I would like to use this opportunity to draw your attention to the fact that over the January-September period the volume of cargo loaded at Russian ports went up by 3 per cent. What does this mean, colleagues? Why have our budget revenues from our export goods gone down? Because of the prices. Meanwhile, as we are observing growing trade turnover at the ports, it means the physical volume has not gone down but has actually increased. This is a very positive factor.

We continue developing our airport system. In the first nine months, our airports served over 126 million passengers, which is 2.5 per cent more than last year. Internal air traffic has also grown noticeably - by more than 16 per cent.

Despite the complicated ***financial*** and economic situation, we continue our responsible state ***financial*** policy. In the 11 months of this year federal budget revenue reached 12.2 trillion, spending - 13.1 trillion. The budget deficit, as we can see, stands at 957 billion. The expected budget deficit by the end of the year is about 2.8 - 2.9 per cent of the GDP. This is a satisfactory figure for the current economic situation, even more than satisfactory.

To achieve a balanced federal budget this year we used our reserve ***fund***. At the same time, it is very important that the sovereign ***funds*** generally remain at a healthy level of 11.8 per cent of the GDP. The reserve ***fund*** amounted to 3.931 trillion roubles, which is 5.3 per cent of the GDP, while the national welfare ***fund*** was 4.777 trillion roubles, which is 6.5 per cent of the GDP.

We have complied with all our social commitments this year and are witnessing a natural population growth. This is a very good figure that speaks of the people's state of mind, shows that they have the opportunity to plan their families, which makes me very happy. Thus, 6.5 million Russian families have received maternity capital over the entire period since the programme was introduced. We have now extended this programme. I would like to remind you that in 2016 maternity capital payment will remain the same as in 2015 at 453,000 roubles.

In the majority of regions, the situation with accessibility of preschool facilities has been resolved by over 97 per cent.

According to the Federal State Statistics Service, life expectancy at the end of this year is forecast to exceed 71 years.

We have complied with our commitments in terms of adjusting pensions to the actual inflation in 2014, with the PAYG component increased by 11.4 per cent. As of April 1 of this year, social security pensions have gone up by 10.3 per cent.

You began your question by asking about last year and our expectations for next year and the year after that. Proceeding from the current value of our exports, the Government is expecting our economy to achieve at least a 0.7 per cent growth in 2016, 1.9 per cent in 2017 and 2.4 per cent in 2018.

I would like to draw your attention to the fact that all our calculations were based on the oil price of $50 a barrel. Now the price is lower. Volatility is high. We will not rush to adjust the budget, as this would lead to a reduction in the ***funding*** of both the social and real sectors; however, the Government is of course working on different development scenarios. The Government should have this ***instrument*** available, to be ready for any developments.

Our calculations were based on the oil price of $50 a barrel. Now the price is lower. We will not rush to adjust the budget, as this would lead to a reduction in the ***funding*** of both the social and real sectors; however, the Government is working on different development scenarios.

Of course, potential GDP growth is not limited to our export-related opportunities. We must also promote import replacement, as I said in my Address to the Federal Assembly, which is not a cure-all, but we believe that it will help us retool a large park of the production sector and the ***agriculture*** industry. This programme will enable us to introduce novel technology and, hence, to increase labour productivity. We must certainly continue working to improve economic management, to de-bureaucratize our economy, and to create more attractive conditions for doing business and for helping entrepreneurs achieve the goals that are facing them and the national economy as a whole. We will be working hard, with a focus on these targets.

Thank you for your question: it allowed me to use the materials at hand.

Interest rates

Yelena Glushakova: Thank you. Yelena Glushakova, RIA Novosti.

Good afternoon! Mr President, you said we are past the peak of the crisis, however the economic situation continues to be very disturbing, something economists say. In particular, your team mate Aleksey Kudrin calls for reforms, but he is known to be an optimist.

This week, for example, your Ombudsman, Commissioner for Entrepreneurs' Rights, Boris Titov, expressed very disturbing thoughts. He said, in particular, that the Central Bank interest rate is extremely high. So our entrepreneurs, who for obvious reasons are unable to borrow in the West, cannot borrow in Russia either because the costs are too high. He said that if this situation continues, we will turn into Venezuela, where there is one national currency exchange rate on the black market and a very different official rate.

Do you share these concerns? Do you support the monetary policy of the Bank of Russia? Do you consider it necessary to lower interest rates?

Thank you.

Vladimir Putin: Please give a long applause for this question.

Naturally, these are everyone's concerns. And of course, everyone wants the Central Bank refinancing rate lowered, because everyone knows it guides commercial banks in lending to businesses. This, by the way, is not the only thing that affects the rates in the commercial sector, but a major one of course.

Boris Titov does the right thing in fighting for the interests of the business community, and it is important that we have such a man and such institutions. Why do you think I insisted on appointing a business ombudsman in the first place? Because I want to hear different points of view, and I do not want to miss important and essential elements of our economic life over all the current issues.

To begin with, I will simply answer your question. I support the policy that the Central Bank and the Government pursue to ensure macroeconomic stability. That is first.

Second, however much we want to lower the rate, it cannot be done by administrative methods. We have to work from the realities of our economy and its structure. Of course, I often hear this talk about interest rates being far lower outside Russia. Of course, there are lower rates. So they do it on purpose. But they have other problems, and a different economic structure. We are threatened by inflation, and they probably have deflation looming when manufacturers cannot sell what they make. That is their problem.

I support the policy that the Central Bank and the Government pursue to ensure macroeconomic stability.

We have a different problem. To lower the rate, we need to help the Central Bank and the Government suppress inflation and reduce devaluation risks and expectations, rather than snap at the regulator as was common in Soviet times in the planned economy. Once we can do both, once we start down this road, then the market will calm down naturally and Central Bank refinancing rate will decrease.

When there's a possibility to support the real economy, the Central Bank is doing it anyway. That said, it should not be pushed to do even more, since this could affect its ability to keep the inflation at bay, which is one of the key issues, not the only, but still a very important one. It could prompt the question: Does the Central Bank have any objectives other than making sure that the country's ***financial*** and banking systems are up and running? And we can argue that this is the way things are at the present time. What else is the Central Bank doing? For example, together with the Government it is working on the so-called project ***financing*** programmes: the Government oversees a wide range of projects under various programmes worth tens of billions of dollars, about 250 billion already, and up to 500 billion moving forward. Under these programmes, the Central Bank provides ***funding*** to Russian private banks so that they can ***finance*** these specific programmes. The Central Bank is also involved in new investment projects. It uses a wide range of ***instruments***. For now, this is enough.

Government's work

Veronika Romanenkova: TASS news agency, Veronika Romanenkova.

Mr Putin, could you tell us in all honesty whether you are satisfied with the Government's work? To what extent are the initiatives that are being taken against the backdrop of crisis developments you've just described adequate? Can any changes in the Government line-up be expected?

Vladimir Putin: Well, as you may know or could have noticed throughout the years I've been in office, I a) value people highly and b) believe that staff reshuffles, usually, but not always, are to be avoided and can be detrimental. If someone is unable to work something out, I think that I bear part of the blame and responsibility. For this reason, there will be no changes, at least no major reshuffles.

We are working together with the Government on ways to improve its structure. This is true. This is about finding solutions for enhancing the Government's efficiency with respect to the most sensible economic and social issues. There are plans to this effect, but there's nothing dramatic about them and they don't boil down to specific individuals. Our efforts are aimed at improving the operations of this crucial governing body.

As for the question whether I'm satisfied or not, overall I think that the Government's work has been satisfactory. Of course, it can and should be even better. An anti-crisis plan was drafted and enacted in early 2014. I don't remember its exact title, but essentially this was an anti-crisis plan. If you look at what has been done, you can see that unfortunately 35 per cent or more than one third of the initiatives listed in this plan have yet to be implemented. This goes to show that efforts on the administrative, organizational front undertaken by various ministries and agencies did not suffice to respond to the challenges we are facing in a prompt and timely manner. However, let me reiterate that overall in terms of its strategy the Government is moving in the right direction and is efficient.

I think that the Government's work has been satisfactory. Of course, it can and should be even better, but overall in terms of its strategy the Government is moving in the right direction and is efficient.

Question: Tatarstan

Let's give the floor to Tatars. There is such a big poster. How can we possibly do without Tatars? Nothing is possible without Tatars here.

Yelena Kolebakina: Thank you very much, Mr President. I am Yelena Kolebakina with Tatarstan's business newspaper Business Online. The people of Tatarstan will not forgive me if I do not ask you these questions.

In your address, you said - you stressed, actually - that the kind, hard-working people of Turkey and the ruling elite should not be put on the same plane and that we have a lot of reliable friends in Turkey. As you know, over the years Tatarstan has forged extensive economic and cultural ties with Turkey. What are we supposed to do now? Rupture these ties, cut our bonds with the entire Turkic world? After all, this is precisely the message of Vladimir Medinskiy's recent telegram with his recommendation that all contacts with the international organization of Turkic Culture (TURKSOY) be broken. What is to be done with the Turkish investors who have invested a quarter of all foreign direct investment in Tatarstan? This is my first question.

And allow me to ask the second question or the people of Tatarstan will be unhappy. In keeping with the federal law, from January 1, 2016, President Rustam Minnikhanov of Tatarstan will no longer be referred to as president. However, this can hurt the ethnic feelings of all Tatars in the world while you - let me remind you - have always said that in accordance with the Constitution, it is up to the republic itself to decide what to call the head of the region. So, will the federal centre insist on renaming the position of the head of Tatarstan after all?

Thank you.

Questions: Turkey, Syria

Vladimir Putin: Yes, I saw the "Turkey" poster. Please go ahead with your question and you too. We will sort this out.

Yelena Teslova: Yelena Teslova with the Anadolu news agency. I have a similar question. I would also like to start off with the fact that in your Address to the Federal Assembly, you said that we should not put the Turkish people and the part of the Turkish elite that is directly responsible for the death of our military personnel in Syria on the same plane. On a day-to-day level, however, the impression is somewhat different. Complaints are coming to the Turkish embassy in Moscow from students saying they have been expelled and from business people who say they are about to be deported. What is to be done about this?

The second question concerns Syria. The position on the fate of the Syrian president is well-known. Russia says it should be decided by the Syrian people while the United States and its allies insist that he has no political future. Did you address the issue with John Kerry during his visit to Moscow? Will this issue be raised in New York? Thank you.

Vladimir Putin: And your question please.

Fuad Safarov: Mr President, Fuad Safarov with the Turkish news agency Cihan.

The rapid deterioration of relations between Russia and Turkey benefits neither side. What is more, this has only harmed both sides. Do you believe there is a third party in this scenario?

The second question, if you allow me. An Islamic anti-ISIS coalition was established recently, but we know that there is also the NATO-led coalition and the Russian-Syrian coalition. It turns out that there are three coalitions against ISIS. Is it really so difficult to deal with this evil? Maybe there are some other goals and some other plans here? Maybe it is not ISIS that is the problem? Thank you.

Turkey downing Russian bomber "hostile act"

Vladimir Putin: Okay, I will talk about Syria in the end. Now, regarding the conflict that has flared up. We believe that the actions of the Turkish authorities (in relation to our warplane, which they shot down) are not an unfriendly, but a hostile act. They shot down a warplane and our people were killed.

What outraged us so much? If it was an accident, as we heard later, apparently, the Turkish authorities did not even know it was a Russian plane... What is usually done in such cases? After all, people were killed. They immediately make a phone call and straighten things out. Instead, they immediately ran to Brussels, shouting: "Help, we have been hurt." Who is hurting you? Did we touch anybody there? No. They started covering themselves with NATO. Does NATO need this? As it turned out, apparently it does not.

Russia agreed with Turkey on issues which "do not fit into the context of international law"

What is the most important thing for us? I want you to understand this. I want our people to hear this and I want Turkey to hear this as well. Apart from the tragedy, the fact that our people were killed, what has upset us so much, do you know? After all, we have not abandoned cooperation. When I was last in Antalya I had contact with Turkey's entire leadership. Our Turkish colleagues raised very sensitive issues and asked for support. Even though our relations have soured now (I will not say what the issue was - this is not my style), but believe me, they raised issues with us that are very sensitive and that do not fit into the context of international law when we consider the decisions proposed by the Turkish side.

You will be surprised, but we said, "Yes, we understand, and we are willing to help." You see, I had not heard about the Turkomans (Syrian Turks) before. I knew that Turkmen - our Turkmen - lived in Turkmenistan, and so I was confused... Nobody told us about them. But after we indicated our willingness to cooperate on the issues that are sensitive to Turkey, why did not they phone us via the cooperation channels between our militaries to say that during our discussions we overlooked a certain part of the border where Turkey has vested interests. They could have expressed their concerns or asked us not to hit certain areas. But nobody said anything.

As I said, we were willing to cooperate with Turkey on very sensitive issues. So why did they do it? Tell me, why? What have they accomplished? Did they think we would just pack up and go? They could not have thought that of course, Russia is not that kind of country. We have increased our presence and increased the number of warplanes [in Syria]. We did not have air defence systems there, but after that we dispatched S-400 systems to the area. We are also adjusting the Syrian air defence system and have serviced the highly effective Buk systems that we had sent them before. Turkish planes used to fly there all the time, violating Syrian air space. Let them try it now. Why did they do it?

US role, "ISIS is losing priority"

You asked if there is a third party involved. I see what you mean. We do not know, but if someone in Turkish leadership has decided to brown-nose the Americans, I am not sure if they did the right thing. First, I do not know if the US needed this. I can imagine that certain agreements were reached at some level that they would down a Russian plane, while the US closes its eyes to Turkish troops entering Iraq, and occupying it. I do not know if there was such an exchange. We do not know. But whatever happened, they have put everyone in a bind. In my opinion - I have looked at the situation and everything that has happened and is happening there - it appears that ISIS is losing priority. I will share my impressions with you.

Some time ago, they invaded Iraq and destroyed that country (for good or bad is beside the point). The void set in. Then, elements tied to the oil trading emerged. This situation has been building up over the years. It is a business, a huge trafficking operation run on an industrial scale. Of course, they needed a military force to protect smuggling operations and illegal exports. It is great to be able to cite the Islamic factor and slogans to that effect in order to attract cannon fodder. Instead, the recruits are being manipulated in a game based on economic interests. They started urging people to join this movement. I think that is how ISIS came about. Next, they needed to protect delivery routes. We began attacking their convoys. Now, we can see that they are splitting up with five, six, ten, fifteen trucks hitting the roads after dark. However, another flow, the bulk of the truck fleet, is headed for Iraq, and across Iraq through Iraqi Kurdistan. In one place there - I will ask the Defence Ministry to show this picture - we spotted 11,000 oil trucks. Just think of it - 11,000 oil trucks in one place. Unbelievable.

Turkey's Islamization

Whether there is a third party involved is anyone's guess, but a scenario whereby these moves were never agreed with anyone is quite likely. However, today, the Turkish authorities are taking quite a lot of heat - not directly, though - for Islamizing their country. I am not saying if it is bad or good, but I admit that the current Turkish leaders have decided to let the Americans and Europeans know - yes, we are Islamizing our country, but we are modern and civilized Islamists. Remember, what President Reagan said about Somoza in his time: "Somoza may be a son of a bitch, but he is our son of a bitch." Just keep it in mind, we are Islamists, but we are on your side, we are your Islamists.

There may be such an overtone, but nothing good came out of what happened. The goals, even if Turkey had any, not only were not achieved, but, on the contrary, only exacerbated the situation.

Now, regarding Turkic peoples residing in Russia. Of course we should maintain contacts with those who are close to us ethnically. I am saying "us," because Turkic-speaking peoples of Russia are part of Russia, and in this sense the Turkish people, whom I mentioned in my Address as a friendly people, and other Turkic-speaking peoples remain our partners and friends. Of course, we will and must maintain contacts with them.

"Hard or almost impossible to reach common ground with the current Turkish leadership"

We have learned from experience that it is hard or almost impossible to reach common ground with the current Turkish leadership. Even when we tell them "yes, we agree," they are trying to outflank or stab us in the back for absolutely no good reason.

Consequently, I do not see any prospects for improving relations with the Turkish leaders in terms of state-to-state relations, while remaining completely open to humanitarian cooperation. However, even this area is not without issues. I think that Turkish leaders have actually gone beyond their own expectations. Russia is forced to impose restrictive economic and other measures, for example, in tourism.

You know, the creeping Islamization that would have made Ataturk turn over in his own grave, affects Russia. We know that there are fighters from the North Caucasus on Turkish soil. We have told our partners time and again: "We do not do such things with respect to Turkey." But these fighters are still there, they receive treatment and protection. They benefit from visa-free travel arrangements and are able to enter Russian territory using Turkish passports and disappear, while we have to go after them in the Caucasus or in our million plus cities. For this reason, we will certainly have to do it along with a number of other initiatives to ensure our national security.

Tatarstan

As for the President of Tatarstan, there is a saying in Russia: "Call me a pot but heat me not." This is Tatarstan's business. I do not think that this is such a sensitive issue or that it could hurt national feelings. You know the people in the Caucasus always react vehemently to all issues related to their national identity. However, even Chechnya said: no, the country should have only one President, and we will not call the head of the Republic this way. This was the choice of the Chechen people. We will respect the choice of the people of Tatarstan. It is up to you to decide, all right?

Anton Vernitskiy: Anton Vernitskiy, Channel One.

USA, Syria

Vladimir Putin: I am sorry, I forgot, but I wrote down your question. Again, I am sorry, Anton.

The fate of the Syrian president. I have said it many times, and I would like to repeat it: We will never agree with the idea of a third party, whoever it is, imposing its opinion about who governs who. This is beyond any common sense and international law. Of course, we discussed it with US Secretary of State Kerry. Our opinion remains the same, and this is our principled approach. We believe that only Syrians can choose their leaders, establish their government standards and rules.

Therefore, I will say something very important now. We support the initiative of the United States, including with respect to the UN Security Council draft resolution on Syria. The Secretary of State's visit mainly focused on this resolution. We generally agree with it. I think Syrian officials will agree with the draft, too. There may be something that somebody does not like. But in an attempt to resolve this bloody conflict of many years, there is always room for compromise on either side. We believe it is a generally acceptable proposal, although there could be improvements.

As I have said before, this is an initiative of the United States and President Obama. This means that both the US and Europe are highly concerned with the current situation in the Middle East, Yemen, Syria and Iraq. We will do what we can to help settle the crisis and will aim to satisfy all parties with our solutions, however complicated the situation.

But first, it is necessary to work together on a constitution and a procedure to oversee possible future elections. It must be a transparent procedure that everyone trusts. Based on these democratic procedures, Syria will decide which form of government is the most suitable and who will lead the country.

Anton Vernitskiy: Back to the Syria issue. Mr Putin, do we have a clear-cut plan on Syria or we are acting impulsively? I mean, Turkey shot down our plane and we immediately increased our military presence in Syria. When will our military operation end? What will you regard as the end point of our military operation in Syrian airspace?

Do you believe that the intra-Syrian conflict can, after all, be switched to a political track? Though you already talked about it, is it possible?

VladimirPutin: I was trying to answer this just now. We think that, A, it is possible; and, B, we believe that there is no other way to resolve the situation. This will have to be done in any case sooner or later, and better sooner than later because there will be fewer casualties and losses, and there will be fewer threats, including to Europe and to the United States as well. Look, 14 people were killed in the United States as ISIS has made its way into the USA. US law enforcement has acknowledged that it was a terrorist attack committed by ISIS, so it is a threat to everyone. And the sooner we do it, resolve this, the better.

Let me repeat, there is no solution to this problem except a political one. Do we have a plan? Yes, we do, and I just spelled it out. In its key aspects, strange as it may sound, it coincides with the American vision, proposed by the United States: cooperative work on the constitution, creating mechanisms to control future early elections, holding the elections and recognizing the results based on this political process.

Of course, it is a complicated objective and of course there are various mutual grievances: some don't like this group and others do not like that group, some want to work with the Syrian Government and others refuse do so categorically. But what is necessary is that all conflicting parties make an effort to meet each other halfway.

Military operation in Syria

Anton Vernitskiy: And the military operation?

Vladimir Putin: What about the military operation? We said a long time ago that we will carry out air strikes to provide support for offensive operations by the Syrian army. And that is what we have been doing while the Syrian army conducts their operations.

By the way, I have recently said publicly - the idea was proposed by Francois Hollande - that we should try to pool the forces of the Syrian army and at least part of the armed opposition in the fight against ISIS. We have succeeded in working towards this goal, even if partly.

At the least, we have found common ground with these people. This part of the Syrian opposition, these irreconcilable and armed people want to fight against ISIS and are actually doing so. We are supporting their fight against ISIS by delivering air strikes, just as we are doing to support the Syrian army. When we see that the process of rapprochement has begun and the Syrian army and Syrian authorities believe that the time has come to stop shooting and to start talking, this is when we will stop being more Syrian than Syrians themselves. We do not need to act in their place. And the sooner this happens, the better for everyone.

Dmitry Peskov: Mr Brilev, do you have anything to add?

Sergey Brilev: Thank you. Yes, I want to add to what my Turkish colleagues and Anton [Vernitskiy] have said.

Mr President, first I would like to ask if the Turkish ship has sailed. Can President Erdogan do anything to reverse the situation? And second, we do not have to be more Syrian than Syrians themselves, but since Turkey's actions have forced Russia to increase its contingent at Latakia, maybe we should keep that base to ensure stability in Syria and the rest of the Eastern Mediterranean?

Vladimir Putin: I do not want to answer for other people and the leaders of other countries. If they believe it possible and necessary to do something, let them do so. We do not see any change so far. So why should I speak about it now? That is my answer to the first question.

Possible military base in Syria

As for the second question, about the base, opinions differ, you know. Some people in Europe and the US repeatedly said that our interests would be respected, and that our [military] base can remain there if we want it to. But I do not know if we need a base there. A military base implies considerable infrastructure and investment.

After all, what we have there today is our planes and temporary modules, which serve as a cafeteria and dormitories. We can pack up in a matter of two days, get everything aboard Antey transport planes and go home. Maintaining a base is different.

Some believe, including in Russia, that we must have a base there. I am not so sure. Why? My European colleagues told me that I am probably nurturing such ideas. I asked why, and they said: so that you can control things there. Why would we want to control things there? This is a major question.

We showed that we in fact did not have any medium-range missiles. We destroyed them all, because all we had were ground-based medium-range missiles. The Americans have destroyed their Pershing ground-based medium-range missiles as well. However, they have kept their sea- and aircraft-based Tomahawks. We did not have such missiles, but now we do - a 1,500-kilometre-range Kalibr sea-based missile and aircraft-carried Kh-101 missile with a 4,500-kilometre range.

So why would we need a base there? Should we need to reach somebody, we can do so without a base.

It might make sense, I am not sure. We still need to give it some thought. Perhaps we might need some kind of temporary site, but taking root there and getting ourselves heavily involved does not make sense, I believe. We will give it some thought.

Dmitry Peskov: Colleagues, let's be respectful of each other and ask one question at a time, OK? So that everyone can get the chance to ask a question. Terekhov, Interfax, please go ahead.

Ukraine

Vladimir Putin: Sorry, here's Ukraine, our sister republic. I'm never tired of saying it over and over again. Please go ahead.

Dmitry Peskov: Microphone to the first row, please.

Roman Tsimbalyuk: Thank you for the opportunity to ask a question, even though we are not Turks, but Ukrainians.

Vladimir Putin: I can see that, yes.

Roman Tsimbalyuk: Mr Putin, as a follow-up to your allegations that there are no Russian servicemen in Donbass, Captain Yerofeyev and Sergeant Aleksandrov, Third Brigade, the city of Togliatti, send their regards to you.

Are you going to exchange them for Sentsov, Savchenko, Afanasyev, Kolchenko, and Klykh? And the list goes on.

One more question, if I may, just to continue my first question: The Minsk Agreements are coming to an end, and none of the parties have complied with their provisions. So, what should we expect from you come January 1? Are you going to launch an offensive again, come up with some negotiation ideas, or maybe forget about Ukraine for a while? Thank you.

Vladimir Putin: Regarding exchanges. We've never said there are no people there who deal with certain matters, including in the military area, but this does not mean that regular Russian troops are present there. Feel the difference. This is the first point.

Second, you mentioned two or three people you propose exchanging and then offered a long list of persons to exchange them for. First of all, the exchange should be equitable. Second, we should discuss everything calmly with our colleagues, talk and propose what we have always insisted on and what the Ukrainian President has proposed. People who are being held on one side and those held on the other should be released. This applies above all to people from Donbass, southeastern Ukraine, and Ukrainian servicemen who were detained in these territories. However, the exchange should proceed on an equitable basis.

What am I talking about? It's no secret that the Ukrainian authorities regard all those detained and held in Donbass as people who are subject to exchange while those who are held in Kiev prisons are considered criminals and therefore outside the scope of this exchange. People in Donbass don't agree with this. This should be treated fairly and it should be said: Let's exchange all for all, as President Poroshenko proposed, not selectively - we'll exchange these but not those. This is the line to take here and we support it. We have a lot of disagreements with the Ukrainian authorities but here we have a common position.

Now regarding January 1. On January 1, regrettably for us, we predict a deterioration in our economic relations because we had to make the decision that from January 1, we will no longer treat Ukraine as a member of the CIS free trade zone.

EU leaders have proposed and asked me not to expel Ukraine from the free trade zone and not to strip it of preferences in trade with Russia in the hope that we will negotiate in a tripartite format - Russia-EU-Ukraine - for a year and make certain changes in various formats, so that if the EU association agreement itself is not changed, we will introduce certain amendments through additional protocols to address our concerns and guarantee our economic interests. In the period before July, we had asked a hundred times for a tripartite meeting. Contact was only established in July, you see? The result was practically zero.

Only recently, I met with the German Chancellor and President of the European Commission in Paris. We received a document. It was their chance to gain a respectable audience. I'll explain the specifics shortly. We've tried to maintain good economic relations with Ukraine, since Ukraine is member of the free trade area which offers mutual preferences and zero rates. In its economic relations with Russia and the CIS, Ukraine has used standards, technical regulations and customs rules which we inherited from the past and which we are gradually changing together. Ukraine is unilaterally withdrawing from this system and joining the European standards. Those, for example, state that all the goods in the Ukrainian market must comply with EU technical standards and regulations. But see, our products don't comply with them yet.

Does this mean Ukraine has to keep our goods from its market? Okay, they heard us. Now Ukraine is officially allowed to keep both compliant and non-compliant products in their market. It's not an obligation but a right. Whether it uses it or not, we don't know. They have the right to establish a subcommission to decide, but again, it is not an obligation. However, Russia is expressly required to maintain all preferences in place. No, it doesn't work that way.

Moreover, one doesn't have to be an expert to see that Russia is required to bring CIS customs regulations into compliance with EU standards.

In Paris, I told them: this doesn't make any sense. The three of us (Russia, Belarus and Kazakhstan) have argued for years about these customs duties. And you want us to change the CIS customs regulations just because Ukraine entered into this agreement with the EU. This is not a fair requirement. It will take years to accomplish.

Also, it was stated that we must comply with EU phytosanitary requirements. Ukraine is willing to do so but nobody discussed it with us. It is expressly written that Russia has agreed to comply. Since when? We may be in favour of the idea but it will take time. How can you not understand that it takes time and money? Tens, maybe hundreds of billions of dollars. We need time too.

By the way, they told me in Paris, "But our standards are better and maybe you had better switch to those standards." Well, it is true, and we want to, but we need money - we need investments. And we still have our access to external ***financing*** blocked. You understand that it is impossible, I said, so why did you write all this? They said, "But we have not read this yet." Look, you have not even read it, but you sent us this official paper. Should we agree with it?

Now, about what we will do. We are not going to impose any sanctions on Ukraine - I want this to be heard. We are just switching to a most-favoured-nation treatment in trade. Which means conditions for Ukraine will not be any worse than those for our other foreign partners. But of course, Russia will ***grant*** no more privileges or preferences to Ukraine from January 1, 2016.

What will this mean in practice? In practice, it means that the zero tariffs in trade between Russia and Ukraine will change to the weighted average tariff of 6 per cent. Various rates will range from 3 to 8 or 10 per cent. But this is not our choice. We have fought for this not to happen. But they did not want to listen to us. They did so unilaterally and in the style I just described to you. But we have to work in the conditions we have.

Now, about launching offensives. I tell you frankly that we are not interested in exacerbating the conflict. On the contrary, we are interested in resolving this conflict as soon as possible, but not by way of physical annihilation of people in southeastern Ukraine. By the way, take a look at the results of the municipal elections and see the voting pattern in the area. In nearly all the regions - nine or ten, I think - the opposition bloc came first or second.

Even in those territories of Donbass that are controlled by the Ukrainian authorities, the Lugansk Region, more than 43 per cent voted for the opposition. Don't the Kiev authorities see this? Are they so reluctant to take into account the sentiments and expectations of their own people? We very much hope that we will have an open, honest dialogue.

Now about the Minsk Agreements. We have heard it a hundred times that Russia must comply with the Minsk Agreements. And this is what we want! Let's look at their provisions. First - to introduce amendments to the Constitution and coordinate them with Donbass on a permanent basis. Has this been done? Transitional provisions were amended, it seems. And what are those amendments? The law on the special status was incorporated into the transitional provisions. "On a permanent basis?" I ask all my colleagues. They all say, "Yes, permanent." I say, "Do you know that this law has only been adopted for three years? A year has already passed." They all say, "Really?" I say, "Yes." "Is that true, Mr Poroshenko?" He answers, "Yes." This is almost a direct quote. Everybody says, "You know, he should do it on a permanent basis." I say, "He should, nobody is stopping him."

Now the law on the special status. Has the Rada passed this law? Yes, it has. Under the Minsk Agreements, it should be "implemented within 30 days by having the Rada adopt a resolution to this effect." Have they adopted the resolution? Yes. But how? They added an article, I think number 10, to the law, which stipulates that it can only be implemented after elections, which means more delays. I told them, "Listen, it says here that the law must be implemented." "No, it does not. It says: the Rada must pass a resolution. We have done it. That is it." But this is a manipulation.

If we really want to resolve the problem, let's stop this, let's work together. And we are willing to influence people in the southeast of the country and persuade them to accept a compromise. We are willing and we want it to happen, but we need our partners in Kiev to be willing as well.

Syria military campaign not demanding on resources

Vyacheslav Terekhov: Hello, Mr President. You just talked about a significant expansion of the military presence in the conflict zone in Syria.

Vladimir Putin: There you go again about Syria. Ask me about the national economy.

Vyacheslav Terekhov: No, about Russia, not Syria.

Sanctions are in force, oil prices are falling and there are not only sanctions but also a crisis. Will Russia have enough resources for all this?

Vladimir Putin: For what?

Vyacheslav Terekhov: For military operations, the expansion of its military presence, for survival. In addition to this, there are more than enough other problems to deal with. Meanwhile, resources - this is not only money and military officers. A popular expression has just come to my mind: "It's easy to start a war but difficult to end one."

Vladimir Putin: We did not start a war. We are conducting limited operations with the use of our Aerospace Forces, air-defence systems and reconnaissance systems. This does not involve any serious strain, including strain on the budget. Some of the resources that we earmarked for military training and exercises - we simply retargeted them to the operations of our Aerospace Forces in Syria. Something needs to be thrown in, but this does not have any significant impact on the budget.

You see, we hold large-scale exercises. Take the Centre or Vostok-2015 drills alone. Thousands of people are involved. Thousands are redeployed from one theatre to another. There are hundreds of aircraft and so on and so forth. We simply direct a part of the resources to the operation in Syria. It is difficult to think of a better training exercise. So, in principle, we can keep training for quite a long time there without unduly denting our budget.

As for other components, yes, that is an issue - I mean the economic problems we are faced with. We know what needs to be done and we know how to do it, and we talk about this publicly.

What can be said in this regard? If we go back to the economy, of course, here we need to implement import replacement programmes (I believe I mentioned this earlier). Not just import replacement as such, but we need to modernise our economy, enhance labour productivity, improve the business climate and ensure effective public demand. This is an element of our economic drive.

We need to carry out an array of measures that the Government has publicly announced. And this is what we will do.

Adoption of children

Anastasia Zhukova: Hello, I am Anastasia Zhukova from Tulskiye Novosti. Here's my question. A tragedy occurred in Tula last year when two babies were burned in a local maternity home. One of them was seriously injured and suffered burns to almost 80 per cent of his body. The issue of his adoption is being reviewed now. People from all over the country are worried about Matvei's fate. They worry that he will be institutionalised. They think the boy will end up in a nursing home. Most Russians and foreigners want him to be adopted by a loving family.

Mr Putin, can you please see to his fate and personally control his adoption and treatment? And what do you think can be done to prevent such accidents from happening again? Thank you.

Vladimir Putin: This is a horrendous, terrible story. It is impossible to think about it or talk about it without tears. What a horrible tragedy. I simply do not want to say any more about it now - it is just awful.

The problem is not rooted in healthcare. No matter how much money is allotted to it, there will always be people who will be criminally negligent in fulfilling their duties. This needs to be monitored. The attitude of personnel to their duties should rest on a completely different approach.

As for a nursing home or adoption, I know that the entire country is watching the developments. I know this anyway, and we are keeping an eye on it. Moreover, several people (not one, two or three), several families not only want to adopt Matvei but are fighting for him. I wish them success and want to thank them for this. I hope this issue will be resolved very soon.

Young lady, I promised you - go ahead please.

Accusations against prosecutor general, other top officials

Yekaterina Vinokurova: Thank you for keeping your promises, Mr Putin. Yekaterina Vinokurova, Znak.com.

It is December 2015. You have been at the helm for 15 years, and so we can say that a certain system of authority has evolved. I have a question about a very dangerous aspect of this system because we can see especially clearly now that a very dangerous second generation of the elite has grown up over this period. One of them is Rotenberg Jr, who has received the country's long-haul truckers as a present. Another is Turchak Jr, who cannot be summoned for questioning over the assault of Oleg Kashin, even though journalists continue to be beaten up in his region. These are also the children of Chayka, who have a very murky business, which should be investigated. Sorry, but I do not give a damn whether this is a paid-for reporting or not, because even rumours must be investigated. There are many more such children who are unable to revive or even preserve Russia, because they are not the elite but only a poor semblance of it.

At the same time, when journalists investigate something or public accusations are made as in the case of Prosecutor General Chayka and his team, the authorities, instead of launching an investigation, shout that the rumour is being spread by the hateful State Department or Obama, or order an inspection - for instance, how the prosecutor's office dealt with the Dozhd TV Channel, which helped investigate the problem. When the long-haul trackers hold protests, they are accused of acting on somebody's orders, whereas instead you simply need to talk to them.

Mr Putin, I have a simple question. Did you expect to see these results when you assumed power in 2000? Maybe the situation needs improving before it is too late? Thank you.

Vladimir Putin: Let's start with results. If we want to be objective, we will have to admit that these are not the only results. Our best achievements are higher incomes for the people and a stronger economy, which has grown by nearly 100 per cent. Our GDP has almost doubled. These are our results. Stronger defences and improved capabilities of our Armed Forces - these are the results. The fight against terrorism, which we have not defeated yet but we have definitely broken its back - these are the results.

As for the problems of secondary importance you mentioned, they can happen anywhere. Now for the reaction of the media and the public to the activities of our high-level officials' children. Take young Rotenberg, whom you mentioned: his father does not hold any government posts, as far as I know. Maybe he has found his way into a government agency since I last looked, but I do not think so.

As for Mr Chayka, and who else? Turchak and the rest. I am aware of the reports by the media and online that, say Turchak was involved in beating up journalists. Is he the one responsible or is his father involved? There is a famous Soviet-era joke, when an HR manager says: We are not going to promote this guy. Why? He had an incident with a fur coat. It turned out that five years ago his wife's fur coat was stolen in a theatre. Something had happened, so the guy will not be promoted, just in case. This should not be our attitude. You are right to raise this issue. No, I really mean it. This provides us with an opportunity to respond... I mean, it is our obligation to respond.

Regarding all the issues you have mentioned, especially those related to the children of high-ranking officials... Let's take for example the Prosecutor General - he heads a very important institution. We have to understand did the Prosecutor General's children commit an offence or not? Does anything point to a conflict of interest in the Prosecutor General's work? Did he assist or help his children in any manner? For that, we have the Presidential Monitoring Directorate. I did not want to mention this issue, but it does not mean that we are not working on it. All the information should be carefully reviewed. The same goes for examining all the reports online.

Truckers

Let's now move to the truck drivers. Are there any questions on this particular issue? Are there any questions about the truck drivers? Go ahead. Maybe someone can articulate this question better.

Question: My question is not just about the truckers. Everyone is aware of professional drivers' problems, why they have been protesting for weeks against the problems with the new toll system. But I have questions on behalf of the entire driving community.

Random motorists are also forced to pay. For example, there's this new road being built from Moscow to St Petersburg, recognized by all as the most expensive in Europe. For example, a drive to the nearest Moscow suburb and back costs 1,000 roubles, more than a small amount for most people.

In Moscow, the metered parking policy has reached residential areas where there actually wasn't any serious need for it, as many have said. But drivers have been told that this is the way things are in Europe. But we have a standard of living far lower than them, and even you pointed out at the beginning of this news conference that real income has declined. So my question is: is it fair to dump these high charges on all categories of motorists?

Vladimir Putin: Paid parking is kind of beyond the point, it's another matter. As to these car parks in Moscow, all major metropolitan areas at some point have to introduce paid parking because the problem can't be solved in any other way. Of course common sense should prevail here too and you need to watch not only what to do but how to do it, and prices should be based on reality. However, the Moscow city authorities have made this decision. You need to know this.

The Moscow authorities decided that parking prices should not be directly set by the mayor's office, but only after consultations with the municipalities and with the districts. Moreover, the local elected authorities, district authorities have the right to decide on this issue - they have been given that authority. And parking is free for people who live in the buildings next to these car parks. I can assure you that the citizens concerned, the Muscovites who live near these car parks, are more in favour of the policy than against it.

The charges apply to those who arrive from other districts or other regions: from the Moscow suburbs and so on. This doesn't mean, however, that we should not think about them at all. And of course, the fees should have some relation to average incomes. But I repeat, these decisions are largely up to the local municipalities. But keep in mind, the revenue from parking goes entirely, completely, one hundred per cent, into the local district budgets.

I'd like to reiterate that this does not mean the upper levels and limits should be ignored. After all, this is the prerogative of district and city authorities, above all, the districts.

Now, regarding other components of the auto business.

Most importantly, Rotenberg junior was mentioned here. What should I say, and what is important? It is important to get to the bottom of the problem, not try to use a difficult situation for some quasi-political purposes, but look inside. And what lies inside? All revenues coming from the Platon system - all 100 per cent - do not go into somebody's pocket but into the Road ***Fund*** of the Russian Federation, down to the last cent, and from there all this money, down to the last cent, is spent on road construction in Russian regions. I'd like you to hear this. This is the first point.

Second, where does this joint venture set up by Rostechnologii and the company represented by private investors get ***funding*** from? Directly from the budget - I believe about 10 billion [roubles]. For what purpose? For the repair and maintenance of this system, keeping it operational, for development. However, what does it mean that they receive ***funding*** from the budget? This means that everything can be checked, including by the public and the Accounts Chamber, which is very important. If some people think that these maintenance and development costs are inflated, let them do calculations and submit them. This will be the right thing to do - calculate and submit. This can be done - [count] the money and revenues from Platon, the company with private investment and Rostechnologii - these revenues don't go there. I want this to be heard.

Where did the idea come from? It came from the Government. Why? For two reasons.

First, because economic agents across all transport sectors, including aviation, river, sea and rail transport, pay taxes and infrastructure fees, including on the railway. Motor vehicle owners pay only a portion of the infrastructure tax through the excise tax on petrol. But that's only a portion of it. In other industries, economic agents pay infrastructure fees in full. This had a portion of cargo travel from rivers, seas and railways to motor roads. Huge numbers of trucks flooded motor roads, causing damage to infrastructure. A motor vehicle tax is the same for passenger cars and trucks weighing 12 tonnes or more.

I know that those guys are saying there's no difference between a passenger car and a heavy-duty truck. But this is not true. Experts say that during acceleration and braking, 12-tonne trucks do more damage to the road bed than cars. However, they pay the same amount. This proposal seeks to create a level playing field for all types of transport.

Second, the licensing of this activity was stopped in 2008 or 2007 as part of the war on red tape. It seemed like a good idea, but what do we have as a result? Large numbers of people go ahead and buy heavy-duty trucks and get away with it. But this is an absolutely grey economy. They aren't even licensed as sole proprietors.

I come from a working-class family, and I know that these guys work hard driving these trucks, but we need to leave grey schemes behind. I'd like to support them, believe me. Ms Pamfilova came to see me and said that she met with them, and they are hard workers and nice people overall. However, we must shed these grey schemes, and help truck drivers out as well.

Someone asked me if I'm pleased with the Government or not. Certain things must still be fine-tuned. How do we go about it? How do we get them out of the scheme and make sure that we don't charge them too many fees and taxes? There's a simple way to do this. They should be given an opportunity to purchase inexpensive patents. However, there's a problem. Patents are issued for a year, while there may be seasonal transport. Let the Government think about it in advance and do it.

Some time ago, the Government reviewed the possibility of introducing a similar fee. They charge for mileage covered by heavy-duty trucks in many countries around the world. In Belarus, truck drivers are paying seven times more than is suggested in Russia. They are paying seven times more for their mileage, just think about it. We said that the motor vehicle tax can be cancelled after transiting to this system. The tax wasn't cancelled upon the request of the regional authorities, as the motor vehicle tax goes straight to the regional budget. It must be cancelled at least for heavy-duty trucks whose owners must pay for mileage. I hope the Government will do so in early 2016.

I know that there is concern over having to buy various devices. They also cost money. Here also it is necessary to take a thorough look into who must pay and for what.

For instance, a tachograph, a device showing how much time a driver has been at the wheel. Listen, after all, this must be paid for. And people all over the world pay for this. It must be done to ensure the safety of both heavy-truck drivers and other motorists. Because when a person works overtime, sitting at the wheel for 20 hours on end, he poses a threat to himself and to other road users. Yes, this must be paid for. I can't recall how much, but this must be paid for.

And there are two more devices. One is the Platon tracking device , which must be provided to all free of charge, and the other is the ERA-GLONASS system (or the SOS system, so to speak), which sends out an emergency signal. The latter device must be tucked away in a safe spot to prevent it from getting damaged during an accident. And so, the first and second systems [tachograph and Platon] can be put together in one box, while the third system must for the time being be hidden deep inside a vehicle. And by the way, it must also be provided free of charge.

Some people say that while it must be installed on new trucks free of charge, money is charged for installing it on used trucks. No, they mustn't charge anything. Around two million have already been produced, as far as I know.

As a matter of fact, this is the initiative of Rostechnologii, and not of any private persons. Why? Because, first, Rostechnologii proposed a technical solution, assigned the work to their enterprises and created jobs, so this is their intellectual product. Why do we need private persons there? We need them as investors. They have invested 29 billion roubles (by the way, as regards the elites, they can do something, or their children, or cannot), invested these 29 billion roubles in Russia, and not in the United States, or Cyprus or anywhere else. The point is that the system needs to be adjusted, that's true.

I hope the Government will make all these decisions, including taxes on transport vehicles in the near future - no later than the first quarter.

Georgia

Tamara Gotsiridze: Tamara Gotsiridze, Maestro TV. Mr Putin, I have a general question about the future of Russian-Georgian relations. Three years have passed since the change of government in Georgia. There were expectations of a summit. It's still unclear why this hasn't been held yet. People hoped that Russia would ease visa restrictions for Georgians or make travel visa-free altogether but there is no progress on this either.

I have this question: what does each side need to do? What does Moscow expect from Tbilisi? What can be expected of Moscow to bring Russian-Georgian relations to a new level? What do you think about our prospects?

Vladimir Putin: As for the events in 2008 and the subsequent decline in our relations, we've talked about this many times, but I consider myself obliged to repeat it. We are not to blame for the deterioration in relations. The former Georgian leaders and the then President Saakashvili should not have made the adventurist decisions that triggered Georgia's territorial disintegration. This is their fault, their historical fault. They are fully to blame for this.

Now the export of politicians has begun. They are actively operating in another former Soviet republic - independent Ukraine. As you can see, they haven't changed their approach.

I've already mentioned this but I'd like to repeat it. I think this is simply a slap in the face of the Ukrainian people. Not only have they been put under an external administration but they've also had to accept so-called politicians that were delegated there. By the way, I think Saakashvili was never ***granted*** a work visa to the United States but they sent him to run the show in Ukraine and he is functioning there. What was Ukraine told? We won't just organize you - we'll send people who will administer over you, people from more civilised countries - either your neighbours or from overseas.

We'll put all of them into key positions: ***finance***, the economy, and so on and so forth because you don't know how to do it well. Others know but you don't.

Is it impossible to find five or ten honest, decent and efficient managers out of 45 million people? This is simply a slap in the face of the Ukrainian people.

Now let's turn to relations with Georgia. We didn't initiate the collapse of these relations bit we're willing to restore them. As for Georgia's territorial integrity, this is primarily up to the people of Georgia, South Ossetia and Abkhazia. It would be necessary to work with them. We'll accept any decision.

Today, despite the difficulties you mentioned we notice signals from the current Georgian leaders and we are receiving them. Imagine, today Russia accounts for two thirds of Georgia's wine and wine stock exports. They are coming to the Russian market not to some other market abroad. We are importing these products as well as others and our trade has increased. It declined a little this year due to general economic difficulties, but on the whole it is demonstrating fairly high growth rates.

As for visas, we're ready to cancel them with Georgia.

Economy, business climate in regions

Yekaterina Vyskrebentseva: Yekaterina Vyskrebentseva, TV Centre. Mr President, I'd like to go back to Russian economic problems. This autumn, it became obvious that regional debt has grown significantly. Experts, the Ministry of ***Finance***, the Chamber of Accounts and foreign analysts are saying that one of the principal reasons for this is regional budget imbalances. For example, some regions spend up to 65 per cent of the GDP on social security obligations...

Vladimir Putin: GRP [Gross Regional Product].

Yekaterina Vyskrebentseva: Right, I'm sorry. This leaves nothing for economic development, which, as you just said, is a key objective today.

What is the way out of this situation?

Vladimir Putin: Generally speaking, when all is said and done, it is in fact the primary objective of the regional authorities to meet their social security obligations to the public.

What is economic development? Economic development can and should be ensured above all by providing conditions for such development. We always cite a number of Russian regions as an example. Say, Tatarstan and the Kaluga Region, among others, they are providing such conditions. Top regional officials simply give their cellphone number to major investors and say: "Call me if there's any problem." They take measures to provide tax incentives.

Federal law provides for such possibilities: two-year tax holidays for new businesses, priority development territories, and so on. A region can ***grant*** a lot of preferences to incentivize businesses to develop in a particular region.

Of course, regional budgets need ***funds*** to develop infrastructure for future investment. Indeed, there are problems related to high debt levels in certain regions. However, the government is making appropriate decisions. This year we have provided an additional 160 billion roubles from the federal budget to regional budgets - 310 billion in all. For what? For regional debt restructuring. Where commercial loans were taken out at 11-12 per cent interest they can receive loans from the federal budget at 0.1 per cent interest.

Next year, the federal budget provides another 310 billion roubles for regional debt restructuring.

However, the most important thing is that these regional loans are spent on addressing primary, not secondary objectives.

What is the most important thing in terms of development? This [money] should be spent on creating new jobs, providing conditions for new manufacturing facilities, new technology and new infrastructure so that investment generates revenue that can be used to repay loans and generate additional ***funding*** for regional budgets.

Housing and utilities

Dmitry Peskov: Let's continue. A question from OTR, the Public Television of Russia.

Tamara Shornikova: Thank you. Tamara Shornikova, the OTR public television network.

We asked our audience in the regions to suggest a question for the President. The most popular question was, "How can you survive on a pension or even wages without falling behind on your housing and utility payments?"

People in small towns and villages have to make a very difficult decision every month: Should they spend their pension or salary on obligatory payments and then try to live until the next pay day or not? The trouble is that the authorities claim that the average salary in their town or village is 20,000, 30,000 or even 40,000 roubles, while the people say many of them receive between 7,000 and 8,000 roubles. The low-income groups receive benefits, but not everyone is entitled to them, and not all municipal authorities have the ***funds*** to help everyone who really needs this assistance.

Maybe the Federal Government should step in at long last? Maybe there is a mechanism for doing this, and if not, one should be created, so that rent, electricity, gas and water fees don't exceed a certain share of people's spending, which has been decreasing? Meanwhile, the bills keep growing.

Vladimir Putin: I believe that your question is certainly an issue of priority importance for millions in our country.

The OTR audience is not very large, probably, but I sometimes watch your programmes. And I want to thank the TV network team. You make interesting, substantive and solid shows in response to people's questions; you ask sharp questions and try to find answers to them. You have asked me one of such questions. They concern housing and utility fees, people's spending on these payments, and pensioners' incomes.

Let's start with the income of retirees. You know that the Government has adjusted retirement pensions for inflation despite last year's high inflation rate. Pensions were increased by more than 11 per cent, and 10 per cent for social pensions, I think.

Honestly, this was almost impossible, but we still managed to do it. Next year, all categories, including those receiving military pensions, will receive a 4 per cent increase. We'll see how the situation in the Russian economy plays out. I would really like 2016 indexation to be at least on par with the annual rate of inflation. I can't say whether we'll be able to do it or not, since we have to respond to the situation and simply can't sacrifice the budget, since it would hurt everyone at the end of the day.

Now for housing and utilities. This year, rates were increased 8.7 per cent on average, and are expected to go up another 4 per cent next year. Consequently, we expect this cost to decrease. However, this will not affect rates for building maintenance, waste removal, etc. These issues should be decided by the municipalities.

In addition, under the federal law, families who pay more than 22 per cent of their income for utilities can benefit from subsidies. The federal law also enables regions to introduce an even lower threshold to subsidise families who pay less than 22 per cent of their income for utilities. If I'm not mistaken, this is the case in Moscow and many other regions.

There is no doubt that this issue deserves the most careful attention, we need to closely monitor the building maintenance companies. A lot has yet to be done to improve this system. Make no mistake, this will be a priority for the Government and the regional authorities. It's true that we have a long way to go before we settle this issue.

Now for the system you've mentioned, and whether the system that has been proposed will be adopted or not. What is this system all about? Under federal law, there is a method for calculating the average possible increase and the possible variations both ways. This method is expected to be developed by the Federal Anti-Monopoly Service, which will be in charge of overseeing what the regional authorities are doing in this area. This is to say that not only will we monitor what the regions are doing but also how the Federal Anti-Monopoly Service carries out its functions.

Privatization of large companies

Nathan Hodge: Thank you, Mr Putin. My name is Nathan Hodge, Wall Street Journal.

Now, with the sharp fall in oil prices and the economic crisis, isn't it time to privatize state-owned companies such as Rosneft and Aeroflot to fill the budget? Will the privatization of state-owned companies improve their management and help withstand the crisis? Thank you.

Vladimir Putin: As we all know, privatization of large companies solves two problems. The first problem is unrelated to fiscal issues or budget profits, although this is also important. But most importantly it changes the ownership structure, increasing the efficiency of enterprises.

As for Rosneft or Aeroflot, which you mentioned, other companies often recalled in this context, I wrote in my articles back in 2012 that it was possible, and in principle, we are going to continue this work.

We will certainly always ask ourselves whether the market conditions are right to sell these valuable assets, which, so to speak, bring positive results to the economy, the budget, say, Rosneft. It is virtually impossible to say if the situation or conditions are right, although as you know, the Government did not take a decision on privatization this year.

Yet, I do not rule out that the government might go for these decisions to generate income and make some changes in the structure of these large companies, to avoid tapping reserves. I try to not to interfere with such decisions, especially as it is not as if the government will lose its controlling stake in those companies anyway.

Foreign languages and sports minister

Dmitry Peskov: We have a question from a company that recently celebrated an anniversary, Russia Today.

Ilya Petrenko: Good afternoon Mr Putin. First, I'd like to thank you again for your greetings at the tenth anniversary of the RT channel. The English Section appreciated your recent gift to Minister of Sport Vitaly Mutko, an English phrasebook.

Does this mean that not just Mr Mutko but also his other colleagues in the Russian Government will need this phrasebook in the near future, considering the worsening relations with our Western partners, including our English-speaking partners?

And now a more serious question: What relations do you expect to have with the next US president? There will be presidential elections in the United States next year. Thank you.

Vladimir Putin: Regarding foreign languages, Russia is an open country and English is certainly the most widely used language in business, culture and diplomatic relations. English has replaced French as the lingua franca of diplomats. We encourage the study of foreign languages at schools and universities. We have programmes for training young professionals not only in Russia but also abroad, and we'll continue to do so. I hope that my colleagues at the Government ministries and agencies and also in the regions will contribute to these efforts.

As for Mr Mutko, you can make fun of him, but he has no problems in this respect and is willing to work for his own improvement. Actually, this is very good. I would never have given him this gift if I didn't know he'd take it in stride and not develop a complex. You can make fun of him, of course, but you must admit that he knows what he wants and how to get it. He's working to improve, which isn't easy. It's one thing when you start learning a foreign language as a child, and it's quite another matter when you do it at a mature age. By the way, learning a foreign language is very good brain work. In fact, it's the best form of 'brain jogging.' I hope my colleagues will listen to me and do this too.

And your second question?

Next US president

Ilya Petrenko: It's about the next US president.

Vladimir Putin: The next US president. First, we need to figure out who it's going to be.

No matter who he or she may be, we are prepared and willing to promote our relations with the United States. I think the recent visit by the US Secretary of State showed that the United States is willing to make certain moves towards jointly addressing issues that can only be resolved together. This is already a sensible position. We have been supporting it in every possible way and will continue to do so in the future.

We're never closed to this, no matter who the American people elect as their president. It's them who are constantly trying to tell us what we should do in our country, who should get elected and who shouldn't, and what procedures to follow. We never meddle in other people's affairs. They say it's dangerous to do so in America. They say that if foreign observers get closer than five metres to a line of voters, they could end up in prison. We aren't doing even that, right? We are open and will work with any president voted in by the American people.

Doping, FIFA corruption scandal, seizing foreigners to be tried in USA unacceptable

Yevgeny Dzichkovsky: As a follow-up to the question about Mr Mutko. The government is spending big money on professional sports. Senior citizens will agree with me. There's a parable that you can feed a hungry man by giving him a fish or a fishing rod. We are giving our sport a big fish, a sturgeon, to try to promote the prestige of our country, but then this doping, which they have regularly caught us red-handed with. What we get instead of boosting our image is a blow to the country. Who will be held accountable for this? So far, we've seen two token resignations and the actual disqualification of our athletics federation. Who will answer for this, what do you think? Also, please say a few words about the corruption scandal at FIFA. Should we be looking for Western ulterior motives in this, or is it simply a hunt for bribe-takers? Thank you.

Vladimir Putin: There are underhanded dealings, of course, there's no way to get around it. Most importantly, as I've always said, no country should or has any right to extend its jurisdiction to other states, especially international organizations. This doesn't mean that we shouldn't fight corruption. Of course, we should. But we believe that seizing foreign nationals around the world and dragging them to their country for an investigation and then a court trial is unacceptable.

What should we do in this regard? It's imperative to maintain an equal, transparent, and open partnership with all countries. Not to impose your own jurisdiction on anyone else, but just work with everyone in an honest and open manner. I hope that someday we'll get there. We'll go from the efforts to establish domination to cooperation, including the fight against corruption.

The investigation will show whether or not FIFA is involved in corruption. There are no results from this investigation yet. Someone out there is confessing, while others refuse to talk.

FIFA's Blatter should be awarded Nobel Peace Prize

As for Joseph Blatter, he's a very respected person, he has done a lot for the development of world football. His contribution to the world's humanitarian sphere is enormous because he has always tried to treat football not as a sport but as an element of cooperation between countries and peoples. He is the one who should be awarded the Nobel Peace Prize.

As for the choice of this or that country and potential problems - we don't know anything about them. We know one thing for sure - that we received the right to host the World Cup in an absolutely honest and competitive competition. It's not our problem that when, say, FIFA officials arrived before the voting, someone at the top level simply refused to meet with them.

At that time I was Prime Minister and I put all other things aside and met all my FIFA colleagues. We took them on a tour around the country and showed them where we would have stadiums. They met with the regional leaders and they explained how important football is for us although it wasn't at the world's best level.

Nonetheless, we explained how important it is for the development of sports on the public level in Russia. We showed how many people love football in our country and how we planned to develop it. FIFA listened to us and made its decision on the World Cup in 2018 based on these considerations rather than some corruption-driven motives. If you remember, I didn't even attend the voting procedure. I arrived after it was over so as not to interfere or exert any pressure. We couldn't even apply any pressure there. So let's wait for the results of the investigation and see who is to blame for what.

Doping in sport

As for doping, I have expressed my attitude to it more than once. We are against any doping primarily because doping destroys human health. This is poison for people. This is the first point.

Secondly, if an athlete engages in doping he should by all means be punished for it because this destroys the very principle of an honest sports competition and interest in sports vanishes. By the way, I have huge respect for those who score high results in speed skiing. But why some people who suffer from certain diseases since childhood are allowed to take some drugs whereas others who don't suffer from the same diseases since childhood are prohibited from taking them? If an athlete has to take medicines for health reasons, he should take part in Paralympic rather than Olympic sports.

There are many problems in sports and they are not so simple. The main point is the existence of a common approach to the law in general and in this case in particular: responsibility should always be personal if it has been proved. The one who is to blame, whether it's the coach, the organizer or an athlete has to be held responsible. People who have nothing to do with violations shouldn't be responsible for those who make them. This is simply nonsense! This is unfair and wrong! These are the principles we will fight for.

That said, Russia - and I want to say this once again - should and will be open to the joint struggle against doping. I will demand that officials of all departments and levels openly cooperate with the international agencies without concealing or hiding anything. We have a stake in this and we'll follow this path.

***Agriculture***

Inna Baskova: Kurgan, Regionalnye Vesti, Rossiya 1 Channel. As a woman, I can't but pay a compliment to you, Mr President, for being in such a good shape. Thank you very much for that, because our boys are looking up to you, it's true! The number of young people leading a healthy lifestyle has markedly grown.

Vladimir Putin: Without doping, I warn. Without doping.

Inna Baskova: Yes, without doping. And we would like these boys, youths... To encourage and engage them in activities in their native territory, in their region. The Kurgan Region receives 24 ***grants*** annually under the Beginning Farmer federal programme to support private farming. But that is not enough, Mr Putin. I am conveying the wishes of all our farmers that three times more is needed. This year, 70 people expressed a desire to start their own businesses in the agro-industrial sector, but only 20 received those 1.5-million-rouble startup ***grants***. Is it possible to redistribute quotas between the regions in a way that would take into account the peculiarities of the Kurgan Region? Because with 20 quotas it's not possible to stop the outflow of specialists from ***agriculture*** and encourage young locals to stay.

Vladimir Putin: The development of the agro-industrial sector and private farming is an extremely important issue. Of course, I know about discussions between the supporters of various development trends for the agro-industrial sector. Some say that large-scale production should be developed first and that only large-scale production, and not private farmers, can provide the country with quality food products in the required volumes. But, nevertheless, without any doubt, we must also support private farming as a form of ***agriculture***. Farmers make a significant contribution to ensuring food security. I have repeatedly said this and can confirm that all plans regarding support for the agro-industrial sector will be implemented unconditionally, including ***financial*** support.

Here you just mentioned the 1.5 million, something that can be viewed as a startup ***grant*** for their business and maybe that's not enough, but there are also other ***instruments*** available in Kurgan as well as in other regions of the Russian Federation. It is possible to support those who want to start their own business by means of regulation, including ***financial*** or tax policies. For example the federal law gives the right to regional governments to decide on a two-year tax exemption for startups.

We are talking private entrepreneurs here, sole business owners, but it is up to them to choose a legal format for their business. I can assure you, it would be a significant help. But there are other forms of support - for example, the single ***agricultural*** tax can be appropriately transformed in order to facilitate the ***financial*** and fiscal burden, we can help them create the sales infrastructure. I am referring to setting up associations which could help farmers market their produce.

Finally, there is a new and substantial support policy, something that wasn't in place before: the domestic market has been freed for our producers, and the growth the national ***agriculture*** is now showing - 3, maybe 3.5 per cent by the end of this year - is good evidence of that. True, it reflects on the customers, as prices go up, and it is reflected in the macroeconomic fundamentals by hiking inflation, contributing to inflation.

But in the end, if we are in it long term, as they say, we expect to win, by which I mean a boost in ***agricultural*** production. Therefore, Kurgan, along with other regions, should look at the opportunities that the Government and legislature are creating to support the farmers as much as they can. Let's see how the situation develops. And if there is a need, it is possible to allocate additional resources. We do have such resources for 2016.

Pensions, pension age

I saw a "pensions" poster. Pensions are an important issue. Please.

Yulia Izmailova: Yulia Izmailova, the Molodoy Leninets [Young Leninist] newspaper, the city of Penza.

Vladimir Putin: Molodoy Leninets is asking about pensions? It surely is thinking ahead. All right, a question from the Leninists.

Yulia Izmailova: The majority of our readers are senior citizens. We write a lot about pensions.

Vladimir Putin: Senior citizens, but they are always young Leninists. Good. Please go ahead.

Yulia Izmailova: I'd like to hear your opinion. In February, pension indexing for working pensioners will be cancelled. Will this move to economise with working pensioners result in certain personnel problems, or growth in "off the book" income?

Vladimir Putin: Yes, this issue has been repeatedly debated in the Government. Let me remind you about the Soviet practice. An opportunity to work and receive a pension in the Soviet Union was ***granted*** only to people working in the economic sectors that had personnel shortages - say, junior medical personnel, healthcare specialists and culture workers. All others had to choose - either work or receive a pension.

At one time, amid the collapse of the social system and the economy as a whole, we made the decision to pay pensions to everyone. However, there are different ideas about this, including a return to Soviet practices. The fiscal gain from not paying pensions to working pensioners is small. But this decision has not been made. What makes you think it has? Why do you say that working pensioners will not receive pensions? There is no such decision.

A decision has been made not to index [pensions for working pensioners]. However, here, too, I'd like to draw your attention to this. Take a closer look at the decision and inform your readers, but I think that people will hear it now.

If a person has decided to continue working, his pension will not be indexed in 2016 and 2017 but, say, in 2018, he decides to stop working and rely only on his pension, then he will not receive compensation for 2016 and 2017 but all the same, when he finally stops working, the indexation made for other pensioners will be taken into account for this category of pensioners as well. And of course, his pension will be indexed the same as other people's pensions over this period. These decisions have been made, but the implications, among other things, for the labour market, are still under discussion, under careful consideration.

Dmitry Peskov: Any additional questions about pensions? Yes, I see, Rossiyskaya Gazeta.

Kira Latukhina: Kira Latukhina, Rossiyskaya Gazeta.

I have a question that is connected with this issue. For the past year, the Government and the State Duma have discussed increasing the retirement age, and they eventually decided that the retirement age should be increased for officials.

Will this really save money? And are there any other plans regarding the retirement age?

I also have a question about military pensioners in light of the ongoing debates about cancelling pensions for working pensioners.

You said that the issue is only at the debate stage, but military pensioners, who constitute a large group of working pensioners, are worried.

Vladimir Putin: First, as I said, military pensions will be indexed just as all other pensions. Pensions will be increased by 4 per cent early next year.

As for working and non-working pensioners, I don't remember this detail, honestly. I'll look into it, but I think the rules should be the same for all pensioners, whether they're working or not working.

You know what I think about the retirement age; I have been fighting against increasing it. But there are problems, of course. As for increasing the retirement age for federal, regional and municipal officials to 65 years, both for men and for women, it will be increased gradually, every six months.

How will this work? For example, a woman has reached her retirement age, 55 years, and should retire. Well, under the new system she'll be able to retire at 55 years and six months. In this way, we'll gradually increase the retirement age for all officials. But it's true that the economic effect will be very small.

As for increasing the retirement age for everyone, I still think that the time is not right for this. But frankly, many people, both experts and also people on the street keep telling me that I mean well but that it would eventually hurt the people. Why is that? Life expectancy is increasing in Russia. Back in 2005 or 2006, it was barely 65 years, while the current figure is 71.2. The number of working people who contribute to the pension system is decreasing, while the number of pensioners is increasing.

If we don't do anything now, eventually pension system revenues will decrease. This year they have shrunk because real wages have contracted, and the pension ***fund*** is made of deductions from wages. The pension system is running a deficit, and we have to allocate money from the federal budget to cover the shortage.

I hope that this is a one-off issue, not a systemic one. However, with life expectancy on the rise, the workforce, as I've already said, is set to shrink compared to the number of non-employed. This could lead to systemic issues with replenishing the Pension ***Fund***.

What are the possible consequences? In fact, this could result in lower incomes for retirees. The Government will be left with no choice but to reduce retirement benefits or increase the retirement age. But if this is the case, it should be done the same way as with the officials: calmly and without any haste.

When should it happen? I can't answer this question yet. We'll have to do it at some point. All the countries have already done it, I mean the neighbouring countries. However, I would prefer not to publicly discuss when it should be done, because we have yet to answer this question ourselves. In any way, this is a relevant economic issue for us.

All other countries have also opted for a step-by-step approach. There is currently an age gap between those who reach the retirement age and those who retired a long time ago, and it is set to grow even more. We need to act in a timely manner so that the pension system does not collapse in five, 10 or 15 years.

What I want to say and people to hear: there is no way it will affect people who have already retired. They have nothing to do with the changes to the retirement system, no one will be forced to start working once again, even those who retired only yesterday. The law is not retroactive, so all those who have already retired are 100 per cent sure to be able to fully benefit from their retirement rights.

Questions: executive pay, imprisoned journalist, Putin's children

Dmitry Peskov: RBC, second row. Could you pass the microphone, please?

Mikhail Rubin: Mr Putin, there are a number of media outlets within RBC media holding, so if I may and not to offend anyone, I would like to ask not one but a few brief questions.

Vladimir Putin: How many is a few?

Mikhail Rubin: Two.

Vladimir Putin: There are a lot of people in this audience.

Mikhail Rubin: The questions will be brief.

First, state-owned companies, which our colleague from the Wall Street Journal has already mentioned, failed to reduce salaries and bonuses for their employees during the crisis, but these very companies are constantly asking the Government for tax breaks or ***funds*** from the National Welfare ***Fund***. What do you say to these requests?

I'd be remiss not to ask you about Yekaterina Tikhonova who is in charge of an important project at Moscow State University. Our Western colleagues tell us that she is your daughter. Is it true and what do you think about her endeavour?

We have a big favour to ask from you personally. Our reporter has been in jail for five months now. He is the person behind a high-profile investigation of the Vostochny spaceport fraud. His name is Aleksander Sokolov. He is under investigation under a nonviolent article. If I may, I would like to hand over to you, when possible, our request to look into this matter. We are concerned that the issue may deal with pressure on the freedom of speech.

Thank you.

Putin on his children

Vladimir Putin: I've read online publications and other sources about Yekaterina Tikhonova and my other possible relatives and daughters.

A short while ago, everybody was saying that my daughters: a) study abroad; and b) live permanently abroad. Thank God, no one is saying this now. What they are saying now is that they - and that's true - live in Russia and have never left Russia for permanent residence in any other country. They studied only in Russian universities. This doesn't mean that they don't have contacts with their colleagues. I'm a proud father. They continue to study and work.

Someone from Russia Today asked me about languages. My daughters are fluent in three European languages. They also have conversational skills in one or two Oriental languages, and a fourth European language. They are not just fluent, they use these languages in their work. They are making the first steps in their careers, and are doing well. I tend not to discuss family-related issues. They don't engage in business or politics, just keep a low profile.

With regard to the university project that you mentioned, regardless of the names of those who are engaged in it, it was spearheaded by the rector. It's a good initiative. What does it concern? It concerns combining the capabilities of our higher educational institutions and research with the needs of our major enterprises and the national economy. Some people are running around not knowing how to place their inventions, while others are paying tons of money, billions of dollars, to buy Western technology and finished products. This endeavour initiated by the rector is the right thing to do. It's still too early to say whether it's a success or not. You should ask the rector and those who are involved in this work.

I have never been specific about the workplaces of my daughters and their line of work, and I'm not going to do so now. For many reasons, including security considerations. I believe that everyone is entitled to their own destiny. My daughters have never been star-struck children. They never craved the limelight. They just live their lives and do so decently.

Vostochnyy space centre, imprisoned journalist

About Sokolov. If he has been jailed for some eye-opener piece, including on the Vostochnyy space centre... I should be grateful to him for putting effort in the issue. It's just that I know nothing about this, it is the first time I am hearing about the whole situation, and his name. But of course I understand. If that's the case, I will certainly try to help your publication, and that particular journalist.

But first I need to understand what has happened to him, I just don't know. But you have this paper, will you give it to me? I am interested to have this project, one I actually initiated at the time, a few years ago, up and... I even visited the site, to help choose the place for the future spaceport. At first experts suggested other sites, a few places on the Pacific coast, not far from Vladivostok. They almost broke ground for it there.

Then these same experts said no. If you look at what the Americans are doing at Cape Canaveral, they said, they often postpone landing or lift-off due to the weather. The ocean causes a lot of problems, including an unstable climate, unstable weather, so it is best that we moved to the continent. And we did, moving to where it is today.

It is a major project, of national importance. We are building a whole new city there, and I hope that everything will be done in time. There is a backlog, used to be about one and a half years, now reduced to four or five or six months. I hope that the first launch timeframe we identified - the first quarter of next year - will be met, but it's not wise to concentrate on specific dates so much. It is more important to have everything done well, and I look forward to seeing it.

Executive pay

Now the first part of your question - about state companies, benefits, wages and the use of the National Wealth ***Fund***. You are absolutely right about everyone - state-owned companies and state authorities included - having to work more effectively to reduce inefficient spending. There's certainly room for improvement here, a lot of work. I totally agree with you.

With regard to salaries, bonuses and so on, I think we talked about it last year, you know, the problem is that these amounts are calculated based on what senior executives make. We need the most upscale, world-class professionals, and possibly non-Russian managers to work for these companies, and these salaries and bonuses are legal on foreign labour markets.

If we cut them, we won't get the high quality management we want. Another thing is that the senior executive (I never told them that, so I hope they hear me) could use part of their income, which they tell me - and it's true - they need to ensure that subordinate managers have theirs paid in full, could give some of their income to charity, as is also expected by world standards. This would hardly make them poor.

Investment by National Wealth ***Fund***

Regarding the National Wealth ***Fund***, yes, they must improve the quality and administration and performance, and reduce inefficient costs, which I've already mentioned. I am personally very careful with any potential spending from the National Wealth ***Fund***. What is the current purpose of this? The money must be spent on projects that will not lead to more spending by the ***fund*** but create conditions for economic development.

What are these projects? For example, 150 billion roubles was invested in the Trans-Siberian Railway and the Baikal-Amur Railway. This is economically advantageous and efficient, because there is already cargo to carry which will pay off the investment. I think so far, only 50 billion has been allocated for the Baikal-Amur Railway. I personally had several meetings with shippers. As soon as the railway is complete, transport will start and the National Wealth ***Fund*** will see returns. This is money that can be recouped.

Not many projects will fall under this description, but this is one of them. Another project is the ring road around Moscow. We need to create extra transport facilities around the city in order to ease the traffic burden on Muscovites, as well as to secure economic growth. I believe this is an important project that has already received around 150 billion.

Also, there is ***funding*** for Rosatom's nuclear power station in Finland. These are returning investments because Finland has a stable economy. Despite all the sabotage there, the parliament made a firm decision to support this project, which was honestly very surprising to me. Rosatom's partner, a company operating in Russia, has invested billions of euros in our economy and has expressed a willingness to cooperate and take on the risks. This money will be recouped by all means. This is a good investment.

Next, some of the money, I think around 180 billion, was invested in the Russian Direct Investment ***Fund***. This ***fund*** raises ten foreign dollars for each invested dollar. This is an efficient investment. There are no other serious deposits by the National Wealth ***Fund*** but we'll think about more opportunities that will be at least as efficient as those in the above projects.

Oil exploration

"Oil" Now let's talk about oil.

Natalya Menshikova: Good afternoon Mr Putin. Natalya Menshikova, the TV channel of the Nizhnevartovsk District, which is in Yugra, the home of the Samotlor oil field. The bulk of Russian oil is produced in our region, but these oil fields were originally explored back in the 1970s. This brings me to my question: Do you plan to invest in exploration, and if so, when? Also, pensioners from the Nizhnevartovsk District congratulate you on the coming New Year.

Vladimir Putin: Thank you. Please convey my thanks not just to pensioners but to everyone in your region. I thank you for your support. Despite the problems facing them, people with moderate incomes are one of the most responsible groups in our society. These people - many of them - suffered many hardships after the war and worked very hard to rebuild our economy; they've seen a lot, and now they only have the state to rely on.

We know this, and we are grateful to them for their patriotic sentiments and their willingness to contribute to the education of the rising generation. They are doing this, and I mean not only veterans of the Great Patriotic War but all veterans, including veteran workers. I wish them a happy New Year. I wish them health and all the best. Thank you! Let's applaud, no, not for me but for this part of our country. (Applause)

As for exploration, it's a major part of our future. As you know, we adopted decisions on sour oil several years ago towards a more effective use of the depleting oil fields. We also adopted several other decisions, including decisions on taxation.

I know that the oil companies are not entirely satisfied, because we envisaged the so-called tax manoeuvre, under which we promised to reduce the export duty on crude oil while increasing the mineral tax. But this decision was not implemented, although we raised the mineral tax on oil and gas. The Government has increased the burden [on oil companies]. It's important that this situation doesn't last forever, and I agree with some in the industry who say that the oil companies act by inertia when they don't reduce production, as I said. They don't revise their development plans. But I've noticed they've even increased production.

At the same time, we, meaning the Government, must look closely at developments in this sector so we don't kill the goose that lays the golden eggs. We'll analyse the situation very seriously. Exploration is a highly important part, but the situation is not quite as you described it, that nothing has been done in exploration since the 1970s. No, we have been working on it, and we have invested in the agencies that have been charged with this work at the Government.

We try to encourage both private and state-owned companies to do this, and they have been doing it. I can't cite figures now, but I can tell you that they are quite impressive. Maybe we are not doing enough, but I assure you that we've never neglected this.

Veronika Kilina: Thank you very much for this opportunity to ask a question.

Aircraft building

Good afternoon, Mr President.

Veronika Kilina with Nakanune.ru, a news agency based in the Urals Federal District.

Do you support the idea of the serial production of Il-96 planes and do you think that betting on foreign planes alone in connection with the recent tragic events was wrong? Why do you prefer domestically manufactured planes? I'm referring to the presidential air group that operates the Il-96. Thank you.

Vladimir Putin: You know, I completely share your concern. The aircraft-manufacturing industry is one that ensures the development of our economy, it's a high-tech sector. This is what we inherited from the Soviet era. Although of course, the Soviet Union developed primarily military aviation, adapting it to civilian needs. They didn't care about the lifespan or fuel consumption of civilian aircraft.

We can't follow the same approach today but we should definitely not only provide domestic carriers with our own commercial aircraft but also enter the international market. Generally, we should direct our manufacturers, including aircraft manufacturers, to ensure a level of quality that will make them competitive throughout the world.

Regarding a wide-body plane, this simply requires substantial investment. We have agreed with our Chinese partners to do this together and we are following this path. This is what I'd like to tell you. These are large, wide-body, long-haul planes. However, this is not enough for us. We need to provide planes not only for long-range routes but also regional routes, regional carriers. There are plans - I believe the Il-114, an old forgotten project, of course, with the innovation and new technology that's possible and necessary for a modern product.

As you know, a major event has happened in engine manufacturing. The new PD-14 engine is the first product of its kind since the late 1980s. Somehow, we don't pay attention to this, but it is a major achievement for our engine makers. I said this at one meeting and now I'll take this opportunity to congratulate them on this accomplishment and thank them for their effort. This enables us to develop our aircraft industry further, including the Il-96 you mentioned.

The energy efficiency of the new engine and its capabilities make it possible for us to develop an entire line of planes, both medium-haul and long-haul. By the way, this was our weakest spot. I believe we can deal with avionics but this was the weakest spot, so we had to use either Pratt and Whitney or Rolls Royce. Their engines are good but ours are better. And our planes will also be better.

Gas transit, nuclear power plant in Turkey

Vladimir Kondratyev: Mr Putin, you spoke about oil, and you were asked about oil. And I'd like to ask you about gas - it is also one of the foundations of Russia's prosperity. Not everything is clear on this issue.

We know that actions by the Ukrainian authorities are unpredictable. This is obvious from what happened in Crimea, where energy supplies were cut off. What if Ukraine stops the transit of Russian gas to Europe? Here's the problem. The talks on Turkish Stream have been suspended because of the conflict with Turkey, and it is unclear whether they will be resumed. It would be very helpful if you would speak on this.

We have a backup option, Nord Stream-2 through the Baltic Sea, but a group of EU countries has protested against its construction and wants to torpedo the project like South Stream was done away with in the past.

What awaits us, and what turn will events take? By the way, what will happen with the construction of the Russian nuclear plant in Turkey, in which Russia has already invested $3.5 billion, according to Western sources?

Vladimir Putin: Russia has not invested $3.5 billion in the Akkuyu nuclear power station. The future of this project should be decided at the corporate level. This is a strictly commercial issue, and we won't take a single step that would harm our economic interests. But this is up to Rosatom and its partners. As far as I know, the Turkish side has not yet issued a permit required to launch this project and make it a priority project. But let me repeat that this is a corporate decision.

Now let's talk about Nord Stream and those who objected to it. We know that many countries were against the Nord Stream-1 project, but it was carried out. Its implementation turned out to be very helpful at the time. Not all conditions have been fulfilled and the pipes are not 100 per cent filled with gas, especially in Germany - it's 50 per cent for Opal and almost none on another route, but I'm confident that these opportunities will come handy.

Regarding South Stream. You know our position: we were ready to implement it, but they simply wouldn't let us. First, the European Parliament ruled that this project clashed with the European Union's interests and forwarded the relevant document, and later the European Commission forced Bulgaria to halt the preparatory work, and then, all of a sudden, a Dutch regulator, where South Stream was registered, decided to ***grant*** us permission to launch the construction of the marine section. But how could we launch construction at sea, sink billions of euros there and then reach the Bulgarian coast without receiving permission first?

Naturally, they simply put us in a foolish situation, and seeing that, we said: if this is what it is, then we're also stopping. They didn't let us, do you understand? And I am surprised at the toothless stance of the Bulgarian Government that chose to neglect national interests for unclear reasons. We had planned to invest three billion [euros] in the construction itself - that means jobs, that means salaries, that means revenues to budgets of all levels, plus they could have had a minimum of 400 million euros per year just for transit. Well, a no is a no, so be it. As a matter of fact, one reason we came up with that project was to support Bulgaria. They don't want it - well and good.

We began discussing Turkish Stream. You know, this doesn't depend on us, after all. Not that we broke off the negotiations, but we want the European Commission to give written guarantees that all the routes, including a possible route through Turkey to Europe, are not only realizable, but also that it is a priority route and that the European Commission will back it. If Gazprom's Turkish partners bring such a document from Brussels, we'll move further. Unfortunately, so far, this doesn't seem to be the case.

Regarding transit through Ukraine. True, at a corporate level, I heard it myself, during very serious debates someone would say: we will totally cut off this transit. I am not sure this should be done -cut off transit through Ukraine. But speaking about the capacity of Ukrainian transit and that of, say, Nord Stream-2... Well, everyone demands that Nord Stream in general and the future Nord Stream-2 meet certain requirements. What are these requirements? Reliability, the market nature of the gas transport system's operation, and legal and administrative regulations that match the highest standards. Are our Ukrainian partners able to do what we together with our European partners have been doing with regard to Nord Stream? If they are able, we'll continue working with them. If not, then we'll see what can be done about it.

Yamal oil and gas projects

Natalia Rybyakova: The Krasny Sever newspaper. Natalia Rybyakova. Yamal-Nenets Autonomous Area.

I have a question regarding the Northern Latitudinal Railway. Thank you for supporting Yamal projects. The regional government has also been doing a lot in this respect. Specifically, a public-private partnership agreement will be signed by the end of the year on the Bovanenkovo-Sabetta section. Unfortunately, the construction of the much-needed Salekhard-Nadym section has stalled, and project costs are growing by the day. Can this issue be resolved?

Vladimir Putin: There is no doubt that we need this project. Yamal is Russia's oil and gas pantry. We have been developing this territory and we'll keep doing so in the future.

You know about the major international project implemented by Novatek, and the Chinese and French partners. The Government supports this project, among other things, because foreign investors entered this project before us. I'll be honest with you. These investments by our foreign partners provided us with an incentive to support this undertaking. Withdrawing our support for the project after foreigners invested in it would have not made any sense. It would have been simply unfair towards our foreign partners who had already invested in the project.

This is an important project. This shows that we are thinking about the future. What I mean is that global LNG sales are set to grow.

Today, we are able to offer LNG for sale only in Russia's Far East through the joint ventures we have, or through Gazprom's swap deals. But here, in the Yamal Peninsula, there will be a powerful project by the Russian, French and Chinese to produce large volumes of LNG and access almost all global markets.

We have the future in mind as we work on this project. I'm surprised that those who run it have been so successful. Everything is on schedule, and the quality is high.

As for what you've mentioned, I think this is an extremely important project, as with a huge terminal, extraction and shipment operations, it would be desirable to have a universal port there. This way, not just LNG products can transit through this port, but all kinds of goods that can be rerouted from the Trans-Siberian Railway or Baikal-Amur Mainline. This is a very convenient location with great logistics. This could be all sorts of goods - bulk shipments, or anything else.

As for budget allocations, this requires additional consideration, taking into account budget constraints. We need to look at different options, including attracting foreign investment. The interest is there, and I hope the Direct Investment ***Fund***, that I've mentioned earlier, will contribute to these efforts. We remember about these projects, and are committed to effectively supporting them whenever we can.

Egypt

Egypt, please.

Question: Good afternoon, Mr President, I have two questions. The first one is about Egypt.

When will you open Egypt to Russian tourists? This is my first question.

My second question is as follows. Two days ago, Saudi Arabia announced a new Islamist alliance. As far as I know, this new Islamist alliance brings together the Sunnis, and the Shi'is will be in trouble. This will be an anti-Russian alliance, and it includes Turkey. This is dangerous. I would like to hear what you think about this alliance and, of course, your answer to my first question.

Vladimir Putin: With regard to tourism, the decision to limit our civil flights to Egypt is not due to our distrust of the Egyptian leadership. It is not a political decision. This decision is about ensuring the safety of our citizens. We tell our people, "Unfortunately, the Egyptian services, and oversight and law enforcement agencies are unable to deal with the threat of terrorism."

Terrorists are a threat for you and us. President Al-Sisi of Egypt shows amazing courage in fighting this scourge, but it takes time to resolve these problems. As soon as we come up with the mechanisms that can reliably ensure the safety of our passengers, we'll lift the restrictions.

We're working on this with our Egyptian partners. What would these mechanisms be like? At every stage of airport control, from landing to departure, we must have our employees involved in the process. Again, we don't believe official Egyptian authorities have anything to do with this. This is our common problem and concern, so we must find a common answer to these challenges.

Coalition created by Saudi Arabia

With regard to the coalition created in Saudi Arabia. We don't think this coalition will have an anti-Russian slant. In addition to the country you mentioned, Turkey, which we don't consider hostile. They have committed a hostile act against our plane, but saying that we consider Turkey a hostile state would not be true - our relations have indeed soured, and I'm not sure yet how we'll get past this situation, but in any case, the ball is not in our court, but Turkey's - but there's Egypt, and other countries. This alliance was initiated by Saudi Arabia. We have both different and similar approaches to resolving the Syrian crisis, and we maintain contact with Saudi Arabia.

I recently met with the King [of Saudi Arabia]. We often meet at various meetings organized by our respective foreign and defence ministries. We are now considering joint projects in t military-technical cooperation with Saudi Arabia. It's a multibillion dollar programme. We aren't even thinking that this alliance may be directed against Russia.

On a separate note, in order to effectively address the challenges facing us in fighting terrorism, we must join our efforts rather than disperse our possibilities. I'm not quite sure what happened. The United States has created an alliance which includes all those countries, including Saudi Arabia. What's missing? Why was it necessary to create another alliance, if there's already one led by the United States? Do they have a plan of their own? Are there any internal contradictions? There may be contradictions.

Because regional interests of the regional powers are one thing and global interests in fighting terrorism are another. Europe is suffering from the ripple effects coming from that region. We have seen terrible terrorist attacks in Paris. The United States recently came under a terrorist attack that killed 14 people. The threat of more attacks remains.

We all need to join forces in fighting terrorist organizations, no matter what they are called and whatever slogans they may use to cover up their activities. I hope that the recently created alliance will uphold common interests and that we'll develop common approaches and rules and establish effective cooperative actions and agree on the tools that we'll use in this fight.

Irregularities with investigating traffic accidents

Maria Gomenyuk-Kravtsova: Kaliningrad, Klops.ru news portal.

Vladimir Putin: Again?

Maria Gomenyuk-Kravtsova: Klops.ru

Vladimir Putin: Klops?

Maria Gomenyuk-Kravtsova: Yes, a German dish.

Vladimir Putin: Aha. Rulka.ru. What are these klops - cutlets?

Maria Gomenyuk-Kravtsova: That's right.

Many traffic accidents take place in Kaliningrad every day in which pedestrians are killed or seriously injured. One such victim is our colleague Nadezhda Rzhevskaya. She was run down at a pedestrian crossing by a student at the Federal Security Service Border Protection Institute. Three months after, the investigation has not been closed and a criminal case has not been opened. The student had his driving license returned to him and he continues to drive his BMW, as before.

Vladimir Putin: He must be a good student to drive a BMW.

Maria Gomenyuk-Kravtsova: Our colleague was seriously injured. She is wheelchair bound.

Vladimir Putin: Terrible.

Maria Gomenyuk-Kravtsova: In this connection I have a question. Do you think high rank and shoulder boards can exempt [a person] from responsibility?

Vladimir Putin: Of course not. This is nonsense. No rank, no position [can]. He does not even have a position. What is he, commander or what? A student, a rank and file serviceman. It's simply unfair to say that he has some official position that allows him to avoid responsibility. Perhaps some influences may be involved there that are obstructing the investigation. I simply couldn't know. I promise you that the investigation will be conducted thoroughly.

It's difficult for me to say what happened there. In such road accidents, such tragedies, the sides' positions are always different. Nevertheless, it is absolutely obvious that the investigation should be conducted objectively and brought to its logical conclusion.

I entirely agree with you: No matter who was driving, they must be held accountable for what happened. Those who are at the wheel bear a greater responsibility than the injured party, because a car is a source of enhanced danger, and in keeping with our law, a person behind the wheel bears a greater responsibility than the injured party. There is only one situation where a pedestrian can be guilty in an accident - this is when a pedestrian has deliberately caused an accident. Otherwise the driver is responsible. He may be charged either under the criminal code or the code of civil procedure but he is always responsible because he drives what is a source of enhanced danger.

Defence industry

What does the defence [industry] want? Okay, defence, go ahead.

Question: Good afternoon. I come from Tula, and Tula, as its anthem goes, is a city of arms makers. Tula has a centuries-old history of arms manufacturing.

My question has to do with defence procurement. According to certain reports, it is set to increase by 10 per cent annually, but given the situation with the price of oil and the economic situation, could it be frozen or reduced? I'm raising this issue because for Tula residents, this is about jobs, salaries and, of course, the country's defence capabilities.

Vladimir Putin: Listen, manufacturing in general and, even more so, the defence industry, is about long-term projects. It makes more economic sense to complete the projects already underway rather than stop them.

For example, if you start building a ship - ok, Tula doesn't make ships, but it does make other types of military equipment with long production cycles - or airplanes or missile defence systems, and invest money in the project, it would cost more to freeze the project than to complete it. In fact, once you discontinue ***financing***, you have to pay for maintenance, staff, workers, engineers, who still need to be paid, while not actually doing anything. Otherwise they have to be let go, which is extremely risky and should be avoided, because it will make recruiting highly-skilled workers impossible afterwards.

This goes to say that following through on the projects makes more economic sense for us. All these projects are envisaged in the State Armament Programme until 2020. Given the real budget constraints we currently face, the lower price of oil, etc. what do we do? There will be projects, and I want it to be clear, since no one is making any secret out of it, there will be projects that the industry itself is not prepared to complete by 2020. These projects won't be launched, which will allow us to save money.

As economists and ***financial*** experts like to say, these projects are being shifted further down to the right of the chart. Everything already underway will be completed. The projects that will be pushed back beyond 2020 are not critical for the country's defence capability, while helping free up resources and putting less strain on today's and tomorrow's budgets.

This is a very soft approach that requires a lot of attention by the industry and the Ministry of Defence. This is why we meet twice a year in Sochi, so that no one interrupts our work. We sit down after all the necessary calculations and submit proposals. This is one of the main, but not the only, aspects of how we work together with the military and the representatives of the defence industry. All the targets factored into the defence procurement programmes will be achieved if not in 2020, then in 2021 or in 2022 at the latest.

Maybe we should end the news conference soon.

Investigation of Nemtsov murder

Aleksey Solomin: Thank you. Aleksey Solomin. Ekho Moskvy radio station and Diletant history website.

Mr Putin, first of all, I would like to inquire about the question my colleague asked about Mr Turchak. Please pardon my ignorance; I'm just like my boss, whom you know. So this isn't surprising.

Mr Putin, don't you think that it would make sense to suspend Governor Turchak from office during the investigation, since his name is mentioned not so much in the media as in the investigatory records? This has nothing to do with acknowledging that he is guilty. All this would mean that you're neutral in this case, since people are unable to influence the proceedings at this level.

My main question is about Boris Nemtsov's killing. We have learned from media reports, leaks from the Investigative Committee, and statements by the aggrieved party that the investigative authorities are unable to access two individuals who are involved in this case: North (Sever) battalion officers Geremeyev and Mukhudinov. The aggrieved party explains this by the possible stance of the Chechen leaders on this issue. They could be either hiding in Chechnya or successfully escaped abroad.

Ramzan Kadyrov repeatedly supported the defendants of this case in public. You had an opportunity to talk with Kadyrov many times. Did you discuss this investigation? What did you tell him? Did he convince you of the innocence of these people?

And I'd like to add a few details on children. There was a question linked with Matvey who is now disabled. According to official statistics, Russia still has large numbers of disabled children who have not been adopted by families. Maybe it's time to repeal the ban on adoption by foreigners? This could also become part of the solution.

Vladimir Putin: Here's how we will work... Let's start from the last part of your question. I'd like to point out that according to statistics the number of sick children adopted by foreigners is far below that of healthy ones. No foreigner has ever rushed to adopt our sick children. This is statistics. So let's not hurry to change the decisions that we've already made. This is the first thing.

Secondly, speaking about Turchak, I must say that online and other publications write not about him but about the alleged interference of his father. I don't even know much about this but I'm confident that administrative and personnel decisions, not to mention legal verdicts, should only be based on authentic facts established during the investigation and trial, not on press reports despite our respect for them.

Finally, let's turn to the crime against Boris Nemtsov. I knew him personally and our relations had not always been bad. I never spoiled relations with him but he chose this path of political fighting - personal attacks and the like. That said, I'm used to this, he wasn't alone. However, this doesn't mean at all that the man should be killed. I'll never accept this. I think this crime should be investigated and the culprits punished.

You said they may be hiding in Chechnya or may have fled abroad. It's necessary to establish where exactly they are. I've never discussed these issues with the regional leaders, including in Chechnya, and am not going to do it in the future. This is for the investigators to establish, no matter how long it takes. You will remember the assassination of [Galina] Starovoitova. She was also a member of the opposition to some extent but law-enforcement brought this case to a successful completion as well as some other cases involving people that opposed the Government.

I think such cases must be investigated by all means, and those guilty of crimes should be exposed and punished. In this way we'll be creating a stable political system in our own country. This is more important than trying to cover up somebody. Nobody is going to cover up anybody but we must wait for the results of the objective investigation.

Navy, future of Sevastopol

Dmitry Peskov: Mr Putin, maybe Sevastopol now?

Vladimir Putin: Sevastopol, please. Please pass the microphone.

Sergey Gorbachev: Sergey Gorbachev, the Novyy Chernomorets newspaper, Chairman of the Union of Journalists of Sevastopol.

In Sevastopol, the most popular toast is "To the Supreme Commander!" these days.

Vladimir Putin: Thank you.

Sergei Gorbachev: Regardless of the occasion, regardless of its scale.

Vladimir Putin: It is not necessary to make it so often...

Sergey Gorbachev: This Stalin-era toast expresses cordiality, sincerity and great gratitude to you for Sevastopol and Crimea.

The problems that have become apparent over the last year and a half appear to be related to the fact that there is no definition of Sevastopol's role at the state level. What we have is this counterproductive discussion at the regional level at least about what Sevastopol's status should be: whether it is a Silicon Valley, an IT-centre, a centre for tourism or recreation.

In fact, Sevastopol was designed to be the main naval base, hence its status as a city of federal significance, a standalone entity of the Federation, not like Vladivostok, not like Kronstadt, with all due respect to them, but Sevastopol. It seems to me, on the state level, perhaps you need to confirm that the main role of Sevastopol is not the cultivation of elite vineyards, but the fact that it plays a special role in the country's defence as the main base of the Black Sea Fleet.

And one more thing. The Navy is a conservative organization, one that largely depends on tradition. There is one tradition, even a privilege, a system of incentives: when an officer is discharged, transferred to the reserve, he retains the right to wear his uniform, and the naval uniform also calls for a marine cutlass. However, in the last two years officers began to have their daggers confiscated.

I have served in the Navy for 36 years, and I don't understand who would want my cutlass with the Soviet emblem on it. And if you, as the Supreme Commander, decide that former marine officers can keep their daggers, as was the case in the Russian Empire and the Soviet Union, and later, too, I think you will earn the gratitude of thousands of naval officers and their children, grandchildren and great-grandchildren, who will also serve Russia in the oceans, in the fleets.

Vladimir Putin: First, with regard to the importance of Sevastopol and ways for its development. I find it hard to accept the fact that from the naval point of view Sevastopol is more important than the base in Vladivostok or even more so the base on the Kamchatka Peninsula, which is home to our second-largest submarine nuclear fleet with missile carriers and strategic nuclear weapons on board.

We have done a lot to keep this base, and we will develop it in the future. In the North and Far East, our Navy has direct access to the oceans. Back in its time, the Soviet government - and this is an opportune moment to say a few kind words about it - did a lot to develop infrastructure in the North, including outside Murmansk, in Murmansk itself and in the Far East.

Our duty is to make sure that these efforts were not in vain. We must take up where our earlier generations left off, and take it to the next level. Sevastopol is also an important component of the naval infrastructure in Europe. As you can see, we equip the Black Sea Fleet with new ships and submarines. The Rostov-on-Don submarine is the most recent addition, though it went to Novorossiysk, not Sevastopol, where we have created another modern, I underscore, modern naval base. If I remember correctly, it must have six such submarines. As you may be aware, these submarines are equipped with the latest Kalibr missiles which worked well in Syria. There will be new surface ships there as well. The Sevastopol naval base will also grow and improve.

Wherever you look, there are problems that we inherited from the last century. We are now dealing with power generation. The Krymenergo equipment hasn't been upgraded since the 1970s. As if there was no need to. The naval base is the same. Much needs to be done there to develop the infrastructure. However, saying that Sevastopol must be a solely naval base would be incorrect.

We still have to accomplish a lot in Vladivostok. But still Vladivostok has changed for the better. Some time ago, it too was an off-limits territory that was used solely as a naval base. The city was in a tough spot: no infrastructure, no airport, no roads, no modern social facilities, or theatres and museums. However, things are changing. In the modern world, people, wherever they live, especially in Sevastopol, should be able to enjoy all this, and have access to it. I'm sure that Sevastopol must be developed in several areas at a time. How? First, it's up to Sevastopol residents and authorities. I know there may be different approaches.

Some want to develop it as a Silicon Valley, as you said. Nothing wrong with that. Developing high-tech industries instead of building hazardous production facilities makes sense. It's quite possible. Former Navy personnel can be part of this work. They are intelligent and properly trained people. There are many other professionals out there as well.

Also, Sevastopol sprawls beyond its city boundaries and it's a vast area that can be used for building resorts and all kinds of recreational facilities. Why not do it? It must be done. It's necessary to do so and help people do so. We will help Crimea in general and Sevastopol in particular.

And Navy officers must have their dirks back.

Thank you so much. Let's call it a day. Thank you.

Source: President of the Russian Federation website, Moscow, in English 1200 gmt 18 Dec 15

**Load-Date:** December 18, 2015

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[***United Kingdom Intellectual Property Office Publishes Application for Trademark "JOELLE" to Miss Joelle Amery***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5K8K-VSW1-JDKC-R338-00000-00&context=1516831)

UK Government News

July 15, 2016 Friday 10:48 PM EST

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**Length:** 6830 words

**Dateline:** South Wales

**Body**

South Wales, July 15 -- Miss Joelle Amery, London, has filed the trademark "JOELLE" on Feb. 29.

This trademark application relates to the following good(s) and service(s): Class(es): 3 [Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices; nailcare cosmetics; perfume; fragrances; deodorants; anti-perspirant deodorants; cosmetics; cosmetic preparations; milks [cosmetics]; skincare cosmetics; haircare cosmetics; moisturisers [cosmetics]; eyebrow cosmetics; mousses [cosmetics]; tanning oils [cosmetics]; tanning milks [cosmetics]; body creams [cosmetics]; non-medicated cosmetics; tissues impregnated with cosmetics; cosmetics for eye-brows; cosmetics for personal use; colour cosmetics for the skin; colour cosmetics for the eyes; liners [cosmetics] for the eyes; cosmetics for bronzing the skin; temporary tattoo transfers for use as cosmetics; cosmetics all for sale in kit form; cosmetics in the form of eye shadow; teeth whitening strips impregnated with teeth whitening preparations [cosmetics]; glitter in spray form for use as a cosmetics; make-up removing preparations; make-up foundations; make-up primer; make-up for the face and body; body lotions; body shampoos; body scrub; body masks; body milks; body moisturisers; body oil; abrasive preparations for use on the body; hand scrubs; hand soaps; hand creams; skin moisturisers; skin cleansers; lip balm; lip gloss; make-up; make-up preparations, pencils and crayons; make-up foundations and powders; skin make-up; eye make-up; eye liner, sticks, pencils, crayons, lotions, shadow, creams and gels; cosmetic skin masks, moisturisers, body cream, milks and night creams; eyebrow and eye-lash cosmetics; eyebrow pencils; false nails, eyebrows, hair and eyelashes; lipsticks; adhesives for affixing false eyelashes; hair waving preparations; hair care and styling preparations; adhesives for affixing false hair; cosmetics for the use on the hair; ethereal essences and oils; bath salts; aromatherapy oils and preparations; cosmetic preparations for baths; toiletries; flower extracts; shower foams, soap, gel and creams; hair oil; shampoos; conditioners; hair masks; hair serums; cosmetics for treating hair loss; cosmetics for stimulating hair growth; hair moisturiser, scalp conditioner, scalp moisturiser, intensive deep hair conditioner, hair volumiser, hair shiner, curl activator, styling gel, hair spray, hairdressing cream, non-medicated cream for stimulation of the scalp, sun protection hair spray, sun protection hair cream, anti-dandruff shampoo, cream and conditioner.], 5 [Pharmaceuticals, medical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for babies; dietary supplements for humans and animals; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; medicated hair lotions; hair growth stimulants; medicated hair care preparations; medicinal preparations for stimulating hair growth; medicinal hair growth preparations; homeopathic supplements; vitamin supplements; nutritional supplements.], 9 [Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking [supervision], life-saving and teaching apparatus and ***instruments***; apparatus and ***instruments*** for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, dvds and other digital recording media; data processing equipment; computers; computer software; computer games; computer games relating to fictional and real characters; animated cartoons and films; computer software applications; downloadable computer software applications; software and applications for mobile devices and computers; software applications for use with mobile devices; apparatus, ***instruments*** and media for recording, reproducing, carrying, storing, processing, manipulating, transmitting, broadcasting, retrieving and reproducing music, sounds, images, text, and information; reproductions of sound and/or video in electronic and digital form, all supplied by means of multimedia, remote computers or on-line from databases or from facilities provided on the internet (including websites); sound storage media, image storage media and data storage media, all being pre-recorded; downloadable MP3s; digital media; headphones; wireless, stereo and in-ear headphones; microphones; juke boxes; cameras; camera mounts; camera filters, casings, stands, lenses and tripods; video cameras; videorecorders; computer software for access to databases relating to music, entertainers, performers, entertainment products, entertainment services and music-related products; computer programs for managing communications and data exchange relating to music, audio and visual data; multimedia software for downloading music, audio and visual data; CDs, DVDs; audio tapes (all being sold together with booklets); pre-recorded vinyl records; sound and/or video recording on corresponding recording carriers; sound and/or video cassettes; cassettes for the storage of, or containing, tapes for or bearing sound or video recordings; cinematographic films; cinematographic slides; cinematographic apparatus; parts and fittings for all the aforesaid goods.], 14 [Precious metals and their alloys; jewellery; precious stones; horological and chronometric ***instruments***; personal jewellery; pewter jewellery; fake jewellery; fashion jewellery; costume jewellery; jewellery boxes and cases; agates; amulets; ankle bracelets; artificial gem stones; artificial jewellery; bands for watches; bangles; beads for making jewellery; body-piercing rings and studs; boxes of precious metal; bracelets; broches; cases adapted to contain items of jewellery and watches; jewellery charms; chronographs; clip earrings; tie clips; clocks and watches; cuff links; pearls; cultured pearls; diamonds; cut diamonds; decorative pins of precious metal; diving watches; earrings; gems and gemstones; gold and its alloys; jades; jewellery cases and caskets of precious metal; jewellery in the form of beads; jewellery incorporating diamonds; jewellery incorporating pearls; jewellery made from gold, bronze or silver; fancy key rings of precious metals; key chains; key charms; key rings; key fobs; lapel pins; necklaces; jewellery ornaments; pendants; platinum and its alloys; rings; wedding rings and bands; jewellery made from ruby and sapphires; silver jewellery; tiaras.], 16 [Paper, cardboard and goods made from these materials, namely leaflets, brochures, flyers, posters, business cards, publications, instructional and teaching materials and manuals; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks; posters; calendars; temporary tattoos; stickers; decals; bumper stickers; iron-on and plastic transfers; blank cards; gift and greeting cards; motivational cards; occasion and note cards; place, record, score and trading cards; postcards; scrapbooks; stationery; note pads; paper note tablets; writing tablets; note books; folders; bookmarks; paper pennants; binders; writing paper; envelopes; address and appointment books; desk pads; paper tags; passport cases, covers and holders; desk top and personal organizers; organizers for stationery use; stationery-type portfolios; paper flags; mounts for stamps; rubber stamps; stamp albums; stamp pad inks; stamp pads; sleeves for holding and protecting stamps; paper banners; holders for desk accessories; document holders; letter openers, racks and trays; pen and pencil cups; pens; pencils; crayons; colouring crayons; marking crayons; pastels [crayon]; wipe-off boards for use with crayons; markers; pen and pencil sets; erasers; drafting and drawing rulers; pencil sharpeners; bookends; book covers and holders; checkbook covers; checkbook holders; checkbook and passbook wallets; coin and photograph albums; bulletin boards; photographic, picture or art mounts; photographic prints; photographs; lithographs; decorative paper centerpieces and pencil-top ornaments; picture books; globes; paperweights; paper clip and sign holders; printed paper signs; clip boards; paper party favors; paper emblems; printed emblems; paper identification tags; paper name badges; paper illustration boards; paper flower pot covers; clip boards; paper cloths for polishing and cleaning; paper handkerchiefs; tour books; printed concert programs; books, magazines, leaflets, journals, newsletters, booklets, pamphlets and brochures.], 18 [Leather and imitations of leather; animal skins, hides; trunks and travelling bags; make up bags and cases; pouches for holding make-up, and other personal items; hand bags and travel bags; cosmetic cases; beauty cases; cases for carrying make up brushes; key cases; wallets and purses.], 20 [Mirrors; hand mirrors; make-up mirrors for purses; personal compact mirrors.], 21 [Household or kitchen utensils and containers; combs and sponges; brushes [except paintbrushes]; brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass [except glass used in building]; glassware, porcelain and earthenware; cups and mugs; coffee mugs; ceramic mugs; porcelain mugs; earthenware mugs; china mugs; mugs made of plastic; mugs of precious metal; electrically heated mugs; cosmetic brushes; cosmetic cases sold filled with cosmetic brushes; kabuki brushes; puffs and sponges; foundation brushes; concealer brushes; powder brushes; bronzer brushes; fan powder brushes; contouring brushes; blending brushes; eye shadow brushes; applicators for applying eye make-up; cosmetics applicators; make-up removing appliances; eyeliner brushes; smudger brushes; eyebrow definer brushes; lip brushes; shader brushes; bath brushes; bath products, namely, loofah sponges; bath sponges; body scrubbing puffs; bottles, sold empty; facial buffing pads; facial cleansing sponges; facial sponges for applying make-up; powder puffs; washing brushes; nail brushes; cosmetic bags and cases; containers for cosmetics; compacts sold empty, hair and brush combs.], 25 [Clothing, footwear, headgear; articles of clothing, namely men's wear, ladies' wear, clothing for children, shirts, t-shirts, polo shirts, rugby shirts; sports shirts, trousers, jeans, shorts, sports shorts, swimwear, underwear, lingerie, tracksuits, articles of outerwear, coats, jackets, ski jackets, waterproof and weatherproof jackets and coats, ski wear, suits, jumpers and cardigans, pullovers, twinsets, knitwear, leggings, neckties, pyjamas, waistcoats, headbands and wristbands, slacks, skirts, wraps, jerseys, blouses, dresses, sleepwear, robes, sweatshirts, bibs, stockings, ties, tuxedos, vests, kilts, shawls, blazers, headbands and wristbands, overalls halter tops, tank tops, crop tops, shirts, pants, shorts, sweaters, capris, skirts, dresses, blazers, blouses, jackets, coats, slacks, suits, jeans, vests, sweatpants, sweatshirts, sweat shorts, sweat suits, jogging suits, underwear, lingerie, nightwear, leisurewear, sleep shirts, sleep pants, sleep tops, pyjamas, pyjama sets, baby doll nightdresses, nightdresses, robes, gowns and wraps, t-shirts, hoodies, jackets, tops, pants, capri pants, sarongs, camisoles, chemises, slips, boxer shorts, eye masks, bras, sport bras, bralets, bustiers, body suits, bra accessories, namely bra straps, bra extenders, bra pads, self-adhesive support tapes for wear, nipple covers, slips, panties, g-strings, thongs, boylegs, bikinis, briefs, boxer shorts, garter belts, girdles, sarongs, camisoles, lingerie, negligees, pyjamas, nightgowns, bathrobes, chemises, teddies, sleep shirts, sleep pants, baby dolls, capri sets, boxer sets, kimonos, underpants, undershirts, underwear, swimwear, beach cover-ups, towelling dress, headbands, ties and belts, scarves, shawls, gloves, mittens, belts (being articles of clothing), aprons, beachwear, bikinis, swimming costumes, fitted swimming costumes with bra cups; gloves; mittens; socks, stockings and hosiery; footwear, namely, boots, shoes, slippers, sandals, trainers, booties, workout shoes and running shoes, socks and hosiery, stockings, pantyhose, tights, leotards, beach shoes, football shoes, soles for footwear, ski boots; headgear, namely, hats, caps, berets, earmuffs, top hats, visors, baseball caps, headbands, beanies; saris, head scarves.], 26 [Hair; false hair; artificial hair; human hair; hair extensions; hair pieces (human and artificial); hair tresses; toupees; hair pieces and wigs; hair bands; hair nets; hair pins; hair ornaments; hair slides; hair curlers; hair curling pins; hair colouring caps.], 35 [Advertising; business management; business administration; office functions; advertising and promotion services and consulting services relating to music, arts, performing, talent and entertainment; advertising and publicity services; advertising services provided via the internet; production of television and radio advertisements; advertising services promoting the interests of musicians, singers, songwriters, musical performers and artists; business management; provision of business information; management of musical shows; organisation, promoting and conducting trade shows in the field of music; promoting the concerts of others; promoting the goods and services of others by arranging for sponsors to affiliate their goods and services with concerts and musical events; conducting on-line tradeshow exhibitions in the field of music, musical concerts and videos; advertisements via electronic magazines accessed through a global computer network; providing business information about the goods and services of others in the fields of music and entertainment via a global computer network; computerised online ordering featuring general merchandise and general consumer goods; computerised on-line gift ordering services which matches the gift giver's requirements with the gift ***recipient***'s wants and needs; demonstration of goods; on-line advertising on a computer network; sales promotion for others production of video recordings for advertising, publicity and marketing purposes; retail services connected with preparations for the care of the hair and the scalp, nutritional supplements, printed matter, books, hairbrushes and combs; wholesale services connected with preparations for the care of the hair and scalp, nutritional supplements, printed matter, books, hairbrushes and combs; retail and online retail services in relation to the sale of bleaching preparations and other substances for laundry use, cleaning, polishing, scouring and abrasive preparations, soaps, perfumery, essential oils, cosmetics, hair lotions, dentifrices, nailcare cosmetics, perfume, fragrances, deodorants, anti-perspirant deodorants, cosmetics, cosmetic preparations, milks [cosmetics], skincare cosmetics, haircare cosmetics, moisturisers [cosmetics], eyebrow cosmetics, mousses [cosmetics], tanning oils [cosmetics], tanning milks [cosmetics], body creams [cosmetics], non-medicated cosmetics, tissues impregnated with cosmetics, cosmetics for eye-brows, cosmetics for personal use, colour cosmetics for the skin, colour cosmetics for the eyes, liners [cosmetics] for the eyes, cosmetics for bronzing the skin, temporary tattoo transfers for use as cosmetics, cosmetics all for sale in kit form, cosmetics in the form of eye shadow, teeth whitening strips impregnated with teeth whitening preparations [cosmetics], glitter in spray form for use as a cosmetics, make-up removing preparations, make-up foundations, make-up primer, make-up for the face and body, body lotions, body shampoos, body scrub, body masks, body milks, body moisturisers, body oil, abrasive preparations for use on the body, hand scrubs, hand soaps, hand creams, skin moisturisers, skin cleansers, lip balm, lip gloss, make-up, make-up preparations, pencils and crayons, make-up foundations and powders, skin make-up, eye make-up, eye liner, sticks, pencils, crayons, lotions, shadow, creams and gels, cosmetic skin masks, moisturisers, body cream, milks and night creams, eyebrow and eye-lash cosmetics, eyebrow pencils, false nails, eyebrows, hair and eyelashes, lipsticks, adhesives for affixing false eyelashes, hair waving preparations, hair care and styling preparations, adhesives for affixing false hair, cosmetics for the use on the hair, ethereal essences and oils, bath salts, aromatherapy oils and preparations, cosmetic preparations for baths, toiletries, flower extracts, shower foams, soap, gel and creams, hair oil, shampoos, conditioners, hair masks, hair serums, cosmetics for treating hair loss, cosmetics for stimulating hair growth, hair moisturiser, scalp conditioner, scalp moisturiser, intensive deep hair conditioner, hair volumiser, hair shiner, curl activator, styling gel, hair spray, hairdressing cream, non-medicated cream for stimulation of the scalp, sun protection hair spray, sun protection hair cream, anti-dandruff shampoo, cream and conditioner, pharmaceuticals, medical and veterinary preparations, sanitary preparations for medical purposes, dietetic food and substances adapted for medical or veterinary use, food for babies, dietary supplements for humans and animals, plasters, materials for dressings, material for stopping teeth, dental wax, disinfectants, medicated hair lotions, hair growth stimulants, medicated hair care preparations, medicinal preparations for stimulating hair growth, medicinal hair growth preparations, homeopathic supplements, vitamin supplements, nutritional supplements, scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking [supervision], life-saving and teaching apparatus and ***instruments***, apparatus and ***instruments*** for conducting, switching, transforming, accumulating, regulating or controlling electricity, apparatus for recording, transmission or reproduction of sound or images, magnetic data carriers, recording discs, compact discs, dvds and other digital recording media, data processing equipment, computers, computer software, apparatus, ***instruments*** and media for recording, reproducing, carrying, storing, processing, manipulating, transmitting, broadcasting, retrieving and reproducing music, sounds, images, text, and information, reproductions of sound and/or video in electronic and digital form, all supplied by means of multimedia, remote computers or on-line from databases or from facilities provided on the internet (including websites), sound storage media, image storage media and data storage media, all being pre-recorded, downloadable mp3s, digital media, computer software for access to databases relating to music, entertainers, performers, entertainment products, entertainment services and music-related products, computer programs for managing communications and data exchange relating to music, audio and visual data, multimedia software for downloading music, audio and visual data, cds, dvds, audio tapes (all being sold together with booklets), pre-recorded vinyl records, sound and/or video recording on corresponding recording carriers, sound and/or video cassettes, cassettes for the storage of, or containing, tapes for or bearing sound or video recordings, parts and fittings for all the aforesaid goods, precious metals and their alloys, jewellery, precious stones, horological and chronometric ***instruments***, personal jewellery, pewter jewellery, fake jewellery, fashion jewellery, costume jewellery, jewellery boxes and cases, agates, amulets, ankle bracelets, artificial gem stones, artificial jewellery, bands for watches, bangles, beads for making jewellery, body-piercing rings and studs, boxes of precious metal, bracelets, broches, cases adapted to contain items of jewellery and watches, jewellery charms, chronographs, clip earrings, tie clips, clocks and watches, cuff links, pearls, cultured pearls, diamonds, cut diamonds, decorative pins of precious metal, diving watches, earrings, gems and gemstones, gold and its alloys, jades, jewellery cases and caskets of precious metal, jewellery in the form of beads, jewellery incorporating diamonds, jewellery incorporating pearls, jewellery made from gold, bronze or silver, fancy key rings of precious metals, key chains, key charms, key rings, key fobs, lapel pins, necklaces, jewellery ornaments, pendants, platinum and its alloys, rings, wedding rings and bands, jewellery made from ruby and sapphires, silver jewellery, tiaras, paper, cardboard and goods made from these materials, namely leaflets, brochures, flyers, posters, business cards, publications, instructional and teaching materials and manuals, bookbinding material, photographs, stationery, adhesives for stationery or household purposes, artists' materials, paint brushes, typewriters and office requisites (except furniture), instructional and teaching material (except apparatus), plastic materials for packaging (not included in other classes), printers' type, printing blocks, posters, calendars, temporary tattoos, stickers, decals, bumper stickers, iron-on and plastic transfers, blank cards, gift and greeting cards, motivational cards, occasion and note cards, place, record, score and trading cards, postcards, scrapbooks, stationery, note pads, paper note tablets, writing tablets, note books, folders, bookmarks, paper pennants, binders, writing paper, envelopes, address and appointment books, desk pads, paper tags, passport cases, covers and holders, desk top and personal organizers, organizers for stationery use, stationery-type portfolios, paper flags, mounts for stamps, rubber stamps, stamp albums, stamp pad inks, stamp pads, sleeves for holding and protecting stamps, paper banners, holders for desk accessories, document holders, letter openers, racks and trays, pen and pencil cups, pens, pencils, crayons, colouring crayons, marking crayons, pastels [crayon], wipe-off boards for use with crayons, markers, pen and pencil sets, erasers, drafting and drawing rulers, pencil sharpeners, bookends, book covers and holders, checkbook covers, checkbook holders, checkbook and passbook wallets, coin and photograph albums, bulletin boards, photographic, picture or art mounts, photographic prints, photographs, lithographs, decorative paper centerpieces and pencil-top ornaments, picture books, globes, paperweights, paper clip and sign holders, printed paper signs, clip boards, paper party favors, paper emblems, printed emblems, paper identification tags, paper name badges, paper illustration boards, paper flower pot covers, clip boards, paper cloths for polishing and cleaning, paper handkerchiefs, tour books, printed concert programs, books, magazines, leaflets, journals, newsletters, booklets, pamphlets and brochures, leather and imitations of leather, and goods made of these materials and not included in other classes, animal skins, hides, trunks and travelling bags, make up bags and cases, pouches for holding make-up, and other personal items, hand bags and travel bags, cosmetic cases, beauty cases, cases for carrying make up brushes, key cases, wallets and purses, household or kitchen utensils and containers, combs and sponges, brushes [except paintbrushes], brush-making materials, articles for cleaning purposes, steelwool, unworked or semi-worked glass [except glass used in building], glassware, porcelain and earthenware, cups and mugs, coffee mugs, ceramic mugs, porcelain mugs, earthenware mugs, china mugs, mugs made of plastic, mugs of precious metal, electrically heated mugs, cosmetic brushes, cosmetic cases sold filled with cosmetic brushes, kabuki brushes, puffs and sponges, foundation brushes, concealer brushes, powder brushes, bronzer brushes, fan powder brushes, contouring brushes, blending brushes, eye shadow brushes, applicators for applying eye make-up, cosmetics applicators, make-up removing appliances, eyeliner brushes, smudger brushes, eyebrow definer brushes, lip brushes, shader brushes, bath brushes, bath products, namely, loofah sponges, bath sponges, body scrubbing puffs, bottles, sold empty, facial buffing pads, facial cleansing sponges, facial sponges for applying make-up, powder puffs, washing brushes, nail brushes, cosmetic bags and cases, containers for cosmetics, compacts sold empty, hair and brush combs, clothing, footwear, headgear, articles of clothing, namely men's wear, ladies' wear, clothing for children, shirts, t-shirts, polo shirts, rugby shirts, sports shirts, trousers, jeans, shorts, sports shorts, swimwear, underwear, lingerie, tracksuits, articles of outerwear, coats, jackets, ski jackets, waterproof and weatherproof jackets and coats, ski wear, suits, jumpers and cardigans, pullovers, twinsets, knitwear, leggings, neckties, pyjamas, waistcoats, headbands and wristbands, slacks, skirts, wraps, jerseys, blouses, dresses, sleepwear, robes, sweatshirts, bibs, stockings, ties, tuxedos, vests, kilts, shawls, blazers, headbands and wristbands, overalls halter tops, tank tops, crop tops, shirts, pants, shorts, sweaters, capris, skirts, dresses, blazers, blouses, jackets, coats, slacks, suits, jeans, vests, sweatpants, sweatshirts, sweat shorts, sweat suits, jogging suits, underwear, lingerie, nightwear, leisurewear, sleep shirts, sleep pants, sleep tops, pyjamas, pyjama sets, baby doll nightdresses, nightdresses, robes, gowns and wraps, t-shirts, hoodies, jackets, tops, pants, capri pants, sarongs, camisoles, chemises, slips, boxer shorts, eye masks, bras, sport bras, bralets, bustiers, body suits, bra accessories, namely bra straps, bra extenders, bra pads, self-adhesive support tapes for wear, nipple covers, slips, panties, g-strings, thongs, boylegs, bikinis, briefs, boxer shorts, garter belts, girdles, sarongs, camisoles, lingerie, negligees, pyjamas, nightgowns, bathrobes, chemises, teddies, sleep shirts, sleep pants, baby dolls, capri sets, boxer sets, kimonos, underpants, undershirts, underwear, swimwear, beach cover-ups, towelling dress, headbands, ties and belts, scarves, shawls, gloves, mittens, belts (being articles of clothing), aprons, beachwear, bikinis, swimming costumes, fitted swimming costumes with bra cups, gloves, mittens, socks, stockings and hosiery, footwear, namely, boots, shoes, slippers, sandals, trainers, booties, workout shoes and running shoes, socks and hosiery, stockings, pantyhose, tights, leotards, beach shoes, football shoes, soles for footwear, ski boots, headgear, namely, hats, caps, berets, earmuffs, top hats, visors, baseball caps, headbands, beanies, saris, head scarves.], 36 [Insurance; ***financial*** affairs; monetary affairs; real estate affairs; charity and fundraising services; charity and fundraising services in relation to alopecia; provision of information regarding charitable purposes; alopecia charitable fundraising; fundraising for educational and medical research purposes; charitable collections for educational and medical research purposes; collection of ***financial*** ***grants*** and donations for medical research work; arrangement and organisation of ***fund*** raising sporting and cultural activities and events; information, enquiry, advisory and consultancy services relating to any of the aforementioned services.], 38 [Telecommunications; broadcasting and transmission of television, radio, film, music, audio and video content by cable, DTT, DSL, satellite and over the internet and mobile networks; broadcasting and transmission of television, radio, film, audio and video content to mobile telephones, personal digital assistants and personal computers; video-on-demand and near on demand telecommunications; transmission of audio, video and/or audio visual programming (by any means); streaming of audio and video content over the internet; streaming delivery of video on demand streams to viewers; personalised and interactive telecommunications, broadcasting and transmission services; broadcasting services via the uploading, downloading, capturing, posting, showing, editing, playing, streaming, viewing, previewing, displaying, tagging, blogging, sharing, manipulating, distributing, publishing, reproducing, of electronic media, multimedia content, videos, movies, pictures, images, text, photos, games, user-generated content, audio content, and information via the internet or other computer and communications networks; providing access to a video sharing portal; provision of access to a connection between a website and television viewers via an interactive television portal; webcasting and podcasting services; electronic mail services; news information and news agency services; rental of radio and television broadcasting facilities; provision of on-line electronic bulletin boards for the transmission of messages among computer users; provision of access to web logs (blogs); provision of access to interactive polling services; providing access to and leasing of access time to a computer database; provision of connections between multiple devices able to receive synchronised broadcast services; music broadcasting; delivery of digital music by telecommunications; advisory, consultancy and information services relating to the aforesaid, including such services provided online from a computer network or via the internet or extranets.], 41 [Education; providing of training; provision of education and training in the field of singing, dancing, acting, modelling and choreography; education and training in the field of singing, dancing, acting, modelling and choreography provided, in person, on-line via a telecommunications link or computer network or provided by other means; provision of online film and video, publications, books, journals, newsletters, magazines, leaflets, pamphlets and instructional and teaching materials; organising, arranging and hosting education, training, seminars, exhibitions, lectures, symposia, workshops, meetings, conferences and events; entertainment; sporting and cultural activities; events and entertainment; entertainment services; entertainment services relating to music, arts, performing, talent and entertainment; organising and coordinating dancing, singing, acting, modelling and musical events, competitions, displays and shows; choreography services; producing and directing of plays, theatrical shows, theatre productions, musical shows, films and television programmes; cinematographic entertainment services; cinematographer services; cinematography; DJ services; disc jockey services; television and radio entertainment services; presenting television and radio programmes, shows and performances; entertainment services by vocalists; entertainment services provided by a musician, vocalist, actor, dancer, choreographer, singer, musical composer, musical arranger, model and spokesperson; writing of texts, screenplays, blogs, books, speeches and lyrics; script writing; speech writing; commissioned writings; publication of lyrics of songs in book and sheet form; publishing; publishing services; publication of books, electronic books, magazines, songs, music, journals and blogs; publication of sound recordings, MP3s, MP4s, digital media and audio-visual content; artistic direction of performing artists; modelling for artists; music concerts; music performances; music production; music publishing and music recording; musical entertainment; production of music; production of sound and music recordings; film and video editing; music editing; creating animated cartoons; animated musical entertainment services; production of animated cartoons and motion pictures; production of animated programmes for use on television and cable; radio entertainment; television entertainment; theatre entertainment; live entertainment; musical entertainment; club entertainment; booking of entertainment; sound recording and video entertainment services; concert, musical and video performances; production of video and/or sound recordings; presentation, production and performance of shows, musical shows, concerts, videos, multimedia videos and radio and television programmes; recording, film, video and television studio services; audio, film, video and television recording services; production of television and radio programs; providing online entertainment; record production, video production, radio entertainment production and distribution; publication of books and magazines in relation to music and entertainment, entertainment in the nature of live concerts and performances; musical and audiovisual entertainment services; production, distribution and publishing of music and audiovisual material; fan clubs; entertainment in the nature of live concerts and performances by artists and groups; providing digital music and audiovisual material from the internet; entertainment services, namely personal appearances by groups, artists and celebrities; entertainment services in the nature of music and audiovisual material rendered by groups and artists through the medium of television, radio, cable, satellite and internet programmes, shows, films, videos and DVDs; entertainment services rendered by groups and artists including recording performances; entertainment services, namely, providing a web site featuring performances, videos, related film clips, photographs, and other multimedia materials; entertainment services namely live, televised and movie appearances by a professional entertainers; conducting entertainment exhibitions in the nature of live music and entertainment events; production of television and radio programs; distribution of television and radio programs for others; production and publishing of music; providing online entertainment, namely providing sound and video recordings in the field of music and music based entertainment; entertainment services, namely providing online non-downloadable pre-recorded musical sound and video recordings via a global computer network; education; providing of training; sporting and cultural activities; education; educational and entertainment services; education and entertainment services relating to the production and presentation of television shows, sports events, fashion shows, game shows, music shows, award shows and comedy shows before live audiences which are all broadcast live or taped for later broadcast; development and dissemination of educational materials of others in the field of music and entertainment; entertainment services provided via a website featuring performances, videos, related film clips, photographs, and other multimedia materials; entertainment services provided via a web site featuring musical performances, musical videos, related film clips, photographs, and other multimedia materials; entertainment services relating to providing on-line reviews of music, musical artists and music videos; entertainment services relating to providing pre-recorded music, information in the field of music, and commentary and articles about music, all online via a global computer network; entertainment services relating to live, televised and movie appearances by a professional entertainer; conducting entertainment exhibitions in the nature of music festivals; entertainment services relating to conducting exhibitions in the field of music and the arts; organising exhibitions for entertainment purposes featuring music and the arts; and publishing of web magazines in relation to music and entertainment; publication of books and magazines in relation to music and entertainment; entertainment in the nature of ongoing radio programs; entertainment in the nature of live concerts and performances rendered by musical artists through the medium of television, radio, and audio and video recordings; entertainment services relating to recorded performances by musical artists; radio entertainment production and distribution; audio and sound recording and production; record production; videotape production; production of motion picture films; distribution of motion picture films; television program syndication; entertainment in the nature of ongoing television programs in the field of music and entertainment; entertainment, namely a continuing music and entertainment show distributed over television, satellite, audio, and video media; musical services; musical services in relation to the distribution of music; distribution of musical sound recordings and video recordings; preparing audio-visual displays in the field of music; sound recording, film and video production and distribution services; arranging and conducting of seminars, conferences and exhibitions; publication of books, magazines and other texts; digital music provided from the internet; organising and presenting displays of entertainment relating to style and fashion; organising and presenting displays of entertainment relating to music; entertainment; agency services; entertainment agency services, agency services for entertainers, including choristers; booking of entertainment and entertainers; performers booking agencies; arranging and conducting entertainment events, including entertainment by or relating to television, radio, film, music, video and theatre; production and presentation of television and radio programmes and of films and of sound and video recordings; entertainment relating to live and recorded television and radio appearances and audience participation events; organisation, production and presentation of live performances, music performances and staged events, including bands, orchestras, cabarets, holiday entertainment, entertainment for children, discos, karaoke and entertainment in clubs and public houses, including also the organisation and running of events for corporate entertainment; provision of educational information on alopecia; sharing of knowledge on alopecia illnesses online and by other means; raising awareness of alopecia illnesses, potential causes, symptoms and cures (education); publishing services; publication of papers, articles and on-line texts providing medical theories and research material on alopecia; education services in relation to alopecia alleviation, diagnosis, prevention and treatment; advice and guidance on health, diet and nutrition in respect of alopecia; collaboration with higher education institutions for the purposes of furthering research in alopecia illnesses and potential medical cures; organisation of concerts; organisation of concerts relating to music, arts, performing, talent and entertainment; management of concerts; arranging of concerts; information, consultancy and advisory services for the aforementioned.], 43 [Services for providing food and drink; temporary accommodation; food preparation; food preparation services; preparing and serving food and drink for consumption on or off the premises; restaurants; restaurant services; restaurant services for the provision of fast-food; delicatessens; grill restaurants; carry-out restaurants; self-service restaurants; contract food services; catering; catering for the provision of food and drink; catering services for the provision of food and drink; cafeterias; catering in fast-food cafeterias; snack-bars; hospitality services [food and drink]; corporate hospitality (provision of food and drink); night club services [provision of food].] and 44 [Medical services; veterinary services; hygienic and beauty care for human beings or animals; ***agriculture***, horticulture and forestry services; therapeutical pilates; therapeutic treatment of the face; therapeutic treatment of the body; massage and therapeutic shiatsu massage; health care relating to therapeutic massage; personal therapeutic services relating to hair regrowth; healthcare services; alopecia advisory services; healthy consultancy; counselling related to alopecia; providing alopecia information; health advice and information services; consultancy relating to alopecia; information services relating to alopecia; medical testing, research education and guidance in connection with alopecia; provision of haircare and hair and scalp treatment services, all provided at counters, clinics and advisory centres; hairdressing services; consultancy and advisory services for the aforementioned.] The trademark application (journal number: 2016/028 ) was published on July 08. The original document can be viewed at:

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[***South Africa’s informal economy: Reframing debates in national policy***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BNK-C111-DY41-747B-00000-00&context=1516831)

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**Body**

**ABSTRACT**

In common with much of the global South, the policy environment in South Africa surrounding the informal economy is highly significant for local development futures. The objective in this paper is to unravel the shifting trajectories and reframing of national government policy towards the informal economy in South Africa since the 1994 democratic transition. It is disclosed that, notwithstanding a rhetoric of support for the informal economy as part of small, medium and micro-enterprise (SMME) policy, a national policy framework for supporting the informal economy in South Africa was initiated only in 2012. A pro-development narrative is provided in national policy documents and is accompanied by the progressive roll out of support interventions seeking to address certain of the key challenges of informal entrepreneurs. The most controversial aspects of the new policy framework surround initiatives introduced in proposals to ‘improve the regulatory environment’ for local informal entrepreneurs. What exists within national policy is a pro-development approach for South African informal entrepreneurs linked to an anti-developmental agenda towards migrant entrepreneurs. Arguably, South Africa is far from having established a set of inclusive policies towards the country’s informal economy and a suite of interventions that acknowledge its contributions for national economic development.

**FULL TEXT**

**Introduction**

Since its ‘discovery’ by Hart (1973) during the early 1970s the role of the ‘informal sector’ in African development planning has been widely scrutinized and debated. More than 40 years later it can be observed the notion of the informal economy continues useful “to many policy-makers, activists and researchers” (Chen, 2004: 3). This is so because the reality it seeks to capture – the large share of the workforce that remains outside the world of full-time, stable and protected employment – which is large and significant especially in Africa (***Grant***, 2015; Rogerson, 1997). Among others Varley (2013: 4) draws attention to a resurgence of scholarly endeavour around issues of (urban) informality. This rebirth of interest is attributed to the fact that contrary to the predictions of many economists the informal economy has not disappeared but instead expanded massively on a global basis. Indeed, the renewed interest in the informal economy is in part because of its expansion but increasingly also due to recognition of the integral linkages with the formal economy and its contributions to the overall economy (Chen, 2012: 3). Beyond this, there is rising interest in the notion that policy support for the working poor in the informal economy can be a key pathway for reducing poverty and inequality (Chen et al., 2004, 2006). As Potts (2007, 2008) stresses, these are issues of critical policy relevance for configuring the urban landscape in sub-Saharan Africa.

***Grant*** (2015: 135) observes the mass of urban dwellers in Africa “work outside of the formal economy, live in informal housing, and conduct business without using banks”. The trajectory of Africa’s informal economies and its informalising cities therefore are topics of critical policy relevance including local economic development (LED) agendas (Rogerson and Rogerson, 2010, 2012; Rogerson, 2014).

Arguably, whilst informal economies exist in advanced countries as a result of the expansion of ‘flexible work’, the sheer weight of numbers of the informal economy in countries of the global South merits that the informal economy be acknowledged as a critical and distinctive policy focus for LED. Chen (2012: 19) identifies as of particular significance the need for urban planners and local authorities in the global South “to embrace the informal economy” and calls for them “to include urban informal livelihoods, not just urban informal settlements, in their urban plans and local economic development”. As a starting point Chen (2012) avers that they must stop doing harm to informal livelihoods. Positive initiatives for promoting productivity in the informal economy have been identified in recent work on Asia (Chen and Doane, 2008) and Africa (Heinz and Valodia, 2008). Building from the African experience Heinz and Valodia (2008: 20) highlight the significance of targeted municipal interventions which can address market access and limitations of demand, including through enhanced infrastructure and other forms of public investment in poorer areas. Nevertheless, the international experience points to a critical conclusion “that there is no single overarching policy intervention to address the concerns associated with the informal economy – a range of interventions need to be examined and implemented” (WIEGO, 2012: 4).

State responses towards the informal economy in Africa can be viewed as situated along a continuum from violent repression and sustained evictions on the one hand to an inclusive and supportive approach which sees the informal economy as part of mainstream development on the other hand (Brown et al., 2015; Crush et al., 2015; Rogerson, 1997). Potts (2007, 2008) highlights the fluctuating, ambivalent and often contradictory aspects of the policies of African states towards the informal economy. In addition, the frequent ‘disconnect’ between policies and actions taken by the local as opposed to the national arms of government towards the informal economy is noteworthy. In South Africa, as in the rest of sub-Saharan Africa, the policy environment surrounding the informal economy is of vital importance for realising its actual and potential role for promoting local development (Rogerson, 2008, 2011, 2013). Against this backdrop the aim in this paper is to unpack the changing trajectories and reframing of national government policy towards the informal economy in South Africa since the 1994 democratic transition; policy stances of local governments are not examined in this paper.

**The informal economy and SMME development policy**

Since 1994 the informal economy has emerged out of apartheid’s shadow and out of a long period of repressive interventions led by national policies in South Africa (Rogerson, 2000, 2007). The informal economy appeared early on the policy agenda after the democratic transition and was conceptualised as the lowest tier of the country’s small, medium and micro-enterprise (SMME) economy. The 1995 *White Paper on the National Strategy for the Development and Promotion of Small Business* made a commitment for government interventions for forging an enabling environment in which small enterprises could contribute to national economic development alongside larger enterprises. The National Small Development Act of 1996 is a landmark for specifically including “survivalist” and micro-enterprises within the umbrella terminology of SMMEs and thus incorporating them as targets of government small business strategy.

The major achievements of the first decade of SMME support related to the establishment of a new architecture for support of the SMME economy, which had been largely neglected throughout the apartheid era (Rogerson, 2000, 2007). Several disappointments surrounded the first decade, however. Most notably few of the targeted SMMEs were growing businesses and that in terms of the limited ***funding*** which was allocated to programme support, little reached down to the struggling communities of black-owned enterprises. Among those by-passed by national government SMME policy implementation were the enterprises of the informal economy. As was argued in South Africa there was “relative neglect of policy support to microentrepreneurs and the informal economy where previously disadvantaged entrepreneurs are most important” (Rogerson, 2004: 773). Overall, it was concluded that “since 1995, the weight of government support has focused on formal small and medium-sized enterprises with a corresponding neglect of survivalist informal enterprise” (Rogerson, 2004: 778).

One outcome of these disappointments around the progress of the SMME economy in South Africa was a reassessment of existing policy frameworks and institutions. A fresh policy framework was launched post-2006, namely the Integrated Small Enterprise Development Strategy (Department of Trade and Industry (DTI), 2006). This policy was rooted upon building three ‘pillars of support’ for the national SMME economy, *inter alia*, to expand access of SMMEs to credit/***finance***, to extend the access of SMMEs to market opportunities and for government to engage with questions of regulatory reform (DTI, 2006). Alongside policy shifts a new institutional support framework was forged through the launch of the national Small Enterprise Development Agency mandated to ensure better coordination and integration of policy initiatives. In the framework strategy there is a commitment to informal sector enterprises as part of national government support for small business enterprises. More specifically, it is stated that one goal is “facilitating the transition from the informal or second-economy segment of our society to the formal sector, and their growth into small enterprises” (DTI, 2006: 19).

This new support structure came under a review of progress for the period 2006–2011 (Osiba Research, 2011). The key findings of this review re-asserted the so far minimal impact of government programmes for upgrading the majority of black-owned SMMEs (including informal enterprise) and integrating them into the mainstream economy. Importantly, this assessment relates to a period when national government policy has been more pro-active and targeted towards the emerging black-owned SMME economy than in the first decade of post-apartheid SMME policy interventions. It was argued that continued disappointments of South African SMME policy were not so much the result of misguided policies but of government’s inability to implement its own support programmes (Osiba Research, 2011). Arguably, the South African government has consistently acknowledged the critical importance of upgrading the capacity of SMMEs (including survivalist enterprise) to participate in the mainstream economy. Nevertheless, for success, a set of integrated interventions are required encompassing ***finance***, regulatory change and initiatives to expand market access (Osiba Research, 2011; Rogerson, 2013). The analysis revealed that national government recognises its own limitations in terms of its capacity to implement SMME upgrading. The 2011 review primarily aimed at giving more “hitting power” to the SMME economy and eschewed any major policy discussion about the informal economy (Osiba Research, 2011). Among its major contributions were recommendations for the expansion of business incubators as a vehicle for LED, supporting entrepreneurship and especially the survival rates of start-up enterprises (Masutha and Rogerson, 2014a, 2014b, 2015).

**A national policy focus on the informal economy**

During 2012, the beginnings of fresh initiatives by national government were launched to address the absence of specific policy around the informal economy (DTI, 2013a). The need for such specific policy thinking can be understood in the light of estimates that amidst 25 percent unemployment levels the informal economy affords incomes and livelihood opportunities for at least 2.4 million people in South Africa (Skinner, 2014). The DTI announced that resources had been committed to “develop the strategy for intervening in the informal economy” (DTI, 2013b: 16). An important step had been the establishment within DTI in 2012 of a new directorate, the Informal Business and Chamber Support, which was viewed as initial recognition by DTI of “the vital importance of the informal business sector in broadening economic participation and creating decent employment” (DTI, 2013a: 26). Within its mandate this directorate was to focus on establishing a National Informal Business Development Strategy (NIBDS) to guide government intervention in the sector (Nkondo, 2012). Specifically, it sought “to design programmes aimed at uplifting informal businesses in Townships, Rural and other Needy areas in South Africa to graduate and be part of the mainstream economy” (DTI, 2013a: 26). A reference group was initiated by the DTI’s Broadening Participation Division to support “broadening economic participation” and to be driven by the proposed NIBDS to advance “the growth and sustainability of enterprises in the Informal Economy”. The central aim of NIBDS was to offer recommendations to support the “enterprising poor” (DTI, 2013a: 10). In addition, it was to ensure the informal economy “becomes part of the economic mainstream of the country”, a theme constantly restated in government documents (DTI, 2013a: 5). Through the planned implementation of policy and programme interventions the intended outcome of NIBDS was “gradually unleashing the innovative potential to broaden economic participation and foster inclusive growth” (DTI, 2013a: 5).

For its authors the preparation of this strategy was viewed “as a milestone for the Informal Business Sector” (DTI, 2013a: 9). It was considered to be transforming the position of the country’s informal business entrepreneurs from the economic margins and enabling them “to actively and competitively contribute to the overall economic development of the country” (DTI, 2013a: 11). Special emphasis was accorded to the historically marginalized in South Africa’s townships as well as “rural areas”, which meant effectively the former rural Homelands. The proposed strategy sought to address a number of challenges that faced the informal sector which had been identified by “stakeholders”. Broadly, five sets of challenges were recognised relating to lack of access to ***finance***, poor access to skills training and technology, the weakness of informal business associations and their lack of ‘voice’, problems in the legal and regulatory environment and issues of inter-governmental coordination. Aspects of these generic issues facing the SMME economy, in particular concerning the challenges of limited ***finance***, lack of institutional representation of informal businesses in policy making, and training and technology shortcomings for supporting the SMME economy had been identified previously in other government investigations (Osiba Research, 2011; Rogerson, 2004).

What is distinctive about the NIBDS analysis is, however, the particular issues raised around the legal and regulatory environment and concerning inter-governmental coordination. At the outset the challenges of the legal and regulatory environment were seen as being “absence of a nationally coordinated policy and approach to dealing with the informal sector”, “no strategic focus by government on informal businesses but in certain instances there is over-regulation of our sector that in both cases, stifles growth of the businesses” (DTI, 2013a: 20). Another issue of concern was “trading in counterfeit goods”. Most striking in the NIBDS was the detailed focus given to ‘foreigners’ under the legal and regulatory environment and what was styled at one DTI presentation as the “foreign trader invasion” (DTI, 2013b: 20). It was observed in the strategy document that “there are no regulatory restrictions in controlling the influx of foreigners”, “no synergy between the DTI and Home Affairs in devising strategies and policies to control foreign business activities” and no data “to confirm the expressed challenge on foreigner trading” (DTI, 2013b: 20). Indeed, it argued that “the Immigration and Refugee Status Act is still perceived by majority citizens (sic) to be too lenient to foreigners; giving them an unfair advantage over nationals” (DTI, 2013a: 29). Building upon this anti-immigrant sentiment the report applauds select policy initiatives introduced in Ghana, India and Malaysia which restrict certain segments of the informal economy to locals and exclude non-citizens from participation in certain activities. Under the heading of inter-governmental coordination the report highlights the lack of alignment between local government and national and provincial tiers of government in supporting the informal economy and that national legislation “has not been able to empower municipalities in addressing informal business issues” (DTI, 2013b: 21). This said, the discussion turns again into an anti-immigrant discourse with the statement: “Informal businesses feel strongly that there is no synergy or institutional linkages between the DTI and COGTA…on one hand and the DTI and Department of Home Affairs on the other, on synchronizing legal and regulatory elements dealing with informal sector, *especially the one involving foreigner trading*” (my emphasis, DTI, 2013a: 20).

In preparing the draft NIBDS the guiding vision was of an evolutionary rather than an involutionary perspective on the growth trajectory of informal enterprises. The strategy ostensibly aimed to create “An enabling policy, regulatory, and programming environment promoting and supporting a developmental continuum for the graduation of Informal Businesses into the mainstream of the formal economy” and more especially “with particular focus on uplifting empowering disadvantaged informal businesses of vulnerable groups like women, youth and disabled persons” (DTI, 2013a: 27). The strategy was centred overwhelmingly on the challenges facing informal retailers and devoted only cursory attention to other forms of informal business, such as backyard manufacturers, construction or tourism enterprises. In its final invocation the NIBDS failed significantly to address the need to radically shift the existing structure of enterprises in South Africa’s informal economy in particular towards intervening strategically to support enterprise growth in growing sectors rather than encouraging and supporting the ‘saturated’ retail sector.

Key proposed interventions in NIBDS were to be aligned with the goals of addressing challenges which were identified as constraints on existing informal enterprises. Three areas were: (1) “to strengthen the capacity of informal business sector by enabling access to information, markets, business development support services (including skills and technology), business infrastructure and ***finance***”; (2) “to strengthen the capacity of informal business sector organizations”; and (3) “to provide policy regulatory and programmatic interventions for formalization of informal businesses”. The proposal for the formalization of informal businesses was associated with proposals for the development of centralized data bases by each municipality to determine the number of businesses in each as well as to crack down on counterfeit goods often associated with migrant-run businesses. In addition, in terms of responses to the so-called foreign trader challenge it proposed upliftment of local traders, the need for clear policy and regulations on foreign traders such they there could be “no trading without being legal in the country, and partnership promotion between local and foreign traders” (DTI, 2013b: 25). For enterprise development a set of initiatives were set forth for increased ***financial*** support and enhancing economic infrastructure as the chief intervention for non-***financial*** support. In terms of intergovernmental relations the strategy saw a need for prioritizing the informal economy and support interventions “as the future for local economic development, thus investing in it being very critical” (DTI, 2013b: 37).

In December 2013 the first public announcements were made by DTI officials in response to the NIBDS proposals of the development of concrete assistance schemes for supporting the informal economy. The Director General of Trade and Industry, Lionel October, made a statement that dedicated incentive schemes for small informal businesses had been devised and would “be taken to the Cabinet shortly for approval” (Ensor, 2013a). It was explained that DTI incentive interventions hitherto mainly concentrated on well-established sectors of the economy and that new incentives “would expand the government’s existing suite of policies aimed at developing small businesses”. Among issues raised in the initial announcements were of “the failure of municipalities to incorporate support for the informal sector into their local economic development strategies” (Ensor, 2013a).

**Towards policy support**

The formal implementation of the restyled National Informal Business Upliftment Strategy (NIBUS) commenced in January 2014 and was targeted “to address the development void at the lower base of the Small, Medium and Micro Enterprise (SMME) and Co-operatives Development strategies” (DTI, 2014a). The NIBUS raises concerns about minimal government synergy and alignment on policy development and procedures with respect to the informal economy. Spatially the emphasis in NIBUS is particularly upon uplifting township and rural enterprises. The mandate of NIBUS was “to uplift informal businesses and render support to local Chambers/business associations and municipal Local Economic Development offices to deliver and facilitate access to upliftment programmes” with specific emphasis to government’s designated groups. It was reiterated NIBUS was aligned to support government’s goals of accelerating economic growth and transforming the economy to create decent work and sustainable livelihoods through inclusive growth. Specifically, it was stated that the strategy was evolved “to target entrepreneurs in the informal economy” (DTI, 2014a). According to certain government officials the core objective of NIBUS now is upliftment of informal enterprises and no longer “about forcing them to formalize” (Dambudzo and Zondo, 2014: 12). The DTI project manager of NIBUS states that “business owners will be developed to a point where they have the option to register [formalize] and thereby qualify for better opportunities” (Fredericks, 2014). The essential thinking is therefore in terms of a graduated model with DTI support at each level to open greater opportunities as supported businesses mature and grow. Service support is to be channelled through local business chambers, associations as well as municipal structures, including offices of LED.

In identifying the target entrepreneurs, however, the NIBUS makes the welcome recognition that “informal business activity cuts across economic sectors” and that it is not simply concerned with informal trading activities (DTI, 2014a). The NIBUS policy document points out that it “prioritises five economic sectors” which were identified in relation to national government’s programme of action and targets specified in the National Development Plan. The retail sector is the first of the five target sectors. Welcome acknowledgement is given to the imperative to transform operations in this sector by increasing the competitiveness of traders through skilling and upgrading rather than simply to offer incentives to survivalist operations. The second sector targeted for support is manufacturing, which is the core focus of DTI operations in particular for broader initiatives around localisation and re-industrialization of the South African economy (Rogerson, 2014). In supporting informal manufacturing the NIBUS acknowledges that “a value-creating economy is important beyond simply buying and selling” and the need is recognised “to support enterprises in this sector as this will create more jobs and greater contribution to the country’s Gross Domestic Product” (DTI, 2014a). Services are the third sector for NIBUS support interventions. Here the geographical emphasis is upon supporting township businesses for township economic development, and parallel service enterprises in rural areas (Homelands) as well as needy inner city areas. The particular types of services mentioned for support encompass auto body repairers (such as panel beaters, spray painters), mechanics and car washers. Also mentioned are hairdressers, day-care centres and simply “tourism”. The final two sectors are ***agriculture*** with a target upon both primary and secondary (agro-processing) operations; and, construction and maintenance which are viewed of particular importance given the government’s push for strategic infrastructure projects. Five ‘strategic intervention pillars’ are set forth which relate to NIBDS priorities namely, to foster an enabling legal and regulatory environment, upliftment through enterprise development, facilitation of inter-governmental relations for support delivery, partnerships and stakeholder management and knowledge management for empowerment (DTI, 2014a).

The NIBUS is strongly allied to LED promotion by municipalities and one of its proposals is for much needed capacity enhancement for municipal LED teams. Implementation is to comprise two major ***instruments*** which are to be phased-in by national government. The first is the Shared Economic Infrastructure Facility (SEIF). In September 2014 the DTI issued a set of programme guidelines for the SEIF aimed to support enterprises by lowering infrastructure costs and thereby to stimulate investment (DTI, 2014b). The SEIF is designed as a “robust programme” to catalyse informal enterprise upgrading by seeking “to unlock public sector investment by providing infrastructure that is critical and necessary to crowd-in investment mostly in townships, rural areas and the inner city where business activity is taking place” (DTI, 2014b: 3). Overall, the programme strives for partnerships between national, provincial and local tiers of government in South Africa in order to galvanize the provision of necessary infrastructure to “unlock” the potential of entrepreneurs in the informal economy. The essential focus is on the establishment and improvement of shared economic facility infrastructure to support businesses and thereby enhance local economic benefits. As the major targets for ***funding*** are municipal governments, the SEIF is a core support mechanism for LED.

It is made clear that SEIF projects must have shared infrastructure “that pools resources in a single structure and spreads them among independent businesses within the same area/space” and it must contribute “to the principle of creating an enabling environment for entrepreneurs to maximise business benefits” (DTI, 2014b: 6). The programme guidelines indicate that qualifying projects might include costs relating to *inter alia*, warehouse or storage facilities, lighting, water (irrigation for farming) and ablution facilities; parking, paving and fencing; provision of shelter or stalls for traders; cold storage for common use; purchase of common use tools, equipment or machinery; exhibition spaces, child care facilities and business infrastructure in terms of industrial park facilities (Dambudzo and Zondo, 2014). One omission from this list of qualifying projects is that of business incubators. This is surprising in light of the considerable importance which is currently attached by DTI to the rollout of business incubators both as a core infrastructural support for SMME development as well as for encouraging partnerships for establishing incubators with local municipalities as part of LED programming (Masutha and Rogerson, 2014a, 2014b, 2015).

The second major ***instrument*** in NIBUS is the Informal Business Upliftment Facility (IBUF). This programme targets informal businesses which are operated by designated groups and geographically preferences support for businesses based in townships, rural areas and so-called “depressed areas in towns and cities” (DTI, 2014a). Eligible activities for ***funding*** support are listed as *inter alia*, skills development, marketing and branding, product improvements, technology support, stock, raw materials and supplies, tools, machinery and equipment; and, assistance with business compliance costs. According to Dambudzo and Zondo (2014: 12) the “ultimate intention is to develop informal businesses into small scale businesses, cooperatives and medium sized, with the capacity to produce high quality products and create sustainable employment opportunities”. One element of IBUF is the roll out (beginning January 2014) of the Informal Traders Upliftment Project (ITUP). This is a pilot project which is targeted at “developing the capacity of informal traders/retailers to increase the competitiveness of local traders and develop decent jobs in the sector” (DTI, 2014a). The key narrative is contributing to “move informal businesses to become formal and enable them to participate in the economy of the country and be able to sustain their businesses” (DTI, 2014c). Potential beneficiaries are South African informal traders, market traders, general dealers and spaza shop operators (Dambudzo and Zondo, 2014). One of the project’s aims is training 1000 traders in the retail sector over a period of 18 months to enhance their competitiveness, including against the operations of foreign traders. In launching ITUP in the Eastern Cape during March 2014 Minister Davies re-iterated that informal business entrepreneurs would be assisted by the compilation of a register that would exclude businesses “which are found to be conducting illegal economic activities” (DTI, 2014c). Speaking to an audience of hundreds of informal businesspersons at the Port St Johns Sports Ground the Minister emphasized, however, that NIBUS would “not support businesses which sell illegal and counterfeit goods” and threatened the operators of such businesses by proclaiming “We will clamp down on you and put you in jail” (DTI, 2014c).

In the initial announcements made in 2013 of incentive support for the informal economy by the DTI Director General it was stated that the department would have to align its policy approach with the proposals of the Business Licensing Bill. In relation to the key challenges faced by the informal economy in South Africa the NIBUS accorded much attention to the making of an enabling legal and regulatory environment. The proposed Business Licensing Bill represented the cornerstone of national government initiatives for dealing with this particular “strategic intervention area” (DTI, 2013b: 25). The proposed Bill sought to replace the 1991 Business Act (no 71) legislation which deals with licensing and the carrying on of businesses and shop hours. Under the 2013 Licensing Bill every business (estimated 6.3 million) in South Africa, whether formal or informal, would be required to register and obtain a license from their local authority and pay an undisclosed license fee (Business Partners Ltd, 2013). For its proponents this was a new “framework for co-operative governance and harmonisation of standard procedures and minimum requirements for application of business licences”. In addition, it was viewed that the Bill would institute a “framework for support monitoring and standard setting by national government in order to build local government into an efficient frontline agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment” (DTI, 2014d). The Bill proposed that each municipal authority maintain an up to date registry of all licensed businesses in its area of authority. Business licences issued according to the Bill would be valid for five years and renewed “via a simple process” (Business Partners Ltd, 2013). However, licences could be revoked in circumstances of, *inter alia*, licensees found guilty of selling counterfeit goods, contravening the Customs and Excise Act, or the Foodstuffs, Cosmetics and Disinfectants Act. In addition, the proposed legislation provided for licence revocation if license owners were found guilty of employing ‘illegal foreigners’ or of contravening the Immigration Act or Refugees Act. The implementation of this legislation was to be undertaken by “inspectors” and so-termed “Accredited Community based organisations” that would be given sweeping powers to assist municipal licensing authorities in monitoring and enforcement. Inspectors could include any “suitable” person appointed by the licensing authority, Customs and Excise personnel, health officer, traffic office, or member of the South African Police. Such persons would have wide powers to conduct inspections, remove and confiscate goods, issue fines, enter premises, request documents and even to close a business pending investigation. Contraventions of the Bill and failure to produce a licence would be punishable by fines or possible imprisonment of up to 10 years.

The Bill was published for comments for a period of 30 days during the period 18 March to 18 April, and extended until 30 April 2013. The release of this Bill for public comment unleashed an avalanche of controversy. The Bill was widely condemned across a spectrum from organised private sector business, informal sector trader organisations, NGOs and certain local authorities, most notably the City of Cape Town. Among the most common criticisms were of increasing bureaucratic processes of ‘red tape’ that would negatively impact on business operations. Ironically, this expansion of red tape was proposed at a time when DTI was introducing a pilot programme of encouraging municipalities to reduce red tape as part of its initiatives for improving local business environments to encourage private investment (DTI, 2013c, 2013d). Critics pointed out that the red tape burdens associated with the Business Licensing Bill would be counterproductive and discourage entrepreneurship (Bloor, 2013). Another concern related to the capacity of many municipalities faced with human resource constraints to fulfil the Bill’s requirements of developing a business register and of responding to applications for business licences within a defined 30-day period. As pointed out in a submission by the City of Cape Town: “the proposed bill requires that municipalities change existing regulations within their jurisdiction and places the onus of inspection and enforcement on the municipality, without any budgetary provision made for this… the fact remains that municipalities simply do not have the resources to carry out the enforcement of the proposed bill” (Bloor, 2013).

Informal traders rejected the bill as it lacked a developmental approach to street vendors and informal traders whose livelihoods the law should protect and in particular was prejudicial to the poorest traders in terms of costs of licensing and to illiterate traders who were prejudiced by the application procedures (Ensor, 2013b). As pointed out by Duncan (2013) the bill “***grants*** astonishingly sweeping authority to municipalities and to the inspectors who are tasked with monitoring business compliance” such that the “potential for abuse, corruption and harassment is clear”. In addition the obligation of licensing authorities to involve community-based organisations and business associations in monitoring and implementation “sounds suspiciously like an attempt to get South Africans on board to assist the police in identifying and rooting out foreign traders” (Crush, 2013). For organised business much of the Bill was unnecessary as provisions already existed to address compliance in terms of counterfeit goods and businesses selling illicit goods which DTI officials frequently stressed as targets for compliance (SACCI, 2013). Another problem was “there is no indication given in the Bill as to what the criteria will be for issuing a licence” (Dadoo, 2013). Within government itself, a number of concerns were expressed at problems with the proposed Bill (DTI, 2014d).

Several observers highlight the severe and wide-ranging implications of this legislation for non-South African businesses including cross-border traders. Segetti (2013) avers that the Bill “scapegoats” foreign business operators. Crush (2013) pointed out one of its less subtle objectives “is to make it so difficult for non-citizens to operate small businesses in the country that they will go home”. In particular, under the legislation licences would be ***granted*** only to non-citizens who first acquired a business permit under the Immigration Act or a refugee permit under the Refugee Act. Effectively this meant that all non-South African cross-border traders and entrepreneurs would “first have to apply for a business permit in their country of origin and guarantee that they have R2.5m. to invest in South Africa before they can get a license to trade” (Crush, 2013). Without such a business permit foreigners would not be ***granted*** licences to trade in terms of the Bill (Skinner, 2014). Arguably as Duncan (2013) points out this distasteful proposal “is meant to give police a good excuse to harass Somali street hawkers and immigrant spaza owners, and to be a sop to South Africans who feel they face *‘*unfair competition*’* from foreigners” (Duncan, 2013). As a whole the poorly conceived draft of the Licensing Bill exhibits “the major intent to circumscribe informal entrepreneurship as well as to stop foreign nationals” (Southern African Migration Project (SAMP), 2014: 3). Skinner (2014) maintains the xenophobic sentiments in the Bill underscore the pressing need for greater and more nuanced research about the contributions made by foreigners to the informal economy in South Africa. Other critics railed against the Bill as “a testament to political short-sightedness and dysfunctional government coordination” and suggested that “the real motive behind the Bill was more to respond swiftly to mounting lobbying pressure than to legislate responsibly” and that in its anti-foreigner proposals DTI was “giving in to the pressure of small but powerful groups of business operators” (Segetti, 2013).

In response to the outcry surrounding the Bill, DTI officials initially sought to suggest its proposals had “won strong support from some municipalities and small business people in townships who saw registration as a way of gaining access to government support programmes” (Ensor, 2013c). The value was reiterated of developing a central data base to monitor and regulate all businesses. DTI officials defended the Bill as not having the intention to introduce an onerous registration process and that instead the department wanted a “negative” database containing those found to be involved in illegal activities with transgressors to be excluded from operating in South Africa (Ensor, 2013d). The Minister stressed that in his view “there was no provision in the Bill that targeted foreigners” and at its core it was designed to combat the trade in substandard products and “the significant illicit economy that was operating in South Africa’s urban and peri-urban areas, and which posed a serious threat to small businesses in the country” (McLaughlin, 2013).

Eventually during May 2013 DTI officials conceded the Bill was “too blunt” and in need of re-drafting before going back to Cabinet (Ensor, 2013d). As part of the process of rethinking the Bill, the DTI appointed a Task Team to re-examine it and make recommendations. In support of the work of the Task Team a number of workshops were hosted by DTI as part of its programme of provincial consultations on the Business Licensing Bill. At one of the workshops it was apparent “the DTI was not able to clearly articulate the policy objectives behind the Bill or what gap in the current legislation this new formula is supposed to remedy” (Dadoo, 2013). The fact that the Bill “was a total mess” reflected partly the existence of differences between individuals within DTI (Benjamin, 2014). No longer is there a case of official xenophobia denialism in government circles (Crush, 2014). It was admitted that a xenophobic streak exists within the DTI and that on Ministerial visits to townships the issue was perpetually raised of “what are we going to do about these Pakistanis” (Benjamin, 2014). The xenophobic streak within DTI is evidenced at the highest level with statements from the Deputy Trade and Industry Minister Elizabeth Thabethe about “foreign-owned businesses hampering rural growth” (Crush et al., 2015). The consultation process about the revised Licensing Bill was concluded by mid-2014, albeit it appears the Task Team met on only a small number of occasions. However, by February 2015 the promised revision of the Bill still had not appeared and “the jury was out on whether the legislation would be dropped altogether or tinkered with” (Benjamin, 2014).

**Conclusion**

During the past decade there has occurred a renewed policy interest in the informal economy worldwide (Chen et al., 2006). Policy debates and implementation around the informal economy are of special significance for local development futures and sustainable urban livelihoods in the African context (Brown et al., 2015; Lyons and Snoxell, 2005; Rogerson, 2011, 2014; Rogerson and Rogerson, 2010). In South Africa the analysis discloses that at the level of national government a rhetoric of support for the informal economy was included from 1995 in the policy frameworks introduced to nurture SMME development. Nevertheless, the emphasis on policy intervention was weighted towards formal medium and small enterprises during the first decade of democracy. No serious thinking about a national policy framework for the South Africa’s informal economy was initiated until 2012.

The new policy framework that has emerged (and, still is in the process of emerging) recently in South Africa is encapsulated in NIBDS and, more significantly in NIBUS with the roll out of support programmes as well as proposals for a changing of the regulatory environment. Regrettably, the array of new policy initiatives have been drawn up against the backdrop of only a limited knowledge base about the actual size, structure and dynamics of the country’s informal economy. In addition, the proposed policy framework essentially seeks to bring support interventions into play to bolster the existing forms of informal economic enterprise, which is massively dominated by survivalist informal retailing. The policy documentation offers little analysis and focus to support the imperative for transforming the complexion of South Africa’s informal economy from its massive dominance by survivalist informal retailing towards a greater contribution by other kinds of informal enterprise that might offer greater opportunities for sustainable enterprise development.

Overall, a pro-development narrative is provided in national policy documents and is accompanied by the progressive roll out of support interventions aimed at certain key challenges of informal entrepreneurs. The most controversial aspects of the new policy framework surround initiatives designed to ‘improve’ the regulatory environment for informal entrepreneurs. The proposed Business Licensing Bill has been severely criticised in many respects, not least for being unworkable given the existing capacity constraints of South African local municipalities and potentially also for actively discouraging informal entrepreneurship. The greatest threat to entrepreneurship is viewed as that posed by migrant entrepreneurs in South Africa whose operations are threatened by many of the provisions outlined in the Bill. It is argued the xenophobic content in the proposals of the Business Licensing Bill represents a rejection of an inclusive policy approach to the informal economy and rather has been introduced under the pressures of small but influential groups of politically connected entrepreneurs. Indeed, what exists within NIBDS and NIBUS is a pro-development approach for South African informal entrepreneurs which is allied to an anti-developmental agenda towards migrant entrepreneurs. South Africa is thus far from having established a set of inclusive policies towards the country’s informal economy and an accompanying suite of interventions that acknowledge its contributions for national economic development as well as support its long-term development.

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**Body**

Text of report in English by Russian presidential website on 15 April

Direct Line with Vladimir Putin April 14, 2016, Moscow

Direct Line with Vladimir Putin was broadcast live on Channel One, Rossiya-1 and Rossiya-24 TV channels, and Mayak, Vesti FM and Radio Rossii radio stations.

During the live broadcast that lasted 3 hours and 40 minutes, the President answered 80 questions out of the over 3 million that were received.

\* \* \*

Valeriya Korableva, reporter at Channel One: Good afternoon. We are live with the Direct Line with Vladimir Putin and today's programme hosts, Yevgeny Rozhkov and Valeriya Korableva.

Yevgeny Rozhkov, reporter at VGTRK: This is a joint project between Channel One and Rossiya television channel. You can watch the broadcast live on Rossiya-24, too, and listen live on radio stations Mayak, Vesti FM, and Radio Rossii.

Valeriya Korableva: Our colleagues Olga Ushakova, Vera Krasova, Nailya Asker-zade, and Olga Pautova will be helping us in the studio, and Tatyana Remezova and Natalya Yuryeva are working at the call centre.

Yevgeny Rozhkov: Let me say a few words about our guests.

We have the heroes of TV reports here today, people from all walks of life, doctors, teachers, workers, businesspeople, farmers, students, scientists, military personnel, law enforcement officers, and others.

Valeriya Korableva: The issues raised include rising prices, the drop in living standards, bad roads, the housing and utilities sector, health sector problems, and conflict zones, old and new. We will talk today about all that is really on Russians' minds. There are already many questions and they continue coming in.

Yevgeny Rozhkov: We will discuss the main issues today and put the big questions to the star of today's programme - the President of the Russian Federation.

So, here, live, we have Vladimir Putin.

Valeriya Korableva: Good afternoon.

Yevgeny Rozhkov: Good afternoon.

Mr President, this is the question processing centre, or the call centre, as we also call it. It is one of the few such centres specially established by Rostelecom to collect the questions people are sending to you for this direct line.

There are several centres because one alone would simply not cope with the volume. Dozens of messages are coming in every second - SMS and MMS messages and telephone calls. If you look around, you see the girls busy taking the many calls coming in.

At the computers over there they are taking video calls. We have someone right now who wants to put a question to you live. Incidentally, these video calls are one of the innovations of this year's Direct Line.

President of Russia Vladimir Putin: Excellent.

Valeriya Korableva: Let me show you how it all works. The operator is taking the call right now. It's a call from Omsk Region, a video call, and this young lady wants to put her question. It looks like a question about roads.

Vladimir Putin: Let's hear the question.

Valeriya Korableva: There's a real hail of questions about roads this year. Yes, let's hear what she wants to ask.

Vladimir Putin: Go ahead. So, roads then, well, this means we get straight into the heart of things this year, without any warm-up.

Question: Hello, Mr President.

My name is Yekaterina and I am calling on behalf of the people of Omsk Region. We have a problem here, and it's no small problem - it's our roads. Take a look at what state they're in. It's just one pothole after another. Our cars break down on these roads, the wheels come off.

The authorities turn a deaf ear to our problems and pleas. We try to take action, organise petitions, but the authorities ignore us. The people here don't have proper roads, no bicycle paths either, the trees are being cut down, and there's mud everywhere.

Valeriya Korableva: Is this the centre of town or the outskirts?

Response: This is the centre of town. There's also the question of the metro we've all been waiting for so long, but its construction isn't going anywhere. We just get told that it will be built eventually.

Mr President, Omsk will soon celebrate its 300th anniversary. This is a symbolic date. The local people all hope that by this date at least our city will be a fresh new place with the roads and green spaces we ask for. Thank you very much.

Vladimir Putin: What is your name? Can she hear me?

Valeriya Korableva: Yes, she can hear you. You can talk.

Response: My name is Yekaterina.

Vladimir Putin: Yekaterina, this is indeed a problem that has worsened of late, strange as it may seem, given that we set up the regional road ***funds*** a while ago and have been allocating considerable ***funds*** for their work. I spent all of yesterday looking through the questions coming in, and I see that, despite the efforts, very many people have complaints about the state of our roads.

This is obviously not by chance, because I looked at the different issues people are raising, and road-related issues really account for a huge share of questions, which means that this is a real concern for people, not just in Omsk Region, but in other parts of Russia too. I looked at how the road ***funds*** are spending their money, and I see that the ***funds*** are quite substantial, but a lot of money is getting diverted to resolving other tasks.

The Government and I will think about this. In any case, I believe that what certainly needs to be done is, first, to make sure that road construction ***funds*** are used according to their intended purpose. Heads of Russian regions used to be against this approach, since for them these ***funds*** were and still are some kind of a piggy-bank, if I can say so, where they could source money to ***fund*** other purposes. In fact, they were not prevented by law from doing so. These ***funds*** should be earmarked specifically for road construction and overhaul, especially taking into account that no more than 10 percent of the road construction ***funds*** go towards overhauling roads. This was the first point.

My second point is about what else can be done within a short timeframe. A decision was taken to raise excise duties on motor fuel by two rubles. Initially we expected to channel all this revenue to regional road construction ***funds***. However the Ministry of ***Finance***, as it turns out, has a plan to transfer the proceeds from this two-ruble increase to the federal budget due to the well-known shortfalls with the budget. We have to keep in mind, that these are not easy times for the Ministry of ***Finance*** in terms of balancing the budget, as we will discuss later. I think that we need to find a compromise in this respect by maybe leaving at least one ruble in regional road construction ***funds***. This would amount to some 40 billion rubles, and would hopefully improve road quality.

As for Omsk, of course, the city should benefit from improvements as it approaches its 300th anniversary, and even more so its road network. For that, Russian regions should adopt the same approach as we have on the federal level. Why not? I'm talking about the so-called full-service contracts: from road construction to maintenance and repair, so that companies will be incentivised to do a good job from the outset. I think that we should probably begin by adopting these measures, and this is what we are going to do in the near future.

Yevgeny Rozhkov: Maybe we will return to this subject later on. This was a good start. Let's now move to the studio. Everyone is waiting for us there.

Vladimir Putin: Thank you. Of course.

Natalya Yuryeva: As you have seen, this is the first time that we are taking live video calls. In order to ask Vladimir Putin a question, you need to download a free application, register (you may use your social media account) and press the call button.

This application has already been downloaded dozens of thousands of times, and we have over 10,000 video calls. As usual, operators in our call centre also accept pre-recorded video questions, and of course MMS messages at the number 0440.

Tatyana Remezova, reporter at VGTRK: Over this week of work the question processing centre has received hundreds of thousands of questions for the President. Our operators at the different call centres around the country have been working practically round the clock to process all the messages coming in. As the figures stand now, we have received nearly half-a-million calls and 400,000 SMS, and the total number of messages now comes to more than 2.3 million.

Let me remind you that you can put your question by calling the free number 8 800 200 4040, and the short number for SMS messages is 04040. Among our innovations this year is that you can send your questions via this programme's official group on the social network VKontakte. Young people, people under thirty, have been making active use of this option. We have 20,000 registered users and more than 70,000 questions. This new option for communicating with the President has turned out to be very popular.

Let me remind you that the live broadcast on our site is accompanied by sign language interpretation.

Yevgeny Rozhkov: Well, Russia has traversed another difficult year with the Western sanctions and the fall in oil prices. Of course, this has all had an impact on the Russian economy. The statistics show that for the first time in many years, we have had a drop in production, wages are coming down, and people are losing their jobs. Despite these difficulties, and in spite of everything, perhaps, Russia's economy has pulled through and is certainly not in tatters, as your colleague [US President] Barack Obama predicted it would be.

Valeriya Korableva: The last year certainly brought its share of good things too, but the specific nature of this programme means that people seldom ask about the good things, they ask about their concerns, worries, and the things that went wrong. After all, the Direct Line programmes are above all a way to take a look at the issues of greatest concern to ordinary people.

When preparing for the Direct Line, we looked through lots of questions, many of which concern the economy - not economics but the economy in a more narrow meaning. For everyone is concerned about his or her personal budget, and many people have had to rethink their spending habits and have become more thrifty.

Yevgeny Rozhkov: Let's start with questions on essential issues. We are receiving them in the form of text messages and also via the internet.

Lyudmila Safronova from Moscow is asking about prices, of course: "Last year I spent 5,000 rubles on weekly food purchases for my family. A year later, that is today, the same amount costs 10,000 rubles, or twice as much, whereas the Government claims that inflation is only 12.5 percent. Whom should I trust - the Government or supermarket till receipt?"

Vladimir Putin: You should trust both, and here's why. There is no contradiction. The Government is talking about the average annual inflation, which was 12.9 and not 12.5 percent last year. As for the different component parts making up this figure, the rise in food prices is a very large component. Last year, and especially early last year, food prices grew considerably, by about 14 percent, if memory serves, but in the third quarter the prices of basic foodstuffs decreased. Early this year, the growth was approximately 2.2 percent, which means the Government is not deceiving us. But 12.9 percent is a lot anyway.

However, we should pay special attention to the situation with food. Frankly, we are partially responsible for the growth of food prices. Why? Because we restricted the import of foodstuffs in response to the Western sanctions against Russia. We did this knowingly, expecting this to create conditions for the development of our ***agricultural*** industry and to set the market free. And this is what we are seeing.

Overall GDP has dropped by 3.7 percent, and industry posted a drop of 3.4 percent, but the ***agriculture*** sector grew by 3 percent. This sector plays a big part in our people's life and our economy, given that 40 million people in Russia live in rural areas.

Overall though, looking at the long term, we think this will produce a positive effect, increase our food security, and create better conditions for life and work in the countryside as the prospects improve. I not only hope but am quite confident that what we are seeing now are temporary difficulties and gradually, as local products fill the Russian market, prices will come down. They will stabilise at least, as we are seeing it starting to happen now. Overall though, of course, I realise very well that these difficulties have placed a burden on ordinary consumers.

Valeriya Korableva: Yes, here's a question precisely on these lines. "Everyone in Russia is trying to spend less and save where they can. What are you personally trying to save on? Tamara Georgiyevna, Moscow".

Vladimir Putin: I try to save on time, the most valuable thing that we have.

Yevgeny Rozhkov: Natalya Prikhodko from Moscow has a question: "The Government's economic officials keep telling us that we have hit the bottom in the crisis and are now on the way up again. They've already said this 7 times. Where is the Russian economy now as you see it?" She's making reference to the big news conference you gave, the one at the end of 2014, it seems, 18 months ago, and she asks, "Is the Russian economy going through a black period or a white period now?"

Vladimir Putin: It's going through a grey period. Let me explain why. The difficulties have not completely faded yet, but we do see a positive trend at work. I said just before that our GDP dropped by 3.7 percent. This year, the Government expects a slight drop to continue, but they expect growth of 1.4 percent next year. Yes, in these terms, it is difficult to say exactly where the bottom lies, but the Government's forecasts show us the outlines - we can expect a slight drop this year, but next year will bring growth.

I have this chart here with me so that I do not mess up any numbers. I have already mentioned GDP and industrial output. Unfortunately, there are also other negative developments that impact the people of Russia. We should never forget this and work on overcoming these trends. Specifically, real household disposable income declined by 4 percent, and real wages went down even more.

However, there are also encouraging, absolutely positive developments, such as, as I have already mentioned, a 3 percent increase in ***agriculture***. Residential construction reached an all-time high last year of over 85 million square metres. This is a record.

The unemployment rate is still low in Russia at just 5.6 percent. It has inched up, although very slightly compared to the pre-crisis period. The maternity capital has been adjusted for inflation, and now stands at 453,000 rubles.

It should be noted that despite the fact that the price of oil has almost halved, Russia still has a trade surplus, which means that we make more than we spend. This surplus stands at 146 billion rubles, which is a good result. We still have our reserves. Russia's international reserves have now recovered to the level of early 2014 and are equal to 387 billion rubles, while the deficit is at its minimum of 2.4 percent, which is below expectations.

Valeriya Korableva: Here is another question: it is said that Russia's national reserves will last only one year. Will it be enough to get through the crisis?

Vladimir Putin: As I have just said, reserves have recovered. I'm talking about the reserves held by the Central Bank or the so-called international reserves of the state. They have recovered to early 2014 levels, and are actually a little higher than that. We had 385.5 billion rubles in early 2014, and now Russia's reserves are equal to 387 billion rubles. The reserve ***funds*** managed by the Government (just to remind you, we have two ***funds*** of this kind: the Reserve ***Fund***, as it is called, and the National Welfare ***Fund***) have shrunk, but only slightly. As of today, they hold 50 and 71 billion dollars, respectively, or 10.5 percent of the country's GDP.

What does this mean? This means that if we keep spending them in the same way as, say, last year, the reserve ***funds*** would last at least four years, even if they are not replenished and nothing is done to save them. That said, we expect the economy to grow next year, which means that we may not have to spend as much of our reserves. Maybe, we will not even have to spend as much as we already have. This goes to say that there should be no fears in this respect.

Having reserves in the amount of 10.5 percent of GDP means that if we stopped everything, and I mean, just did nothing, and just laid around the house all day, we could live for four months, and do nothing at all. The country can just freeze for four months and will still get along.

Yevgeny Rozhkov: I hope we won't come to a standstill.

This question of when will the crisis hit the bottom is a real concern on people's minds. Here's another question: "Does it worry you that economic discussions boil down to three subjects now: when we will hit the bottom, when will oil prices rise, and should we print money or is there enough in the treasury? Meanwhile, technological change keeps taking place in the world, new markets emerge, and new trade alliances such as the Trans-Pacific Partnership are forming as alternatives to the WTO. Do you not get the impression that we have turned inwards, shut ourselves off, and could end up left behind in these global economic transformations?" This is a question from Oksana Stychinskaya in Lipetsk Region.

Vladimir Putin: Let me say to Oksana and everyone else who follows our economic developments closely that this is what gets discussed at the superficial level, in the media, but this is not the case of the expert community. You hear the discussion on the three main issues you named, to print or not to print money, oil prices, and so on.

In reality though, the real discussions have a different focus. The main issues are how to attract investment, make our economy more efficient, and ensure demand, in other words, how to raise people's incomes. This is what the Government is at work on. We discussed just recently issues such as aid for the most vulnerable population groups. This is extremely important because people who were living below the poverty line had just started to do better, but now face new difficulties. This is a worrying situation and we see it and will definitely respond.

What does the Government plan in this area? Most important is not to print money but to change our economy's structure. This is a very complicated undertaking, but we do have some positive movement in this direction, and this can be seen, for example, in the fact that industrial production has increased.

In February, we saw the first positive change in this trend, and we also saw that high-tech exports have increased compared to exports of natural resources. So you can see that in real life we certainly do not limit ourselves to the three issues you just named.

Valeriya Korableva: One more question on the same issue: is it true that Alexei Kudrin will become head of the Centre for Strategic Research and will prepare a new economic programme?

Vladimir Putin: Maybe Mr Kudrin and I don't meet as often as we'd like to, but we still do so regularly.

I appreciate his past contributions to our economic development; he is definitely one of our best and most valuable experts. As you know, he refused to work in the administration, but I see now that his stance has changed a bit.

Our situation is not simple, and he is willing to do his part to deal with the tasks facing the country. We have agreed that he will work more actively at the Presidential Expert Council, possibly as a deputy chair. He can also work at one of the more effective agencies, including those created in the past, such as the Centre for Strategic Research, formulating a development strategy for the immediate future, the post-2018 period and a more distant future.

Yevgeny Rozhkov: Let's move from the economy to foreign policy. The Syrian campaign has definitely been a major success, which no one can deny.

Vladimir Putin: Are the three of us the only ones who'll do the talking?

Yevgeny Rozhkov: No, we'll give the floor to others, too.

Valeriya Korableva: Yes, we will.

Vladimir Putin: Ok.

Yevgeny Rozhkov: So, let's talk about the Syrian campaign and Syria, all the more so since Russia's achievements there have been really recognised around the world.

Our Aerospace Forces' operations have seriously undermined the potential of ISIS, but the bulk of our forces have pulled out of Syria, though some of them are still there. Is it possible that the head of this terrorist hydra will grow back?

Vladimir Putin: Such a danger always exists if you do not pay enough attention to combating terrorism. We see that many countries suffer from this scourge: the Middle East, Asia, the United States, and European countries. As for Russia, we all know about terrorism and know what losses we have suffered in this fight, and the threat remains today.

But in Syria, it is not a case of that we simply got up and left, abandoning everything. Let me note that we did indeed withdraw a substantial portion of our forces, but we made sure that after our withdrawal, the Syrian army would be in a fit state to carry out serious offensives itself, with our remaining forces' support. And we see that after our withdrawal, the Syrian army took Palmyra and a number of other important strategic towns.

The number of towns now enforcing the ceasefire has increased since our withdrawal. We hope very much that this ceasefire, with support from whichever quarter, including from Russia, will pave the road to a peace settlement. There needs to be a political process, to get everyone to agree, sit down at the negotiating table and adopt a constitution, and then on the basis of this constitution hold early elections and find a way out of the crisis.

Yevgeny Rozhkov: How long do you think it will be until Aleppo is liberated, and then Raqqa, ISIS's heartland?

Vladimir Putin: The problem is that the situation with Aleppo is very complicated. Aleppo is a strategically important region in Syria. It is the second-biggest city and perhaps even the country's industrial capital. The armed opposition is present there, and so is Jabhat al-Nusra, which is internationally recognised as a terrorist organisation. It is very hard to tell who is who there. They take different tactics in behaviour and are currently all trying to strengthen their own positions.

The Syrian army does not have to try to bolster its position, because it achieved what it wanted before the ceasefire was announced, with our help, and does not have to make such attempts now, but the opposition is trying to take back what it lost. Incidentally, it is not the Syrian army that is fighting there, but for the most part it is Kurdish groups and a few other armed groups. They are fighting each other and fighting the Kurds. We are following the developments closely and will do all we can to prevent any worsening in the situation.

Valeriya Korableva: Let's go back to the question processing centre and Natalya Yuryeva.

Natalya Yuryeva, Channel One Russia: Thank you. Judging by the video questions that we are receiving here at the Centre, wage arrears is one of the most pressing and painful issues. This issue seemed to be a thing of the past, but during the crisis it has once again become a reality. People don't have enough money to buy food, medicine, pay for utilities or make payments on their mortgages. In fact, this problem is relevant for almost the entire country. Workers building the Moscow metro, construction workers in Khakassia, workers of Dalspetsstroy in Khabarovsk, Elektoapparat plant in the Novgorod Region, the 20th Aircraft Repair Plant in St Petersburg, Sibvodokanal in the Kemerovo region, and bread bakers in Novosibirsk - all these people are not getting their salaries.

People are not asking for anything supernatural. All they want is to get the money they earned. I propose that we watch a video question submitted by Dmitry Dudkin from Chelyabinsk.

Dmitry Dudkin: Hello, Mr Putin. I'm calling you from the city of Chelyabinsk. My name is Dmirty and I work at the Uralavtopritsep plant. We work for the defence industry and make car trailers. The problem we have is that salaries are paid three months late and not in full, only in small amounts. This is devastating. My salary isn't that big to begin with, and I have four kids.

Vladimir Putin: Dmitry, what did you say the company name is? (Can I see him on the screen again?)

Valeriya Korableva: He can't hear you, this is a recorded question. The company is called Uralavtopritsep.

Vladimir Putin: Well, let's see. Uralavtopritsep should be operating in the automobile industry. This sector is among those that has suffered the most from the crisis. Sales went down sharply. What is actually happening? To keep it short: the price of oil has dropped, and this led to a decrease in the orders from the oil and gas sector, for metals companies, and farther down the chain. Revenues declined.

As I have said, unemployment is at its minimal level and is very low. I see that many companies are trying not to lay off workers. It goes without saying that not paying salaries should not be an option either. As for this particular plant, I do not know of course what is going on there, but since it is related to the automobile industry...

Generally speaking, the Government's anti-crisis plan envisages specific support measures for industries that have suffered the most. And the automobile industry is first on that list. Over 40 billion rubles were allocated to support this sector. Of course, all the available ***funds*** were earmarked for specific purposes, but I will talk to my colleagues, including the Ministry of Industry and Trade and its minister, to make sure that they pay attention to this company. Of course, we must help this company, if there is a possibility to do so.

What else can be the problem there? The problem can be that some time ago, strangely enough, with the aim of supporting our manufacturers, we introduced the so-called utilisation fee, which increases the cost of final goods, but factoring in these support tools, should not in the final count make things worse but, on the contrary, should help them compete with foreign manufacturers.

Regarding the trailers that the plant manufactures, the utilisation fee also applies to them. It was introduced quite recently and I am not sure that this decision was thought out well enough. I believe that in this particular case the utilisation fee should be abolished for this type of product. We will definitely take this issue up with the Government. This should also help improve the company's ***financial*** status. I promise that we will take a closer look at what is happening there.

Valeriya Korableva: It so happens that wage arrears are this year's problem. In the regions.

Vladimir Putin: That's right.

Valeriya Korableva: This did not happen before.

Vladimir Putin: There were arrears as well, but...

Valeriya Korableva: Not on this scale.

Vladimir Putin: No, not on this scale.

Yevgeny Rozhkov: Let us take another phone call. Tatyana Remezova got it.

Tatyana, please go ahead.

Tatyana Remezova: Mr President, in addition to wage arrears, medicine is another sensitive issue. Here are some of the incoming messages, "prices in pharmacies are like those in a jewellery stores" from the Ivanovo Region; "the greedy pharmacy mafia plunders defenceless people" from Arkhangelsk. I see an incoming call on this subject, let's try to bring it on the air. We have Dmitry from Moscow calling us.

Good afternoon, Dmitry, you are live on the air, please go ahead with your question.

Dmitry, Moscow: Good afternoon, Mr President. I have a question about medicine. My parents have complained to me that pharmacies do not carry inexpensive domestic medicines. Recently, I had a chance to see it for myself. Why is that pharmacies sell only expensive imported medicines? Thank you.

Vladimir Putin: I do not think that there are only expensive imported drugs on pharmacy shelves (by the way, some people prefer it that way). There are Russian-made medicines as well. Several years ago, we started a national pharmaceutical industry development programme. I am not sure about the exact number, but we set aside about 148 billion roubles to it. This year, we will release an additional 16 billion roubles.

What is happening in this sphere? First, I want to reassure you that, despite all the problems, the Government maintains constant focus on this issue, even if it may appear that no one is paying attention to it.

So, what is happening there? Indeed there is a certain decline in the production of cheap domestic drugs, about 2.5 percent, but this reduction affects only the selection of drugs. There are no reductions with regard to any chemical formulas, meaning that alternative drugs are becoming available. This part of inexpensive products, especially when it comes to critical drugs, is regulated by the state. In today's circumstances, when personal incomes are down in our country, the Government is implementing price controls. If, overall, the prices for these life-saving drugs rose by 8.8 percent in the past year, the prices for cheap medicines rose, I may be off with the number, but, I think, they rose by 16 percent.

What is this all about? The manufacturers claim that even such price increases are not enough to cover their costs. The fact that the Government limits price hikes and makes adjustments to rising prices causes manufacturers to lose money as they try to manufacture these medicines. Why? Because even though these are domestically produced drugs, their components (the so-called substance) are largely imported en masse from China, for instance. Given the exchange rate, this component cannot be compensated for by increasing prices.

In this regard, the Government has two ways of dealing with this problem: either to subsidise the industry - but here we need to make sure that we have enough ***funds*** in the budget to do so - or remove price restrictions to some extent. Perhaps, other solutions will be found within the next 45-60 days. In any case, the Government has been tasked to resolve this problem within the next 45-60 days. That's what I have to say on this issue.

Yevgeny Rozhkov: We have pharmaceuticals representatives here in the studio. Let's ask them to choose between continued subsidising and price deregulation.

Vladimir Putin: Right here, in this studio?

Yevgeny Rozhkov: Yes, right here. Nailya, please introduce our next guest.

Nailya Asker-zade, VGTRK: One of our guests is Vitaly Oleinikov, co-owner of a pharmaceutical plant in the Samara Region, which produces popular medicines like Analgin and Bromhexine, and he claims that their medicines are of good quality. Let's give him the floor.

Mr Oleinikov, what would you like to say?

Vitaly Oleinikov: Good afternoon. I'm Vitaly Oleinikov from the Ozon pharmaceutical plant, the city of Zhigulevsk, Samara Region.

To begin with, I don't want to try to justify myself, as my colleagues and I have been working for the past 13 years to produce inexpensive and moderately priced medicines. We have been doing this honestly, and I can assure you of the high quality of our medicines.

My children and I personally take medicines produced at our plant, and I recommend them to my friends and acquaintances. Unfortunately, Mr President was right when he said that a considerable number of our medicines have recently become unprofitable, and that we had to stop producing some of them.

The root cause is that we have to buy not just raw materials, but also accessory parts and equipment, abroad for foreign currency. You all know about the exchange rates. But the retail price ceilings have been fixed by the government and haven't changed since 2009. What surprises me most in this respect is that the ceiling prices are different for Russian and foreign medicines. Sometimes...

Nailya Asker-zade: Mr Oleinikov, please remember that brevity is the sister of talent.

Vitaly Oleinikov: I can't stop; I need to unload, really. Sometimes foreign medicines are 20 times more expensive than Russian medicines, don't you see? Why is that?

The prices of raw materials have increased. Raw materials make up to 70 percent of the cost of cheap pills, and the pricing has doubled. But we still have to sell these pills at prices fixed in 2009. Who would sell at a loss? No one would. And so these pills are not produced, and their place at drugstores is taken by more expensive medicines, usually foreign ones. We've tried to draw attention to this problem more than once.

Nailya is stopping me, but let me take this opportunity to ask you please to do something about this issue. It is really a serious problem. I ask you first of all to give us the same conditions as our foreign partners, and second, this might sound a bit unexpected, but I think that price limits for the cheapest medicines in the low-cost segment should be abolished so as to encourage production of these medicines. You spoke about a compensation mechanism, but this is not a market mechanism as we see it, and it is hard to say just how it would be actually implemented. If we abolish the price limits, we would see cheap medicines on the pharmacy shelves, more of them, and our own pharmaceuticals industry would start doing better. If things continue as they are, our factories will shut down altogether.

Nailya Asker-zade: Thank you very much. Your question is clear.

Vladimir Putin: If prices rise too fast, the medicines will no longer be cheap. We need to find a balanced solution. I gave this instruction and the Government promised to find a solution within 6-8 weeks. We have just looked at the possible options for fixing this situation. Probably, we do need to find a balance here. But we cannot deny the fact that some companies really are working at the very limits of profitability, as our colleague said quite frankly just now. This is the reality. Costs in this cheap segment are around 50 rubles, isn't this right?

Valeriya Korableva: We have an interesting SMS on just this subject: which medicines does the President take, imported or locally made?

Vladimir Putin: I try not to reach the point where I have to take medicines. I make an effort to play sport and lead a healthy lifestyle.

Valeriya Korableva: But if you do have to take medicines?

Vladimir Putin: If it comes to that, it's usually a case of catching a cold or something, and I make sure I get my vaccinations in time, before the flu season starts.

Valeriya Korableva: But if there's really no choice?

Vladimir Putin: Then I take what the doctor gives, a mixture of foreign and Russian medicines, no doubt, but it's a very basic assortment. I think they are precisely the basic medicines you find in the low-cost segment.

Valeriya Korableva: Let's continue with the studio and change the subject. I give the floor to Olga Ushakova.

Olga Ushakova: Thank you.

Mr President, I suggest that we return to foreign policy. Here in the studio today we have Andrei Bystritsky, head of the Valdai Discussion Club. I think he has a question for you on foreign policy.

Andrei Bystritsky: Good afternoon.

Just last September, Recep Tayyip Erdogan was considered your friend and Turkey almost a strategic partner. You opened the new building of the Cathedral Mosque in Moscow together. And now the friendship has ended abruptly, turning into what - enmity? Looking back, Ukraine, then Moldova, Georgia, and Turkey, other countries - it seems like we will soon find ourselves surrounded by enemies. Could Russia develop successfully in these circumstances?

Vladimir Putin: We are not surrounded by enemies and we will not end up in that position. This is absolutely out of the question. We have good, friendly relations with most countries. I am not even talking about effective organisations such as the SCO, the Shanghai Cooperation Organisation, which is expanding by adding great powers, and our integration associations, the Eurasian Economic Union, BRICS and so on.

On the whole, we have good relations with our neighbours. We see Turkey as a friend, and the Turkish people as friendly people with whom we will definitely continue building good-neighbourly and friendly relations.

We have problems with certain political leaders whose behaviour is less than adequate as far as Russia is concerned, and we react appropriately. But we are still operating smoothly, as you can see, without any sudden moves. We have confidence in this policy of responding to any unfriendly actions towards Russia, because we should definitely respond, otherwise they will end up walking all over us. We do have a recent history of just that, and we will not allow a return to it. Yet, even keeping our interests in mind, we will certainly develop our relations with all our partners, including our neighbours.

Valeriya Korableva: Mr Putin, there is something else people are interested to know. Last year, you said you would come to the rescue of a drowning Obama. If you found Poroshenko and Erdogan drowning now, whom would you save first? Varya Kuznetsova, 12 years old. (Applause.)

Vladimir Putin: Varya, you have put me on the spot. I do not know what to say. I would say, you cannot save someone who has decided to drown. But of course we are ready to lend a helping hand and friendship to any of our partners, if they want to take it.

Yevgeny Rozhkov: Turkey used to be the most popular destination for Russian holidaymakers. There were many charter flights to Turkey. Now most people go to Crimea. I suggest we switch to Crimea for our first live report with Nikolai Dolgachev.

Nikolai Dolgachev: We are now on Tuzla Island in the Republic of Crimea, where the construction site of the Kerch Strait Bridge is located. This mammoth structure is already taking a shape. It will be the longest and largest bridge in Russia, 19 kilometres.

Construction works are taking place at eight contemporaneous locations, including by sea, the Kerch Peninsula, the Taman Peninsula and Tuzla. All these locations will eventually be incorporated into a single transit passage and Crimea will be connected to the mainland, a much-anticipated moment for all the Crimean people.

Here with me is Yury Beskov, head of technical service. The works continue as we speak. What is happening?

Yury Beskov: Right now, we are using a concrete pump to fill the second support of the passage across the Kerch Strait with concrete. The first support is ready. As of today, some 500 piles have been driven into the ground. Here you can see metal pipe piles.

Nikolai Dolgachev: Do these figures show how deep the piles will be driven into the ground?

Yury Beskov: Yes, it is an intermediate value. The maximum depth will be around 90 metres.

Nikolai Dolgachev: Let's have a look at the map and find where we are to understand the scale. This is the 19-kilometre stretch and where are we right now?

Yury Beskov: We are now right there, at the fourth location, Tuzla Island.

Nikolai Dolgachev: Is this the middle of the bridge?

Yury Beskov: Yes, it is the equator of the construction.

Nikolai Dolgachev: Thank you very much.

Tuzla sends greetings to Moscow. Good afternoon, colleagues. Good afternoon, Mr President.

Vladimir Putin: Good afternoon.

Nikolai Dolgachev: People from across Crimea came here to Tuzla Island to ask their questions. Please introduce yourself.

Olga Kuzenkova: Good afternoon, Mr President. Olga Kuzenkova, Palmira Palace, Yalta.

We, the people of Crimea, are really looking forward to the bridge opening. Crimea can and must be self-sufficient. As a representative of the travel industry, I would like to point out that we are now very busy preparing for the high season.

Crimean resorts offer a high level of hospitality and service. I would like to invite everybody from anywhere in our huge country to Crimea for rest and relaxation.

Vladimir Putin: Your question, please.

Olga Kuzenkova: Perhaps I will sound nosy but my question is: Mr President, when are you going to Crimea on holiday?

Vladimir Putin: I have not thought about it yet but I will definitely go to Crimea at some point, at least for several days, for some R&R as well. Thank you for the invitation.

Yevgeny Rozhkov: I would like to ask, if I may, about Turkey, since it has been mentioned several times as a tourist destination. I have vacationed there more than once with my family. The same goes for people I know. There are also a lot of questions about Egypt. So the question is when? When, in your opinion, will air service with Egypt and charter flights to Turkey resume? When will it happen?

Vladimir Putin: First of all, I would like to respond about Crimea. I was happy to see how the construction of the bridge is progressing. I must say in all honesty that usually there is no shortage of candidates to build construction projects like this. But in this case, we could hardly find a company to take on this project, mostly because of the limited ***financing***, as well as a number of other restrictions that contractors can face.

Nevertheless, we found a contractor that has gotten started and is successful. It went through the required selection procedures that were very strict, since the cost issue was at stake. The related Government agencies even succeeded in lowering the final price. I hope everything will be well done on schedule.

As for trips to Turkey and Egypt, it didn't depend on us. While the reasons behind the restrictions were different in these two cases, the results were the same. Why different? In Egypt, the current authorities are fighting radicals, but it's not always easy. We see what's happening there. Hostilities take place on the Sinai Peninsula almost daily. The former government, which was removed from power by the current president, and its supporters are quite active in this respect.

Against this background we have no right not to tell people that visiting this country could be dangerous. What could be the possible solution? Together with the Egyptian authorities we must find a way to screen passengers, luggage, on-board meals and aircraft maintenance personnel so as to make the stay, arrival and departure of our citizens, including by air, safe and secure. So far, we have not been able to find a solution of this kind with our Egyptian colleagues, although Russian special services and law enforcement agencies are working with our Egyptian friends on this issue. This was the first point I wanted to make.

My second point is about Turkey. We are seeing a similar picture here, although, we believe that the current Turkish authorities are not so much fighting radicals as they are cooperating with them. However, the country's domestic issues also make us consider security. A de facto civil war is underway in the south of the country.

We are trying not to notice it, and the international community pretends that it is not taking place. But this is a fact. Heavy weapons, tanks, artillery and so forth are being used. In addition, Turkey suffers from terrorist attacks almost every week.

Yevgeny Rozhkov: It happens all the time.

Vladimir Putin: Who can guarantee that it won't happen to Russian tourists? We know for example that in countries like, say, Tunisia, some tourists came under fire right at the beach.

By the way, I'm more than sure that the Turkish authorities will strive to provide security for tourists, including from Russia, since tourism accounts for a substantial portion of budget revenues in this country. Last year, almost five million Russian tourists visited Turkey.

I have no doubt that they will try. But whether they will be able to actually do it, is another matter. For this reason, just like with Egypt, we had to tell our people that vacationing in Turkey is now dangerous.

Yevgeny Rozhkov: This means that we will have to spend our vacations in Crimea. Everything is fine there.

Vladimir Putin: Crimea and the Caucasus. There are also many other countries in the world. Why are these two so attractive? I suppose they are cheaper and not too far away. But still, there are many other countries.

Many countries are now trying to reduce the cost of a stay and lower rates. Russian companies are looking for cheaper holiday transport. We have to work on this.

Yevgeny Rozhkov: Crimea is waiting for another opportunity to ask a question. Nikolai, we are waiting for your question on another subject.

Nikolai Dolgachev: Yes, there are questions. Go ahead.

Yulia Yeremenko: Good afternoon, Mr President.

Vladimir Putin: Good afternoon.

Yulia Yeremenko: My name is Yulia Yeremenko. I am a student at Crimean Federal University, a resident of the Hero City Kerch. At present, electricity is supplied for only several hours a day, but we are not put off by this, because our children have started playing less with their electronic devices, reading more books and communicating with their parents. However, in spite of this, we are looking forward to the commissioning of the energy bridge. Tell us please when this will happen. Thank you.

Vladimir Putin: Regarding power distribution, just three or four days ago, Energy Minister Alexander Novak updated me on the progress on the energy bridge project.

As we remember, two lines have been laid. They are now in service. Today, a third line is to be commissioned. This is an additional 200 MW. On the whole, this is nearing a power transmission volume that was provided from Ukrainian territory. I believe a fourth line will be put into operation in two or three weeks at the latest. This is another 200 MW. This will add up to 800 [MW] along the energy bridge between the Caucasus and Crimea. This will fully meet the demand that was once met by Ukraine.

There was a problem related to the fact that since power supplies previously came from the north and reached Kerch, say, and other regions on the leftover principle, the grids here are not of very good quality. The Energy Ministry thought about this. I hope it did, because the Minister briefed me on this. They are commissioning corresponding substations and modernising the grid component. I hope everything will be done in a proper manner.

I would like to remind you, however, that in 2017, I believe, another two units should be put into operation there, that's over 400 MW, and in 2018, another two units, each over 400 MW. In other words, Crimea will not simply have sufficient power supply but will be well-positioned to develop its economy and its social sphere.

Valeriya Korableva: Mr President, we have an urgent report here. At the very start, we spoke about roads. So Omsk officials have just announced that they will repair 21 roads by May 1.

Incidentally, Omsk is not the only region. There are also problems in Volgograd, Chelyabinsk and Saratov.

Vladimir Putin: I hope the heads of these regions will also pay attention or we will definitely talk to them on this issue, as we will discuss it with the Russian Government, the ***Finance*** Ministry and the Transport Ministry regarding the issue of this extra ruble from the excise tax, which was supposed - or, to be more precise, which the ***Finance*** Ministry wanted to impound for the federal budget. I believe that they should be given to regional, road ***funds*** specifically and that this spending should be designated accordingly. We will see how it will work.

It is cold there now, right?

Nikolai Dolgachev: The weather is windy today although yesterday it was very warm. The weather changes day to day.

Vladimir Putin: So you invite us to go spend a holiday there, but can you guarantee that everything will be all right?

Yulia Yeremenko: We can, Mr President.

Vladimir Putin: Thank you.

Valeriya Korableva: Thank you, Crimea.

While developing domestic tourism and creating new infrastructure, we must not forget about the environment: 2017 has been declared the Year of the Environment. We have ecologists here in the studio. Let us give them an opportunity to ask their questions.

Vladimir Putin: By all means.

Valeriya Korableva: Vera, they are in your section. Please take over.

Vera Krasova: Indeed, there are many questions concerning the ecology, and environmental activist Eldar Neverov is willing to ask one of them. Good afternoon, please ask your question.

Eldar Neverov: Good afternoon, Mr President. I am Eldar Neverov, a businessman specialising in garbage and secondary raw materials. I am extremely worried that we have not yet created a comprehensive solid waste recycling system. In particular, we have not introduced separate waste collection in the current meaning of this procedure, when valuable secondary raw materials are sorted out from non-recyclable waste. As a result, our landfills are growing larger with non-degradable waste, which sometimes leads to environmental disasters.

So, maybe all of us - the authorities, business and the public - should roll our sleeves up and clean the country?

Vladimir Putin: Look, there is one of your colleagues, nodding in agreement. Give him the microphone, please.

A. Repik: Good afternoon, Mr President. I believe that Eldar has proposed a good idea. Thank you for declaring the Year of the Environment. Of course, we are waiting for the Year of the Entrepreneur, but I think we can make our country cleaner. The task is within our powers.

Vladimir Putin: Anyone else wishing to speak on the matter?

Remark: Good afternoon, Mr President. I am a member of parliament representing the Astrakhan Region. We in Astrakhan are deeply worried about the situation in the lower reaches of the Volga. We are grateful to you for declaring the Year of the Environment. We joined hands with active members from the Russian Popular Front to stage a campaign in defence of the lower reaches of the Volga, which are the spawning ground for fish, the source of fresh water and are otherwise important for ***agriculture***.

Mr President, I believe that the hydraulic structures in the Volga-Kama basin have not been adjusted to supply water properly, which mostly affects those who live along the Volga. I have found support among my colleagues in the State Duma and the United Russia party. We are collecting signatures and have held a campaign in defence of the Volga. We have collected over 50,000 signatures under a letter we plan to send to you. As of now, this is the key priority, and even the housing and utility problems have receded to second place. Absolutely everyone, both party members and the politically uncommitted, have supported my initiative. Mr President, this is really very important.

I am asking you to personally monitor the adjustment of the hydraulic structures in the Volga-Kama basin. Shallow waters affect navigation and the spawning of fish, and hence life. Water is life.

Vladimir Putin: Yes, I agree.

I will say a few words about the Volga and our other great rivers. Indeed, there is a problem, and it requires special attention on behalf of the regional and federal authorities.

This includes shipping traffic. In certain localities, I am not sure how it is going to be this time, but in the past few years a boat would arrive at a certain point, the passengers would disembark, then take a bus to cover that portion of their itinerary, and then re-embark on the boat, because the water was too shallow for the boat to negotiate it.

It is necessary to clean river beds. We must also pay attention to hydraulic facilities, which also pose problems. We are not going to discuss them now, but these problems have remained unresolved for years, if not decades.

Of course, it's also a matter of the purity of water in the Volga delta, which is home to some wonderful and unusual fauna, including sturgeon. Do you know how wide the Volga delta is? 290 kilometres. It is one of the world's largest deltas comparable to the Mississippi. This is a universe of its own, and, of course, it needs our special attention.

Now, with regard to waste. It is indeed a problem. Our country is faced with a waste problem. We are producing about 5.4 or 5.6 billion tonnes of waste yearly, and only half of it is recycled. The rest is simply buried. That second half, which goes into the ground or is simply dumped somewhere, is out of control and has become a highly criminalised business.

In this regard, it is imperative to improve regulations and raise the awareness of the regional authorities to this problem. Of course, the public should monitor this, because sometimes people have to live near such dumps, and their lives become unbearable. I would like to ask the Russian Popular Front to focus on this. Given the high levels of criminal activity in this area, it is indeed front-line work without exaggeration.

Now, with regard to these plants and what needs to be done. A law was adopted in November or December 2014. However, these plants can be built, and they will work efficiently, and everything will be economically feasible if the so-called environmental fee is collected. This fee will be collected beginning in 2017. Why? Precisely because of our ongoing economic difficulties, so as to not put too much of a burden on the manufacturers, so that they do not cut jobs and can pay employee salaries in a timely fashion. There are many problems regarding these most sensitive and most important areas for our citizens.

The Government crunched the numbers and realised that if we ask them to pay a disposal fee on top of everything else, the industry will find it extremely difficult to comply, but it should be introduced in the early 2017 anyway. There are three ways to go about it (I will be done with this shortly).

First, those who produce the waste, the large and self-contained enterprises, can build recycling plants themselves.

Second, if a waste-producing enterprise is unable to take care of its waste, it can pool its resources with other enterprises of a particular region and hire an operator.

Third, if doing so does not make any economic sense for the private sector, because the payback period is too long, the state itself should go ahead and build such plants. However, the issue here is about complex waste, such as batteries, industrial waste, television sets, refrigerators, and so on.

Yevgeny Rozhkov: We've been working for an hour now, and it wouldn't be fair to stay only in the studio. We've already had 2.5 million calls. Let's hear another call.

Let's cross to the question processing centre and Tatyana Remezova. Tatyana, you have the floor.

Tatyana Remezova: Thank you, colleagues.

Mr President, we know that you are no fan of questions about your personal life and make a point of not discussing this subject, but we have so many questions of this sort that we cannot simply ignore it altogether. For some reason, this subject particularly interests your fellow St Petersburg people, so let's try hearing a call live now from Alexandra Kozlova in Gatchina.

Good afternoon, we're listening to you.

Alexandra Kozlova: Hello, Mr President.

Vladimir Putin: Hello.

Alexandra Kozlova: I have a question about your personal life. The newspapers wrote recently that your former wife Lyudmila remarried. When will you present to us a new First Lady?

Vladimir Putin: Lyudmila and I see each other sometimes, not often, but we do meet, and we have very good relations, perhaps even better now than they were before. I know that all is well with her. As for what the newspapers write, that is another issue. But I know that she is happy with her life and all is well. I am also happy, and all is well with me too.

I'm not sure that we ought to turn the spotlight on the matters you raised just now. You never know how they might affect the exchange rate or oil prices. Speaking seriously though, people elect deputies to the State Duma and elect a president in order to have them work.

The things you talk about, matters concerning personal life, do interest people of course, and I have long since learned to live with this and I understand this interest, but these things are nonetheless not of paramount importance. Perhaps the moment will come when I will be able to satisfy your curiosity. Thank you for your question.

Valeriya Korableva: Well, let's talk about doping now.

Vladimir Putin: About what?

Valeriya Korableva: About doping, a sensitive issue. We have always been proud of the success of our athletes. They were recognized leaders in many sports for many years but now we are being told that many victories were achieved dishonestly. We have both fans and athletes in our studio. Let's give them an opportunity to speak their mind.

Vladimir Putin: Ok.

Valeriya Korableva: Olga, let your section have the floor.

Olga Ushakova: Yes, Valeriya, you noted quite rightly that this issue is worrying not only representatives of the sports community but also millions of fans all over the country because sport is a unifying force, and we do have people of different walks of life here today. Many are interested in this issue. Thus, businessman Yan Berezin arrived here today with a question about sport rather than business.

Yan Berezin: Good afternoon, Mr President. I am Yan Berezin from Moscow, the Leaders' Club.

It is perfectly obvious that there are some things that unite all of us although we are different, and sport can play a key role in this. We are always glad to see our athletes, we cheer for them, our stars, for their victories when they represent Russia in the international arena.

To be honest, this outrageous scandal over meldonium is infuriating. It has been going on for several months now. It is still unclear what it will lead to. They are going to deprive our athletes of their status and their careers may even come to an end. What will then happen with the sports leaders of our country? What will happen - maybe some punishment? Honestly, I speak from my heart, as it goes.

Olga Ushakova: No, from the bottom of my heart.

Vladimir Putin: Is Mutko giving you English lessons? (Applause.)

Yan Berezin: God forbid, no.

Vladimir Putin: You do not take lessons from him do you?

Yan Berezin: No.

Vladimir Putin: As regards this meldonium, so much has been said about it already. It has never been listed as a doping agent. It is absolutely certain that meldonium does not enhance results. It simply keeps the heart muscle in good shape during heavy training loads but for some reason it was suddenly put on the list.

Basically, meldonium was invented back in the Soviet Union, in Latvia, as we now know. I did not know this myself before. The inventor never considered it doping - it is used in medicine on a large scale, by the way.

Most important, when it was included, there was no reliable information on how quickly it leaves the body. I think now WADA has adjusted its decisions- literally yesterday or the day before, recently anyway. I do not believe this decision had political connotations although meldonium was used only by athletes from Eastern Europe, former Soviet Union countries, and Eastern Europe in general because it originated there, was produced and is still being produced, but it has never been regarded as doping.

I don't think there's a political subtext here, and we can see this in the fact that WADA has adjusted its position. As far as I know, our colleagues from this international anti-doping organisation are now looking at the possibility of carrying out clinical tests to see how fast the body eliminates this substance. The first study shows that different people eliminate it at different speeds.

The results of these tests could lead to some practical conclusions, including with regard to individual athletes. I hope that these decisions will be objective, but this does not mean that we should sit on our laurels and have a chuckle over this whole affair. No, what we need to do now is to improve our work with the international organisations and make swift responses to their demands. Of course, we need to pay attention to our athletes' health and to ensuring fair competition, and giving the fans the pleasure of seeing this fair competition. Of course, we must make sure for certain that athletes who have nothing to do with this doping scandal, and this is the case for the majority of our athletes, are not penalised in any way.

Yevgeny Rozhkov: Let's hear from our athletes then, all the more so as they certainly deserve it. They are in Olga Pautova's sector. Olga, you have the floor.

Olga Pautova: We have invited here to the studio Yury Borzakovsky, the head coach of Russia's track and field team. He was many-times European champion, world champion, and so far the only Russian runner to win an Olympic gold medal too. Yury, you have the floor.

Yury Borzakovsky: Good afternoon, Mr President.

The anti-doping association has no problems with the majority of our athletes, whose consciences are certainly clear. But all of our track and field athletes, all of them, have been barred from taking part in the Olympics because of others' faults.

The International Association (IAAF) will come back to this issue very soon, in May, we've heard. In any case, my team is asking what we should do? Should we be training now, training for what, preparing for the Olympics? Thank you.

Vladimir Putin: I understand your athletes. We all love them and wish them the best results. It is no exaggeration to say that every sports fan knows them by name. Of course, they are in a difficult situation right now, but we should be ready for everything, it seems to me, since you are asking my opinion.

This is all the more so as, like I just said, we know now that WADA is re-examining some of its policies on the use of meldonium and is studying the clinical properties not only of the product itself but also the way it leaves the body. Let's wait and see.

Of course, we will fight to make sure that the decisions are fair. The Russian Sports Ministry and our sports organisations are working with good international-level lawyers on this and are studying all aspects of the issue.

Yevgeny Rozhkov: Let us now talk about something else that concerns everyone - which is no exaggeration - the housing and utilities issues.

Vladimir Putin: Yes, go ahead please.

Yevgeny Rozhkov: People complain that they have to spend a significant portion of their incomes on that. We have a lot of such messages coming in through the VKontakte social networking site: "We are greatly concerned about housing and utilities bills and additional charges." They must be referring primarily to major repairs. It is a really big topic of discussion today: "When will you enforce some order and put a stop to the endless extortions?"

There is one more question: "Previously, they explained the price hikes by the rising oil price, but now, when the price of oil is falling, prices continue to grow. Our parents tell us that when they were young, housing prices remained unchanged for decades. Why not curb utility rates now?" Lyudmila Kamyshnikova from the Moscow Region asks.

Vladimir Putin: Essentially, there are three questions: utility bills, additional charges and major repairs. Do you want me to go through all of them?

Yevgeny Rozhkov: Yes, I think people are interested.

Vladimir Putin: Ok.

First, about the stability in housing issues and utilities bills that Soviet people enjoyed in the Soviet Union. Life was very different then. True, there was stability, but I can assure you - we are now seeing this, it has become clear - that this industry was systematically and horribly underfunded even in Soviet times.

They did keep the fees low, but the Government failed to invest the required money, and gradually our housing stock was ruined. On the other hand, they did invest money, even if not very effectively, in the defence industry, for example. The number of different types of Soviet aircraft, warships and other weapons was infinite, immeasurable. Did they absolutely have to do that? Many experts now say it was expensive and mostly unnecessary.

So where has that policy led us to? Let me recall. It led us to a situation where soap and sugar were only available with coupons. In those conditions, people did not even notice that they lost the country. Was it good? Of course not. Still, even today, before taking any decisions in this area, one very sensitive to people, I completely agree with you, we must certainly think about people's incomes and the industry's requirements, and they must be balanced.

What is happening with tariffs? Last year, tariffs were to be increased by 8.7 percent on average. What I'm going to say right now is important. The tariffs actually went up by 8.5 percent on average. It was decided that in July 2016 tariffs should go up by another 4 percent on average. The regions can decide for themselves whether they should refrain from raising tariffs at all or increase them above the average rate all the way up to 10 percent.

However, the regional governors can decide on this issue only after coordinating it with the municipal council deputies, so that elected officials must consent to any increase above the 4 percent level. This will only be possible if the additional increase is needed to ***finance*** repairs or investment, for example, to prepare utilities for the winter, to keep power stations and heat generators from falling apart and maintaining them in good working condition.

There are 24,000 municipal entities in Russia. Of this total, over 600 opted to exceed this 4-percent increase. This is just about 3 percent of the population. There are people elsewhere as well. Let me reiterate that consent by the local deputies and an agreement with the governor is required for taking such decisions.

Making sure that the tariffs are transparent is very important. While this tariff is regulated by the state, additional services are not subject to regulation. More on that later. In order for the tariff to be transparent, the Government needs to complete the work on making all information on the tariff structure publicly available, so that anyone in Russia can understand what he or she pays for and how much. I think that moving in this direction will also enable us to influence this very tariff.

As for additional services, I am talking about maintenance of entrances to residential buildings, and the like. As per applicable laws, these tariffs are not regulated by the state. How should this be done? People should hold meetings to determine the scope of services they would like to receive and how much they are willing to pay for them. If people are unable to do it, it would be the task and responsibility of the municipality.

Yevgeny Rozhkov: Capital repairs...

Vladimir Putin: Before we move to capital repairs, let me say one more thing that you know all too well. However, I still think that it should be highlighted again. A law was adopted and enacted a long time ago, which entitles families who pay over 22 percent of their household income for housing and utilities to apply for subsidies.

I just wanted to remind people, especially given the 4-percent decline in real disposable income, that if you meet this criterion, you can apply for a subsidy. The numbers are substantial, and today, 30 million people have applied for and are receiving these subsidies through the social services. The regions spend 300 billion rubles on this programme. Let me reiterate that if there are people not covered by this system, they can apply for these subsidies.

Now regarding capital repairs. This is also a very important and sensitive area for the people. I know that this irks a lot of people and there is a reason why it does. The Constitutional Court has upheld the Government's decision but even if it is correct, it is important to take into account people's real ***financial*** status, their disposable income and, of course, the industry's real needs, and these needs are huge.

We have over 2 billion square metres of residential space in the country, I do not remember exactly, maybe 2.4 billion, and 1 billion is in need of repairs. Importantly, all of this is in need of repairs but this 1 billion is in need of urgent repair. And do you know how much we currently repair each year? 50-70 million. If we go on at this rate, the amount of housing that is unsafe for human occupancy will grow exponentially. Disaster will strike sooner or later.

Go to certain countries - I will not name them so as not to offend them - big, large, great countries. You come and you see that [some] buildings are falling apart. I was so surprised and I asked why. Because it is impossible to evict those who live there but who do not contribute to building's repairs; the owners do not want [to contribute] either. Buildings are simply falling apart. We can definitely not allow this to happen.

To reiterate, extreme caution should be exercised. Look, 97 billion rubles were raised last year, but only 25 [billion rubles] worth of contracts were signed. The remaining 70 billion ended up "in limbo." This means we were not ready for this. All of this should be done very carefully and the amount [of the levy] should, of course, be commensurate with personal incomes. The Government should, of course, take a very careful and balanced approach, without any abrupt moves.

Yevgeny Rozhkov: This is a controversial issue, to say the least. Let us discuss it with panellists.

Nailya, go ahead please.

Nailya Asker-zade: Many people are also worried about the property tax issue. This applies both to individuals and to legal entities. We have a Moscow-based entrepreneur in our studio with years of experience under his belt. Sergei Demin.

Mr Demin, your question please.

Sergei Demin: Good afternoon, Mr President. This is the third crisis for me. I am an entrepreneur. I have been in business since the 1990s. I have waited eight years for an opportunity to express my sincere gratitude to you for the year 2008, when the decisions that you made ensured that the economy would be saved and would not slip back into 1998 again, but would survive and develop further.

Vladimir Putin: Because you experienced all of this firsthand I should point out that back then the crisis was far tougher. As I said, our present fall in the GDP is significant, 3.7 percent, but in 2008 it was 10.7. And of course, there was very serious concern. Today, thank God, the situation is not so bad but we need to restore steady growth.

I am sorry, please, go on.

Sergei Demin: Yes, and another thing, Mr President. My wife, Tatyana, asked me to say thank you for your work.

Vladimir Putin: Well, I wish her the best of health. Please thank her for her approval. Thank you very much.

Sergei Dyomin: Mr President, the cadastral value of real estate and land has grown sharply in the past few years. This has been an additional burden - and a heavy one - for enterprises, especially industrial ones. Today, the cadastral value is often above the market. This is evidenced by the many cases won in court by entrepreneurs. Meanwhile, the ***funds*** spent on legal fees could be invested into the development and upgrading of production.

Moreover, private individuals are also in for hard times, because taxes on real estate will be calculated based on its cadastral value. My question is: could you review, and, if possible, support the following two proposals? First, to impose a moratorium on increasing the cadastral value of real estate and land for the next five years and match the cadastral value with the market value in the near future, involving entrepreneurs, for instance Delovaya Rossiya and others, in this work, including owners. Appraisers should by all means be responsible for their performance. Now they bear no responsibility for overrated cadastral value.

And the second proposal: considering, as you put it, the current economic difficulties, to increase tax exempt square areas for citizens: for a room, from 10 to 15 metres; a flat, from 20 to 50 square metres; and a suburban house, from 50 to 100 square metres. Thank you very much.

Vladimir Putin: The transfer to cadastral values was initiated by some regions of the Russian Federation. This is not even a Government initiative. The reason is, in some regions, including Moscow, the municipal authorities got the impression that they do not receive enough revenue, which they could and should receive for spending on general municipal needs. Thus, the Moscow authorities considered the available appraisal to be underrated, as a result of which they received almost nothing per year from large retail chain, and this is certainly unfair.

Naturally, Muscovites that are not engaged in business have the right to ask the city authorities: why do you allow this to happen? But it goes without saying that this process should lead to more justice rather than overreaction in the opposite direction. I agree with you on this point. This applies to the business community and to individual citizens, and this is why they are worried about it. Is it possible to increase the tax-exempt square area? Probably it is, we must think about it. I cannot answer this question as regards specific figures off the top of my head, but we can and should consider this issue.

As for the moratorium, we can discuss it too, but the issue is that this system should be implemented by 2020, as the regions are ready. Actually, this is a relatively soft solution, and it has only been implemented in very few federal territories, only in one or two, maybe three regions. The rest should be ready by 2020, which is the essence of the moratorium. Of course, we can discuss setting criteria for judging the regions' readiness, which will again amount to a moratorium. The regions must themselves decide whether they are ready or not. This is the current proposal.

As for attracting the business community to determining the cadastral value, the trouble is that currently this is the responsibility of private companies, whereas I believe that this should be done by government agencies. The reason is that unfortunately, these private companies cannot be held accountable for the results of their cadastral appraisal. The situation is paradoxical, as I have seen in many questions I read yesterday, when two adjacent and similar flats receive different cadastral appraisals so that one of them appears to be many times more expensive than the other. This is not just unfair but foolish.

Therefore, we need to bring all this into conformity with common sense. We would do well to adjust this work so that government agencies are held accountable for the results of cadastral appraisal. But this also means that we should create a system in which people will be able to protect their rights, not only in courts, which usually takes a long time, but also out of court, that is, administratively.

Also, I'd like to point out that the people who are entitled to housing benefits enjoy them irrespective of whether their flats were evaluated by the Bureau of Technical Inventory, in accordance with their cadastral or market value.

There are interesting elements in your proposals, which we should definitely take into account. Thank you.

Valeriya Korableva: Mr Putin, the questions come not only from adults but also from children as you could see from the question about saving drowning people. I have several short questions from Klassny Zhurnal, a national magazine published for children and by children. I will quote some of them. First. What three wishes would you make if you caught a goldfish like in the Russian fairytale? Anzhela Solomennikova, 11, Perm Territory.

Vladimir Putin: Eleven?

Valeriya Korableva: Eleven.

Vladimir Putin: Anzhela?

Valeriya Korableva: Anzhela.

Vladimir Putin: I hope Anzhela can hear us now. Three wishes, let me think. You know, in the long run it is better not to rely on fairy-tale characters. There was a song in the Soviet times, remember? "Nobody will help us, neither God nor the tsar nor a hero." We must build our fate with our own hands. If we keep waiting around for a miracle we may end up undoing all the magic just like in Pushkin's fairytale. It is better to roll up your sleeves and work hard.

Valeriya Korableva: They are kids. They still believe in miracles.

Next question: I am a child prodigy. I am eight years old. I am in the fifth grade and go to chemistry classes with eighth-grade students. I speak English and build robots. Why am I not allowed to go to educational camps like Sirius or Artek due to my young age? When I am old enough it will not be interesting anymore. Can you as President consider this in the programme for gifted children? Ilya Rayevsky, Yaroslavl Region.

Vladimir Putin: Ilya, this is clearly an omission that indicates that the organisers have never been child prodigies. We will change that.

Valeriya Korableva: Next question: why do grown-ups have two days-off a week while children have none? We have classes on Saturdays and do homework on Sundays. This is not fair. Denis Ryabchinsky, 11, Veliky Novgorod.

Vladimir Putin: It is fair because you are better than us and you can stand the workload and absorb much more knowledge. This is the truth of life. But there is undoubtedly a problem.

Speaking more seriously, the problem is that children's workload is often incommensurable to what is prescribed or should be prescribed as acceptable by child psychologists. This is the perspective we should take on this issue.

Valeriya Korableva: If you had your knowledge tested would you prefer the National Final School Exam (EGE) or an oral exam? Yelizaveta Smirnova, 9, Irkutsk Region.

Vladimir Putin: I would prefer the oral exam.

Valeriya Korableva: And the last question from children. Do you like porridge for breakfast? When you were little, did you like any kind of porridge and what did you do if you were forced to eat porridge you did not like? Anastasia Zaitseva, 9, St Petersburg.

Vladimir Putin: I was never forced to do what I did not want to, that was my life. Speaking of porridge, I eat it every day with pleasure. Today, for example, I ate pearl barley porridge.

Valeriya Korableva: Additional question: Did your liking of porridge change with age?

Vladimir Putin: Yes, it changed, for the better. The less teeth you have the more you like porridge. (Laughter, applause.)

Valeriya Korableva: Thank you.

Yevgeny Rozhkov: It is time to connect to Sakhalin, an island so far, yet so dear to us. Our colleague Pavel Zarubin is on the air. Go ahead, Pavel.

Pavel Zarubin: Good afternoon, Moscow. Greetings from the village of Ozyorskoye, on Sakhalin Island. I am in a plant that produces canned fish, which is why I am wearing these boots and a special coat. These are sanitary requirements.

It is a relatively new plant, opened about two years ago. By the way, do not be surprised that the plant is working even though it is about 10 PM here. Yes, the plant works late. In fact, it will work until 4 in the morning.

Good evening. What kind of fish are you canning?

Remark: It is mackerel pike.

Pavel Zarubin: How many tins do you produce per day?

Remark: Between 50,000 and 68,000 tins per shift.

Pavel Zarubin: And where is the fish from?

Remark: From China.

Pavel Zarubin: Chinese fish? I must say we have been surprised to learn that they can Chinese fish on Sakhalin Island. But as they told us at the plant, the fishing season has ended on Sakhalin, which is why they buy Chinese fish. They will have local fish by summer.

We have been in this village for several days already, and we had an opportunity to talk to the locals. We know their concerns: housing and utilities, healthcare and, of course, fish. People complained that it is difficult or even impossible to buy local fish at the shops in these small coastal villages, even though fish producing companies catch less than half of the government quota.

As I said, the plant is canning Chinese fish. Now I'd like to let the plant workers speak. They worked at a plant on the Kuril island of Shikotan, and they have told us incredible things. We believe you should hear them.

These people say that they were treated like slaves or hostages on Shikotan. They were lured there from central Russia or Siberia with the promise of good wages. However, after they arrived on the island, their wages were delayed for months, and so they were unable to leave, because you need money to buy a ticket, but they did not receive their wages.

Since they had no money, they had to live on the plant's compound, and the plant management withheld part of their wages, which these people did not receive, as housing payment. Ultimately, these people ended up owing money to the plant.

Moreover, when we learned about this and invited the victims here, to Direct Line, some of them received explicit threats, and were afraid to come here. Yet we have convinced some of these people to speak about what they experienced on Shikotan.

Tatyana, please tell us about the situation there.

Remark: Good afternoon, Mr President.

My name is Tatyana. Last autumn, we worked on Shikotan Island at the Ostrovnoy Fish Processing Plant. We were not paid our wages there. People are lured into going there through personnel recruitment agencies, but the working and living conditions there are awful. People are essentially left without housing.

Please help us to resolve this problem.

Pavel Zarubin: Yelena, tell us please (Yelena is another of the victims), is it really practically impossible to get away from there?

Remark: Yes, it is impossible because you are on an island, there is water all around, and so people have no way to leave and no money.

Pavel Zarubin: How many months do people go without pay?

Remark: It can be two or three months, even up to six months.

Pavel Zarubin: Thank you. That then is the situation on Shikotan.

Vladimir Putin: I do not even know what to say here. Did this situation begin last year, or has it been going on for a longer time?

Remark: Since 9 August, 2015.

Vladimir Putin: Have you turned to the authorities at all on this matter?

Remark: Yes, we wrote to the Sakhalin Region Prosecutor's Office.

Vladimir Putin: And what was the result?

Pavel Zarubin: Let me add that other victims also say they wrote to the prosecutor's office, but they have not had any response, and they only got a response after they wrote to the Presidential Executive Office.

Vladimir Putin: Sadly, I have not seen this letter to the Presidential Executive Office, but the local officials, especially the law enforcement officials, the prosecutor's office and the labour inspection, should have responded promptly.

I hope the Prosecutor General is listening to this part of our discussion and will look into the situation and decide on whether the Sakhalin Region prosecutor is really fit for his job, and I want the Labour Ministry to look into the work of its local offices on Sakhalin as well.

I hope to hear back about what is happening there and about the personnel decisions that result and the measures taken to sort this problem out. I also want to apologise to the people who spoke to us and our reporters just now and say that we will do everything we can to fix this situation.

Yevgeny Rozhkov: Let us field another question from Sakhalin. Pavel, please.

Pavel Zarubin: We have many questions. Go ahead, Alexei.

Alexei Obrezkov: Hello, Mr Putin! My name is Alexei Obrezkov. I would like to ask a question about the responsibility of government and business officials to the people. You see, since the 1990s, our fishing villages have been dying, with the aging fleet never renewed, but at the same time, some money seems to be allocated, and it just goes away. It seems as though it ends up in the pockets of officials or dishonest businessmen who steal it.

Also, our former governor, Mr Khoroshavin, who is now under investigation, has embezzled billions according to the media. I am just wondering, will he receive condign punishment, which would be a lesson for others? And will the money be returned to the Sakhalin Region's budget? Tell me he will not get away with it like Ms Vasilyeva? Thank you.

Vladimir Putin: You know, it would be premature and unethical to talk about the outcome of these proceedings, and even wrong under the current law. However, I can assure you that thorough work is underway on this case as well as on other high-profile cases, and there are too many of them to list now.

No, this case is not going to be taken lightly, and an appropriate punishment will be handed down, if he deserves it, without a doubt. It is equally hard to say now if the money will be returned even if it has been established that it is public money, but part of Khoroshavin's property has been seized. This part at least can be returned to the state.

Valeriya Korableva: What about another former governor, Vyacheslav Gayzer, who led the Komi Republic?

Vladimir Putin: The same. I know the case is being worked on. The Investigative Committee regularly reports to me about it in writing. I know that the work is progressing, but it should be carried out in a professional manner, and the case will eventually be sent to court.

Yevgeny Rozhkov: Thank you, Sakhalin. Thank you, Pavel. And we are back to the call centre with Tatyana Remezova.

Tatyana Remezova: Thank you, Yevgeny. We have more than 2.5 million questions.

Vladimir Putin: Sorry. I would still like to say a few words about the fish. We are now preparing a draft law to regulate this industry. Do our colleagues hear us or not?

Yevgeny Rozhkov: I think they do.

Vladimir Putin: To respond to what has been said on Russian plants not working at full capacity and relying on Chinese fish. What is actually happening right now? Today, fish that could have been processed by Russian plants comes on shore frozen. Once it reaches the shore, it goes through clearance procedures, and is then transferred to another ship or is exported on the same vessel, while Chinese fish ends up at our plants.

There is a law being drafted, according to which fish will be brought on shore either fresh or cooled. This way, it would make no economic sense, as experts in this industry say, to freeze this fish and send it somewhere else. So there is hope that Russian plants will get this fish.

Moreover, quotas will be allocated to those engaged in this kind of work, and 70 percent will go to companies that use their own ships. Those who meet these requirements will receive an additional quota of 20 percent of what they have, while those in breach of their obligations to the state would lose the quotas altogether. Another 20 percent will go toward investment activity.

You have mentioned that your fishing fleet is becoming obsolete. Of the 20 percent that I have mentioned, five percent will go toward improving land infrastructure, and 15 percent, or the so-called underkeel quota, will be used to build new vessels. The Government will be in charge of finalising this draft law. There is an endless process underway to coordinate the text with various agencies, but I believe that this draft law will be enacted by the State Duma during its 2016 spring session.

Yevgeny Rozhkov: Thank you, Sakhalin Region.

Let us move to the call centre. Ms Remezova, please.

Tatyana Remezova: Thank you, Mr Rozhkov.

We have received over 2.5 million queries. By topic, housing and utilities and social issues still lead the pack, however, there is also a lot of interest this year in politics, both regional and domestic, as well as foreign policy and Russia's relations with the West. We are even receiving calls from the United States.

We have Eduard Ladov, Balashikha, on the air. Good afternoon, please ask your question.

Eduard Ladov: Good afternoon, Mr Putin.-

Vladimir Putin: Good afternoon.

Eduard Ladov: Why are you not responding to the slander coming from the Western media? Perhaps you should hire good lawyers and sue the media for publishing false information about offshore businesses? Thank you.

Vladimir Putin: I thought that we put this issue behind us, but if you are interested, I can say more about it.

First, strange as it may seem, they do not publish false information about offshore businesses. Their information is reliable. It looks like it was put together by lawyers rather than reporters -judging by the presentation style and the facts. After all, they are not accusing anyone of anything specifically. This is their entire point. They are simply pulling the wool over our eyes. Some of my friends engage in some sort of business. The question is whether a portion of these offshore ***funds*** makes it to government officials, including the President. However, no one could ever think that Mr Roldugin would spend all of the money that he earned there to buy musical ***instruments***.

We have heard here, in Russia, about bribes in the form of borzoi greyhound puppies, but violins and cellos are something unheard of. Moreover, these people's allegations fell wide off the mark, which came as a surprise to them. Besides other considerations, it is also because the items I am referring to are very specific and can be appreciated by all collectors who have them. Selling them to anyone is simply impossible.

The ***instruments*** that Mr Roldugin bought - I believe, he bought two violins and two cellos are unique. The last one he bought (I will say it, because it was already posted online) cost about $12 million. I am not sure if we have ***instruments*** of such value in our country. Rostropovich had one, but, unfortunately, we were unable to buy it - the state had no money for that - and it went to Japan.

The ***instruments*** I am referring to (I spoke with Mr Roldugin) have proper names. This cello is called Stuart. Recently, Mr Roldugin performed in Moscow, I believe, at the Philharmonic, and the reporters said he played an old, apparently used, but clearly much-loved ***instrument***. Indeed, it is a used ***instrument***. It has been in use since 1732, and was made by Stradivarius. The legendary King of Prussia, Frederick the Great, was its first owner.

Of course, such ***instruments*** can serve only one purpose - to please music lovers. However, it did not occur to anyone that we have people like Mr Roldugin. He is now in the process of transferring the title to this violin to the state.

Nevertheless, I am asking all kinds of crooks and the like to settle down. Sergei already has nothing, because he has spent more money to purchase these ***instruments*** than he had, and now he is in debt, even to the agencies and foundations through which he bought all of this.

However, who is engaged in these provocations? We know that there are employees of official US agencies; an article was written - I asked [my] press secretary Peskov where it first appeared - in SA?A.25ddeutsche Zeitung. SA?A.25ddeutsche Zeitung is part of a media holding that belongs to the US ***financial*** corporation Goldman Sachs. In other words, those behind this stick out, but they never blush.

We should not expect any repentance from them. They will keep doing this anyway, and the nearer the elections, the more such stories will be planted. However, they should understand that this is not about specific individuals, whatever their position in Russia. This is about a country that cannot be manipulated, cannot be forced to act and dance as somebody may want it to, to dance to somebody's tune.

If they treat us respectfully, if they seek compromise solutions, the way we do, then we will find a solution that will suit everyone: both ourselves and our partners. Russia should simply be treated as an equal partner. This is the only correct conclusion based on what is happening now.

Valeriya Korableva: A question about elections, not in this country but in America. "Mr President, who is worse for Russia, Clinton or Trump?"

Vladimir Putin: You know, we should look for those who are better. I can only repeat what I said at the end of my response to the previous question, namely, that we have had moments in the history of our bilateral ties when we interacted very closely and achieved very good results on the national and international level.

Today there are also examples of such cooperation, relating to issues of nonproliferation of weapons of mass destruction, the fight against terrorism, the resolution, say, of Iran's nuclear problem, chemical weapons in Syria and the fight against terror in general.

There are also other examples of positive interaction, but our partners, to reiterate, if they act on the assumption... You see, it is not even a matter of specific individuals there. However, if they act on the false premise of their own exclusiveness, this will mean that they will lay claim to a special status and special rights. This is a gnoseological mistake, some experts say. It is essential to go to the root of the problem and act not from the position of force and dictate, not from the position of imperial ambitions, but to act respectfully with regard to all partners, and of course, with regard to Russia. Without this, it is impossible to build modern democratic international relations.

Yevgeny Rozhkov: We have many guests in our studio - both familiar and unfamiliar to you Aca?-' and everyone is bound to have a question.

Perhaps you will give them an opportunity to ask these questions?

Vladimir Putin: Yes, go ahead, please.

Yevgeny Rozhkov: Choose a guest, please.

Vladimir Putin: Fine.I see a colleague raising his hand.

Maxim Khanzhin: Maxim Khanzhin, the Leaders' Club.

Good afternoon, Mr Putin. My question is about Motor Third Party Insurance. Prices went up recently [as did the coverage amount ] and not all car owners are happy about it. I think the biggest Third Party issue is swindling. Here is my question. Could you instruct the Central Bank to look into a switch to compensation in kind, that is, establish a network of regional services where car owners can get their cars repaired at the expense of insurance companies? This way, we will first dramatically reduce swindling, which will make it possible to reduce Third Party Liability rates; second, it will create jobs and, third, increase the tax collection rate. Thank you.

Vladimir Putin: You know, we discussed this issue with Ms Nabiullina not so long ago, albeit not yesterday. Your proposal is probably good and correct, but the Central Bank does not deal with such issues. Nonetheless, I believe we should think about how your idea could be included in the Central Bank's competence and how to carry it out in real life. We will think about it. OK. Thank you.

Go ahead, please.

Raisa Karamzina: Mr Putin, in 2010 you adopted a resolution as the Prime Minister on establishing the Krasnoyariye public enterprise (I am from the Krasnoyarsk Territory, from the North, from Norilsk). Later on, it was supposed to be transferred to the region for operational management with a view to supporting local airports. This resolution has not been carried out to this day. Various reasons are being cited, but these are strategic airports in Dixon, Khatanga and Yeniseisk. You know well what is deployed there.

Vladimir Putin: We will return to this issue by all means. I know that the work there is making slow headway. In fact, there were two resolutions aimed at providing transportation between Russian regions, especially remote areas. Therefore, this is the first point about airports. Now the second point - the establishment of a regional company. It is being set up in the centre but should operate in the regions. Work on these projects is not moving along as quickly as we would like. We will look into this by all means.We will certainly deal with this and will speed up the work.

Vasily Melnichenko: I have a question about villages.

Vladimir Putin: Villages? Please go ahead.

Vasily Melnichenko: The village of Galkinskoye, Sverdlovsk Region.

Mr Putin, we have the 2020 Strategy. According to this strategy, it seems 426 rural schools, over 300 hospitals and 215 kindergartens will be closed in 2016. Perhaps, we should stop developing programmes like this? If we carefully read the President's instructions of May 6, 2014, they do not say anything at all about closing schools, kindergartens or hospitals. The purpose of the instructions was to ensure more efficient and responsible local governance, create more jobs and ultimately eliminate unemployment. The purpose was to create a decent and full life for us, Mr Putin. Mau will be writing to Gref, Gref will be writing to Mau. What are we supposed to do? Let us simply implement the President's instructions, and perhaps this would be enough.

Vladimir Putin: Regarding a reduction in the number of social institutions, some optimisation may be necessary. I do not want to say that the document was nonsense. However, I totally agree with you that we must take into account this country's peculiarities. One of these peculiarities is the fact that in some of our vast areas, the distance between towns may be quite significant.

Under these circumstances, we must, by all means, preserve the social services network, even if, unfortunately, somebody thinks it is excessive. This includes hospitals, or more commonly, paramedic centres and outpatient clinics. In some areas, they can be incorporated into district hospitals, but where this is impossible, the paramedic centres must be retained. A pregnant woman cannot travel hundreds of kilometres on unpaved roads to have a baby. Factors like this should be considered before any action is taken. Unreasonable reduction of the facilities is unacceptable.

Of course, we will look into this situation. I have spoken about this repeatedly. When it comes to the social development plan for rural areas (and the plan exists), nothing can be included without thinking, let alone implemented. We must focus on other indicators, and on setting positive examples.

For example, we had a task to ensure a sufficient number of preschool facilities in the country. This task is now 99 percent complete. This result sets an example for other objectives. It is absolutely inadmissible to reduce social facilities where they are in high demand. We will discuss that.

Vasily Melnichenko: If we implement the President's instructions, we will get a Russian economic miracle. Nothing else is required. All we need to do is follow the instructions.

Natalya Yuryeva: Mr Putin, if I may, I think it would be fair to give the floor to cultural personalities. Mr Mikhalkov, please, go ahead.

Nikita Mikhalkov: Thank you.

Good afternoon, Mr Putin. We have just seen officials respond to the issue of bad roads in Omsk Region. We then learned about the situation on Sakhalin. It has just occurred to me that we would not want this girl to be bulldozed into the ground after what she said. This is the first thing I wanted to say. The second thing I have to say is that on my way here I was stopped near the entrance by two young people with disabilities. They told me that they were invited, but something went wrong and they were not called for. So they asked whether I could bring them in. I said that I could not do it, but nevertheless asked them what they wanted. One of them was Andrei Batalov, who chairs an association of people with disabilities in Rostov-on-Don. They have been asking their regional authorities for help. They want to do business and are not asking for money, they are asking for help. So I thought that since they were not allowed inside, it would be the right thing for me to voice their request.

Vladimir Putin: Very well. You can later submit this document. Does it contain data?

Nikita Mikhalkov: No, nothing, only the notes I made on the way here. This is an association of people with disabilities from Rostov-on-Don.

Vladimir Putin: Ok, we will try to find them.

Nikita Mikhalkov: Thank you.

Vladimir Putin: By the way, substantial resources were earmarked for helping people with disabilities in the Government's anti-crisis plan. It is not however related to helping them engage in business activity, as the ***funds*** are intended for rehabilitation and mobility purposes. This is a completely different matter.

Let us move here. Who will be next?

Olga Krivolapova: Good afternoon, Mr Putin. My name is Olga Krivolapova. I am an associate professor at MISIS National University of Science and Technology.

First, I would like to thank you for supporting research. Second, let me highlight the programme to develop higher educational institutions and make them more competitive. It is already yielding tangible results. For example, it is through this programme that we were able to design a new protective suite and received high praise for it: it won us the Russian Government's science and technology award for young researchers. The question I wanted to ask is whether the ***funding*** will remain at the same level or it will be reduced due to the crisis in Russia?

Vladimir Putin: There will be some adjustments, and part of the ***funding*** will be reallocated as ***grants***. Your university has probably carried out its programmes using ***grants***. What programme did you use? The Russian Science Foundation one, or the one from the Russian Foundation for Basic Research?

Olga Krivolapova: No, we received ours through the Ministry of Emergencies.

Vladimir Putin: Directly?

Olga Krivolapova: Yes, we won in a contest and worked along these lines.

Vladimir Putin: How many people worked on this project?

Olga Krivolapova: In fact, we had a team working on the project, including six young researchers.

Vladimir Putin: What is the average age of a researcher?

Olga Krivolapova: Are you referring to the project or the university in general?

Vladimir Putin: The university.

Olga Krivolapova: About 53 years.

Vladimir Putin: Is this really the average age?

Olga Krivolapova: Yes.

Vladimir Putin: It is even slightly above the national average, but it is fine that way.

Could you pass the microphone, please?

Nikolai Govorin: I am Nikolai Govorin, State Duma deputy from Trans-Baikal Territory.

Mr Putin, in your 2013 Address to the Federal Assembly, you instructed the Government to draft regulations on priority development areas in the Russian Far East and Siberia. Unfortunately, Trans-Baikal Territory was not designated as such an area. Moreover, the territory receives the smallest possible share of government allocations under federal programmes. Irkutsk Region and Buryatia each receive 4.5 percent, while Trans-Baikal Territory only receives 1 percent.

The economic situation in Trans-Baikal Territory is troublesome. We have a new governor, and the number of people leaving the territory has been growing. I am asking you to instruct the industry-specific ministers to include Trans-Baikal Territory in the group of priority development areas, so that we have opportunities for development.

Vladimir Putin: It is true that this issue needs additional consideration. Trans-Baikal Territory was not included in the programmes designed for the Russian Far East. These programmes were prepared because the situation there, in particular regarding electricity and other rates, was the most difficult one in the country. Decisions have been taken to help the regions where the situation was truly dramatic, including in terms of the population outflow, which is greater in Trans-Baikal Territory. This is true.

However, you do not need to have your region included in these programmes. What you need is money, but the money has been distributed among the Far Eastern regions. However, this does not mean that we can disregard the problems of Trans-Baikal Territory. I fully agree with you on this. We do not need to decide whether to include Trans-Baikal Territory in the Far East or any other region. What we should do is find the money to address your current problems. I know this, and we have recently discussed this issue with the Government, or more precisely with the Far East Development Minister and with [Presidential Plenipotentiary Envoy to the Far Eastern Federal District] Yury Trutnev.

Valeriya Korableva: We have been on air for two hours, and we have received over three million calls. Let us give the floor to the call centre.

Vladimir Putin: Please, do so.

Natalya Yuryeva: Thank you, Valeriya. We have very many video calls; in fact, our centre is recording peak figures. People are concerned about their future, and not just for their families but for Russia as a whole, and a country's future is decided at elections. I would like to remind you that we only have five months and two days until the next State Duma elections. The video we are going to play has been made by Dmitry Bocharov from Moscow Region.

Dmitry Bocharov: Hello Mr President, I am Dmitry Bocharov, from Moscow.

Everyone says we should go and vote in the State Duma election, and assures us the election will be clear and transparent. But is it worth taking part in the election when we know that the votes will be counted in United Russia's favour? Thank you.

Vladimir Putin: Well, I've done nothing to earn your thanks just yet. It was Stalin who once said that it's important not who people vote for, but who does the counting. I hope though, that this will not be the case now. First of all, no one has any doubts about the electoral commissions' effectiveness and objectivity, and if people do have doubts, there are also ways for them to protect their interests.

But this is not the real issue. Let me say a few words about United Russia. As you know, this party has been many years in power now and has always carried a great burden of responsibility for all of the problems we still have to solve, including perhaps those for which it is not directly responsible. People are in their right to demand and expect effective work from this party. They are perfectly justified to do so.

It is also true, however, that United Russia acts as a stabilising force in our political system. Why does it carry this particular responsibility? You can take all kinds of decisions, of course, as was the case in the mid-1990s, say, when everyone was busy making promises but no one actually did anything and the economy, social sector, and budget process were simply heading for ruin.

But when you start making responsible decisions about organising complete overhaul of apartment blocks, say, what to do about the housing and utilities sector, how to make sure that needy groups have the medicines they require, decent medicines and at reasonable prices, this always involves compromises of one kind or another, always. It is impossible to completely satisfy all demands. This is a sad fact, but it is the reality all around the world.

Look at Europe's most developed countries. Are people entirely happy with the healthcare systems there? No, let me assure that they are not. Are they all happy with their education systems? No. Are they all happy with their pension provisions? No, there are problems everywhere, absolutely everywhere. Yes, we maybe have more problems, bigger problems, and so we will have to work harder than in other countries. In this respect, United Russia plays a tremendously important role, but this in no way means that the party benefits from preferential treatment of any kind.

If you look back to the recent gubernatorial election in Irkutsk Region, the United Russia candidate didn't make it through in the first round, didn't get the required number of votes. He was short on votes by only 0.36 percent. Following your logic, it should have been a piece of cake to fiddle this figure slightly, but no one did this. In the second round, he lost to the Communist Party candidate. Candidates from parties other than United Russia have won elections in a number of large cities, in Yekaterinburg, Novosibirsk and several others, and recently in Petrozavodsk.

My point is that if people take seriously their duties as voters, no matter whether they want to vote for United Russia or for other candidates they think worthy, we will end up with the government the country desires. I therefore support everyone who wants to come to the polling stations and cast their vote in the parliamentary election.

Yevgeny Rozhkov: Let us talk about elections in detail, especially as they, both the parliamentary and the regional elections, are scheduled soon, in September.

Olga, over to you and your guests.

Olga Pautova: Thank you, Yevgeny.

As we were preparing for the direct line and talking to our guests, it became clear that almost everyone is concerned about this issue, but, of course, political experts are especially outspoken. Today we have political commentator Alexei Mukhin in our studio.

Alexei, please go ahead with your question.

Alexei Mukhin: Political Information Centre, Moscow.

Good afternoon, Mr President. What our voters have on offer is a stock of party brands: United Russia that you just mentioned, the Communist Party of the Russian Federation, the Liberal Democratic Party and A Just Russia. They are led by respected politicians and so on. But, unfortunately, all other brands, all other party associations are kept at bay.

It seems to me that there is a kind of conspiracy here on the part of the brands that have struck root and are part of the establishmentarian setup in parliament, and they simply do not allow others to move forward. In addition, a similar situation is emerging in the nonestablishment opposition. The same faces have been around for years now. Tell me please, are we already doomed to this kind of stability or is there still a chance?

Vladimir Putin: First of all, I would not call our political parties brands; after all, these are large public organisations, not some market commodity. And millions of voters are behind them.

Yevgeny Rozhkov: "Brands" mostly likely refer to the leaders of these parties.

Vladimir Putin: I understand and still, I will state my position on the way the question was formulated. This is first.

Second, as a matter of fact, the situation is exactly the same in countries that cast themselves as mature democracies. This is confusing and it can even be dangerous. Look, over centuries, there have been only two parties at the top in the United States: the Democratic Party and the Republican Party. In Europe, say, in France, there are socialists and conservatives; in Germany, there are Christian Democrats, the Christian Democratic Union and the Social-Democratic Party, and they are all together; there are liberals, but they are, rather, on the sidelines.

Today, amid the ongoing crises, the refugee flow and the [public] discontent, new parties are emerging: Alternative for Germany. I cited the example of Yekaterinburg where a representative of the Democratic Platform or whatever it is called has become the mayor of one of the country's largest cities, so this is already happening here.

As for concrete individuals, take the United States as an example. First Bush Sr was in power there, later on Bush Jr - all from the same family. Clinton was in power for two terms and now his wife is laying claim to this position, and the family may remain in office. What does this have to do with removability? As the saying goes, "Husband and wife are a single devil," and they will be at the helm. I am not saying this is all bad. There are pros and cons to it.

As for the leaders of our parties, you know that the revolutionary events of the early 1990s brought to the fore charismatic people who can lead others - this is the first point. Second, and most important, they have a position. This is extremely important. The CPRF and the liberal democrats have their own ideologies. Sergei Mironov's party also has a socialist ideology. I am referring to the members of Just Russia.

I believe United Russia has generally a conservative, centrist platform. It is sailing our national ship between Scylla and Charybdis, choosing options that are acceptable for large strata of the population, for our citizens, and assuming responsibility for what are not such popular decisions.

This is the current situation, but this does not mean that our list of political parties is not expanding. It is. What decision did we make? To remove certain restrictions for access to elections. I do not remember the exact figures and I wouldn't want to make a mistake, but the number of parties admitted to regional and federal elections has increased dramatically. It turns out, access to elections is not the main issue. First and foremost, they must show electors what they want and how they plan to achieve their goals.

Valeriya Korableva: Let give Sergei Dorenko an opportunity to ask a question, as you wished. Olga, this is in your section.

Olga Ushakova: I believe we will continue talking about the opposition.

Yevgeny Rozhkov: But please pass a microphone so that the audience can hear us.

Olga Ushakova: Our colleague, journalist, Editor-in-Chief of the radio station "This is Radio Moscow!"

Sergei Dorenko: When you started talking about elections and the year of elections, Mr Putin, I was sure that this would be a nerve-racking discussion, and it has begun. We have already been told that the opposition are the "enemies of the people" and we have been shown our former prime minister in the sights of a gun.

I think the role of the state is to set the formats, that this, the limits beyond which nobody should go. Could you tell governors and the public forces here and now, using your massive authority, where it is allowed to fight for the horizons of the future without rules, and where rules must be observed?

Vladimir Putin: Nowhere is it allowed to fight without rules! If we are a civilized state...

Sergei Dorenko: Does this mean that the hunt for public enemies is permitted? You know, if we begin this year with attempts to uncover public enemies, it won't end well. I don't even want to say how.

Vladimir Putin: Yes, I see who you are referring to. You are referring to the head of one of Russia's regions in the Caucasus. I see that. I raised this issue with him personally. That said, let's look at how things are in reality. What is this reality all about? Who is the person you are talking about?

It is true that he now heads one of Russia's regions, the Chechen Republic. Where did he start? By conducting a partisan war against us. Have you forgotten it? He was armed and fighting alongside his father. No one forced his father, no one recruited or coerced him. He came to the conclusion on his own that Chechnya should be with the Russian people and be part of Russia.

This meets the interests of the Chechen people. This calls for a complex transformation of mentality. It was challenging and the need for it came from within. And I know that Ranzan Kadyrov shares these beliefs. He would have never headed any republic within the Russian Federation if he had not been confident that he was making the right choice. You know, these people are ready to risk everything, including their lives. One day he told me: "Let me die in dignity!" They are ready for it, but only if it meets the interests of their people. Still, we need to understand who these people are. I'm not even saying that people in the Caucasus are hotheads. So it is not easy for these people to learn the ropes of serving as a high-ranking government official.

We are all people, we have our past. However, I believe that the head of Chechnya and other Russian regions will understand the level and degree to which they are liable to people living on the territories they manage and to Russia in general. They must understand that undertaking extreme actions or making radical statements regarding opponents does not mean enhancing stability in the country. On the contrary, it is detrimental to stability. Once they understand it, and I'm confident that they will, as they are sincerely committed to serving national interests, there will be no statements of this kind. It may be also that there were omissions on my behalf in this respect.

Yevgeny Rozhkov: Let's move from politics to economics again, or should I say applied economics, as I'm referring to import-substitution. We have a new region live with us.

So, this is the Voronezh Region, Molvest dairy plant. Our colleague Dmitry Kaistro is working there.

Dmitry Kaistro: Good afternoon. We are in the village of Arkhangelskoye, Anninsky District, Voronezh Region.

This is the Molvest Company, one of the largest dairy enterprises in Russia. Not only in Russia, though. If you take a closer look at this dairy farm, it is also Europe's largest, with 5,000 cows of different colours. This company makes all kinds of dairy products, but primarily commercial milk and milk used to make a variety of cheeses sold at our grocery stores.

Today, we have invited the people who work and live on the land and are trying to make a difference for themselves and our country to take part in the conversation. What problems are on your mind today?

Dmitry Zykov: Good afternoon, Mr Putin. My name is Dmitry Zykov. I'm a farmer, and I work in livestock production.

We are concerned about the possibility of the sanctions being lifted. If they are, our products will never find their way to the market. We also have bank loans to repay. If cheap foreign products make it to Russia, we will not, unfortunately, be able to make good on these loans. And this will be the end for us.

Vladimir Putin: Well, it is not a question, as far as I can tell...

Yevgeny Rozhkov: A cry for help.

Vladimir Putin: You have outlined your situation and made your concerns known. You know, I do not think that our partners will repeal the restrictions and limitations with regard to our country any time soon, even despite the fact that the Minsk agreements regarding southeastern Ukraine are being complied with in a dreadful manner. It's not our fault, but, as I am sure everyone understands now, the fault of the Kiev authorities. Still, they are unable to admit that they are now in a dead end. So, they will come up with something in order to keep these restrictions in place. Accordingly, we will maintain the appropriate restrictions on their food exports to our market.

If eventually they come to the realisation that repealing these restrictions serves their own interests, then, of course, they will create a difficult situation for us, because under the WTO rules, we will wind up unprotected if we keep our counter-sanctions in place.

We will closely monitor this process. There are many ways to support our ***agricultural*** sector. We can see - I have already mentioned it today - our farmers picking up momentum and producing more milk, meat, fruits and vegetables, as well as increasing their processing capabilities. There is an extensive support programme in place, and we will certainly do our best to carry it out. But let's look at this problem not with fear, but rather optimism.

Yevgeny Rozhkov: Dmitry, let's have another question from Voronezh.

Dmitry Kaistro: Yes, the farmers and people in the ***agriculture*** sector in general have a lot of questions about product quality. Our hero here has one of these questions.

Alexander Knyazev: Hello Mr President, I am Alexander Knyazev, a farmer with 20 years' experience.

We are engaged in horticulture and dairy farming. Our question concerns palm oil. Milk cannot compete with palm oil because palm oil is so much cheaper than milk. But the nation's health is more important. We have the words 'Smoking Kills' written on all our cigarette packets. Mr President, can't we do the same for palm oil?

Vladimir Putin: You want us to write that palm oil kills? That would be going too far. Not everyone thinks it is so bad for our health, though deception of consumers is a problem to some extent. You have cheese, butter and other products often made with palm oil, but sold as if they were natural products, and this is to some extent deceiving the consumers.

As for whether we should write on the packaging just what is inside the product, including palm oil, yes, we can and should do this, and in this respect I agree completely with you. This matter can be settled through our technical regulations. In other words, we need to take a decision making it obligatory for producers to write the necessary information, in bold, on their packaging.

The Eurasian Economic Commission is now responsible for deciding on matters of this sort. In this area, we need to coordinate our decisions with our partners, including with Kazakhstan, and with Belarus, whose representative currently heads the relevant commission or sub-commission within this organisation.

Our partners in Belarus, and the Government and President there will need to support this decision, but I think they too have an interest not so much in the transit and import of palm oil and using it in food products, as in developing their own ***agricultural*** sector. The Belarusian President takes this area very seriously and gives it much attention.

If for some reason we do not succeed in this, there is another option we could consider, perhaps even an option-and-a-half. We could, for example, introduce excise duties on palm oil, and this would make increase the costs of produce made with it, or we could reach agreements with producers on having them voluntarily write on the packaging information about the ingredients, and in return, the Government will not introduce an excise duty on palm oil. This is a subject we can discuss with the producers. But I want you to know that I am completely on your side. The consumers have the right to know what they are buying. Let's try to settle this matter at least through the ways I just outlined and see how it works.

Valeriya Korableva: Thank you, Voronezh.

Now, back to the studio. I saw that Konstantin Khabensky wanted to ask a question. Perhaps we will give him this opportunity, if you're not opposed.

Vladimir Putin: Please.

Olga Ushakova: With pleasure, thank you. Naturally, many people know Konstantin Khabensky as an actor and National Artist of Russia, but today, Konstantin is here, above all, as the founder of the Konstantin Khabensky Charity Foundation, which helps children with serious brain disorders. As far as I know, your question is of a medical nature.

Konstantin Khabensky: My question is more of a medical nature, yes. Today I have been entrusted with bringing up an issue that is in urgent need of your support, specifically the issue of resuscitation and intensive care wards.

We have a wonderful law, which has been adopted, and which really, stating that the parents, relatives of a child or a young person under 18 in a critical condition, have the right to be present in these resuscitation and intensive care wards. This is wonderful because there is no need to explain that when a person opens his eyes, effectively [returning] from another world, it is very important for this person to see not only the ceiling, but also to feel the warmth of [other people's] hands, and so on.

However it turns out that this law may be "amended" at the local level. Sometimes these amendments are just crazy: they are simply impediments. Although I also understand that chief physicians and directors want everything to be sterile and in order. Nevertheless, at times this comes to the point of absurdity. What happens is that relatives run around nervously, having already found themselves in a difficult situation, trying to obtain some form or another and wondering if during the night [the authorities] may think up something else.

It is simply necessary to combine and supplement this law with a bill that was submitted to the State Duma on March 22: simply to come to an agreement, so that there are no unpleasant surprises at the local level. It seems to me that this is not very difficult. I believe not only age limitations, for those under 18, should be added there. It seems to me that all people who have found themselves in this kind of situation have a right. First of all, they are helpless and need human warmth and assistance.

I do not think this requires any serious ***financial*** input. We should simply agree and say: Folks, let everyone have the same regulations: stringent, but equal. It seems to me that it is not so difficult to get together and come to an agreement. Unlike the story that has been mentioned (and thank you very much for throwing your support behind the artificial ventilation issue last year), thank you very much for responding promptly and deciding that the state should assume the responsibility for providing these ventilators to children so that they do not occupy hospital beds and stay at home, not at the hospital.

We received a formal reply saying that meetings were held, and the issue was considered. The Ministry of Healthcare even sent us a letter saying that they understand everything. Just two seconds more. Here is a letter from the Ministry of Healthcare dated July 6: "The issue of providing healthcare services to critically ill children in need of artificial lung ventilation at home has been settled and does not require any amendments to the laws of the Russian Federation."

This is wonderful. But ten days ago, and I fully trust my team, which has explored this issue in a parallel investigation, I was told a very simple thing. In fact, the situation remains as it was before this issue was raised and the Presidential instructions were issued. For a short moment the problems of this patient group came into the spotlight, but the issue remains unresolved. A week ago yet another child was denied what was agreed upon one year ago. Thank you very much.

Vladimir Putin: The second question is a matter of budget ***financing***. That's all there is to it.

Konstantin Khabensky: I understand that.

Vladimir Putin: When a hospital has artificial lung ventilators, they are working, and of course patients are able to stay in such hospitals. I understand that these people need these devices constantly, which means that they have to live in hospitals. This is very difficult. I understand that.

You know, this is something that I do not want to say, but cannot fail to mention: even hospitals did not have devices of this kind until recently. At least now they have them, and the numbers are growing. It goes without saying that the Ministry of Healthcare will address this issue with the expansion of regional and federal budgets. You were right to say that at least there are no legal restrictions. This device can be installed at home, and if relatives pass the necessary training, they can use it.

As for the first question you have asked about relatives being present in intensive care units, this is certainly a sensitive issue. And I understand why you have highlighted it. The law does not prevent relatives from being present in the intensive care unit, but hospital management usually opposes it.

It is not hard to understand why, since in most cases these are not private wards. There can be people nearby who also need special attention. So if outside people disturb other patients, the hospital management has to impose restrictions. That said, I do understand where this issue is coming from.

Konstantin Khabensky: Mr Putin, trust me. I know first-hand that there is always a place for a person who wants to help. Believe me, such people are always very helpful, including for the medical staff, who often ask for help.

Vladimir Putin: Maybe so. I will definitely raise this issue with Ms Skvortsova, and I'll ask her to think of ways of improving the situation and to do something to this effect.

Konstantin Khabensky: Thank you.

Valeriya Korableva: Mister President, if you don't object, let's return to ***agricultural*** issues. Vera, your section has the floor.

Vera Krasova: We have here a representative of an ***agricultural*** farm from the Kaluga Region, third-generation ***agricultural*** producer Alexander Sayapin. Go ahead, please.

Alexander Sayapin: Good afternoon. Mister President, I took part in the programme, "***Grants*** for Family Farms", in 2012. At that time, I had 40 cows, whereas now I have almost 500. We no longer receive ***grants*** - we do not need them.

You know, farming is making steady headway but our produce appears at retail chains next to that of swindlers. You said they must mention palm oil - already by law - but they simply do not do this. When will they be punished for this?

Instead of punishing jerks, veterinarians invented an electronic vet-certification for us. It will come in force in 2018 - we will have to produce a vet-certification for each consignment. In other words, I will have to issue 1,500 vet-certification per day for two tonnes of produce - I bring fresh produce every day. This is sheer madness and should be stopped somehow. Thank you.

Vladimir Putin: Naturally, as we say the road to hell is paved with good intentions and veterinarian services are certainly explaining such zeal by the need to protect the interests of consumers. But we understand what this may lead to and how this may be organised. So, if you see excessive regulation or control, we will definitely look at the performance of veterinarian services, although I will hardly say anything specific on the direct line. You know, the common trend is to get rid of red tape in the activities of small- and medium-sized companies and ***agriculture*** in particular.

We cannot leave this without control. I hope you will agree with this. We need quality products. They must be clean and they should not be diluted with water. Common sense should prevail in this regard. I promise we will look into this as a separate issue.

Valeriya Korableva: Irina Yarovaya has long been dealing with draft laws on trade. Let us give her an opportunity to express her opinion.

Vladimir Putin: Yes, as for the law, I will return to this law on trade that you mentioned that should have these provisions. But the colleague suggested writing it in large letters as on a cigarette pack. If letters are so small nobody could read them, then this is a formal job. As Vladimir Lenin said in his time: correct in form but sheer mockery de facto. We will see.

Yevgeny Rozhkov: Ms Yarovaya has been dealing with the law on trade for a very long time, among other things.

Olga Pautova: I will just add a few words. This law is designed to make life easier for farmers like Alexander Sayapin and help them finally get access to the consumer at large.

Ms Yarovaya, when will this law be adopted?

Irina Yarovaya: Good afternoon, Mr President.

When sanctions were still a long way off, when everyone day-dreamed about imports and when it seemed that this would save the world, in 2009, remember, you chaired what I believe was a fateful Government meeting with the participation of retail chains and producers, and when prior to that you had paid a visit to a retail chain and "inspected the scene," establishing how much things really cost and how much a customer had in fact has to pay for them. At the time, thanks to you, a law was adopted because many people were sure that there was no need for rules, although we understand that the farmer and the retail chain are entities of a different economic weight and that their rights can only be equated by law.

At the time, crucial decisions were made. Thanks to you, [***financial***] settlement deadlines were established and rules and prohibitions appeared. However, as you may remember, there were also compromise solutions at the time because retail chains made many promises and, as responsible people, we trusted those promises, but stayed alert and verified compliance.

Today, there are two problems that we will probably be able to resolve with your support. Business always complains about high taxes and costly money. Today, the 10 percent of the turnover premium that we agreed to allow the retail chains to keep at the time has turned into a permanent tax on all producers for whatever they supply to a retail chain.

The second problem is, of course, settlement deadlines. It is probably difficult to imagine an entrepreneur who has paid costs and takes high risks to be compensated for the products that he has supplied and no longer owns not in 30 or even 45 days, as we stipulated in the law, but, under all sorts of pretexts and tricks, in another 30 and 45 days, in addition to this. Therefore, Mr President, a year ago, we drafted amendments, realising that if promises are not kept the situation should be corrected and our producers and buyers have to be protected. However, for an entire year now, before the second reading, everything has got bogged down in bureaucratic procedures that lobbyists pursue through issue-specific agencies, effectively impeding the final adoption. I completely support our farmers.

Olga Pautova: Ms Yarovaya, if you could get to the point. Could you formulate your question to the President?

Irina Yarovaya: The fact is that there is no question: There is a request. Mr President, as you were directly involved in taking the initial decision, if we can adopt [the law] in its second and third readings at this spring session and put an end to bureaucratic delays and red tape on this issue I believe this will be serious support for our farmers with regard to import substitution.

Vladimir Putin: Yes, the issue really was very serious during the crisis of 2008-2009. We had to make extra efforts to support our ***agricultural*** sector and our famers. We were active on this then, passed a law. I see that these efforts are starting to slip now, sadly, and no longer producing the results they should have.

This is happening because the relevant government bodies are not giving this matter the attention they should be. Overall, if the law we passed back then were working as it should be, perhaps we would not be seeing the situation we see today, and would not need to make additions and amendments. But back then, we could thank for the results obtained not me, but Viktor Zubkov, who set up the special commission in this area and got it together every week and tried to maintain a balance between the interests of the producers and sellers, and between the retail chains.

I see that there are various obstacles now. On one side, lobbyists from the retail chains are at work, working through the Trade Ministry, and this is natural, this is their job, and on the other side, we have the ***Agriculture*** Ministry, which tries to lobby the ***agriculture*** sector's interests.

There are three areas of work here. You essentially already spoke about this. It seemed to me that they settled back then the issue of speeding up payment for goods coming to the retail chains, and took decisions too on products with a short shelf life (I think they set a 10-day limit for making payments). But if there are still outstanding issues, we should come back to these problems and arrange the needed legal provisions to sort them out.

We also need to work out and settle on fair prices for the so-called bonus for shelf space. There are various proposals here, from zero to quite big figures. As far as I know, or what I was told at any rate, a compromise has been found at somewhere around five rubles, or five percent of the good's cost.

What we absolutely do need to do in this area, in my view, is to give broader powers to the Federal Anti-Monopoly Service, because it currently hardly works at all in this area of the economy. This too should be fixed in law. We should not delay here. I hope the Government will complete the approvals process and the State Duma will examine the draft laws during the spring session.

Yevgeny Rozhkov: News continues coming in. The TASS agency reports that a criminal case has been opened at the fish processing plant on Shikotan that we heard about before from our reporter Pavel Zarubin. We don't know the details yet, but we are following the news feed and we see the responses taking place.

Nailya, you probably have more questions about business in your sector.

Nailya Asker-zade: True, there are many entrepreneurs in our sector. One of our guests is a man who does not leave ministries and departments in peace, because he monitors their cooperation with small and medium-scale business. His name is Artyom Avetisyan, and he is from the Agency for Strategic Initiatives, Chair of the Leaders' Club.

Mr Avetisyan, will you once again scold the controllers?

Artyom Avetisyan: Good afternoon, Mr President.

We not only travel to Antarctica and the North Pole with the Leaders' Club, but we also continuously monitor the situation among businessmen.

Not long ago, we took a look at how things stand with inspections of business. For objectivity's sake, I should say that life has indeed become easier for someone. But for the majority, I'd like to point out, when you ask them "Well, have you had fewer inspectors?" their eyes open wide in surprise: "What? They are like a mad dog on the loose, and don't you dare complain." Some businessmen have up to four inspections over a year. We have tried to figure it out why this is so.

It turned out that there is a certain principle, I would call it punitive. When inspectors come, and even if everything is all right, they simply cannot leave without finding fault with at least some trifle. This reminds me of the "rod" system the police used to practice before. And at this complicated time, instead of treating business gently, they continue pressing it. And no matter what the Government does, and the Government does a lot, or what [tax] vacations are being ***granted***, business remains just as it used to be: a milking cow, if you'll forgive me this old-fashioned comparison. That said, Mr President, my question is pretty clear: when will the authorities finally take their attitude to business to a new level, from unilateral milking to normal healthy partnership?

Nailya Asker-zade: If I may, we have many businessmen facing this problem. May I give the floor to somebody else?

Introduce yourself, please.

Vyacheslav Zykov: Vyacheslav Zykov, the Bris-Bosfor company, Novorossiysk. We produce footwear. We are the largest footwear producer in Russia. I started my business as an ordinary private entrepreneur in the 1990s. In the late 90s we built a factory and have expanded to this day. The factory employs more than 2,000 people. We are doing fairly well, production is growing. And my question is in tune with the previous one: when will they leave us, businesses, alone, since we have really been tormented by inspections?

Vladimir Putin: I see. Is that all as regards the theme of inspection?

You know, we are constantly working on this problem. But such is our mentality, especially when it comes to bureaucrats, if someone has some status, he tries to squeeze maximum advantage out of it and secure rent. They are laughing over there, but this is not funny. Yet, I believe that both the first speaker and our second colleague, who asked his question, surely know that after we imposed rules stipulating that all inspections must be coordinated with the prosecutor's office, the number of applications for inspections has decreased by one-third. And of the total number applications filed, the prosecutor's office does not confirm 50 percent of those applications as necessary. And this work will continue. And together with the business community we will also look for additional means and use them to create a favourable business climate.

As you know, a decision has been made on vacation for small and medium-sized businesses for inspection activities. A colleague involved in the ***agriculture*** industry has mentioned that they are "pestered" by sanitary services. These cases should be considered separately, and we will do this. Constant efforts should be made together with you, and we should seek the issues that raise most concern. We will work together on this.

Yevgeny Rozhkov: We have people involved in inspecting activities present here today, in this sector.

Vladimir Putin: You have eagerly raised your hand to ask a question. Yes, you. Pass the microphone, please.

Avdotya Smirnova: Good afternoon, Mr President.

My name is Avdotya Smirnova and I am the director of the Foundation for Assistance for Autistic Children in Russia. A very good and progressive law on education has been passed. This law holds that each and every child should have access to education, including those with a severe form of autism. However, in general education schools and kindergartens in all regions, except the Voronezh Region, where this issue is approached in a systemic matter, and the Belgorod Region, where more efforts are being made in this regard, such children are nearly always refused. Schools refuse to teach them for various reasons: under subordinate acts, due to the lack of a special environment or the lack of specialists. They suggest to parents that their kids be educated at home - so we have ended up with not just one child but an entire family closed up within four walls. What should be done to have the law on education work for autistic children as well? Thank you.

Vladimir Putin: Thank you. You should be be thanked, not me, for your work in this field. It is early to thank me - you have just mentioned that the law fails to work in this respect. What are we to be thanked for then?

But generally speaking, I think the problem is not about us but about society not yet being ready for full inclusive education. But the government should support efforts made by such people as yourself, and should itself promote the idea of inclusive education, and all the more so as children with autism deserve such support in full. As you are involved in this, you probably know this better than I. I mean, you are completely aware that such kids are often very talented and even gifted. They have the ability to focus their attention on one matter in a way that is impossible for other people, and can achieve surprising, even outstanding, results. Of course, their families should receive support. What can I say? We will make every effort in this regard.

Yevgeny Rozhkov: If you allow us to take back the reins of hosting this programme, we will return to oversight agencies, since there are also thousands, if not tens of thousands of unfair cases.

Vladimir Putin: You know, as we talked I saw a question that appeared on the screen. I think that it was an interesting one: "Will the EurAsEC get a national currency?" This is a vast subject. Generally speaking, it is an interesting one. Perhaps one day it will become possible, but only at a stage when member states of the Eurasian Economic Union are on the same page in terms of economic development and structure.

We should by all means avoid the mistakes of the European Union when it introduced a single currency. The difference between the economies of its member states was so huge that it led to major challenges, such as for example the Greek crisis. The country received hand-outs from the EU, but these hand-outs did nothing to foster economic development or improve the structure of the Greek economy.

We have to take these issues into account within EEU and move forward step by step. Of course, this is all voluntary, and we need to have full consensus on this matter. We must all want it, including Russia and its EurAsEC partners.

There was also an observation rather than a question. Someone wrote: "Your work is anything but easy. But working behind the counter or in a mine is not easier." Good point. I fully agree. My best wishes to those working in mines, behind the counter and anywhere else.

Here is another interesting message. A family with many children in Stavropol received a land plot, but later it was taken away from them because some kind of regional law was adopted, under which the family was no longer viewed as in need of assistance. How is it possible that a land plot was taken away from a family with many children? I don't understand. I will surely raise this issue with the Governor of the Stavropol Territory, Mr Vladimirov, who by the way has the same name and patronymic as I do.

Yevgeny Rozhkov: Shall we give oversight bodies an opportunity to speak out?

Vladimir Putin: Yes.

Yevgeny Rozhkov: After all, those who are inspected had their chance, while those who inspect them did not.

Vladimir Putin: Go ahead.

Yevgeny Rozhkov: Ms Pautova, your turn.

Olga Pautova: It is true that we have quite a few guests here who can contradict what businesspeople have said. I would like to present Alexei Mikhan, a fire safety inspector.

Alexei, go ahead with your question for the President.

Alexei Mikhan: Good afternoon, Mr President.

Unfortunately, it is impossible to fully renounce inspections. Even during this event, we can see that the state has a major role to play. Nevertheless, in order to reach some kind of a balance and compromise with the entrepreneurs, we need to think about some kind of a law of a framework that would enable us to issue instructions at the first stage instead of imposing sanctions right away, and use sanctions only if the instructions are not followed up upon.

Yevgeny Rozhkov: To the full extent.

Vladimir Putin: We work and think on the same wavelength. In fact, a Presidential instruction has already been issued, saying that this is how oversight bodies and regulators should work. Moreover, regulatory amendments to this effect are in the pipeline, and I hope that the Government will enact them in the near future. (Applause.)

Valeriya Korableva: Well, on to a different subject. Here is a question from our programme's website. You have mentioned the Minsk agreements already today. The question is: "Why all this talk about Minsk 2? The Minsk agreements are not implemented and, to all appearances, will not be implemented by Kiev. What will become of Donbass? Will another war break out?"

Vladimir Putin: Right, much has been left hanging with implementing the Minsk agreements. I will try to be very careful, but there are obvious things. Their obviousness lies in the following:

Political issues are the top priority when we address all those problems in southeastern Ukraine. The population of these territories must feel safe and realise that they have modern civilised rights, and the right to exercise these rights.

What I mean is this. Constitutional changes should come first. According to the Minsk agreements, the Ukrainian Constitution should be amended before the end of 2015. However, as we know, these changes came through the vote in the first reading but got stuck in the second. After all, it is not up to us to change the Ukrainian Constitution.

As was stipulated, the law on the special status was to be introduced de facto within 30 days upon its signing. It has not been introduced, however. The endorsement of the amnesty law was also stipulated. It has been adopted but the President has not signed it. It is not our duty to do that. Is this clear? They keep complaining that shooting is heard from time to time along the demarcation line. It is a false excuse, however convenient it might be for those who do not want to comply with the Minsk agreements - excuse my bluntness.

They start shooting and get return fire, and there they have a skirmish. Does this mean that there is no need to implement the Minsk agreements? No. There is no alternative to the implementation of the Minsk agreements if the problem is to be settled. The United States, Europe and our other partners say: You know, they have a complicated domestic political situation, so they cannot do it. Maybe they cannot, but what do we have to do with it? You see, that is what the problem boils down to.

However, if the Ukrainian authorities and our European partners really want us to travel that road and come to the right goal, it demands teamwork with partners in Kiev, where the President, the incoming and outgoing prime ministers, and the entire opposition are linked with Western countries one way or another. Exercise your influence on them, then, instead of repeating again and again that Moscow should implement this and that. We have done everything we were supposed to do, and they also have to do something now.

Let us see how the situation develops. We are willing to promote the process in any possible way. I proceed from the assumption that there will be no active fighting anymore. On the contrary, when I talked with President Pyotr Poroshenko recently, he suggested - it was really his suggestion - that the OSCE presence should be enlarged, particularly, that armed OSCE officers should be present along the demarcation line, to have the ceasefire fully observed.

I think this is the right thing to do, and we support it. Now, we should work with our Western partners for the OSCE to pass this decision, increase its staff substantially and, if necessary, authorise its officers to bear firearms.

Viktoria Korablyova: While we are on the air, Ukraine has got a new prime minister. As expected, Vladimir Groisman headed the Cabinet. What do you think of the new Ukrainian Government?

Vladimir Putin: Nothing. I cannot think of the new Ukrainian Government, as I know nothing about it. I know nothing about its composition, about what priorities it will set, about what it is going to do. I only know what was planned to do and what was really done.

If I am not mistaken, the Ukrainian Government, the former Ukrainian Government now, approved a plan of action in late 2014, which consisted of nine points. Only two of them were implemented - and incompletely. I am not going to comment on them, you can find this information on the Internet.

The results are certainly harsh. In Russia, we have the expression "to shift challenges and problems to the people's shoulders." Today's Ukraine is just the case. We say we have very high inflation - 12.9 percent. Yes, it is high, but it tends to decrease, even significantly decrease. But inflation in Ukraine is over 48 percent, can you imagine that? It is beyond all reason. Gas prices rose not by a few percent but by 3.3 times; heating prices - by over 50 percent, if I am not mistaken; electricity prices grew by some 53 percent last year and are expected to rise by another 63 percent this year.

I think it is economically unfeasible. Why? Because the share of population paying for gas, for example, was the lowest among CIS countries: I do not remember the exact number - something about 20 percent, Mr Miller told me about that. But if gas prices grow by over 3 times, nobody will pay then - that is the problem.

However, we need a stable and prosperous Ukraine. And we really hope that our expectations will come true. Although the crisis that began there due to the well-known EU Association Agreement is some kind of man-made, some kind of nonsense. I cannot understand why this was done. It seems to me that it just served as a tool for regime change, nothing more, and nobody cared for the people.

They signed an agreement; it entered into force: "This was a civilized choice." What civilized choice are we talking about? Oligarchs are still in power. Some are trying to make a scandal concerning offshore assets, but in Ukraine, even the national leaders are billionaires and entrepreneurs with offshore companies. Okay, he earned a few billion and then handed the control over to a nice girl who, for example, a great lawyer - and so what? Did he forget about these offshore assets? Nonsense. Anyway, he will continue to control them and give orders on what should be done. De-tycoonisation? No way, oligarchy is becoming stronger. It is not even certain people to blame but the clan management system that has strengthened in recent years. And this is not just our assessment but also that of our Western partners. I am telling you, I know what I am talking about.

Nevertheless, we are interested in Ukraine getting back on its feet, in having a reliable partner and in ensuring that what is happening now, even in the economic sphere, does not happen. We have established zero customs tariffs with Europe for them, while [their] trade turnover with Europe fell by 23 percent and with Russia, by 50 percent. Who has gained from this? Why was this done? This is incomprehensible.

Yes, we introduced countermeasures in response to Ukraine joining the EU sanctions against Russia, but we introduced them half a year after they did. And then my colleagues tell me: "Why did you do this?" I say, "Listen, you, the EU, introduced sanctions against us and we did nothing for half a year; we were waiting for you to come to your senses." "Well, this makes no difference to you, but it is hurting us because..." Well then, they should not have done that.

Nevertheless, I hope that the new government will draw conclusions from what has been happening recently and will act pragmatically and in the interest of the people, its own people, and not be guided by some phobia or another just to please some foreign agencies.

Yevgeny Rozhkov: We have been working for almost three hours now. They tell me over 3 million questions have been submitted to our programme's website. The rate at which calls are coming in is also growing. Let us go to the processing centre. Tatyana, go ahead please.

Tatyana Remezova: Thank you, Yevgeny. The rate at which calls are coming in, I can tell you, it is 2,500 calls per minute and 8,000 SMS and MMS messages per minute.

The Russian people are displaying close interest in the decision that you, Mr President, announced last week, i.e., the creation of the National Guard. We can put a call on this subject on the air. Abdurakhman Khavchayev from Dagestan. Go ahead please.

Abdurakhman Khavchayev: Good afternoon, Mr President.

I would like to ask what prompted you to issue an executive order on the creation of the National Guard? Why did the Internal Troops cease to meet the requirements? And will the National Guard have functions and powers that the Internal Troops did not have? Thank you.

Vladimir Putin: What prompted me to do this? I should tell you that this question has been discussed for a long time and from various angles. The first and perhaps the most important consideration behind this decision is the need to place the circulation of weapons in the country under special control. If you paid attention, this decision involves not simply removing the Internal Troops from the Interior Ministry, but has to do with the fact that everything connected with weapons, with firearms, is concentrated within this agency. This includes all kinds of guard services, the licensing system, oversight of private security companies and also the Internal Troops themselves.

We hope to make this work more efficient and to minimise maintenance costs for various services. This position was also actively promoted by the ***Finance*** Ministry, by optimising primarily administrative and staff structures. This is also related to what happens and should happen in the Interior Ministry and the National Guard itself.

Yevgeny Rozhkov: The reform of the ministry of the Interior turned out to be fairly large-scale. Employees of the FMS and the FDCS, the Federal Migration Service and the Federal Drug Control Service are asking many questions: "Why have these services been disbanded?" We receive the following queries: "Tell us what will happen to FMS employees? There are no vacancies in the Ministry of the Interior, are there?" I will add a question of my own: Will this reform delay the issue of passports? It would be nice to know.

And one more question: the FDCS has been also disbanded. What will happen with the thousands of its employees? Mass-scale cuts and, hence, thousands of unemployed?

Vladimir Putin: No, there will be no mass-scale cuts. Certain streamlining is inevitable and I have already spoken about it but it will be carried out for the most part at the expense of servicing departments: staff, ***financial*** and so on.

As for the FDCS, the Federal Drug Control Service, this is what should take place there. Let us say it has an investigating unit. Naturally, it should merge with the Ministry of the Interior's Investigating Department. The same applies to servicing units: accounting and so on. Some streamlining is possible at this point and the Ministry of ***Finance*** counts on it.

As for the operatives, the main workforce, we realise full well that they cannot be reduced. Nobody is going to do this by virtue of the tremendous tasks that this agency addresses. That said we believe we will manage to avoid overlapping of the Ministry of the Interior and the former FDCS, because the ministry's task was to counter drug trafficking as well. What's the point of two departments working in parallel? To the contrary, we hope for a positive change here.

The same applies to the Federal Migration Service. First, there will be no delays in the issue of passports or other documents; and, second, it is impossible to monitor migration flows without the Ministry of the Interior's active involvement. This is simply impossible. Considering how sensitive migration processes are, the state should enhance its attention to them rather than decrease it.

In effect, these were the considerations for making these decisions. Let me repeat that we discussed them many times, in part, at the Security Council level.

Valeriya Korableva: Nagorno-Karabakh is another case in point. There are many Russians who are ethnic Armenians, and over one and a half million ethnic Azerbaijanis have Russian passports. It is now uncommon for them to live side by side, engage in joint ventures, and even become relatives. It goes without saying that what is now happening in Nagorno-Karabakh is a matter of grave concern for them. So the question is: "What prospects do you personally see for settling the Nagorno-Karabakh conflict?"

Vladimir Putin: This is a very sensitive issue, and I believe that we should be very cautious in dealing with it, just as the well-known, "Do no harm," principle in medical ethics goes. This is a long-standing issue, a conflict that has been frozen. Unfortunately there has been a surge in violence. We will do our best to resolve it and find solutions that would be acceptable for both parties.

Of course, Karabakh needs long-term solutions. Let me emphasise that they can be reached only through political means and compromise, which is a common thing to say, but I can't think of anything else.

A few years ago it seemed that we had come close to a compromise. Unfortunately, it turned out that it was not the case. We will continue our international efforts and carry on bilateral cooperation along with activities to resolve the Nagorno-Karabakh issue.

No matter what is said on this subject, Russia is interested in settling this issue, as we want to have full-fledged cooperation both with Azerbaijan and Armenia. You were right to mention that many people of Armenian and Azerbaijani origin live in Russia, there are millions of them. Thank God, there are no problems of this kind in Russia. Moreover, I know both Armenians and Azerbaijanis who, despite all the tragic events, maintain very good relations on a personal level. I believe that this is the right way to go. Russia will do what it can in this respect. Of course, the people of Armenia and Azerbaijan must have the final word in the resolution of this conflict.

Yevgeny Rozhkov: It is now time to move to another region - Tomsk. We are live with the Tomsk State University and our correspondent there is Pavel Krasnov.

Pavel Krasnov: Good afternoon to the Moscow studio.

Greetings from Tomsk. This is a city of students, researchers, one of the key research and educational centres in Siberia, as well as Russia in general.

We are now in Tomsk State University. This was actually the first higher educational institution the east of the Urals. It was established in late 19th century. Back then, the name of the university was much longer. It was called the First Siberian Tomsk Imperial State Classical University. Since then, the name got shorter, while the university itself grew and expanded. And it was not alone. Tomsk is now home to a number of major universities, and 20 percent of local residents are students. Of course, there are no students without faculty and researchers. They are all here today: students, faculty, researchers and those who dedicated their lives to academia and higher education. We invited them here, to the so-called professor room of Tomsk University's research library.

I would like to start by introducing Professor, Doctor of Science, Member of the Russian Academy of Sciences Yevgeny Choynzonov, who heads the Tomsk Cancer Research Institute. Mr Choynzonov, you can now ask your question to the President.

E. Choinozov: Good day, Mr President!

Our country has been pursuing the reform of the Russian Academy of Sciences for two and a half years now. Nearly all research institutions of the country have been involved in the process, and a large medical research centre has been set up in Tomsk. However, the research community is divided on the deadlines, phases, and ways of reforming the Academy. Perhaps, it is premature to make even preliminary conclusions, but I would still like to ask you, Mr President, whether the first years of the reform have lived up to your expectations. And how effective, in your opinion, is the interaction between the Federal Agency for Scientific Organisations and the Russian Academy of Sciences?

Thank you.

Vladimir Putin: They have more so than not. One of our priorities when we launched the reform of the Academy of Sciences was to involve young people in doing research and development. We have recently seen a sharp rise in the number of young researchers. If I am not mistaken, young scientists under 35 now make up over 40 percent - almost 50, or 49 percent. And this is a good indicator, first of all.

Secondly, we have been talking about how to overhaul the way research institutes operate, how to make them focus on breakthrough areas. And here I also see positive changes, because, you know it better than me, modern science is developing mostly at the junction of subjects, and when we merge large research centres that survived from the Soviet days, we can end up with - and we do - very good, efficient, young and promising creative research teams working in breakthrough areas of modern science, working for the future.

And I believe we are acting very carefully because we introduced a moratorium on using real estate property, material values and all the property that was left from Soviet times. And it was in general done properly, I mean we did not lose anything. Still, we are following the path of reform, at least in the sense that we are uniting some fairly large and promising research centres. So there is headway, and it is positive.

Valeriya Korableva: Another question from Tomsk.

Pavel Krasnov: Thank you. I would like to add that Tomsk, a city that boasts vast scientific and educational traditions, is known not only in Russia but also far beyond its borders. Students from almost 50 countries study in the city's universities, and there are even teachers from abroad. One of them is present here today. Eva Burbo, who was born in Lithuania and arrived in Tomsk after her studies in the Netherlands, would also like to ask her question to the President. Go ahead, Eva.

Eva Burbo: Good afternoon, Mr President. I am a graduate of the Maastricht University Faculty of Law. Honestly, it is a great honour for me to ask you a question, as I follow Direct Line every year.

My question has to do with security. Currently, the situation in Europe is uneasy following the recent events, and I no longer associate the word "security" with the word "Europe," as the feeling of safety is lacking. I have worked here in Tomsk, at Tomsk State University, for half a year already and, frankly, I feel very comfortable here and, I can say with confidence, safe. Along with myself, there are also others among my colleagues from European countries, such as Italy and Germany. So, here is my question: what do you think of the possibility of more European students and teachers arriving in Russia in the near future? Is there any make it easier for them to be admitted to Russian universities? Thank you.

Vladimir Putin: Indeed, Europe is facing serious challenges, and you probably feel more safe in Siberia than, say, in Paris or Brussels. And I say this without any irony, just the opposite, I am totally serious, giving due credit to our colleagues, who are making attempts to effectively tackle terrorism amidst the uneasy conditions of European liberalism.

The freedom of movement, the Schengen Area and many other things related to today's freedoms are used effectively by terrorists, and it is quite difficult to combat this under the present laws.

Russia is not part of the Schengen Area, and I think you can rightly talk about a greater feeling of security than in Europe as a person living currently in Tomsk in Siberia. We will definitely welcome foreign specialists and students arriving to work and study here, and I have to say, their number is growing. I do not know if there are restrictions - I believe there are none; there are only restrictions as to the publicly-***funded*** spots for foreign students - they do exist, that is true.

In other words, the Russian budget - this mostly applies to developing countries - provides government-subsidised slots for free tuition, but otherwise for the most part, of course, you have to pay. However, I do not think there are any restrictions on paid forms of tuition. Still, if you see that something is hindering the increase in the number of interested parties, we will look at this again.

Regarding additional methods of enlisting, say, foreign specialists, these include ***grants***; we have maintained mega-***grant*** programmes for all scientists regardless of whether they are Russian or foreign or Russians living abroad. If their areas of research are of particular value to us, they come here, hire local personnel, employ domestic researchers and work. We will continue this practice.

I wish you success. All the best.

Valeriya Korableva: Thank you, Tomsk.

There is a question on our website related to the Timiryazev Academy. It comes from Yekaterina Lavrova, a postgraduate student at the Russian State Agrarian University. Here is her question: "In the current situation, when the issue of import substitution and training highly professional personnel is looming large in Russia, all of a sudden it became necessary to impound the lands of our Timiryazev Academy. Tell me please, is it really necessary to take land from an academy where unique tests are conducted, and what is rationale behind this?"

Vladimir Putin: Recently, just a few days ago, I was brought up to date on the situation by Andrei Fursenko, my aide and former science and education minister. We agreed that, first, the Timiryazev Academy will be left alone, although of course Moscow should develop and housing construction should continue. We will certainly discuss the issue with the Government. I do not think there will be any problems here.

Nevertheless, the Timiryazev Academy itself should make efficient use of the resources that is has, including its land resources. If this land was provided in its time for research and the for carrying out this primary activity, then this activity should be carried out efficiently.

Valeriya Korableva: Let us give the floor to Tatyana Remezova at the call centre.

Tatyana Remezova: Thanks, Valeriya.

Let us not waste time and answer a call. The editors are telling me that we have Natalia Kindikova from Moscow on the line.

Good afternoon, Natalia. What is your question, please.

Natalia Kindikova: Good afternoon, Mr President!

My name is Natalia Kindikova. I am speaking on behalf of all stakeholders from the Solnechnogorsk District in the Moscow Region, 850 families in total. We invested over 4.5 billion rubles in the construction of two villages, Bely Gorod and Nemetskaya Derevnya. The owners of the Sabidom company began the construction but then froze it, pocketing our money. Some stakeholders used their maternity capital to pay for housing. Despite hundreds of complaints to the Interior Ministry, criminal proceedings were not initiated for almost a year.

We understand that you cannot return our money to us, but could we ask you to order an investigation to find and punish the defrauders and to help us find reliable investors to complete the construction? Thank you.

Vladimir Putin: Have you turned to the law enforcement authorities?

Natalia Kindikova: Of course, we have.

Vladimir Putin: Could you repeat the address of the construction site?

Natalia Kindikova: The village of Nikolo-Cherkizovo in the rural town of Kutuzovskoye. Solnechnogorsk District, Moscow Region. Our non-existing village already has a name - Bely Gorod - and the second village, Nemetskaya Derevnya, is located nearby.

Vladimir Putin: I promise you I will make every effort to draw the law enforcement agencies' attention to the problem. Now we do not know how this story will end, but we will do our best.

While we were speaking with you, I looked up at the running screen - not the running letters

but the screen and saw a question about the National Guard: "The National Guard is subordinate to the President. Do you not trust the law enforcement ministers?" It is not about trust but about the fact that the National Guard has been established as a separate independent federal agency like a ministry, and all law enforcement ministries and agencies are subordinate to the President.

Valeriya Korableva: Now we will connect to one more location where our colleagues are working. This is Tula, Russia's weapons capital. I am giving the floor to Anton Vernitsky.

Anton Vernitsky: Tula is Russia's weapons capital. This is Rostec's ***Instrument*** Design Bureau. Its workers call it the IDB. The latest Russian weapons are being assembled at this munitions factory. What is this complex called?

Remark: Bakhcha.

Anton Vernitsky: Bakhcha is a unique module that can be installed practically on any platform, from ICVs and airborne combat vehicles to warships. They fire practically automatically, without human involvement. And this is the Pantsir air defence complex, or, to be more precise, its combat element, which is also produced at this plant.

Such complexes protect the Russian skies, including the skies above Moscow. Some of them are now operating in Syria. They are located around the Hmeimim air base, where our Russian pilots are staying. Here we have gathered people from completely different occupations, and we will of course talk about the defence industry.

The first question comes from a young specialist.

Question: Good afternoon, Mr President.

Our operation in Syria demonstrated top-notch Russian-made weapons. How can we consolidate this success and sign more contracts with foreign countries for our arms supplies?

Vladimir Putin: This is what is going to happen.

First, recently we held a meeting of the Special Commission on Military-Technical Cooperation. In its open part I described what our weapon makers have achieved in conquering international arms markets.

We occupy a stable second place. The first place belongs to the United States: they sell more weapons than anyone else. We are lagging a bit behind the US but not much. The gap between us and those behind is huge, a factor of several times.

I believe last year we sold almost $15 billion worth of arms. The year before last was the same, and the last year we sold $14.5 billion worth of arms. The total portfolio of orders for the next few years amounts to $50 billion.

The interest in our weapons, especially (as you rightly pointed out) after or during the operation of our Aerospace Forces, and the Armed Forces in Syria in general, has sharply increased. We cannot meet the requirements of the foreign market in certain types of arms, for instance, air defence systems.

This is exactly why - or this is one reason, among others - we even had to build two new plants for the production of this hardware. It is even possible to say three, and I visited one of them recently. So, we are on the upsurge in this respect.

Valeriya Korableva: And how did our combat equipment manifest itself in Syria? Maybe some shortcomings were revealed?

Vladimir Putin: Yes, everything was revealed, including shortcomings. I must openly admit that there were quite a few. Specialists are now meticulously analysing them. Moreover, when military hardware was used in combat conditions, specialists from many plants came to the site to bring this hardware to the required condition. The work continues.

Yevgeny Rozhkov: We are waiting for another question from our arms manufacturers. Anton?

Anton Vernitsky: Mr President, you have often been to Tula, including this enterprise. As we talked to employees before going live on the air, we remembered a story where one worker asked you for a souvenir and wheedled a watch out of you. We tried to invite him to this call-in show...

Vladimir Putin: I have come without a watch today. (Applause.)

Anton Vernitsky: We wanted to invite this worker to the show but the management said he had left on an urgent out-of-town assignment. Even so, we have a question from the head of the department where this wonderful man works and where we have gathered today.

Vladimir Putin: First of all, give my best regards to your employee. I hope that he uses this timepiece.

Yury Kuznetsov: He does. He is now at Alabino, preparing the equipment for the parade.

Vladimir Putin: I see.

Yury Kuznetsov: Good afternoon, Mr President.

Vladimir Putin: Good afternoon.

Yury Kuznetsov: I am Yury Kuznetsov, head of the heavy machinery assembly shop. My question will surely be of interest to all defence industry workers. At present, we have a lot of orders, a lot of work. We buy new equipment. A large number of young people have joined us. However, there has been frequent talk recently to the effect that it is necessary to reduce state defence procurement orders. Could it so happen that we will be left out of job and that, as in the 1990s, we will have to carry out conversion programmes such as manufacturing saucepans, frying pans, and other household appliances?

Vladimir Putin: Indeed, this is not an idle question. However, first of all, I should tell you that state defence orders will not be reduced. True, we are reducing the budgets of the Defence Ministry and some, in fact, practically all defence, security and law enforcement agencies. Yes, we are doing this in connection with well-known budgetary constraints. And this is absolutely natural in the present-day situation.

We should temper the appetites of defence, security and law enforcement agencies, just are we are doing with regard to civilian agencies. It is essential to make a more efficient use of budgetary resources. However, these constraints apply to current operations, I stress, current operations, not state defence orders. The state defence order will be fulfilled in full.

However, you are right in that the number of contracts and the utilisation of manufacturing capacities this year and next are at a peak level, but then it will start to fall as our Armed Forces are provided with modern arms and equipment, which should account for up to 70 percent. Naturally, the question of how to utilise manufacturing capacities in the future will come up.

Needless to say, we should think about this now, and not only we but also you should think about this. We should think about the conversion of enterprises. As defence enterprises are provided with modern equipment, a total of about 3 trillion rubles has been earmarked for this - we act on the assumption that the equipment what will be procured can also be used for conversion in the future. Perhaps it makes sense to give more leeway, so to speak, on certain positions with regard to the implementation of state defence orders... By the way, this is exactly what we are doing, but without any reductions.

We meet regularly, twice a year in Sochi to discuss these issues, among others. Why Sochi? We go and I take everyone along with me so as not be distracted by some other, also quite important issues. But we specifically discuss the implementation of state defence orders, the status of the industry and the objectives of modernising the Armed Forces, how these plans are implemented and what needs to be done to accomplish everything on time and with good quality.

Valeriya Korableva: Thank you, Tula. It is time we go to Natalya Yuryeva in the call centre.

Natalya Yuryeva: Thank you, Valeriya.

By now, we have already received nearly 50,000 MMS messages, nearly 12,000 video calls and over 10,000 video questions. Apart from serious questions, we have had unusual ones as well. Some have invited you, Mr President, to their birthday party, and some have asked to be invited to see you in the Kremlin.

Most of the questions come from the Central Federal District followed by the Southern and the Northwestern Districts. Interestingly, men sent more video questions than women for the first time. Children are also very active. But girls are the leaders here. Here is a video sent in by Alina, a first-grade schoolgirl.

Alina: Good afternoon, Mr President.

Vladimir Putin: Hello.

Alina: My name is Alina, and I am in first grade. Could a woman become president of our Russia? Because daddy says that only Putin can deal with America. (applause)

Vladimir Putin: Alina, we should not focus on how to deal with America. We have to think about how to deal with our domestic affairs and problems, our roads, our healthcare, education, how to develop our economy, restore it and reach the required growth pace.

If we do all this, we will not have to deal with anybody because then - only in this case - we will be invulnerable people with bright prospects who want to live in this country and are proud of it. As for a woman president, maybe a woman would do best at tackling these problems.

Natalya Yuryeva: Here is another child's video question.

Remark: What university does one need to go to become president? Thank you.

Vladimir Putin: Any one, the main thing is to be a good student.

Natalya Yuryeva: Now let us hear from not just one child, but a whole group of children.

Vladimir Putin: Certainly.

Question: Mr President,

We ask you on behalf of our hockey team to have a roofed-in ice palace built for our team and our city.

Vladimir Putin: I see the boys play bandy, which is also known as Russian hockey. How can we decline to help Birobidzhan to build a facility for Russian hockey? We will certainly do it.

I recently met with our bandy players. It is no exaggeration to say that they are outstanding: they score brilliant results year after year. On the whole, some decisions are made to promote that sport, but I think we should pay it greater attention than we do - bandy deserves it. We will see what can be done for that wonderful team in Birobidzhan.

Yevgeny Rozhkov: We have been working for more than three and a half hours. With your permission, we will ask you some questions we have selected ourselves while preparing for this programme.

Vladimir Putin: Look, there are two crawler messages on your screens, though without addresses: "Help save a palace, the face of our city. There is no money in the budget [to keep it up]." I am not sure whether such messages are recorded. We should find it, though there is no reverse address. What is it all about?

Valeriya Korableva: They sometimes do not specify their name but give the phone number to trace them.

Vladimir Putin: So much for that one. And another, from Hydrostroi or something like that. It passed very quickly, it was about wages five months overdue. We should see the address, all right?

Yevgeny Rozhkov: So there are questions from Ms Korableva and me, which we selected while preparing this programme. Alexander from Dubna asks: "How would you comment on Barack Obama's admission that Libya was his biggest mistake?"

Vladimir Putin: First, it proves once again that the incumbent US President is a man of integrity. I am not being ironical in the slightest, because it takes courage to make such confessions. Even when he was a Senator, Mr Obama came down on the then Administration for the campaign in Iraq. Regrettably, when he became President, he made the blunders in Libya he has mentioned now. It is good and correct for my colleague to be brave enough to make such statements. Not everyone can do it. Whatever criticisms might be piled on him from all sides, it takes a real strong man to do so. This is good.

What is bad about it is that more blunders are following. There was a narrow escape from a repeat of the same error in Syria, and we do not know what the end will be. However, I would like to call your attention to the fairly positive turn which we have given the job of late: we are working together fairly intensively through the military, secret services and foreign ministries to find the way to settle the Syria conflict. I hope that these team efforts will bring us a positive result we will share, as was the case in other areas in the recent past.

Valeriya Korableva: Mr President, Nikita, a MIFI student asks what other enemies of Russia will be hit by our Aerospace Forces?

Vladimir Putin: You know, our first task is to deal a blow against sloppy work and bad roads in the broadest sense of this phrase. If we do this well and efficiently, if we achieve results, our Armed Forces will really be invincible and the best in the world, as we would like them to be: compact, inexpensive and modern. And then we will recall this wonderful song of the Soviet era: "The Red Army is the strongest from the taiga to the British seas." It is the strongest of all, as it is but it should fortify itself in this position.

Yevgeny Rozhkov: First, about the information you saw on the screen: Hydrostroi, the enterprise and organization, are located in the city of Alagir, North Ossetia.

Vladimir Putin: I will make a note of it later.

Yevgeny Rozhkov: Sure.

A question from Crimea, the city of Simferopol. Oleg Krasov asks you: "Mr President, could you promise to Crimeans to run for the presidency in 2018?"

Vladimir Putin: Thank you very much for the question but I think it is premature. In such cases I always say the same thing and will now repeat it again: we should be thinking today not about where and how we will work in the future, but how to justify the trust of our people today, how to achieve the goals that we are setting before us and how to fulfil the promises we have made. Relevant decisions will be made depending on future developments and performance.

Valeriya Korableva: One more question: "Is it convenient to have such a weak Government?" - Yelena Ivanova, Nizhny Novgorod.

Vladimir Putin: I don't consider our Government to be weak. The Government and the Central Bank are operating in a professional manner. Of course, this is a complicated job. As you know I worked in the Government myself. I think this is the most complicated job we have, but also the most interesting one.

Needless to say, much has to be done to improve this work. We discussed this issue at length. In part, the Prime Minister and I spoke about this quite recently. Our shared opinion is that we lack a targeted approach in the work of ministries and departments. In other words, we have a common task but it is sometimes unclear how we are moving toward the goal. Sometimes everything gets bogged down in daily routine, whereas it is necessary to monitor progress towards the goal - for instance, such and such a ministry and department should reach such and such parameters by a certain time. We need to establish what was done in three months, half a year or during a longer period. In this case it will be clear who is working how, who is responsible for what and how they can be influenced. This is what we are definitely lacking, and we must upgrade the performance of not only the Government but also the entire state machinery.

Yevgeny Rozhkov: Here is a very interesting question that arrived in an SMS: "Mr President, do you use profanities when you are certain that you are not being recorded? If so, to whom are they directed?"

Vladimir Putin: I do, sometimes, but only at myself.

Yevgeny Rozhkov: What about your subordinates?

Vladimir Putin: This means I am displeased with myself. I am guilty, perhaps I should not have said this, but there is no use denying it. This sin does exist in Russia. We will atone for it.

Valeriya Korableva: "We hear that the Russian Government has drafted a bill that allows the operation of so-called lottery houses. Under the law, they will have not only sprint lotteries but also game machines. Why then were casinos closed across the country 10 years ago only to be reopened?"

Vladimir Putin: Yes, indeed, this issue was discussed in the Government. We agreed not to do this. I will tell you frankly that I am against this decision, because no matter how it is disguised by modern gaming methods and procedures, these are essentially gambling machines all the same. We took this decision so as not to get our people addicted in this respect, but rather, to concentrate gaming zones in four or five places. By the way, if we take this decision on gaming machines, this will impair the capitalisation of these zones as well as interest in them, and people who invest money there as in a lucrative business will end up at a disadvantage, so from any perspective, it is better not to do this. And we will not.

Yevgeny Rozhkov: Well, we have been working for three hours and 38 minutes. Over 3 million questions have arrived. We have visited five population centres. Several criminal cases have been initiated, I am told. So our Direct Line has already produced some results. We hope that all officials who have watched our show have seen the problems of their subordinates, their people, have heard the concerns of average people and will promptly respond to your instructions, those that have already been issued and those that have yet to be issued. So thank you very much.

Vladimir Putin: Thank you.

We are wrapping up, but you know, before we finish, I would like to go to the screen again. I noticed a very interesting message and I will read it: "I wish you a long life. Granny Zina." I believe Granny Zina wishes a long life not only to all those in this studio but also to all people of Russia. For our part, let us thank Granny Zina for this post and hope that she stays healthy and strong and that she is happy and healthy. Thank you all very much.

And another thing. Yesterday, I took a look at these questions. I saw that there are quite a few, not rude, but rather angry questions. For the most part, I share the concerns, to put it mildly, of the people who ask these questions, almost 100 percent. We are aware of this but we cannot always do everything the way we would like things to be done. Still, we will all work together actively to ensure that there are fewer problems and more happy days. Thank you very much!

Yevgeny Rozhkov: Thank you.

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[***Business tax laws in the Philippines***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4N1-DXYV-74RK-00000-00&context=1516831)

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**Body**

At the national level, taxes are imposed and collected pursuant to the National Internal Revenue Code, the Tariff and Customs Code, and several special laws. There are four main types of national internal revenue taxes: income, indirect (value-added and percentage taxes), excise and documentary stamp taxes, all of which are administered by the Bureau of Internal Revenue (BIR). At the local level, governments have some autonomy to impose taxes on business and ownership of real property.

There is a territorial system of taxation for foreign corporations and individuals, as well as non-resident citizens. Only Philippine-sourced income is subject to Philippine taxes for the latter group.

Corporations incorporated under Philippine laws and resident citizens are subject to income tax on their worldwide income.

**Corporate Income Tax**

The regular corporate income tax (RCIT) is 30% on net taxable income. There is a minimum corporate income tax (MCIT) equivalent to 2% of gross income, which applies beginning on the fourth year of commercial operation. Allowable expenses in computing the gross income subject to MCIT for certain business activities have been enumerated. The excess MCIT paid over the RCIT is allowed as a tax credit against the RCIT payable in the succeeding three years. The 30% rate also applies to non-resident foreign corporations. The tax is calculated on gross income instead of net income. Exemptions apply pursuant to tax treaty provisions.

Certain types of income and corporations are subject to special tax rates and are as follows:

* International carriers doing business in the Philippines - 2.5% of gross billings from carriage originating from the Philippines. Lower rates are available under tax treaties. Exemption applies on condition of reciprocity;

1. Expanded foreign currency deposit units of banks - 10% on onshore interest income;
2. Offshore banking - 10% on onshore interest income;
3. Regional operating headquarters of multinational companies - 10% of taxable income;
4. Regional or area headquarters of multinational companies - exempt.

These entities are not allowed to generate income from Philippine sources nor solicit or market goods and services on behalf of their head office or affiliates. They are authorised to act as supervisory, communications and coordinating centres for their affiliates;

* Contractors and subcontractors engaged in petroleum exploration - 8% of gross income in lieu of all other taxes;

1. Non-resident foreign owners, lessors or distributors of motion pictures - 25% of gross income;
2. Non-resident owners of vessels - 4.5% of gross rental, lease or charter fees from citizens; and
3. Non-resident foreign lessors of aircraft, machinery and other equipment - 7.5% on rentals, charter fees and other fees from Philippine sources.

These taxes are withheld by the payer.

**Tax Base**

Taxable income is calculated in accordance with the accounting method employed by the company. Where there are differences in ***financial*** and tax reporting on the recognition of income and expenses, the differences are recognised as reconciling items on the income tax return.

**Deductible Expenses**

All expenses incurred in connection with the conduct of business are allowed to be claimed as deductions when calculating net income subject to tax. The tax code lists the following deductions: ordinary and necessary expenses; interest; taxes; losses; bad debts; depreciation; depletion of oil and gas wells and mines; charitable and other contributions; research and development; and contributions to employee pension trusts.

Deductibility of certain expenses is subject to limitations. The interest expense allowed shall be reduced by an amount equivalent to 33% of the company's interest income that is subject to final tax. Interest paid by corporations to a majority individual shareholder is non-deductible.

Likewise, interest expenses are not allowed as a tax expense if paid to a personal holding company that is more than 50% owned by a majority shareholder of the corporation.

Entertainment and recreation expenses of a business are subject to a limit of 0.5% and 1% of net revenue for taxpayers engaged in selling goods and services, respectively.

Income tax in a foreign country by a domestic corporation on foreign-sourced income may be claimed as a deductible expense or as a tax credit against Philippine income tax due on such income.

Property losses sustained in relation to the business and not indemnified by insurance or other means are deductible from gross income. The net operating loss incurred in any taxable year can be carried forward to the three succeeding taxable years. Capital losses can be offset only against capital gains. Losses from wash sales of stock or securities are not deductible.

Research and development expenses may be claimed as a deduction during the year they are incurred. The taxpayer has an option to amortise the expense over a period of not less than 60 months, beginning with the month when the benefits from such expenditure were realised.

Contributions to a qualified employee pension trust are deductible to the extent of the excess of the contribution needed to cover the pension liability accruing during the taxable year. The amount shall be apportioned equally over a period of 10 years. The plan should be pre-qualified by the tax authorities.

**Requirement For Deductibility**

Expenses must be substantiated with official receipts. Expenses may be disallowed as a deduction if the prescribed withholding tax on payments made for such expenses is not withheld and paid to the tax authorities.

**Optional Standard Deduction**

Corporations may claim an optional standard deduction (OSD) at 40% of gross income in lieu of the itemised deductible expenses. The option to claim the OSD may be changed every year but the choice, once made in the first quarter, is irrevocable for the taxable year.

**Tax Year**

A corporation may choose a calendar or fiscal year for its taxable year, depending on which schedule more accurately reflects its taxable income. Prior approval from the BIR is required to change the accounting period.

**Group Of Companies**

For tax purposes, each company is an independent entity and, as such, must file its own tax return and pay its own taxes. The filing of consolidated tax returns or the relieving of losses within a group of companies is not allowed. Related companies must interact on an arm's-length basis. The BIR is authorised to allocate revenues and expenses between related companies to prevent tax evasion or to reflect each entity's income.

In 2013 the Philippines issued the transfer pricing regulations, which specify the methodologies to be used in determining the arm's-length price and the documentation required to show compliance with the arm's-length standard in related party transactions. The documentation shall be submitted to the tax authorities upon notification.

**Corporate Tax Returns & Payment**

Domestic and resident foreign corporations must file their quarterly income tax returns within 60 days of the end of each taxable quarter. They must also file a final adjusted return on or before the 15th of the fourth month following the end of the tax year - April 15 for taxpayers on calendar year. The quarterly and annual returns cover the RCIT and the MCIT, as well as income subject to special tax regimes.

Non-resident foreign corporations are not required to file income tax returns. Taxes due on their Philippine-sourced income are withheld at the source by the Philippine-based company making the payment.

Excess income taxes paid during the year may be applied for refund or the amount may be carried over to the succeeding quarter. The latter option shall be irrevocable for that taxable year and no application for cash refund shall be allowed.

Tax credit certificates (TCCs) may only be used to pay for certain direct internal revenue tax liabilities of the holder, and are prohibited from being transferred to any person.

In 2012 the Philippine government implemented a monetisation programme running from 2012 to 2016 that allows all value-added tax (VAT) TCCs to be converted to cash.

**IAET**

The improperly accumulated earnings tax (IAET) is essentially a penalty that is levied against closely held corporations for the unreasonable accumulation of its earnings resulting in the non-distribution of dividends to shareholders and, consequently, to deferred payment of dividends tax.

The IAET is imposed at 10% of the accumulated retained earnings in excess of 100% of the paid up capital of the corporation, and an allowance for reasonable needs, on a case to case basis. Paid up capital refers to the par value, excluding any premium paid.

Banks, insurance companies, publicly held corporations and companies registered with - and enjoying preferential tax treatment in - special economic and freeport zones are not covered by the IAET. The IAET is due one year and 15 days following the close of the taxable year and is covered by a separate tax return.

**Dividends & Profit Remittances**

Dividends from a domestic corporation are tax-exempt in the hands of other domestic corporations. The tax is 10% if these are paid to citizens and residents, and 25% if paid to non-resident foreign nationals.

Dividends paid to non-resident foreign corporations from domestic corporations are taxed at 30% or the treaty rate. A lower rate of 15% applies if the ***recipient***'s home country does not impose a tax on foreign-sourced dividends or when there are tax-sparing provisions. Dividends received by domestic corporations from foreign corporations form part of the income subject to RCIT.

A 15% tax rate also applies on the remittance of profits of Philippine branches to their foreign parent companies. The tax is based on total profits that are applied to remittance without any deduction for the tax component. The tax is not waived even if the profits for remittance are reinvested in the Philippines. Branches registered in the special economic zones are exempt from this tax. Preferential rates of branch profits remittance tax are available under treaties.

**Interest & Royalties**

Royalties payable to non-resident foreign corporations are subject to 30% final withholding tax. A rate of 25% is imposed on non-resident foreign nationals. Interest on foreign loans paid to non-resident foreign corporations is taxed at 20%. Tax treaties allow preferential rates.

**Other Passive Income**

Scheduled rates apply on most passive income, including the following:

* Interest from bank deposits and yields from deposit substitutes and similar arrangements, royalties, prizes and other winnings from Philippine sources - 20%;

1. Interest from foreign currency deposits in a local bank - 7.5% (non-residents are exempt);
2. Interest income from long-term deposits - individuals are exempt;
3. Gains from sale of shares listed and traded through the local exchange - exempt from income tax but subject to a transaction tax at 0.5% of selling price;
4. Capital gains from the sale of land and buildings classified as capital assets - 6% of the gross selling price or market value, whichever is higher (not applicable to non-resident foreign individuals and corporations); and
5. Capital gains from the sale of shares in a domestic corporation, not traded through the local stock exchange - 5% on the first P100,000 ($2220) of net gain and 10% on the excess.

This tax is imposed on the cumulative net gain from the sale of shares during the taxable year. Gains from the surrender of shares upon dissolution of the issuing company are taxed at the regular corporate/individual tax rates.

**Other Capital Assets**

Gains from the sale or disposition of capital assets other than land or buildings and shares in domestic corporations are taxed as business income.

For individuals, only 50% of the gain is taxed if the asset is held for over 12 months. Capital losses are deductible only to the extent of gains made.

**Personal Income Tax**

Foreign nationals and non-residents are subject to income tax only on income from Philippine sources. Only residents or citizens are taxed on worldwide income. Graduated rates from 5% to 32% apply to citizens, resident aliens and non-resident aliens staying in the country for more than 180 days in a year.

If engaged in business or the practice of a profession, the net taxable income is calculated in the same manner as that for corporations. The 40% OSD for individuals is based on gross revenues.

Non-resident foreign nationals not doing business in the Philippines are taxed at a rate of 25% on their Philippine-sourced income, including wages, rents, gains, interest, dividends and royalties.

Foreign nationals who are employed by offshore banking units, regional or area headquarters and operating headquarters of multinational companies, and petroleum service contractors and subcontractors enjoy a preferential rate of 15%.

**Individual Tax Returns & Payment**

For individuals, the tax year is the calendar year and income tax is due on or before April 15 of the following year. The tax liabilities of spouses are calculated separately, although spouses are required to file their tax returns jointly. Individuals filing income tax returns are required to disclose in their annual income tax returns the amounts and sources of other income that is exempt from tax or already subjected to final taxes. For employees receiving only compensation, employers are relied upon to ensure that the correct tax for the year is fully withheld. Employees qualifying under the substituted filing scheme are exempt from filing annual income tax returns.

Employees receiving only the statutory minimum wage are exempt from the payment of income tax if they do not earn other taxable income, whether from the conduct of business or from other employment. Employers are not required to withhold tax from them. Non-resident aliens not engaged in business are not required to file an annual income tax return.

**Withholding Taxes**

Most income is subject to withholding of taxes. If the payor is classified as a top-20,000 corporation or a top-5000 individual engaged in business, it is required to withhold on all payments for the purchase of goods (1%) and services (2%). Withholding taxes on income subject to the RCIT are creditable against the calculated liability. Most passive income is subject to final withholding taxes. For corporate taxpayers, this is disclosed as income that is no longer subject to regular income tax. Income payments to non-resident foreign corporations are withheld at the source as final taxes. Hence, non-resident foreign corporations are not required to file annual income tax returns.

**Indirect Taxes**

A 12% VAT is imposed on the gross selling price on the sale, barter or exchange of goods and properties, as well as on the gross receipts from the sale of services within the Philippines, including the lease of properties.

The 12% VAT paid on the company's purchases relative to its business subject to VAT is credited against the 12% VAT due on gross sales or receipts. The net amount is the VAT payable.

Exports are subject to 0% VAT and entitle the exporter to claim a refund for VAT that has been paid on its purchases of goods, properties and services relating to the product. Exempt status is ***granted*** to certain transactions and entities. In such cases, VAT paid on the inputs is not allowed to be claimed as creditable input VAT. Instead, the VAT paid forms part of the deductible costs of the business.

A VAT taxpayer files monthly declarations and quarterly returns that serve as the final adjusted return for the period. The VAT on services performed in the Philippines by non-resident foreign corporations, as well as the VAT on royalties and rentals payable to such non-resident foreign corporations, is withheld by the paying local company.

Imports are subject to VAT unless specifically exempted. VAT is paid whether or not the importer conducts business. Percentage taxes on gross receipts apply to most services and transactions not subject to VAT, such as:

* Carriers of passenger on land - 3%;

1. International carriers on carriage of cargoes - 3%;
2. Franchisees of gas and water utilities - 2%;
3. Banks and non-bank ***financial*** firms - 1%, 5% or 7%;
4. Life insurance companies and agents of foreign insurance firms - 5% of the premiums; and
5. Sale of shares through initial public offerings - one-half of 1% of the selling price.

**Excise Taxes**

In addition to VAT, excise taxes are imposed on the following: alcohol, tobacco, petroleum products, automobiles, mineral products, and non-essential goods such as jewellery and precious stones, perfumes, yachts and other sport vessels.

**Documentary Stamp Tax**

A documentary stamp tax (DST) is required for certain documents, transactions or ***instruments*** specified in the tax code when the obligation or right arises from Philippine sources or when the property is situated in the Philippines. These include:

* Bills of exchange - 0.15%;

1. Bills of lading - 1%;
2. Sale of real property - 1.5% of the fair market value;
3. Original issuance of shares - 0.5% of par value;
4. Sale of shares (except those listed and traded in the local stock exchange) - 0.38% of par value;
5. Debt ***instruments*** - 0.5%; and
6. Lease agreements - 0.1% of the total lease over the lease period.

**Tax Audit**

The period allowed for tax authorities to audit companies and assess deficiency taxes is three years from the date of filing of the final return. If fraud is alleged, this period may extend to 10 years from the date of discovery of the possible fraud.

The deficiency tax may be collected within five years from the date when the assessment becomes final. Assessments may be contested in courts.

**Recovery Of Taxes**

In the case of taxes that have been excessively or erroneously paid, a taxpayer may apply for refund or the issuance of TCCs within two years from the date of payment. For purposes of the creditable taxes withheld, the option to carry forward the excess credits generated shall be irrevocable once chosen. A VAT-registered taxpayer may apply for the refund of any excess VAT when the taxpayer shifts to a non-VAT activity or ceases to be in business or when such input taxes arise from zero-rated sales.

**Bookkeeping Requirements**

All business entities subject to internal revenue taxes are required to maintain books of account. These consist of a journal, a ledger and subsidiary records required for the business. Entities subject to VAT are also required to keep subsidiary sales and purchase journals. Accounting records may be kept in either English or Spanish. The books and records must be preserved for a period of at least 10 years. Companies with gross quarterly sales or receipts exceeding P150,000 ($3330) shall have their books audited and examined yearly by independent certified public accountants who should be accredited as tax agents by the tax bureau.

For public companies, banks and insurance companies, the independent certified public accountants should further be accredited by regulatory agencies, such as the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (the central bank) or the Insurance Commission.

***Financial*** statements are required to be filed together with annual income tax returns. In addition to maintaining books of accounts, the Corporation Code requires businesses to keep records of all business transactions, minutes of meetings of shareholders and directors, and a stock and transfer book. Sales should be evidenced by receipts and invoices based on the prescribed format.

The books may be in manual or digital form. These are required to be registered with the tax authorities prior to their use. Large taxpayers, however, are mandated to adopt a digitised accounting system.

***Financial* Reporting**

The amended Securities Regulation Code (SRC) Rule 68 (the Rule) issued by the Philippine SEC prescribed a ***financial*** reporting framework or set of accounting principles, standards, interpretations and pronouncements, which must be adopted in the preparation and submission of the annual ***financial*** statements of a particular group of entities. The following paragraphs outline the ***financial*** reporting framework prescribed by SRC Rule 68 for each group of entities covered by the Rule.

Large and/or publicly accountable entities are those with total assets exceeding P350m ($7.8m) or total liabilities of more than P250m ($5.6m). Other entities covered by the Rule include those required to file ***financial*** statements under Part II of SRC Rule 68 (for example, an issuer that has sold a class of securities pursuant to registration under Section 12 of the SRC, an issuer with a class of securities listed for trading on an exchange, and an issuer with assets of at least P50m [$1.1m] and 200 or more shareholders each holding at least 100 shares of a class of equity securities); entities in the process of issuing securities to the public market; or entities that are holders of secondary licences issued by regulatory agencies.

Entities qualifying in any of the criteria provided above shall use Philippine ***Financial*** Reporting Standards (PFRS) as their ***financial*** reporting framework. However, another set of reporting rules may be permitted by the SEC for certain regulated entities, such as banks and insurance companies.

The PFRS are adopted by the ***Financial*** Reporting Standards Council (FRSC) from the International ***Financial*** Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Small and medium-sized entities (SMEs) are defined as entities with total assets of between P3m ($66,600) and P350m ($7.8m), or total liabilities between P3m ($66,600) and P250m ($5.6m). If the entity is a parent company, such amounts will be based on consolidated figures. Other entities classed as SMEs are those not required to file ***financial*** statements under Part II of SRC Rule 68; entities not in the process of issuing securities to the public market; and entities that do not hold secondary licences. Entities that qualify based on all above criteria shall use the PFRS for SMEs as their ***financial*** reporting framework. PFRS for SMEs are adopted by the FRSC from the IFRS for SMEs issued by the IASB. Except for those allowed under the Rule, the SEC requires adoption of PFRS for SMEs for entities that qualify as SMEs.

At the smallest end of the scale, micro entities are considered to be those with total assets and liabilities below P3m ($66,600); entities not required to file ***financial*** statements under Part II of SRC Rule 68; entities not in the process of offering securities to the public; and entities that do not hold any secondary licences.

Micro entities may choose to use either the income tax basis or PFRS for SMEs, provided that the ***financial*** statements shall at least consist of the statement of management's responsibility, auditor's report, statement of ***financial*** position, statement of income and notes to ***financial*** statements, all of which cover the two-year comparative periods, if applicable.

**Relief From Double Taxation**

Relief from double taxation is available for Philippine-sourced income received by non-resident foreign nationals under the tax treaties that are in effect with the following countries: Australia, Austria, Bahrain, Bangladesh, Belgium, Brazil, Canada, China, the Czech Republic, Denmark, Finland, France, Germany, Hungary, India, OBG would like to thank *P&A* ***Grant*** *Thornton* for its contribution to THE REPORT The Philippines 2016 Indonesia, Israel, Italy, Japan, Korea, Kuwait, Malaysia, the Netherlands, New Zealand, Nigeria, Norway, Pakistan, Poland, Romania, the Russian Federation, Singapore, Spain, Sweden, Switzerland, Thailand, the UAE, the UK, the US and Vietnam. The new treaty with Turkey takes effect on income derived in 2016.

To avail themselves of the relief from double taxation pursuant to tax treaties, foreign nationals must file a tax treaty relief application with the BIR.

**Taxes On Imports**

Customs duties are generally imposed on articles imported into the Philippines at various rates. Certain imports may be exempt or conditionally exempt subject to certain situations. There are also some imports that are specifically prohibited. The basis for the calculation of the duties is the transaction value, which is subject to adjustments for certain costs. The VAT and excise taxes for imports are also collected by the Bureau of Customs.

**Local Taxes**

The local government code provides for the maximum tax rates that local governments may impose on business activities in their jurisdiction. Property tax is imposed at 1-2%, but the base differs depending on use. For commercial and industrial properties, the tax base is 50% of the property's market value. The base is lower, at 40%, for ***agricultural*** properties, and 20% for residential properties.

**Special Tax Regimes**

Entities registered in special economic zones are subject to a separate tax regime. They enjoy an income tax holiday of up to eight years. Thereafter, a preferential gross income tax rate of 5% is imposed, which is in lieu of national and local taxes, including the RCIT, MCIT and the IAET, VAT and percentage taxes, excise taxes and DST.

The purchase of enterprises in economic zones is automatically zero-rated for VAT. Certain authorised imports are additionally free from duties and taxes.

**Load-Date:** March 12, 2020

**End of Document**



[***INSIDER TOP500: NOTES***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5HT7-8801-JBVM-Y17J-00000-00&context=1516831)

Scottish Business Insider

January 8, 2016

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**Body**

The Insider ranking is calculated using a computation between annualised turnover and pre-tax profit (ie. ranked first by turnover, then by profit; the rankings combined, divided by two and weighted by turnover). Figures shown are annualised. The cut-off point for inclusion of company ***financial*** information in the Insider Top500 was 4th December 2015.

Adria Group Ltd (273): Trades as Taylors Industrial Services. AEGON UK Plc (8): Trades as Aegon; Origen; Scottish Equitable; ADMS. Figures taken from the UK results in the AEGON NV annual accounts. Turnover is calculated as the total gross premiums only.

Ahlstrom Chirnside Ltd (495): Trades as Ahlstrom Fiber Composites. Akela Group Ltd (398): Trades as Akela Construction.

Aker Solutions (28): The figures are a consolidation of Aker Offshore Partners, MHWirth UK, Frontica Advantage and Aker Subsea to more truly reflect Aker's operations in Scotland. Employees are permanent only and there are many more contracted workers.

Alfred Cheyne Engineering Ltd (304): Trades as ACE Winches. Alliance Trust Plc (71): Figures are taken from the revenue account with turnover being income.

Allied Vehicles Ltd (247): Trades as Cab Direct. AM Phillip Ltd (320): Activities also include sales, repair and rental of ***agricultural*** and groundcare equipment.

Apache North Sea Ltd (19): Figures from Market IQ. Staff were subcontracted from a sister company.

ARR Craib Transport Ltd (345): Trades as Enterprise Freight. ASCO Group Ltd (295): During 2014 the Group incurred £1.5m of costs associated with the Group's acquisition and subsequent integration of Bonnie Rock Transport Pty Limited. A further charge of £14.6m was taken for the impairment of goodwill resulting in total exception.

Axis Well Technology Ltd (392): Activity also include reservoir development consultancy.

Babcock Int'l Group (Marine Division Scotland) (49): Figures are a consolidation of Babcock Marine (Clyde) Ltd and Babcock Marine (Rosyth) Ltd to more truly reflect Babcock Marine's operations in Scotland.

BAM FM Ltd (408): Trades as BAM Construct UK. Employees contracted via the parent company.

Bank of Scotland Plc (3): Turnover is the total income figure. BDW North Scotland Ltd (453): Employees contracted from a sister company. Beam Santori Ltd (135): Previously known as Morrison Bowmore Distillers Ltd. BenRiach Distillery Co Ltd (208): Trades as Also trading as Glendronach Distillery. BHC Ltd (265): Trades as Brian Hewitt Construction.

Bluewater Scotland (400): To more truly reflect the group's operations in Scotland figures are a consolidation of Bluewater's four Scottish trading entities, including Pierce Production Company. Employees are outsourced.

Bond Offshore Helicopters Ltd (128): Present period 15 months. Braemar Investments Ltd (318): Trades as Border Automotive Company. Briggs Commercial Ltd (269): Trades as Briggs Marine Contractors. Brodies LLP (127): Profit is before tax, members'remuneration and profit shares. Employee figure includes partners.

Burn Stewart Distillers Ltd (189): Present period 6 months. Burness Paull LLP (137): Profit is before tax, members'remuneration and profit shares. Employee figure includes partners.

Cameron Group (Perth) Ltd (240): Trades as Cameron Motors (Sco); Douglas Cameron (Sco); Ian H Cameron. Previous period 6 months.

Carat Scotland/Dentsu Aegis Edinburgh Limited (353): Previous period 17 months. Actual company tracked is Dentsu Aegis Edinburgh Ltd which trades as Carat Scotland Ltd.

Carron Phoenix/Franke UK Holding Ltd (203): Actual company tracked is parent Franke UK Holding Ltd which trades as Carron Phoenix.

Castle View Ventures Ltd (139): Trades as SVIH, CVMS, Uin Foods Ltd, Supply Direct Ltd, Sports Leisure. Other activities include food manufacturing. CBC Construction & Property Group Ltd (314): Present period 6 months.

Chap (Holdings) Ltd (423): Trades as Chap Group. Previous period 6 months. Activities also include quarrying and kitchen sales.

CHC Scotia Ltd (144): Trades as CHS Helicopter Services. Chevron North Sea Ltd (18): Trades as Chevron Upstream Europe. Employees managed by the parent company.

Chisholm Hunter Ltd (374): Previously known as Chisholm Hunter Holdings Ltd. Previous period 11 months.

City Building (Glasgow) (307): Figures are a consolidation of City Building (Glasgow) LLP and City Building (Contracts) LLP to more truly reflect the company's activities.

CJ Lang & Son Ltd (221): Trades as Spar Scotland. Clyde Union Ltd (157): Trades as Clyde Union Pumps. Clydesdale Bank Plc (294): Turnover is the total operating income. Compello Staffing Group Ltd (331): Trades as FPSG; First People Solutions; Engage PSG; myBPOS; Net Talent. Also trades as TEC Group; The Social Care Community Partnership.

David MacBrayne Ltd (336): Trades as CalMac; Northlink Ferries. Day International (UK) Ltd (455): Trades as Flint Group.

Digby Brown LLP (344): Profit is before tax, members'remuneration and profit share.

Dolphin Drilling Ltd (306): Figures from Market IQ. Dron & Dickson Ltd (326): Activities also include ex compliance engineering. ECS Europe Limited (213): Trades as ECS Global. Figures are a consolidation of ECS Europe, ECS Global, ECS Security and ECS Consultancy to more truly reflect the group's operations.

Edgen Murray Europe Ltd (82): Present period 15 months. Edrington (303): Trades as The Famous Grouse/The Macallan/Highland Park/ Cutty Sark.

Energetics Design & Build Ltd (486): Trades as Energetics Multi-Utilities. Enquest Plc (313): Figures are from Market IQ.

First Tech Ltd (432): Trades as Mooring Systems; First Marine Solutions. Previously known as Mooring Systems Ltd. Activities also include bar and restaurant operation and sale of whisky.

Forbo Floors UK Ltd (70): Previously known as Forbo Flooring UK Ltd. Forth Holdings Ltd (205): Trades as FES; Forth Electrical Services. Gates (UK) Ltd (160): Trades as Gates Power Transmission. GE Caledonian Ltd (56): Figures are from Market IQ.

George Sharkey & Sons Ltd (460): Trades as Sharkey. Granfit Holdings Ltd (444): Trades as ***Grant*** Westfield. Halliburton Manufacturing & Services Ltd (25): Figures used are from Market IQ. Harper Macleod LLP (369): Profit is before tax, members'remuneration and profit shares.

Highland Industrial Supplies Ltd (479): Previously known as Highland Industrial Services Ltd.

Holland & Sherry/Venlaw Road Ltd (280): Actual company tracked is parent Venlaw Road Ltd which trades as Holland & Sherry.

Howco Group Plc (55): Previous period 15 months. IFC Holdings Ltd (468): Trades as Int'l Fish Canners (Scotland); Nor-Sea Foods. Insights Group Ltd (357): Trades as Insights Learning & Development Ltd.

Integrated Subsea Services Ltd (376): Trades as Harkand. Previous period 15 months.

Inverarity Morton/ABA Eaglesham Ltd (225): Actual company tracked is ABA Eaglesham Ltd, trading as Inverarity Morton and Glen Catrine Bonded Warehouse. J&J Denholm Ltd (42): The Group demerged its oilfield services business on 30 September 2015. The 2014 numbers include oilfield services. Employees based in Scotland not disclosed. JFD Ltd (177): Previously known as Divex Ltd. Previous period 13 months. John Clark (Holdings) Ltd (57): Trades as John Clark Motor Group.

John Davidson (Pipes) Ltd (268): Trades as JDP. John G Russell (Transport) Ltd (249): Trades as Russell Group. John Maclean & Son Electrical (Dingwall) Ltd (75): Trades as Maclean Electrical. John Martin Holdings Ltd (431): Trades as John Martin Group.

John Wood Group Plc (6): Figures are from Market IQ. Johnson & Johnson Medical Ltd (22): Overseas turnover includes sales by divisions in Turkey and Russia which report through the company but operate independently.

Johnston Carmichael LLP (222): Profit is before tax, members'remuneration and profit shares.

Johnstons of Elgin/James Johnston & Co of Elgin Ltd (289): Actual company tracked is James Johnston & Co of Elgin Ltd.

JW Galloway Ltd (110): Previous period 13 months. K&L Ross Ltd (469): Previous period 9 months. KCA Deutag (21): Exchange rate used: $ to £ = 0.6084 as supplied by the company.

Klondyke Group Ltd (245): Trades as William Strike. Land Engineering Group/Gardrum Investments Ltd (472): Actual company tracked is Gardrum Invesetments Ltd, trading as Land Engineering. Lees Foods Ltd (363): Trades as Lees of Scotland; Waverley Bakery. LHD Ltd (417): Trades as LHD Marine Supplies.

Life Technologies Ltd (29): Trades as Thermo Fisher Scientific. Lightbody of Hamilton Ltd (218): Trades as Lightbody Cakes. Lindsay & Gilmour/Raimes Clark & Co Ltd (476): Actual company tracked is parent Raimes Clark & Co Ltd which trades as Lindsey & Gilmour.

Loch Lomond Group (125): The figures are a consolidation of the two operating companies, LLDR Alexandria Ltd and LLDY Alexandria Ltd, to more truly reflect the size of the group.

Lomond Motors Ltd (136): Trades as Glasgow Audi. Lothian Buses Ltd (111): Previously known as Lothian Buses Plc. M & Co/Mackays Stores Group Ltd (337): Actual company tracked is Mackays Stores Group Ltd which trades as M & Co.

Macduff Shellfish (Scotland) Ltd (239): Previous period 6 months. Maersk Oil North Sea UK Ltd (309): Figures are from Market IQ.

Maxi Caledonian Ltd (281): Trades as Maxi Haulage; Maxi Constr; Maxi Warehousing.

McGill& Co Ltd (447): Trades as McGill. McGill's Bus Service Ltd (350): Trades as McGills. McLaughlin & Harvey Construction (343): Previously known as Barr Holdings Ltd.

McPherson Ltd (402): Trades as McPherson (Aberlour). McTaggart Group Ltd (413): Trades as McTaggart Construction. Media Scotland (107): Previously known as Scottish Daily Record & Sunday Mail Ltd. Combines the results for Scottish Daily Record & Sunday Mail Ltd & Scottish & Universal Newspapers Ltd.

Minoan Group Plc (456): Trades as Stewart Travel Ltd; Loyal Ward Ltd. Morris & Spottiswood Ltd (328): Activities also include M&E services, joinery manufacture and new build.

Munro Healthcare Group Ltd (230): Previously known as Strathclyde Pharmaceuticals / Newco Pharma Ltd.

Murgitroyd Group PLC (285): Trades as Murgitroyd & Co Ltd. Nairn's Oatcakes Ltd (452): Present period 11 months. Newsquest (Herald & Times) Ltd (180): Trades as The Herald; Evening Times; Weekly Times.

Ogilvie Group Ltd (133): Other activities include vehicle contract hire, telecommunications and IT security.

Orion Group/Orion Engineering Services Ltd (122): Actual company tracked is parent Orion Engineering Services Ltd which trades as Orion Group.

Parkburn Precision Handling Systems Ltd (380): Trades as Parkburn PHS. Patersons Quarries Ltd (224): 2013 profit includes £14m gain on disposal of subsidiary.

PD&MS Group (Aberdeen) Ltd (223): Previously known as PD&MS Energy (Aberdeen) Ltd.

Peak Scientific Holdings Ltd (311): Trades as Peak Scientific ***Instruments***. Petrofac Scotland (297): The figures used are a consolidation of the trading entities of Petrofac's operations in Scotland, ie. Petrofac Facilities Management Ltd and Petrofac Training Ltd.

PetroIneos Manufacturing Scotland Ltd (325): Previously known as Ineos Manufacturing Scotland Ltd.

Plexus Holdings Plc (352): Trades as Plexus Ocean Systems. Polymer Holdings Ltd (342): Trades as Tubetec.

Presentation Products Scotland Ltd (454): Previously known as Presentation Products Group Ltd.

Proclad Group (Scotland) (426): Combines the results of FTV Proclad UK Ltd, FTV Proclad Int'l Ltd and Proclad Int'l Forging Ltd to more truly reflect the group's operations in Scotland.

Produce Investments Plc (76): Trades as Greenvale AP. Quiz Clothing/Kast Retail Ltd (427): Actual company tracked is Kast Retail Ltd which trades as Quiz Clothing.

Raeburn Group Ltd (415): Trades as Raeburn Recruitment. Redeem Ltd (434): Activities also include asset recovery from electronics. Richard Irvin & Sons Ltd (493): Trades as Richard Irvin Services Group. Robertson Group (Holdings) Ltd (41): 2014 profit includes £44m from investment sales. Present year employees estimated.

Rohr Aero Services Ltd (196): Trades as UTS Aerospace Systems. Royal Bank of Scotland Group Plc (2): Turnover is the total income. Employee numbers are for full time staff in continuing operations.

Scientific Drilling Controls Ltd (232): Figures from Market IQ. Scotch Frost of Glasgow Ltd (407): Previous period 11 months. Scotframe Timber Engineering Ltd (494): Trades as Scot Frame Timber Engineering. Previously known as Scotframe Ltd.

Scottish Friendly Assurance Society Ltd (85): Turnover is the total income. Profit/ loss is transferred from the ***fund*** for future appropriations.

Senergy Holdings Ltd (333): Trades as LR-Senergy. Present period 13 months.

**Load-Date:** January 8, 2016

**End of Document**



[***M and A Navigator: Deal pipeline â(EURO)"23 August***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5KJ1-5S61-F0K1-N55T-00000-00&context=1516831)

FinancialWire

August 23, 2016 Tuesday

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**Length:** 4521 words

**Body**

The following is a list of deals covered in detail by M and A Navigator this week:

-ZALGEN LABS LAUNCHES VIRAL DIAGNOSTICS BUSINESS FOLLOWING TRANSFER FROM CORGENIX MEDICAL

US-based biotechnology and diagnostics company Zalgen Labs has received via transfer the viral hemorrhagic fever diagnostics business from diagnostic test kit developer Corgenix Medical Corp. and opened an advanced product development centre in the Fitzsimons Bioscience Park Center on the University of Colorado Anschutz Medical Campus in Aurora, Colorado, the company said.

In November 2013, Corgenix Medical and Zalgen Labs entered into a collaboration agreement to the development of multiple diagnostic testing platforms and immunotherapeutics for high impact neglected infectious diseases.

Status: Closed

-VIZIENT NAMES GERBER AS PRESIDENT OF ITS RECENTLY-ACQUIRED SG2 BUSINESS

US-based health care performance improvement company Vizient, Inc. has named Aaron Gerber, M.D. as president of its Sg2 business, the company said.

Sg2 came under the Vizient umbrella as part of the company's acquisition of MedAssets' Spend and Clinical Resource Management segment earlier this year. Sg2's analytics and expertise help providers understand broad market dynamics and capitalise on their opportunities for growth in a particular market.

Status: Closed

-WESBANCO RECEIVES REGULATORY APPROVALS FOR USD 221M YOUR COMMUNITY ACQUISITION

West Virginia, US-based bank holding company WesBanco, Inc. (NASDAQ: WSBC) has received all necessary regulatory approvals for the merger between WesBanco, Inc. and Your Community Bankshares, Inc. (NASDAQ: YCB), the company said.

On 19 August 2016, the shareholders of Your Community Bankshares approved the merger. WesBanco and Your Community expect that the closing of the merger will occur in 3Q16. Completion of the merger remains subject to the satisfaction of customary closing conditions.

Status: Agreed

-LOCKHEED MARTIN POSTS FINAL PRORATION FACTOR FOR SHARES TENDERED IN OFFER FOR IT AND TECHNICAL SERVICES BUSINESS

US-based aerospace company Lockheed Martin (NYSE: LMT) has posted a final proration factor of approximately 8.05 % for its exchange offer for shares of Lockheed Martin common stock in connection with the transaction to separate its Information Systems and Global Solutions (IS/GS) business segment and merge it with a subsidiary of US-based science and technology solutions company Leidos Holdings, Inc., the company said.

Status: Closed

-ZHEJIANG EXPRESSWAY TO ACQUIRE CHINESE ROADWAY OPERATOR HUANGSHAN EXPRESSWAY FOR RMB 570M

Chinese road construction company Zhejiang Expressway Co Ltd has entered into the agreement with Chinese highway operator Huangshan Travel under which the company agreed to acquire and Huangshan Travel agreed to dispose of the entire equity interest in Huihang Expressway at a consideration of RMB 570m (USD 85.80m), payable in cash, the company said.

The company agreed to provide a shareholders' loan to Huihang Expressway in the sum of RMB 500m within ten days after completion of the registration of the transfer of the equity interest in Huihang Expressway with the Industry and Commerce Bureau for the repayment of a loan owed by Huihang Expressway to Huangshan Travel in the sum of RMB 500m.

Status: Agreed

-UK COMPETITION AND MARKETS AUTHORITY PUBLISHES DECISION OF HAMMERSON'S ACQUISITION OF BIRMINGHAM SHOPPING CENTRE

The UK Competition and Markets Authority has published its decision on the closed acquisition by UK-based retail property company Hammerson Plc of the Grand Central shopping centre in Birmingham, UK, the CMA said.

Hammerson purchased the property for GBP 335m (USD 441.56m). The UK CMA cleared the deal on 28 July. This shopping centre, which took five years to complete, opened in September 2015. The centre provides 435,000 sq ft of retail space with 66 news shops, department stores - including the largest John Lewis store outside of London at 250,000 sq ft - fashion retailers, restaurants, and a multi-storey car park.

Status: Closed

-CHINA'S COFCO TO ACQUIRE FULL OWNERSHIP OF DUTCH AGRIBUSINESS NIDERA

Chinese food processor Cofco Corp. has inked a definitive agreement under which its Cofco International Ltd. overseas investment and management platform will acquire the remaining minority stake in Dutch grain trader Nidera Capital B.V. currently held by Cygne B.V., bringing Cofco International's ownership in Nidera to 100%, the company said on Tuesday.

The closing of the transaction, which is subject to regulatory approvals, is anticipated to take place in the fourth quarter of this year. This transaction marks another significant milestone in Cofco's initiatives to grow and consolidate its international agri-businesses into a world-class, integrated global platform.

Status: Agreed

-HEADWATERS CLOSES USD 240M ACQUISITON OF VINYL WINDOW MAKER KRESTMARK

US-based building products company Headwaters Inc has closed its acquisition of US-based vinyl window maker Krestmark Industries and an associated ***financing***, the company said.

On 19 August 2016, Headwaters closed the acquisition of substantially all of the assets of Krestmark Industries for a purchase price of USD 240m, subject to certain adjustments pursuant to the terms of an agreement executed by the parties on 1 August 2016. Headquartered in Dallas, Texas, Krestmark is a manufacturer of vinyl windows in the US.

Status: Closed

-REGENERATIVE MEDICINE SPECIALIST BIOCARDIA TO MERGE WITH TIGER X MEDICAL

US-based regenerative medicine company BioCardia, Inc has entered into a definitive agreement to merge with Tiger X Medical, Inc. (OTC: CDOM), the company said.

Once combined, the entity will change its name to BioCardia and will trade on the OTC Markets. It will focus solely on the business of BioCardia. The combined entity is expected to have USD 23m in cash at closing, which will be used to support the ongoing Phase III Heart Failure Trial, for the commercialisation and development of other product candidates, and for general corporate purposes.

Status: Agreed

-LABCORP CLEARS US ANTITRUST HURDLE IN USD 302M ACQUISITION OF GENOME INTERPRETATION SPECIALIST SEQUENOM

The waiting period under the US Hart-Scott-Rodino Antitrust Improvements Act of 1976 applicable to the acquisition of California-based life sciences company Sequenom, Inc. by US-based clinical laboratory Laboratory Corp. of America Holdings (LabCorp) (NYSE: LH) has expired, the companies said on Tuesday.

In July, LabCorp agreed to acquire all outstanding shares of Sequenom in a cash tender offer of USD 2.40 per share, or an equity value of USD 302m. The price represents a total enterprise value of approximately USD 371m, including net indebtedness.

Status: Agreed

-ANTARES CAPITAL SUPPORTS ACCEL-KKR'S USD 509M ACQUISITION OF SPEND MANAGEMENT SPECIALIST SCIQUEST

US-based middle-market ***financing*** solutions provider Antares Capital served as administrative agent, sole lead arranger and bookrunner on a senior secured credit facility to support the acquisition of US-based spend management solutions provider SciQuest, Inc. by US-based investment firm Accel-KKR, the company said.

The USD 17.75 per share cash deal is worth USD 509m. Based in Morrisville, North Carolina, SciQuest is a provider of end-to-end spend management solutions serving a range of industries and organisations.

Status: Agreed

-UTAH REGULATOR CLEARS DOMINION RESOURCES TO ACQUIRE GAS SUPPLIER QUESTAR

The Public Service Commission of Utah has approved US-based power and energy company Dominion Resources, Inc.'s (NYSE: D) acquisition of US-based natural gas distribution, pipeline, storage and cost-of-service gas supply company Questar Corp. (NYSE: STR), the company said.

With the PSC of Utah's action, the final regulatory approval needed to complete the merger is pending with the Wyoming Public Service Commission. In February, the Federal Trade Commission ***granted*** early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act with respect to the transaction.

Status: Agreed

-ZT MOTORS ACQUIRES INTEREST IN FLORIDA KIA DEALERSHIP

Houston, Texas-based automotive dealership ZT Motors LP has acquired interest in Florida-based auto dealer Kia AutoSport Tallahassee, the company said.

Upon completion of the acquisition, the Florida dealership will be renamed Kia of Tallahassee. The deal was closed on 18 August 2016 and broadened ZT Motors' footprint to five auto brands, including BMW, Kia, Mazda, Mercedes-Benz and Toyota/Scion.

Status: Closed

-MONMOUTH REAL ESTATE INVESTMENT BUYS FLORIDA INDUSTRIAL BUILDING FOR USD 37.78M

New Jersey-based real estate investment trust Monmouth Real Estate Investment Corp. (NYSE: MNR) has acquired a new 310,922 square foot industrial building located at 5000 North Ridge Trail, Davenport, Florida at a cost of USD37.78m, the company said.

The property, situated on 47 acres, is net-leased for 15 years to FedEx Ground Packaging System, Inc. Monmouth Real Estate Investment, founded in 1968, specialises in single-tenant, net-leased industrial properties, subject to long-term leases, primarily to investment grade tenants.

Status: Closed

-CAROLINA WHOLESALE GROUP ACQUIRES COMPUTER SUPPLIES WHOLESALER DIGITEK

North Carolina-based office machine wholesale distributor Carolina Wholesale Group (CWG) has joined forces with Virginia-based wholesale computer supplies distributor Digitek Computer Products, Inc., the company said.

This combination brings together Digitek, Arlington Industries and Carolina Wholesale under one roof. Digitek and CWG will now offer its customers an additional 5,000 unique items across 11 distribution centers.

Status: Closed

-TEAMHEALTH ACQUIRES OPERATIONS OF CALIFORNIA GROUP PRACTICE

Tennessee-based physician services organisation TeamHealth Holdings, Inc. (NYSE: TMH) has acquired the operations of California-based group practice Grossmont Emergency Medical Group, the company said.

Based in the San Diego area, GEMG provides care to more than 100,000 patients each year through staffing and management of the emergency department at Sharp Grossmont Hospital. Team Health Holdings provides outsourced healthcare professional staffing and administrative services to hospitals and other healthcare providers in the United States.

Status: Closed

-CINVEN TO ACQUIRE CLINICAL TRIAL SERVICES FIRM BIOCLINICA

UK-based private equity firm Cinven has agreed to acquire Pennsylvania-based clinical trial services provider Bioclinica from Illinois-based private equity firm Water Street Healthcare Partners and New York-based private equity firm JLL Partners, the firm said.

The consideration is not disclosed, and the transaction is subject to customary approvals. Bioclinica operates in a number of high growth areas to improve the efficiency and productivity of clinical trials performed around the world. This is achieved through standardisation, streamlining labor-intensive tasks and implementing technology-enabled solutions.

Status: Agreed

-PHOTO-ME ACQUIRES ASDA STORES' UK PHOTO DIVISION IN USD 7.91M DEAL

UK-based instant-service equipment group Photo-Me has agreed to buy UK-based supermarket retailer Asda Stores Ltd.'s Photo Division, which is operated in Asda stores in the UK, for up to USD 7.91m, the company said.

The consideration is subject to downward adjustment in certain circumstances. Photo-Me has also agreed to buy the inventory available at each photo centre at the date of completion, as well as central consignment stock, estimated at USD 2.64m (GBP 2m). The total consideration to be paid is currently estimated at USD 7.05m (GBP 5.35m) and is capped at a maximum of USD 7.91m (GBP 6m).

Status: Closed

-FULLCONTACT ACQUIRES INDIAN DATA RESEARCH PLATFORM PRODUNDIS

Colorado-based contact management platform provider FullContact has acquired Kerala, India-based data research platform provider Profoundis, the company said.

FullContact will integrate all of Profoundis' 70 employees into its global workforce and add human-based data research to its growing list of capabilities supporting its strategy for expansion and rapid growth. The company provides a cross-platform suite of apps and APIs to enhance contacts, while keeping them organised, synchronized and up to date.

Status: Closed

-B2B INDUSTRIAL PACKAGING ACQUIRES ALPINE PACKAGING

Illinois-based industrial packaging solutions seller B2B Industrial Packaging has acquired Oregon-based strapping products and equipment supplier Alpine Distribution's Packaging Division, the company said.

Alpine has been distributing strapping and packaging solutions in the Pacific Northwest since 1982. The Alpine sales team joins B2B Industrial Packaging's West Coast sales team.

Status: Closed

-ENERGY SERVICES CONTRACTOR LOENBRO ACQUIRES PROCESS POWER AND CONTROL

Montana-based energy services contractor Loenbro has purchased Glenrock, Wyoming-based industrial ***instrumentation*** and electrical services provider Process Power and Control, the company said.

The deal creates a seventh division for Loenbro, further diversifying the company founded in Great Falls, Montana in 2001. Loenbro has field offices in Casper, Wyoming, (home to its Industrial Insulation Division) Epping, North Dakota, Odessa, Texas, and now Glenrock.

Status: Closed

-DIGITAL COMMUNICATIONS SERVICES FIRM XURA ACQUIRED BY SIRIUS CAPITAL GROUP AFFILIATES IN USD 643M DEAL

Massachusetts-based digital communications services provider Xura, Inc. (NASDAQ: MESG) has completed its acquisition by affiliates of New York-based private equity firm Siris Capital Group, LLC in a transaction reflecting an equity value of approximately USD 643m, the company said.

The transaction was approved by a majority of Xura's shareholders on 16 August 2016. In connection with the closing of the transaction, the company, which will continue to operate as Xura Inc., will be wholly owned by affiliates of Siris Capital.

Status: Closed

-WINTRUST ***FINANCIAL*** ACQUIRES LOAN, RELATIONSHIPS FROM GE CAPITAL FRANCHISE ***FINANCE***

Illinois-based ***financial*** holding company Wintrust ***Financial*** Corp. (NASDAQ: WTFC) subsidiary Illinois-based community bank Lake Forest Bank and Trust Company has completed its acquisition of select loans and related relationships from Arizona-based lender GE Capital Franchise ***Finance***, the company said.

The loans totaled USD 554m at close. The loans are to franchise operators (primarily quick service restaurant concepts) in the Midwest and in the Western portion of the United States.

Status: Closed

-SHOPOFF REALTY ACQUIRES CALIFORNIA REDEVELOPMENT PROJECT FOR USD 26.5M

California-based real estate investment manager Shopoff Realty Investments has acquired 28.6 acres of land in Huntington Beach, California for redevelopment for USD 26.5m, the company said. The site is currently home to a former oil storage tank farm and pumping facility.

This property has coastal and ocean views across the Huntington Beach Channel and the Magnolia and Brookhurst Marshes of the Huntington Beach Wetlands Conservancy. The company plans to transform the former oil terminal into a mixed-use development featuring a visitor-serving resort and commercial and residential components.

Status: Closed

-VALERO ENERGY PARTNERS ACQUIRES TERMINAL SERVICES BUSINESS FROM VALERO ENRGY UNIT

The general partner of Texas-based petroleum products assets owner Valero Energy Partners LP (NYSE: VLP) has approved the partnership's acquisition of the Louisiana-based Meraux and Texas-based Three Rivers Terminal Services Business from a subsidiary of Texas-based petroleum refining company Valero Energy Corp. (NYSE: VLO) for USD 325m, the company said.

The terms of the transaction were approved, subject to the execution of definitive documentation, by the board of directors of the general partner, following the approval and recommendation of the board's conflicts committee. This deal is expected to close effective 1 September 2016.

Status: Closed

-FORESIGHT MEDICAL LAUNCHES SPECIALTY NETWORK FOR WORKERS' COMPENSATION PAYERS

US-based medical implant cost containment company ForeSight Medical has launched a specialised orthopedic, spine and pain management surgical network for workers' compensation payers called Encompass Specialty Surgical Network, the company said.

A provider of surgical device cost containment in workers' compensation, ForeSight leveraged its deep domain experience and extensive surgical data and analytics platform to develop the first narrow network of best-in-class providers, world renowned physician groups and the ambulatory surgical centers that are customised for their surgical techniques.

Status: Closed

-RED CLOSES USD 12.7M BALANCE SHEET ACQUISITION LOAN

US-based capital provider Red Capital Group, LLC's Red Capital Partners, LLC proprietary debt and equity banking recently completed a USD 12.7m balance sheet acquisition loan to Birchwood Health Care Properties for the acquisition of four skilled nursing facilities in Oklahoma, the company said.

Red provided a high-leverage bridge-to-HUD loan in this unique transaction. A mezzanine lender provided additional proceeds used towards the acquisition of the facilities, as well as a hospice care and home health company, in a related transaction. These ancillary businesses also provided credit support for RED's acquisition loan.

Status: Closed

-CROP PRODUCTION SERVICES BUYS TEXAS RETAILER LARRY'S CHEMICAL AND SPRAY

US-based ***agricultural*** products and services retailer Crop Production Services "CPS" has acquired the assets of Larry's Chemical and Spray, Inc. for an undisclosed amount in an all cash transaction, the company said.

According to Larry's, the purchase price falls within the upper end of the EBITDA multiple range that CPS targets for its acquisitions. Operating from its headquarters in Brownfield, Texas, Larry's Chemical and Spray, Inc. is a retail operation offering seeds, fertilisers, supplies and equipment for the farm supply and service industry.

Status: Closed

-Z CAPITAL AFFILIATES TO ACQUIRE AFFINITY GAMING IN USD 580M DEAL

Affiliates of US-based alternative investment manager Z Capital Group's Z Capital Partners private equity management arm have entered into a definitive agreement to acquire US-based casino gaming operator Affinity Gaming in an all-cash transaction that values Affinity at approximately USD 580m, Z Capital said.

Under the terms of the agreement, Z Capital and its affiliates, which currently own approximately 41 % of Affinity's outstanding shares, will purchase Affinity's remaining outstanding shares for USD 17.35 per share in cash.

Status: Agreed

-JERSEY OIL AND GAS TO FARM-OUT UK SEAWARD LICENSE STAKE TO STATOIL

UK-based upstream oil and gas company Jersey Oil and Gas (AIM: JOG), alongside co-venturer CIECO Exploration and Production Ltd., has entered into a binding, conditional sale and purchase agreement with Norwegian oil and gas company Statoil's UK unit for the farm-out to Statoil of, in aggregate, a 70% working interest in UK Seaward Licence P.2170, Blocks 20/5b and 21/1d located in the UK Central North Sea, the company said.

The company currently holds, through its wholly owned subsidiary, Trap Oil Ltd., a 60% interest in the P.2170 Licence with CIECO holding the remaining 40% interest.

Status: Agreed

-JAGUAR HOLDINGS TO BUY UK IN-FLIGHT PRODUCTS AND SERVICES GROUP JOURNEY IN GBP 28.4M DEAL

UK-based special investment vehicle Jaguar Holdings Ltd. and UK-based airline services provider Journey Group Plc (LSE: JNY) have reached agreement on the terms of a recommended cash offer to be made by Jaguar Holdings for the entire issued and to be issued share capital of Journey, the companies said.

Jaguar Holdings was formed at the direction of Harwood Capital LLP, on behalf of the Harwood ***Funds***, and has been specifically designated for use in making the offer. Harwood Capital is a private investment management firm engaged in the provision of discretionary investment management and/or advisory services to its clients.

Status: Agreed

-CHALLENGER ACQUISITIONS REACHES TERMS ON SECOND PAYMENT FOR FERRIS WHEEL MAKER STARNETH

UK-based blank check company Challenger Acquisitions Ltd. (LSE: CHAL) has reached agreement with the three vendors of engineering and manufacturing firm Starneth regarding a second cash installment payment that was due on 15 July 2016 on the acquisition of Starneth by Challenger.

 The payment of EUR 1.25 m that was due on 15 July 2016 will now be paid on the earlier of the ***financial*** closing of the Jakarta project or 50% of the balance on 15 January 2017 and the remaining 50% of the balance on 15 April 2017. This payment accrues interest of 5% from 16 July 2016 and is secured by one common equity unit of New York Wheel Investor LLC held by Challenger until the entire cash payment has been made.

Status: Closed

-TLOU ENERGY RENEWS BOTSWANA GAS TO POWER SOLUTION COOPERATION PACT

Botswana, Southern Africa coal bed methane project developer Tlou Energy Ltd (ASX: TOU) has renewed a co-operation agreement with US-based power generation facilities developer General Electric International Inc. and Australian gas-fired power developer IK Holdings Pty Ltd for the delivery of a proposed gas to power solution for Botswana, the company said.

The agreement provides the framework for co-operation between the parties in relation to sharing of infrastructure and technical support for the delivery of a new 50mw power generation facility for which Tlou has been approved by the government of Botswana to negotiate gas supply, construction and operation (as announced to the market on 5 July 2016).

Status: Closed

-GRYPHON INVESTORS BUYS MAJORITY STAKE IN ENVIRONMENTAL SERVICES FIRM HEPACO

US-based private equity firm Gryphon Investors has acquired US-based environmental services provider Hepaco, Inc., the firm said.

Hepaco is a provider of critical environmental services on both an emergency response and planned basis in the Eastern United States. CEO Ron Horton, Jr. and the other members of Hepaco's management team have retained a significant ownership position in the company and will continue to lead Hepaco after the closing of the transaction.

Status: Closed

-LOGILITY ACQUIRES SUPPLY CHAIN INTEGRATION SOFTWARE FIRM ADAPCHAIN

US-based supply chain optimisation and retail planning solutions Logility, Inc has acquired US-based of integration solutions developer AdapChain, the company said.

AdapChain's technology are designed to speed and simplify the complex integration of supply chain with enterprise resource planning (ERP) solutions through a proven template-based approach. The company's AdapLink (now Logility Voyager AdapLink) enables companies to enhance their supply chain capabilities by quickly integrating the rich transaction and master data from their enterprise systems with Logility Voyager Solutions.

Status: Closed

-MARQUEE DENTAL PARTNERS ACQUIRES KENTUCKY GENERAL PRACTICE WESTEN DENTAL

Nashville, Tennessee-based dental support company Marquee Dental Partners has inked an affiliation agreement with Bowling Green, Kentucky-based general dentistry practice Westen Dental Group, the company said.

By providing dentists with both the support and the clinical autonomy they need to succeed, Marquee enables them to focus their attention on providing the best oral healthcare services possible. From a patient perspective, the transition will be seamless. Marquee Dental will leave in place Westen Dental's dentists and staff.

Status: Agreed

-ALBEMARLE TO ACQUIRE ASIAN LITHIUM SALTS PRODUCTION ASSETS

US-based specialty chemicals industry Albemarle Corp. (NYSE: ALB) has signed a definitive agreement to acquire the lithium hydroxide and lithium carbonate conversion assets and supporting business functions currently operated by China-based firm Jiangxi Jiangli New Materials Science and Technology Co. Ltd, the company said.

This transaction is expected to close by the end of 1Q17, subject to regulatory approvals and other customary closing conditions. The transaction includes manufacturing assets located in both Jiangxi and Sichuan, China focused on the production of battery-grade lithium carbonate and lithium hydroxide.

Status: Agreed

-SYNSCORT ACQUIRES UK SOFTWARE FIRM COGITO

New Jersey-based Big Data and mainframe software developer Syncsort has completed the acquisition of UK-based specialised software maker Cogito Ltd, the company said.

This acquisition builds on Syncsort's strengths in delivering key mainframe data to Big Data platforms like Apache Hadoop, Apache Spark and Splunk, while simultaneously increasing efficiency and lowering costs on the mainframe.

Status: Closed

-ENDURANCE ACQUIRES DUTCH MOBILE DEVELOPMENT PLATFORM APPMACHINE

Massachusetts-based cloud-based platform solutions provider Endurance International Group (NASDAQ: EIGI) has completed its acquisition of Netherlands-based technology developer AppMachine, the company said.

AppMachine's mobile rendering platform enables mobile websites to behave like native apps, and its responsive editor helps small businesses get online fast and update their web presence on-the-go. The addition of AppMachine's mobile development platform to Endurance's suite of solutions will enable small business customers to expand their online presence with ease.

Status: Closed

-CAMUTO GROUP ACQUIRES MAJORITY OWNERSHIP OF SHOE MAKER SOLE SOCIETY

Connecticut-based women's fashion footwear designer and distributor Camuto Group Inc has acquired Culver City, California-based shoes and accessories manufacturer Sole Society LLC, the company said.

As part of Camuto Group's focus on digital innovation, the company has acquired the majority stake in Sole Society with the strategy of enhancing category offerings and continuing to build on the strong accessories platform through extensions in apparel and other key classifications. In addition, the Sole Society brand will be developed for global wholesale opportunities in several categories.

Status: Closed

-IDENTITY AUTOMATION ACQUIRES CYBERSECURITY COMPANY 2FA

Texas-based identity management software solutions developer Identity Automation has acquired Texas-based authentication cybersecurity company 2FA, Inc., the company said.

With nine authentication methods, 2FA brings a broad authentication offering to Identity Automation's IAM portfolio. It accelerates Identity Automation's growth in the state and local government vertical, and it expands Identity Automation's international and US footprint with the addition of customers across 25 countries and all 50 states.

Status: Closed

-CONDOR HOSPITALITY TRUST TO ACQUIRE ALOFT ATLANTA DOWNTOWN HOTEL FOR USD 43.55M

Maryland-based hotel-focused real estate investment trust Condor Hospitality Trust, Inc. (NASDAQ: CDOR) has closed on a joint venture acquisition with New York-based Boast Hotel Management Company LLC, an affiliate of New York-based hospitality equity and debt investment group Three Wall Capital, of the 254-room Aloft Atlanta, located in downtown Atlanta, Georgia, the company said.

The purchase price for the hotel is USD 43.55m. Through its operating partnership subsidiary, Condor will own 80% of the joint venture with Three Wall Capital owning the remaining 20% of the joint venture.

Status: Agreed

(Distributed by M2 Communications ([*www.m2.com*](http://www.m2.com)))

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**End of Document**



[***The rules and regulations of tax in Thailand***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4N1-DXYV-74VX-00000-00&context=1516831)

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**Body**

The main body of tax law in Thailand is the Revenue Code. Taxes under the Revenue Code are primarily collected under a self-assessment system, whereby taxpayers take responsibility for correctly filing their tax returns and paying taxes.

The Revenue Department administers the Revenue Code and enforces compliance with the law through regular tax audits. Taxpayers can ask the Revenue Department for a ruling to clarify the Department's viewpoint in advance of a tax audit.

**Corporate Income Tax**

Companies or juristic partnerships established under Thai law are subject to corporate income tax on their worldwide income, while those established under a foreign law carrying on business in Thailand are subject to corporate income tax only on the net profits arising from their business activities in Thailand.

The term "company or juristic partnership" is defined to include entities such as limited partnerships, registered partnerships and unincorporated joint ventures.

Net profit for tax purposes is calculated by taking into account all revenue arising from or in consequence of business carried on in a tax year, and deducting therefrom allowable expenses. Revenue and expenses are computed on an accruals basis.

Dividends received by Thai companies, either from another Thai company or from a foreign one, may qualify for exemption from corporate income tax if certain prescribed conditions are met.

In general, expenses incurred for the purpose of acquiring profits or for conducting business in Thailand are deductible. Accordingly, usual business expenses, qualifying bad debts and depreciation are deductible for tax purposes. Deductible expenses must be claimed in the tax year in which they are incurred.

A number of incentives are contained in the tax law that allow for accelerated depreciation and capital write offs in respect of certain types of assets. If an asset is acquired during a tax year, the depreciation allowance must be pro-rated.

Tax losses may be carried forward for a maximum of five years and set off against net profits of any nature. Companies promoted by the Board of Investment (BOI) that receive exemption from corporate income taxes can carry forward tax losses and deduct them as expenses for up to five years after the end of the income tax holiday period.

**Transfer Pricing**

The Revenue Department has the power to deem a company to have received market value consideration for the sale of goods, provision of services, or the lending of money, where it considers that the actual consideration received was less than market value without justifiable grounds.

The Revenue Department also has the power to deny a deduction for any expenditure that is not exclusively expended for the purpose of acquiring profits or for the purpose of the business.

Transfer pricing guidelines exist for determining the market price of transactions between related parties. The guideline's definition of market price is consistent with the "arm's length" principle used in the OECD's transfer pricing guidelines. Draft legislation is currently under consideration that would make the guidelines law.

**Filing Of Returns & Payment Of Tax**

A company may choose any 12-month period as its accounting period. Subsequent changes in accounting period must be approved by the director-general of revenue.

An annual corporate income tax return accompanied by audited accounts must be filed within 150 days of the end of the accounting year. A midyear tax return must also be filed and tax paid on half of either the actual or estimated profit for the year, depending on the business of the taxpayer.

Tax paid on the mid-year return, as well as domestic withholding tax deducted from income during the year, is allowed as a tax credit against the tax payable on the annual return.

Thai companies are also entitled to claim a foreign tax credit for tax paid in a foreign country on income which is subject to corporate income tax. The foreign tax credit cannot exceed the amount of corporate income tax payable on the income.

Tax due should accompany the submission of the return. A refund of tax overpaid may be requested within three years, and a request will generally be subject to tax audit before the refund is made.

Branches of foreign incorporated companies are subject to the same filing requirements as Thai incorporated companies.

The Revenue Department has the power to issue a summons to conduct a tax audit within two years from the date the return is filed.

The two-year prescription period can be extended to five years where there is documentary evidence or reason to suspect the taxpayer had an intention to evade tax.

If tax deficiencies are found, the Revenue Department can assess additional taxes provided the assessment is made within 10 years of the date the tax was required to be paid.

**Corporate Tax Rates**

The corporate income tax rate is generally 20%. For small and medium-sized enterprises, the tax rates are: A regional operating headquarters company may obtain a tax exemption on income derived from foreign operations and a concessionary tax rate of 10% on other qualifying net profits.

An international headquarters company is exempt from tax on qualifying net profits deriving from a foreign associated company or branch. It is taxed at the rate of 10% on qualifying net profits derived from a Thai associated company or branch.

An international trade centre company is exempt from tax on qualifying net profits derived from the procurement and sale of goods abroad, provided that the goods are not imported into Thailand, and from services provided to foreign companies related to international trade.

Foreign companies engaged in international transportation are subject to 3% tax on gross receipts.

Foreign companies carrying on business in Thailand are also subject to 10% tax on the disposal of profits out of Thailand. This tax may be exempted under an applicable double tax agreement.

International procurement centres are taxed at a rate of 10%, as are qualifying net profits derived by companies approved by the Ministry of Energy to conduct oil trading activities.

Qualifying businesses located in Specific Development Zones are taxed at a rate of 3% on net profits.

Petroleum income tax rather than corporate income tax is levied on the net profits and the disposal of profits out of Thailand of businesses engaged in petroleum exploration and production.

**Personal Income Tax**

The tax year for individuals is the calendar year. Tax residents are subject to tax on assessable income from sources in Thailand and on assessable income derived from sources outside Thailand if remitted into Thailand in the same year.

A person who resides in Thailand for one or more periods totalling 180 days or more in a tax year is deemed to be a tax resident for that year.

Non-residents are subject to tax only on income earned from sources in Thailand regardless of whether such income is paid in or outside Thailand.

Expatriate employees working outside Thailand for a regional operating headquarters company may be able to claim exemption from Thai personal income tax.

For some classes of income standard deductions will apply, whereas for others actual expenses incurred in connection with the derivation of the income may be deductible.

For employment income, a standard deduction of 40% of an individual's gross income, up to a maximum of BT60,000 ($1810) per annum, may be claimed as an expense.

In addition to the itemised or standard expense deductions, individuals are entitled to deduct a number of allowances.

**Tax Rates**

Personal income tax will be calculated on a person's net income after deduction of expenses and allowances.

The tax rates range from 5% to 35% for both resident and non-resident tax individuals. Expatriate employees of a regional operating headquarters company, international headquarters company or international trade centre company may elect to be taxed at a flat rate of 15% on their taxable remuneration.

**Filing Of Returns & Payment Of Tax**

Personal income tax returns must be filed on or before March 31 in respect of the preceding calendar year. Tax due on the return must also be paid on or before this date.

Employment income and certain other categories of income are subject to withholding tax. The taxpayer can claim a credit for the tax withheld in their personal tax return.

Mid-year returns must be filed for certain types of income, such as rent, and income from liberal professions and businesses.

Under certain conditions, assessable income may be excluded from the personal tax return, including: certain types of interest that has been subject to 15% withholding tax; gains from the sale of immovable property acquired by way of bequest or as a gift, which would have been subject to a withholding tax at the time of transfer; and dividends or mutual ***fund*** distributions subject to 10% withholding tax.

**Withholding Tax**

Thailand has a comprehensive withholding tax system that applies to both domestic and international payments.

Withholding tax applies to many domestic payments that are not for the sale of goods, such as service fees, royalties, commissions, transport fees, interest, dividends, rents and the sale of immovable property.

Rates generally range from 1-5%. The withholding tax must be deducted at the time of payment and a certificate issued by the payer as evidence of the tax deducted. The withholding tax deducted can be used by the income ***recipient*** as a tax credit in their income tax return.

Certain payments made to foreign companies not carrying on business in Thailand - including interest, capital gains, rents, royalties and service fees - are subject to 15% final withholding tax. Dividends are subject to 10% final withholding tax but exemptions apply in some cases, such as dividends paid out of profits subject to tax holidays.

An exemption or reduction of the withholding tax may be obtained under an applicable double tax agreement. Service fees are usually exempted and the rate on interest is generally reduced to 10% if paid to a ***financial*** institution.

**Investment Promotion**

Companies that receive BOI promotion may obtain special taxation incentives. Foreign investors typically establish a Thai company if they wish to seek BOI promotion for their business. Depending on a project's characteristics, eligible projects may obtain tax incentives that include the following:

* Exemption or reduction of import duties on imported machinery, raw materials and components;

1. Exemption from corporate income tax for three to eight years;
2. Exclusion from taxable income of dividends received from promoted enterprises during the corporate income tax holiday;
3. Additional 50% reduction of corporate income tax for five years after the tax holiday period;
4. Double deduction of transportation, electricity and water supply costs; and
5. A 25% deduction from net profit for facility installation and construction costs in addition to normal depreciation.

Tax incentives are specified for each type of promoted activity. Additional incentives are ***granted*** based on the merits of the project, considering their competitive enhancement, and merit for decentralisation and industrial area development.

The BOI's cluster-based Special Economic Development Zones Policy came into effect on September 16, 2015 and initially targets development of two types of clusters: Super Clusters and other targeted clusters. Super Clusters include those of businesses using advanced technology and industries of the future. Specific provinces are designated for the location of each cluster type. For example, Chiang Mai and Phuket are designated as the provinces for digital-based clusters.

Super cluster businesses will be ***granted*** a corporate income tax exemption for eight years, with an additional 50% corporate income tax reduction for five years, and an exemption from import duty on imported machinery.

**Production Efficiency Incentives**

There shall be a three-year corporate income tax exemption capped at 50% of the total investment amount ***granted*** to both BOI-promoted and non-BOI-promoted companies that conduct the following types of investment in Thailand:

* Investment to upgrade machinery that will either save energy, use alternative energy or reduce the environmental impact of existing machinery;

1. Investment in manufacturing technology and machinery to raise production efficiency; and
2. Investment in research and development to upgrade manufacturing technology and engineering designs to improve efficiency.

The conditions to be met in order to qualify for benefits include operating a business eligible for BOI promotion; minimum capital investment of BT1m ($30,100) in each project (reduced to BT500,000 [$15,050] for small and medium-sized enterprises); and minimum investment amounts for research and development based on percentage of turnover.

**Value-Added Tax (Vat)**

Most persons that sell goods or provide commercial or professional services in Thailand will have to register with the Revenue Department to pay VAT. Suppliers with a sales turnover not exceeding BT1.8m ($54,200) per annum are exempt from VAT. Foreign businesses may also be exempt from VAT registration if they only carry on business in Thailand temporarily.

The law provides that certain sales, services and imports are exempt from VAT, such as the sale or import of unprocessed ***agricultural*** products, the sale or import of books, transport services and rental of real estate. A trader engaged in exempt transactions need not collect VAT, but at the same time cannot claim a refund of VAT paid to suppliers. The trader can however get a corporate income tax deduction for the VAT suffered.

Taxable supplies attract VAT at either the standard rate of 7% or 0%. Imports are subject to 7% VAT, which will be collected at the time of import by the Customs Department.

Transactions that are zero-rated include exported goods, services performed in Thailand and used entirely or partially in a foreign country, and services of international transportation by air and sea. Under the zero rate, a supplier may obtain an input credit for VAT incurred on purchases.

VAT registrants shall add VAT to the price of their goods and services and collect the VAT from their customers or clients. A VAT registrant must prepare and issue a tax invoice in the prescribed format for every sale or service provided that is subject to VAT. Businesses that sell goods or provide services to a large number of customers shall have the right to issue an abbreviated tax invoice instead. VAT registrants that wish to claim a credit for the VAT on their purchases must receive a full tax invoice to support their claim.

Each month the VAT liability is calculated by taking the difference between the VAT on sales and the VAT on purchases that are allowed as a credit under the law. In the case where a credit balance arises, the taxpayer may carry forward the VAT credit to the following month or request a refund from the Revenue Department, which will most likely result in an audit.

A person that pays for services from a foreign supplier to use in Thailand shall be liable to remit the VAT on the services to the Revenue Department.

**Specific Business Tax**

Businesses that are not subject to VAT may be subject to specific business tax instead. Specific business tax is levied on the gross receipts of the business.

In addition, a 10% municipal tax is imposed on top of the specific business tax rate.

Specific business tax is payable to the Revenue Department on a monthly basis. Specific business tax on the sale of immovable property e.g. land, condominium units or buildings, will be paid to the land department when the sale is registered.

A number of exemptions from specific business tax are provided under the law.

**Customs Duty**

Customs duty is imposed on certain imports and exports. Export duties are generally imposed on only two groups of commodities, comprising rawhide and wood.

Import duties are imposed on a specific, ad valorem or compound basis. The compound basis is a combination of the specific and ad valorem basis (whichever is higher).

The duty rates generally range between 5% and 20% and may be reduced or eliminated under Thailand's free trade agreements, such as those with Australia, China, India, New Zealand and the member countries of ASEAN.

Generally, the import value for the calculation of import duty is based on cost, insurance and freight, and free on board for exports. The Customs valuation is made under the General Agreement on Trade and Tariff, which primarily uses the transaction value on prices paid or payable.

**Excise Tax**

 Excise tax is imposed at ad valorem or specific rates on certain commodities and services, including liquor, tobacco, motor vehicles and certain kinds of electrical appliances. The tax liability arises on locally manufactured goods when the products are shipped from the factory or on importation. In addition to excise duty, an interior tax at a rate of 10% may be imposed.

**Stamp Duty**

Stamp duty is imposed under the Revenue Code on certain documents including real estate leases, share transfers, loan agreements and hire of work contracts.

The rate of stamp duty applicable depends on the type of document. In general rates are between 0.05% and 1%, although for certain ***instruments*** the stamp duty is capped. For example, for loan agreements stamp duty is capped at BT10,000 ($301). Flat rate duties range from BT1 ($0.03) to BT200 ($6.02) per ***instrument***.

A number of exemptions from stamp duty are provided under the law. Documents subject to stamp duty which have not been stamped cannot be used as evidence in a civil case.

**Other Taxes & Fees**

An inheritance tax came into effect in February 2016 that applies to certain assets inherited, such as real estate, securities, registered vehicles and deposits. The first BT100m ($3.01m) is not subject to inheritance tax. Ascendants (e.g., parents) or descendants are taxed at the rate of 5% and other heirs taxed at 10%. Certain heirs, such as the deceased's spouse and state organisations, are exempt from inheritance tax.

Fees are imposed under the Land Code for the registration of certain rights and acts. The transfer of land, buildings or condominium units are subject to a 2% fee based on the official appraised value of the property set by the government.

OBG would like to thank *BDO Advisory* for its contribution to THE REPORT Thailand 2016 These prices are currently reviewed every four years. The registration of real estate leases longer than three years are subject to a 1% fee.

House and land tax is collected annually on the annual rental value of commercial buildings at a rate of 12.5%. If land is not subject to the house and land tax it may be subject to local development tax. Reforms have been proposed that involve scrapping these two taxes and introducing a new property tax that would be imposed on the official appraised price of the property. A tax applying to signboards is also collected annually.

**Export Incentives**

Industrial operators in export processing zones under the Industrial Estate Authority of Thailand are ***granted*** numerous tax incentives and privileges including exemptions from import duty and value added tax.

A bonded warehouse can be established with Thai Customs' approval. Under a bonded warehouse scheme, the imported goods stored in a bonded warehouse for the purpose of re-export shall be exempted from payment of import/export taxes and duties, regardless of being exported in the same nature as imported or in the nature of having been produced, mixed or assembled as other goods. Various types of bonded warehouse can be established under the Customs Act.

**Anti-Avoidance Rules**

Thai tax law has limited general anti-avoidance provisions, pursuant to which the Revenue Department may deny a tax deduction for artificial or fictitious expenses, or expenses not exclusively expended for a business purpose or for acquiring profits.

**Tax Treaty Network**

Thailand has an extensive tax treaty network - as of February 2016 the country had a total of 60 tax treaties in force.

**Load-Date:** March 12, 2020

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[***HERALD WAR REPORT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5HTW-JDF1-F15H-C3D9-00000-00&context=1516831)

Morpeth Herald

January 11, 2016 Monday

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**Length:** 4037 words

**Body**

In this feature to commemorate the First World War, we will bring you the news as it happened in 1916, as reported by the Morpeth Herald. All material is published with kind permission of the Mackay family. We thank them for their support and generosity in allowing us access to their archive.

Second-Lieut. Robert Oliver, elder son of Mr W.L. Oliver, of the firm Messrs R. Oliver and Sons, Morpeth, has been mentioned in a recent despatch from Sir John French for gallant and distinguished service in the field.

Second-Lieut. Oliver enlisted in the Public Schools Battalion as a private on September 15th, 1914, and was for the first three months at Epsom. He received his commission on 5th January, 1915, and was attached to the 12th Northumberland Fusiliers.

He went out with the 21st Division to France and immediately proceeded with his regiment to the firing line and took part in the great battle at Loos. He was last seen on the parapet of a German trench on Hill 70, and was officially reported missing on September 26th. Since then nothing more has been heard of him.

In a letter to Mrs Oliver the captain of his company states that Second-Lieutenant Oliver acted in a most cool and courageous manner in action, and that his platoon had been singled out for special praise by the Divisional General for the work they did.

Second-Lieut. Oliver was educated at the Morpeth Grammar School and Merchiston Castle, Edinburgh. He was a keen photographer, and two years ago won the challenge cup in connection with the Camera Club exhibition held under the auspices of the Young Men's Christian Association at Morpeth. He was 20 years of age.

MENTIONED IN DESPATCHES

In a despatch published in the "London Gazette" on Saturday, Sir John French recommends the following local officers and men for gallant and distinguished conduct in the field:- Lieut.-Col. Henderson, D.L.I., Lieut. R. Oliver, N.F., Morpeth, Capt. Merivale, N.F., Broomhill, Sergt. R.B. Appleby, N.F., West High House, Morpeth, Sergt. D.B. Douglas, A.B.O.N.D., Morpeth.

GIFTS GREATLY APPRECIATED

The following has just been received by Mrs Tighe, of Waterford House, Morpeth:-

It is now my pleasant duty to acknowledge, on behalf of the Morpeth boys in our company, the receipt of your most welcome parcel containing cigarettes, tobacco, and sweets. They all expressed their warmest thanks to you for your kindness and thoughtfulness.

The parcel came on the 23rd December in the evening, just when nearly everyone found they had no smokes; so they were doubly pleased, and I assure you they are all delighted to have something from dear old Morpeth.

Again thanking you on their behalf. -Yours, etc.,

BART FOSTER, Sergt.

WARMEST THANKS

The committee and members of the Social Club, Market Place, Morpeth, have received the following letter:-

Gentlemen,- I beg to acknowledge the receipt of a parcel so kindly subscribed for and sent to me by the members of your club. Please convey to the subscribers my warmest thanks.

Words of mine can't express how grateful I feel by being a ***recipient*** of their generosity. It would need them to be here in person to realise the amount of pleasure it gives to each and everyone of us when we receive our parcels from home. Could they be here when the postman arrive, I have no doubt they would feel amply repaid.

Everything in the parcel went down alright, except the candles. When I saw them I smiled. You see we are lucky enough to have electricity, but they will not be wasted, as I am having them sent to someone, who is not so fortunate. -Yours, etc.,

08581 Pte. PHILLIPSON, F. 318 Co. M.T.A.S.C.

Boulogne Base, France

USEFUL PARCEL

Mrs Cookson desires, on behalf of the Northumberland Hussars, to thank the Stannington Working Party for the useful parcel of shirts, socks, body belts, mufflers, and mittens, which were sent by Lady Ridley.

Mrs Cookson cannot express how grateful the N.H.Y. are for the things sent.

HANDSOME PRESENT

Lance-Corporal Marshall, 5th N.F., York, desires to thank the people of Pegswood for the handsome present sent to him.

NEW YEAR CELEBRATIONS

The passing of the old and the coming of the New Year were quietly celebrated at Morpeth.

About the midnight hour a goodly number of people were in the streets, and after the stroke of twelve the old custom of "first-footing" was indulged in.

MORPETH FOXHOUNDS

New Year's Day witnessed the opening meet of the Morpeth Foxhounds. In spite of the stormy weather conditions, large crowds of the military and the general public assembled in the Castle Square, Morpeth to see the start. There was an unusually large field, many of the officers of the different regiments quartered in the town and neighbourhood joining in the hunt.

The pack was in charge of Huntsman F. Scott. Among those mounted were Mr Geo. Renwick, Springhill; Dr. Arthur Brumell, Mr W.C. Sample, Bothal; Colonel Verdin, Major Egerton, Mrs Barnett, Whalton; Miss Atkinson, Gallowhill; Miss F. Cooper, Lieut. W.S. Sanderson, Lieut. Fergusson, Lieut. Blakeby, Mr Summerbell, Underwood; Lieut. Parkins, Lieut. Cooper, Mr R. Anderson, Gubeon; Lieut. Mosely, and Mr and Master Moore, Wellhill.

SOLDIERS' INSTITUTE

On New Year's night the men at the Soldiers' Institute were entertained to light refreshments. The men also received cigarettes and apples and oranges. The good things were much appreciated.

DARKENED STREETS

Sir.- I am of the opinion our Council have erred on the side of moderation in asking for six obscured lamps for Morpeth streets; 6 times 6 would be nearer the mark.

Pedestrians who have to be out after 5 o'clock run great risks that need not be in a place like Morpeth.

I am told that places nearer the coast are better lighted, therefore I would suggest a few more obscured lamps at other dangerous points in the streets which would be a great boon to those who have to be out at nights; more especially when we are without a moon.

I am tempted to write those few lines to you, Mr Editor, seeing that there are more stringent measures to be taken shortly. -Yours etc.,

A. WANDERER

REGIMENTAL BADGES

Through the kindness of Mr George Renwick there is on view at the Soldiers' Institute, Morpeth, a framed collection of over 200 regimental badges. All those who take an interest in these badges should make a point of seeing this most interesting collection.

ROLL OF HONOUR

News has been received at Blyth, that Private Edward Bateman, of the Northumberland Fusiliers, has been killed in France.

Trooper J. Miller, of the 14th Hussars, belonging to Morpeth, was killed in action in the Persian Gulf on the 8th December.

Mr and Mrs W.A. Avery, of Reivers' Well, Cragside, Rothbury, have received information that their son, Private R.G. Avery, 9480, 2nd D.L.I., was killed in action on December 20th.

After being wounded in the left foot, Private Robert Allison, 14496, 10th Northumberland Fusiliers, a native of Bedlington, is now suffering from an illness. He is also well known at Ashington.

COUNTY CHIEF CONSTABLE HONOURED

Among the few honours that have come our way, as officially announced, is that of a medal which has been awarded to Captain Fullarton James, who has been Chief Constable of Northumberland since 1900.

It is gratifying that he has received Royal recognition for having well maintained the important force under his control in a high state of efficiency, and has otherwise rendered valuable services in this part of the East Coast since the outbreak of hostilities.

This week the Chief Constable was congratulated by the members of the Standing Joint Committee on the honour conferred upon him in receiving a medal. We also off him our heartiest congratulations.

CROSS-COUNTRY RUN AT MORPETH

Sir,- It has been arranged to bring the Military Cross-Country run, open to all units of the Tyne garrison, which includes the troops stationed from Berwick to Seaham Harbour, to Morpeth on Saturday, the 22nd January.

This race has already been held at Blyth, Hexham, South Shields, and Sunderland, and these places entertained the men taking part in the race to tea. We have been asked if Morpeth would do the same, and we feel sure that the people of Morpeth would be glad to do so.

It is expected that between 600 and 800 men will enter. The run will begin and finish at Morpeth. We have been kindly ***granted*** the use of the Soldiers' Institute and St James's Infant School, and a committee of ladies has agreed to make all the necessary arrangements.

Of course a fairly large sum will be required to provide for so many men, but we feel sure that Morpeth will be only too pleased to provide the men with an afternoon's outing as the other places have done.

I have agreed to act as hon. treasurer, and shall be very glad to receive any donations, either of large or small sums, as we are very anxious that everyone should be able to feel that they had contributed to give the men a good time when they come to Morpeth. Donations may be sent either to the undersigned or to Mr T.B. Waters, Soldiers' Institute. -Yours, etc.,

(Rev.) FRANK C. HARDY.

MORPETH GUARDIANS

The changes that have been brought about in the administrative work of public bodies since the war commenced have been varied and manifold, and this is the case in connection with councils generally, in order to meet the new demands of the times.

The Morpeth Guardians have decided to make a change, which will mean that the Guardians will only have one meeting to attend in a month instead of two. The meetings of the Relief Committee which take fortnightly will, after the February meeting, be held on the same day as the ordinary meeting of Guardians.

The relief to needy persons will be dispersed by the relieving officers as before over the longer period, and the cases will come under review once a month when the Board meets.

This change was more of a suggestion of the Local Government Board, and it should prove a welcome one to those members who often at considerable sacrifice made a form of attending regularly the meetings of the Board.

A QUIET NEW YEAR

Many of the old customs which are usually associated with the passing of the old and the coming of the new year were conspicuous for their absence when the year 1916 was ushered in. In Morpeth and the surrounding districts the occasion was very quietly celebrated.

More than one reason may be assigned for the changed state of affairs, and probably the chief one is to be found in the fact that people are more concerned about the war and the loved ones who are on active service.

Then again the early closing of public houses and the darkened streets all helped to make it a quiet New Year's Eve. A prominent feature of the holiday season was the orderliness and sobriety of the people generally, which all goes to show that the general public realise fully the gravity of the times in which we are passing through.

MR STRAKER ON COMPULSION

Mr W. Straker, secretary of the Northumberland Miners' Association, in the course of an interview with reference to compulsory military service, on Wednesday, said: "My opinion is that the conscriptionist party squeezed the anti-conscriptionists in the Government bit by bit, until they have agreed now to bring in a modified form of conscription. By and by they will squeeze a bit further. We will get an amending Bill, and this will go on until there is conscription for everybody."

5,000 D.C.M.'S AND 100 V.C.'S

In the House of Commons on Wednesday Mr Tennant, in reply to Mr Clough, said that about 5,000 Distinguished Conduct Medals and 100 Victoria Crosses had been awarded.

He did not think it necessary to examine the proportion won by married and unmarried men. Single men were not preferred as soldiers because they were better soldiers than married men, but because the latter generally had more responsibilities.

Mr Snowdon: It means that the War Office desire single men because they make cheaper soldiers.

FOR PONTELAND SOLDIERS

A social evening was held in Coates' Endowed School, Ponteland, the proceeds being used to provide each soldier at the front from the village of Ponteland and the immediate neighbourhood with a parcel of goods during the festive season.

There was a large company present, and a very enjoyable evening was spent.

The sum of £15 10s. was realised and a parcel has been despatched to each local soldier.

RED CROSS HOSPITAL, MORPETH

The Commandant of Morpeth Red Cross Hospital wishes to acknowledge with thanks the following gifts:- Lieut. Green, books; Mr Duncan, cake; Mrs Simpson, scones; Miss Soulsby, cigarettes; Mrs Harding, two plum puddings, and oranges; Mrs Jennings, fruit; Mrs Speke, rabbits; Mr and Mrs Tinsley, butter, eggs, cigarettes; Mrs Brittain, apples, Mrs Lockey, duck.

BRITISH FARMERS' RED CROSS ***FUND***

Sir,- During the past year over 190 ***agricultural*** jumble sales have been held on behalf of the above ***Fund***, and we wish to thank all those who have helped to make them such a success.

Although this ***Fund*** has now reached the splendid total of £150,000, the money for the sick and wounded is still urgently wanted, and all offers of assistance for the arrangement of further sales during the New Year will be gratefully received by the Secretary, Room 5, Tower Bridge Flour Mills, Shad Thames, Bermondsey, S.E. -Yours etc.,

WALTER G. VANN,

Secretary.

Northumberland.- 49th List.- From Tenants on Lieut.-Col. Cookson's Estate (in lieu of Rent Dinner) per L. Waulace, Esq., £7 15s; previous total, £2,098 19s 9d- Total, £2,106 14s 9d.

MORPETH'S SEWING MEETING FOR THE SOLDIERS

The above sewing meetings will be resumed in the Soldiers' Institute, Bell's Yard, on Thursday, January 13th, at 2pm. Tea will be given by his Worship the Mayor of Morpeth.

VOLUNTARY AID HOSPITAL, MORPETH

We would draw attention to a high-class concert which is to be given in the Playhouse, Morpeth, in aid of the above hospital, on Thursday afternoon next. The concert, which is timed to commence at 2.30pm, is to be under the patronage of the Hon. Mrs Joicey, Longhirst Hall, the General Officer Commanding, and officers of the 2nd Line Welsh Border Mounted Brigade, and Mr George Renwick of Springhill.

The programme will be provided by talented artistes, including star artistes from the Newcastle halls. Tickets may be obtained from Mr James, stationer, Newgate Street and the "Herald" Office, Morpeth, and the 2/6 seats can be booked at the shop of Mr James on and after Saturday, Jan. 8th. For further details see posters.

SHOOTING HOMING PIGEONS

The War Office draws attention to the fact that a large number of carrier or homing pigeons are being utilised for naval and military purposes, and that recently many of these birds have been shot at and killed or wounded when homing to their lofts. The public are warned that persons convicted of wilfully shooting such birds are liable to prosecution.

Persons who are unable to distinguish with certainty carrier or homing pigeons on the wing from wood pigeons, doves, and the like, should refrain from firing at any birds of these species.

AMBLE INTERCESSION SERVICES

Intercession services were held at the various places of worship on Sunday last. There were large congregations at all the churches, and each of the ministers preached appropriate sermons.

Each of the ministers read over the Roll of Honour of all those who had gone to fight for their King and country, and sympathetic references were made to those who had laid down their lives for freedom and civilisation. Special hymns were sung. The services were most impressive.

CHRISTMAS AT THE FRONT

One of the men of D Company, 5th Northumberland Fusiliers, has sent us the following communications from "Somewhere in France."

He says:- "I am just writing to let you know how the lads from Tyneside spent their Christmas. It happened that it was our turn to fall back from the first line into the reserve for a rest. We were in a better position to enjoy ourselves in the huts than the boys in the line. We had church parade in the morning. Selections were given by the band of the 7th D.L.I. in the afternoon. At night each hut provided its own amusement.

The N.C.O.'s of D Company held a sing-song, which went off splendidly. It commenced with the singing of carols by the company. Next followed songs - "Always," by Corporal J. Bennett; "Casey Jones," G. Cook (Coy. Ord.); "Where the River Shannon flows," T.L. Fannan (Coy. Ord,); "Sing me to sleep," Sergt. Fawley; parody on "Sing me to sleep," Sergt. Thomas; "A Picture Postcard," Sergeant Gallon. "Thora" was ably rendered by Sergt. Willis, who was encored. He then gave "You ask me to forget you." The evening was brought to a close by a toast to King and country.

We wish to thank all who were responsible for the Christmas puddings, of which we had an ample share. We are now having as much rest as possible before taking our turn in the line again."

THE PIPER LAIDLAW, V.C. ***FUND***

The friends and admirers on the Borders of Piper Daniel Laidlaw, V.C., the hero of Loos, are raising a testimonial ***fund*** for his benefit. Through a concert and cinema entertainment held at Alnwick. the Soldiers' Recreation Committee will hand over the net proceeds, amounting to £16 to the ***fund***.

SPECIAL SERVICES AT MORPETH

Solemn services of intercession on behalf of the nation and the Empire were held at the different places of worship in Morpeth on Sunday last.

The Mayor (Ald. Ed. Norman) and members and officials of the Town Council attended the morning service at St James's Church in their official capacity. Those who joined in the procession from the Council Chambers to the church were: The Mayor in his robes of office, Alderman R.J. Carr, Councillors W. Duncan, R.N. Swinney, Chas. Grey, J.R. Temple, I. Armstrong, R.L. Fearby, Geo Jackson, James Elliott, Mr Jas. Jardin (Town Clerk), Mr J. Davison (borough surveyor), Mr George Middlemas (rate collector), Mr N.I. Wright, Mr G.D. Dakyns, M.A., Mr F. Brumell, Mr J.E. Whittle, and Mr J.C. Moore of Sunderland.

The service, which was of an impressive character, was conducted by the Rector (Canon Davies). The lessons were read by Mr N.L. Wright. At the commencement the choir and congregation joined in singing the National Anthem. Mr Alfred Armstrong ably presided at the organ.

The Rector took his text from the 11th chapter of St Matthew, versus 28-29: "Come unto Me, all ye than labour and are heavy laden, and I will give you rest. Take my yoke upon you, and learn of me; for I am meek and lowly in heart; and ye shall find rest unto your souls." He said it seemed to him that those words of our Lord expressed admirably and perfectly the purpose of that day's special service.

They would remember that they had entered upon their great national intercession on the first Sunday of last year in an uncertain, if not in a perplexed state of heart and mind. This country had not sought the war. They were proud of the motives that had driven them into the great conflict. They has responded to the call of honour, answered the summons of duty, and so answered the call of God. The element of penitence seemed to many somewhat unnecessary and out of place.

He was right in saying that, today, things were different. They were still proud of the part they were determined to play, and rightly so, and the nature of the struggle was so clear that there seemed to be no doubt, if they were faithful, of the ultimate issue. They were beginning to understand that it had a meaning for them, deeper than the power of their vision a year ago.

They remembered the condition of England in the summer of 1914 before the war broke out, and they shuddered at the memory of the blindness that possessed them then. They were capable of better things, of a diviner mode of life. What they had done in the interval was demonstrated that day to the call of Christ bidding them to nobler living, to identify themselves with service and sacrifice, to accept His standard of value, that was to look upon life as it was in the spiritual and so to be expressed in terms of brotherhood, and not of mutual antagonism, and to apply those to all the relationships of life, industrial, social, civic etc. To all those they had turned a deaf, unheeding ear everywhere smothering the spiritual in great waves of materialism.

In the midst of their madness came the great catastrophe, and the seeming solid structure of their civilisation came crashing down in ruin around them, and they saw vast resources of godless materialism in the possession and exploitation of which they had foolishly come to think that life lay, and its satisfaction became the ***instruments*** of life's destruction.

"But when Germany," continued the Rector, "threw down the challenge of right' in overweening confidence upon the invincibility of might,' we were called to grasp something of what we had at stake, and we responded nobly as befitted a people with soul, a great soul, though we had allowed it to be covered over with the destructive form of mere material things, and in the method and process of our response we are discovering the key to the meaning which this great and terrible crisis has for us. We are in the midst of a process which is meant to be, and I think it is, the great process of regeneration.

"Some clearly, others dimly through the crash and tumult, through the knowledge and the suffering and the anguish of this great time, are at last hearing the voice of the Son of Man bidding all men Come unto Him', to find in Him and in the identification of their lives, that His is the only real and abiding fullness of life. This is the interpretation of it, and for us a time of great spiritual renewal. It is for us to answer to the call consciously and deliberately and henceforth to make God, revealed in Christ, the real Lord over all our life. Today then, if it is to achieve lasting good, is a day of spiritual renewal, a day of confession of past sin, and a day of reconsecration to the service of God."

The offertories for the day, which were given to the British Red Cross, amounted to over £21.

NATIONAL INTERCESSION DAY

Sunday was Intercession Sunday, and throughout the length and breadth of the land large congregations assembled for common prayer and intercession for their country's cause, and for those who are fighting her battles by land and sea. The services were similar in form to those which took place on the first Sunday of last year, which was also a day of national humiliation and intercession.

A special feature of this year's services was that at many churches, in order to add to the solemnity of the occasion, the church bells were muffled in honour of the dead.

The King and Queen, Prince Albert, Princess Mary, Prince Henry and Prince George were present at a special service of intercession in Sandringham Church in the morning. It commenced with the hymn, "Lord in this Thy mercy's day," kneeling. The exhortation was said by the Right Rev. G. Forrest Browne, late Bishop of Bristol, and the intercessions by the rector, the Rev. Rowland ***Grant***. The collection was for the British Red Cross Society.

At the afternoon service at St. Paul's Cathedral, which was attended by the Lord Mayor, Sheriffs and members of the City Corporation, the Archbishop of Canterbury was the preacher.

"Whatever else this year of memorable things has done or left undone," said the preacher, "it has, in a manner wholly new in the story of the English race, rallied the men, women, and children of the Empire to a strenuousness of united purpose whereof nobody has ever dreamt. In that, as in many other things, English life has undergone a change, which is irrevocable. It will endure. The new fellowship row set going among English folk can never, literally never, pass away.

"As the New Year opens we are poorer in half the homes of England by the loss of our very best and manliest. We know it. Thousands of the men to whom we looked confidently for discharging in the coming years the highest tasks, and fulfilling for the British Empire the noblest of her trusts and traditions, are today lying cold and stark in foreign soil. We know it. Every college and school knows it. Not one of us probably but has in vision at this moment some lithe, strong, clean-cut figure - the lad on whom we rested all these hopes. We thank God for him, we pray God for him here and now upon our Intercession Day. We are the poorer, but we are the richer, too."

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[***South East Europe - Q4 2015***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5GHK-4S51-JD33-J4FJ-00000-00&context=1516831)

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**Highlight:** Overall, South East Europe offers significant risks for incoming businesses with regard to the labour market. There are some advantages, such as good life expectancy as well as a good level of primary and (in most cases) secondary level education, boosting basic literacy and numeracy. However, these are negated by the numerous additional costs generated by the highly regulated labour market and limited skills of the workforce.

**Body**

Labour Market Risk

Overall, South East Europe offers significant risks for incoming businesses with regard to the labour market. There are some advantages, such as good life expectancy as well as a good level of primary and (in most cases) secondary level education, boosting basic literacy and numeracy. However, these are negated by the numerous additional costs generated by the highly regulated labour market and limited skills of the workforce.

Risks with regard to the availability of labour include the relatively low percentage of working age population currently in active employment, extremely limited female labour force participation rates and the comparatively small urbanisation levels in most of these states. Education risks (resulting in a small pool of skilled workers and necessitating additional costs in the form of imported skilled foreign labour or additional education and training for the domestic workforce) arise from the poor quality of tertiary education and the limited level of skilled university graduates available in the labour pool. In addition, businesses face high labour taxes in most of these countries (except Macedonia, where there is no labour tax), high minimum wages in comparison with many of their emerging market peers and high additional employment costs in the form of severance pay and annual leave requirements, in conjunction with poor worker productivity.

Due to these considerations, Greece is the outperformer in terms of Labour Market Risk, with the best secondary and tertiary education systems, high life expectancy and urbanisation mitigating the risks stemming from a 32% labour tax, monthly minimum wage of USD666 and 15.9 weeks of severance pay, reflected in its overall score of 57.7 out of 100, which places it in 51st place globally out of 201 countries in **BMI**'s Operational Risk Index.

Albania is the underperformer for Labour Market Risk among the 11 South East Europe states. This is due to its limited labour force, the rather poor quality of the education system at all levels, the regulated labour market and high labour tax. These concerns are reflected in the country's score of 42.2 out of 100, leaving it in 157th place globally in **BMI**'s Operational Risk Index.

**South East Europe - Labour Market Risk**

|  | **Education** | **Availability Of Labour** | **Labour Costs** | ***Labour Market Risk*** |
| --- | --- | --- | --- | --- |
| Greece | 83.1 | 48.9 | 41.1 | *57.7* |
| Montenegro | 75.1 | 44.3 | 51.9 | *57.1* |
| Slovenia | 79.7 | 46.3 | 43.4 | *56.4* |
| Serbia | 67.5 | 51.2 | 50.6 | *56.4* |
| Bulgaria | 74.0 | 39.4 | 55.8 | *56.4* |
| Romania | 69.1 | 37.1 | 60.6 | *55.6* |
| Croatia | 71.3 | 44.5 | 42.0 | *52.6* |
| Kosovo | 57.5 | 46.1 | 50.5 | *51.4* |
| Macedonia | 55.3 | 34.3 | 53.1 | *47.6* |
| Bosnia | 59.1 | 28.1 | 44.8 | *44.0* |
| Albania | 51.6 | 37.3 | 37.5 | *42.2* |

Source: BMI Operational Risk Index

**Albania**

Albania presents some of the highest risks to incoming businesses with regard to the labour market in South East Europe. This is due to the fact that although the level of working age employment (at 46%) is high in regional terms, this is one of the lowest employment levels globally, resulting in an extremely small domestic workforce of just 1.01mn. This constraint on available labour is further compounded by the poor female labour participation rate, which at 45% is well below the global average of 53.7%. In addition, the country is largely rural, with an urbanisation rate of 55.5%, which substantially reduces the potential size of the easily available workforce, both skilled and unskilled. These factors heighten the risk that businesses will be forced to shoulder the additional costs associated with importing labour from other countries or from rural regions (including visas, habitation and dependants), or face lengthy delays and reduced productivity associated with workers commuting from distant rural areas.

However, Albania's workforce has a comparatively good life expectancy, of 77.8 years, the third highest in the region, which reduces the risks of high staff turnover and repeated training costs, and improves worker productivity. We expect this to improve as the government starts focusing more on the quality and availability of healthcare in the country. This will, in our view, result in further improvements with regard to productivity and depress the level of absenteeism through ill health.

The majority of Albania's workforce has received basic education, with only 2.1% of the total available workforce having no form of education at all. Although the country boasts an extensive primary school enrolment rate, which at 91.25% is one of the highest among the South East Europe states, and a high completion rate, Albania has the second lowest literacy level in the region, at 96% (only above Kosovo's 92%), reducing its regional competitiveness. However, this is still extremely high in comparison with other regions and reduces the risk that businesses will have to import workers for even the most basic roles requiring reading and numeric skills. In fact, Albania has the third highest level of average schooling years in the region at 10.4 years, and the 31st highest globally, sitting among developed states such as Iceland, Belgium, Spain, France and Latvia, and above many others including Denmark, Finland, Switzerland and the UK.

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| --- |
| Limited Education Hampers Skilled Workforce Development |
| South East Europe - Workforce With Secondary Education & Above, % Of Total |
|  |
| *Source: World Bank, BMI* |

However, the actual quality of the education infrastructure is poorer than that of the majority of developed states, and government spending on education remains subdued. The quality of the skilled workforce is further reduced by the fact that a limited number of Albanians complete secondary education and only 65.1% of the workforce have received secondary education. Even fewer have tertiary-level qualifications (only 37.8% of the workforce has secondary education and above and only 7.9% of the workforce has tertiary education). Of those who go to university, only a limited number graduate from the key science, engineering and manufacturing courses (Albania has the third smallest number of graduates from these subjects in the region, ranking only above Bosnia-Herzegovina and Macedonia). This results in significant cost risks for incoming businesses, particularly those involved in the infrastructure, hydrocarbons and industrial sectors, which are reliant on specific skill sets. There will be a dearth of suitable labour available and a strong likelihood that they will need to import foreign skilled labour, accruing the attendant visa, relocation and dependant costs such an undertaking entails.

Albania poses further substantial cost-related risks to businesses due to the regulated labour market and high labour tax. At 18.8%, the Albanian labour tax and social contributions cost is very high, particularly in comparison with other emerging markets. For example, Macedonia has no labour tax at all. In addition, although the monthly minimum wage of just over USD200 is extremely low in comparison with developed states (where minimum wages can reach up to USD4,400) and remains below the regional average of USD365, Albania's minimum wage level is still high globally and makes it less competitive as an investment location. In addition, the Albanian labour market is more regulated than many of its regional peers, resulting in higher levels of severance pay (at 10.7 weeks, the second highest in South East Europe) and annual leave (at 20 days, the third highest in the region). This is far higher than the majority of emerging markets and severely undercuts the country's attractiveness for incoming businesses. In regional terms, we further highlight Albania's redundancy notice period of 10.1 weeks, which is the highest in the region and far above the regional average of 4.2 weeks, resulting in higher costs for employers.

Overall, the country therefore receives a score of 42.2 out of 100 for Labour Market Risk, putting it in last place regionally and 157th place globally in **BMI**'s Operational Risk Index.

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| --- |
| Lower Wages An Attractive Inducement |
| South East Europe - Monthly Minimum Wage (USD) |
|  |
| *Source: World Bank* |

**Macedonia**

Similar to Albania, Macedonia presents significant risks as an investment destination and location for incoming businesses, albeit to a slightly lesser extent than its western neighbour. Macedonia's underperformance is due to a variety of factors, many of which are similar to those faced by businesses entering Albania. The overall size of the active workforce in Macedonia is small at less than 600,000. This means that about 39% of the total working age population is in formal employment, the third lowest level in the region and one of the worst performances globally. In addition, the country's female labour participation rate is low at just 43.1%, the second lowest in the region, resulting in an extremely small domestic workforce to draw upon.

Moreover, although businesses stand to benefit from a good life expectancy, of 75.5 years, we believe there are persistent risks of absenteeism and loss of productivity due to ill health. The healthcare system is underdeveloped, with just over USD300 spent on healthcare per capita. Around two-thirds of this is spent by the government. This level is not only the second lowest in the region and less than half the regional average of USD683 per capita, but it is one of the lowest globally, with the country sitting in 111th position globally for this indicator.

In addition, businesses entering Macedonia will also have to contend with the effects of comparatively limited education, even at primary level, which severely impedes the development of a skilled, or even literate, workforce. Macedonia has the third lowest primary school enrolment levels in the region above only Romania and Kosovo, at just over 86% of the children in the relevant age bracket. In addition, Macedonia has the lowest average time spent in the school system, at just seven years. These factors constrain the development of a skilled workforce. For example, Macedonian literacy, although still in the top third of the Operational Risk Index at 97%, is the third lowest among the South East European states and renders Macedonia less competitive regionally.

Macedonia also performs poorly with regard to higher education, posing substantial risks to businesses given the limited level of workers receiving an adequate secondary and/or tertiary education, reducing the skilled labour pool and necessitating training the domestic labour force or importing skilled labour, both of which will increase costs for employers. Just 75.5% of the workforce has secondary education or above. Although this is almost double that of Albania (37.8%), it is still extremely low and means that 25% of the workforce is only suitable for unskilled or menial tasks. Given the small size of the working population, this lack of education represents a substantial slice out of an already small pie and reduces the potential skilled workforce to around 445,000 people. The limited higher education in the workforce is likely to continue, as, at present, Macedonia has the second lowest secondary and third lowest tertiary education enrolment levels, at 77.6% and 38.5% respectively. The lack of tertiary education in the country is a particularly serious issue, as it has left Macedonian businesses with the lowest level of skilled science and engineering graduates in the region, substantially increasing cost risks for businesses reliant on skilled labour, such as those found in energy and infrastructure sectors.

As a result, Macedonia would benefit from further investment into the education sector - currently only 8.6% of government spending goes towards education - in order to increase skill levels in the country. Nevertheless, we note that advantages stem from the fact that English is widely spoken, as are Romanian, Turkish and Serbian, which can facilitate trade and supplier links in the region. Macedonians also have a near universal adult literacy rate of 97%.

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| High Unemployment Constrains Labour Pool |
| South East Europe - Working Age In Employment, % Of Total Working Age Population |
|  |
| *Source: UN* |

However, there are still some significant advantages to investing in Macedonia that negate the potential cost risks associated with the need for skilled migrant labour. These are largely associated with the limited costs of employment and relatively unregulated labour market in Macedonia, making it the third best performer with regard to labour cost risks in the South East Europe region, behind only Romania and Bulgaria. Not only are there no labour tax or social contribution requirements for businesses in Macedonia, but there is also just 8.7 weeks' severance pay required, and the minimum wage is the lowest in the region at just USD132 per month. Macedonians work typical eight-hour days, although the law remains flexible as to hours worked. In addition, although work permits are required, the law does not set limits on the number of foreign workers firms can employ; neither does it specify the duration of the working contract. However, there is a risk as many of the highly skilled are lured abroad by better pay and employment opportunities.

Due to these considerations, Macedonia receives a score of 47.6 out of 100 for Labour Market Risk, putting it in ninth place out of 11 countries regionally and 119 th out of 201 states globally in **BMI**'s Operational Risk Index.

**Montenegro**

The main risks facing businesses considering entering Montenegro with regard to the domestic labour market relate to the limited tertiary education and the extremely limited urbanisation levels.

In terms of the overall size of the available labour force, Montenegro is one of the weakest performers in the region. The risks posed by the small total population of just over 600,000 are compounded by the fact that only 40.1% of the working age population is formally employed at present (equating to just 170,000 people). This leaves an extremely limited pool of available workers for businesses looking to enter the country. That said, although small, the size of the available labour pool is augmented by the highest female labour participation rate in the region, at 65%. This is higher than many developed states and leaves Montenegro in 41st place globally in this regard, representing a significant advantage to incoming businesses.

In addition, the population has a very good life expectancy at almost 75 years. In addition, in the wake of the rolling out of voluntary supplemental insurance by the government, whereby employees will make healthcare contributions under the Law on Health Insurance, we believe businesses will see reduced absenteeism and lost productivity due to ill health as the additional healthcare insurance coverage will enable the provision of better healthcare services. Moreover, Montenegro's diminutive landmass offers a further advantage in the form of a relatively high urbanisation rate, which at more than 63% is the second highest in the region, behind only Bulgaria, reducing worker transport delays and relocation cost risks.

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| Limited Female Participation Constrains Workforce |
| South East Europe - Female Labour Participation Rate, % |
|  |
| *Source: World Bank* |

Businesses entering the country also stand to benefit from high literacy and good primary education, which ensures a solid basic skill set in the majority of the workforce. However, although primary education is comparatively widespread, with a 98% enrolment rate contributing to 98% literacy in the country, beyond primary level the level of education starts to tail off. Montenegro has one of the lowest mean years of schooling rates, and a secondary school enrolment rate of just 80%, with high levels of dropouts. In our view, this poses some risks to businesses, as the already small labour pool is further constrained with regard to skilled labour. However, often members of the workforce have studied and trained abroad, especially in the technical professions. Foreign languages are widely spoken, particularly German, Hungarian and English. As a result, Montenegro receives its highest score for the Education pillar in **BMI**'s Labour Market Risk Index. At 75.1, this score places it third highest in the region, behind only the more developed countries of Greece and Slovenia.

Montenegro offers the second lowest labour tax in the region, at 12.8%; a minimum wage of USD285 per month, which, although high regionally, is very low globally; and just 6.9 weeks' severance pay. However, the regulated labour market does pose some risks, particularly with regard to paid annual leave, which at 21 days is the second highest in the region after Greece. Core issues with labour market legislation include costly firing procedures; the rigidity of regulations related to the number of work hours; and an extensive list of benefits made available to all employees, including generous provisions for holidays, housing, transport, meals and pensions.

In light of these considerations, Montenegro is a regional outperformer in **BMI**'s Labour Market Risk Index, ranking second in South East Europe with a score of 57.1 out of 100. This score puts the country in 54th place out of 201 states globally.

Logistics Risk

The greatest risks facing businesses considering entering South East Europe with regard to logistics and infrastructure risks are the poor quality of the road, rail, port and airport infrastructure, limited transport network density in some cases, extensive trade bureaucracy contributing to lengthy lead times and high costs.

Greece's supply chains benefit from a well-developed and well-connected transport network and ease of trade procedures and governance. This contributes to its solid regional and global performance in the **BMI** Logistics Risk Index. A score of 66.4 out of 100 places Greece first in the region ahead of Slovenia and Bulgaria, and 34th out of 201 countries worldwide. However, poor air connectivity and high utilities costs serve to suppress Greece's attractiveness to investors.

The worst performer in the region, Bosnia-Herzegovina, has a logistics network that is still suffering from the lingering effects of the 1992-1995 war, during which damage to utilities and transport infrastructure was extensive. With limited subsequent investment in the improvement of the logistics network, investors face risks of higher costs and disruption to supply chains. Although businesses currently benefit from relatively competitive electricity and fuel prices, Bosnia's lack of domestic resources and reliance on Russian fuel mean there is a higher risk of supply shortages and cost increases. These factors have converged to account for Bosnia-Herzegovina's poor overall score in **BMI**'s Logistics Risk Index, with 39.4 out of 100 placing the country last among its South East Europe peers.

**South East Europe - Logistics Risk**

|  | **Market Size And Utilities** | **Transport Network** | **Trade Procedures And Governance** | ***Logistics Risk*** |
| --- | --- | --- | --- | --- |
| Greece | 58.8 | 73.8 | 66.6 | *66.4* |
| Slovenia | 61.9 | 67.3 | 66.1 | *65.1* |
| Bulgaria | 64.8 | 59.9 | 56.1 | *60.2* |
| Croatia | 57.4 | 69.8 | 52.7 | *59.9* |
| Romania | 57.5 | 52.1 | 62.0 | *57.2* |
| Montenegro | 57.5 | 52.8 | 57.0 | *55.7* |
| Serbia | 61.1 | 45.3 | 44.8 | *50.4* |
| Macedonia | 60.2 | 44.6 | 43.1 | *49.3* |
| Albania | 41.3 | 52.6 | 50.8 | *48.3* |
| Kosovo | 57.2 | 42.0 | 35.7 | *45.0* |
| Bosnia | 48.8 | 30.8 | 38.6 | *39.4* |

Source: BMI Operational Risk Index

**Albania**

Albania's infrastructure continues to suffer from years of underinvestment and lack of proper maintenance. The roads are poorly maintained, and motorways are largely non-existent, with a short stretch of four-lane highway between the capital and the port city of Durres the only stretch of motorway in operation, though more are in the planning. The rail network also lacks capacity, with only 447 kilometres (km) of track (standard gauge) in operation throughout the country. There are also serious problems with the electricity grid, and the country suffers from frequent blackouts and general power shortages. This is due to over-reliance on outdated hydroelectric generators that have failed to reach output capacity in recent years owing to persistent droughts.

Albania has some of the worst-quality roads in the region, extremely poor ports infrastructure and limited railway networks. However, we are encouraged by government plans to invest hundreds of millions of euros in a strategic infrastructure investment programme. Tirana has already signed key deals and memoranda of understanding with major foreign utility firms to build and maintain new electricity generation, transmission networks and roads. Albania is working to become a major transit corridor connecting south-eastern Europe with the central and western regions of the continent. A recently opened highway linking Elbasan to Tirana will boost economic development in the Albania-Macedonia border region and benefit logistics and supply chains in the area. The new highway has also halved the time it takes to commute from the Macedonian border to Tirana.

Three road infrastructure projects are currently in the pipeline, including European Corridor 8 connecting Tirana to Greece and Macedonia, with construction set to start in 2015, and the blue corridor of the north-south axis Adriatic-Ionian Highway from Croatia through Albania to Greece, which is currently at the planning stage. These projects are expected to substantially increase ease of transport within the country in addition to international accessibility, with the Adriatic-Ionian Highway also passing through Montenegro, Serbia and Bosnia. .

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| Imports Drive Up Electricity Costs |
| South East Europe - Electricity Costs, USD/KWh |
|  |
| *Source: World Bank* |

Meanwhile, Durres container terminal (DCT), situated on the Adriatic Sea on Albania's west coast, serves the Albanian market and acts as the chief common-user gateway for containerised cargo; it has an annual capacity of 180,000 twenty-foot equivalent units (TEUs). After the privatisation of DCT in February 2013, the Durres Port Authority ***granted*** a 35-year concession for the terminal to a joint venture of Turkey-based steel manufacturer **Kurum** and Malta-based **Mariner**. During the concession period, an amount of more than USD30mn will be invested in DCT to improve its quality and capacity over the longer term, benefiting logistics and supply chain groups. The improvement in the port is boosting trade flows. The port handled 108,670TEUs in 2013, up 30% y-o-y from 83,194TEUs in 2012. Imports and exports also increased by 32% to 55,205TEUs and 28% to 53,465TEUs respectively.

Although Albania has the third cheapest electricity prices in the region at just USD0.08 per kilowatt hour (KWh), there continue to be risks to businesses due to the unreliability of the country's electricity mix. In part this is because production relies nearly exclusively on hydropower, making it highly vulnerable to climatic changes. In addition, losses in the distribution network (which, according to the government's data, are equivalent to nearly 50% of the total electricity produced) are forcing the country to rely on imports of electricity to make up for the massive shortfall, one of the worst in the world, according to our data. We further highlight that Albania has the most power outages in the region, at 4.2 per month, and the highest value lost due to electrical outages, at 5.4% of sales, reducing the country's regional competitiveness in this regard and posing substantial risks to businesses. The second lengthiest time regionally to permanently connect to the electricity supply (at 177 days) will further increase costs to businesses.

However, Albania's power sector reforms, particularly efforts to improve the reliability of the electricity supply, will substantially reduce risks to businesses with regards to the reliability and availability of electricity supplies. In addition, ongoing redevelopments of the country's power sector will include institutional restructuring, reforms in sector management and implementation of a short-to-medium term plan for the ***financial*** sustainability of energy sector. All of this bodes well for incoming businesses, particularly those that require large, steady electricity supplies.

In terms of access to water, we note that the country boasts the highest amount of available water in the South East Europe region, at 9,284 cubic metres per capita. This is unsurprising given the country's direct access to the sea and benefits businesses operating in water-heavy industries in particular. While water availability in Albania is high, internet penetration is extremely low. With only 30.6 users per 100 people, the country sits in last place regionally for this indicator. Albania further ranks towards the bottom of the regional rankings with regard to the relative number of 3G/4G subscriptions and telephone lines, which poses risks to businesses reliant on internet connectivity and accessibility.

**Macedonia**

Macedonia is one of the smallest countries in South East Europe, sharing borders with Albania, Bulgaria, Serbia, Kosovo and Greece, with the latter having the longest border. As a mountainous country, Macedonia's geography is characterised by deep basins and valleys. In addition, there are three large lakes and the river Vardar separating the east and west of the country. Despite the relative extremity of the Macedonian terrain, the transport network is fairly well developed and effective. Temperate weather facilitates the relatively efficient transport network, although seismic shocks remain a natural hazard.

Macedonia benefits from 8,684km of road, 5,540km of which are paved, with 926km either under construction or planned. The main highway used for entering Macedonia is the E-75, which, as part of the Trans European Road Network, runs from Germany to Athens in Greece. In January 2015, the government announced plans to invest EUR132mn in the construction and improvement of regional and local roads over 2015, with a particular emphasis on motorways and express roads.

Aside from the well-maintained road network, Macedonia also has 699km of railway (1.435m standard gauge). Express trains operate five times a day between Skopje and Belgrade. Another international express rail connection, the Balkan Express Rail Line Project connecting Skopje and Budapest, is currently at planning stage and scheduled to be completed in 2017. The line, which has an overall length of 650km, will further increase Macedonia's regional connectivity in the medium term. Furthermore, a cooperation agreement has been signed between the Macedonian and Greek railway companies to improve railway connectivity and the transfer of passengers and goods across the border, as well as boost both countries' economies and expand bilateral relations. There is also a plan for rail operator **Makedonski Zeleznici-Infrastruktura** to construct the Beljakovce-Kriva Palanka railway, forming part of the pan-European Corridor VIII, which will ultimately link the Black Sea coast in Bulgaria to the Adriatic coast in Albania via Macedonia. Construction of this project, which is being ***financed*** by the European Bank for Reconstruction and Development was, however, suspended in Q215 due to a lack of ***funds***, with one-third of the works complete.

In terms of airport connections, there are 17 airports in Macedonia, of which 10 have paved runways. Two international airports can be found in Skopje and Ohrid, with local carriers operating routes between Austria, Germany, France, Switzerland and the Netherlands. A third international airport is in development at Stip.

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| Import Costs Hamper Trade Expansion |
| South East Europe - Cost To Import, USD Per Container |
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| *Source: World Bank* |

The country's airport sector is underdeveloped and would benefit from further investment. At present airport connectivity is extremely low, with no air freight at all and just 0.04 air passengers carried per capita annually. This leaves Macedonia almost wholly reliant on its road and rail networks for both domestic and international connectivity (as it lacks ports infrastructure and maritime trade). Due to this, and the need for transhipment or lengthy overland transportation from other, better equipped, transport hubs in nearby countries, Macedonia has some of the most expensive import and export costs in the region, at USD1,376 per container to export and USD1,380 to import. In spite of this, businesses stand to benefit from the relatively limited documentation and good import and export lead times. The country requires just six documents to export goods, and eight to import goods, and it only takes 12 days to export and 11 to import - the best turnaround times in the region.

In addition, the government of Macedonia has adopted a feasibility study to establish private-public partnerships (PPP) for the construction of a EUR150mn (USD200mn) gas distribution network in Macedonia. The 650km gas distribution network will cover 26 municipalities in eastern Macedonia and 37 municipalities in the west of the country. If successful, this development will redress a number of risks for incoming businesses, and potentially reduce the high cost of electricity in the country (at present it costs 0.13 per KWh). The cost of fuel, however, is the lowest in the region, at USD0.97 per diesel litre, somewhat offsetting high electricity costs.

Macedonia is somewhat uncompetitive with regard to water availability: 2,563 cubic metres per capita leaves it third from bottom for this indicator. The vast majority - around two-thirds - of freshwater available in the country is withdrawn for industrial purposes, leaving only about 20% for domestic use and around 12% for ***agricultural*** purposes. In terms of telecommunications connectivity, we further note that while Macedonia's internet penetration rate (at 85.6 users per 100 people) is the highest in South East Europe, broadband, 3G/4G and phone line numbers are among the lowest in the region. While this is an opportunity for growth for businesses operating in the telecoms sector, it poses risks to businesses reliant on reaching the population via this medium.

**Montenegro**

Montenegro has the second lowest road density in the region at just 7,353km, of which 4,274km are paved. The quality of the road network is below European standards as a consequence of the economic crisis of the 1990s and because the Yugoslav wars restricted the availability of ***finance*** for maintenance and expansion of the road network. As a result of the poor condition of Montenegrin roads, driving in the winter and in the evening can be dangerous. Constrained public ***finances*** mean that domestic investment in the critical infrastructure needed to benefit from greater European integration will be lacking. **BMI**'s Country Risk team does not expect the government to ramp up spending any time soon as part of its attempt to keep a tight rein on public ***finances*** to aid the country's attempt to join the EU. In addition, growing public debt, which almost doubled between 2010 and 2014 to above 50% of GDP, will further motivate the government to rein in public ***finances***.

That said, significant improvements have been made in recent years, helped by aid from the EU's Community Assistance for Reconstruction, Development and Stabilisation programme. In particular, the connections between Podgorica and the coastal towns are markedly better, and journey times have become shorter and routes safer. The two major roads in Montenegro are the Adriatic motorway from Igalo to Ulcinj and the motorway linking the north and the south, from Pertovac to Bijelo Polje via Podgorica and Kolasin. The country also has reasonable road connections with neighbouring countries.

One of the largest infrastructure projects ever undertaken in Montenegro has moved a step closer to realisation after the framework agreement and the agreement for design, procurement, construction and installation of equipment and materials for the Smokovac-Matesevo section of the Bar-Boljare Highway have been signed. Following the signing of said agreements between the Montenegrin government and **China Communications Construction Company** (CCCC) and **China Road and Bridge Corporation** (CRBC), only the ***financing*** of the project is left to secure - which is likely to be determined after the adoption of a new Law of the Highway to expedite its construction. The Bar-Boljare Highway is being developed through a PPP and will be 164km long, including 50 tunnels and 95 bridges and viaducts, and has a total estimated cost of around EUR2bn.

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| Limited Airport Capacity Hampers Tourism |
| South East Europe - Air Passengers Carried Per Capita |
|  |
| *Source: UN, BMI* |

The country has one of the best rail networks in the region, with 250km of railway, all of which is standard gauge. While the railway system is reliable and inexpensive, services are quite limited, slow and outdated. Nevertheless, since independence in 2006, significant efforts have been made to reconstruct and improve the railway. Montenegro's key railway line runs from Bar-Podgorica-Belgrade, and then connects to the European network.

Montenegro's main airport is Podgorica Airport, located 15 minutes outside the capital city. A new terminal has recently been built at the airport, which has helped to improve travel conditions. Flights are available from Podgorica to major European cities including Rome and Paris; the frequency of flights increases in the summer months. Another international airport is located at Tivat; this airport is mainly used by charter flights to the northern coastal resorts, as it is close to the key tourist destinations of Kotor and Budva. The airport was extensively refurbished in 2006, and there are currently plans to further upgrade it. The project has been proposed and is currently seeking ***funding***. The tender is likely to be launched in Q315. In addition to **Montenegro Airlines**, a number of international carriers service both airports.

The main port in Montenegro is located in Bar and is capable of serving between 14 and 20 boats simultaneously. Bar is also a port for ferries to Bari and Ancona in Italy. Montenegro has three smaller ports at Kotor, Tivat and Zelenika, which are mainly used for warehousing. In addition, it has the highest air passenger per capita levels in the region at 0.85, but the limited capacity in its existing airports continues to constrain air freight capacity.

Although small at present, we expect the overall volume of trade goods, both imports and exports, to see double-digit growth in future, which will boost air and maritime freight, as well as domestic overland haulage. This rise in trade will be supported by the comparative cheapness of trading goods, with the third cheapest export costs at USD985, and the third cheapest import costs (also at USD985) per container.

Montenegro's electricity mix is currently overly reliant on hydropower (accounting for around 47% of the country's installed capacity) and thermal sources, mainly lignite. Consequently, capacity expansion and diversification will be needed to meet growing demand (driven by robust GDP forecasts). The development of a power transmission corridor between Italy and Montenegro will address some of these issues. The project, which will put in place the infrastructure to support a wider scheme to establish a 415km transmission line to connect the Jaz peninsula in Montenegro with Villanova in Italy, is indicative of a broader trend of cooperation between Balkan states and Western Europe in the power sector. However, in the meantime, prices remain relatively high for the region at USD0.10 per KWh, the third highest in the region. Meanwhile, the reliance on imported fuel poses a significant risk to businesses, as while fuel is relatively expensive across the majority of the region, Montenegrin businesses face moderate prices at USD1.14per diesel litre, the third lowest in South East Europe.

Crime And Security

In comparison with other emerging markets, businesses in South East Europe face little crime and security risks. The greatest threats stem from organised crime along some of the pan-European transit corridors and domestic terrorism in some of the less established states.

Slovenia is generally the safest place for foreign business travellers, expatriates and tourists; foreigners are not at higher risk of crime than Slovenian citizens. The main threats to foreigners are from petty crime and robbery rather than from violence or indiscriminate acts of political violence. Slovenia also has considerably less organised crime than newer members of the EU such as Bulgaria and Romania. NATO membership has strengthened the country's strategic security interests, lowering Slovenia's risk of interstate conflict. These factors contribute to Slovenia's regional and global outperformance in the **BMI** Crime and Security Index, where it scores 79.5 out of 100.

Kosovo faces significant security challenges, particularly with regard to interstate conflict risk with its former Yugoslav neighbours. It also experiences ***financial*** and cybercrime owing to a general lack of secure internet servers and weak crime reporting standards. In terms of the former, we particularly highlight Kosovo's lack of military capabilities in comparison with its regional peers. This is only partially mitigated by its strategic international environment, having close ties with NATO, which has been supporting the establishment of a secure environment in the country with peacekeeping force KFOR since 1999.

KFOR continues to contribute towards maintaining a safe environment in Kosovo, somewhat mitigating crime and security risks for businesses. Nevertheless, the risk of violent and petty crime continues to be the highest in the region. Assault, burglary and robbery rates are particularly high; as a result, businesses are advised to invest into private security forces in order to protect their businesses and employees, substantially increasing operational costs. All of these factors contribute to Kosovo's score of 35.8 out of 100 in **BMI**'s Crime and Security Risk Index, which leaves it in last place regionally.

**South East Europe - Crime And Security Risk**

|  | **Conflict Risk** | **Crime Vulnerability** | **Business Crime** | ***Crime And Security Risk*** |
| --- | --- | --- | --- | --- |
| Slovenia | 84.1 | 80.5 | 74.0 | *79.5* |
| Croatia | 73.9 | 75.4 | 68.0 | *72.4* |
| Bulgaria | 73.4 | 60.6 | 52.5 | *62.2* |
| Romania | 76.1 | 60.8 | 49.6 | *62.2* |
| Greece | 48.3 | 71.8 | 65.8 | *61.9* |
| Bosnia | 36.6 | 73.1 | 68.1 | *59.3* |
| Montenegro | 53.4 | 70.8 | 53.3 | *59.1* |
| Macedonia | 40.4 | 67.6 | 63.5 | *57.2* |
| Albania | 54.3 | 50.5 | 40.0 | *48.3* |
| Serbia | 39.8 | 60.3 | 41.3 | *47.1* |
| Kosovo | 29.9 | 57.3 | 20.3 | *35.8* |

Source: BMI Operational Risk Index

**Albania**

The establishment of a relatively stable liberal democracy coinciding with efforts to join Euro-Atlantic institutions such as the EU and NATO has meant that security risks have declined considerably in Albania in recent years. We believe that the politically motivated targeting of foreigners is not a major risk. That said, organised crime and corruption remain serious issues, and the level of street violence is a problem worth noting. The US Embassy has placed security restrictions on its employees requiring police and/or security escorts in the north and south of the country. Therefore we have awarded it a score of 48.3 out of 100, putting it in ninth place out of 11 countries in South East Europe.

**Macedonia**

Macedonia is a relatively peaceful country, with politically motivated violence largely subsiding following the 2001 Ohrid Framework Agreement, which improved the legal and political rights of ethnic-Albanians living in Macedonia. Furthermore, the government's pro-reform agenda and aims to integrate further with the WTO and EU have helped to reduce tensions. That said, criminal violence, particularly in the larger cities, remains a risk. Regional tensions also remain a nascent risk to political stability in the Balkan region. Ethnic disputes that fuelled the various Balkan conflicts in the 1990s and early 2000s remain largely unresolved, providing a potential flashpoint. Indeed, in addition to the possibility of regional conflicts spilling over into Macedonia, domestic disputes between nationalist Macedonians and ethnic Albanians remain. Therefore we have awarded it a score of 57.2 out of 100, putting it in eighth place regionally.

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| High Murder Rates Pose Risks To Foreign Workers |
| South East Europe - Murder Rate Per 100,000 People |
|  |
| *Source: UNODC* |

**Montenegro**

Security risks in Montenegro are low, and the country has no disputes with neighbouring countries. In addition, while the population is split between a large segment of the Orthodox Christian population that declares itself to be Serb and supports strong ties with Belgrade, and another segment that declares itself to be ethnically Montenegrin, the country has been able to avoid the ethnic conflicts that have plagued many of its former Yugoslav neighbours. However, Montenegro is at risk from the regional instability that has been caused by Kosovo's declaration of independence in 2008, which we caution may fan nationalist sentiment and separatist movements across the Balkans, potentially undermining stability in the country. While the smuggling of goods, particularly of cigarettes, by organised gangs has diminished significantly since its heyday of the 1990s, it continues to remain a problem in the country. Nevertheless, government efficacy in dealing with this is increasing, and the prospect of closer links with euro-Atlantic institutions is likely to help to spur improvements to border and customs supervision. Therefore we have awarded it a score of 59.1 out of 100, putting it in seventh place regionally.

Trade And Investment Risk

Romania is the regional outperformer with regard to trade and investment risk. The country offers an open economy, low levels of government intervention and strong contract enforceability. The major risks to trade are posed by a poorly enforced legal system and a bureaucratic business environment, particularly with regard to closing a business. Romania's strong performance across the three components of the Trade and Investment Risk Index is underlined by its overall score of 62.3 out of 100, placing it first regionally and 50th out of 201 countries globally.

Bosnia is the least competitive market in the region. The country's moderate level of economic openness with regard to foreign direct investment (FDI) does little to relieve investors from the burden of a complicated and fragmented regulatory structure. The country's operating environment is characterised by a time-consuming, non-transparent process to open a business and the risk of double inspections and fees (due to overlapping jurisdictions of fragmented state and cantonal authorities). The most significant risk to investors is posed by the weak rule of law and meagre protection of property rights in the country. This leaves the country with an overall Trade and Investment Risk Index score of 39.2 out of 100.

**South East Europe - Trade And Investment Risk**

|  | **Economic Openness** | **Government Intervention** | **Legal** | ***Trade And Investment Risk*** |
| --- | --- | --- | --- | --- |
| Romania | 65.6 | 65.5 | 55.9 | *62.3* |
| Macedonia | 51.9 | 70.9 | 60.7 | *61.2* |
| Bulgaria | 69.5 | 61.8 | 46.8 | *59.4* |
| Slovenia | 61.4 | 51.9 | 60.2 | *57.8* |
| Croatia | 63.3 | 56.5 | 43.3 | *54.4* |
| Greece | 49.5 | 52.5 | 53.3 | *51.7* |
| Serbia | 66.8 | 46.8 | 41.6 | *51.7* |
| Montenegro | 50.1 | 56.2 | 46.9 | *51.1* |
| Albania | 41.9 | 54.3 | 51.0 | *49.1* |
| Kosovo | 44.9 | 52.1 | 43.4 | *46.8* |
| Bosnia | 49.4 | 34.8 | 33.3 | *39.2* |

Source: BMI Operational Risk Index

**Albania**

Albania is one of the highest risk markets for potential investors with regard to trade, economic openness and the various issues connected to corruption, the legal system and intellectual property protection rights. However, the country poses comparatively minimal risks with regard to the overall bureaucratic environment owing to minimal red tape and a swift turnaround for opening and closing businesses.

Government expenditure in Albania is comparatively limited, at around 30% of GDP, leaving more opportunities for FDI and private sector involvement than some of its peers, such as Serbia at around 44% and Greece at around 50% of GDP. At present, FDI accounts for a fairly small portion of the economy, at around 47.3% of GDP - albeit higher than in previous years - highlighting the lack of market openness. Although the country recorded a relatively healthy average economic growth rate of 3% over 2009-2011, the period marked by the global debt crisis, its growth rate has shrunk during 2011-2014 to an average annual growth rate of 1.8%. In addition, Albania offers relatively strong trade protection. This, in conjunction with its future market growth potential, is likely to boost trade flows over the longer term. Indeed, trade is already benefiting from Albania's EU candidate status, which was ***granted*** in June 2014 after three successive years of trying, and we expect EU membership criteria to anchor the government's policy trajectory and underpin reform momentum. However, the track record of successive administrations implies progress will remain sluggish. In addition, Albania's economic outlook remains tepid. We expect household spending to be restricted by high unemployment in line with a lack of structural reforms aimed at improving labour market flexibility. Investment and trade flows will remain weak unless more progress is made tackling corruption in business and government.

Although stagnant wage growth and weak credit from banks is weighing on household disposable incomes, limiting consumers' propensity to spend, imports account for 50.2% of GDP and exports for 32.1% of GDP. Of this, the majority of imports come from Italy, and the main import products are minerals and machinery. Meanwhile, with regard to exports, the main products are minerals and base metals, and the key trade partner is Italy, which accounted for the majority of exports (more than USD1bn in 2012 - latest available data).

|  |
| --- |
| Government Dependency Increases Cost Risks For Businesses |
| South East Europe - Tax Revenue, % Of GDP |
|  |
| *Source: CIA World Factbook* |

Although Albania has an underdeveloped ***financial*** market, with just 22 banks per 100,000 members of the population (the second lowest in the region - above only Kosovo), and limited access to international markets, it offers significant advantages with regard to fiscal barriers and the bureaucratic environment. These advantages include a moderate corporate tax rate and a government that is least dependent on tax revenue in a regional comparison. Albania also boasts swift turnaround in terms of opening and closing businesses (4.5 days and two years respectively). In spite of these considerations, Albanian investors face substantial risks arising from endemic corruption, poor contract enforceability and limited rule of law observance, as well as negligible intellectual property and ***financial*** property protection.

In light of this, we have awarded Albania a score of 49.1 out of 100, putting it in ninth place regionally and in 105th place globally.

**Macedonia**

Macedonia is one of the most attractive and lowest-risk countries in the region with regard to trade and investment. The reduction in taxes on personal and corporate income, as well as the regulatory guillotine programme that greatly reduced the bureaucracy involved in setting up a new business venture, has proved favourable for foreign investors. The country is let down somewhat by its ***financial*** market development and poorly enforced legal system. That said, the open economy, limited fiscal barriers and low levels of bureaucratic red tape, together with relatively strong intellectual property protection, offer incoming investors significant advantages.

Investors entering Macedonia stand to benefit from its limited government intervention. In addition to limited government expenditure levels, at around 33% of GDP, leaving room for higher levels of private sector involvement, the country also boasts solid trade protection and the second lowest corporate tax rate in the region at 10%, which is on par with Bosnia, Bulgaria and Kosovo and slightly higher than Montenegro's 9%.

Macedonian businesses also benefit from the combination of limited red tape and improving e-governance capabilities, which have contributed to the lowest time required to pay taxes in the region at just 119 hours a year. This is not only the shortest in the region, but also one of the best globally.

The government has implemented legislation for a one-stop-shop system for business registration, which has seen the creation of a single registration office, a single standardised form, a guaranteed time frame (previously three days, now shortened to just four hours) and a single fee - regardless of size - for company registrations. By simplifying government procedures, the reforms were intended to prevent state interference in the private sector, thereby reducing the potential for corruption and bureaucracy, expediting business registration, cutting start-up costs for new businesses and creating a more efficient ***financial*** system. This is hugely beneficial for foreign firms wishing to set up operations in Macedonia, since a more efficient registration process reduces the time lag in starting up production, as well as improving ***financial*** planning. The success of these measures can be seen in the fact that it takes just two days to open a business in Macedonia, and FDI now accounts for more than 50% of the country's GDP.

|  |
| --- |
| Quick Turnaround A Boon For Businesses |
| South East Europe - Time To Open A Business, Days |
|  |
| *Source: World Bank* |

Trade flows have also risen, with imports and exports accounting for 68.2% and 50.9% of GDP respectively. In part this is due to the fact that after gaining membership of the WTO in 2003, Macedonia has committed itself to eliminating quantitative restrictions on trade and has engaged in an extensive liberalisation of the tariff regime. Furthermore, the pro-reform government views foreign trade liberalisation as a policy ***instrument*** to increase competition in the domestic market.

Macedonia has concluded bilateral free trade agreements (FTAs) with fellow former Yugoslav republics Slovenia, Croatia, Serbia, Montenegro, Bosnia-Herzegovina, Bulgaria, Turkey, Albania, Ukraine, Romania and the European Free Trade Association states. The FTAs allow complete liberalisation of trade with industrial products, and trade with ***agricultural*** and food products. Accession to the WTO has provided further momentum for liberalisation. Around 96% of total trade is unrestricted, although some restrictions are enforced for textile products. With the adoption of the new Foreign Trade Law, enacted by parliament in June 2002, Macedonia has prioritised the complete harmonisation of its trade regime with the WTO. So far, results on the liberalisation of tariffs have been more impressive than on the elimination of non-tariff barriers. Now that Macedonia has attained EU candidate status, it will have to prepare for the common external tariff regime of the EU. Simple average 'most-favoured-nation' tariff rates in Macedonia declined from 11.1% in 2004 to 8.5% in 2013, according to the WTO.

However, there are still come risks facing new entrants. These include extremely high construction permit costs at 512% of per capita income, high fees to settle commercial disputes (at 28.9% of the claim value), widespread corruption and an inefficient judicial system, poor contract enforceability, and limited access to ***financial*** markets. Although foreign investors are permitted to purchase land and property, they acquire land-use rights only and not ownership rights. The government cadastre system for registering real estate is poorly organised, although reform efforts are under way to streamline such registrations. For the time being, foreign investors still face delays in securing property rights.

We would highlight that even these risks are being addressed, albeit gradually. For example, Macedonia has taken steps to combat corruption, becoming a signatory to international conventions fighting corruption, as well as establishing anti-graft laws. Macedonia has signed the OECD's Convention on Combating Bribery as well as signing (but not ratifying) the UN Convention Against Corruption. Anti-graft laws include the Law on Criminal Procedures, the Law on Money Laundering Prevention and the Law on Corruption Prevention. Due to these considerations, we have awarded Macedonia a score of 61.2 out of 100, putting it in second place regionally and in 53rd position globally.

**Montenegro**

Montenegro sits in eighth place regionally in our Trade and Investment Risk Index for South East Europe. The country boasts high levels of fiscal freedom and comparatively solid intellectual property legislation. However, these advantages are partially negated by high levels of red tape and limited ***financial*** market development, which drives up the costs and delays for incoming businesses.

At 121.5% of GDP, Montenegro has the highest level of FDI in the region. Although not as high as places such as Hong Kong, which boasts an FDI ratio of more than 525% of GDP, Montenegro's level of FDI is still the 24th highest globally. This figure highlights how open to trade and investment the Montenegrin economy is, and how attractive an investment destination it is at present. In addition, the economic recovery and its concomitant impact on consumer spending are contributing to strong growth in imports, which now account for 65.2% of GDP. Serbia, Greece and China were the largest source markets for Montenegrin imports in 2013 (latest available data). The main imports are mineral products, prepared foodstuffs and machinery/electronics/appliances.

However, imports will continue to outstrip exports over the next couple of years, and we believe that the fallout from the bankruptcy of Montenegro's largest industrial plant, **Kombinat Aluminijuma Podgorica AD** (KAP), in 2013 will continue to be the main drag in 2015, as it will weigh on both domestic demand and export growth. While a local metal company **Uniprom** has bought the bankrupt aluminium smelter, thus helping the company evade a full-fledged liquidation, production has been severely curbed over the past few quarters, which will remain the case. Due to this consideration, we expect exports levels to continue to decrease, with growth forecast at -15% in 2015, as KAP's reduced production volumes will significantly weigh on the export outlook for 2015, given that raw aluminium comprises 42% of Montenegro's exports. However, we expect the overall impact on exports to be partially offset by services exports, especially in tourism.

**Main Import Products, 2012**

| **Albania** | | **Macedonia** | | **Montenegro** | |
| --- | --- | --- | --- | --- | --- |
| Product | Value (USDmn) | Product | Value (USDmn) | Product | Value (USDmn) |
| **Mineral Products** | 1,020.60 | **Mineral Products** | 1,579.00 | **Mineral Products** | 461.10 |
| **Machinery, Electronics & Mechanical Appliances** | 581.62 | **Machinery, Electronics & Mechanical Appliances** | 745.85 | **Prepared Foodstuffs, Beverages & Tobacco** | 269.62 |
| **Base Metals & Articles Thereof** | 503.61 | **Chemical Industry Products** | 568.06 | **Machinery, Electronics & Mechanical Appliances** | 267.61 |
| **Chemical Industry Products** | 424.19 | **Base Metals & Articles Thereof** | 622.88 | **Chemical Industry Products** | 239.19 |
| **Prepared Foodstuffs, Beverages & Tobacco** | 393.24 | **Textiles & Articles Thereof** | 507.27 | **Live Animals & Animal Products** | 180.44 |

Source: Trade Map

Further advantages include the good access to international markets and the second highest number of banks per 100,000 people in the region, at 42.5 (though this is largely due to the diminutive landmass and small population of the country). Investors also stand to benefit from the relatively low 7.9% profit tax and the lowest corporate tax rate in the region (at 9%) as well as good trade protection.

However, we emphasise that incoming businesses face various risks, including the delays and costs pertaining to the lengthy payment of taxes procedures (requiring on average 320 hours a year, the fourth highest in the region), and those resulting from the protracted property registration procedures. In addition, construction permits are very expensive and can cost more than 1,159% of per capita income, making Montenegro one of the worst performers globally. This latter concern, in conjunction with the poor contract enforcement and limited intellectual property rights protection, pose significant threats to potential investors and businesses considering entering the country. Due to these factors, we have awarded Montenegro a score of 51.1 out of 100.

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[***Regulation by Ridicule: Humorous Denigration as a Regulatory Instrument***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BNK-CF41-DY41-734D-00000-00&context=1516831)

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**ABSTRACT**

This article analyzes ridicule as a regulatory ***instrument***. It discusses the nature and forms of ridicule, its functions across time and cultures, then reviews its place within the paradigm of regulatory pluralism. Ridicule is hardly a regulatory panacea, but it has significant potential to mobilize public interest constituencies, and to raise the consciousness of members of the public who might not otherwise be attuned to conventional policy discourse. This is particularly the case since the advent of social media.

**FULL TEXT**

**I. Introduction**

Ridicule, defined here as denigration involving a degree of humor, has been widely practised across time and cultures. It has served as an ***instrument*** of regulation, of one kind or another, throughout recorded history. In the most general sense, ridicule has been an ***instrument*** of social control in a variety of disparate cultures, traditional and modern. In a more specific and more contemporary sense, it has also been employed as a means of influencing organizational behavior. Not all ridicule is perceived as humorous, especially by the object of said ridicule. Moreover, what is regarded as humorous will vary over cultures, time and space.

The following pages explore the use of ridicule as a regulatory ***instrument***, situating it within the paradigm of regulatory pluralism. This paradigm is derived from that of *legal* pluralism, which is based on the recognition that the law exists alongside a variety of lesser normative orderings, often involving private actors quite independent of the state. Julia Black referred to a ‘postregulatory world’ in which governments no longer monopolize regulation.1 She later noted the complexity and fragmentation of regulatory systems.2 Of considerable significance is the question of whether these various regulatory activities, whatever their auspices, are amenable to some degree of coordination, or occur in a less scripted manner. Advocates of state-centric meta-regulation would seem to favor a degree of choreography under state auspices, whereas others may see a regulatory system characterized by spontaneity as inevitable. In any event, regulatory space is often contested, and resulting relational interactions between institutions are typically complex.3

Following a lengthy discussion of ridicule and its earlier and wider manifestations, we will look specifically at the role of ridicule in the regulatory process. It will become apparent that the role of ridicule in contemporary regulation is limited, but significant, and that ridicule is usually the work of non-state actors. Regulatory ridicule may serve a variety of purposes. It can call attention to undesirable cultural practices that might warrant regulatory intervention. It can mobilize a political constituency in support of a regulatory initiative, or in opposition to noncompliance. It may serve to elicit behavioral change on the part of a regulated entity, or class thereof. When directed at the state, it can seek to embarrass regulatory authorities into executing their responsibilities more faithfully (or in some cases, *less* faithfully). The article will then explore the limitations of regulatory ridicule. It will identify the circumstances where regulatory ridicule is likely to be most, and least, effective, and will conclude with some thoughts on the future of ridicule as a regulatory ***instrument***.

**II. Dimensions of Ridicule**

Ridicule has six essential properties. The *source, or originator* of ridicule, is the producer of denigration. The *target, or object* of ridicule, is the person, collectivity, institution, or cultural practice on the ‘receiving end.’ The clergy was targeted by Chaucer, the medical profession and the *nouveau riche* by Molière, and the legal profession by Daumier. More recently, and through more modern media, the fast food industry became the object of ridicule at the hands of Morgan Spurlock’s *Supersize Me*,4 and the healthcare system of the United States was ridiculed by Michael Moore’s *Sicko*.5

The *medium or vector* is the means by which ridicule is communicated. As discussed below, this can range from gossip, to a variety of media including literature, theatre (including guerilla theatre), song, pictorial caricature, video, and graffiti. More recently, the advent of digital technology and social media have greatly facilitated the dissemination of ridicule. The *audience* of ridicule is the intended ***recipient*** of the message; in some instances, the ridicule may be communicated solely to the target. It may also be addressed to a wider public, in addition to, or ‘‘behind the back’’ of, the target. *Valence* is the emotional property of the communication, ranging from attractive to aversive. Good-natured ridicule may reflect parental love or peer bonding, while vicious denigration may signal intense hatred. The *function* of ridicule is its intended purpose, or purposes, including the reaffirmation of power and authority, the mobilization of opinion, or the intensification of shared consciousness.

**1 Ridicule and Shaming**

Ridicule is closely related to shaming. Both can entail denunciation or condemnation in a manner intending to deprive the target of dignity.6 Both can be stigmatizing, and both can be commodified.7 But fundamental differences remain. Shaming tends to be solemn; consider the typical comments of a judge in handing down a sentence. Ridicule by definition entails an element of humor – if only in the eye of the beholder. It might be suggested that shaming, based as it is on fear, can elicit sympathy for the targeted person, but ridicule, intended to elicit laughter, does not.

Shaming is usually explicit, with the alleged miscreant and his or her misdeeds denounced with some degree of specificity. By contrast, ridicule can be done implicitly, often with irony. Ridicule, therefore, is not a strict subset of shaming. Some forms of shaming, as well as physical punishment, may be combined with ridicule. The iconic images of Abu Ghraib speak for themselves.8 In years past, public display of a miscreant (e.g. confined in the stocks, or tarred, feathered and paraded) often elicited ridicule, as discussed below.

The function of ridicule, moreover, differs significantly from that of shaming. Although both may serve to reaffirm social solidarity in response to deviance, ridicule reaches further to mobilize constituencies that might otherwise remain disengaged. And as we will see, ridicule tends to be a tool of private parties rather than an ***instrument*** of the state.

**III. The Functions of Ridicule Across Time and Cultures**

Ridicule has served a wide variety of purposes, over time and across cultures. These purposes need not be mutually exclusive. For example, the element of entertainment is common to many.

**1 Social Control**

The anthropological literature abounds with examples of ridicule as an ***instrument*** of social control, and as a means of expressing power and authority. In April 2013, a search of the Electronic Human Relations Area Files (eHRAF) revealed references to ridicule and “social control” or “sanctions” in 226 of the 289 cultures included in the data base. Non-observance of custom, and violation of social norms, have elicited ridicule in cultures as diverse as the Arunta people of Central Australia and the Pashtun of Northern Pakistan.9 Sanctions of ridicule were imposed in Nigeria by Ibo women’s councils for violation of crop protection practices.10 Young Zulu men who were insufficiently warlike would be teased by their girlfrends, who sung songs suggesting that their penis gourds would be more appropriate for use as snuff boxes.11 The Cherokee appear to have been particularly fond of irony, publicly praising thieves for their honesty, and congratulating cowards in battle for their bravery.12 Women in certain rural areas of France would take great delight in occasionally turning the tables in a patriarchal society by ‘ganging up’ and stuffing manure into the trousers, or pinching the private parts, of unfortunate men.13 Ridicule can thus serve as an expression of *challenge* to power and authority.

Beyond ridicule as an informal ***instrument*** of social control, it has been used as an explicit form of punishment, alone or in combination with other methods. In Europe, and later in North America, the stocks, the pillory and the ducking stool were ***instruments*** for the restraint of offenders, usually in public places, where local folk could hurl insults, vegetables, or feces at them. In Eastern cultures, where loss of face can be extremely distressing, ridicule can be a severe punishment indeed. Ridicule (and worse) of ‘‘Capitalist Roaders’’ was common during China’s Great Proletarian Cultural Revolution. Across cultures, ridicule has often been accompanied by other sanctions, including denunciation and physical punishment. In the modern era, ridicule has been observed as a sanction in online communities.14

**2 Entertainment**

Literature abounds with examples of ridicule. Aristophanes’ *The Knights* satirized the society and politics of classical Athens. Rabelais was a master of grotesque, carnivalesque satire.15 One of the more vivid examples is the work of Molière (1622–1673). His *Le Médecin Malgré Lui16* and *Le Malade Imaginaire17* contain scathing mockeries of contemporary medicine, whose practitioners were depicted as buffoons uttering nonsensical incantations in broken Latin. Their prescribed treatments were limited to purgings and enemas – ineffective, and at worst, counter-therapeutic.

Jonathan Swift’s classic *Gulliver’s Travels18* is a trenchant critique of European civilization. More recently, such diverse media as the political cartoon; magazines and journals such as *Punch, Mad, The Harvard Lampoon*, and *Le Canard Enchaîné*; satirical television programs such as *The Daily Show*, and the documentary films of Michael Moore are valued for their entertainment value as well as for their commentary.

**3 Cultural and Social Domination**

In Western societies, ridicule has often served as an expression of domination and superiority. Ethnic jokes or humor, or other stereotypical depictions that disparaged women or minorities, are deeply embedded in some cultures. The French cartoon character Bécassine represented a Breton peasant housemaid, an object of contempt by pretentious Parisians.19 Ridicule is a common ***instrument*** of bullying in schools and other organizations. Mocking one’s social inferiors, or minority groups generally, serves to distance oneself from them. When the object of ridicule is directly confronted by mockery, it reaffirms their inferior status, and reinforces subservience – unless they are able to retaliate.

**4 Rebellion**

Ridicule can also be directed upward, against those of status, power or privilege. In countries such as France, the United States and Australia, where freedom of expression is valued, and egalitarian values prevail, mockery of elites has become a national pastime. Upwardly directed ridicule can be a means of emphasizing one’s own worth, or a “leveling mechanism” directed against airs of superiority. It can also be a means of rebellion. Nicholas Kristof describes the practice of rolling a barrel bearing an image of former Serbian President Slobodan Milosevic, inviting pedestrians to strike it as it rolled by.20 In past times, it was common to parade an offender sitting backwards on a donkey. In October, 2011, a graffito depicting the then fugitive dictator Muammar Gaddafi in just such a manner was photographed in Libya.21 Bakhtin observed that ridicule may be directed not merely at individual leaders, but at the powerful in general. It serves as an expression of social power from the bottom up.22

In places other than robust democracies and collapsed autocracies, upward ridicule can be dangerous. Daumier’s cartoon *Gargantua*,23 depicting a gluttonous, defecating Louis Napoleon, landed the artist in jail. Even today, speaking ill (humorously or otherwise) of the King of Thailand is punishable in the kingdom by imprisonment. During the regimes of Saddam Hussein and Gaddafi, overt mockery of the leader would have been risky indeed.

**5 Social Bonding**

Not all ridicule need be hostile. Ridicule can also serve as an ***instrument*** of social bonding. Good-natured ‘ribbing’ between friends may serve to strengthen a relationship. Such verbal ‘‘dueling’’ based on the exchange of humorous insults may help resolve conflicts as long as the exchange is kept within boundaries. The African-American tradition of ‘Doing the dozens,’ with its roots in the repartee of Aristophanes, is a classic example.24 Social bonding may also be enhanced by means of hostile ridicule, as when two or more agents share the pleasure of taunting an object of ridicule. Conversely, two or more objects of ridicule may be bonded by their shared experience of victimization.

On a wider scale, ridicule of an undesirable individual, group or institution can contribute to the emergence and development of variations on Anderson’s “imagined communities.”25 The proliferation of media, both mainstream and alternative, facilitates sharing of interests and identities among persons at a sub-national, national, or global level who might not otherwise interact in physical space.

**6 Stress Management**

Ridicule, like humor in general, can also serve as a means of stress management. Citizens of occupied nations may privately indulge in ‘‘gallows humor’’ at the expense of their occupiers.26 Those working in stressful occupations may seek release through disparaging humor. One video accessible through *YouTube* shows a New South Wales Police officer in blackface mockingly impersonating an indigenous Australian.27 The use of ridicule enables some professionals to maintain a degree of psychological detachment from the suffering to which they are called upon to respond. The expression “crispy critter” has been used as medical slang for a patient with severe burns,28 or indeed, for a burned corpse. These latter examples suggest that ridicule can also reflect the symbolic assertion of power and authority by elites.

**7 Wartime Propaganda**

Ridicule is commonly used as an ***instrument*** of wartime propaganda, with the primary aim of denigrating the enemy. This serves two basic functions. As a means of fostering social solidarity, it vividly demarcates “us” from “them,” thereby contributing to the mobilization of domestic support for the war effort. The Donald Duck cartoon, *Der Fuhrer’s Face29* portrays Nazis as evil buffoons, in stark contrast to Leni Riefenstahl’s heroic and monumental portrayal of the Nuremberg rallies of the 1930s. Ridicule can also serve to dehumanize the adversary by presenting him in a ludicrous manner. Racial stereotyping is very common in wartime propaganda. Dower describes the unabashed racist propaganda cartoons published in both the United States and Japan during World War II.30 Much of this portrayed the enemy as subhuman (i.e. as apes or insects), thereby lowering inhibitions against killing them.31

**8 Commercial Advertising**

Because of its entertainment value, ridicule can also serve as a tool of commercial advertising. By portraying non-consumers of a product in an adverse light, one implicitly identifies one’s own consumers as superior. Direct-comparison disparagement has also been used as an occasional advertising technique. The brewers of Budweiser, self-proclaimed “King of Beers,” referred to their competitor, Miller, as the “Queen of Carbs.”32 Trademark parodies designed to attract attention of prospective consumers may also feature in advertising, as was the case with “Gucchi Goo” diaper bags. Of course, the advertising industry itself, along with other industries and cultural institutions discussed below, has been on the receiving end of ridicule.33

**IV. Media of Ridicule**

Ridicule can be communicated through a variety of media. Perhaps the oldest is gossip, which in the modern age has been joined by many others. The increasing diversity of media through which to express ridicule has accompanied the evolution of technology.34 Theatre, song, images and the spoken word were joined by printed matter. Thereafter, ridicule has been communicated through photography, cinema, video and the multimedia that exist in today’s digital age. The following examples are illustrative, and by no means comprehensive.

**1 Gossip**

Sally Engle Merry defines gossip as “informal, private communication between an individual and a small selected audience concerning the conduct of absent persons or events.”35 Gossip often relates to the gap between the target’s claim to reputation and his or her actual behavior; in which case it is implicitly ironic, if not always humorous. Gossip has been directed at targets whose behavior was inconsistent with common values since as far back as classical Athens.36 Skeel notes that gossip in the aftermath of corporate misconduct can be an effective means of diminishing the target’s reputation.37 Indeed, corporations tainted by scandal have often invested massively to restore their public image. Gossip may not always be truthful, and may contain a considerable amount of hyperbole. Just as allegations of witchcraft were tossed around loosely in years past, so too are suggestions that some contemporary purveyors of fast food use aborted human fetuses in their products.38 It has also been suggested that the logo of the large consumer products manufacturer Procter and Gamble reflected satanic influences.39 The dissemination of gossip has been dramatically facilitated by digital technology, which permits instantaneous and widespread dissemination through social media of information that was once communicated *sotto voce*.

**2 Collective Clamor: “Rough Music” and its Cousins**

Ridicule could also be expressed through collective commotion or “rude cacophony,” where local citizens gather and jeer at a target or targets.40 The practice usually entailed loud noise, generated by shouting, the banging of pots and pans, the blowing of horns, etc. What the English called “rough music” was the French *charivari*.41 The custom appears to have originated as a raucous celebration of marriage, later evolving into more judgmental expressions of disapproval of some aspect of the target’s behavior. Bakhtin observed how the carnivalesque atmosphere of festivals during the Middle Ages represented a symbolic challenge to humorless ecclesiastical and feudal institutions of the time.42 More recently, Presdee referred to the “Carnival of Crime.”43 One recalls the festive atmosphere in front of the White House as President Nixon was about to announce his resignation. The impending demise of the President saw members of a delighted crowd chanting “Jail to the Chief.”

**3 Literature**

Most literary genres have served as media of ridicule. We have already referred in passing to the works of Aristophanes, Rabelais, Swift and Molière. The dark burlesque *Ubu Roi*,44 by the French playwright Alfred Jarry, is a timeless critique of greed, buffoonery and brutality that could have provided a script for the likes of Mussolini, Mobutu, Idi Amin, Kim Jong-Il, and Gaddafi.

Mark Twain, the 19th century American novelist and critic, was a master of ridicule. His *Huckleberry Finn45* satirized a Southern culture in which religion coexisted comfortably with slavery. Twain was similarly disdainful of politicians. In an observation that would be regarded today as offensive to people with disabilities, he commented “All Congresses and Parliaments have a kindly feeling for idiots, and a compassion for them, on account of personal experience and heredity.”46

The classic novel *Catch 22* by Joseph Heller is a caustic comment on military bureaucracy. While repeatedly invoked, the rule of Catch 22 did not formally exist, and therefore could not be repealed. The harrowing existence of bomber crews drove some to the verge of breakdown. However, an airman’s request to be grounded because of mental health issues was *prima facie* evidence of sanity.47

Poetry, too, has been a vehicle of ridicule.48 Napoleon was a popular target of British verse at the beginning of the 19th century. The poem “Harlequin’s Invasion” refers to the Emperor as “a peasant-boy so hearty.”49 R.L. Barth’s “Social Darwinism” mocked those of privileged backgrounds who were able to avoid serving in the Vietnam War: Professionally aided,The Privileged became,Until the danger faded,The weak and halt and lame.50

**4 Song**

Ridicule can be expressed in song. A Byzantine satirical piece from the late tenth century expresses scorn for monks and eunuchs.51 Ballads expressing humorous contempt for specific individuals who behaved badly were common in Jacobean England. A group of citizens of Thaxted, Essex composed a song in 1622 entitled “Whip her Arse, Dick” to humiliate a notable citizen accused of beating his daughter.52 Much more recently, songs have served to ridicule war. One vivid example is Country Joe McDonald’s *I Feel Like I’m Fixin’ to Die Rag*, which targets the Vietnam War and its supporters with lyrics of exceedingly black humor. The song’s sprightly chorus ends with the macabre refrain, “Whoopee! we’re all gonna die.”53

**5 Newspaper and Magazine Satire**

Some periodicals are devoted largely to satire, and others have occasional but significant satiric content. One of the earliest is the French illustrated newspaper *Le Charivari*, first published in 1832. *Le Charivari* provided the inspiration for *Punch*, the iconic British weekly established in 1841. Indeed, early issues of *Punch* unabashedly bore the subtitle *The London Charivari*. In turn, *Punch* provided the inspiration for the *Harvard Lampoon*, established in 1876. The contemporary French satirical publication *Le Canard Enchaîné* was founded in 1915. A more recent French weekly, *Charlie Hebdo* received widespread attention in 2011 when it published an issue with a special “Guest Editor,” The Prophet Mohamed. The paper’s offices were firebombed shortly thereafter.54 In the United States, the humor magazine simply entitled *Mad* has been published for over 60 years, leaving few U.S. cultural institutions untouched by parody.55 Prominent North American practitioners of satirical journalism included HL Mencken.56 Across the Atlantic, a French newspaper observed that “Americans are the only race which passed directly from barbarism to decadence without knowing civilization.”57

**6 Pictorial Caricature**

Humorous visual depictions (often of outsized genitalia) exist on ancient cave walls.58 Charles Press observes that the father-in-law of King Tutankhamen was the first object of political caricature, a genre which became quite popular in 15th century Florence.59 The term cartoon, originally used to refer to preliminary sketches for larger works of art, was appropriated by the humorous magazine *Punch* to refer to satirical drawings. Decades prior to that, technologies of engraving and printing contributed to the popularity of the genre, as reflected in the fame of the British artist William Hogarth. A series of Goya’s prints, collectively entitled *Los Caprichos*, took aim at 18th century Spanish Society.60 A cartoon depicted George Washington as an ass.61 In the 20th century, technological developments saw the advent of the animated cartoon. The essence of cartoons, animated or otherwise, is exaggeration and caricature, usually intended to be humorous. This can occur at the expense of the individual or entity depicted in the cartoon, as when Louis Napoleon was drawn in the shape of a pear by Daumier.

**7 Grafitti**

A group in Australia identifying itself as Billboard Utilizing Grafittists Against Unhealthy Promotions (BUGAUP) was established in 1979 to ridicule billboard advertising. Their humorous defacement of billboards advertising tobacco products often entailed ironic critique; one sign that originally read “Peter Jackson 30s. You’re Laughing!” was changed to “Peter Jackson 30s. You’re Coughing!”62

With the advent of digital technology and the World Wide Web, graffiti took on a new form. Website defacements became the new medium of vandalism. One of the more noteworthy early examples of this was the defacement of the official CIA website by Swedish hackers in 1996. The hackers added obscenities to the Agency’s home page, and revised the banner to read “Welcome to the Central Stupidity Agency.”63

**8 Photography**

Ridicule can also be communicated through photography. Individuals may be caught off guard or photographed accidentally in a manner that makes them look silly. A famous American steeplechase jockey of the 1930s posed for a cigarette advertisement which, when published, gave the appearance that he was exposing himself. Ridiculed by his peers, he sued the publisher for libel, without success.64 During the 1988 U.S. presidential campaign, Democratic candidate Michael Dukakis was photographed riding an M1 Abrams tank to show that he was not “soft on defense.” Unfortunately, he wore a helmet that made him appear to lack the gravitas appropriate to a prospective commander-in-chief.65 The image was used with success *by his opponent*. One image of German Chancellor Angela Merkel shows her holding her nose while seated next to Russian President Vladimir Putin.66

Digital images may be edited in a manner that produces ridicule. The shocking images of a nonchalant police officer spraying capsicum in the faces of passive student protesters at the University of California, Davis in 2011 were hardly ridiculous. Digital editing enabled the placement of this image in entirely different contexts in a manner that was strikingly absurd. Thus, the poker-faced police officer was seen spraying the face of Thomas Jefferson at Mt Rushmore, and similarly attacking the Parisians promenading in Seurat’s classic painting, *Un dimanche après-midi à l’Île de la Grande Jatte*.67

**9 Humorous Awards**

Another medium of ridicule is the satiric “award,” made with or without irony.68 “Dirty Dozen” awards are made by various environmental groups to call attention to environmental harm. The Michigan Infrastructure and Transportation Association names a “dirty dozen” Michigan counties that discharge the largest amounts of sewage into state waterways.69 The Dirty Dozen awards conferred by the Citizens’ Environmental Coalition of New York State (CEC) include a pair of worn children’s shoes attached to a plaque.70

The Golden Fleece Award was initiated by US Senator William Proxmire in 1975, and awarded until 1988 to ***recipients*** of federal ***grants*** on matters that the Senator considered to be frivolous. Among the more intriguing was a $57,800 project ***funded*** by the Federal Aviation Administration to research the “physical measurements of 432 airline stewardesses, paying special attention to the ‘length of the buttocks’ and how their knees were arranged when they were seated.”71 The award was reinstituted in 2000 by a public interest group called Taxpayers for Common Sense who target examples of extreme government waste.

Ig Nobel prizes are conferred on scientists for ostensibly frivolous research. A recent prize was awarded to Japanese chemists for designing a smoke alarm for the hearing impaired. When activated, the alarm sprayed essence of wasabi, in a concentration sufficient to waken the sleeping resident.72 Stella Awards, named after a plaintiff who was awarded $2.9 million in damages after having burned herself with spilled coffee, have mocked the U.S. legal system by publicizing outrageous or ridiculous lawsuits.73

*Choice* magazine, a publication of the Australian Consumers’ Association, presents annual “Shonky Awards” for the “shonkiest rip-offs and the shoddiest products sold in Australia.”74 Awards are made to industries, companies, or products. In 2011 an award was given to a purveyor of quail eggs who claimed they cured a number of ills, including male impotency; after ingesting a raw sample, one male officiating at the awards ceremony beamed and declared “Hello Ladies!” After using an inhaler containing a substance purporting to suppress one’s appetite (the ***recipient*** of another award), the same official conceded that he now had no appetite for quail eggs.75

**10 Guerilla Theatre**

Guerilla theatre, descended from street performances of centuries ago, is a satirical form of protest that enjoyed a renaissance in the United States during the 1960s. Among its foremost practitioners were Abbie Hoffman and Jerry Rubin, founders of the Youth International Party, or “Yippies.” The genre embraces parodies and pranks usually directed against establishment figures and institutions. In 1967, Hoffman and others arrived at the New York Stock Exchange, ascended to the gallery, and dropped dollar bills to the traders on the floor, many of whom stopped what they were doing in order to take advantage of the windfall.

During the presidency of George W. Bush, a group calling itself “Billionaires for Bush” satirically expressed support for Bush and wealthy interests generally. Dressed in evening attire, and making pronouncements such as “Small Government, Big Wars,” “Leave no Billionaire Behind,” and “Corporations are people, too,” they would appear at both pro- and anti-Bush events. In addition, they staged happenings such as the “Million Billionaire March” and a Vigil in support of corporate welfare.76

The Yes Men are satiric activists who impersonate individuals and interests whom they oppose, in some cases making fictitious announcements on their target’s behalf. A remarkable example involved one of their members posing as a representative of Dow Chemical, apologizing profusely and announcing that the company would compensate victims of the Bhopal Disaster on behalf of its recently acquired subsidiary, Union Carbide. The announcement was broadcast on BBC Television.77

**11 Television**

Various television *genres* have served as vectors of ridicule. The situation comedy or “sitcom” is perhaps the most prominent of these. *All in the Family*, the most popular U.S. sitcom of the early 1970s, ridiculed working class bigotry. Since 1975, the variety show *Saturday Night Live* has offered parodies of American culture and politicians. Others, such as *Late Show with David Letterman*, provide broad opportunity for ridicule: according to Letterman, after the Gulf of Mexico oil disaster in 2010, “The president met with BP CEO Tony Hayward, and Obama was demanding that BP clean up the Gulf. And I’m thinking, good luck. They can’t even clean up their gas station restrooms.”78 The British sitcom *Twenty Twelve*, about planning for the London Olympics, even featured an appearance by Lord Coe, Chairman of the London Organising Committee.79 In the United States, the core business of programs such as *The Daily Show* and *The Colbert Report* is satirical commentary on the news of the day. In Australia, *The Chaser’s War on Everything* appears to be just that. Its comic vignettes take aim at targets as diverse as politicians, contemporary artists, telemarketers and tourism promotion.80

**12 Cinema**

For over a century, motion pictures have provided an evocative means of ridiculing individuals, institutions, and cultural stereotypes. The Marx Brothers’ *Duck Soup81* ridicules war. Charlie Chaplin’s *Modern Times82* comically depicts the brutal relentlessness of the assembly line in Depression-era America. Stanley Kubrick’s *Dr Strangelove83* is a satire on the Cold War nuclear arms race between the United States and the Soviet Union. The film ridicules the doctrine of “mutually assured destruction,” rampant jingoism, and opponents of water fluoridation, which was seen by the deranged General Ripper as contributing to the contamination of one’s “precious bodily fluids.”84

The renaissance of the documentary film genre toward the end of the 20th century created new opportunities for humorous criticism of cultural institutions. Documentary cinema as a medium of ridicule came to prominence as a result of Michael Moore’s work, beginning with *Roger and Me*, which juxtaposed the decline of Flint, Michigan, a city economically dependent on the deteriorating automobile industry, with the aloofness and evasiveness of the Chairman of General Motors. Moore’s *Sicko* criticized the US healthcare system and health insurance generally, by comparing them unfavorably with those of other nations such as Canada, France, the United Kingdom and Cuba. At one stage in the film, Moore escorted a group of 9/11 rescue workers who had been denied government health assistance, to Guantanamo Bay, requesting that they receive medical care commensurate with that provided to detained enemy combatants. When they were refused access to U.S. facilities in Guantanamo, they sailed to Havana, where they were given free medical treatment.

Morgan Spurlock’s *Supersize Me* is a social commentary on obesity in the United States, and on the contribution of the fast food industry to the obesity problem. The documentary shows him taking all his meals at McDonald’s restaurants over the period of 30 days, and monitoring the health consequences of his demonstration diet. Not surprisingly, he experienced significant weight gain, elevated cholesterol levels, lethargy, and the accumulation of fat in his liver. Spurlock’s message targets not only McDonald’s, but also fast food and corporate responsibility more generally.85

**13 Digital Media**

The growth in the capacity and accessibility of digital technology has provided individuals with the ability to communicate instantaneously with millions of others around the world, directly and free of editorial mediation. This greatly facilitates the mobilization of grassroots constituencies. Twitter enables the widespread dissemination of one-liners. A Twitter account impersonating an authorized Qantas source sent humorous tweets such as “every Qantas passenger seat has a copy of the Bible wrapped in a life jacket.” The impersonating account was suspended at the request of Qantas, but another spoof account appeared soon thereafter.86

Digital video cameras and YouTube allow anyone to become a documentary filmmaker. One Canadian musician, whose guitar was damaged by United Airlines, wrote a song “United Breaks Guitars” which has been viewed more than twelve million times on YouTube.87 He has since established a website called *Gripevine*, which facilitates communication among aggrieved consumers and with the companies in question.88 YouTube can also preserve street theatre for posterity. The Russian punk rock band Pussy Riot achieved worldwide celebrity for lampooning the Russian Orthodox Church and President Vladimir Putin.89

**V. Ridicule as a Regulatory *Instrument***

Colin Scott (2007) has set out the basic forms of regulation.90 Building on his work, one may include public information; standard setting; surveillance and detection of non-compliance; mobilization of law (including investigation and prosecution); and punishment. Within the paradigm of regulatory pluralism, regulation entails a division of labor between institutions of the state, and a variety of non-state actors. As Bartley (2007) observed, non-state initiatives are often inspired, if not provoked, by state inaction. Although use of ridicule by state actors, for reasons discussed below, tends to be limited, ridicule features in a number of regulatory roles, most prominently those of public information and the mobilization of support for formal regulatory interventions.

**1 Calling Attention to Undesirable Cultural Practices or Institutions**

Ridicule can serve as a tool of regulation in many ways. At the most basic level, it can make a statement critical of certain cultural practices or lifestyles. History abounds with examples of ridicule aimed at practices or institutions deemed to be inappropriate, or worse. The work of Aristophanes and Swift was noted above. Kwame Anthony Appiah notes that the practice of dueling ended in 19th century England after it became the subject of cartoons and satirical magazine commentary. He further noted that the deeply entrenched Chinese custom of binding women’s feet began a sharp decline after an advisor warned the Emperor that unless such an archaic cultural practice were ended, the nation would be subject to ridicule in the face of the rapid modernization of neighboring Japan.91

Environmental pollution has been the target of ridicule at least since the beginning of the industrial revolution. A cartoon depicting New York City enveloped in noxious vapors was published in *Harper’s* in 1881.92 As environmental consciousness began to heighten in the United States during the mid-1960s, musical satirist Tom Lehrer recorded a song “*Pollution*” warning audiences “Don’t drink the water and don’t breathe the air.”93

Contemporary consumer culture is also a popular target. The Reverend Billy and his Church of Life After Shopping perform guerilla theatre in popular shopping precincts, urging the audience to eschew consumption, and particularly, to avoid patronage of large retail chains.94 Specific consumer products regarded by some as perpetuating inappropriate stereotypes may also be subject to ridicule. The iconic Barbie doll was targeted by the Danish singing group Aqua, whose song “*Barbie Girl*”95 achieved immense popularity in the late 20th and early 21st centuries. The sexual innuendo in the lyrics, combined with unflattering portrayal of Barbie as a “blonde Bimbo”96 prompted the manufacturer, Mattel, to sue for damage to their brand.97

The firearms culture of the United States was ridiculed by Michael Moore’s documentary, *Bowling for Columbine*.98 Moore used the Colorado high school shootings as the basis for a critique of U.S. gun culture and inadequate firearms regulation. The ease with which firearms and ammunition can be purchased at major retail outlets in some states is a matter of considerable concern; some of the ammunition used in the Columbine incident was purchased at a K-Mart Store. The film contains a segment where Moore asks two surviving Columbine victims if they would like to go to K-Mart and return the bullets that remained lodged in their bodies.99

**2 Endorsement or Support for Regulatory Initiatives**

Ridicule has long been used to endorse or to rally support for various regulatory initiatives. In London during the years leading up to 1750, retail sales of distilled spirits were essentially unregulated. The ready availability of cheap gin led to widespread abuse, to serious problems of public health and public order, and thus to efforts to control consumption of the beverage. The 18th century artist William Hogarth depicted utter squalor and degradation in his iconic engraving “Gin Lane” where, against a grotesque background of caricatured violence, disease and filth, one human subject may be seen fighting with a dog over a bone.100 The engraving encouraged support for the Sale of Spirits Act 1750, later referred to as the Gin Act 1751,101 which combined stricter licensing with increased taxation.

The introduction of Anti-Yakuza laws in Japan during the early 1990s was accompanied by a publicity campaign to advertise community centers where citizens could obtain information on how to resist extortion demands and how to mobilize civil remedies against organized crime. A telephone card circulating at the time depicted a respectable and contemptuous family of three pointing fingers of indignant scorn at two recoiling gangsters.102

Interest groups may actually name themselves in a manner that ridicules a practice targeted for regulatory intervention. The anti-smoking Group Against Smoking Pollution has the acronym GASP.

**3 Identifying an Incident or Pattern of Non-compliance**

Ridicule is often mobilized in the aftermath of egregious mishap. One of the most dramatic events of 2010 was the massive oil spill in the Gulf of Mexico. This gave rise to an abundance of mockery, much of which was broadcast on late night television in the United States. As Jay Leno mused, ‘‘British Petroleum said today that if this spill gets worse, they may soon have to start drilling for water.”103 Ridicule can also be used to shame individuals behaving badly. Pantomime artists were hired by authorities in Bogota, Colombia to publicly mock citizens who breach traffic regulations.104 Elsewhere, Joseph Rees refers to “management by embarrassment.”105

Websites may also be constructed to draw attention to a target’s ongoing questionable performance. While the content may not always be humorous, the name of the website may be. Thus, a forum for the disgruntled customers and employees of United Airlines is called *Untied.com*.106

**4 Exhortation for Compliance**

When directed impersonally at the general public, ridicule can serve to encourage protective behaviors. Anti-smoking messages sponsored by the (U.S.) Clearinghouse on Smoking and Health in the 1960s included the taunt “if you smoke, you’re a turkey.”107 In the city of Canberra, Australia, one prominent traffic safety sign suggests “NO SEAT BELT, NO BRAINS.” In 1987, the Australian Government produced compelling public health messages relating to the transmission of HIV/AIDS. The ads featured a “Grim Reaper” rolling a bowling ball toward people standing at the end of a bowling alley. He bowled a strike.108

Occupational health and safety regimes often publish generic cartoons depicting egregiously risky practices. One such cartoon shows Bart Simpson and a friend looking disapprovingly at a man bent at the waist and lifting a heavy block while grimacing with pain. The cartoon bears the caption “Use your muscles, not your back.”109

**5 Ridicule of Regulation**

Ridicule is a weapon also available to those who oppose regulation, or who seek to discredit the proponents of regulation. In nineteenth century England, advocates of animal protection legislation became the targets of mockery.110 In 1971, American anti-smoking activists were compared with the zealous crusading prohibitionist, Carrie Nation.111 Cartoonist Pat Oliphant targeted the American Civil Liberties Union (which he portrayed as a meddlesome old lady) for its criticism of police heavy-handedness during the 1970s.112 Consumer activist Ralph Nader, a trenchant critic of the automobile industry during the 1960s,113 had an image of almost prudish asceticism. General Motors, whose products had been the focus of Nader’s criticism, hired private detectives to maintain intensive surveillance of Nader, and accosted him with women in order to lead him into a compromising position.114 It seems likely that GM was seeking to deflate Nader’s legitimacy by placing him in an embarrassing situation.

The resurgence of Christian fundamentalism in the United States during the 1970s was accompanied by outspoken advocacy of what are euphemistically referred to as “family values.” These called for censorship of expressions and depictions of sexuality, among much else. The men’s magazine *Hustler* does not embrace such proposed encroachments on personal freedom, and cheerfully criticized those who did. *Hustler* published a parody advertisement which portrayed the evangelistic moral entrepreneur Jerry Falwell as having had sex with his mother in an outhouse. The Supreme Court of the United States found this offensive in the extreme, but constitutionally acceptable.115

Regulatory agencies and their officials themselves may become the object of ridicule. Cartoon depictions of regulatory agencies as toothless tigers or lapdogs have become clichés; among U.S. regulatory agencies so depicted are the Environment Protection Agency and the Securities and Exchange Commission.116 Specific individuals may also be targeted. The U.S. tobacco industry referred to Joseph Califano, President Carter’s Secretary of Health, Education and Welfare, as a “silly ass.” Motor cars in the tobacco-growing state of North Carolina bore bumper stickers that parodied the warning messages on cigarette packages, stating “Califano is Dangerous to Your Health.”117 Jacob Zuma, who at the time headed the South African National AIDS Council, admitted while on trial for rape in 2006 that he had not used a condom when having sex with his alleged accuser, despite knowing that she was HIV-positive. He stated in court that he took a shower afterwards to reduce the risk of contracting HIV.118 The famous South African cartoonist Zapiro thereafter portrayed Zuma with a shower head protruding from the back of his neck.119 Zapiro has had many such opportunities, as Zuma became President of South Africa in 2007.

The apparent absurdity of some regulatory interventions has not escaped serious academic analysis. Viscusi and Gayer note that the (U.S.) Occupational Safety and Health Administration’s concern for worker safety went so far as to specify the shape of toilet seats. They further note that workers on a bridge were required to wear life vests, even though the riverbed below was dry.120 Dennis Hale cites a number of examples where law and legislators have been brought into disrepute. In some instances, law makers are the architects of their own ridicule. An ordinance in Bend, Oregon, limited the showing of horror movies to Mondays, Tuesdays and Wednesdays. Alabama morticians who used obscene language in the presence of a corpse were liable to lose their licenses.121

Since the attacks of September 11, 2001, heightened airport security has caused many travelers inconvenience and frustration. It is therefore not surprising that rigorous security screening procedures have become the object of ridicule. Various slogans have been mischievously attributed to the (U.S.) Transportation Safety Administration, including “It’s not a grope, it’s a freedom pat;” “We are now free to move about your pants;” and “If we did our job any better, we’d have to buy you dinner first.”122

Police, as regulators, are subject to considerable ridicule, at times for overzealous enforcement. In a 1974 newspaper column, the eminent Australian criminologist Gordon Hawkins described a recent ‘well planned military-style amphibious operation,’ conducted by the New South Wales Police, resulting in the arrest of 42 nude bathers at Sydney’s Lady Jane Beach.123

Police may also be ridiculed for under-enforcement. A union representing officers of the Plymouth, Massachusetts Police Department was negotiating a new contract and was criticized by one member of the city council for officers spending too much time at the local doughnut shop. The councilmember said that there should be a Dunkin Donuts in every precinct. In defense of its members, the union published a paid newspaper advertisement containing the text “Plymouth Police Department is undermanned.” The newspaper’s typesetter modified the second letter “e” in “Department” to look like a doughnut. The union sought damages without success, but was refunded the cost of the ad.124

The lack of effective regulation of railroad safety in New Jersey was ridiculed in a *Harper’s Weekly* cartoon of 1865, depicting a human skeleton, named “Merry Andrew,” framed by the skull-shaped entrance to a railroad tunnel.125 In those days, the term “Merry Andrew” meant clown or buffoon. In the cartoon he is portrayed as saying “Here We are Again!”

**6 Ridicule of Inadequate Self-regulation**

Shortcomings of self-regulation have also been the targets of ridicule. The title of the book *Military Justice is to Justice as Military Music is to Music* speaks for itself.126 As one regulator observed, “If self-regulation worked, Moses would have come down from the Mountain with the Ten Guidelines.”127 One of the great scandals of recent years has involved the reluctance of the hierarchy of the Roman Catholic Church to act upon allegations of sexual abuse of children by priests. This has given rise to (among much else) a farrago of unflattering newspaper cartoons. In one of these, a sinister-appearing wolf standing in the light of a full moon salivates as he surveys a flock of sheep tended by Cardinal Bernard Law, then Archbishop of Boston. The Cardinal, noticing the wolf, says to his assistant “People are starting to talk. Transfer him to another parish.”128

Among the more imaginative uses of ridicule directed at inadequate self-regulation is that appearing in the comic strip *Doonesbury*, by Garry Trudeau. One of Trudeau’s characters, “Mr Butts” (depicted as a lighted cigarette), personifies the tobacco industry.129 The cynicism with which Mr Butts dismisses evidence on the adverse health effects of smoking and rejects suggestions that cigarette manufacturers market their products to young people, is almost palpable. A T-shirt featuring Mr Butts bore the words “Go ahead, kids. You’re immortal!”130 Mr Butts is joined in the *Doonesbury* strip by Mr Suds (represented as a foaming beer can), who represents the liquor industry, and Dum Dum (a bullet), who symbolizes the National Rifle Association.

**7 Multifunctional Ridicule**

An expression of ridicule can serve a variety of regulatory functions. The coexistence of stress management and the assertion of authority was noted above. Consider some of the more creative anti-smoking initiatives of the 1990s. The challenge of discouraging young people from smoking has always been formidable, given their rebellious propensities, and the significant efforts on the part of the tobacco industry to portray smoking as “cool.” Nicholas Kristof recalls campaigns intended to sensitize young people to the fact that they were the subject of manipulation by the tobacco industry, by involving them in the design of anti-smoking commercials. One entailed a group of young people making a telephone call to an advertising agency, announcing that they were awarding a prize for killing large numbers of teenagers.131

Messages such as these served simultaneously to warn young people that they were the objects of manipulation, and to mock the tobacco industry for its questionable marketing practices. Billionaires for Bush engaged both pro- and anti-Bush constituencies, mocking one and rallying the other. Ridicule of an errant institution or individual may serve to educate the public, and enhance social cohesion among those affronted by the offending action, as well as to punish the miscreant.132

**VI. Conclusions**

Scholars of regulation have, for some time now, acknowledged that regulation entails a variety of orderings, not all of them the work of the state. This concluding section locates regulatory ridicule within this paradigm of regulatory pluralism, discusses its strengths and weaknesses, and suggests its possible future role alongside more conventional regulatory institutions.

**1 The Uses and Users of Ridicule**

Ridicule can play a useful role in regulatory systems, but it is hardly a panacea. As an ***instrument*** of regulation, it tends to be wielded by non-state actors. Bakhtin noted that the carnivalesque ridicule practiced by common folk of the Middle Ages stood in stark contrast to the solemnity of church and feudal rule.133 Although some state regulatory agencies may generate adverse publicity against noncompliant regulatees, this tends to take the form of ‘‘naming’’ and solemn denunciation, rather than ridicule.134 States may use generalized ridicule against unsafe practices rather than target specific individuals or organizations. Robust legislative debate may entail the use of ridicule, as Senator Proxmire’s Golden Fleece awards have shown. However, the use of ridicule as a *formal* legal sanction seems to have faded with the demise of the stocks and the ducking stool. In the United States, the National Commission on Reform of Federal Criminal Laws even rejected adverse publicity as an available sanction as inappropriate, “since it came too close to the adoption of a policy approving social ridicule as a sanction.”135 Whitman suggests that states, in dispensing justice, seek to avoid the carnivalesque, and prefer to deliver measured punishment. He further notes that public shaming risks the arousal of public passions to the extent that mob violence could encroach upon the state’s monopoly on the legitimate use of force.136

Kohm (2009) cautions that humiliation by the state may serve to erode the legitimacy of state institutions. A half century earlier, the august BBC, a pillar of the British establishment, disciplined producers for breaches of decorum, including imitating the Queen’s voice, and the mockery of military honors.137

On rare occasions, judicial opinions contain an element of humorous disparagement. The final sentence of Judge Kozinski’s opinion in the *Barbie Girl* case was “The parties are advised to chill.”138 Sentences, too, may entail ridicule. Kohm reports that one offender, seen to be “acting like a baby” was ordered to wear a diaper as a condition of his probation.139 But in general, governments seem reluctant to indulge in humor, lest they appear indecorous. Affairs of state, after all, have traditionally been conducted with an air of gravity. Moreover, just as “the shaming state” may unduly arouse an angry public, ridicule that is voiced by the state may invite reciprocity on some future occasion.

Ridicule can, however, be a powerful tool in the hands of non-state actors, many of whom labor under no requirements of decorum. And it serves a number of regulatory purposes. Ridicule can serve to attract attention and to raise awareness, particularly among those who might not be attuned to conventional news media, and who may lack a deep interest in public affairs. The potential for ridicule as an ***instrument*** of mobilization is particularly significant with regard to people, particularly young people, who may be inattentive to mainstream media but who are otherwise “wired.”140 It may be especially useful in atomized, individualistic societies where group identity is otherwise weak, and whose members might not be attracted to campaigns. Perhaps the most significant function of ridicule in a regulatory system involves its role in building an imagined community, and in energizing others who embrace the values represented by its message. To paraphrase the words of one activist, ridicule entails finding fun ways to get your message out there. In this regard, it contributes to the building of a convergence of interest.141 A bit of humor can sweeten the hard grind of a campaign.

Ridicule, certainly as practiced by non-state actors, is hardly part of a choreographed regulatory system, least of all when the state and its regulatory agencies are themselves targeted. The unconventional nature of ridicule lends itself more to spontaneity. There are circumstances, however, when the state may harness private ridicule in furtherance of public policy. The *Doonesbury* character Mr Butts featured in an animated anti-smoking message from the Massachusetts Department of Health, and in anti-smoking posters of the City of Santa Monica.142 As we have seen, *The Simpsons* have contributed to workplace safety campaigns.

The role of regulatory ridicule will depend significantly on cultural context. Some societies are irreverent, others respectful.143 The significance of ridicule as an ***instrument*** of punishment will be greatest in collectivist societies, where ostracism and loss of face can be extremely painful. “Upward” ridicule will be more characteristic of the pluralistic egalitarian societies of modern democracies. The viral videos of Ai Weiwei, mocking the Communist Party of the People’s Republic of China, may be seen as reflections of an emerging pluralism in that country.144 We saw above how ridicule has been mobilized *against* state regulatory agencies by proponents as well as by opponents of regulation. Apparent regulatory inertia invites cartoon depiction of regulators as lap-dogs, while overzealous regulation has often been met with droll suggestions that taxpayers’ dollars might be more productively spent. “Downward” ridicule will be more evident in stratified societies, where elites use it to reinforce their positions of privilege, to reinforce their authority, and to help justify the regulation of others whom they perceive as inferior. Some evidence of this has been noted in contemporary Britain.145 Even under the best of circumstances, ridicule alone cannot change the world. Amber Day describes the use of satire as “one piece of the activist puzzle.”146

**2 Responses to Ridicule**

Just as ridicule itself is culturally specific, so too are reactions to ridicule. These reactions will vary, depending upon political or social context. The targets of ridicule face a number of alternative options. They may take steps to remedy the conditions that elicited the ridicule in question. They may ignore the criticism, get on with their business, and hope that the ridicule will eventually abate and be forgotten. They may acknowledge it, and seek to disarm it with mild humor at their own expense. Or they may seek to challenge the source of their ridicule, either in the courts or in the arena of public opinion. This may entail ridicule directed back at their adversaries, or in extreme circumstances, the use of brute force.

The targets of ridicule may be fragile or resilient. Some are essentially shameless, while others are acutely aware of actual or potential damage to their public image. Presidents Reagan and George W. Bush were objects of ridicule for most of their respective terms of office, but appeared impervious to criticism. At times, each of them succeeded in deflecting criticism by engaging in a degree of gentle self-deprecation. This kind of “inoculation” may be contrasted with the apparent arrogance of those who see themselves as superior, and literally take themselves too seriously. All else equal, the latter types risk attracting even more ridicule.

Institutions too may vary in their vulnerability to ridicule. Major retailers, or manufacturers of brand name products, have a great deal invested in their public images. One would predict that sensitivity to ridicule would vary inversely with the size of a company’s advertising budget. Figuratively speaking, a Starbucks would have thinner skin than a Halliburton.

States whose legal systems are more protective of a person’s privacy or reputation may permit or facilitate legal redress on the part of a ridiculed individual or interest. Some, however, are tolerant of the most outrageous disparagement. In the United States, the First Amendment offers considerable protection to those who would ridicule public figures. The *Hustler* case is a prime example. By contrast, a number of state jurisdictions have enacted ***agricultural*** product disparagement, or “veggie libel” laws.147

British laws of libel tend to be relatively unsympathetic to free expression. However, legal action against the originator of ridicule may be lengthy and costly. The “McLibel case” lasted over a decade. The longest trial in English history, it pitted a giant multinational against two impecunious activists who represented themselves.148

Forceful reaction to ridicule may be counterproductive. Media attention to the reaction may further publicize the original ridicule. The objections of Qantas to the false Twitter message about bibles and life vests attracted more attention to the content than would otherwise have been the case. When the target of ridicule is a powerful interest, its response may be perceived as that of a Goliath, further abusing the common folk. Although it may have had the effect of chilling some subsequent criticism, the McLibel case did little for the public image of McDonald’s. When one powerful interest suffers ridicule at the hands of another, forceful reaction may also be risky. During a segment on her television program in which mad cow disease was discussed, Oprah Winfrey commented that she had been “stopped cold from eating another burger.” A Texas beef producer sued for libel, claiming substantial ***financial*** damage. The court found in favor of the defendant.149 At the extreme, the object of ridicule (or their supporters) will respond with violence. Cartoons published in the Danish press containing irreverent depictions of the Prophet Mohamed elicited a firestorm of indignation across the Islamic world, including riots, boycotts of Danish products, and attempted assassination of the cartoonist. We noted above that some humorous words or deeds are likely to upset authorities in Thailand or North Korea, not to mention much of the Islamic world.

**3 Impact of Ridicule**

Policy outcomes tend to result from the complex interaction of political, cultural and situational factors. Regulatory space is often crowded with many players, and it may be difficult to apportion relative responsibility for a particular outcome. The impact of ridicule as a regulatory ***instrument*** may defy objective assessment. Given the pluralistic nature of regulatory systems, it may be impossible to estimate the effect of a particular cartoon on the subsequent comportment of an individual, corporation, or industry that was targeted by the publication, much less the effect on future comportment of those who might find themselves in similar circumstances. The power of ideas may not always lend itself to quantification. Hogarth’s *Gin Lane* and Henry Fielding’s more sober *An Enquiry into the Causes of the Late Increase of Robbers150* each contributed to public support for the Gin Act, but it is difficult to apportion credit between them.

Plaintiffs alleged that Oprah Winfrey’s disparagement of beef led to the closure of the live cattle market for the day on the Chicago Mercantile Exchange, and depressed beef prices for eleven weeks.151 Shortly after Michael Moore visited K-Mart corporate headquarters with the two Columbine survivors and a film crew, the retailer announced that it would phase out the sale of ammunition.152 A city ordinance in Palm Beach, Florida which required domestic servants to register with police and carry an ID card was the target of a *Doonesbury* lampoon.153 The Florida State Legislature overturned the ordinance with a statute called the *Doonesbury* Bill.154

Kristof maintains that the high school smoking rate in Florida, where the teenagers’ anti-smoking campaign originated, fell by 50% in less than ten years.155 Although McDonald’s sales and share price increased in the aftermath of *Supersize Me*, the impact of the documentary on the nutritional consciousness and habits of consumers and the wider public is unclear. The company was reported to have implemented changes to its menu in the aftermath of the film’s release, but claimed that these were unrelated.156 Nevertheless, a more systematic analysis of the impact of ridicule is certainly feasible; an early model for such a study was been provided by Fisse and Braithwaite’s *The Impact of Publicity on Corporate Offenders*.157

**4 Unintended Consequences of Ridicule**

Cultural criticism has its share of ironic reversals, where the object of ridicule may eventually turn it to their own advantage. So it is that ridicule may also be co-opted by its target. During the 1984 presidential elections in the United States, an aging Ronald Reagan promised that he would not allow his opponent’s youth and inexperience to become an issue in the campaign. Charles Press reminds us that some targets of cartoon ridicule nevertheless collect and display the very works that depict them in an unflattering manner.158 Henry Kissinger is reputed to have said of the *Doonesbury* strip, the only thing worse than being in a *Doonesbury* cartoon would be not to be in one.159 In 2009, Mattel adapted *Barbie Girl* (minus the suggestive lyrics) for use in marketing their iconic doll.160 The Miller Brewing Company sought initially to enjoin its competitor over the “Queen of Carbs” mockery, but withdrew the lawsuit when it discovered that sales had increased 17% during the Budweiser advertising campaign.161 In the fullness of time, the provincial housemaid Bécassine became something of a heroine. By the late 1970s a song entitled “Bécassine, c’est ma cousine” sold more than three million copies, and her image featured on a French postage stamp.162

**5 The Future of Ridicule**

The role of ridicule in policy discourse seems destined to become even more prominent. The emergence and democratization of new technologies have placed great pressure on the conventional news media, at least in western democracies. Their competition for market share has seen increasing emphasis on entertainment at the expense of serious investigative journalism.163 As young people begin to look elsewhere for both their information *and* their entertainment, and as governmental and corporate actors generate tightly scripted and anodyne messages, one may expect to see more attempts at humorous humiliation from the grass roots. Freedom of the press is no longer limited to the man (sic) who owns one. Judge and McLaren suggest that reverse psychology, and humorous provocations may enhance capacity for change.164 It is therefore not surprising that ordinary citizens, aided by the democratization of technology, continue to resort to ridicule. They may not succeed in making ours the best of all possible worlds, but at least they, and we, can have fun in the process.

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[***In pursuit of the African PhD: A critical survey of emergent policy issues in select sub-Saharan African nations, Ethiopia, Ghana and South Africa***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BNK-7DJ1-DY41-73KK-00000-00&context=1516831)

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**ABSTRACT**

After decades of decline, African higher education is now arguably in a new era of revival. With the prevalence of knowledge economy discourse, national governments in Africa and their development partners have increasingly aligned higher education with poverty reduction plans and strategies. Research capacity has become a critical development issue; and widening participation to doctoral education is seen as an ***instrument*** for enhancing this capacity. Against this backdrop, this paper presents a review of emerging initiatives and policies that have some bearing on the PhD in select sub-Saharan African nations, namely Ethiopia, Ghana and South Africa. The findings show a shared optimism about the economic value of higher education, and explicate divergences and convergences in the framing of problems and policy responses related to doctoral education across the three nations. In the conclusion we reflect on challenges and policy omissions in the pursuit of the African PhD.

**FULL TEXT**

**Introduction**

In the knowledge economy imaginary, advanced research and research training are seen as instrumental in enabling participation in innovation and knowledge-driven prosperity. In the case of Africa, the exponential expansion of higher education (HE) systems coupled with the growing demand for skilled researchers outside academia has made doctoral education a crucial part of development plans. Recently, following a forum on *Higher Education for Science, Technology and Innovation* co-convened by the World Bank and the Government of Rwanda, the representatives of the governments of the five countries participating (Rwanda, Ethiopia, Mozambique, Senegal and Uganda) unanimously affirmed that: It is fundamental for Africa to increase the PhD programs in the continent and continue to engage in partnerships that increase the number of PhD holders in Africa. (The Kigali Communique, 2014: 2)This article surveys emergent policies relevant to the PhD in three sub-Saharan African (SSA) nations – Ethiopia, Ghana and South Africa − and critically examines these policies for their convergences and differences.

As with HE systems in South East Asia, which provide exemplars of knowledge-led economic growth through policy regimes that coincided with ambitious PhD graduation targets (Cuthbert and Molla, 2015b), the pursuit of the African PhD has become an object of political concern at national and regional levels. The need to generate more graduates within Africa, who focus on ‘relevant’ research problems with the skills both to enhance the research capacities of the university sector and drive national innovation, has assumed an air of urgency in recent years, as is reflected in the statement quoted above. In this article we look closely at the situation in SSA through investigation of three categories of policy texts encompassing national development strategies, higher education policies, and science and technology plans.

Following an outline of the scope and method of the study and a brief overview of the HE systems and research capacities in the three selected countries, the discussion reports on findings from this comparative policy analysis in three sections dealing with (1) shared optimism on the prospects of participating in the knowledge economy and the role of enhanced doctoral provision; (2) the diverse challenges identified in policy documents which speak to the different levels of development of each of the three HE systems; and (3) an overview of what we identify as policy convergence in the discursive construction of the PhD and the potential it holds. We conclude with some critical reflections on the challenges facing these three countries in their pursuit of the African PhD, challenges arising in part from specific conditions in each country and in some cases from omissions in policy.

**Scope and method of study**

Through a search of online government sources from the three selected countries, we identified key policy texts across the three categories mentioned above: national development plans, education strategies, and science and technology policies. At the national economic plan level, we identified the Growth and Transformation Plan, 2010−2015 (Ethiopia), the Shared Growth and Development Agenda, 2010−2013 (Ghana), and the National Development Plan: Vision 2030 (South Africa). Education sector policy documents include the Education Sector Development Program IV, 2010/2011–2014/2015 and Higher Education Proclamation, 2009 (Ethiopia), the Education Strategic Plan 2010–2020 (Ghana), and the National Plan for Higher Education, 2001 (South Africa). In the category of science, technology and innovation policies, this survey includes the National Science, Technology and Innovation Policy, 2012 (Ethiopia), the National Science, Technology and Innovation Policy, 2010 (Ghana), and Innovation towards a Knowledge-based Economy, 2007 (South Africa). Thus, the study investigates documents published in the period between 2001 and 2015.

Our initial reading and analysis of these texts identified key themes and ideas. We were particularly interested in areas of strong policy convergence, the influence of global policy agents such as the World Bank, and constructions of the economic prospects of each of the three countries as knowledge economies. The analysis emerging from these texts highlights the prevalence of the knowledge economy narrative as a policy framing device *(shared optimism*), ‘problems’ identified by policy actors (*diverse challenges*) and proposed ‘solutions’ (*convergences in strategies*). In what follows, we compare the three countries using these specific themes. In examining the forms and scopes of national initiatives aimed at associating knowledge economy with research training and knowledge production, we focus on three key indicators: rate of doctoral enrolment, rates of doctoral graduation, and the proportion of academic staff with doctoral degrees.

Before we proceed to the next section, a word of clarification is in order. Given the sheer diversity of HE systems in the region, we recognize that it is not possible to imagine a single model of doctoral qualification that can be labelled as an ‘African PhD’. Nonetheless, certain convergences in policy aspirations across the region, particularly with respect to the recognized need to produce PhDs in Africa for Africa argue for the usefulness of this concept. As such, in this paper, we use the term ‘African PhD’ primarily as an analytical concept to capture the shared optimism toward the value of the doctorate and the subsequent ‘policy moment’ prevailing in the region, as reflected in such regional initiatives as the Dakar Declaration on the revitalization of African HE (2015), the Kigali Communiqué on research capacity building (2014), the African Centre of Excellence Project (2014–2018) and the Pan African University (established in 2012).

**Africa and the knowledge economy: an overview of the three countries**

Africa is being re-imagined as a knowledge economy. Under the influence of global and regional policy agents (e.g. AfDB, 2008; AU, 2010; GoSA, GoF and World Bank, 2007; Juma and Yee-Cheong, 2005; World Bank, 2007, 2014), and in line with countries in other regions of the world, nations in Africa have embraced the knowledge economy narrative as they seek to revitalize higher education systems through national and regional initiatives. Enabled by shifts in global aid policy, which has now embraced support for higher education after decades of neglect, and in the face of exponential growth in undergraduate enrolments, the focus is now on increasing the capacity for research within Africa (Cloete, 2005). This in turn has led to the pursuit of the PhD in Africa as a significant policy concern. The PhD is seen to hold the key to the generation of the highly skilled workforce required for participation in the knowledge economy; and to providing African universities with the requisite level of research-qualified staff to enhance educational standards and research capacity, and to driving innovation in the wider economy.

The countries selected for this analysis are representative of the diversity of SSA. With over 94 million people,1 Ethiopia is the second most populous country in the Africa. Despite the recent expansion of its HE system that increased the number of public universities and an emerging private HE sector, Ethiopia still has the lowest HE enrolment rates in the world (UNESCO, 2010). In the 2012/13 academic year, the undergraduate gross enrolment rate was only 5.7% (MoE, 2013). This means that only less than six out of 100 young adults between 19 and 23 years old currently have access to HE. In the same year, the world and African average of HE enrolment rates were, respectively, 32% and 8% (TrustAfrica, 2015).

South Africa is a leading economy in Africa and has a well-established HE system consisting of 23 public universities, with three in the world top 400 universities (Times Higher Education, 2014). Ghana, with a population over 27 million people, has six public and many private universities. The three countries are also positioned at different levels in terms of knowledge production, distribution and usage. A comparison of key indicators of research capacities shows that the three countries have some striking similarities and differences (see Table 1). South Africa's R&D expenditure as a percentage of GDP was three times that of Ethiopia's whereas Ghana's total expenditure on R&D (i.e. 0.3% of its GDP) has historically been lower than the African average (UNESCO, 2010). The amount spent on R&D is directly linked to efforts at building human intellectual capability. It is associated with human capital formation. It directly affects the quality, quantity and relevance of knowledge produced for a country's economic and social benefit. Effective participation in the global knowledge economy system requires a workforce that creates and utilises knowledge for the betterment of society. The striking gap in science and technology advancement among the three countries is particularly noted in the area of patent applications by residents, which is a key indicator of the consolidation of a knowledge-driven economy. While South Africa counted 821 applications in 2010, Ethiopia and Ghana had none. The sizable gap is also evident in the number of patents awarded to local inventor (see Table 1). This suggests that Ethiopia and Ghana are not in a strong position to convert knowledge into innovation and technology transfer. Increased spending on R&D is an indicator of national commitment to achieve knowledge-driven economic growth and competitiveness. Political commitment is an influential key variable in creating an effective scientific infrastructure. Table 1.An overview of research capacities of Ethiopia, Ghana and South Africa (2010)

| **Research capacity indicators** | **Countries** |  |  |
| --- | --- | --- | --- |
| **Ethiopia** | **Ghana** | **South Africa** |  |
| R&D expenditure (% GDP) | 0.24 | 0.38 | 0.76 |
| Total R&D personnel1 | 13,095 | 7,477 | 55,531 |
| No. of researchers | 7,283 | 2,542 | 37,901 |
| No. of FTE researchers2 | 3,701 | 940 | 18,719 |
| No. of FTE researchers per million inhabitants3 | 45 | 39 | 373 |
| No. of researchers with doctoral qualification | 723 | 930 | 20,056 |
| No. of scientific journal articles4 | 170 | 121 | 2,972 |
| No. of patents awarded to local inventors by USPTO (2005-2009) | 1 | 1 | 613 |

Source: Based on data from NPCA (2014), UNESCO (2010) and World Bank21Total R&D personnel includes researchers, technicians and other support staff.2FTE = Full-time equivalent.3The figures include doctoral students.4The number of scientific journal articles counts only papers published in the fields of physics, biology, chemistry, mathematics, clinical medicine, biomedical research, engineering and technology, and earth and space sciences.

However, low R&D investment is not the only reason for Africa's disadvantage in the knowledge economy workforce. Skilled migration is another contributing factor. Although developing countries produce a sizeable number of scientists and professionals (Weinberg, 2010), they often end up losing them to economically advanced countries at an alarming rate (Baruch et al., 2007; Geber, 2013; Okeke, 2013; Teferra, 2005). A study shows that some 70,000 highly qualified professionals (e.g. academics, managers, physicians, engineers) leave Africa every year (World Markets Research Centre, 2002). A recent study by Okeke (2013) shows that between 1975 and 2004, the number of health professionals migrating to the US and the UK from Ethiopia, Ghana and South Africa was 646, 1480 and 18,292 respectively. Okeke's data also show that during this same period, Ethiopia lost one-third of its domestic physicians per 100,000 population. In the 1990s, over 70% of trained medical officers in Ghana left the country for advanced economies; as a result the country has only nine doctors to every 100,000 patients (Geber, 2013).

**Shared optimism in participating in the knowledge economy**

One of the impacts of the prevalence of the knowledge economy as a discursive construct in policy arenas of many African countries is the increased interest in doctoral studies. Regardless of significant differences in levels of HE development and knowledge production capacity across the three countries, the analysis of the policy texts reveal a shared sense of optimism about the value of knowledge in economic productivity and of the potential for each of these three countries to participate in the global economic system.

In its education sector development plan (FDRE, 2010a), Higher Education Proclamation (FDRE, 2009), and national Science, Technology and Innovation policy (FDRE, 2012), the government of Ethiopia emphasizes the importance of knowledge production and technology transfer capacity as key inputs for the poverty reduction goals of the nation. As a reflection of the broad national policy discourse on knowledge economy and human capital formation, the fourth education sector development programme highlighted the central role of the HE system in ‘turning Ethiopia into a *middle-income country* by the year 2025’ (FDRE, 2010a: 7, emphasis added). Similarly, the Higher Education Proclamation (No.650/2009) outlines the core missions of the system to be promoting and enhancing research ‘focusing on knowledge and technology transfer consistent with the country's priority needs’ and supporting the nation's goal of becoming ‘internationally competitive’ (FDRE, 2009: 4979). Accordingly, one of the key development strategies of the government is ‘expanding human capital and improving human development outcomes’ of the nation (FDRE, 2010b: 10).

One of the objective manifestations of this knowledge economy optimism is the exponential expansion of the Ethiopian HE system since the turn of the century. The government spends more than 1.5% of the national gross domestic product (GDP) on HE, the highest expenditure in SSA (UIS, 2010), making Ethiopia one of the top spenders on the HE sector in the world. As a result of large-scale expansion at all levels, Ethiopia has the third highest average annual growth rate of HE enrolment in the world, after Lao People's Democratic Republic and Cuba (UIS, 2009). The number of public universities increased from two in the late 1990s to 31 at present, with an additional 10 universities to be established by 2020. Accordingly, the total number of undergraduate students enrolled in public universities increased from about 20,000 in 1999 to near 475,000 in 2014 (MoE, 2000, 2015).

Similarly, in Ghana, economic and education policies and strategies reflect knowledge economy narratives. In the Education Strategic Plan (2010–2020), the government frames the goal of education (specifically ICT education) in terms of transforming the nation ‘into an information rich, knowledge based and technology driven *high income economy and society*’ (GoG, 2010a: 17, emphasis added). Affirming the centrality of HE to the nation's development and transformation aspirations, the government asserts that without quality HE and advanced knowledge, the country's development ambition remains unattainable: Without a well-educated, skilled and informed population, the transformation of the key sectors of the economy, and the effort to raise living standards and productivity as the bases of wealth creation and the optimization of the potential of the economy will continue to stall. (GoG, 2010b: 92)The knowledge economy narrative is even stronger in the case of South Africa. One of the key strategic objectives of the *National Plan for Higher Education* is to ‘build high-level research capacity to address the research and knowledge needs of South Africa’ (MoE-SA, 2001: 14). The Plan underscores: It [research] makes possible the growth of an innovation culture in which new ideas, approaches and applications increase the adaptive and responsive capacity of our society, thereby enhancing both our industrial competitiveness and our ability to solve our most pressing social challenges. (MoE-SA, 2001: 62)Accordingly, the Plan aims at increasing research graduate outputs, including doctoral graduation rates, and promoting regional and international collaboration in research training (MoE-SA, 2001). In its 10-year Innovation Plan (DST-SA, 2007), the government outlines strategies for facilitating the nation's transition to a knowledge-based economy within a decade. In the *National Development Plan (NDP): Vision for 2030*, the National Planning Commission of South Africa underscored the central role that HE can play in the nation's development; and declared: ‘knowledge production is the rationale of higher education’ (NPC, 2011: 271). The Commission also recognizes that the national economy is still ‘overly and unsustainably resource intensive’ and calls for increased attention to knowledge production and application (NPC, 2011: 3).

This shared optimism can be seen as evidence of the pervasive impact of post-2000 knowledge economy discourse in the national development plans of each of the three countries. National policy processes regarding research and research training are informed by such discursive constructs as ‘high calibre human capital’, ‘global competitiveness’, ‘critical mass of research workforce’, ‘repositioning Africa in the global knowledge economy’, and ‘responsiveness and relevance of African HE’.

What emerges from our analysis is that while all three countries have endorsed the global knowledge economy imaginary, they differ in the extent to which they align research training (e.g. doctoral education) with the broader economic discourse. In Ethiopia, institutional and systemic changes towards research training aim at facilitating the “research and technology transfer capacity” of the nation whereas in Ghana and South Africa, the importance of research and “knowledge production” (as measured mainly by the number of doctoral graduates and scientific publications) is framed in terms of innovation, economic productivity and social transformation. This difference in priority has significant implications for which research is ***funded***, and what sort of knowledge is valued.

**Diverse challenges**

The three countries exhibit a multitude of differences; and their HE systems operate in varied contexts. As is evident in the national policy texts reviewed here, research and research training in the three countries faces significant and diverse challenges. Overall, African countries have low levels of human development, as indicated in low educational attainment and deficient health care services. Measured against knowledge economy indicators such as the human capital index and human development index, South Africa, Ghana and Ethiopia respectively represent the top, medium and lowest levels in SSA (see Table 2). Table 2.World rankings of the three countries in different indicators of knowledge economy productivity

| **Countries** | **Indexes** |  |  |  |
| --- | --- | --- | --- | --- |
| **Human Development Index1** | **Human Capital Index2** | **Knowledge Economy Index3** | **Global Competitiveness Index4** |  |
| South Africa | 118 | 86 | 67 | 56 |
| Ghana | 138 | 87 | 113 | 111 |
| Ethiopia | 173 | 116 | 140 | 118 |

Source: Compiled from UNDP (2014), World Bank (2012), WEF (2013) and WEF (2014)1United Nations Development Program, UNDP (2014, rankings out of 187 countries).2World Economic Forum, WEF (2013, rankings out of 122 countries).3World Bank (2012, rankings out of 145 countries).4World Economic Forum, WEF (2014/15, rankings out of 144 countries).

The challenges facing doctoral education in Africa flow from these low development indicators; as outlined by Szanton and Manyika (2002), doctoral training takes place in intellectual environments that offer little to facilitate the critical, scholarly engagement of candidates relative to the conditions in more advanced HE systems. Modes of delivery of doctoral education – still predominantly the apprenticeship model with a lone supervisor – also fail to address the needs of candidates who, in many cases, are new to the research process. In this section, we look in more detail at critical issues facing doctoral education in the three countries: low research training capacity, institutional inequality in research productivity, inefficiency and lack of responsiveness of research training to local needs.

**Low research training capacity**

Low research training capacity is a particularly critical issue in Ethiopia, where it is related to low levels of ***funding*** for scientific research, and a lack of institutional capacity to train researchers (e.g. through doctoral education). The challenge is particularly significant in terms of continuing low levels of doctoral-qualified academics to meet the demands of the expanding HE system. Following the exponential growth in undergraduate enrolments, many of the academic positions in Ethiopian universities are filled by underqualified staff. In 2012, in the Addis Ababa Institute of Technology, one of the newly established universities of Ethiopia, only 19% of the academic staff had doctoral level qualifications, while 42% and 39% had only respectively Masters and Bachelor degrees respectively. The Institute aims, perhaps unrealistically, to improve its ratios of qualified staff by 2015: no more than 20% holding only Bachelor degrees, 50% Masters graduates holders, and 30% PhD graduates (IAU, 2012).

Further, Ethiopia counts on ‘imported expertise’ for its research and research training needs. For example, in the public universities, the number of expatriate staff increased from 429 in 2000/01 to 955 in 2009/10 and to 1,848 in 2012/13, while the number of Ethiopian national academic staff members increased from 2,528 to 13,121 and to 20,051 in the same years (MoE, 2001, 2010, 2013). However, it is noteworthy that there is a significant difference among Ethiopian public universities in terms of the proportion of expatriate academic staff. In the 2013/14 academic year, for example, nearly 50% of the academic staff of Haramaya University (i.e. 1,203 out of 2,478) were expatriates whereas the proportion was only 0.5% (i.e. 8 out of 1,574) in Mekelle University (MoE, 2015).

Similar challenges on a different scale face Ghanaian public universities. Although compared to Ethiopia, Ghana has a higher proportion of doctoral qualified personnel in the research workforce, overall it has a very low quotient of researchers per capita, with only 17 researchers per million people (World Bank 2014). In contrast, South Africa has a relatively well-established and diverse HE system. In 2011, South Africa had 20 PhD holders per one million people – and PhD enrolment grew from 706 in 2001 to 1,002 in 2007 (Cloete et al., 2011).

**Institutional inequality in research productivity**

Institutional inequality in research productivity and research training capacity can be inferred from the wide gap between well-established (national) universities and other universities in terms of the proportion of academic staff with doctoral qualifications. Whereas on average PhD holders in public universities account for 8.6% in Ethiopia, 38% in Ghana and 34% in South Africa, the proportion is much higher in each country's national (leading) universities: that is, 28% in Addis Ababa University (Ethiopia), 46.8% in the University of Ghana and 58% in the University of Cape Town, South Africa (GoG, 2013; Molla, 2014; NPC, 2011).

The South African case is particularly instructive. South African universities are highly differentiated in knowledge production capacity (as measured by such indicators as masters and doctoral enrolments and graduates, proportion of staff with doctorates, proportion of PhD graduates to permanent staff and accredited publication output). Although all universities receive a research subsidy, much of the research expenditure (65%), half of university-based researchers, over 60% of research output (as measured by the number of articles published in scientific journals) and 56% of doctoral students are concentrated in five universities (namely Cape Town, Witwatersrand, KwaZulu-Natal, Pretoria and Stellenbosch) (Boughey and McKenna, 2013; SAccess, 2010). According to the National Plan, this inequality is attributable to the fact that South African universities are differently positioned in terms of material resources, historical legacies and critical mass of qualified staff to supervise doctoral students and undertake quality research.

**Inefficiency and lack of responsiveness**

The knowledge economy aspirations of African countries have been considerably constrained by an array of factors, including low research productivity, inefficient research training and lack of responsiveness of research outcomes to the socio-economic needs of society (Cloete et al., 2015; World Bank, 2014). Whereas the imperative of efficiency of doctoral programmes is commonly measured by progression, retention, completion and productivity rates (Cloete et al., 2015: 61) and is mainly linked to systemic planning and institutional practices, relevance is assessed in terms of the extent to which the programmes (a) align their contents and goals with local needs and priorities, (b) facilitate technological transfer and innovation, (c) train quality young generation of scholars, (d) reflect the level of differentiation and specialization that the labour market requires, and (e) enhance the employability of graduates.

Inefficiency in doctoral programmes in Ethiopia is expressed in lengthy time-to-degree and low completion rates. The wide gap between the numbers of enrollees and graduates shown in Table 3 is further evidence of the inefficiency of doctoral education in Ethiopia. Anecdotal accounts suggest that doctoral completion in AAU can take up to eight years. Lack of relevance of research to the development needs of the nation is another challenge in Ethiopia (see FDRE 2010a, 2010b, 2012). Rapid HE expansion has not been matched with increases in quality research and teaching staff. Recent efforts by the government sought to address this gap by widening access to doctoral education. However, doctoral programmes in the public HE system have faced critical structural challenges, including insufficient ***funding***, lack of quality supervision and under-preparedness of incoming doctoral candidates (Kahsay, 2015; Mohamedbhai, 2011). As a result, quality and relevance of the Ethiopian doctorate remain critical concerns. Table 3.Postgraduate enrolment and graduates in Ethiopian public higher education (2008/09–2012/13)

| **Academic years** | **Enrolees** | **Graduates** |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Masters** | **PhD** | **Masters** | **PhD** |  |  |  |  |  |
| **Total** | **Female** | **Total** | **Female** | **Total** | **Female** | **Total** | **Female** |  |
| **2008/09** | 9,436 | 1,069 | **325** | 26 | 3,416 | 399 | **15** | 0 |
| **2009/10** | 12,621 | 1,485 | **729** | 47 | 4,500 | 625 | **149** | 18 |
| **2010/11** | 18,486 | 2,490 | **789** | 99 | 5,876 | 819 | **21** | 1 |
| **2011/12** | 22,804 | 4,635 | **1,849** | 319 | 5,817 | 792 | **70** | 7 |
| **2012/13** | 25,103 | 5,043 | **3,165** | 356 | 5,900 | 865 | **71** | 7 |
| **2013/14** | 26,117 | 5,246 | **3,292** | 370 | 7,450 | 1,081 | **80**1 | **13** |

Source: Based on data from *Education Statistics Annual Abstracts* (MoE, 2010 to 2014)1In the same document, the number of doctoral graduates in 2013/14 is documented as 71 (58 from Addis Ababa University, 12 from Haramaya University and one from Adama University).

One of the key problems of doctoral education in Ghana is lack of internal efficiency as measured by low completion rates and lengthy completion times (World Bank, 2010; UNCTAD, 2011). According to the World Bank' s 2010 report on HE in Ghana, only 16 of the 38 PhD candidates who commenced their full-time study in Arts and Sciences in 2000 had graduated by 2007. In the face of this level of inefficiency, coupled with an increased brain drain, Ghanaian universities remain poorly equipped to run effective PhD programmes – they lack qualified academic staff to supervise doctoral candidates. In the National University of Ghana, the problem of the inefficiency of doctoral education is a critical concern: throughout the 2000s, on average only a dozen students graduated with the PhD annually (Aryeetey, 2013:19). In Ghana, lack of responsiveness of research is largely recognized in terms of the limited value of research outcomes in achieving the national poverty reduction targets (GoG, 2003), and the problem of the low level of commercialization of scientific research outcomes (GoG, 2010b: 167).

Low enrolment rates, high attrition rates, and lengthy completion time are also critical challenges in South African doctoral programmes (ASSAf, 2010; Boughey and McKenna, 2013; NPC, 2011). For instance, of the doctoral students commencing in 2006, only 46% graduated within seven years (Cloete et al., 2015). This is well below the average length of completion-time in other developed HE systems such as Australia (see Cuthbert and Molla, 2015a). In response to these issues, the National Plan has set a benchmark for each university to achieve a graduation rate of 20% of total doctoral enrolments annually (DST-SA, 2007). The relevance of HE to the socio-economic needs of the society is another policy issue. Among the key criticisms regarding the appropriateness of the doctorate in South Africa are that it is ‘too specialised and not multidisciplinary enough’, and that ‘it does not allow for the development of knowledge and broad skills necessary in industry’ (ASSAf, 2010: 38). Against the backdrop of such challenges, in the National Development Plan, the South African government recognizes: ‘While knowledge production is the rationale of higher education, high quality knowledge production cannot be fully realised with [among other things] a curriculum or environment that is alienating and does not articulate the vision of the nation’ (NPC, 2011: 271).

Seen from the context of the knowledge economy discourse that underpins ‘the PhD policy moment’ in the region, the alignment of the doctorate with the needs of industry is of great development importance.

**Convergences in strategies**

As the foregoing discussion illustrates, the three HE systems have faced pressing challenges that necessitate policy actions. Similarities in the nature of the problems they have faced, strong influence of global and regional policy agents such as the World Bank and African Union, and the ubiquity of knowledge economy constructs at all levels of the HE policy process have resulted in convergences to policies and strategies in the area of doctoral education. The key strategies adapted across the three national policy contexts are: expanding postgraduate enrolment, strengthening the institutional research capacities of public universities, and ensuring the efficiency and relevance of research training. These points are briefly discussed in turn here.

**Expanding research training**

In 1999, there were only 22 PhD students in Ethiopia. In 2011, the number grew to 789 – that is, in 12 years, PhD enrolment grew by a factor of 35. Even so, PhD enrolment in Ethiopia remains among the lowest in Africa.3 For example, the same source shows that in 2011, there were only nine PhD students per one million Ethiopians while there were 450, 244, 29 and 17 PhD students per one million of population respectively in Egypt, Mozambique, Ghana and Niger.

The government of Ethiopia sees technology transfer as key to the nation's transition to middle income category (FDRE, 2010a, 2010b) through knowledge-based economic growth. The government holds that in the face of a serious shortage of trained researchers and research trainers, the knowledge-driven economic growth agenda remains a mere statement. Accordingly, the government has set qualitative and quantitative targets that need to be achieved in order to build a national research and technology transfer capacity. In its ongoing education sector development programme (FDRE, 2010a) the government has set clear goals to increase the number of doctoral candidates and graduates as well as to improve the proportion of academic staff with doctoral qualifications. In the new plan, the Ethiopian government aims to produce 3000 doctorates in five years (from 2009/10 to 2014/15). In 2008/09, the proportion of academic staff with doctoral qualifications was only 8.6% (that is, 997 doctorates out of 11,238 academic staff in public universities). The new plan aims to increase the quota of PhD holders in public universities to 5750 in 2014/15 – that is, 25% of a projected 23,000 total academic staff (FDRE, 2010a: 65). As is shown in Table 3, the number of doctoral candidates in Ethiopian universities has increased by nearly ten-fold since the implementation of the new plan in 2009/10, from 325 in 2008/09 to 3292 in 2013/14. Although the end-goal appears to be ambitious, even unrealistic, the projected figure is less than those set by other African counties such as Kenya. In 2014, the government of Kenya set out to produce 1,000 PhDs a year with the PhD becoming a compulsory qualification for a lecturer position in Kenyan universities (Nganga, 2014).

The most ambitious plans for doctoral education training comes from South Africa, which may not be surprising given the level of development in this HE system and its increased capacity to deliver PhD education. In order to achieve its stated goal of 100 doctoral graduates per million per year by 2030, compared with 20 doctoral graduates per million per year in 2010, the South African government has set targets of 5000 PhD graduates per year, as compared with 1420 graduates produced in 2010 (NPC, 2011: 278). Illustrating the virtuous circle whereby higher numbers of PhD graduates within universities led to an enhanced doctoral-delivery capacity, the South African government has specified an increase in the proportion of PhD holders in the academic staff of universities from 34% in 2010 to 75% in 2030 (NPC, 2011: 267). To compare the South African case with other advanced economies, Portugal has 569 PhD graduates per million per year; UK, 288; USA, 201; Australia 264; Korea, 187; Brazil, 48; and South Africa 28 (NPC, 2011: 278). The National Plan also seeks to increase South Africa's global share of research outputs from 0.5% in 2002 to 1% in 2018 (DST-SA, 2007: 8).

For HE institutions, improved research-training capacity and research productivity starts with increasing doctoral graduates. However, it should not be assumed that all PhD graduates readily qualify for quality teaching, research and supervision roles. They may need additional mentoring and capacity building (e.g. through postdoctoral research fellowship) before they become productive and independent scholars.

Beyond highlighting the importance of expanding postgraduate training, the government of Ghana has not set specific targets for admissions or graduation rates at doctorate level. The plan to expand research training in Ethiopia and South Africa is partly necessitated by the need to improve the institutional research capacities of public universities. All three countries, like many other SSA countries, also send their students overseas for postgraduate studies. In 2012, in Australian, British and American universities alone there were 1,593 Ethiopian, 4,725 Ghanaian and 3,685 South African students.4

**International collaboration**

As part of their research capacity expansion objectives, many African countries, including Ethiopia, Ghana and South Africa, have been engaged in regional and international collaborations and partnerships for research training. For instance, since 2002, the African Economic Research Consortium's Collaborative PhD Programme has sponsored approximately 20 doctoral candidates per year in eight degree-awarding universities across SSA (Cross and Backhouse, 2014). The programme has been supported by African governments as well as development aid providers such as the UK's Department for International Development (DfID).5 In a period of ten years, the programme has produced 160 doctoral graduates (Cross and Backhouse, 2014). Likewise, the International Association of Universities’ portal on Innovative Approaches for Doctoral Education in Africa (IDEA-PhD) provides an online networking and information sharing platform on doctoral education in Africa. The portal serves as a showcase of emerging innovative approaches and models of doctoral education that suit the socio-economic needs and contexts of the region, and seeks to address shortfalls in local research capacity through skills-sharing and collaboration.6 As King (2014) notes, the emerging trend of Africa–China collaborations in ‘human resources development’ also means that African HE systems are well-positioned to benefit from new sources of ***funding*** and new models of partnership in research training.

International partnership is a key component of South African doctoral education development. In 1998, five schools of education in South African universities, in collaboration with Stanford University and the University of Queensland, formed the South African Doctoral Consortium. Among other things, the consortium aimed to restructure curricula and structures of doctoral training programmes in education, building research capacity of students and staff, and promoting collaboration and networks (Cross and Backhouse, 2014). In three cycles, between 1999 and 2005/06, the consortium enrolled 75 candidates. It received ***funding*** from national and international sources. Further, many universities from the Southern African Development Community (SADC) countries, including 12 South African universities, participated in the Cooperation on Doctoral Education between Africa, Asia, Latin America and Europe (Jørgensen, 2012). Since 2012, a consortium of South African universities (Rhodes, Stellenbosch, Cape Town and Fort Hare), in collaboration with Dutch partners, have put in place a course for the professional development of PhD supervisors in an effort to boost this key capacity. About 18 of the 23 South African public universities have been part of this partnership, and many supervisors have benefitted from it (Boughey and McKenna, 2013).

Following the agreement of the BRICS countries (Brazil, Russia, India, China and South Africa) to establish BRICS Network University as a key infrastructure to promote research collaboration and student mobility in November 2015, a dozen South African universities will be part of the cooperative programme (UWN, 2015, 21 November). The initiative aims, inter alia, to ‘support joint research projects, encourage more collaborative programmes at post-graduate, doctorate and post-doctorate levels and promote join-publishing of scientific results by BRICS universities’.7 Such initiatives imply a readiness on the part of South African doctoral education programmes to take advantage of international and regional collaborations directed at enhancing their capacity to deliver high quality PhD graduates.

In Ethiopia, the importance of partnership and collaboration for improved research training is duly acknowledged in official discourses. In his opening address to an international conference on innovative approaches to doctoral education in Africa (12–13 July 2012, Addis Ababa, Ethiopia), for example, Dr. Kaba Urgessa, State Minister for Higher Education of Ethiopia, reported that his government planned to produce 2,000 doctorates by 2015 through local training and ‘sandwich programmes’ offered by local and overseas institutions (IAU, 2012). The government has also been encouraging international higher education institutions to offer postgraduate programmes in Ethiopia. In 2008, the government signed a bilateral agreement with the University of South Africa (UNISA) for capacity building at the postgraduate level. The agreement has enabled UNISA to launch a doctoral training component through its distance graduate programme.8 In 2012, there were a total of 370 doctoral candidates enrolled in UNISA's Ethiopia Centre for Graduate Studies.9 UNISA also runs periodical face-to-face research workshops for masters and doctoral students in Ethiopia. Moreover, research ***grants*** from international development agencies play critical roles in supporting university-based research and research training in Ethiopia. The leading R&D donors include: the World Bank, United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Development Program (UNDP), Food and ***Agriculture*** Organization of the United Nations (FAO), European Union (EU), International Foundation for Science (IFS), German Academic Exchange Service (DAAD), and International Development Research Centre (IDRC) of Canada (Mekuriaw, 2003).

There is a range of other institutional initiatives for collaborative doctoral training. Many public universities in the three countries have established bilateral collaborations and partnerships with overseas institutions and agencies but collaboration with African counterparts appears to be highly limited. For example, Addis Ababa University (AAU), in partnership with the German Academic Exchange Service (DAAD), has opened a new PhD programme in Environmental Planning (IAU, 2012). Ethiopia's Jimma University has been part of the *Institutional University Collaboration* programme of Flemish universities in Belgium since 2007.10 The programme aims to support efforts at institutional building in the global South. In November 2014, the first four (out of a total of 50 planned) Ethiopian doctorates graduated through the programme.11 Further, international visiting scholars support doctoral programmes in AAU and other Ethiopian universities through committing time to teach, supervise and examine research students (Mohamedbhai, 2011).

In Ghana international collaboration in research training is part of the nation's development policy. The government holds that in order to improve the national research workforce, ‘Ghana will seek opportunities to collaborate with partners in the African Union and foreign partners for education, training and research’ (GoG, 2010c: 29). According to the vice chancellor of the University of Ghana, international partnership is a key aspect of the proposed new model of doctoral training (Aryeetey, 2013). Partnerships with European and American universities are crucial for two reasons: doctoral students spend part of their training period in world-class partner universities (for exposure and experience), and they provide assurances that research supervision and evaluation are undertaken by leading international scholars in the field. The national Science, Technology and Innovation (STI) policy stresses the importance of building the capacity of universities to produce qualified doctoral graduates in the areas of science and technology; and encourages ‘Ghana's scientists and technologists to link up with international research centres where world class basic research is being conducted’ (GoG, 2010c: 12).

Importantly, to counter the brain drain, initiatives are focused on keeping doctoral scholars in Africa (with perhaps short periods overseas), and on collaborations within Africa and internationally to address the lack of critical mass of world-class researchers and research trainers in Africa itself by pooling resources which may be directed to enhancing the quality of doctoral provision in key fields, such as the science, technology, engineering and mathematics (STEM) disciplines (World Bank and Elsevier, 2014). Collaborative doctoral programmes have a potential to avert brain drain especially if the collaboration is intra-Africa or if doctoral students spend much of their time, including the final year, in their home country.

**Ensuring relevance of research and research training**

There is a strong movement across Africa to ensure that doctoral education is relevant to the socio-economic needs and contexts of the society (Cross and Backhouse, 2014). Perceiving the relevance of research undertaken to be an issue, the government of Ghana has taken policy action to address the problem. In Ghana, the agenda of ensuring the relevance of research training is justified in terms of the role of knowledge and innovation in the economic processes of the country. Ernest Aryeetey, vice chancellor of University of Ghana, called for the national government to commit to the establishment of a world-class university as ‘a thought leader and knowledge provider in the required structural transformation process for the economy’ (2013: 19). In line with such expectations, the University of Ghana has introduced a new doctoral programme that has replaced the traditional 3-year research-only PhD programme model that was found to be inefficient. The new PhD that came into effect in August 2013 and takes a minimum of four years training, including one year of course-work, two years of practical training in research (through collaborative research and seminar presentations that would be assessed towards the doctorate), and a final year dissertation writing-up period (Aryeetey, 2013).

Similarly the Ethiopian government has put in place two policy directives to improve the relevance of research and research training. First, it set out to reorient research activities ‘to focus on the national technological demands for searching for, learning about, adapting and utilizing effective foreign technologies’ (FDRE, 2012: 9). To this end, the government has introduced what has come to be known as the ‘70/30 per cent professional mix’ policy that favors enrolment in Science and Technology fields at undergraduate and postgraduate levels. The policy mandates that university in-takes are on the basis of placement of 70% into the Science, Engineering and Technology streams, and 30% into the Social Sciences and Humanities streams (MoE, 2008). This has implications for research and research training, and is intended to supply a pipeline of ‘a mass’ of STEM students suitable for doctoral study. Second, as part of the effort to improve the ‘research and technology transfer capacity’ of the country, the Ethiopian government has outlined initiatives for the establishment of a national framework for research priorities, institutional research policy statements of public universities, and university-based innovation ***funds*** and consultancy centers (FDRE, 2010a: 65), and for the consolidation of Government Research Institutes (GRIs).

It is noteworthy that whereas South Africa and Ghana strongly encourage basic or pure research, the focus in Ethiopia seems to be limited to applied research, specifically to support the nation's technology transfer capacity (FDRE, 2010b, 2012). Moreover, unlike Ethiopia and Ghana, South Africa has diversified its doctoral education programmes by introducing doctorates by publication, taught doctoral programmes and the ‘professional’ doctorate alongside the traditional supervised original research (Boughey and McKenna, 2013).

**Conclusion**

The policy texts analysed in this paper share similarities in their expression of knowledge economy optimism, and the framing of the policy problems related to increasing research capacity in each of the three selected countries. However, we also note divergences in the level of policy engagement towards doctoral education across the three national contexts.

Compared to Ethiopia and Ghana, South Africa has a better-articulated policy environment in relation to the doctorate, research training, and research productivity in general. Focused on improving research training, the government of South Africa has introduced changes in the areas of ***funding***, recruitment, and quality assurance. The rate of doctoral graduation and the output of original articles published in scientific journals are central to the measuring of the nation's knowledge production capacity. A relatively high R&D expenditure as a percentage of GDP (see Table 1) coupled with the expansion of doctoral enrolments mean that South Africa is well-positioned to produce, disseminate and use knowledge. As part of the effort to address the problem of inefficiency in research training, the National Plan for Higher Education set a benchmark of an annual 20% doctoral graduation rate for each university (MoE-SA, 2001), with the government encouraging the diversification of doctoral programmes as described above.

The considerable policy attention given to research training in South Africa is a reflection of the overall strength of the national HE system. The ambitious plan to expand doctoral enrolment can also be linked with the government's aim to attract fee-paying international students. In SSA, South Africa has emerged as ‘PhD hub’ (Cloete et al., 2015). In 2009, 22% of the total 10,529 doctoral students enrolled in South African universities came from other African countries, 12% from SADC members (Sehoole, 2011). The country also benefits from skilled migration: a third of non-South African doctoral students intend to stay in South Africa after graduation (ASSAf, 2010). While this might represent a better outcome for Africa than brain drain to Europe and America, the consequences of this concentration of doctoral capacity in South Africa comes at a cost for those nations whose students are studying and staying there post-graduation.

In Ethiopia, the policy narrative is narrowly framed in terms of increasing doctoral enrolments. The policy provision in the areas of quality assurance and ***funding*** is lacking. The policy goals appear to be unrealistic. For instance, the government plans that by 2014/15 all academic staff in Ethiopian public universities will have graduate level qualifications – 25% at doctoral and 75% masters level. However, given that in 2009/10 over half of the academic staff in Ethiopia had only a bachelor degree (Molla, 2013) and that in the last five years (2008/09–2012/13) Ethiopian universities produced only 326 doctorates, it is not clear how the government can achieve the goal of upgrading over 4,500 of the projected 23,000 academic staff to doctoral level qualification by 2014/15. We also noted an omission in the policy discourses. Overall access to doctoral education is extremely limited, even worse, completion rates are significantly low. In 2013/14, there were around 3,300 doctoral students in the Ethiopian public HE system, but only 80 graduated with a doctorate in same year (see Table 3). This raises the question of the efficiency of doctoral training programmes, and the importance of support for candidates to assist them to complete. And yet, the policy documents do not highlight this as an area of concern. Further, there is a wide gap between well-established universities and the rest in terms of their research training capacity. The majority of the public universities are very new and do not have the institutional capacity to offer doctoral programmes. In 2012/2013, only eight of Ethiopia's 31 public universities had PhD programmes; over half (1,575 out of 3,165) of the doctoral enrolments were in Addis Ababa University (MoE, 2013). This is partly attributable to the high degree of inequality in research training capacity across the public universities (mainly measured by the proportion of PhD holders on the academic staff). None the less, this institutional inequality has not been duly recognized in the policy documents, and there are no mechanisms in place for narrowing this gap.

Ghana does not yet have a comprehensive HE policy. In May 2013, the government, in collaboration with TrustAfrica, organized a national dialogue on HE policy in Ghana with the theme ‘Repositioning Tertiary Education for National Development’. The dialogue passed resolutions on a range of issues including the need for developing a National Vision and Plan for Tertiary Education in Ghana, addressing concerns about graduate employability, increasing the contribution of non-government actors in the ***funding*** of the higher education sector, and promoting research and innovation (National Council of Tertiary Education and TrustAfrica, 2013). Clearly, a great deal hangs on the emergence of this plan.

The pursuit of the African PhD must be a cornerstone of national development, HE policies, and science and technology strategies in Africa. To deliver on the great promise of high quality doctoral provision, elements contained in the policy documents of the three countries investigated in this study are necessary but – especially in the cases of Ghana and Ethiopia – not yet sufficient to deliver on this promise. Alignment between high-level national development planning and strategies for HE, of which South Africa provides the best example, is needed in both Ghana and Ethiopia. Further, while graduation targets are necessary to drive behaviours in universities directed at successful completions, they carry the risk that the pursuit of the PhD will become a numbers game, and the even greater risk that focus on the volume of graduates will overtake concern with the quality of their education and its responsiveness to African needs. Africa needs highly trained doctoral graduates who, while based in Africa, are exposed to best practices in research training and to the best researchers in their fields. Strategies to achieve this include increased collaborations across Africa and internationally, and the mobilization of the African diaspora, which has members in virtually every higher education system in the world, including the most highly developed.

**Notes**

1.See [*http://www.worldbank.org/en/country/ethiopia/overview*](http://www.worldbank.org/en/country/ethiopia/overview) (accessed 14 October 2015); 2.See [*http://data.worldbank.org/indicator*](http://data.worldbank.org/indicator)/ (accessed 20 August 2015); 3.See [*http://www.scidev.net/global/education/multimedia/map-phd-enrolment-africa.html*](http://www.scidev.net/global/education/multimedia/map-phd-enrolment-africa.html) (accessed 12 December 2015); 4.See [*http://www.uis.unesco.org/Education/Pages/international-student-flow-viz.aspx*](http://www.uis.unesco.org/Education/Pages/international-student-flow-viz.aspx) (accessed 14 October 2015); 5.See [*http://aercafrica.org/index.php/participating-universities*](http://aercafrica.org/index.php/participating-universities) (accessed 14 October 2015); 6.See [*http://www.idea-phd.net/index.php/about/*](http://www.idea-phd.net/index.php/about/) (accessed 20 August 2015) Innovative Approaches to Doctoral Education in Africa (IDEA-PhD) has published some of its findings in a special issue of *Higher Education Policy* (Vol. 27, No. 2).; 7.The Moscow Cooperation Declaration and the Memorandum of Understanding for Establishment of the BRICS Network University can be accessed at [*http://en.brics2015.ru/allnews/20151118/682263.html*](http://en.brics2015.ru/allnews/20151118/682263.html) (accessed 12 December 2015); 8.See [*http://allafrica.com/stories/200807300518.html*](http://allafrica.com/stories/200807300518.html) (accessed 14 October 2015); 9.See [*http://www.unisa.ac.za/default.asp?Cmd=ViewContent&ContentID=95883*](http://www.unisa.ac.za/default.asp?Cmd=ViewContent&ContentID=95883) (accessed 10 October 2015) UNISA opened its first regional postgraduate education centre in Ethiopia in August 2006. The centre was officially launched in January 2007. It commenced its doctoral programme in 2008.; 10.See [*http://www.iucju.ugent.be/(accessed*](http://www.iucju.ugent.be/(accessed) 12 October 2015); 11.See [*http://www.vliruos.be/en/ongoing-projects/testimonials/testimonialdetail/you-convinced-me\_6400/*](http://www.vliruos.be/en/ongoing-projects/testimonials/testimonialdetail/you-convinced-me_6400/) (accessed 12 October 2015)

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**Section:** REGISTER

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For political service Alexander Edward Chesterman Founder and chief executive officer, Zoopla Property Group plc, services to Digital Entrepreneurship John Hunter Somerville Clark Chair and chief executive, John Clark Motor Group, services to Business, Motorsport and charity in Scotland Nicola Clemo Formerly Social Worker and Service director for Childrens Social Care Cambridgeshire County Council, services to Children Roger Coates services to Nuclear Safety and Radiological Protection Stuart Alston Condie Grade 6 Counter-Avoidance, HM Revenue and Customs, services to the Investigation and Reduction of Fraudulent Tax Avoidance Timothy John Cooke Co-chairman, Waterloo 200, services to the 200th Anniversary Commemorations of the Battle of Waterloo Eileen Cooper Painter and Printmaker, services to the Arts and Arts Education Fergus Cooper services to Young People in Northern Ireland Hannah Kathleen Taylor Corbett Formerly commissioner general and director, UK, Milan Expo 2015, services to UK Trade and Investment and to Diplomacy George Courtauld services to the community in Essex Sandra Dancer Senior Leader, Pensions Directorate, Dundee Pension Centre, services to Pensioners Margaret Hilary Dawson Chief executive and general secretary, Workers Education Association for Wales (WEA Cymru), services to Education in Wales Maj Simon John Dean Founder and chief executive officer, Challenger Troop CIC, services to Education Julie Devonshire Director of Entrepreneurship, Kings College London and director, ventures, at UnLtd, services to Entrepreneurship Elizabeth Gray Dickson Formerly Principal, Friends School, Lisburn, services to Education Colin William Dingwall Formerly programme director, Electoral Registration, Cabinet Office, services to Elections and Major Project Delivery Councillor Ruth Carole Dombey Leader London Borough of Sutton, services to Local Government and London Declan Joseph Oliver Donnelly Presenter, services to Broadcasting and Entertainment Jacqueline Drinkwater Formerly National Chair, National Day Nurseries Association Scotland, services to Pre-School Education Jamie Christian Drummond Executive director and Global Strategy, ONE, services to International Development Stella Frances Silas Duffy Writer and Theatremaker, services to the Arts Nicola Ann Dunn Chair, Titanic Foundation Ltd, services to Tourism in Northern Ireland Professor Ivan Eisler Professor of Family Psychology and Family Therapy, South London and Maudsley NHS Foundation Trust, services to Family Therapy Gary Paul Elden Chief executive Officer, SThree plc, services to Diversity in Business John Gwyndaf Ellis For voluntary and charitable services in Wales and Lesotho, southern Africa Professor Christine Thelma Ennew Chief executive officer, University of Nottingham in Malaysia, services to Higher Education and British-Malaysian Relations Edward Kobina Enninful Fashion and Style director, W Magazine, services to Diversity in the Fashion Industry Desmond Keith Evans Chief executive officer, MAN Truck and Bus UK Ltd, services to the Motor Industry Richard Mark Evans Chief executive officer, Society and College of Radiographers, services to Radiography Sara Everett Formerly Pavilion director, Milan Expo 2015, UK Trade and Investment, services to Diplomacy and the UKs Reputation Overseas Justin Fellows Principal Scientist, Ministry of Defence, services to Defence Alyson Margaret Fender Head, Higher Education Ministerial Briefing Team, Department for Business, Innovation and Skills. 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Homeless People Professor Susan Elizabeth Gathercole Director, Cognition and Brain Sciences Unit, Medical Research Council, services to Psychology and Education Dennis Gethin President, Welsh Rugby Union, services to Welsh Rugby Stephen Gibson Founder and chairman, Bulkhaul, and owner, Middlesbrough Football Club, services to the Economy, Sport and community in Teesside Trevor Ronald Gilbert Chairman, Trevor Gilbert and Associates Ltd, services to Employment of People with Disabilities Stephen Gillespie Grade 6 Border Force Transformation, Home Office, services to UK Border Security Shaista Gohir Trustee and Chair, Muslim Women's Network UK, services to Gender Equality and Women's Rights John Donald Munro Gordon Honorary Fellow, Scottish Association for Marine Science, services to Science Martin Greenstreet Grade 7 Ministry of Defence, services to Defence John Anthony MaCauley Grimshaw Ambassador and director, What More UK Ltd, services to International Trade and Community Projects 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Movement Saul Klein General Partner, LocalGlobe, and Co-founder LoveFilm, Seedcamp and Kano, services to Business Irene Margaret Knox Chief executive, Northern Ireland Library Authority, services to Public Libraries and the community in Northern Ireland Gina Lorraine Sutherland-Kremer Formerly Editor, Hansard, services to Parliament Anthony Gerard Larkin Formerly director of Business and Enterprise, Royal National College for the Blind, services to Further Education and Disability Sport Richard Lemon Policy Adviser, Northern Ireland Office, services to the Northern Ireland Peace Process Mark Lund Chief executive, McCann Worldgroup UK, services to the Advertising Industry Estelle Miriam MacDonald Chief executive Officer, Hull Collaborative Academy Trust and Hull Collaborative Teaching School Alliance, services to Education Julia Lalla-Maharajh Founder, Orchid Project, services to supporting an end to Female Genital cutting David Alexander Dennis Malcolm Managing director and Master Distiller, Glen ***Grant***, services to Business and the community in Speyside Hanif Malik Chief executive, Hamara, services to Sport and the community particularly in Yorkshire Sewa Singh Mandla services to Inter-faith and Community Cohesion particularly in the Sikh Community Neil Stuart Martin Chief executive, Jewish Lads and Girls Brigade, services to Young People and Interfaith Relations Jonathan Glyn Mathias For public service and services to Broadcasting in Wales Vanessa Linda Mayatt services to Public Health and Animal Health Tim Mazzucchi Universal Credit Implementation manager, Department for Work and Pensions, services to Welfare Reform and voluntary service to Young People in Tynemouth Kevin Martin McCann Director, Research and Development, Invest NI, services to Economic Development in Northern Ireland Roberta Ann McClelland Deputy director, Reforming FE Provision, Department for Business, Innovation and Skills, services to Further and Vocational Education Kevin McGrath For charitable services Glenn McKee Clerk, Public Bill Office, House of Commons. 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For philanthropic services to Music Guy Ridley Salter Deputy Chair, Walpole, services to the Economy Professor Eileen Scanlon Regius Professor of Open Education, The Open University, services to Education Stephen John Buckland Segar Chair, Westonbirt Arboretum, services to Natural Heritage and the community Joanne Lesley Harrington De Serrano DFID CHASE Contractor, services to Global Humanitarian Emergency Response Professor Deborah Janette Sharp Professor of Primary Health Care, University of Bristol, services to Primary Care Jennifer Elizabeth Shaw Head of Battle of Jutland Commemorations, Department for Culture, Media and Sport, services to the Commemoration of the Centenary of the First World War David Shiers Clinical Adviser, National Audit of Schizophrenia, services to Vulnerable People Dhanonday (Baluji) Shrivastav Musician, Instrumentalist and Founder, Inner Vision Orchestra, services to Music Evelyn Ruth Smith For voluntary services to Healthcare and the community in Northern Ireland Leon Smith Captain, Davis Cup Team, services to Tennis Nima Poovaya Smith Founder and director, Alchemy Anew, services to Arts and Museums in Yorkshire Frances Mary Lady Sorrell Co-Founder and Co-Chair, the Sorrell Foundation, services to Art and Design Education Shirley Louise Spear services to the Food and Drink Industry in Scotland Timothy Steiner Founder and chief executive officer, Ocado, services to the Economy Clare Stocks Grade 6, Ministry of Defence, services to Defence Paul Malcolm Stonebanks Managing director, AIS Group, services to Manufacturing and Skills in the Offshore and Renewable Sectors Enid Josephine Teasdale Formerly Chair of Governors, Barnsley College, services to Education in South Yorkshire Anthony William Thompson Grade 6 Planning Development Management, Department for Communities and Local Government, services to Planning and voluntary services to Young People John Joseph Thornhill President, National Council of Independent Monitoring Boards, services to the Criminal Justice System Nicola Anne Thorold Executive Producer, The Roundhouse, services to the Arts Professor Alan John Thorpe Formerly director-general, European Centre for Medium Range Weather Forecasts, services to Environmental Science and Research Eileen Turnbull services to Social Justice and Campaigning through the Trades Union Movement Hayley Turner services to Horseracing Robert James Twigger Formerly Acting Serjeant at Arms, House of Commons. For parliamentary service Joanna Twist Chief executive officer, UKIE, services to the Creative Industries Geetha Upadhyaya Co-Founder and lately chief executive and Artistic director, Kala Sangam, services to South Asian Arts in the UK Joanna Clare Wakeman Deputy director Large Business, HM Revenue and Customs, services to the Taxation of ***Financial*** Services Terence Watkin services to the Trades Union Movement Pauline Watts Lead Nurse, Quality, Mental Health, Learning Disability and Dementia, Public Health England, services to Nursing and Health Visiting Nicholas John Way Formerly director general, Historic Houses Association, services to the Conservation of the UKs Architectural Heritage Professor Anthony David John (Nick) Webborn Chief Medical Officer, Paralympics GB, services to Paralympic Sports Medicine and the British Paralympic Association Peter Giles West Commercial manager, Great Western Franchise, Department for Transport, services to the Rail Industry Deborah Ann Weston Associate Senior Leadership Team Member, Mulberry School for Girls, London, services to Religious Education and Inter- and Intra-faith Relations Mark Steven White services to Education particularly in Teesside Edward John Whiting Deputy principal private secretary, Prime Ministers Office. For public service and services to No 10 Downing Street Carolyn Ann Wilkins Chief executive, Oldham Council, services to Local Government and Public Sector Reform Claire Williams Deputy Team Principal, Williams Martini Racing Team, services to Formula 1 Racing Paul Williamson Formerly Keeper of Sculpture Metalwork, Ceramics and Glass, V&A, services to Medieval Art Ingrid Wolfe Director, Evelina London Child Health Programme, services to Child Health and Care Sarah Wood Co-founder and Co-chief executive Officer, Unruly, services to Innovation and Technology Deborah Jane Wosskow Founder and chief executive, Love Home Swap, services to Business Diana Rosemary Yakeley services to the UK Interior Design ProfessionMBEHarriet Eva Ackunson Formerly HEO, Faith and Integration, Department for Communities and Local Government, services to Faith Groups Laurie Adams Group manager, Devon and Somerset Fire and Rescue Service, services to Flood Capability Policy and Rescue Services Roger Charles Agombar Formerly consultant, Department for Transport, services to Tackling Drink and Drug Driving Amanda Aldous Founder, Hackwood Art Festival, services to the Arts Mohammed Ali Street Artist, services to Art and Community Cohesion Michael Joseph Allured Policy Adviser, Children in Care, Childrens Services and Departmental Strategy Directorate, Department for Education, services to Education and to charity Mohammed Amin Founder Member and Co-Chair, Muslim Jewish Forum of Greater Manchester, services to Community Cohesion and Inter-faith Relations in Greater Manchester Deborah Alsina-Anderson Chief executive, Bowel Cancer UK, services to Bowel Cancer Patients Margaret Watt Anderson services to charity in Fraserburgh, Aberdeenshire Rachel Paula Anderson services to Gender Equality in Football David Ashton services to the Church of England and the community in Batley West Yorkshire Ruth Atkinson Communities director, Eden District Council, services to Local Government William James Bailie Senior Professional Technical Officer (Deputy Principal), Northern Ireland Executive, services to the Justice Department and Development of the Prison Estates Jonathan Baines Senior Executive Officer, Ministry of Defence, services to Defence Julian Huw Baines Chief executive Officer, EKF Diagnostics, services to the Life Sciences Industry John Charles Ball Technician, Urban Search and Rescue, Essex County Fire and Rescue Service, services to National and International Search and Rescue Ellen Barnes Founder and chief executive, Educate & Celebrate, services to Equality and Diversity Tracy Barnett Member, Diversity Steering Group, Royal Mail, services to Royal Mail and voluntary service in the UK and Abroad John George Baron HOLMES Coordinator, Greater Manchester Police, services to the Police Felix Barrett Founder and Artistic director, Punchdrunk, services to Drama David John Batchelor Senior Executive Officer, Ministry of Defence, services in Support of the Drawdown of the Military Estate in Germany Elizabeth Ann Bell Vice Chair, South Antrim Community Transport. For voluntary service to Community Transport Alice Bentinck Co-founder, Entrepreneur First, services to Business Margaret Ann Bersey Social Worker and Team manager, Plymouth City Council, services to Children and Families Deborah Bestwick Co-founder, Team17, services to the Video Games Industry Caryl Suzanne Billingham services to the community in Brackley Northamptonshire Susan Mary Bird Consultant Acoustic Engineer and lately Partner, Bird Acoustics, services to Engineering and Women in Engineering in the UK and Abroad Heather Macqueen Bisset Formerly president, Gordon County Girl Guides, services to the Guiding Movement and the community in Aberdeenshire William Edward Blackledge services to North West in Bloom James Miller Blair Principal conductor and Artistic director, Young Musicians Symphony Orchestra, services to Music Nigel David Blair Founder and Trustee, Eikon Charity, services to Young People in Surrey Rikki Beadle-Blair Playwright, director and screenwriter, services to Drama Davina Paola Blake Executive Officer, Department for Work and Pensions, services to Jobseekers and the community in South London Nigel Graham Bliss Director, ***Finance*** and Operations, Liberal Democrats. For political and public service Andrew Graeme Blyth services to the Maritime Industry and Maritime Safety Stephen Eric Bold services to Engineering Education and to Charity Jacqueline Dawn Bonfield services to the Promotion of Diversity in Engineering John Stephen Bostwick services to Education and the community in Barnsley and charitable services to the Fire Service Benevolent ***Fund*** Adrian Mark Bowater Member, Academies ***Finance*** and Assurance Steering Group, Education ***Funding*** Agency and director of ***Finance***, Walsall Academy, services to Education Carol Brady Chair, Chartered Trading Standards Institute Board, services to Consumers and Better Regulation Stuart Christopher John Broad services to Cricket Elizabeth Brooker Road Safety and Sustainable Transport manager, London Borough of Lewisham, services to Road Safety Keith Charles Brown Chair of Governors, College of North East London, services to Further Education Elizabeth Browne Formerly Paediatric Nurse, Ulster Hospital, services to Healthcare Dudley Alan Bryant For political service Robin Harold Buckland Founder, The Childrens Holiday Foundation Charity, North Devon, services to Children Margaret Burns Contact Centre manager, Peterlee Contact Centre, HM Revenue and Customs, Peterlee, services to Benefit ***Recipients*** and to the community in Tyne and Wear Robert Burns services to charity and the community in Somerset Mike Butcher Editor-at-Large, TechCrunch, services to Technology and Journalism Sarah Frances Byford For voluntary services to Grassland Societies and Rural Communities Kathleen Frances Byrne Formerly commissioner, Royal Commission on the Ancient and Historical Monuments of Scotland, services to Heritage Information Anna Campbell Founder, CanRehab, services to Research into Exercise-Based Cancer Rehabilitation Services Robert Menzies Campbell Volunteer VSO, services to International Development Georgina Grundy-Campbell services to Humanitarian Emergencies particularly for Ebola Survivors in Sierra Leone Stephen Robert Cannon Consultant Orthopaedic Surgeon and Chair, Skeletal Cancer Action Trust, services to Orthopaedics Patrick Matthew Carragher services to the Coal Industry and Mining Communities Joan Lady Catto Chair, Voluntary Services Aberdeen, services to Disadvantaged Children and Young Adults in Scotland Hitesh Chandarana Assistant Officer, Personal Tax Operations, HM Revenue and Customs, services to Tax Compliance Philip Arthur Chapman Magistrate and Representative for Digitalisation, HM Court and Tribunal Service. For voluntary services to the Administration of Justice Sylvia Jean Cheater Chair, Cheshire Women of the Year, services to Women and the community in Cheshire Chukwu-Emeka Philip Fergusson Chikezie Co-founder, African Foundation for Development, services to African Diaspora Groups in the UK Andrew Child Chair of Governors, High Storrs School, Sheffield, services to Education Peter Robert Chisholm Deputy Headteacher, Warden Park School, Cuckfield, services to Education and Charity Fundraising and Sport for Young People Leroy Eudora Woolford-Chivers services to the Notting Hill Carnival and the community in Notting Hill, London Mairtin Damien Mac Giolla Chomghaill services to the Arts in Northern Ireland Taiyabur Rahman Chowdhury Formerly Adoption Social Worker, Bradford City Council, services to Children and Families Thomas John Clark services to the RNLI and to the British Sub-Aqua Club in Scarborough North Yorkshire Rosemary Grace Elizabeth Cleave Fundraiser and Chair, Huddersfield Branch, NSPCC, services to Children Catherine Alice Clelland services to the community in West Yorkshire Stephen Martin Clement Formerly Senior Investigation Officer, Immigration Enforcement, Home Office, services to Border Protection and Investigations Matthew Clifford Co-founder, Entrepreneur First, services to Business Tony Clough Campaigner, Changing Places, services to People with Disabilities Andrew Brian Cole Centre manager, Torchwood Shopping Centre, Solihull, services to the Retail Business Sector and charity in Solihull Deloris Collett Foster Carer, Birmingham City Council and Chair, Birmingham Foster Care Association, services to Children and Families Ian Richard Colman services to the community in Norwich, Norfolk Sally-Jane Coode services to charity and the community in Cornwall Morna Cook Senior director of HR. Universal Music UK, services to the Music Industry and Apprentices Simon Timothy Cook Assistant Mayor for Business Change Resources and The Arts, Bristol City Council, services to Culture Gillian Margaret Cooney Head of Tenancy Services, Royal Borough of Greenwich, services to Local Government and the community in Greenwich John Cornally Executive Headteacher, Blessed Thomas Holford Catholic College, Altrincham, Cheshire, services to Education Marion Lesley Cornick Founder, The Loddon School, Sherfield-on-Loddon, Hampshire, services to Special Education Stanley Coulter services to Amateur Football through Lisburn Rangers Shauna Coxsey Champion Climber, services to Climbing Cynthia Cranston Formerly head of Service, Southern Health and Social Care Trust, services to Occupational Therapy in Northern Ireland Paul John Cremin Head of Emerging Aviation Technologies, Department for Transport, services to Air Safety Iain George Crighton Chair, Living Sport, services to Sport in Peterborough Judith Lucetta Crompton Senior Programme manager, Environment Agency, services to the Environment and the community in Dorset Irene Cullen Foster Carer, Newcastle City Council, services to Children and Families Michael Cullen Foster Carer, Newcastle City Council, services to Children and Families Marion Elizabeth Dallas Chief executive, North West Healthcare Group, services to Healthcare and Employment in the North West of Northern Ireland Adrian Frederick Raymond Davies services to charity and the community in Gloucestershire Sara Davies Founder, Crafters Companion, services to the Economy Professor Christopher Day services to Architecture and Innovation Alexandra Depledge Co-founder and chief executive officer, Hasslecom, services to the Sharing Economy Allan Devlin Chairman, Cumbernauld Community Council. For voluntary service in Lanarkshire Rajeeb Dey Founder and chief executive officer, Enternships, services to Entrepreneurship Alan Martin Dickie Co-Founder BrewDog, services to the Brewing Industry Alastair McPherson Dinsmor Chairman, Glasgow Police Heritage Society, services to Police Heritage Paul Doe Chief executive, Shepherds Bush Housing Group, services to Housing and voluntary service to Tackling Homelessness Lorraine Dooley Co-founder and manager, The Tower Hamlets Opportunity Group, services to Children Bernadette Ann Dornan Formerly Independent Reviewing Officer, Birmingham City Council, services to Children and Families Professor Angela Douglas Scientific director, Regional Genetics Laboratory Services, services to Research and Student Mentoring Professor Vari Macdougal Drennan Professor of Healthcare and Policy Research, Kingston University and St. Georges University of London, services to Health Policy Research, Development and Nursing Richard Alexander Driscoll services to Anti-Doping in Sport Simon Joseph Duffy Co-founder Bulldog Skincare For Men, services to the Beauty Industry Arnold Durham Duncan services to the Constabulary Court Service and the community in the Shetland Isles Gordon Mervyn Dunne services to Local Government and to the community in Northern Ireland Susan Frances Dwyer Formerly manager, Wellington Avenue Methodist Friendship Centre, Picton, Liverpool, services to Children and Families Louise Dyson Founder, VisABLE Talent Agency, services to Disabled People in the Entertainment Industry Patrick Denis Edgington services to ***Agriculture*** and the community in Pembrokeshire Robert John Eldridge Chairman of Trustees, The Peoples Kitchen, services to Homeless People in the North East Sarah Elie Executive director, Somers Town Community Association, services to the community in Somers Town William Glen Elliot services to charity in Moray Janet Michell Ellis services to charities and Theatre Merlene Toh Emerson For political and public service Gary Etchells Police Community Support Officer, Greater Manchester Police, services to Policing Mark Nigel Evans Watch manager, Stratton Fire Station, Wiltshire Fire and Rescue Service, services to Disadvantaged Young People and Community Relations in Wiltshire Sally Anne Evans Co-founder, Trinity Specialist College, Birmingham, services to Education Barrie Evason Founder, Jennyruth Workshop, Ripon, Yorkshire, services to the People with Learning Disabilities in Yorkshire Graham Andrew Fairhall services to UK Nuclear Energy Research and Development Helen Christine Falcon Lead Postgraduate Dental Dean for England, services to Dental Education Basil John Farnan Forensic Medical Officer, Police Service of Northern Ireland, services to Forensic Medicine and the community in Northern Ireland Peter Farrer services to Mountain Rescue in the Peak District Harriet Emma Fear Chief executive Officer, One Nucleus, services to Business in the Health and Life Sciences Sectors Rhodri Andrew Ferrier Co-founder Bulldog Skincare For Men, services to the Beauty Industry Ronald Joseph Ferris Plumbing Lecturer, Southern Regional College, services to Skills Development and the community in County Down June Anne Finnie Advanced Nurse Practitioner, Neurosurgery, Ninewells Hospital, Dundee, services to Healthcare Malcolm George Fisher services to the Heritage of Norfolk's Churches through the Norfolk Churches Trust Sheila Fitzpatrick services to Charities and Community Organisations in the UK and in Bangladesh Carol Hazel Fitzsimons Chief executive, Young Enterprise Northern Ireland, services to Youth Entrepreneurship and Enterprise Esther Fletcher Chair, West and Chester Branch, National Autistic Society, services to Education Cdr Peter Marshall Flutter Retired Officer, Ministry of Defence, services in Support of Maritime Helicopter Capability Anthony Gerard Ford Watch Liaison Officer, Lancashire Constabulary Police, services to the Police and the community in Blackburn Caroline Lesley Fox services to the Athena Project and to Women in Science Rebecca Julie Frankel Road Safety Volunteer, Northumbria Police. 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For political service Margaret Helen Mason Harper Deputy head Teacher, Grange Academy, East Ayrshire, services to Education Remilekun Omolara Harris services to the Music Industry Stephen Michael Harris Ambulance Motorcycle Paramedic, West Midlands Ambulance Service NHS Foundation Trust, services to Emergency Care and voluntary service to the community in Birmingham Sarah Harrison Formerly Senior Partner, Sustainable Development Division, Ofgem, services to Consumer Protection Jane Alison Hart Macmillan Lead Cancer Nurse, Aneurin Bevan University Health Board, services to the Improvement of Cancer Care in South East Wales Anne Harvey Social Worker, Approved Mental Health Practitioner and Childrens Social Care Service manager, Sefton Metropolitan Borough Council, services to Children and Families Diana Marion Hasting Trustee, Parents and Children Together Charity, services to Children and Families Deborah Jayne Hawkes Executive Officer, Ministry of Defence, services to Defence George Hawkins Director, StepAhead, services to Education Emma Hayes Manager, Chelsea Ladies, services to Football Rhian Elizabeth Hayward Business Development manager, Aberystwyth University, services to Entrepreneurship in Wales Councillor Mark Healey Chairman, Devon and Somerset Fire Authority, services to Fire Safety and Fire Service Reform Nigel Kevin Heaps For voluntary service to the British Nuclear Test Veterans Association June Cynthia Hennell Dementia Campaigner, services to Dementia Care and Dementia Awareness Jackie Henry Consulting Partner, Deloitte, services to the Economy in Northern Ireland Ishbel Herd services to Education and Young People Margaret Ellen Hetherington Volunteer, Military and Police Support, services to Former Security Personnel and their Families in Northern Ireland Janet Kennard Hickinbottom National Education Officer, Farming and Countryside Education, services to Farming, Countryside Education and Rural Communities Peter Adrian Hindley Consultant, Child and Adolescent Psychiatrist Paediatric Liaison, St. Thomass Hospital, services to Children and Young Peoples Mental Health David Stuart Hodgson Mayor, Bedford Borough Council, services to Local Government David Hodgson services to the Voluntary Sector and community in North Tyneside Peter Charles Max Hogarth Councillor, Solihull Metropolitan Borough Council, services to the community in Solihull and Birmingham Thomas William Hogg Mayor, Antrim and Newtownabbey Borough Council, services to Local Government in Antrim Richard Paul Holland Leader, Barbara Bus ***Fund***. For voluntary services to Transport Accessibility for People with Disabilities Roger Hopkinson services to the UK's General Aviation Community Issam Abbas Horshi Managing director, The White Horse Hotel, services to the Tourism Industry in Northern Ireland Sydney George House Formerly Conservator of Forests, Perth and Argyll Conservancy, Forestry Commission, services to Forestry, the Economy and Tourism in Perthshire Professor Helen Louise Ann Houston Professor of General Practice, School of Medicine, Cardiff University, services to Medical Education and Health Services in South Wales John Robert Howarth services to Scouting and Derby Cathedral Paul Frederick Hudson services to Search and Rescue on Dartmoor William Phillip Hughes Director, Ruthin Craft Centre, services to Craft and Applied Art Felicity Margaret Florence Humphreys Principal, Moat Primary School, Lisnaskea, services to Education Herbert Brian Hunter services to Music in Northern Ireland John Joseph Irvine For voluntary service to Cancer Charities and the community in Northern Ireland Martin Jaggs Lifeboat Coxswain and Mechanic, Lytham St. Annes Lifeboat Station, services to Maritime Safety John George Jameson Formerly Police Staff, Derbyshire Constabulary. For Services to Policing and communities in Derbyshire and East Midlands Jasprit Jeetly Founder and managing director, Jeetly, services to Entrepreneurship Jennifer Jenkins Senior Executive Officer, Ballyclare High School, County Antrim, services to Education Alan Howard Jerome Life president, Bradford Grammar School and lately vice Chair of Corporation, Bradford College, services to Education Santosh Kaur Jhangiani Executive Officer, Home Office, services to Staff Welfare in the Home Office Jennifer Johnson Chief executive Officer, Kids Allowed, services to Apprenticeships Stephen Johnson Chief executive officer, Electricity North West, services to the Energy Networks Industry Kenneth Alan Jones services to Wrestling Aileen Christine Jones Volunteer, Porthcawl Lifeboat Station, services to the RNLI Mark Peter Jones City and Regeneration Policy manager, Hull City Council, services to Investment and Regeneration in Hull Philip Stuart Jones services to the Business Community Angela Leonora Joseph Community Fire Volunteer, Hertfordshire Fire and Rescue Service. For service to Fire Safety William James (Liam) Kane services to Regeneration and the community in East London Thomas Walter Karas Lecturer, Forestry and Senior Warden, Scotland's Rural College (Barony Campus), services to Rural Education in Scotland Anwar Kassim Director, Milton Keynes Islamic Arts and Culture, services to Inter-faith Relations and the community in Milton Keynes Gurmit Kaur Community Cohesion Inspector, Nottinghamshire Police, services to Policing Stephen Miles Keesing Local assistant, National Crime Agency, services to Law Enforcement Patricia Kelly Higher Executive Officer, Ministry of Defence, services to Army Personnel John Christopher Julian Kempton services to the community in Oxted, Surrey Anna Sofia Kessel Sports Journalist and Co-founder Women in Football, services to Journalism and Women's Sport Sidney Frederick Hugh Kidwell Champion for Older People in Swansea, services to the community in Swansea Ellen Gertrude (Trudy) Kilcullen services to Young People in London and Essex through Children's Organisations and for voluntary service Vanessa Kingori Publisher, GQ Magazine and Brand Portfolio, services to the Media Industry Marion Kirkham For voluntary services to Children and Young People in the North West of England John Philip Kitchen services to Music David John Knight services to Sport, particularly in the South East Henry William Robert Kohner services to People with Mental Health Issues in Northern Ireland Folashade Oluyemisi Komolafe Managing director, Indisys Business Solutions, services to Business and the community in Milton Keynes Tracey Kyffin Higher Executive Officer, Ministry of Defence, services in Support of Military Operations Brian David Lambourn Hydrodynamic consultant, AWE plc, services to Defence Rachel Judith Lampard Formerly Board Member, Gambling Commission, services to Gambling Regulation Professor Jennifer Latto services to Culture in the North West Marian Lee Teacher, Gordon Primary School, Greenwich, services to Education Professor Christine Liddell Professor of Psychology, Ulster University, services to Tackling Fuel Poverty in Northern Ireland Malcolm Joseph Livingstone services to the Jewish community in Glasgow Frances Marion Lynch-Llewellyn services to Archaeology and Heritage in Wales Paul Loftus services to charitable fundraising through the Saddleback Fred Whitton Cycle Challenge Cumbria Charlotte Pamela Logue Formerly General Practitioner and Specialist in Genito-urinary Medicine, Causeway Coast, services to Medicine Miranda Clare Elizabeth Lomer Consultant Gastroenterology Dietitian, Guys and St. Thomas NHS Foundation Trust, services to Dietetics and Gastroenterology Leonie Lonton Director of People and Organisational Development, Save the Children UK. For Humanitarian Services Peter John Lunn services to Commerce Charity and Sport in Northern Ireland Denise Carol Mace Human Resources manager, University of Cumbria, services to Higher Education and the community in North Lancashire Mairi Mackenzie For voluntary service in Poolewe, Ross-shire Patrick MacKey Senior Education Officer, Education Authority, services to Education Charles MacLeod Senior Executive Officer, Ministry of Defence, services to Defence Maria MacNamara Founder, Smalls for All, services to charity and Women's Health in Africa Robert Ian MacPherson Children in Care Division, Children's Services, and Departmental Strategy Directorate, Department for Education, services to Education Bhupendra Harji Magudia Senior Executive Officer, Ministry of Defence, services in Support of Military Training Owen Ignatius Maguire For voluntary service to Young People and the community in Ardoyne North Belfast Rachel Elizabeth Mallows Director, The Mallows Company Ltd and Made in Northamptonshire, services to Business and Entrepreneurship Margaret Delwyn Malpas Joint Co-Chair, The British Dyslexia Association, services to Education Canon Yaqub Masih services to Community Cohesion and Inter-faith Relations in West Yorkshire Ann Georgina Matthews services to Young People through GirlGuiding, the Scout Association and the British Youth Band Association Kerrie Jessica McAllister Policy Officer, Northern Ireland Office, services to the Northern Ireland Political Process Cecilia Lyle McCafferty services to Highland Dancing and charity Malcolm Arthur McCarthy EU Payments Expert, HM Treasury, services to Public ***Finances*** Linda Susan McClelland Playfair Education Co-ordinator, National Galleries of Scotland, services to Art Education in Scotland Thomas David Stephen McClelland Managing director, Schrader Electronics Ltd, services to Economic Development in Northern Ireland Jane McConnell Tribunal Judge and lately chief executive Officer, Independent Parental Special Education Advice, services to Education Anne Majella McDowell Principal, Galliagh Nursery School, Londonderry, services to Education Charles McGill Retained Watch manager, Hardley Fire Station, Hampshire Fire and Rescue Service, services to Fire Operational Duties Valerie McGregor Education Adviser for Academies and Free Schools, Department for Education, services to Education Stanley Terence McIlroy Fundraiser and Volunteer, Cancer Research UK. For charitable services Helen Margaret McKendrick General Practitioner and Founding Partner, Vauxhall Primary Health Care Practice, Liverpool, services to General Practice Lorraine McKenzie Administrator, East Dunbartonshire Women's Aid, services to Vulnerable Women and Children Richard Norman McKenzie Treasurer, Argyll and Bute Branch, SSAFA. For voluntary service to Ex-Service Personnel Terence Rea McMaster Principal, Drumahoe Primary School, Londonderry, services to Education Colin Donald McMurtrie Higher Officer, HM Revenue and Customs, services to the Development of Digital Services Alexander James McWhirter Chief executive, ***Finance*** Yorkshire, services to Business and the Economy in Yorkshire Rachel Mary Medill Founder and chief executive officer, Ride High Charity, services to Young People Benjamin Medlock Co-founder and chief Technology Officer SwiftKey, services to Technology Joan Elizabeth Melville Personal secretary to the chairman, chief executive and Commissioners, Scottish Law Commission, services to Law and Order Moira Mitchell Methven services to Libraries in Dundee Jewel Miah For voluntary services to British-Bengali Football ***Grant*** Munro Miller Senior Officer, CITES Team, UK Border Force, services to International Wildlife Protection and Border Security Matthew John Miller National Leader of Governance and Chair of Governors, Highlands School, Enfield, services to Education Jonathan Varley Millidge Human Resources director, Royal Mail, services to Business and Public Service David Francis Mills Founder, British Wildlife Centre, services to Wildlife Conservation Joan Christine Mills services to Netball Catrin Minshull For political service in Wales Susan Mary Mitchell Headteacher St. John Baptist Church in Wales High School, Aberdare, services to Education in Wales Elizabeth Moore Higher Executive Officer, Ministry of Defence, services to Veterans Welfare Policy Margaret Irene Moorehead Assistant director for Allied Health Professions, South Eastern Health and Social Care Trust, services to Healthcare Mark Moran Inventor, The Hydrant Drinking System, services to Innovation and Entrepreneurship Margaret Jean Morgan services to the Riding for the Disabled Association Andrew Paul Morris Teacher, Westcroft Sports and Applied Learning College and Founder, Timken Vocational Training Centre and Sunbeam Enterprises, services to Special Education William George Morrison Consultant in Emergency Medicine, Ninewells Hospital, services to Emergency Medicine particularly in Tayside Calum Mackintosh Munro Co-Founder, The Highland Cross, services to charity in the Highlands Sarah Margaret Katharine (Alpha) Munro services to the Arts and to People with Additional Support Needs in Ross-shire Usman Munshi services to Community Cohesion and Engagement in Lancashire Fiona Doune Murphy Assistant director of Bereavement and Organ Donation, Salford Royal NHS Foundation Trust, services to Nursing, Bereavement Services and Organ Donation Diane Mary Murray Formerly Senior Officer, National Crime Agency, services to Law Enforcement and Sport Coaching Helen Murray Chair, Ty Olwen Trust, Morriston Hospital, Swansea. For voluntary services to Palliative Care in Swansea and Neath Port Talbot Nigel Clive Nash Service manager, Children and Family Court Advisory and Support Service, services to Children and voluntary service to the LGBT community Andrew Ian Naylor General Practitioner, Leverburgh Surgery, services to Healthcare on the Isle of Harris, Western Isles John Frederick Newman London Coordinator, Community First Responders. For voluntary service to St. John Ambulance Lara Newman Property Adviser on Free Schools, Education ***Funding*** Agency, services to Education The Reverend Monica Jane Newsome Formerly Chaplain, HMPrison Swinfen Hall, services to HM Prison Service and voluntary services to the community in Lichfield, Staffordshire Elaine Jane Nicholson Founder and chief executive Officer, Action for Aspergers, Northamptonshire, services to Education and Aspergers Awareness Thomas Nimmo Co-founder, Hasslecom, services to the Sharing Economy Ann Susan Noble Formerly head, Tydeman Centre, The Malling School, Kent, services to Education Bruce Alexander Noble services to Young Vulnerable and Disadvantaged People in England and Wales Susan Lesley North Formerly director of Operations, The National Parent Carer Participation Programme, Contact a Family, West Midlands, services to Children and Families Christian James Notley UK Training manager, Worldskills, services to the World Skills Competitions in Leipzig 2013 and Sao Paulo 2015 Sally Ann Obertell Director of Marketing Relationships and Communications, John Ruskin College, South Croydon, services to Education Lin O'Brien Chief executive Officer, Hertfordshire Catering Ltd, Hertfordshire County Council, services to Education Emma O'Connor Foster Carer, Sunderland City Council, services to Children and Families Thomas Alfred O'Connor Foster Carer, Sunderland City Council, services to Children and Families Catherine Obergelle Hill-Odita services to the community in Wavertree Liverpool Oladapo Adetokunbo Odumeru Regional Quality Assurance manager, NHS Blood and Transplant, services to Black and Minority Ethnic Blood Donation Communities Omobola Odutayo Executive Officer, Department for Work and Pensions, services to Youth Employment in Haringey Marcia Ody Teaching and Learning manager, University of Manchester, services to Higher Education Tunde Okewale Barrister and Founder, Urban Lawyers, services to the community and Disadvantaged Young People Margaret Ann Oldershaw Secretary, Nottingham Symphonic Winds, services to Community Music in East Midlands Simon Opher General Practitioner and Founder, Art-Lift, services to Healthcare and Patients Wellbeing in Gloucestershire Jane Helen Owens Chair of Governors, Weatherhead High School, Wirral, services to Education in Wirral Nigel Owens Rugby Referee, services to Sport John Palczynski Foster Carer, Guildford City Council, services to Children and Families Wendy Palczynski Foster Carer, Guildford City Council, services to Children and Families Elroy Everton Palmer Team Leader, St. Giles Trust, services to the Rehabilitation of Offenders Robert David Palmer Chair of Governors, St. Marys Church of England Primary School, Moss Side, Manchester, services to Education Rashiklal Parmar Lead Cloud Adviser - Europe, and Distinguished Engineer, IBM and Board Member, Leeds City Region Local Enterprise Partnership, services to Innovation and Business Geraldine Ann Parris Founder and Trustee, The Children with Special Educational Needs Foundation Charity. For voluntary services to Children Susan Parsons services to the community in Little Wenlock, Shropshire Sylvia Irene Paton Formerly PA to Deputy director, Child and Maternal Health, Scottish Government, services to Healthcare and charitable services Robert Pedley Operations Lead for Equality Diversity and Human Rights, West Midlands Police, services to the community in the West Midlands Nigel John Perry Chief executive, Centre for Process Innovation, services to Engineering Angela Dorothy Margaret Peters Chair, Kingswood NSPCC Voluntary Committee and Chair, South East Surrey NSPCC Voluntary Committee, services to Children Jennifer Caroline Phelps Adviser, Gloucestershire Farming and Wildlife Advisory Group, services to Community Engagement in Environmental Protection John Dixon Phillips services to Business Education and Young People in the West Midlands Francis Patrick Strain Phillips services to the UK Government Bond Market and to charity Anthony John Devereux Pile Entrepreneur, services to International Business Paul Le Pinnet Chief Scientific Glassblower, SOG Ltd, services to British Scientific Glassblowing John Alexander Platt Headteacher, Millburn Primary School, Coleraine, services to Education in Northern Ireland Sharon Polson services to Enterprise in Northern Ireland Daniel Jon Porter Head of Sports Services, Sheffield Hallam University, services to Higher Education and to Charity Graham Eric Postles For political service Simon Charles Potter services to Education in Wimbledon Terence John Prater services to Visually Impaired People in Derbyshire Jonathan Alfred Prince services to Charitable Organisations particularly the Pink Ribbon Foundation Margaret Pritchard Chief executive, George Thomas Hospice Care, services to Palliative Care in Cardiff Margaret Alison Punyer Regional chairman for the West Midlands, Conservative Party. For political service Angelina Carol Quamina Executive Officer. Ministry of Defence, services to US Air Force Personnel and their Families at RAF Lakenheath Suffolk Lea Ragsdell Data manager Centre for Public Appointments, Cabinet Office. For public service Steve Andrew Ralph services to Young People and the community particularly through the Scout Movement Hazel Elizabeth Ralston Founder, Anderston Youth Cafe, services to Education and Youth Development in Glasgow Peter John Ranken services to the community in The Corbett Estate Lewisham Christian Raphael services to People with Complex and Severe Disabilities in the East of England Mohammed Akhlak Rauf Manager, Meri Yaadain (My Memories) Dementia Team, City of Bradford Metropolitan District Council, services to People with Dementia and their Carers Helen Anne Rayson Administrative Officer, Ministry of Defence. For public and voluntary services to Service Personnel and their Families Melanie Reid Journalist, services to Journalism and to People with Disabilities Karmjit Rekhi Faith Officer, Metropolitan Police Service, services to the community in Hounslow Teresa Rennie MacMillan Lead Nurse for Haematology and Chemotherapy Services in Lanarkshire, services to the Treatment of Cancer in Lanarkshire Thomas Joseph Renouf Secretary, 51st Highland Division Veterans Association, services to Armed Forces Veterans Jonathan Paul Reynolds Co-founder and chief executive officer, SwiftKey, services to Technology Verita Gertrude (Cherry) Reynolds Assistant Headteacher and Special Educational Needs Coordinator, Codsall Community High School, Staffordshire, services to Education Clifford Richards Formerly GP Adviser and Clinical Lead, Cheshire and Merseyside, services to Healthcare William Simon Rigby Chief executive officer, Rigby Organisation, services to Business in the North of England Rebecca Riley Senior Officer and Team Leader, HM Revenue and Customs, services to Tax Collection Sarah Alexandra Kelso-Robb Executive director, Halifax Foundation for Northern Ireland, services to volunteering and charitable organisations in Northern Ireland Alasdair John Robinson Chief Superintendent, Police Service of Northern Ireland, services to the Police and the community in Northern Ireland Paul Ray Rochester Senior Policy Officer, Department of Energy and Climate Change, services to Improving Standards in the Microgeneration Sector and voluntary service Michael Rodden Officer, Arson Taskforce, Northamptonshire Fire and Rescue Service, services to Community Safety and the community in Northamptonshire John Rodell Operations director, FTX Logistics, services in Support of Army Heavy Equipment Transportation Janet Elizabeth Rogers Member, Expert Reference Group on the Revision of the Mental Health Act Code of Practice. For service to Mental Health The Reverend Canon Malcolm Kenneth Rogers Vicar, St. Gabriels Huyton, services to Community Cohesion in Knowsley, Merseyside Muriel Rose Romanes Formerly Artistic director, Stellar Quines, services to Drama Margaret Rooms Head of Units of Sound Development, Dyslexia Action, services to Education Kerry Anthony Rooney services to Older People and Drama in Northern Ireland June Elizabeth Ross Founder and chief executive officer, Esther Community Enterprise, services to Disadvantaged People Felicity Wilson-Rudd services to the Church of England and to Mental Health Care in Somerset Robert Edmund Ryan services to Weaving and the Economy on the Isle of Mull Nilesh Sachdev Formerly Member, Green Construction Board, services to Energy Efficiency and Sustainability in the Retail Sector Clifford Roy Sale Head of Trustee Documented Trusts, HM Revenue and Customs, services to Tax Credits and to the community in Lancashire Emma Elizabeth Wylie Samuelson Co-founder, Starlight Children's Foundation, services to Seriously and Terminally Ill Children Harshbir Singh Sangha Head of Strategy, Science and Society, Department for Business, Innovation and Skills, services to Equality, Diversity and Inclusion Harshadray Nandlal Sanghrajka services to the community and Inter-faith Relations Andrew Leslie Scott Policy Lead for Stability Load Line and Tonnage, Maritime and Coastguard Agency, services to the Shipping Industry Ann Scott Formerly Nurse consultant, Mental Health Services for Older People, South Eastern Trust, services to People with Dementia Richard Scott Volunteer, Military and Police Support of West Tyrone, services to Former Security Personnel and their Families in Northern Ireland David Sear services to Girls and Women's Cricket Daljit Sehbai services to Social Cohesion through the National Council of British Indians Santokho Aka San Sekhon services to Community Cohesion in Telford, Shropshire Jayne Elizabeth Senior services to Child Protection in Rotherham Maria Teresa Tomas Mendes Casimiro Shah Diary secretary, chief secretary HM Treasury, services to Public Administration Phillip Malcolm John Shilson Chair, Manchester Airport Community Network, services to Community Engagement in Greater Manchester and Cheshire David John Shortland services to the community in Coventry and Warwickshire Margaret Lorraine Shutt Festivals and Events manager, Leicester City Council, services to Culture and the community in Leicestershire John Ewart Sidwell services to Prisoners through One to One Maths Michael David Simons Senior Applications Support Officer, Parliamentary Digital Service. For parliamentary service and voluntary service to the Jewish Community in Sutton, Surrey Emma Sinclair Entrepreneur and Co-founder EnterpriseJungle, services to Entrepreneurship John Gurparshad Singh services to charity and Disaffected Young People in East London Jeremy George Skipper Formerly chairman of Trustees, Rutland ***Agricultural*** Society, services to ***Agriculture*** in the East Midlands Catherine Slessor Formerly Editor, The Architectural Review, services to Architectural Journalism Carol Ann Smallworth Foster Carer, Achieving for Children, Kingston and Richmond, services to Children and Families Raymond Michael Smallworth Foster Carer Achieving for Children, Kingston and Richmond, services to Children and Families Alfred John Smith Facilities manager, No 10 Downing Street, services to No 10 Downing Street Barry Smith Co-founder, Skyscanner, services to Technology and Travel Christeen Erica Smith Senior Clinical Nurse Specialist, Royal Hospital for Sick Kids, Edinburgh, services to Stoma Patients George Walter Smith Manager, Extended Learning Support, West College Scotland, services to Extended Learning Support in Further Education Jacqueline Anita Smith Executive Headteacher, Upland Special School, Swindon, Wiltshire, services to Education Janie Wynne Smith For political and voluntary service in Denbighshire Mark Jeremy Smith Head of Suicide Prevention and Mental Health, British Transport Police, services to Policing Martin Smith Principal Geologist, British Geological Survey and director, Global Geoscience Development, services to Geological Science Professor Pamela Ann Smith Professorial Fellow, University of Edinburgh, services to Nursing and Nurse Education John Vernon Smyth services to Sport in Northern Ireland Mandeep Singh Soin Senior Executive Officer, Border Force, services to Diversity and Faith Awareness in the Home Office Kousalyaa Somasundram services to Indian Dance Ethnic Art and the community in Northern Ireland Christopher Southworth Policy Adviser, Northern Ireland Office, services to the Northern Ireland Political Process Marieanne Spacey services to Football Roger Stanton services to the World War II Escape Lines Memorial Society Michael Samuel Stephenson Member, Fishbourne and Parklands Flood Action Group, services to Flood Protection in West Sussex Frank Mervn Stewart For voluntary service to the community and WaterAid in Northern Ireland Robyn Alice Patricia Dalby-Stockwell services to Children with Learning Difficulties Pauline Judith Stott services to Hockey and Promotion of Sport in Scotland Tania Strange Divisional Primary Care Nurse, Aneurin Bevan University Health Board, services to Nursing Care in South East Wales Wesley Alan Strong Senior Lecturer, School of the Built Environment, Ulster University, services to Higher Education and Sport in Northern Ireland Hugh Gerard Sturzaker services to Health and the community in Great Yarmouth Norfolk Sandra Yvonne Sullivan Director, Food and Drink Exporters Association and PS8 Ltd, services to the Food Industry Audrey Elizabeth Sutcliffe Health and Wellbeing Coordinator, Outwood Academy, Acklam, services to Safeguarding Children John Andrew Sutcliffe Chairman, Rossie Young Peoples Trust, services to Young People Linda Ann Swalwell Higher Executive Officer, Ministry of Defence, services to the Air and Army Cadets James Sweeney Chief executive, YouthLink Scotland, services to Youth Work William Frederick Taggart services to Regeneration and charity Alan Jackson Tait For voluntary services to the Ex-Service Community through SAAFA and community in Sussex Margaret Anne Talbot General Practitioner, Greater Manchester, services to General Practice Adam Tasker Disability Support Worker, University of Bradford, services to Higher Education and Access to Sport Wendy Stuart Taylor Volunteer, HM Prison Durham, HM Prison Holme House, HM Prison Kirklevington Grange and HM Prison Frankland. For voluntary services to the Administration of Justice Neil Thomas Founder, Atelier One, services to Architecture, Design and Engineering Roy Sylvester Tomlin Chief Instructor, Shotokan Karate Centre, services to Karate and the community in South East London John Declan Toner services to Hospitality and Tourism in Northern Ireland Matthew Jeremy Toresen Community Development Officer, Voluntary Impact, Northants, services to LGBT Equality Margaret Carlisle Torrens For voluntary services to the community in Antrim Northern Ireland Peter Nicholas Trewby Consultant Physician in General Medicine and Gastroenterology, County Durham and Darlington NHS Foundation Trust, services to Medicine and Medical Education David Richard Tudor services to charity and the community in Shrewsbury Shropshire Francella Ruby Turner R&B Gospel and Soul Singer, services to Music Julia Anne Upton Chief executive, MK Community Foundation, services to the community in Milton Keynes Francis Edward Ursell Chief executive Officer, Registered Nursing Home Association, services to the Provision of Care Services Wendy Margaret Varcoe Executive director, Community Foundation for Surrey, services to the community in Surrey Professor Nicholas John Veck Head, chief executive officer's office, Satellite Applications Catapult, services to Environmental Sciences Flora Margaret Walker President, Lothian Branch, British Red Cross. For voluntary service to First Aid, Skin Camouflage and Fundraising Anita Lasker Wallfisch services to Holocaust Education Ruth Diane Walmsley services to Children in Conakry, Guinea, West Africa Anne Walsh Director of Business Development, East Belfast Mission, services to the Social Economy Sector in East Belfast Richard Fredrick Warren Special Constable, Wiltshire Police. For voluntary service to the Police Christopher William George Watson services to the Economy and the community in Northern Ireland Keith Watson Universal Credit Implementation manager, Department for Work and Pensions, services to Welfare Reform and to charity James Watt Co-Founder BrewDog, services to the Brewing Industry Audrey Weatherill services to the community in Barley, Lancashire Anthony Richard Duncan Welham Organiser, London Poppy Day. For voluntary service to the Royal British Legion William Barrie Wendt For voluntary services to Oxfam Maureen West Chair, Barnet Neighbourhood Watch, services to Community Law and Order in the London Borough of Barnet Vin West Equality Campaigner, services to campaigning with Disabled People in Wales Anne Marion Weston Administrative Officer, UK Air Space Policy, Temporary and Emergency Flying Restrictions, Department for Transport, services to Aviation Karl Wharton Director, Deerness Gymnastics Academy, services to Gymnastics Rowan Pirrie Whimster services to Heritage and Conservation Steven John White For voluntary services to Education and Sport particularly in Leicestershire Wendy Tan-White Entrepreneur and Investor, services to Technology Businesses Dawn Whiteley Chief executive, National Enterprise Network, services to Business Support and Enterprise Anna Maria Whitty Chief executive officer, Ealing Community Transport, services to Community Transport Melanie Wiggins Project Co-ordinator, Freedom Acts, Portadown and Co-founder, Craigavon ACT, services to Tackling Human Trafficking Lesley Williams Councillor, Gloucester County Council, services to Local Government David Clarke Willis Chief executive, Anglia Farmers Group, services to ***Agriculture*** and Rural Communities in East Anglia Colin Wills services to the community in Burnley Lancashire Jean Margaret Wilson Founder, New Hope Charity, Worcestershire, services to Children Lorelly Wilson Originator, Chemistry with Cabbage Programme, services to Education Martine Wiltshire Sitting Volleyball Player and Paralympian Team GB, services to Sport Renu Raksha Wing Founder and chief executive officer, X-Forces Ltd, services to Entrepreneurship The Reverend Cindy Kent-Winsley services to Religious Broadcasting May Lesley Winter Response Sergeant, Police Scotland, services to Law and Order in Maryfield, Dundee Ann Withers Member, Independent Monitoring Board, HM Prison Wakefield. For voluntary services to HM Prison Service Paul Raymond Wood Consultant Anaesthetist, Royal Centre for Defence Medicine, Queen Elizabeth Hospital Birmingham, services to Armed Forces Personnel Stephen John Wood RNLI Fundraiser, West Yorkshire Business Branch, services to Maritime Safety William Woodhead Councillor, Stockton on Tees Council, services to Local Government and the community in Stockton on Tees David John Woodrow Proprietor, Woodrows Newsagents, services to the Scout Movement and the community in Bishopton, Renfrewshire Christopher James Worman Parks and Grounds manager, Rugby Borough Council. For voluntary services to the Green Flag Award Scheme and Public Parks Ariana Yakas Chair of Governors, Kingsway Community Trust, Greater Manchester, services to Education Jen Paderau Yockney services to the Bisexual CommunityBritish Empire MedalBEMMark Peter Airey Strength and Conditioning Coach, Help for Heroes, services to Wounded Service and Veteran Personnel Mary Patricia Ambler Personal assistant to the director-General, National Crime Agency, services to Law Enforcement Suzanne Asquith Police Constable, North Yorkshire Police, services to Policing and Youth Engagement Christopher Richard Ball For voluntary and charitable services in Chertsey Surrey Lysbeth Campbell Jones Ballantine Volunteer, Save the Children. For charitable services Julia Barnard services to charitable fundraising Nicola Batt Manager, Kidzone Childcare Facility, RAF Cranwell, services to RAF Families Pamela Catherine Baxter Volunteer, Pre-school Learning Alliance, services to Children Sarah Elizabeth Beck services to Nursing and voluntary service to Cancer Research UK in Banbridge, County Down Margaret Kate Bedford services to Children in Surrey Jennifer Amma Beecham Member, Priority Team Pool, Department for Energy and Climate Change, services to Public Administration and voluntary service in London David Bentley services to Young People in West Yorkshire through the Scouting Movement Kenneth Arthur Beresford services to the community in Sandbach Cheshire Robert James Bettesworth services to the community in Newdigate Surrey Kishore Bilimoria services to Community Sport and charity Caroline Ann Bovey Chair, Lesbian, Gay, Bisexual and Transgender Advisory Group, Aneurin Bevan University Health Board, services to Equality in the NHS in Wales Muriel Joyce Boyd Volunteer, Carrickfergus Voluntary Welfare Group, services to the Welfare of Ex-Police Officers and their Families in Carrickfergus, County Antrim Susan Brett Founder, Foodshare/Open Kitchen. For voluntary and charitable services to Tackling Food Poverty in Berkshire Myra Brodie School Crossing Patrol, Market Harborough, services to Education Alison Brown Co-Founder, Beach Wheelchairs, North Berwick, services to People with Disabilities Peter Ellis Brown services to World War Two Aviation Heritage Jacqueline Anne Granger Brown Chair, Altrincham Fundraising Committee, The Childrens Society, Cheshire, services to Children Josephine Buchan services to Young People through the Arts David George Burden Member, South Downs National Park Authority. For voluntary services to the Environment and the community in the South Downs Diana Judith Burdett School secretary, The Grove Infant and Nursery School, Harpenden, services to Education Sarah Joan Burdett services to Conservation and Heritage on the Isle of Wight Jean-Francois Burford Chair, Kew Park Rangers Football Club. For voluntary services to Youth Sport and the community in Kew, Surrey David James Carr services to the community in Longframlington Northumberland Stella Margaret Carrington Chair, Dundee West Communities Association. For voluntary service in Dundee Carole Catchpole Founder, Northumbrian Hedgehog Rescue Trust, services to the Protection of Hedgehogs Davinder Singh Chana services to Community Sport in West London Amy Christine Chandler Community Ranger, Forestry Commission, services to the community in Nottinghamshire Rianne Lee Chester Worldskills 2015 Gold Medal Winner in Beauty Therapy, services to Skills Alastair John Chisholm Organist and Lay Chaplain, The Cathedral of The Isles, Millport, services to Music and Culture on The Isle of Cumbrae Kanchan Chudasama ***Finance*** Officer, the Art ***Fund***, services to the Arts Evelyn Clark For charitable services to St. Andrews Hospice, Lanarkshire Jacqueline Violet Clark services to Young People and the community in Goudhurst, Kent particularly through the Goudhurst Scout Group Beryl Enid Clegg services to Elderly People in Port Talbot Dawn Nova Clements services to Promoting Polio Immunisation Ellen Colgan For voluntary service Thomas Conlon services to the Environment and the Sport of Angling in Northern Ireland James Joseph Cooper Caseworker, Canterbury Division, SSAFA. For voluntary service to Veterans Linda Copeland Executive Officer, Change and Engagement Team, Home Office. For public service and service to the community in Durham William Michael Ainslie Copland services to the community in Cookham Berkshire Carol Cotterill Police Support Volunteer, Warwickshire Police, services to Rural Crime Reduction John Lister Coverdale services to the community in Ingleby Greenhow North Yorkshire Barbara Cox services to Hollinsclough School, Derbyshire and the Chernobyl Childrens Project (UK) Norman Barry Cox For voluntary services to RNLI Heritage Linda Elizabeth Cox Director, Research Office, Imperial College London, services to Research in Higher Education Francis Leigh Farr-Cox Formerly Biodiversity Officer, Environment Agency. For public and voluntary services to the Natural Environment in Somerset Geoffrey Craggs services to the community in Boroughbridge North Yorkshire Arthur William Cross Trustee, Charnwood Trust, services to Children and Families in Stockport John Nichol Daker services to the community in Huddersfield Gerald Anthony Davies services to charity through the Kop Hill Climb and to the community in Princes Risborough Buckinghamshire Hazel Maureen Davies services to the Emlyn Flyers Swimming Club and to the community in Newcastle Emlyn, Ceredigion Lee Brendan Dawson Specialist Military Tailor. For voluntary service in Support of Waterloo 200 Alice Elizabeth Dennis services to Music in Aberdeenshire Judith Dewinter Chair, Myeloma UK. For charitable and voluntary services to Cancer Research Cheryl Dixon For voluntary service to the community in North Ormesby Middlesbrough Michael Francis Dixon services to People with Learning Disabilities in Northern Ireland through Stepping Stones Northern Ireland Jessie Brown Watson Donaldson Volunteer Generalist Adviser, Skye and Lochalsh Citizens Advice Bureau. For voluntary service to the community on the Isle of Skye Gary Doyle Worldskills Gold Medal Winner in Plumbing and Heating, services to Skills Eileen Drumm services to the Disabled Community in Enniskillen Fermanagh Fiona Evelyn Duncan Senior Administrator Department of Physiology, Development and Neuroscience, University of Cambridge, services to Higher Education Frederick Geoffrey Eckton Committee Member, Brecon and Radnor Bee Keepers Association, services to Bee Keeping in Wales Anthony Raymond Elvin Teaching assistant, Archbishop Sentamu Academy, Hull, services to Education Cyril Paul Emden services to the community in Folkestone Kent Christine Emery Volunteer, Professional Association for Childcare and Early Years, services to Children Kathleen Mary Evans Joint Quality and Contract Monitoring Lead (Nursing) Abertawe Bro Morgannwg University Health Board, services to Nursing in Bridgend, South Wales Councillor Elizabeth Ann Eyre For political service Shirley Faichney services to Children and Young People in Methilhill, Fife through the Methilhill Community Childrens Initiative Thomas Victor Fisher services to the community and under-privileged Young People in London Jean Fletcher services to Nursing Care in Stourbridge, West Midlands and to the National Trust The Reverend Jean Flood Coordinator, Mission in the Economy, services to Community Cohesion David George Foulkes For charitable services Charles Robin Frankish services to Transport and the community in London Maureen Fraser Chair, Cheerful Chesters. For voluntary service to Healthcare in Inverness Elizabeth Mary Froggatt services to the community in Findern, Derbyshire James Donald Fry services to Amateur Football in Belfast David James Furnell services to charities and the community in Hemel Hempstead Hertfordshire Ilene Fyfe Chair, Fintray Sheltie Stakes, services to the community in Hatton of Fintray, Aberdeenshire Kenneth Gardner Co-Founder, Krazy Kat Theatre, services to Childrens Theatre and Children with Physical Disabilities Anthony Garn Garden Supervisor, Royal Botanic Garden Edinburgh, services to Horticulture in Scotland Albert William Edward Garrett Fire Safety Officer, Norfolk Fire and Rescue Service, services to Fire and Rescue and the community in Norwich Erica Randerson Gassor services to the community in Berkshire and Oxfordshire Geoffrey Norman Gibbons services to Church Music and the community Ronald Frederick Green services to the community in Kingston Bagpuize with Southmoor Oxfordshire Susan Jill Gregory services to the Health and Fitness of Older People in Edinburgh Sarah Joan Groenewegen Senior Officer and lately Chair Sexual Orientation Network and Resource Group, National Crime Agency, services to Law Enforcement and Diversity in the Workplace Christina Margaret Ann Groundwater services to the community in Orphir, Orkney Isles Doreen April Grunnill Fundraiser, RNLI. For charitable services Pamela Mary Guy Musical director, New Harmony Singers, services to Music and for charitable services in Newport Kathleen Haddow Volunteer Adviser, Gorgie Citizens Advice Bureau, services to the community in Edinburgh Vivienne Lesley Hall Principal, Studio 3 Dance Workshop, services to Community Dance and the community in Knaresborough, North Yorkshire John Hallows For voluntary service to Law and Order through Barnsley Neighbourhood Watch Sharon Hannah Senior Laboratory manager and Business manager, University of Edinburgh, services to Medical Research Keith Hardcastle services to Farming in Nidderdale and to the community in Darley North Yorkshire David Harries services to the community in Bugbrooke Northamptonshire Edward William Harringman Worldskills 2015 Gold Medal Winner in Cabinet Making, services to Skills Mary Harrison services to the community in Leagram and Chipping, Lancashire Jessie Margaret Hartley Formerly Postmistress, Hamnavoe Post Office, services to the community in Burra, Shetland Isles Rebecca Hartshorn Design and Sustainability manager, Bowmer and Kirkland, services to Industry and Skills Jacqueline Ann Harvey services to Hand-quilting, Design and the Quilting Industry The Reverend Stephen George Hatcher services to Methodism Heritage and Education Julia Doris Ida Hatto Consultant, services to the Chemical Sciences Rosemary Anne Hawken services to the community in Kennford, Devon Hilda Margaret Heap services to the community in Derby through the Alvaston Evergreen Club Stanley Heaton services to Young People and Grassroots Cricket in Lancashire Colin Hector Volunteer, Cruse, services to Bereaved People in South East Wales Lynda Anne Hesketh services to Chester Adult Phab Club for People With and Without Disabilities Maria Heywood Vice chairman of Governors, Abbey Gate College, Chester, services to Education Sarah Louise Holmes Priory Affairs Officer, The Priory of England and the Islands, services to the Order of St. John Linda Mary Honey Magistrate and Chair, Lincoln Family Panel, services to the Administration of Justice and Voluntary Service David Roy Horton services to Life Saving in the West Midlands James Houghton services to Sport and Wellbeing in the community in Desford Leicestershire Susan Houghton services to Sport and Wellbeing in the community in Desford, Leicestershire Joan Howarth For voluntary service to Costuming in Amateur Dramatics Eric Howden Chairman, Redcar Branch, Royal British Legion. For voluntary service to the Royal British Legion John Hulme services to Railways in Cheshire Shirley Humphreys services to the community in Northwich, Cheshire Frederick David Hunter For voluntary service to the community in Northern Ireland John Walker Hunter services to the History and Heritage of Galloway Alexander Gordon Ingram services to the community in Aberdeenshire Paul Fredrick Bowen-James Founder and CEO, Kids in Action Charity, services to Children and Young People in Bedfordshire Margaret Wilson Jamieson services to the community in Sandhead, Dumfries and Galloway Graham Jane services to the community in Fowey Cornwall Lynne Jankowska Expert by Experience, Dudley and Walsall Mental Health Partnership Trust, services to Care Quality in Mental Health Services Desmond Jardin Founder Member, Ulster Grand Prix Supporters Club, services to Motorcycle Sport in Northern Ireland Jean Johnson Volunteer, Belmont Cheveley Park Primary School, Durham, services to Education Valerie Dawn Johnson Director, Frankies Fish and Chips, services to the Food and Drink Industry in Shetland Aaron Jones Founder, Fikay Fashion, services to Ethical Fashion David Owen Jones Post Master, Felinfach, Ceredigion, services to the community in Rural West Wales Janet Jones services to Disability Swimming through the Halliwick Penguins Swimming Club Raymond Jones For voluntary services to Disadvantaged Children through The Merseyside Children's Holiday ***Fund*** Martin Kettrick services to charitable fundraising Rehana Khan Manager, Shakti Day Centre for Asian Elders and the Bharosa Domestic Abuse Service, services to Vulnerable People in Birmingham Lionel King services to the community in Chadwick End Solihull Thomas George Kirkham Company Sergeant Major Instructor, D Company, 1st Northern Ireland Battalion, services to the Army Cadet Force and to the community Col John Edwin James Lane For charitable services in Hampshire Neil Anthony Ledger services to charitable fundraising Annabelle Lee services to Vulnerable Adults and the Homeless Community in Blackpool Irene Leighton Executive director, Dundee Survival Group. For service to Homeless People in Dundee Pastor Thomas Leighton services to the community in Newcastle-upon-Tyne Margaret Lewis services to the community in Honiton, Devon Ruth Drusilla Janette Lewis Officer-in-Charge, Loughor Division, St. John Ambulance. For voluntary service to First Aid Paul Edward Lillycrop Formerly Watch Commander, Buckinghamshire Fire and Rescue Service, services to Fire and Rescue Jean Frances Lindsay services to the community in Great Yarmouth, Norfolk David Henry Lomas services to the community in Gainsborough Lincolnshire Kirsty Elizabeth Loveday Founder and managing director, Love Drinks, services to the Drinks Industry Hayley Jane Deborah Lovett services to Young People in Harwich through Teen Talk William George Lunn services to the community in Northern Ireland Hilda Lilly Lyons services to Disabled People in Redbridge, London through Redbridge Dippers Swimming Club Geoffrey Sidney MacEy services to the Scouts and the community in Beaumont-cum-Moze Essex Louisa MacFarlane Volunteer, Fine Cell Work Charity, services to Prisoners David James Edmond MacKen services to St. Peters Church and to the community in Swansea Victoria Karina MacQueen services to Women's and Youth Sport Participation and to charity Michele Marron Formerly director of Operations, National Institute for Medical Research, services to Biomedical Sciences Anthony Michael Howitt Marshall services to community in Old Warden Bedfordshire Michael Paul Marshall services to the community in Capel-le-Ferne Kent Christopher Richard Marson services to the community in Northlew Devon Keiran Farrell-Mather services to Boxing and the community in Manchester Antonio De Matteis Chief Volunteer Fire Officer, Peterborough Volunteer Fire Brigade. For voluntary service to Fire and Rescue Services in Peterborough Ian Rodney May Head of Building Maintenance, University of Reading, services to Higher Education and to the community in Reading Margaret Ann McAuley For voluntary service to Young People in Glasgow The Reverend David Ronald McBeth Rector of Dungiven and Bovevagh Parish Churches, services to charity and to the community in County Londonderry Beth McCay services to Music and the community in Northern Ireland William McCay services to Music and the Community in Northern Ireland Edith Victoria McConnell services to the community in Northern Ireland Ian David McCullagh services to Young People in Northern Ireland through the Boys Brigade John Robert McCusker services to the Royal British Legion and the community in Co. Fermanagh Barbara Lena McFarlane For voluntary service in Aberdeenshire Alan McKelvey services to the community in Northern Ireland Elizabeth Beryl McKnight services to the community in Carrickfergus, County Antrim Brian McLeod Poppy Appeal Convenor, Hawick Royal British Legion Scotland, services to the Royal British Legion Scotland and the community in Hawick, Roxburghshire Gwen McMichan For voluntary service to First Aid in Merseyside through the British Red Cross Ian Stuart McMichan For voluntary service to First Aid in Merseyside through the British Red Cross Gleniss McNeal Volunteer, National Trust. For voluntary services to Heritage in Northumberland Sheila Eileen Meaning Co-founder and Trustee, New Hope, services to Homeless People in Watford Frances Medley services to the community in Shawbury and Stanton upon Hine Heath, Shropshire Judith Mary Megarry Founder and Leader, Pershore Amateur Dramatic and Operatic Society, services to Community Music in Pershore, Worcestershire Anne Metcalfe Community Fire Safety Advocate, Lancashire Fire and Rescue Service, services to Fire Safety and Young People Kevin Metcalfe Operations manager, Joint Activities and Motor Education Service, services to Education Joyce Meynell Foster Carer, Newcastle City Council, services to Children and Families Dulcie Diana Elaine Micklewright Founder and Organiser, By-Gone Days. For charitable and voluntary services in the New Forest Agnes Urquhart Middleton Director, Creative Care, services to Arts and Crafts and voluntary service in Dunbartonshire Eric Albert Miller Kitchen Steward, House of Commons. For catering services to the House of Commons James Cobb Milne For voluntary service to Young People in Angus through the Brechin Youth Project Margaret Helen White Milne For voluntary service to Young People in Angus through the Brechin Youth Project Wendy Milsom Vice-Chair, Freshwater Activities. For voluntary services to People with Disabilities and Charitable Fundraising Anthony James Moore services to the community in Frimley Green and Frimley Surrey Jennifer Morgan Director, Gentleshaw Wildlife Centre, services to Wildlife Rescue, Rehabilitation and Conservation William Morley services to the community in Cleator Moor Cumbria Yvonne Jacqueline Morrison Volunteer Driver, Cancer Support Ayrshire, services to Cancer Support in Ayrshire Matthew Norman Mowat services to Boxing in the community in Sheffield Beti Mair Moyle A&E Receptionist, Betsi Cadwaladr University Health Board, services to the NHS in Wales Yvonne Alison Mulholland Treasurer, The Not Forgotten Association, Northern Ireland. For voluntary service to Veterans Alan Charles Murdoch Senior Technical manager, Institute of Biomedical Research, University of Birmingham, services to Medical Education and Research Jacqueline Murphy Chair and Organiser, The Original Pearly Kings and Queens Association. For charitable services in Greater London John Vincent Murphy services to the community in Barford Sherbourne and Wasperton, Warwickshire Kerry Adeline Murray services to Young People through The Gurney ***Fund*** Kwong Ngan Chairman, See Yep Association (UK), services to the Chinese Community in Liverpool Linda Nicholson Founder and Coach, Peebles Netball Club, services to Sport in the Scottish Borders Alastair Alexander Nicolson services to Cancer Research UK on the Isle of Skye Helen Isobel Anne Nicolson services to Cancer Research UK on the Isle of Skye Alan Nixon For voluntary service to Newbiggin Golf Club and Collingwood College Morpeth James Thomas Nixon services to the Police and the community in Northern Ireland Christopher Nuttall Retained Firefighter, Lancashire Fire and Rescue Service, services to Community Safety William Gerard O'Donnell services to the community in Northern Ireland David Thomas Ogborn Founder, Basingstoke Festival of Choirs, services to Community Music Pauline Joyce Panton services to the community in Tunstall and Sittingbourne, Kent Tracey Parker services to Cancer Sufferers and Terminally Ill Children in Northern Ireland Barbara Ann Parkinson services to the Women's Institute and Treetops Hospice, Derbyshire Irmgard Parrott services to the community in Cherry Willingham, Lincolnshire Thomas James Paterson Retained Firefighter, Cleveland Fire Brigade, services to Fire Safety and the community in Saltburn, North Yorkshire Frederic John Payne services to the community in Ringmer East Sussex Andrew Maurice Peddle For charitable services to Homeless People and to Victims of Human Trafficking through the Salvation Army Mary Phillips services to charity, particularly the Devon and Cornwall Air Ambulances Melvin Ian Phillips services to the community in East Grinstead West Sussex Michael John Poole services to Sport and charitable fundraising in Newent Gloucestershire Christopher Trevor Pope services to the Scout Movement and the community in Swindon Wiltshire Andrea Dawn Pridmore Digital Service manager, DVLA, services to Public Administration and Community Music through the Swansea Silver Rhythmaires Marching Band John Edgar Dalziel Pritchett services to the community in Willingdon East Sussex John Pulfer services to the Pett Level Rescue Boat Association and the community in Fairlight East Sussex Karen Catherine Purdy Community Development Officer, Bloomfield Community Association, services to the Voluntary and Community Sectors in Northern Ireland Shaminder Singh Rai Chief of Operations, Nishkam High School, Birmingham, services to Education Elaine Amelia Rathmell services to the community in West Yorkshire Emma Mary Regan Regional Wheelchair Training Clinical Specialist, services to the Provision of Wheelchair Services within Northern Ireland Margaret Joan Reid services to Young People through Scouting in County Tyrone Pearl Rendall School Crossing Patrol Warden, Kingsford School, Aberdeen, services to Education Ann Rennie Library Services manager, Havering and Founder, London Libraries Consortium, services to Libraries Raymond Joseph Richardson services to the community in Natland Cumbria Elsie Rigby Lay Person, Bolton Safeguarding Children Board and Governor, Grosvenor Day Nursery, Bolton, services to Children and Families The Reverend Neil Adrian Roberts services to the community in Chelmsley Wood and North Solihull Andrew Forrest Robertson services to Ellon and District Royal British Legion Pipe Band Margaret Robertson Volunteer, ChildLine Glasgow, services to Children and Young People Jeanette Robinson services to the community in Morvern, Argyll June Robinson Chairman, Leatherhead Community Association, services to the community in Surrey Sally Robinson Founder, The Young Generation Theatre Group, services to Community Arts Euphemia Rogers services to the community in Inverclyde Ethel Jennifer Rothwell services to Older People in Adlington, Lancashire Lesley Rowe Manager, Kingsgate Resource Centre for Older People, services to Older People in Camden John Derek Rowlands Chair, the Hood Memorial Hall, Devauden, Monmouthshire. For voluntary and charitable services in Wales and Abroad Patrick John Phillip Rowley services to Hockey Michael Rowsell services to Disabled People and the community in Gosport Hampshire Margaret Russell Staff Nurse, Wishaw General Hospital, services to Healthcare in Lanarkshire Shahzada Saleem services to the Sport of Stone Lifting Desmond Dennis Salmon services to the community in Studham Bedfordshire William Alexander Sayers services to the community in Strabane Northern Ireland Joan Scannell Councillor, Edgware Ward, London Borough of Barnet, services to the London Borough of Barnet, London Betty Scott For charitable services Rhonda Scott services to Music and the community in Aberdeen Robert John Selby services to the community in Sandon and Burston Staffordshire Valerie Frances Seth Volunteer, Save the Children. For charitable services Sheila Prakash Shah Executive assistant, HM Treasury, services to Public Administration Michael John Sharpe services to Local Government and the community in Birmingham Christine Mary Shearer For voluntary service in Wick, Caithness and Sutherland Lisa Florence Shepherd Manager, Greystones Mens Hostel, services to Homeless Men in Greater Manchester Edward Percival Short services to the community in North Aston Oxfordshire Brian Sleightholm Founder and president, St. Peters Village Tour, services to Tourism in Kent Edna Smith Volunteer, Home-Start, services to Families in Leicestershire Joana Smith Childminder and Volunteer Facilitator, Professional Association for Childcare and Early Years, services to Children The Reverend John Murdo Smith services to the community in the Western Isles Peter Smith Volunteer, West Yorkshire Police, services to Community Safety in Rothwell, Leeds Ailna Vanessa Smyth Fundraiser, Cancer Research UK and the Coleraine Northern Ireland Hospice Support Group. For voluntary service to the community in Northern Ireland Michael Bernard Son Committee Member, The London Taxi Drivers ***Fund*** for Underprivileged Children, London. For charitable services to Children Raymond Spencer For voluntary services to the MS Society and Kingsland School Wakefield Hilary Ann Spiers services to the community in Stevenage and Knebworth, Hertfordshire Anne Staniforth Formerly Foster Carer, Nottinghamshire County Council, services to Children and Families James Howard Staniforth Formerly Foster Carer, Nottinghamshire County Council, services to Children and Families Stuart Mark Stevens services to Scouting and the community in Steyning West Sussex Mary Stevenson School Meals Supervisor, Ligoneil and Ballyduff Primary School, services to Education in North Belfast Mary Dorothea Stewart services to the community in Downpatrick Audrey Stringer services to Young People in Burnopfield, Co Durham Edward Stringer services to Young People in Burnopfield Co Durham Ian William Stuart services to the community in Lee and Ilfracombe North Devon Keith William Sykes services to Young People through the Scout Association and the Duke of Edinburgh's Award Peter Vincent Thackrah services to the community and charity in North Yorkshire Angela Claire Thomas services to Young People and the community in Devon and Cornwall particularly through Guiding Arthur Wybert Thomas services to Bellringing and the community in Cowbridge Vale of Glamorgan Naomi Rachel Thomas Founder, Wedding Wishing Well Foundation. For charitable services to Terminally Ill People Glenda Laureen Tooke services to the community in Rollesby, Norfolk Theresa Celine Tracey Formerly Senior Technician, University of Central Lancashire, services to Higher Education Jeffrey Michael Trail services to the community in Brixington and Exmouth Devon Robert Trethewey services to the community in St. Erme Cornwall Graham Ashbee Tritton services to the community in Pattingham Staffordshire Jessica Mary Troughton services to the community in Stow, Galashiels Mary Elizabeth Trow Club secretary and Club Treasurer, Solihull Olympic Gymnastic Club. For voluntary services to Gymnastics Veronica Ann Tuppen Thrift Shop manager, RAF Halton. For voluntary service to RAF Families and to charity Jane Winefred Turner services to the community in Compton, Surrey Elsie Vance services to Older People in Lisburn, County Antrim John David Wallace Governor, The Latimer Primary School, Leicestershire, services to Education Sophie Anne Afriat Walters services to the community in Reading, Berkshire Kathleen Ann Watkins services to the community in Rowlestone, Herefordshire Josephine Mary Watts Director and Chair, Community Fundraising and Networking Panel, Home-Start, West Somerset, services to Children and Families Rosemary Weaver For voluntary service to the community in Meriden Solihull Penelope Susan Webb Early Years Volunteer, Worcestershire, services to Children Evelyn Weightman Founder, Northern head and Neck Cancer ***Fund***. For voluntary and charitable services Glenda Annetta Wesley services to Young People and the community in Shrewsbury, Shropshire Christine Anne Wells-West Head of Integrated Services, Gwent Police, services to Policing particularly the NATO Summit 2014 Robert Neil Weston services to the community in Ollerton Marthall and Little Warford, Cheshire John Brian Whaite services to the community in Preston Lancashire through the Inside Out Project Alan Peter White Community Safety Officer, Devon and Somerset Fire and Rescue Service, services to Fire Safety Charles Greville Williams Watch manager, Oxfordshire Fire and Rescue Service, services to Fire Safety and the community in Burford, Oxfordshire Christopher Martyn Williams Post Master, Saundersfoot, Pembrokeshire, services to Royal Mail and charitable fundraising John Vaughan Williams services to Adults with Learning Disabilities in Denbighshire through the Denbigh Gateway Club Judith Anne Williams For charitable and voluntary services in Shropshire, particularly through the Shropshire Welfare Trust and the Shrewsbury Furniture Scheme Capt Baden Kenneth Wilson General secretary and Welfare Officer, Chindits Old Comrades Association. For voluntary service to Veterans Penelope Ann Woodside Formerly Clinical Lead, Operations, Nutrition and Dietetic Services, Betsi Cadwalader University Health Board, services to Dietetics and the community in North Wales The Reverend Heather Margaret Wright services to the community particularly Deafblind People in Norwich Patricia Wright Volunteer, When You Wish Upon A Star Charity, services to Ill Children and their Families in Lincolnshire Theresa Jane Wright For charitable services to Gosset Ward Special Care Baby Unit, Northampton General Hospital NHS Trust Paul Nicholas Yeates Formerly Chair of Governors and Volunteer, Lingfield Notre Dame School, Surrey, services to Education

DIPLOMATIC SERVICE AND OVERSEASKnights BachelorProfessor David Charles Clary President, Magdalen College, Oxford, services to international science Professor Anthony Douglas Cragg Sculptor, services to Visual Arts and UK-German relations Professor Angus Stewart Deaton Professor, Princeton University, services to research in economics and international affairs Lucian Charles Grainge Chairman and chief executive of Universal Music Group, services to British business and inward investmentOrder of St Michael and St GeorgeGCMGSir Peter John Westmacott Formerly HM Ambassador, Washington, United States of America, services to British DiplomacyDCMGBarbara Janet Woodward HM Ambassador, Beijing, China, services to UK/China relationsKCMGNicholas Peter Kay Formerly Special Representative of the United Nations secretary General for Somalia, services to diplomacy and to international peace and securityCMGPaul Thomas Arkwright Former director, Multilateral Policy Directorate, Foreign and Commonwealth Office, services to UK foreign policy Keith Andrew Beaven Director, Foreign and Commonwealth Office, services to British foreign policy Paul Brummell HM Ambassador, Bucharest, Romania, services to British foreign policy Jennifer Kathryn Morrish Director, Foreign and Commonwealth Office, services to national security Maj Timothy Nigel Peake Astronaut, United Kingdom Space Agency, services to space research and scientific education Joanna Louise Roper Director, Consular Services, Foreign and Commonwealth Office, services to British foreign policy and the protection of British nationals overseas Ajay Sharma Former head of Iran Department, Foreign and Commonwealth Office, services to British foreign policy Professor Peter Timothy Holt Unwin Formerly secretary general, Commonwealth Telecommunications Organisation and lately Chair Commonwealth Scholarship Commission, services to the Commonwealth Professor Colin John Warbrick Emeritus Professor of Law, University of Birmingham, services to international lawOrder of the British EmpireCBEJohn Beechey Independent Arbitrator, former president of the Court of the International Chamber of Commerce, services to international arbitration and legal practice Lynwen Ann Brennan General manager and Executive vice president, Lucas Film, and president, Industrial Light & Magic, San Francisco, United States of America, services to supporting the UKs visual-effects industryOBECarryl Megan Allardice Chief Librarian, Foreign and Commonwealth Office, services to Knowledge and Information Management Ian Hamish Nevelle Craig Chief executive officer, Northern Rangelands Trust, services to conservation and security to communities in Kenya Juliette Sofia De Rivero Formerly Geneva director, Human Rights Watch, services to international human rights Gerald Eccles Specialist, Foreign and Commonwealth Office, services to developing operational technology capabilities Stuart William Gill HM Ambassador, Reykjavik, Iceland, services to British foreign policy Richard Peter Heald Chief executive, UK-India Business Council, services to economic and trade relations between UK and India Margaret Jeans Partner and director, Al Manahil International LLC and Educational Consultancy, Sultanate of Oman, services Omani-British relations Nicholas Christopher Jones Deputy head, Iran Unit, Foreign and Commonwealth Office, services to British foreign policy James Gustaf Edward Le Mesurier Director, Mayday Rescue, services to Syria Civil Defence and the protection of civilians in Syria Jonathan Charles Perry Maltus Sommelier, France, services to the wine industry Victor Emanuel Mizzi Founder, Chernobyl Children's Lifeline, services to child victims of the Chernobyl disaster Heidi Caroline Potter Chief executive, Japan Society, services to UK-Japan relations Ian James White First secretary, Foreign and Commonwealth Office, services to national securityMBEAkosua Dentaa Amoateng Chief executive officer, Ghana UK Based Achievement Awards (GUBA), services to UK-African Diaspora Relations Elizabeth Anne Bell British vice consul, Alicante, Spain, services to British nationals in Spain Charan Singh Bunger Founder/chairman of the Guru Ravidass Educational Assistance Trust, services to education for deprived children in India Joan May Campbell Principal, Carol Bateman School of Dancing, Hong Kong, services to dance in Hong Kong Lanval Joseph Daly Director, Montserrat Visiting Consultants Programme, services to the people of Montserrat Martha Ann Dismount Executive director of the Family Centre, Bermuda, services to the community and children in Bermuda Carol Elisabeth Everson Welfare Case Worker, Bermuda Legion, services to war veterans and their families in Bermuda Martin Firth First secretary, Foreign and Commonwealth Office, services to overseas security Ronald Geoffrey Richardson Fox Founding chairman, Friends of Ruaha Society and chairman, Foxes Community and Wildlife Conservation Charity, services to conservation and to the community in Tanzania Clive Edward Gilbert Chairman, The British Historical Society of Portugal, services to cultural and historical UK-Portugal relations Matthew Edward James Hasker Senior Technical Security Adviser, Foreign and Commonwealth Office, services to technical security Simon Jonathan Landy Executive chairman, Colliers International, Thailand, and vice chairman, British Chamber of Commerce, services to UK-Thailand trade and investment Mark William Lowen Liaison Officer, Foreign and Commonwealth Office, services to national security Jane Maurin Board member of Institut Hospitalier Franco-Britannique, services to the British Community in France Glenn James McCartney British Honorary Consul, Macao, services to the British community and British business in Macao Douglas Hamilton McColl Foundation member and vice president, Sihanoukville Tourism Association, Cambodia, services to the British community in Cambodia Rhoda Elizabeth Muhmood Director, Kuwait English School, services to education and children with special needs in Kuwait David Olof Reed First secretary, Migrations and Home Affairs, British Embassy, Paris, services to immigration policy Michael Grahame Reed Formerly chairman, British Chamber of Commerce, Republic of Korea, services to British business in the Republic of Korea Mark Terence Rush Second secretary, UK Mission to the United Nations, Geneva, Switzerland, services to Global health Andrew Charles Salmon Journalist and Writer, Seoul, Republic of Korea, services to British Veterans of the Korean War Nicole Marie Sauvage Vice-Consul, British Embassy, Ankara, Turkey, services to British nationals in Turkey Benjamin William Schofield First secretary, Foreign and Commonwealth Office, services to national security Kenneth James Smith First secretary, Foreign and Commonwealth Office, services to national security Ruth Victoria Stannard Director, Consular Services, British Embassy, Paris, France, services to British nationals in France Evelyn Low Tay Coordinator, College of Health Sciences, University of Ghana Medical School, Legon, Accra, services to health care in Ghana David John Gaucheron Tee Volunteer, West Oxfordshire Vetka Association, services to improving the lives of the community in the District of Vetka in Belarus following the Chernobyl disaster Charles Wesley Watler Retired businessman, Cayman Islands, services to the community in the Cayman Islands Kathleen Rose White Manager, Medical Research Council, The Gambia, services to supporting medical research in developing countries Colin Neill Wrigley Principal of Karachi Grammar School, Pakistan, services to education in PakistanOrder of the Companions of HonourCHValerie Ann Baroness Amos Former United Nations under secretary-General and Emergency Relief Coordinator, services to the United Nations and emergency reliefBritish Empire MedalBEMVeronica Theresa Chameau Historian and Artist, services to promoting heritage and culture in Bermuda Sharon Frances Eason Missionary, Izvor de Viata (Fountain of Life), Moldova, services to improving lives of vulnerable communities in the Republic of Moldova Janet Grace Elders President of Help International Benidorm, and Honorary Welfare Officer, Royal Air Force Association, North Costa Blanca, Spain, services to the British Community in Spain Rita Jean Morrison Gardiner Director of Turks and Caicos Islands Women's Desk, and Gender secretary General, Commonwealth Games Association, Turks and Caicos, services to the community in the Turks and Caicos Islands Deborah Lyn-Ann Gillett Property Chairperson, Project 100, services to mental health in Bermuda Malcolm Jack Green Fireman and Volunteer, Public Works Department, and Harbour Master, services to the community in Tristan da Cunha Julie Huckle Administrative and Logistical Support, Project Hougoumont, Belgium, services to the restoration of Hougoumont Farm in Belgium and commemoration of the Battle of Waterloo Louise Emma Miller Author and Researcher, services to UK-Serbian relations Jane Louise Preece Founder managing director and Trustee, Zanzibar Action Project, services to vulnerable communities in Zanzibar

COMMONWEALTH

GUERNSEYOrder of the British EmpireMBECelia Lois Allen For charitable work in Guernsey Margaret Costen services to the vulnerable of the Bailiwick

ISLE OF MANCBEAllan Robert Bell For public service to the Isle of ManOBEClare Margaret Christian services to the Isle of ManBritish Empire MedalBEMRosemary Leonora Mazzone services to Youth and to the community of Ramsey

JERSEYOrder of the British EmpireMBEPauline Graham services to Fostering and Adoption Sally Anne Minty-Gravett President of the Jersey Long Distance Swimming Club, services to Swimming Paul Owen services to the community as Founder and Trustee of the Around the Island Walk

MILITARY DIVISION

ROYAL NAVYOrder of the BathKCBGeneral Gordon Kenneth MessengerCBRear Admiral Paul Martin BennettRear Admiral Henry Hardyman ParkerRear Admiral Robert Kenneth TarrantOrder of the British EmpireKBEVice Admiral Ian Fergus CorderCBERear Admiral Simon James AnconaRear Admiral John Matthew Leonard KingwellCommodore Jeremy Conrad Rigby Royal NavyOBECol Daniel Blanchford Royal Marines Capt Richard Patrick Anthony Daws Royal Navy Brig Ian Philip Huntley Royal Marines Commodore Andrew Charles Jameson Royal Navy Commodore Gary Brian Sutton Royal NavyMBELt Cdr Steven David Banfield Royal Navy Cdr Paul Henry Neil Dowell Royal Navy WO Class 1 (Air Engineering Technician) John Christopher ElliotWO Class 1 Engineering Technician (Marine Engineering) Lee HolmanPO (Communications Information Systems) Stephen William HoylandWO Class 1 Logistics (Supply Chain) Lynne Deborah JoyceCPO Logistics (Writer) Mark LambertCapt Scott Adam Moyies Royal Marines Lt Cdr (Acting Cdr) Paul John Newall Royal Navy Maj Nicholas John O'Sullivan Royal Marines CPO (Acting WO Class 1) Coxswain (Submarines) Steven RaffertyCdr Douglas John Ward Royal NavyRoyal Red CrossARRCPO Naval Nurse Rebecca Ward Queen Alexandras Royal Naval Nursing ServiceQueen's Volunteer Reserves MedalQVRMCdr James Seymour Lionel Cohen Royal Naval Reserve

ARMYOrder of the BathKCBLt Gen John Gordon LorimerCBMaj Gen Nicholas David AshmoreThe Reverend David George Coulter QHC Lt Gen Timothy Buchan RadfordOrder of the British EmpireKBELt Gen Andrew Richard GregoryCBEBrig Christopher John GhikaBrig Robert Jason Walton-KnightMaj Gen Robert Harry Talbot-RiceBrig David Graeme RobsonOBEMaj James Michael Henry Allen The Rifles Lt Col Garry Royston Blewitt The Royal Welsh Lt Col James Peter Cook Royal Regiment of Artillery Col Simon Peter FitzgibbonLt Col Christopher Palmer The Light Dragoons Lt Col Richard Philip Smith The Rifles Lt Col Giles Matthew Timms The Parachute RegimentMBEMaj Devendra Ale The Queen's Own Gurkha Logistic Regiment Capt Michael George Hugh Allan Corps of Royal Electrical and Mechanical Engineers Maj Michael James Atkinson Adjutant General's Corps (Educational and Training Services Branch) Acting Maj Matthew John Bard The Mercian Regiment Lt Col Stuart Cattermull The Royal Irish Regiment Maj Graham Jackson Clarke Royal Corps of Signals Maj Fraser Graham Barry Cuttle General List Maj Andrew Raymond Davies Corps of Royal Engineers WO Class 2 Richard Jimmy Davies Corps of Royal Engineers Army Reserve Maj Arthur David James Dawe Scots Guards Maj Andrew Lawrence Duggan The Royal Logistic Corps Chaplain to the Forces John Charles Duncan Royal Army Chaplains' Department Maj William Leslie Eden The Rifles Maj Adam Nicholas Baron Foden The Royal Lancers Capt Ceri Lee Green Adjutant General's Corps (Staff and Personnel Support Branch) Army Reserve Maj Nigel Lionel Greenwood Corps of Royal Electrical and Mechanical Engineers Maj Rachel Grimes The Royal Logistic Corps Capt Carlos Anthony Hamlet Royal Regiment of Artillery Cpl Robert Ian Harper Royal Corps of Signals Maj Mark Daniel Hendry Corps of Royal Engineers Acting WO Class 2 Gregory Ian Jex Corps of Royal Engineers Maj Malcolm James Ross Junor Royal Tank Regiment Maj Christopher Matthew Lane Royal Regiment of Artillery WO Class 1 James Lang Royal Army Medical Corps WO Class 1 Alexander William Little The Royal Logistic Corps Maj John Samuel Thomas Mateer Irish Guards Capt Alan Graham McEwen The Royal Regiment of Scotland Army Reserve WO Class 2 David Benjamin McFarland Intelligence Corps Acting Lt Col Robin Ian Melling Army Air Corps Maj Carol Miller The Royal Logistic Corps Army Reserve Maj Paul Mort The Parachute Regiment Lt Col William George Prior Royal Regiment of Artillery Army Reserve Maj Yambahadur Rana The Royal Gurkha Rifles Staff Sgt Catharine Ann Reeves Intelligence Corps WO Class 2 Matthew Stuart Semple The Parachute Regiment Capt Karen Tait Adjutant Generals Corps (Royal Military Police) Army Reserve Maj Andrew Patrick Todd The Royal Gurkha Rifles Maj Ben Walters The Royal Regiment of FusiliersRoyal Red CrossARRCMaj Sara Bernice Hawkins Queen Alexandra's Royal Army Nursing Corps Maj Mari Louise Roden Queen Alexandra's Royal Army Nursing Corps Capt Harriet Ann Sloss Queen Alexandra's Royal Army Nursing Corps Maj Sarah Kate Thom Queen Alexandra's Royal Army Nursing CorpsQueen's Volunteer Reserves MedalQVRMSgt John Rowland Butler Adjutant Generals Corps (Staff and Personnel Support Branch) Army Reserve Sgt Peter McAlindon The Royal Logistic Corps Army Reserve Lt Col Julian Mark Picton Royal Corps of Signals Army Reserve Col Stephen William RaysonWO Class 2 Neil Stevens The Parachute Regiment Army Reserve

ROYAL AIR FORCEOrder of the BathCBAir Vice-Marshal David John Stubbs Royal Air ForceOrder of the British EmpireCBEGroup Capt Paul David Kennett Royal Air ForceOBEWing Cdr Jonathan Farrow Royal Air Force Group Capt Timothy David Neal-Hopes Royal Air Force Wing Cdr Mark Wylie Smith Royal Air Force Wing Cdr Thomas Stowell Talbot Royal Air Force Group Capt Gregory Patrick Underhill Royal Air Force Wing Cdr Katherine Patricia Wilson Royal Air ForceMBECpl Richard David Cain Royal Air Force Sqn Ldr Nicholas James Card Royal Air Force Flt Lt Andrew William Davidson Royal Air Force Sqn Ldr Andrea Louise Devlin Royal Air Force Flt Sgt Stephen Thomas Dinan Royal Air Force Sqn Ldr Kevin John Green Royal Air Force Volunteer Reserve (Training) WO Derek Richard McDonough Royal Air Force Wing Cdr David Kenneth Miller Royal Air Force Volunteer Reserve (Training) Flt Sgt James Temperly Miller Royal Air Force Wing Cdr Jamie John Miller Royal Air Force Sqn Ldr David Julian Rhys Morris Royal Air Force Cpl Helen Waugh Royal Air Force

SUNDRIES

ENGLAND AND WALESQueen's Police MedalQPMJohn James Armstrong Formerly Detective Superintendent, Cheshire Constabulary Anil Kanti (Neil) Basu Deputy assistant commissioner, Metropolitan Police Service Lewis Ronald Benjamin Assistant chief Constable, Warwickshire Police Robin Bhairam Formerly Detective chief inspector, Metropolitan Police Service Gareth Cann Assistant chief Constable, West Midlands Police Ian David Critchley Assistant chief Constable, Merseyside Police Suzette Louise Davenport Chief Constable, Gloucestershire Constabulary Nicholas Bevan Ephgrave Temporary Chief Constable, Surrey Police Susannah Fish Temporary Chief Constable, Nottinghamshire Police Ian Hopkins Chief Constable, Greater Manchester Police Timothy Rothwell Dromgole Jackson Chief Superintendent, Cheshire Constabulary Timothy Kevin Keelan Superintendent, Merseyside Police Stuart Ashley Parfitt Superintendent, South Wales Police Bill Potter Inspector, Essex Police Stephanie Roberts Detective Chief Superintendent, Metropolitan Police Service David Shaw Chief Constable, West Mercia Police Robert Taylor Sergeant, North Wales Police Alun David Thomas Chief Superintendent, Gwent Police

SCOTLANDBill Clark Detective Constable, Police Scotland Derek Robertson Assistant Chief Constable, Police Scotland

NORTHERN IRELANDBarbara Ann Gray Chief Superintendent, Police Service of Northern Ireland Hugh James Thompson Hume Detective Chief Superintendent, Police Service of Northern Ireland Bernard Michael Oconnor Temporary chief inspector, Police Service of Northern Ireland

OVERSEASGary Douglas Staines Detective Sergeant, Bermuda Police Service

ENGLAND AND WALESQueen's Fire Service MedalQFSMSally-Anne Jane Harper Station manager, London Fire Brigade John Pattison Mills Formerly Deputy chief Fire Officer, Hertfordshire Fire and Rescue Service Peter Terence O'Reilly County Fire Officer and chief executive, Greater Manchester Fire and Rescue Service Sean Patrick Ruth Acting chief Operating Officer, West Sussex Fire and Rescue Service

SCOTLANDPaul Connelly Deputy assistant chief Officer, Scottish Fire and Rescue Service Bryan Cuthill Watch manager, Scottish Fire and Rescue Service

ENGLAND AND WALESQueen's Ambulance Service MedalQAMAlan Baranowski Associate director Operations (Patient Transport Service), Yorkshire Ambulance Service NHS Trust Jonathan Beausire Chief Ambulance Officer, Guernsey Ambulance Service Carl Edward Keeble Community Paramedic, East Midlands Ambulance Service NHS Trust Richard Lee Head of Clinical Services, Welsh Ambulance Services NHS Trust Christopher Sims Head of Operations (Resilience and Specialist Operations), Welsh Ambulance Services NHS Trust

SCOTLANDDavid Kinnaird Head of ICT Projects, Scottish Ambulance Service

NORTHERN IRELANDJohn Wright Assistant director of Operations, Northern Ireland Ambulance Service HSC TrustColonial Police and Fire Service MedalCPMGregory MacArthur Grimes Sergeant, Bermuda Police Service Calvin Lee Smith Chief inspector, Bermuda Police Service Panicos Panayi Detective Inspector, Sovereign Base Areas Police, Cyprus Glen Ballantine Constable, Royal Gibraltar Police John Caruana Chief inspector, Royal Gibraltar Police

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[***Russian Foreign Ministry spokeswoman's briefing on 18 February - transcript***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5J4N-7DB1-JC8S-C3VP-00000-00&context=1516831)

BBC Monitoring Former Soviet Union - Political

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**Body**

Russian Foreign Ministry spokeswoman Mariya Zakharova has said that the Munich agreement on a cease-fire in Syria "does not imply a cessation of the fight against terrorism" and that Russian bombing campaign would continue. In her briefing in Moscow on 18 February she also accused British Home Secretary Theresa May of "personally protecting" people accused of economic crimes in Russia and elsewhere. She said that the refusal by the British authorities to extradite alleged criminals to Russia was "politically motivated" and suggested that the BBC should investigate this. The following is the text of report in English by the Russian Ministry of Foreign Affairs website on 20 February (subheadings in the "From answers to questions" have been inserted editorially)

Sergey Lavrov's participation in an upcoming meeting of the Board of Trustees of the ***Fund*** to Support and Protect the Rights of Compatriots Living Abroad

On February 20, Foreign Minister Sergey Lavrov will chair a meeting of the Board of Trustees of the ***Fund*** to Support and Protect the Rights of Compatriots Living Abroad held at the Foreign Ministry Mansion (17 Spiridonovka Street).

The board will discuss the ***fund***'s performance in 2015 and its priorities for the upcoming period in accordance with the decisions of the Fifth World Congress of Compatriots Living Abroad and in light of recent developments. I'd like to say a few words about the ***fund***'s goals and activities. The ***fund***'s main goal is to provide legal assistance to and protect the rights and legitimate interests of compatriots permanently residing abroad. The ***fund*** implements its programmes in cooperation with Russian and international state-owned organizations and NGOs and associations of compatriots with due regard for the national, cultural and historical components of the country of residence.

The ***fund*** operates in accordance with the Russian Constitution, applicable norms of international law, Russia's international commitments, Russian law and other enactments, as well as the ***fund***'s charter.

The third session of the Russian-Arab Cooperation Forum in Moscow

On February 26, Moscow will host the third session of the Russian-Arab Cooperation Forum (RACF) at the foreign minister level. In accordance with the format as stipulated in the December 2009 Memorandum on the forum's establishment, we expect the foreign ministers of the UAE, Jordan and Bahrain (members of the Arab League Council), Egypt, which holds the rotating presidency of the Arab League Council, and the Arab League's Secretary General. We note with satisfaction that the foreign ministers of Lebanon, Sudan, Yemen and Oman have expressed a desire to attend the forum in Moscow.

The forum participants plan to exchange opinions on the situation in the Middle East and North Africa, focusing on ways to settle crises and to respond to the challenges and threats facing regional countries. They will also discuss current regional and global issues, such as the Arab-Israeli issue, the fight against terrorism and extremism, and the creation of a zone free from weapons of mass destruction in the Middle East.

Another issue on the forum's agenda is to coordinate practical actions to strengthen all-round cooperation between Russia and Arab countries, including in the economic, humanitarian and cultural spheres. The results of the forum's third session will be formalised in a joint statement and an action plan to implement the principles, goals and tasks of Russian-Arab cooperation in 2016-2018.

Russia believes that this forum has become a respected and popular venue where Russia and Arab countries can exchange opinions and coordinate their stands on current issues. The forum's third session is expected to promote cooperative action on key international and regional issues and to strengthen multifaceted cooperation between Russia and the Arab countries. A news conference on the session's results will be held later the same day.

Upcoming meeting between First Deputy Foreign Minister Vladimir Titov and Austria's Secretary General for Foreign Affairs Michael Linhart

On February 19, First Deputy Foreign Minister Vladimir Titov and Austria's Secretary General for Foreign Affairs Michael Linhart will meet in Moscow for planned consultations.

The talks in this format are an integral part of multifaceted Russian-Austrian relationship. In early February, economic aspects were on the agenda of the Mixed Russian-Austrian Intergovernmental Commission on Trade and Economic Cooperation, which is co-chaired by Russian Deputy Prime Minister Dmitry Kozak and Austrian Vice-Chancellor Reinhold Mitterlehner, Federal Minister of Science, Research and Economy. Mr Mitterlehner also met with Prime Minister Dmitry Medvedev, held talks with Energy Minister Aleksandr Novak, Economic Development Minister Aleksey Ulyukayev and Gazprom CEO Aleksey Miller.

During the upcoming meeting, Mr Titov and Mr Linhart will discuss a wide range of current issues pertaining to bilateral political cooperation and international affairs, including the fight against terrorism, settlement in Syria and the Middle East, Russia-EU relations, Ukraine and the OSCE's role in the implementation of the Minsk Agreements and the peace process, in particular in light of Austria's OSCE presidency in 2017.

We consider this meeting as evidence of Austria's resolve to maintain a constructive dialogue and to boost bilateral cooperation in all spheres.

The results of Russia's BRICS Presidency

I would like to say a few words about the results of Russia's BRICS Presidency.

Russia's rotating presidency in BRICS, which lasted from April 2015 until February 2016, has been successfully completed. We have proposed to our partners a large number of new initiatives and projects to expand cooperation within BRICS. Many of these proposals were met with attention and interest, and most of them are already being actively implemented. Well-coordinated joint efforts of these countries (Brazil, Russia, India, China and South Africa) have made it possible to strengthen strategic BRICS partnership and to streamline the ramified system of cooperation mechanisms.

Contrary to regular reports, primarily circulated in the West, that BRICS is no longer what it used to be, that the dynamics of its development have been lost, this organization has proven its relevance and efficiency. Experience has shown that its participants value this format, both in good times and more during difficult periods in international relations that call for joint efforts of like-minded countries and for pooling their potentials. This is the main achievement of our Presidency.

In the wake of Russia's BRICS Presidency, the Foreign Ministry has prepared and published a report summing up information about various events, adopted decisions and approved documents. This report lists the entire range of BRICS cooperation avenues and cooperation formats that will continue to expand in the future. The document is posted on the websites of the Foreign Ministry, Russia's BRICS Presidency and the forum's online secretariat.

I would like to dwell briefly on the report's main points. BRICS ***financial*** and economic cooperation has made considerable headway during Russia's BRICS Presidency. The New Development Bank and the BRICS Contingent Reserve Arrangement have been established. We are expecting the bank to ***finance*** its first project already this year, probably, in the area of sustainable energy and energy efficiency. Participants in the Ufa summit approved the Strategy of BRICS Economic Partnership and supported the Russian idea to draft a roadmap of trade, economic and investment cooperation until 2020.

Cooperation was launched in such new areas as immigration, energy, industrial safety regulation, environmental protection and efforts to combat infectious diseases.

Over 100 events were held over the ten and a half months of Russia's Presidency, including over 25 events at the level of ministers and heads of specialised agencies.

It should be noted that the scope of BRICS' activities is not limited to economic issues. BRICS countries are united by common political and strategic interests in such areas as maintaining international stability and security and honouring the principles and norms of international law. We advocate the UN's stronger central role. We agree that security should be indivisible. We consider unacceptable any attempts to apply double standards or unilateral sanctions, especially the use of military force to resolve international problems, interference in the domestic affairs of states and some countries applying pressure on other states.

Our association is focusing on the tasks of jointly coping with global challenges and threats. We believe that it is possible to effectively combat the terrorist threat, as we have repeatedly mentioned, only on the basis of the principles and norms of international law and by pooling the efforts of the entire international community. The same approach should be applied to the fight against trans-border organized crime, drug trafficking and corruption - all attendant phenomena of international terrorism - plus maintaining international information security and searching for solutions to other problems and crises, including the problem of refugees. BRICS is taking specific practical steps in these areas.

From February 2016 until early 2017, India will take over the rotating Presidency of BRICS. We are ready to support our Indian friends in this large-scale and multifaceted work, which implies a search for a balance between innovation and continuity, i.e. reliance on previously adopted decisions. We are confident that India will introduce many new economic, political and cultural initiatives and innovations.

The 8th International Economic Summit, "Russia -Islamic World: Kazan Summit 2016"

I'd like to draw your attention to the event that will be held in May, although I'll announce it now. The 8th International Economic Summit, "Russia -Islamic World: Kazan Summit 2016" will be held on May 19-21 in Kazan.

This forum is being held for the eighth time and will become the main platform for economic cooperation between Russia and the Organization of Islamic Cooperation (OIC) member states. Since 2009, the summit has been held annually, supported by the Federation Council of the Russian Federal Assembly and the Government of the Republic of Tatarstan. The event involves Russian and foreign businesspeople, investors, federal and regional authorities, heads of global organizations, ***funds***, ***financial*** and banking institutions, and members of the expert and academic communities.

The information on media accreditation in Kazan will be provided before the summit.

Syrian crisis

Let's move on to regional issues.

We have regularly shared our perspective on the Syrian crisis. Let me briefly remind you that two groups are actively working in two areas based on the Munich communique. As you know, the first group on humanitarian issues has already met. Not only was it a success, but also yielded tangible results. There is now real work being done in this area. In this regard, let me refer to the February 17 comment by the Information and Press Department on the humanitarian situation in Syria. We are satisfied with the progress in this area and note that the Syrian authorities have been engaged in prompt and active efforts on the humanitarian track.

As for the second group, I'd like to draw your attention to a comment by Deputy Foreign Minister Gennady Gatilov, who said that we expect this group to meet on Friday. Hopefully the group will hold its meeting tomorrow and will get down to work. Russia is ready for it, and there are no obstacles or delays in this respect on our side. All in all, these efforts got off to an active start. We hope that they will be fruitful, and that our partners will contribute to this process in the same vein.

Of course, we will regularly share our perspective on the initiatives by and the work of these two groups.

Terrorist attacks in Turkey and new anti-Russian statements by Turkey's leaders

The Foreign Ministry has already commented on the February 17 terrorist attacks in the centre of Ankara and conveyed its profound condolences to the Turkish people. Unfortunately, in the last 60 minutes we received a report on yet another terrorist attack in this country, the second one in just 24 hours. It is up to the relevant Turkish authorities to investigate what happened. We again extend our condolences to the victims of these attacks. These are very alarming trends.

Unfortunately, this is happening against the backdrop of rising terrorist threats in the region, when we need to close our ranks in combatting this evil. We have a very solid framework to this effect, including the Vienna format, which can be used to discuss all aspects of the settlement in Syria and regional developments.

Although the situation calls for urgent action, we hear strange and at times inappropriate statements by the Turkish leaders, who do nothing to reduce anti-Russian rhetoric but instead are stepping up their efforts to discredit Russia's efforts to combat ISIS and promote a settlement in Syria.

The statements by the Turkish leaders are false. I can't even use the word "untrue" to describe them. They are deceitful, mildly speaking. What else can be said about a statement alleging that Russia and its Aerospace Forces are involved in purposeful efforts to kill civilians in Syria and destroy the country's schools and hospitals? Unfortunately, Russia is now being accused of "all the possible sins," and these accusations are presented in the context of the Munich agreements on Syria. All this goes a long way to show that Turkey is not willing to engage in any kind of constructive way, has adopted a biased, partial perspective and is unable to see the situation as it really is.

New attempts to accuse Moscow of using "migration leverage" for pressuring Turkey and the European Union by saying that "Moscow's policies lead to new flows of refugees," is absolutely cynical. This is what Turkish Prime Minister Ahmet Davutoglu has recently said. Statements by Turkey's officials insinuating that Russia covertly supports ISIS are absolutely unacceptable.

Mr Davutoglu, are you serious or just kidding? If this is a joke, I think that everyone, and especially Turkey, should be paying more attention to concrete actions aimed at combatting terrorism, instead of wasting time on irony and sarcasm. At least, this is what, in my opinion, the Turkish people expect from you.

It is startling to hear statements of this kind coming from the head of the government, whose actions resulted in some 200,000 people in the southeast of his country having to leave their homes, and the death of over 500 civilians.

The fact that this campaign has been gaining momentum in recent days is not a coincidence. As a matter of fact, vast territories in northwest Syria were liberated in successful counter-terrorist initiatives by the Syrian Army supported by the Russian Aerospace Forces. In place of the terrorist infrastructure in this region that was developed with direct support from Turkey, among others, conditions for bringing life back to normal are being created. It was these territories that have been regularly targeted by massive artillery fire of the Turkish Armed Forces since February 13, killing dozens of people, including both members of the patriotic opposition and civilians. A number of civilian infrastructure facilities were destroyed. I hope than Ankara will heed the UN Security Council's assessment of these unlawful actions.

Statements by Turkish President Recep Erdogan on the Cyprus settlement

Russia is not the only country to be targeted in statements by Turkish officials. I would like to draw your attention to what Turkish President Recep Tayyip Erdogan said on the Cyprus settlement.

We continue to closely monitor developments on this issue, and noticed recent articles published by Turkish media in Cyprus on the contacts between representatives of the Majlis (parliament) of the so-called Turkish Republic of Northern Cyprus and Turkey's leaders, including President Recep Tayyip Erdogan.

What we see in these articles is that the President of Turkey openly calls on the Cypriot Turks to take a tough, uncompromising stance in the ongoing intercommunal talks in Cyprus, including on territorial delimitation, a very sensitive issue. This is in stark contrast to Ankara's statements on its commitment to facilitating a peaceful settlement on the island in the near future. It is obvious that by addressing such calls to one of the parties to the inter-Cypriot dialogue, Turkey's leaders are rudely interfering in the negotiation process with a view of promoting their own interests. Judging from what we have read, these interests have nothing to do with bringing about a fair and viable solution to the Cyprus issue.

Contacts with Doctors Without Borders and civilian casualties in the MENA region

Let's go back to accusations that the Russian Aerospace Forces allegedly target civilian infrastructure, accusations addressed to Russia not only by Turkey but also by officials from other countries. The case in point is Doctors Without Borders hospitals in the provinces of Idlib and Aleppo.

I'd like to say that Russian diplomats held a meeting with a delegation of Doctors Without Borders in Geneva on February 15, and they shared their vision on the situation in the region as a whole. The delegation said they had no reasons to address grievances or accusations of having attacked the hospitals to anyone in particular. Thus, all speculations and references to statements by anonymous "spokespersons" of this organization are dashed by this report.

To reiterate, as usual, there are no direct or indirect data indicating that the Russian Aerospace Forces were involved in the airstrike. Moreover, our foreign colleagues emphasised that they had no direct evidence of any Russian involvement in the demolition of that infrastructure. The rest is, naturally, part of the information campaign. But who is behind this campaign?

Asked to comment on the airstrike on a Doctors Without Borders hospital in Syria at the US-ASEAN Sunnylands Summit, the US President's National Security Adviser, Susan Rice, had this to say: "And this does call into question Russians' willingness or ability to implement the agreements achieved in Munich." At the same time, she admitted that she couldn't confirm that the hospitals were attacked by the Syrian government forces or the Russian Aerospace Forces. Can you imagine such cynicism? On the one hand, the strikes are an indication of Russia's alleged unwillingness to implement the Munich agreements, but on the other, there is no evidence. It's 100-per cent propaganda. Let me quote her verbatim: "I can't provide a specific attribution at this point," although before that she claimed that the Russian Federation was to blame because it didn't want to implement the Munich agreements. That's not how it works. Let me go on quoting: "That said, we still believe that Russia has the ability, should it choose to, to play a constructive role in restraining the regime and obviously its own actions as well, and we stand ready in cooperation with our partners in the Syria Support Group to do our part to try and bring about the cessation and the humanitarian access. We'll see what Russia will do."

Ms Rice, do you switch on your TV at least from time to time? First, Russia did and continues to do a lot to bring humanitarian assistance to Syria. The Russian Emergencies Ministry and the Foreign Ministry regularly provide this sort of data. We constantly render direct aid to the Syrian Red Crescent Society and work through UN humanitarian organizations, as is reported at regular Foreign Ministry briefings. Is it possible that you have not been informed on this? Ask for information and you'll be briefed. I think we'd better see what the United States, not the Russian Federation, will be doing in this regard.

I'd also like to remind our US colleagues that after their insistent and uncivil moves certain countries closed their airspace to Russian aircraft delivering humanitarian cargoes to Syria. Why at that time didn't you speak or think of people in that country suffering without humanitarian assistance?

Do you people want to know what propaganda is? It's what we are talking about right now: regular "plants", the lack of real facts, and, of course, media manipulation. Given Ms Rice's status, the media certainly cannot but quote her.

Our US colleagues are talking about the humanitarian situation and civilian casualties with reference to NGOs. OK, let's talk about that. We also have a few things to say and to remind them of.

Let me refer to NGO data. For example, Human Rights Watch says that Operation Allied Force mounted by NATO (and we know well who dominates NATO) and the Kosovo Liberation Army resulted in 500 civilian deaths.

According to Prof. Marc Herold of the University of New Hampshire, over 3,000 civilians died from 2001 to 2003 alone during US-led Operation Enduring Freedom in Afghanistan. Ms Rice, I'm quoting this especially for you. The United Nations Assistance Mission in Afghanistan (UNAMA) has calculated that nearly 2,000 civilians fell victim to the International Security Assistance Force since 2011. Wouldn't you like to come to the UN Security Council and report on the mandate that was issued to your country for an operation in Afghanistan? Please, don't forget to focus on civilian losses and damage to civilian infrastructure.

According to Iraq Body Count, tens of thousands of civilians died in Iraq in the course of the US-led coalition operations since the start of the campaign. As far as I remember, there are still no official statistics on civilian losses in Iraq. If they are available, please give us US official statistics.

Airwars Monitoring Group reports that the US-led anti-ISIS operation accounts for more than 2,000 civilian casualties in the period from September 2014 to this day. I think you'd do better to rely on your own investigations rather than our assessments. Do take the trouble to find this information on your own. This is about who and how drills strikes at civilian targets.

The US Department of State's Fiscal Year 2017 budget for countering Russia's aggression

US officials keep talking about so-called Russian aggression and the need to respond to it. At the same time, we keep searching for an answer to the issue of this aggression and why it has recently become of interest.

In fact, it's quite simple. According to available data, the US Department of State's FY 2017 budget stipulates the allocation of about $1 billion, or more precisely $953 million, to deter the alleged Russian aggression. Once again, this money will be used to counter "Russian aggression." Ukraine could have rejoiced at the news of a possible major influx of money, if not for the fact that only $42 million of the above sum will be spent on Kiev's military concerns.

I'd say that the concept of countering "Russian aggression" is a good business.

The UN Assistance Mission in Afghanistan report on the protection of civilians in Afghanistan

We have taken notice of the annual report by the UN Assistance Mission in Afghanistan (UNAMA) on the protection of civilians in armed conflict. The report points to an unprecedented increase in overall civilian casualties in 2015 due to the ongoing hostilities between the government forces and the armed opposition.

This report has confirmed our fears that the internal conflict in Afghanistan is far from over and that the stabilisation outlook is vague.

We are alarmed by the growing terrorist activity of ISIS, the Taleban and other groups in Afghanistan, which select civilians as their targets, as well as by the disproportionate actions by the Afghan army and the US troops of the NATO contingent in Afghanistan.

Overall, it's obvious that NATO's Resolute Support Mission in Afghanistan has not attained its stated goals; neither has its predecessor, the International Security Assistance Force (ISAF), about which we spoke today. The Afghan army fighting against the opposition is sustaining heavy losses and often appears unable to keep back the opposition forces' pressure.

We support the UNAMA report's recommendation that NATO should independently investigate the US airstrike on a Doctors Without Borders hospital in Kunduz on October 3, 2015, and review its combat goals to prevent attacks on civilian infrastructure, including medical facilities.

We hope the international community will continue working to put an end to the multi-year military confrontation and to promote an internal dialogue in Afghanistan.

The Serbia-NATO agreement on logistics support

Many media outlets have asked us to comment on the recent agreement on logistics support signed between the Serbian Government and NATO. We have given a short comment, but I will address this issue again today.

We've taken note that the other day the Serbian Parliament ratified an agreement signed between the Serbian Government and the NATO Support and Procurement Organization (NSPO).

All of you are aware of our stance on NATO's persistent desire to expand and promote ties with partner states. We interpret this primarily as the bloc's attempt to involve as many countries as possible in the sphere of its geopolitical influence in any way and by any means.

In this context, we've noted that Serbia has not changed its official commitment to military neutrality, which Prime Minister Aleksandar Vucic has reaffirmed.

The increasing number of pirate attacks on civilian ships in the Gulf of Guinea

The number of pirate attacks on civilian ships in the Gulf of Guinea has recently increased. It is alarming that the number of these attacks launched on foreign ships to plunder and to take hostages for ransom has risen amid complex socioeconomic problems in Nigeria, terrorism and separatist sentiments in some regions of the country. In 2015 alone, pirates attacked foreign ships more than 50 times, injuring citizens from many countries.

The trend continued in 2016. Recent examples include the January 29 attack on the Greek chemical tanker Leon Dias. The pirates abandoned the tanker after taking several hostages, one of whom is believed to be a Russian citizen. The Russian Embassy in Nigeria is trying to clarify the situation and maintains the necessary contact with the authorities and representatives of the ship owner.

In this context, the Russian Foreign Ministry strongly recommends Russian sailors who are seeking employment to consider these risks in the Gulf of Guinea.

Russian weapons delivered to Fiji for peacekeeping forces

On February 16, Russian small arms and light weapons were ceremoniously handed over to the Fiji authorities in Suva, the capital of Fiji. The ceremony was attended by a Defence Ministry delegation led by head of the ministry's Main Missile and Artillery Directorate Lieutenant General Nikolai Parshin, Acting Commander of the Fijian Armed Forces Commodore Viliame Naupoto, as well as members of the diplomatic corps and the media.

These weapons have been delivered to Fiji within the framework of gratis military and technical assistance upon an official request from the Fiji authorities and the agreements reached during Prime Minister Frank Bainimarama's visit to Moscow in 2013.

These weapons will be supplied to the First Battalion Fiji Infantry Regiment of the UN Disengagement Observer Force (UNDOF) deployed in the Golan Heights. I am speaking about this now because a few months ago some media published speculations on this issue and even made strange assumptions. This is why I have provided additional information now.

A group of Russian military instructors has been stationed in Suva to train their Fijian colleagues in using these new weapons.

The rules of entry to the Hong Kong and Macau SARs of the People's Republic of China in view of the growing numbers of Russian tourists

The flow of Russian tourists to China, particularly to the special administrative regions of Hong Kong and Macau, has increased. In this context, I'd like to focus on visa issues.

The bilateral agreements on easing entry regulations provide for visa-free travel for Russian citizens to the Hong Kong and Macau SARs of the People's Republic of China for up to 14 and 30 days, respectively.

To enter Hong Kong and Macau, Russian citizens need to have a valid international passport (with at least two blank pages), valid for not less than six months after entering the SAR.

To work, study and live in Hong Kong and Macau, Russian citizens have to obtain an appropriate visa at China's diplomatic missions in Russia and abroad, as well as immigration departments of the Hong Kong and Macau SARs.

To enter mainland China from Hong Kong and Macau, Russian citizens are required to have a visa. While staying in Hong Kong or Macau, one should apply for a visa to mainland China at Chinese Foreign Ministry's representative offices in these regions. If you are already in mainland China and plan to travel to Hong Kong or Macau with subsequent return to mainland China, you must check the number of entries allowed by your visa. If you've got a single entry visa, you will need to apply for a new visa to return to mainland China.

We recommend that you plan your trip in advance and obtain all appropriate visas while still in Russia.

I'm focusing on this issue intentionally. Russian citizens may not know all the small details and can sometimes find themselves in difficult situations, whereas Russian foreign offices try to provide their assistance.

Russians often disregard the rule of visa-free entry to Hong Kong for up to 14 days by entering and leaving Hong Kong every 14 days for the purpose of extending the period of their stay for another fortnight. Such attempts are strictly forbidden by the Immigration Department of the Hong Kong Government, which can deny a visa after the second border crossing. Hong Kong laws stipulate severe punishment for violations of immigration legislation, including imprisonment.

One should also take into account that any firearms and cold weapons, tasers, javelins, knuckle-dusters, large knives, iron, rubber and expandable batons, pepper-spray, handcuffs, laser pointers and weapons are prohibited for importation to Hong Kong and Macau both in carry-on and checked luggage. Even a bullet-like pendant or one that is made from a bullet can become a reason for being detained at the customs. The maximum term of imprisonment for this violation is 14 years, the fine amounts to 100,000 Hong Kong dollars (almost one million roubles). We ask Russian citizens who are planning their trips and travel agencies that offer package tours and air tickets to this destination to keep this information in mind.

Refusal by British authorities to extradite people accused of committing crimes in Russia

I would like to go back to our Western colleagues and the media who are paying close attention to corruption in the Russian Federation. Russia participates in the relevant specialised international anti-corruption initiatives, and fighting corruption is among the priorities for the Russian authorities and people. We view the often dubious attempts by our Western partners as being agenda-driven when it comes to bringing this issue to the attention of the Russian Federation.

Let me go back to the recent BBC documentary on corruption in Russia. This is an interesting subject. I would like to say that if there is so much interest in Great Britain, and even more so among its media, in the issue of corruption, once you pledge, don't hedge, as the saying goes. If you are monitoring developments in our country, keep in mind that corrupt people tend to be attracted to the West, as we had said earlier, and especially London.

Let me share some numbers with you.

Our British colleagues have yet again decided this February to shelter in the UK a number of persons that are on the wanted list and accused of committing various crimes on Russian territory. UK Home Secretary Theresa May has personally taken decisions in a number of cases, refusing to extradite Russian citizens.

I think that this could provide BBC with a plot for another investigative documentary. How come people accused of economic crimes and fraud, including fraud on a particularly large scale, are becoming British subjects, and why are high-ranking officials like the Home Secretary willing to take them under their wing?

It is important to have a general perspective on this situation. If you have the impression that these are isolated incidents, it is not so. All in all, Britain has refused to extradite over 40 Russians by decision of the Home Office or a ruling of a court that is always the same, the Westminster Magistrates' Court in London.

What's more, as far as we understand, Britain doesn't bother to provide any detailed or convincing reasons for such refusals. All it does is refer to standard phrases saying that people hiding in Britain de-jure have some kind of immigrant status. We are also told that their extradition may result in human rights violations. It turns out that those who are in Russia are corrupt individuals, but once on British soil, they are protected by human rights principles. This is unique logic.

In this connection, in almost every request from the Russian law enforcement bodies, on top of providing a detailed explanation of the criminal charges against the individual in question, we have to state the obvious: that the extradition requests are not politically motivated and have nothing to do with pursuits on the grounds of race, religion or ethnic background. Discrimination on these grounds is forbidden under Russian law. However, London prefers to ignore expert opinions, even by British experts, as well as written guarantees by Russia that all the rights of the accused will be respected, including the rights envisaged in Article 3 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, the relevant conventions of the UN, the Council of Europe, and their protocols.

Individuals that the United Kingdom de facto harbours on its territory using far-fetched pretexts face charges in Russia for committing criminal offences such as fraud on an especially large scale, embezzlement, misappropriation of major and extremely large amounts of money, robbery, pillage and even murder.

Damages from these crimes incurred by the state and private companies are in the tens and hundreds of millions, not to mention damage to the wellbeing and health of ordinary Russians and assault on human life.

It is obvious that these actions are driven by a political agenda and do nothing to improve the image of the British Government in the eyes of ordinary Russians and the international community. As we know, public opinion really matters for the British establishment. By all accounts, this discredits the country's judiciary, which the British are so proud of. Actions of this kind send a signal to people committing economic crimes in Russia and around the world: you can steal and move to our country, where you will be safe and sound, as long as you are loyal to the British Government. It looks as if Great Britain was "legalizing" criminal suspects. When such people receive legal status, they can also legalize their ***finances***. We have already described the way they received these ***funds***. It is no secret that Britain does not mind using these people to its own benefit. In fact, British special services, among others, use the services of such people. This raises many questions.

This would make an interesting plot for a new BBC documentary. I'm looking forward to watching it.

Publication of the story 'Russian Accused of Silencing Activists Is Considered for Top UN Post Dealing with NGOs' in Foreign Policy magazine's online edition

We have taken note of the material posted on the website of Foreign Policy magazine. The article presents information about Sergey Ryabokon, a Russian candidate for the post of Director of the United Nations Department of Economic and Social Affairs (UN DESA) NGO Branch at the UN Secretariat, in a negative, biased and politically-motivated light.

What is behind this complicated phrase? Russia has nominated its candidate for the post at the UN Secretariat. A number of countries have leaked information about the Russian candidate in the media, choosing Foreign Policy magazine for this purpose. They did so not simply by providing information but fed Colum Lynch, a journalist I respect, some strange absurdities. I will now explain what this is all about.

The Russian diplomat is currently head of the NGO branch at the Foreign Ministry Department of International Organizations. The Russian candidate was nominated for a position in keeping with his professional area of activity. He has years-long experience of working in this area and is well acquainted with the forms and methods of activity at the UN Economic and Social Council (ECOSOC) NGO Committee, a key UN agency for liaison with NGOs. In recent years, Mr Ryabokon has taken an active part in the agency's activity.

He is a wonderful professional who is well known by his colleagues. By all indications - and this fits into the general trend - such a professional approach on the part of Russia towards the candidates that it puts forward has not been appreciated. As a result, some materials were fed to a respectable publication. The article casts the Russian diplomat as little short of being the chief "oppressor" of Russian NGOs. This is not simply a lie but a fairytale and myth, pure and simple. A journalist - to reiterate, the journalist in question is one with years of professional experience in covering international issues, including the UN - should know very well that the activity of Russian NGOs is regulated not by the Foreign Ministry but by Russian law. Actually, this does not fall within the ministry's purview. We are involved in international cooperation in this area. It seems to me that this is self-evident, especially for people who deal with the issue on a professional level.

I can say that no one from Foreign Policy magazine asked us - the press service of the foreign policy agency - for comment or information on the Russian diplomat's professional activities and no one asked us to confirm or deny the material that was leaked to them from somewhere.

It may be recalled that the decision to appoint a candidate at the UN Secretariat should be based primarily on professional criteria and a high level of efficiency, competence and diligence, as the UN Charter states. These are precisely the qualities that the Russian representative has. They can be confirmed by dozens of Russian NGOs, as well as by our international partners, including from the ECOSOC NGO Committee, where Russian diplomats, including Mr Ryabokon, have been working actively to achieve consensus-based solutions to some of the most intractable issues. Thanks to the contribution by Russia and Russian diplomats, with support of our candidate, a large number of NGOs from the United States and other Western countries have received positive recommendations from the NGO Committee regarding their acquisition of consultative status with ECOSOC.

When such publications are prepared, it would be a good idea to elicit the opinion of the NGOs that the Foreign Policy journalist purportedly wanted to defend. If you defend somebody, you should take the trouble at least to ask NGOs what they think about the Russian diplomat's record. The story is utter rubbish - not even a fabrication but complete nonsense and rubbish.

In addition, there are numerous examples of a situation where even candidates who fervently uphold their countries' policy when they work for government agencies at home, once they come to the UN, adopt an impartial and unbiased approach, following the spirit and letter of the UN Charter. As they become international officials, they do not pursue their government's course - they must not do so. They become UN Secretariat officials and work on assignments set to them by the Secretariat. There are no grounds whatsoever to doubt that these requirements are observed and will be observed by all Russian UN officers.

Such planted stories, especially in reputable publications (and we have always considered Foreign Policy as such), in support of open pressure that is exerted on the international organization's leadership by certain Western countries to expel the Russian candidate from the race, are at odds with journalistic ethics and show that the author lacks professionalism and elementary conscience.

The Norwegian Justice Ministry's decision to extradite Russian Mark Vartanyan to the US

The Norwegian Justice Ministry decided on February 5 to extradite to the United States Mark Vartanyan, a Russian citizen who has been under arrest since 2014, on a US request over the allegations of his computer-related crimes.

We have repeatedly said that detention and extradition of Russian citizens on a US request in third countries is unacceptable. This practice has nothing to do with true justice and disregards the norms of international law. If the US authorities truly wanted to stop this criminal activity, they should have sent a request to Russia, the home country of Mr Vartanyan.

The Russian citizen's lawyers are preparing an appeal against this decision which will be considered by the Norwegian Government authorities. I hope an unbiased approach will eventually prevail to meet the generally recognised criteria of justice.

Turkey's decision to introduce visas for Russian journalists

We have already made warnings about it, but we didn't have any official information. Now we do.

Turkey has officially notified the Russian Foreign Ministry about introducing journalist visas on the principle of reciprocity, starting February 15, 2016, for all Russian press representatives who intend to visit Turkey to do their journalistic work, including for short-term stays of less than six months.

We'd like to draw Russian journalists' attention to this new measure, and we hope Russian journalists will take these requirements into consideration when sending their staff on working trips to Turkey.

From answers to questions Syria no-fly zone

Question: What is the Russian Foreign Ministry's attitude to German Chancellor Angela Merkel's calls for a no-fly zone in Syria? Under what conditions can Russia support this initiative?

Maria Zakharova: First, let me note that, although these statements were indeed made by German Chancellor Angela Merkel, the idea is not new and it doesn't belong to her. It had been pushed forward by Turkish colleagues. Second, let me draw your attention to Russian Deputy Foreign Minister Gennady Gatilov's comment in which he pointed out that any such proposal must be coordinated with Damascus, because no one has abolished state sovereignty. Third, I believe that no one wants a repeat of the Libyan scenario. The international community already saw this concept in action. Its aftermath is being felt not just in Libya. Actually, in Libya nothing at all can be seen, because everyone hates to even look at what has happened to that country. But it is seen far beyond its borders - in Europe, and it will be felt beyond the European continent soon.

Question: Mrs Carla Del Ponte, a former chief prosecutor of the UN criminal tribunals for former Yugoslavia and Rwanda, is reportedly visiting Moscow. Could you comment on this visit? Does Mrs Del Ponte plan to meet with Russian Foreign Ministry officials? Does she plan to meet with Foreign Minister Sergey Lavrov?

Maria Zakharova: This time you failed to cause a stir. Yesterday, the Russian Foreign Ministry published a press release on its website about Deputy Foreign Minister Gennadiy Gatilov's meeting with members of the UN Human Rights Council's independent commission of inquiry on Syria. Mrs Del Ponte, as a member of this commission, attended the meeting. The delegation was headed by Mr Paulo Sergio Pinheiro. Mrs Del Ponte was one of its members and in that capacity was present at the Russian Foreign Ministry. She did not have any other meetings at the Foreign Ministry, at least I haven't heard of any. Being a remarkable diplomat, she drew attention to herself. I repeat that she was a member of the delegation, and she didn't have any other meetings in any other capacity at the Russian Foreign Ministry.

Monument to Soviet general who fought in Poland opens in Moscow

Question: Today you attended the ceremony of the unveiling of the monument to Ivan Chernyakhovsky in Moscow. Will Russia insist on the restoration of the monument to him in the Polish city of Pieniezno? The bust was removed on September 17, 2015, but the stele is still there. That said, the monument is in the process of being dismantled.

Maria Zakharova: Indeed, you're right. I attended today the ceremony of unveiling a monument to Twice Hero of the USSR Gen. Ivan Chernyakhovsky. I'd like to draw your attention to this event. The monument was unveiled near the Aeroport metro station. A street in this district was named in his honour a long time ago and now there will also be his bust. The event was organized upon the initiative of the Russian Military Historical Council and Chernyakhovsky's family. The ceremony was attended by representatives of the Ministry of Culture. The question you raised was voiced at this ceremony as well. I replied that the Russian Embassy in Warsaw is in contact with the Polish authorities on this issue. We are convinced that people who do not remember their own history and history as a whole are bound to turn into Mankurts. Probably, few people remember who the Mankurts are and it would be good if they refreshed this in their memory.

Polish journalists asked if the Russian public unveiled this bust in Moscow in response to the dismantling of the monument in Poland. I replied and can confirm again that we are doing this not in response to some actions but for ourselves, the people of Russia. A poem by Robert Rozhdestvensky was quoted today. He wrote: "This is necessary not for the dead! This is necessary for the living!" This is necessary for those who live in the Russian Federation because if we don't remember and don't know our heroes, we will turn into Mankurts. We remember our heroes but we want future generations to remember them as well. A monument is visualised history.

As for the dismantling of the monument in Poland, we consider this issue very important. We still hope that the anti-monument campaign will reach an end in Poland. I'd very much like Polish officials (although there is little hope) and ordinary Polish citizens - the same people as we are - to understand one simple thing: it is impossible to demand respect for oneself if you don't respect other people. We hold sacred the memory of our great grandfathers and grandfathers who fought in World War II regardless of where they lost their lives. Many of them were killed while liberating Poland. Our Polish colleagues keep telling us that they didn't bring freedom and liberation to Poland. I won't even argue with this because they brought life to Poland. Many of the living Polish citizens are simply obliged to our grandfathers and great grandfathers for their existence because many of our soldiers perished there.

There was a weird episode recently when a Polish journalist interviewed Russian Minister of Culture Vladimir Medinsky. She said her grandfather was purged and this is why Poles hate Russians. I'd simply like to remind Polish citizens that a vast number of Russian citizens were also purged. This is our common grief and pain. We repented and apologised for these times to each other and even set up a Russian-Polish group on sensitive issues in cooperation with Poles to overcome this. It is impossible to use human pain for political objectives all of the time. We have a big request to Polish citizens - please separate politics from history and life, please go forward and realise that we hold sacred monuments to these people. Just imagine for a second what Russian people feel when they see this Polish attitude towards our monuments. I think when they realise this, their mentality will undergo a global "reset". This doesn't mean at all that we should forget about our past errors and achievements in bilateral relations. This simply gives us an opportunity to move ahead while remembering them. Let me repeat again that the Russian Embassy in Poland is permanently monitoring this issue.

North Korea

Question: The Government of the Republic of Korea shut down the joint North-South Korea Kaesong Industrial Complex in response to a nuclear test and a rocket launch by North Korea. The United States also plans to impose unilateral sanctions on North Korea. Is it possible that Russia will too impose unilateral sanctions on North Korea by suspending joint economic projects with it?

Maria Zakharova: You are aware of our attitude towards unilateral sanctions. We believe that exerting pressure on any country in the form of unilateral sanctions to achieve political goals is an illegitimate practice. We recognise only the sanctions that are approved by the UN Security Council. This is my answer to your question.

Question: In response to the provocations by North Korea that have taken place in Munich, China's Foreign Minister Wang Yi suggested holding negotiations not only on denuclearising the Korean Peninsula, but also on transforming the Korean Armistice Agreement of 1953 into a peace agreement to reduce North Korea's concerns about the safety of its regime. What does Russia think about such a proposal?

Maria Zakharova: We have provided a principled assessment of the recent events on the Korean peninsula and reaffirmed our consistent and principled stance on denuclearising the Korean Peninsula. This is the basis of our policy.

Russian-Georgian relations

Question: Recently, Grigory Karasin spoke with Zurab Abashidze on the telephone. Reportedly, the Trans-Caucasus Group may meet in Prague in mid-March. Is that true? Is such a meeting planned to be held at that time? Maria Zakharova: Indeed, in the course of a telephone conversation between Deputy Foreign Minister Grigory Karasin and Special Envoy of the Georgian Prime Minister Zurab Abashidze on February 4, the sides agreed to meet in Prague in mid-March. During the meeting, they will continue to discuss practical issues of bilateral Russian-Georgian relations.

Ukrainian calls for sanction against Russian media outlets

Question: Ukraine's National Council on Television recommended Ukraine's National Security Council to impose sanctions on 38 legal entities, including Russian TV channels and media, such as Rossiya Segodnya and Sputnik. What do you think about this?

Maria Zakharova: We have seen media reports regarding a sanctions list against Russian media drafted by Ukraine. What am I to say about Rossiya Segodnya and Sputnik, if even Bobyor made it to the list? Apparently, Bobyor will be no longer broadcast in Ukraine. In fact, this is a "normal" trend. This is happening not only in Ukraine. It's a global trend. I have even prepared a short list of such events. Recently, two Sputnik correspondents were questioned by police in Latvia in connection with their work with a Russian media outlet, which had just opened there. They didn't have time to do anything but were already questioned. The situation in Lithuania is about the same, where the local security service notified everyone who wants to work with Russian media to report to the police. Can you believe that? People who accuse us of so-called "Kremlin propaganda" are asking people who want to work with Russian media to register with the police.

Among more recent developments, according to information from France, Russian journalist and analyst Stanislav Byshok arrived in Paris on February 17 to take part in the conference, "Freedom of the Press amid Instability and Terrorism". I'm not going to provide assessments of this individual or his work. I don't know him personally, but here's a fact. At the passport control at the Charles de Gaulle international airport, the border control checked his passport and visa and politely asked him to go to a separate room, where he was held for about three hours without explanation. Then, he was given a document in French and explained through an English interpreter that upon the request of (guess who?) Lithuania he has been denied entry to the Schengen Area since September 2015. The French had no problem with him, everything was fine and friendly, but based on existing Schengen rules, they complied with the relevant demand of Lithuania.

I looked further into this issue, and it turned out that the conference organizer, the international nonprofit organization Association of Journalists for Peace, based in Germany and created in May 2015, invited a Russian representative to make a presentation on freedom of the press in Ukraine. He was denied entry, and he cannot participate in discussions in countries in the Schengen Area.

It's all part of the same story. Then, they tell stories about the media being allegedly harassed in Russia and foreign correspondents expelled. When a Finnish correspondent comes to Russia without proper documents and engages in journalistic activities and is asked to go back and return with the necessary papers, it is portrayed as pressure on free journalism. When our specialised journalists (he has published more than one book on the situation in Ukraine) want to participate in corresponding activities having all the necessary papers, they are told that entry is denied, or they must register with the police. Unfortunately, such things are unacceptable, but they flourish in European countries.

Syrian Kurds

Question: You mentioned today's terrorist attack in Ankara, which the Turkish authorities blame on Syrian Kurds. In addition, there is the danger of Turkey invading Syria. The Syrian Kurds say that Moscow has promised to give them military support and protection from the Turkish army if this happens. Can you confirm this?

Maria Zakharova: I don't know which statements by Syrian or other Kurds you are referring to. Who exactly has said this?

Question: A member of the Syrian Kurds' representative office in Moscow.

Maria Zakharova: Again, who exactly?

Question: Rodi Osman.

Maria Zakharova: I haven't seen that statement. I can only tell you that we consider Syrian territory a sovereign state. It's strange that many other countries don't regard it as such. It is this that leads to such questions. Any incursion into the territory of a sovereign state is illegal. This is a fundamental truth. At least, we consider this to be absolutely clear. The other day Syria raised the issue of the situation on the Syrian-Turkish border at the UN Security Council. The council discussed this issue before that and is still discussing it. Therefore, the obvious answer to this question that this [incursion into the territory of a sovereign state] will be illegal. Fortunately, no one has rewritten the UN Charter yet.

As for modelling situations, we hope that regional and other countries will make plans based on legal awareness and a correct understanding of international law rather than based on what they want or what would suit them best at any given point in time.

I perfectly understand the ongoing debates, including on the terrorist threat coming from Syrian territory. There are two crucial elements. First, regarding the terrorist threat, I'd like to point the finger at those who nursed it and who supported the extremists and have been delivering weapons to them all this time. But, we know that the victims of terrorism don't care for this now. Being experts, we should analyse the situation. The second vital issue we highlighted and formulated as the goal of the Russian Aerospace Forces, is to reduce the terrorist threat, in particular to Russia. However, there is a small but very important element: We have been acting [in Syria] on the basis of international law. When we spoke about the need to reduce the terrorist threat coming from Syria, we did this at the request of the Syrian authorities, or more precisely the Syrian government, which the UN still considers to be the legitimate government of Syria. There's no reason why other countries that are concerned about the terrorist threat coming from Syria cannot act jointly with Damascus and do this officially, through the UN and other related organizations, but only based on international law.

Ukraine: Talks in Normandy format

Question: Are you preparing for the next round of the Normandy format talks on Ukraine? When and where will it be held?

Maria Zakharova: I can say to this that Foreign Minister Sergey Lavrov has provided detailed comments on the results of the ministerial - almost ministerial - Normandy format in Munich. As you know, due to a recent government reshuffle, France was represented by the ministry's political director rather than by the foreign minister. In light of the packed agenda of the Munich Security Conference, the Normandy format meeting was quite short. This means that another ministerial meeting will be held. The date has not been coordinated yet, but the possibility of convening this meeting is being discussed. As I have said, no date has been agreed to so far. We will inform you as soon as it's decided.

Kyrgyzstan

Question: Will relations between Moscow and Bishkek change now that Kyrgyzstan has withdrawn from the Kambarata hydroelectric power station and Upper Naryn cascade projects?

Maria Zakharova: Overall, we have a common understanding with the Kyrgyz authorities on Kyrgyzstan's withdrawal from these projects.

As for the future of our relations, our countries will continue to strengthen cooperation in all the main spheres. Our bilateral relations have been based on complete trust between Moscow and Bishkek on all levels and on all issues in the past few years, whether it's cooperation within the Eurasian Economic Union or the implementation of various joint projects. I'd like to remind you about the growing activity of the Russian-Kyrgyz Development ***Fund***, the opening of Russian markets to Kyrgyz commodities, primarily ***agricultural*** products, and lastly, the development of interaction in tourism.

The strategic partnership between our countries has grown stronger, and we highly value Bishkek's consistency in this respect, of course. Kyrgyzstan is a reliable partner in Central Asia with whom we will continue to strengthen our mutually beneficial cooperation. We will deal with all issues and problems, should any arise, constructively and based on mutual respect.

Serbia

Question: You mentioned NATO Secretary General Stoltenberg's visit to Serbia. Will Russia seek the same status for its representatives in Nis as NATO representatives in Serbia? Do you know the date of Prime Minister Medvedev's visit to Serbia?

Maria Zakharova: For the date of the Prime Minister's visit, please check with the Russian Government's Press Service.

What status would we be seeking?

Question: NATO representatives were ***granted*** diplomatic status in Serbia.

Maria Zakharova: I will need to check on this and reply later. I have no information on this.

Turkish businesses welcome to forum in Kazan

Question: Is Russia planning to invite Turkey to the International Economic Forum in Kazan?

Maria Zakarova: We are open to Turkish business. I'd like to stress once again that the November 2015 tragedy has caused a deterioration in Russian-Turkish relations. This is obvious and we aren't hiding the motives. But Russia has stressed - and we repeatedly said as much - that although the deterioration couldn't help but affect people in both countries, we proceed from the assumption that Russian-Turkish relations will develop. If the Turkish side and Turkish business are interested in attending the Kazan Forum and other fora, and in general in promoting business and economic opportunities and the potential for relations, we'd only welcome that.

Syrian-Turkish border

Question: You are speaking about compliance with international law. But it's already rumoured that Turkey is at the point of crossing Syria's border. How will Russia respond if Turkey clashes with Syrian Kurds in northern Syria? Maria Zakharova: Russia will regard any invasion in Syria as a violation of international law. Our steps will depend on the specific actions that occur. We proceed from the assumption that the neighbouring countries will have enough reason and wisdom not to breach their earlier commitments on promoting the peaceful political and diplomatic process in Syria. Turkey, among others, has assumed these commitments as it signed the documents adopted initially in Vienna. Later the group was renamed the International Syria Support Group (ISSG), something that was confirmed in Munich. But before that the documents were accepted by the UN Security Council as its official binding ***instruments***. Apart from Syria enjoying sovereignty as any independent state does, there are commitments on renouncing military solutions to the Syrian crisis and to facilitate a peaceful settlement, which were assumed within the ISSG framework by a number of countries, including Turkey.

As for any invasion plans that are being talked about, how would this help a peaceful settlement? A military solution to the Syrian issue has no chance. Everyone is saying as much. There is not a single country that has said that. Any actions you are referring to would mean a disruption of any peace process and the renunciation of commitments undertaken, among others, by Turkey. Apart from certain additional processes, there is a global understanding of Syria's sovereignty.

Kurdish independence in Syria

Question: What is your attitude towards the possible emergence of an independent Kurdish entity in Syria?

Maria Zakharova: The Russian Federation has been speaking on the theme of independent territorial entities in Syria for several years. We see Syria as an independent, sovereign and democratic state, where different churches and faiths would coexist peacefully. We've always stressed that we see Syria as an integral state. Therefore, any insinuations about someone planning to create independent states in Syrian territory have nothing to do with reality. I have seen certain materials - and we've commented on them extensively - with allegations that Russia is interested in establishing certain independent zones, entities, or territories. Not only do we not support this, we actually are favouring the opposite - Syria's territorial integrity.

Nagorno-Karabakh

Question: Swedish Foreign Minister Margot Wallstroem recently proposed, in Baku, that the Nagorno-Karabakh issue be addressed within the broader format of the OSCE Minsk Group rather than by the three co-chairs. What do you think about this idea? Would Russia support the format?

Maria Zakharova: I think that it is the countries participating in this format who should decide the issue of expanding the current, generally recognised system. We don't see any need for changing the format. The group members should work to promote a solution to the [Nagorno-Karabakh] issue. However, the Swedish official is free to express her expert opinions. The current format has been approved and is generally respected and largely effective. However, all of us would like to see more progress, but this format is expedient, by and large. As I said, the decision rests with the format participants.

Coalitions for Syria

Question: Azerbaijani Foreign Minister Elmar Mammadyarov said at a joint news conference with his Turkish counterpart, Mevlut Cavasoglu, that Baku was considering joining the Islamic counterterrorist coalition in Syria. What do you think about this?

Maria Zakharova: It is the sovereign decision of Azerbaijan, which has the exclusive authority to decide which formats to join. You should have addressed your question to our Azerbaijan partners.

Speaking about formats, what I'd like to say has no relation to the statement made by the Azerbaijani official, but we see the number of formats growing and the members of existing coalitions making new proposals. I wonder if there is any coordination in this respect. There is the US-led coalition. Later several regional countries decided to create a coalition within the above coalition, like matryoshka dolls. As far as I know, the format of this new coalition has not been clearly outlined. Moreover, the goals and objectives of this proposed coalition are unclear.

How would the actions of these two coalitions relate to each other? Will they relate, or will these coalitions have different functions? Some countries that are members of some or other coalition have recently stated their individual intentions concerning their operation in Syria. It's unclear whether they would coordinate their operations or whether there is a common strategy at all. If this is a process for the sake of process, then so be it, but if this process aims to attain a certain result, then we need to understand its goals and objectives and methods of attaining them. So far, what we see is a process for the sake of process, which has not increased overall effectiveness.

I'd like to repeat what I said about Azerbaijan: this will be its own decision.

The issue of formatting or reformatting existing coalitions concerns only one aspect: the existence of a strategy and how these coalitions correlate to each other. We see no strategy so far. Nobody has declared one. It appears that this process is only designed to show that they are working and that the fight against ISIS is ongoing. But we believe that the creation of new formats is only meant to make up for the lack of these coalitions' concrete achievements on the ground.

Syria ceasefire

Question: Let's get back to Syria. A ceasefire will become effective in Syria soon.

Maria Zakharova: How optimistic!

Question: The next issue I'd like to mention is not so optimistic. Syrian President Bashar al-Asad said the following about a ceasefire and the cessation of hostilities: "Regarding a ceasefire, a halt to operations, if it happens, it doesn't mean that parties will stop using weapons." What does this mean? Will you comment, please?

Maria Zakharova: Please, for comments on President al-Asad's statements go to the Syrian press service or the Syrian Embassy in Moscow. They have a very media-active staff who can tell you what the Syrian President meant.

I can only speak on behalf of Russia. We have been ready for a ceasefire, the cessation of hostilities or any other similar action for a long time, when the Vienna format and the International Syria Support Group were only in the making. But the other members of the group who represented the so-called coalition were not ready. They now seem ready for this challenge and have worked out a formula that suits them. We have accepted it because we know that an unconditional ceasefire and the cessation of hostilities, which have been coordinated in Munich and put on paper in the Munich agreements and which will be discussed in detail within a concerned group, does not mean that we will stop fighting terrorism. We will always fight terrorism. The main question now is to correlate the two elements - a ceasefire and the continued fight against terrorism. For the past few months Russia has been advocating cooperation and interaction between the involved militaries so that no one can accuse anyone else of striking the wrong targets. The ice has broken. After the Munich meeting, our proposals have been heard as the situation has reached a stage where evading this action has become impossible. As you know, the violence cessation group includes military experts. We believe that they will coordinate further action.

As I said, ask the Syrian representatives about the meaning of President Bashar al-Asad's statement. As Russian officials and Foreign Minister Sergey Lavrov have said, we believe that the fight against terrorism will include the continued operation of the Russian Aerospace Forces. This was stated after the meeting in Munich, and corresponding comments have been made at a joint news conference of Russian Foreign Minister Sergey Lavrov, US Secretary of State John Kerry and the UN Secretary-General's Special Envoy for Syria, Staffan de Mistura.

Source: Ministry of Foreign Affairs website, Moscow, in English 20 Feb 16

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[***Putin's interview to Bloomberg - Kremlin transcript (full text)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5KMM-NKT1-DYRV-34P6-00000-00&context=1516831)

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Interview to Bloomberg September 5, 2016, Vladivostok

On September 1, Vladimir Putin gave an interview to the international media company Bloomberg in Vladivostok.

John Micklethwait: Mr President, thank you very much for speaking to Bloomberg. Here in Vladivostok we're on the edge of the Pacific and on the eve of the second Eastern Economic forum. What do you hope to achieve at it?

President of Russia Vladimir Putin: We would like to draw the attention of our partners, of potential investors to the Russian Far East. In this sense, the Forum as an event is similar to other regional forums of this kind. Russia hosts a lot of such forums, including the International Economic Forum in St Petersburg, (usually in the beginning of summer), as well as the Economic Forum in Sochi.

The Far East is of particular significance for us in terms of this region's priority development. Over the last few years, let us say even over the last decades, we were faced with many problems here. We paid little attention to this territory although it deserves a lot more of it, because it concentrates great wealth as well as opportunities for Russia's future development. Not only for Russia alone, but also for the development of the entire Asia-Pacific region (APR), because this land is very rich in natural and mineral resources.

When we talk about the Far East we usually mean the Far East itself, including Primorye Territory, Khabarovsk Territory, Kamchatka, and Chukotka, as well as Eastern Siberia. All this area contains tremendous resources, including oil and gas, 90 percent of Russian tin, 30 percent of Russian gold, 35 percent of forest, 70 percent of Russia's fish is harvested in the local waters.

This is a region with a substantially developed transport and railroad infrastructure. In recent years we have been actively developing road connection. There is also a huge potential for developing the aviation and space industries. As you might have noticed we have launched a new Russian spaceport in one of the Far Eastern regions. As I have already said, the aviation industry, including combat air force, has been traditionally developing here. It is the Russian Far East where the SU aircraft, which are well known worldwide, are manufactured.

Finally, we are resuming the manufacturing of sea vessels here, first of all for civilian purposes. Just earlier today I witnessed the commissioning of one of the most promising sites of this kind.

And this is also a good opportunity for humanitarian exchanges with our neighbours. Our intention is to develop music, theatre and exhibition activities here. Just recently Mr Gergiev, a distinguished Russian musician and conductor, held his concerts here. We are going to set up a branch of the St Petersburg Mariinsky Theatre here. We are also planning to open local branches of the Hermitage Museum and the Vaganova Academy of Russian Ballet.

As you can see, we are now present in the building of the Far Eastern Federal University. I am sure you too have had a chance to assess the size of the University - the number of foreign students studying here is already in the thousands; there is also a great number of foreign professors. We would like to see science and higher education developing here, so that it could become one of the major research centres in the entire APR system. Undoubtedly a lot remains to be done here, but given the labour market demand, the relevance of such a university is undeniable.

In addition to everything that I have already mentioned, there is another domain that we consider relevant and having good prospects - marine biology. For many years this region has been home for one of the leading institutes of the Russian Academy of Sciences, the Institute of Marine Biology. You know, we are launching a new centre here; we have built an oceanarium on its premises, which is supposed to be not only a public place where people, I am sure, will enjoy the wildlife, but also part of the Institute of Marine Biology. A very interesting and promising cluster has formed here, and we would be happy if our potential investors, our counterparts from abroad, first of all those from the Asia-Pacific region, knew more about it.

John Micklethwait: One of the guests who have coming is Shinzo Abe. There seem to be the beginning of a political deal: you might give up one of the Kuril Islands in exchange for greater economic cooperation? Are you opened to a deal of that sort?

Vladimir Putin: We do not trade territories although concluding a peace treaty with Japan is certainly a key issue and we would like to find a solution to this problem together with our Japanese friends. Back in 1956, we signed a treaty and surprisingly it was ratified both by the Supreme Soviet of the Soviet Union and the Japanese Parliament. But then Japan refused to implement it and after that the Soviet Union also, so to say, nullified all the agreements reached within the framework of the treaty.

Some years ago our Japanese counterparts asked us to resume the discussions of the issue and so we did meeting them halfway. Over the passed couple of years the contacts were practically frozen on the initiative of the Japanese side, not ours. At the same time, presently our partners have expressed their eagerness to resume discussions on this issue. It has nothing to do with any kind of exchange or sale. It is about the search for a solution when neither party would be at a disadvantage, when neither party would perceive itself as conquered or defeated.

John Micklethwait: Are you as close to a deal now as you have been since the 1960s? Is it better now than any time since then?

Vladimir Putin: I don't think that we are closer than in 1956 but anyway we have resumed our dialogue and agreed that our foreign ministers and relevant experts at the level of deputy ministers will intensify this work. Naturally, this issue has always been a subject of discussions between the Russian President and the Prime Minister.

I am sure that during the meeting with Mr Abe here in Vladivostok this issue will also be discussed, but finding a solution requires it to be well thought out and prepared, and I reiterate, a solution that is not based on the principles of causing damage, but, on the contrary, on the principles of creating conditions for developing long-term ties between the two countries.

John Micklethwait: You seem to be more relaxed about territory in Asia. You mentioned the Kurils, you gave the island of Tarabarov back to China. Would you consider giving back Kaliningrad as a tribute?

Vladimir Putin: We handed over nothing, those territories were disputed and we have been negotiating this issue with the People's Republic of China, let me stress that, for 40 years, and finally managed to come to an agreement. One part of the territory was assigned to Russia, while another part - to the People's Republic of China.

Notably, it was only possible, and this is very important, due to the high level of trust Russia and China reached in their relations by that time. If we reach the same level of trust with Japan, we might be able to reach certain compromises.

However, there is a fundamental difference between the issue related to Japan's history and our negotiations with China. What is it all about? The Japanese issue resulted from World War II and is stipulated in the international ***instruments*** on the outcomes of World War II, while our discussions on border issues with our Chinese counterparts have nothing to do with World War II or any other military conflicts. This is the first, or rather, I should say, the second point.

Thirdly, regarding the Western part. You have mentioned Kaliningrad.

John Micklethwait: It was a joke.

Vladimir Putin: All jokes aside. If someone is willing to reconsider the results of World War II, let us discuss this. But then we will have to discuss not only Kaliningrad, but also the eastern lands of Germany, the city of Lvov, a former part of Poland, and so on, and so forth. There are also Hungary and Romania on the list. If someone wants to open this Pandora's box and deal with it, all right, go for it then.

John Micklethwait: Can I ask you about the Chinese again. Back in 2013 you said you set $100 billion of trade with China as a target for 2015. But it was about $67 billion-$70 billion a year. What went wrong? I know the problems to the ruble and problems to the oil. Do you still think that target of $200 billion in 2020 is achievable?

Vladimir Putin: Yes, I find it absolutely attainable. You have just listed the causes of this fall in bilateral trade yourself. At the first stage, we set the target at about 100 billion US dollars, and we almost got there - it reached 90 billion. So we are almost there. But we also know the reasons for the fall. These include a decline in the prices of our traditional export goods and the exchange rate difference. These are objective reasons. And you know that very well.

John Micklethwait: Did sanctions make a difference?

Vladimir Putin: The sanctions have nothing to do with our relations with China, because our relations with the People's Republic of China are at an unprecedented high both in terms of their level and substance. They are what we call "a comprehensive partnership and strategic cooperation". Sanctions have nothing to do with this. The decline in our mutual trade has objective causes, which are the energy prices and the exchange rate difference. But the physical volumes have not decreased, quite the opposite actually. They are growing.

As to our trade and economic relations with China, they are growing more and more diverse each day, something we have worked on for a long time with our partners from China. I would like to draw your attention to the fact that we have gone from pure trade in traditional goods (energy resources, such as hydrocarbons, oil and now natural gas, petrochemicals on the one hand and textiles and footwear on the other) to a whole new level of economic cooperation. For example, we are working together on space programmes. Moreover, we are developing and soon will begin the production of a heavy helicopter. We are now tracing the plan for the creation of a wide-body long-range aircraft.

Russia and China also cooperate in mechanical engineering, high-speed railway transportation, lumber processing, nuclear energy production and so on.

We have built the Tianwan Nuclear Power Plant. Two units are already operational and are showing good results. There are two more to go. So, the goal we have set for ourselves, which is to diversify our cooperation with China, is making progress.

John Micklethwait: Just listening to you speak I wonder if you look back, you became president first back in 2000, I wonder if you look back over that period whether you think Russia has become a little bit more an Asian country and a little bit less European one?

Vladimir Putin: I'll tell you this: it has become a more developed one. I would not draw a line between Asia and Europe. The divide lies in a different field - in the level of development. Since then, Russia's economy has become 1.7 times larger. That is a nearly two-fold growth. Russia has moved up to the fifth or sixth position in the world PPP ranking.

It is absolutely clear that ten and even less so fifteen years ago we would not have been able to respond to the sanctions that are now imposed on Russia, with countermeasures in ***agriculture***, for example. We would not have been able to close our market to the countries making unfriendly steps against us, because we could not satisfy the demand with our own goods at that time. But now we can. That is one.

Secondly, a freer national market allows our ***agricultural*** companies to step up the production of goods inside the country. Aside from the decrease in GDP caused by a number of factors, not limited to sanctions but also related to the processes in the world economy, we are also experiencing a slight decline in the industrial sector. However, the ***agricultural*** sector is growing steadily at a yearly pace of 3 percent, and it will be 3 percent or even more significant this year and the next year as well.

So, if we look at was has changed in the last 15 years, we'll see that a lot has been done. Even more importantly, the Russian economy as a whole has been put on a sound footing. In 2000, we had 12 billion in gold and foreign currency reserves and, if my memory serves me well, a foreign debt of 20 billion.

Today, Russia is among the top ten countries with the best foreign debt/gold and foreign currency reserves ratio. As of 1st August 2016, the volume of our gold and foreign currency reserves amounted to 395, that's almost 400 billion USD, and the foreign debt stood at just about 13 percent of GDP. This ratio is among the most favourable in the world.

Back in 2000, 40 million people, a third of the country, were living below the poverty line. Since then, this number has dropped almost three times but has been, unfortunately, growing a little bit due to the economic difficulties and the overall fall in the household income. Still, it is an incomparably lower number than 15 years ago. Pensions are several times larger now, real salaries have grown substantially; they are now nothing like back then. These are the factors that helped us achieve what we have fought for and what lays the foundation for a successful development of any State, namely the demography.

In the early 2000s, it seemed to us that we could not reverse the negative demographic trend. The Russian population was decreasing year after year by - I will now tell you a horrifying number - nearly one million people, 900,000 to be precise. Throughout the last three years, we have witnessed natural population growth, we have the lowest...

John Micklethwait: You're encouraging romance.

Vladimir Putin: We have the right to say and be proud that we now have the lowest rate of infant mortality and the lowest maternal mortality in our contemporary history. As far as I know, this was not the case in the Soviet times.

We set ourselves the goal to increase life expectancy. Over the last five years, it has been growing a lot faster than we expected. All these facts taken together allow us to believe that we are on the right track.

Certainly, we still can and have a lot to do and we might have achieved greater results, but on the whole we are doing what has to be done.

John Micklethwait: You've just talked about the Russian economy, we'll come back and I ask you about reserves in just a second. But it struck while you're talking in detail in all the ways Russia got stronger. You're about to go to G-20 you have studied and watched the west many times. You've been to G-20 more than any other leader at the moment. Have you ever been to G-20 where the west is seen more divided, more in doubt, more distrustful in itself. Look at all those things happening in Europe - you look at migration, you look at Brexit, you look at America with all the election and the problems with that. Does the West seem particularly disunited at the moment to you. How do you explain that?

Vladimir Putin: There are many issues in the global economy in general and in the western economy as well: population ageing, drop in labour productivity growth rates. This is obvious. The overall demographic situation is very complicated.

Then, the specialists themselves, and you are one of the best specialists in this area, probably believe that in the course of EU expansion, for example, some elements concerning the readiness of some economies to enter the Eurozone have not been taken into account.

It is very difficult to enter a single currency zone having fairly weak economic parameters and maintain a favourable state of the economy, not to mention positive growth rates. We have witnessed it not only in Europe, but for example in Argentina (nearly 10 years ago or more), when they tied the national currency to the dollar and later they did not know what to do about it. It is the same with entering the Eurozone...

John Micklethwait: Do you expect the euro to survive?

Vladimir Putin: I hope so, because we believe in the fundamental principles of the European economy. We see that leaders in Western Europe (there are some debates of course, we also see that and analyse it all) stick to, I cannot say right or wrong ones, it always depends on someone's view, but I think, very pragmatic approaches in addressing economic issues.

They do not misuse ***financial*** ***instruments***, ***financial*** injections, but, first of all, seek structural change. This is urgent for our economy as well, maybe even more urgent bearing in mind the problem that we cannot yet deal with, namely the prevalence of the oil and gas sector in the Russian Federation and, as a result, dependence on revenue from oil and gas.

This is also evident in Europe, not the dependence on oil and gas, but the fact that structural reforms are long overdue, and I think that the leading economies are very pragmatic and efficient in addressing the issues facing the European economy. That is why we keep approximately 40 percent of our gold and foreign currency reserves in euros.

John Micklethwait: You expect that Europe won't keep the existing membership, and they going to lose more like they lost Britain?

Vladimir Putin: You know, I do not want to answer your provocative question, though I understand that it may be interesting.

John Micklethwait: Come on, many, many times you've criticized Europe...

Vladimir Putin: Well, yes, I have criticized it, but I repeat: we keep 40 percent of our gold and foreign currency reserves in euros, we are not interested in the collapse of the Eurozone, but I do not rule out the possibility of decisions being made that would consolidate a group of countries equal in economic development and this, in my opinion, will lead to a consolidation of the euro.

But there can also be some interim decisions in order to keep the present number of members of the Eurozone unchanged. This is not our job, but we always follow the actions of our European partners closely and we wish them luck.

Now, regarding that criticism you spoke about. I have criticized foreign policy, but that does not mean that we should agree with everything. Indeed, we criticize a lot of things, we think that our partners make many mistakes (may be we make mistakes too, no one is immune to making mistakes), but as for the economy, I repeat that, in my opinion, the European Commission and the leading European economies are acting very pragmatically and are on the right path.

John Micklethwait: Can we talk about the Russian economy. I know you will say that exchange rate a lot depends on central bank and the exchange rate is set by the market. I saw back in July, on July the 19th when the ruble was 62,9 with the dollar you said the ruble is too strong, you criticized that. And a ruble is now come down to 65 to the dollar. Is it weakened enough to make you happy? Or do you want to see it weakening further?

Vladimir Putin: I did not criticize the Central Bank's position. I have always thought and I still think that the Central Bank should act independently. Indeed, it does, you can take my word. I do not interfere in the decisions of the Central Bank and I do not give instructions to the Bank management or to its head.

The Central Bank observes the economic situation and, of course, I keep in touch both with the managers and the President of the Central Bank, but I never give instructions. If I said that the ruble had become too strong, I did not say that the Central Bank's position was wrong, I said that it added pressure to export-oriented sectors of economy. We all understand that this is true. When the ruble is weaker, it is easier to sell, to produce here for a cheap ruble and sell for an expensive dollar, get revenue in dollars and then exchange it for rubles and get a bigger income. This is simple.

But if we speak about fundamental things, regulation of the rate is actually the function of the main regulator, namely the function of the Central Bank. And it should think of how the economy and industry react, but also of its fundamental tasks in order to ensure the stability of the rate.

The stability of the rate is the main issue and the Central Bank manages to ensure it one way or another. This was finally achieved after the Central Bank switched to a floating national currency exchange rate.

The Central Bank should take into account other things as well: the stability of the bank system in the country, the increase or decrease of money supply in the economy, its influence on inflation. The Central Bank has a lot to handle and it is best not to interfere with its competence.

John Micklethwait: You personally, would you like to see ruble a little bit weaker still, with their help? I know it is not you job but you made a comment before. What do you say now?

Vladimir Putin: You know, my position is that the rate should align with the level of economic development. Because it is always about a balance, a balance of interests, and it should reflect this balance. A balance between those who sell something across the border and those who benefit from a low rate, as well as a balance between the interests of those who buy, who need the rate to be higher.

A balance between national producers, for example, ***agricultural*** producers who are interested in it. Here we have 40 million Russian citizens involved in the sphere of ***agriculture*** one way or another. This is very important. We should not forget either about the interests of the regular consumers who need the prices in supermarkets to be a little bit lower.

Therefore, let me reiterate that the rate should not meet the interests of a specific group or one or two groups, it should meet the fundamental development interests of the economy itself.

John Micklethwait: So you are no longer complaining. I will take it that you are not too unhappy where it is?

Vladimir Putin: I did not express any disagreement, did not complain. I simply noted that one of the groups, especially exporters, would prefer to have a weaker rouble.

John Micklethwait: You mentioned earlier Russia used to have $500b. Now it is $400 billion. You have this target to get back to $500 billion. What you think is the realistic target? And your opinion: should the central bank be buying more dollars in order to push it back up towards $500 billion?

Vladimir Putin: The Central Bank is constantly purchasing, purchasing and selling and vice versa - this is their job. I believe that over the last six months gold and foreign currency reserves increased by 14 percent.

John Micklethwait: They gone back up a little bit, but they haven't been buying dollars in the same systematic way as they did once.

Vladimir Putin: You and I know very well about the necessary level of reserves of the Central Bank as well as the purpose. We can tell the general public that the gold and foreign currency reserves of the Central Bank are not designed to ***finance*** the economy, but rather to ensure foreign trade turnover. Therefore, we need this level to be able to provide the necessary foreign trade turnover for such an economy as Russia's for a period of at least three months. If everything stops functioning our level will be able to ensure our trade turnover using its gold and foreign currency reserves for at least six months or more, which is more than enough.

Therefore today we have an absolutely sufficient level of gold and foreign currency reserves in order to ensure economic stability and sustainable foreign trade turnover. All other issues - purchasing and selling of currency - are related to the regulation of the national currency market. However, it is still difficult to say what will be the reaction of the Central Bank and if it would lead to increasing the gold and foreign currency reserves. Let us not forget that we have two governmental reserve ***funds***: the Reserve ***Fund*** and the National Wellbeing ***Fund*** that represent together $100 billion.

John Micklethwait: Can I ask you about the oil price - your favourite subject. Almost two years ago you said that if crude oil fell below $80 a barrel there would be a collapse in oil production. The price is still below $50 and production hasn't stopped. Has your thinking changed on that at all?

Vladimir Putin: If I said that oil production would collapse I was wrong. By the way, I do not remember when I said this, maybe in the heat of the moment, but I do not think I even said it, but I may just not remember it. I was saying that at a certain level of oil prices new deposits will not be explored. That is what is actually happening. However, surprisingly, our oil and gas workers (mainly oilmen) continue to invest.

Over the past year, oilmen have invested 1.5 trillion rubles, and if we take into account government investments into the development of pipeline transport and electric energy, general investments into the energy sector were 3.5 trillion rubles last year. It is a considerable amount.

Oil production, energy production are growing, though the latter has gone down by about 1 percent here, I believe... By the way, we occupy the first place in the world in gas export, accounting for 20 percent of the world market. We are also first in the sphere of liquid hydrocarbons export.

Though we still come first in the sphere of gas export, national production has diminished due to the increasing volumes of hydrogenation for the electric power industry and therefore there is a lower need for gas at thermal power plants. This is the result of the restructuring of the situation at the national energy market. In general, Gazprom is doing well and is increasing export in its traditional partner countries.

John Micklethwait: You're going to talk to Saudi Deputy Crown Prince Mohammed bin Salman at the G-20. Would you still be in favor of the production freeze if the Saudis want that?

Vladimir Putin: As far as I know, Mr. Salman is deputy Crown Prince, but this is not so important. He is a very active statesman, we have really warm relations. This is a person who knows what he wants and can achieve his goals. At the same time I consider him to be a reliable partner with whom one can negotiate and be sure that agreements with him will be implemented.

However, it was not us who refused to freeze oil production; our Saudi partners changed their point of view at the last moment and decided to slow down the adoption of this decision. I would like to reiterate our position, it remains the same. Firstly, in my conversation with Prince Salman on this issue I will reiterate our position: we think that this is the right decision for the world energy sector.

Secondly, it is well known what we were arguing about: if we freeze oil production, everybody should do so, including Iran. But we understand that the Iranian position is very bad because of the well-known sanctions against that country, and it would be unfair to leave it on this sanction level. I believe that in fact it would be economically reasonable and logical to reach a compromise, I am sure that everybody understands this.

This issue is not economic but political. I hope that all market participants interested in maintaining stable and reasonable world energy prices will finally make the right decision.

John Micklethwait: So you would be in favor of a production freeze but giving Iran a little bit of leeway to do what they need to do?

Vladimir Putin: Yes.

John Micklethwait: I want to jump back - all these things affect budget. You have budget deficit, you just given some more money which you mentioned earlier to pensioners. You will have to borrow sometime. Are you likely to go this year? And will you go to the domestic market or will you go to the international market to borrow money?

Vladimir Putin: There is no such need at the moment. We do not have to borrow in the external market, but we have used and are using this traditional ***instrument*** in international ***financial*** relations. We have issued ***financial*** ***instruments*** in the past, and there is a strong demand for them, it is simply unnecessary now. Given the cost of borrowings and the $100 billion in Government reserves, there is no reason for us to borrow. We should review the situation carefully. Besides, borrowings are possible, but we must understand what is more profitable at this point. This is one point.

The second. The deficit. Last year the federal budget deficit was 2.6 percent. I think you would agree that this is a rather acceptable level. This year, we expect a slightly higher deficit of about 3 percent, maybe a little more than 3 percent. It is also an absolutely acceptable level. But what are we seeking to achieve? We are seeking to optimize budget spending. I believe that even in such uneasy times we employ a very pragmatic approach towards economic and social issues. We do address major social problems and deliver on our promises to our people.

The Government has just announced a four percent indexation of pensions. There has been no indexation in the second half of the year, but early next year we will make a one-time payment of 5,000 rubles to each pensioner, which is actually comparable to the indexation. We act in a pragmatic and careful manner. We reduce spending on budget items that do not constitute a priority. We are not going to waste our reserves and burn them for any political ambitions. We will act very carefully.

I hope that there will be no particular need for us to attract external ***funding***. It is worth noting that despite the fact the turnover is smaller now we are still maintaining a trade surplus. I believe that we now have a trade surplus of $45 billion for the first half of the year.

Year-on-year inflation has dropped several-fold. Several-fold! Year-on-year it was about 10 percent compared to last August, but now it is only a slightly more than 3 percent. The unemployment rate of 5.7 percent is also acceptable. Our microeconomic indicators are stable and it gives me reason to believe that we will calmly and steadily pass this uneasy period in our economy, which has already no doubt adapted to the current situation.

John Micklethwait: Can I ask you about privatization and oil again? The privatization of Bashneft - you've delayed it. And now as we reported Igor Sechin of Rosneft just come forward and said he would like to buy the half of it for $5 billion. You have always said that you don't want for big state companies to be buying the newly privatized ones. You wouldn't allow that, would you?

Vladimir Putin: You know, you have just mentioned state companies. Strictly speaking, Rosneft is not a company. Let us not forget that BP has a stake in Rosneft and BP is a British company. You are a subject of the UK, are you not? It means that you also to a certain degree...

John Micklethwait: You may have more control over Rosneft than Theresa May has over BP.

Vladimir Putin: We may have more control, but my point is that, strictly speaking, it is not a state company. I think that this is an obvious fact, as a foreign investor has a 19.7 percent stake in it. However, given the fact that the State has a controlling stake in the company, it might not be the best course of action when one company under State control buys another one fully owned by the State. This is one point.

Another point is that ultimately, as far as the budget is concerned, of major importance is who offers more money during the bidding that must be organized as a part of the privatization process. In this sense, we cannot discriminate against any market participants, not one of them, but this is not relevant at the moment, as the Government has decided to postpone the privatization of Bashneft.

John Micklethwait: That's gone. But on the question on privatization, you said back in 2012 that you wanted to expand privatization, you've had a difficult time on this. Why has that not worked? Is there a case, why does Russian government need to own 50 percent of these companies? May be you could sell more?

Vladimir Putin: There is no need for the Russian state to hold such large stakes and we do intend to put our plans into practice. It is not about whether we want it or not, it is about this being practical or not and the best timing. In general, it is practical from at least one point of view - from the point of view of structural changes in the economy. It is true that the role of the state in the Russian economy may be too big today, but from the fiscal standpoint, it is not always practical to do this in a falling market. That is why we are careful, but our trend in the privatization process and gradual withdrawal of the state from certain assets remains unchanged.

By the way, you have mentioned Rosneft. We are actively preparing a partial privatization of Rosneft itself. It is the best proof that our major plans have remained unchanged. Another example would be one of the largest Russian diamond mining companies in the world. We are privatizing part of our stake in that as well.

John Micklethwait: ALROSA?

Vladimir Putin: ALROSA. We are working in other areas as well, so there are no radical changes to our position. It is not the case when we have to, as we say, make a lot of fuss about it. In other words, we do not have to be obsessed with privatizing immediately and at any cost. No, we will not do it at any cost. We will do it in a way that ensures maximum benefit for the Russian state and the Russian economy.

John Micklethwait: So you would do Rosneft this year, you would sell those shares in Rosneft this year you hope?

Vladimir Putin: We are getting ready for the deal this year. I do not know whether the Government will be able to get ready to conduct this transaction together with the management of Rosneft itself, whether the appropriate strategic investors will be found. And I believe it is about such investors that we should talk. But we are getting ready, and it is in the current year that we are planning to do this.

John Micklethwait: And do you, do you again just to push you on that 50 percent, would you be happy in a world where the Russian state had less than 50 percent of these big companies?

Vladimir Putin: We do not consider this disastrous at all. You know, I remember that when foreign shareholders, foreign investors, got 50 percent in one of our companies, I will not name it now, their contribution to the federal budget and tax payments increased several times over at once and the company's efficiency did not decrease. Therefore, in terms of the interests of the state, the ultimate interests of the state, in terms of its fiscal interests, we have a positive experience, most likely, not a negative one.

John Micklethwait: Can I push you on this a little bit? Because when I look on your record over all these years, in foreign policy you're been very aggressive, very decisive, very bold and everyone agree on that. On economic policy you seem a little more timid.

Vladimir Putin: I do not agree with you. I have acted firmly but not aggressively.

John Micklethwait: Yes, firmly, rather.

Vladimir Putin: I have acted in accordance with the circumstances.

John Micklethwait: But on the economy on the contrast you've been slightly more, you've been less decisive in terms of pushing reforms. If you look at countries like China and Vietnam, you know, they have changed their economies completely. Russia, as you've said, is still dependent on oil, still dependent on a few companies, still run largely by the same people. Do you think that's been failing through out the years that you have not reformed enough?

Vladimir Putin: No, I do not think so. Moreover, look, we have carried out a land reform, and it was hard to imagine that ever being possible here in Russia. Note that, unlike many countries in the world with a well-developed market economy, we have, say, the oil sector that is almost completely privatized. Here you have named the Rosneft and Bashneft companies, all the rest are private companies. And look what is happening in this sector in Saudi Arabia, in Mexico and in many other oil-producing countries.

Why do you think that Russia is less advanced in regard to these reforms? Another thing is that, with the high oil price, it is very difficult to reorient economic actors from the sectors where they get big profits and to encourage them to invest money and resources in other sectors.

To that end, we need to carry out a whole set of measures, so we are gradually doing that. Regrettably, may be, the effect is not as powerful as we would like it to be - now I finish in a second, patience - but still there is a result.

See, the year before last, the budget received 53 percent from oil and gas revenues, it was the year before last - 2014, in 2015 it was 43 percent and this year it will be about 36 percent. So, structural changes also occur. And it is not just the price but also economic growth, the growth of specific production sectors. For example, we currently see a 0.3 percent increase in industrial production in the country in general, it is small but it is still in place. And, say, in the Far East, where we are now, the growth of industrial production, industrial in particular, is 5.4 percent.

John Micklethwait: Let me give you an example. You've recently made changes on the political side within your administration. If I look at the business, if I look at a company like Gazprom, for instance, I just checked in dollar terms, Gazprom is worth less than a fifth of what it was ten years ago, and it's fallen from being in top-10 companies in the world to 198th. And you've had the same manager, running it for 15 years - Alexey Miller - you've now given him another 5-year contract. What I'm saying, you're not as tough on business people who are running the oil side as you might be on other people. Why have you put up with this? You're famously efficient man.

Vladimir PUTIN: Look, Gazprom is clearly undervalued, it is absolutely obvious. We are not going to sell it yet and it is connected with the peculiarities of the Russian economy, social sphere and the Russian energy sector. One of the functions of Gazprom is to ensure the smooth operation in the country during the autumn-winter peaks and to supply Russia's large energy sector, and it copes with this task. I think that the assessments of Gazprom today are quite speculative and we have absolutely no worries and cares about that.

We know what Gazprom is, what it is worth and what it will be worth in the coming years, in spite of, say, the development...of gas in the United States or somewhere else in the world. Pipe gas will always be cheaper. And Gazprom is now increasing its exports to the countries of its traditional partners. In Europe (see the reports of Gazprom there), especially in recent months, the sales have been growing.

I am sure, that will continue in the future. Why? Because in the near future, despite the development of alternative energy, after all, if we look at the economic component and the requirements to environmental standards, there is no other primary energy source, except for gas, in the world. It could be only nuclear power. But here, there are also many problems and opponents of nuclear power. Regarding gas, there are no such opponents. But there is a country that is undoubtedly the leader in gas reserves. This is our country, the Russian Federation. And Gazprom fulfills all the functions assigned to it, assigned to its management.

There are, of course, questions and there are problems. We see them. I know that Gazprom's management is taking the necessary steps in order to solve these problems; it is fighting for its interests in the world markets. It is another question whether it is being done well or badly. Many criticize Gazprom, saying that it should have been more flexible and should have introduced floating prices depending on the current situation in the economy. However, the gas business is very peculiar. It is not even the trade in oil.

This is a separate business that is connected with large investments in production and transportation. And it means that the production structures are to be sure that they will sell and sell at a certain price.

You can, of course, negotiate with partners on some floating limits depending on some conditions. I think it may also be a subject of negotiations, but if, for example, our European partners want to ensure their competitiveness in global markets, they should ultimately be interested in long-term contracts with Gazprom.

Look, when the prices were high, Gazprom faced a lot of complaints that something should be done in order to cut a little the highest price. Oil prices currently dropped and gas prices depend on oil, but nobody thinks about increasing gas prices, everybody is fine with that. It means that buyer and seller have natural contradictions. But there is also some space for them to reach an agreement in order to minimize their risks. I suppose they can talk about it.

John Micklethwait: I know you're a generous man, but if you had a general who had lost 80 percent of his army, you might not keep him as a general. Gazprom still has the export monopoly, you wouldn't think of taking it away from them, given that performance, because it is worse than other gas companies.

Vladimir Putin: It's a different case. Speaking about the general, in this context he lost nothing, it was just transferring to reserves which may be drawn upon and used any time.

John Micklethwait: The G-20, this one will be the last times when you'll see Barack Obama. And as you well know there is American election on the way and as you well know there is a choice in that between Hillary Clinton and Donald Trump. Who would you rather have at the other end of the telephone if there is geopolitical situation - Donald Trump or Hillary Clinton? Do you have a feeling at all?

Vladimir Putin: I would like to deal with a person who is able to take responsible decisions and implement the agreements reached. The name does not matter. Of course, this person is to have the trust of the American people, then he or she would not only have the wish but also the supported political will to implement all these agreements.

We have never meddled in the domestic affairs of any state and we never will. We will keep a close eye on what is happening and wait for the election results and after that we will be ready to work with any Administration given that it wants to work with us.

John Micklethwait: Can I just push you on that? Back in 2011 you accused Hillary Clinton of seeking to trigger the protests that you were facing in Russia at the time. And by the contrast when I look at some of things that Donald Trump said about you back in 2007 that Putin is doing a great job, in 2011 he praised your no-nonsense way, the next year he said you is new best friend, next year he said you're outsmarting the Americans, he said you have good ratings to get ...

And I can go on like that. And you are really telling me that if you have a choice between a woman, who you think may've been trying to get rid of you, and a man, who seems to have this great sort of affection to you, almost bordering on the homoerotic, you not going to make a decision between those two, because one of them would seem to be more favorable towards you?

Vladimir Putin: You know, actually I have already answered your question, but I can put it differently, say it in other words: we are ready to deal with any President, but of course, and I mentioned that, it depends on the readiness of the future Administration. We always welcome when somebody says he or she is ready to work with Russia. But if anybody, just like you said, (inaccurate translation possibly), wants to get rid of us, then this is a different approach. However, we will get over it; you never know who is going to lose more with such an approach.

Here is the thing: I have seen several times that anti-Russian cards are being played during domestic campaigns in the United States. I find this approach very short-sighted.

At the same time we receive different signals all around that in fact, everything is fine. The same situation occurred with the previous administrations during the election campaigns, claims that everything will be restored later. I do not think it matches the level of responsibility shouldered by the United States. I suppose it should be more sound, calm and balanced.

As for the criticism we receive, you know, even Mr. Trump's team criticize us. For instance, one of the participants or members of his team claimed that Russia was giving money to the Clintons through some ***funds*** and that in fact Russia is controlling the Clinton family. This is nonsense. I do not even know where Bill Clinton delivered his speech and I know nothing about any ***funds***. Both parties simply use it as a tool in their internal political contention, and I am sure it is a bad thing. But again, we welcome the fact that somebody expresses readiness to work with Russia whatever the name of that person.

John Micklethwait: Very quickly: the other accusation you've faced or heard a lot is people connected with Russia or backed by Russia were the people who hacked into the Democratic Party database. Is that, you would also say that is completely untrue?

Vladimir Putin: I know nothing. There are a lot of hackers today, you know, and they perform their work in such a filigreed and delicate manner and they can show their "tracks" anywhere and anytime. It may not even be a track; they can cover their activity so that it looks like hackers operating from other territories, from other countries. It is hard to check this activity, maybe not even possible. Anyway, we do not do that at the national level.

Besides, does it really matter who hacked Mrs. Clinton's election campaign team database? Does it? What really matters is the content shown to the community. This is what the discussion should be held about. There is no need to distract the attention of the community from the essence of the subject substituting it with secondary questions dealing with the search of those who did it.

I would like to repeat: I know absolutely nothing about it, and Russia has never done anything like this at the State level. Frankly speaking, I could never even imagine that such information would be of interest to the American public or that the campaign headquarters of one of the candidates - in this case, Mrs. Clinton - apparently worked for her, rather than for all the Democratic Party candidates in an equal manner. I could never assume that anybody would find it interesting. Thus, in view of what I have said, we could not officially hack it. You know, it would require certain intuition and knowledge of the U.S. domestic policy peculiarities. I am not sure that even our experts from the Ministry of Foreign Affairs have such intuition.

John Micklethwait: Do you not think this is sort of the time when everyone should sort of come clean about it? Russia tries to hack America, America tries to hack Russia, China tries to hack America, China tries to hack Russia? Everyone tries to hack each other.

One of the purposes of the G-20 is to come up with a new set of rules so this can become a more ordered version of foreign policy when everybody is doing this. Allegedly.

Vladimir Putin: I believe that the G20 should not interfere, because there are other platforms for that. The G20 was established as a forum to discuss, first and foremost, world economic issues. If we load it with...

Of course, politics affects economic processes, this is obvious, but if we bring some squabbles, or not squabbles, rather, some matters that are really important but relate purely to world politics, we will overload the G20 agenda and instead of addressing such issues as ***finance***, structural economic reforms, tax evasion and so forth, we will engage in endless debates concerning the Syrian crisis or some other global challenges, of which there are many, or the Middle East problem. We should find other platforms, other forums for that, and there are plenty of them, including, for example, the UN and the Security Council.

John Micklethwait: Can I ask one last question on Donald Trump. Some people say that he is too volatile to be an American president. You would be happy with him as American president in the same way as you would be happy with Hillary Clinton in that role.

Vladimir Putin: We cannot decide for the American people. After all, despite the scandalous behavior of one and, by the way, the other candidate (they are both scandalous in their own ways), they are smart, they are really smart and they are aware of the leverages they should use to make the voters in the United States understand them, feel them and hear them.

Donald Trump is targeting the traditional Republican voters, the average person with an average income, the working class, a certain group of entrepreneurs and those people who embrace traditional values.

Mrs. Clinton is focusing on a different part of the voters trying to influence them in her own way as well; so they attack each other and in some cases, I would not want us to follow their pattern. I do not believe they are setting the best example. But this is the political culture of the United States, which one should accept as is. The United States is a great country and it deserves non-interference and no third-party comments.

Answering your question for the third time, I can tell you that we will work with any Administration and with any President in whom the American people have placed their trust. That is, of course, if they wish to cooperate with Russia.

John Micklethwait: Let me ask you about other country. Another person you'll meet at G-20 Theresa May. Britain has ended up in the same situation as Russia, it is in Europe, but not, likely not to be in European Union. Will you approach them with a free-trade deal?

Vladimir Putin: Well, I would like to finish my answer to the previous question. You have been working as a journalist for a long time. You are quite knowledgeable and you understand all the threats that may arise from a tense international environment, don't you? Especially if there is tension between major nuclear powers of the world. We all understand this.

Of course, you are the one asking me questions. It is you who is the interviewer, not I. However, let me ask you a question: do you want another Cuban Missile Crisis? Or don't you?

John Micklethwait: No, nobody does.

Vladimir Putin: Of course, nobody does.

John Micklethwait: But that is one reason why I asked about Donald Trump because he is seen as a more unpredictable force than Hillary Clinton.

Vladimir Putin: And you too would prefer that Russia maintained good relations with both the United Kingdom and the United States, wouldn't you? I would prefer it as well. If anybody in the U.S. or in the United Kingdom says: "I would like to establish good partnership relations with Russia", then both of us, you and me, should welcome that. So should people like me and people like you. However, we have no idea yet what would actually happen after the elections. That is why I am telling you that we will work with any President designated as such by the American public.

As for the United Kingdom, we have a meeting scheduled with the Prime Minister in China on the G20 sidelines. We had a telephone conversation. Unfortunately, the relations between the United Kingdom and Russia have not developed in the best possible way; however, it has never been our fault. It was not we who decided to discontinue relations with the United Kingdom; it was the UK who preferred to "freeze" our bilateral contacts in various fields. If the United Kingdom considers it necessary to start a dialogue on certain issues, we are ready for that, we are not going to pout or sulk. We take quite a pragmatic approach towards cooperation with our partners and we believe that it would be beneficial for both our countries.

We were speaking about our largest oil company Rosneft, and I recalled in the beginning that almost 20 percent of it (19.7) belongs to BP. Who's company is that? British Petroleum, isn't it? I suppose that is not bad. I have to tell you that British Petroleum's capitalization is significantly related to the fact that it owns more than 19 percent of Rosneft, which has vast oil reserves both in Russia and abroad. This has its impact on the company's stability as well.

Thus, BP found itself in a difficult situation after the tragic events in the Gulf of Mexico. We did everything we could to support it. Britain is interested in this, isn't it? I think it is. The same is true of other areas.

We are marking the anniversary of the Arctic convoys. You know about that, don't you? We really do consider members of the Arctic convoy to be heroes. This is true. I am not saying this as a fashion of speech. Indeed, that is exactly what they were. We know that the conditions in which they fought were appalling. Time and again they faced death in the name of a common victory and we remember that.

John Micklethwait: Do you think Britain might be more compliant or more likely to do a deal with Russia now it is outside or going to leave the European Union?

Vladimir Putin: Britain is leaving and has de facto left the European Union; however, it has not withdrawn from its special relationship with the United States and I believe that the UK's relations with Russia depend on Britain's special relationship with the United States rather than on its presence in or absence from the European Union. If Britain pursues a more independent foreign policy, it might be possible then. And if it is guided by commitments to its allies and considers this to be of a bigger national interest than its cooperation with Russia, so be it.

After all, this is not our choice; this is the choice of our British partners, the choice of priorities. Anyhow, we obviously understand that, being a United States' ally and having a special relationship with it, the UK in its relations with Russian has to make an allowance for the opinion of its partner - the U.S. We take this reality as a given fact, but let me underscore once again that we will be ready to do as much as Britain will be ready to do in order to resume our mutual cooperation. This does not depend on us.

John Micklethwait: Can I ask you about one last person in the G-20. President Erdogan. You didn't protest that much when Turkish tanks rolled across the Syrian border the other day. Why? Do you think Turkey has now moved closer to your idea that the future of Syria has to involve President Assad staying in some way or have you changed your mind about President Erdogan. A little bit ago you were complaining that you were stabbed in the back and with the problems to do with the jet being shot down. Has something changed in Turkey in terms of what you can see?

Vladimir Putin: First, we acknowledge the importance of Turkey's apologies for that incident and for the death of our people, it gave them in a straightforward manner without any reservations and we appreciate this. President Erdogan did so and we witness genuine interest of the Turkish President in restoring the country's relations with Russia on a full-scale basis. We share a lot of interests in the Black Sea region, on a global scale and in the Middle East.

We expect to be able to begin a constructive dialogue; we have quite a number of major energy projects, for example, the well-known Turkish Stream. I think we will finally carry it out, at least its first stage aiming to broaden transportation capabilities and increase supplies to the Turkish domestic market, but also potentially providing the European partners with the possibility of transportation if they wish so and if the European Commission supports this idea.

We have got a large project to build a nuclear power plant on unique terms and conditions. They include several components: we give credit, possess and operate. These unique features give us grounds to believe that this is a feasible project given the arrangements on economic parameters that are built on the electricity price per kilowatt-hour, as well as that this project will be cost-effective for both sides.

Apart from other things, though, as I have already said, we share the objective of reaching an agreement on the regional challenges, including the Syrian problem. I have believed for quite a while now that no issues related to the change of political regimes and power should be settled from outside.

When I hear someone say this or that president must resign, and hear that from outside the country rather than from inside, I have got a lot of questions. I am pretty sure and my confidence is based on the events of the last decade, in particular the attempts to bring democracy to Iraq or Lebanon; we see what they have come to - virtually to the collapse of statehood and the rise in terrorism.

Where in Libya do you see elements of democracy? They will probably emerge someday, I really hope so. Or take the ongoing civil war in Iraq. What is going to happen to Iraq as a State in future? So far these are just difficult questions.

Same thing with Syria. When we hear that Assad must step down (for some reason some people from outside believe so), I have a question: what will the result be? And in general, does it conform to the international law? Where will this lead to? Isn't it better to remain patient and promote the changes in the structure of the society itself and, by doing so, wait for the changes to happen naturally within the country.

Sure, this is not going to happen today or tomorrow, but probably that is what political wisdom is about - never to hustle, never to leap ahead but rather to move step by step towards structural changes, in this case in the political system of society.

As far as Turkey's actions is concerned, we keep contact with our Turkish partners. We believe that everything that contradicts international law is unacceptable. But we keep contact on political level, as well as on the level of the Defense and Foreign Affairs Ministries. I am sure we are also going to talk about this during the meeting with Turkish President Erdogan in China.

John Micklethwait: Very quickly on Syria. Are we any closer to having Russian-American deal about how, a plan for what to happen with Syria. You've had talks recently. It seems that you've got a little bit closer, but is there any progress on that? And do you think we're closer to that than we have been?

Vladimir Putin: You now, the negotiation process is very complicated. One of the main difficulties is that we insist, and our American partners do not object, that the so-called "healthy part" of the opposition should be separated from the radical groups and terrorist organizations, such as Jabhat al-Nusra.

However, we get a feeling that Jabhat al-Nusra and those of its kind are disguising themselves, using different names, but nothing changes in essence. They have begun to absorb the "healthy part" of the opposition, and there is nothing good about. Besides, it is no longer internal fighting we are facing. Those fighters have come from abroad supplied with foreign arms and ammunition. Basically, our American partners agree with this, but they just do not know how to deal with it.

Nevertheless, despite all these difficulties, we are on the right track. I should say that Secretary of State John Kerry has done tremendous work. It is astonishing how he manages to be so patient and persistent at the same time. No matter what, I believe we are moving in the right direction, and I do not rule out that, any time soon, we will be able to reach consensus on some issues and share our agreements with the world community. It is too early to speak about it, but, as I have already said, I think we are moving in the right direction. .

John Micklethwait: If you look back over all the time you've been president, you could argue the relationship with the West. All these problems to do with the trust and we can go through each of the individual conflicts. But when you look back over that period in the way that relationship with west has not always worked , do you think there are things looking back you would have done differently if you would known about it?

Vladimir Putin: No, there is nothing I would have done differently. I think it is our partners who should have done many things differently. When the Soviet Union ceased to exist we welcomed our Western partners with open arms. Just remember what it took us to disclose our wiretapping systems in the U.S. Embassy in Moscow. Nothing like that was done in return. You think CIA does not have any taps listening to us? Of course it does. Moreover, it started working even harder in that respect.

We, for instance, put an end to the flights of our strategic aviation along the U.S. border, while the United States never did so. We conducted no flights for ten years, but the United States never stopped, they kept flying. Why? We said we were ready to create a new system of European security with the participation of the United States. Instead, NATO began to expand, moving closer to our borders: one step, then another one.

We said we needed to address the issues concerning the anti-ballistic missile systems of missile defense, preserving or updating the Anti-Ballistic Missile Treaty. The United States unilaterally withdrew from the ABM Treaty and launched an intensive construction of a strategic ballistic missile defense system as part of their strategic nuclear forces transferred to the periphery, and started constructing missile deployment areas in Romania and, subsequently, in Poland.

Initially, as you remember, it was done with the reference to the Iranian nuclear threat, but then an agreement with Iran was signed, including by the United States. The agreement has already been ratified, so there is no more threat, however, the construction of the missile deployment areas is still ongoing. Question is: against whom? Back then we were told, "It is not against you". We responded, "But then we will have to modernize our strike systems". "Do what you want, we will think it is against somebody else". So that is what we are doing. Now, when we have made some progress, our partners have begun to worry, "How come? What is going on over there?" Why did they give us such an answer back then? Probably because nobody believed we were capable of doing this.

In the early 2000s, given the total collapse of Russia's defense industry and, frankly speaking, low, to put it mildly, low combat capability of the Armed Forces, nobody could even think that we would manage to recover the combat potential of the Armed Forces and to build the national defense industry all over again. Observers from the United States (you know this, right?) were present at our nuclear weapons production facilities. They were literary there, at the plant, we had that level of confidence. And then followed those moves - first, second, third, fourth. We had to respond somehow, you know. They keep telling us, "It's none of your business, it doesn't have anything to do with you, it's not against you".

Not to mention a very sensitive period in our history - the traumatic events in the Caucasus and the Chechen Republic. As a journalist, you should know what was the reaction of the Western political establishment and the media. Did they support Russia's legitimate authorities in their efforts to restore and strengthen the statehood? No, quite the opposite, they supported separatism, and, in fact, terrorism. Everybody was turning a deaf ear to the fact that there, side by side with fighters and separatists, was fighting Al-Qaeda. We were told, "Do not worry, we are just concerned about the development of democracy in your country". Thank you very much for such care! But still, our attitude is positive, we understand the logics of political and geopolitical struggle, and we stand ready to cooperate if our partners are ready for such cooperation.

John Micklethwait: If I had to look at the West and to sum up where they think, their side of the argument would be, that they, I think, that the root of their distrust is the idea that they think that you want to expand Russia's zone of influences, in some case geographically, but also the very least to control the countries on your border. And on the moment, the main area of nervousness on that is the Baltics - Estonia, Lithuania, Latvia. Would you be able to.. You talked about the trust.. Would you be able to say something that would give them reassurance on that count?

Vladimir Putin: You see, I believe that all sensible people who are involved in real politics understand that references to threats posed by Russia to, let us say, the Baltic States are absolute non-sense. Do you think we are going to start a war with NATO? How many people are there in the NATO countries? About 600 million, right? Russia's population is 146 million. Yes, we are the largest nuclear power. But do you really think we are going to use nuclear weapons to take over the Baltics? Non-sense. That's the first thing, but not the most important one.

The most important thing is that we have a vast political experience, and we are convinced that you cannot do anything against the will of the people. Nothing can be done against the will of the people! However, it seems that some of our partners fail to understand this. Thinking of Crimea, they choose not to notice that the will of the Crimean people, 70 percent of which are ethnic Russians and the rest speak Russian as their native language, was to join Russia. They prefer to ignore this. In one place, in Kosovo, the will of the people can be honored, but here - it cannot. All of this is about political games.

So, I can reassure you that Russia has been pursuing absolutely peaceful foreign policy aimed at cooperation, and will continue to do so.

As to extending our zone of influence, it took me nine ours to get from Moscow to Vladivostok. It is slightly less than it takes to get from Moscow to New York through the entire Western Europe and the Atlantic Ocean. Do you really believe we need any expansion? It is not territories we are talking about.

As for the influence, well, we do want Russia to have stronger and more tangible influence, but we want it to be absolutely peaceful and positive. What we have in mind is economic and humanitarian influence, which implies developing equal cooperation with our neighbours. This is what our foreign policy, as well as our foreign economic policy, is aimed at. There can be no doubt about it.

John Micklethwait: I just want to use one example on the issue. You mentioned Crimea, you mentioned what happened then and back then in terms of the reassurances as you might give is that back then March 4th 2014, which is checked, three times our reporter asked you what is happening inside the Crimea, did you know anything about Russian troops, which were taking over the Ukrainian government. And you said no, knew nothing about that nor the military bases. And a year later you talked about directing operation to bring Crimea home yourself. Do you accept that sometimes you could may be said things in much clearer way when they are actually happening.

Vladimir Putin: Of course, I do. I have repeatedly commented on these issues. It is quite simple, and I have already said that. Indeed, our military personnel were there to ensure security at the voting and referendum. If we had not done so, we would have faced a tragedy even worse than the one in Odessa when people were burned alive in the House of Trade Unions, when nationalists trapped defenseless and unarmed people inside the building and burned them alive. Such incidents would have been rampant in Crimea, so we prevented it from happening. The fact is that people came to polling stations to cast a vote voluntarily; no one would have come at gun point.

This is so obvious, that there can be no doubt about it. Just come over to Crimea, walk around, and everything will become perfectly clear to you. So, yes, our military personnel were in Crimea; but they did not even outnumber our grouping that had been present there under the treaty we had with Ukraine.

Most importantly, though, the Crimean parliament, which had been elected two years prior to the voting under the Ukrainian law, voted in favour of the referendum and later, in favour of independence. It is an absolutely legitimate representative body elected by Crimean people. This is first.

Second, the international legal framework. When the settlement of the Kosovo issue was under negotiation, the UN International Court of Justice passed a judgment that was met with applause by all Western partners. The Court decided that the settlement of independence issues did not require the decision of country's central authorities. So, we did everything in accordance with international law, the United Nations Charter and principles of democracy, which include, first of all, the free expression of peoples' will.

John Micklethwait: One last set of questions about your legacy or your current achievements. The future.. have you yet decided if you will run in the presidential elections of 2018?

Vladimir Putin: We are having parliamentary elections soon, so we should wait for results. And even after that, we have almost two more years to go. So, it is quite premature to talk about it. You know, it is even harmful to talk about such things today when the world is changing so rapidly. What we should do is work hard to see accomplished all the plans and targets we have set. We should achieve the improvement of living standards, economic development, social wellbeing and national defense capacity. Depending on what we will have accomplished on these tracks, we will think about the arrangements for the presidential election campaign in 2018 and who should participate in it. I have not made my mind yet.

John Micklethwait: Do you think Russia is getting easier to run or harder?

Vladimir Putin: Easier than when? In the days of Ivan the Terrible or Nicholas II, or maybe Brezhnev, Khrushchev or Stalin?

John Micklethwait: In your time.

Vladimir Putin: I think it has become harder because, even though we face harsh criticism coming mainly from our Western partners, the internal democracy has been developing in our country. For example, there will be much more political parties participating in the upcoming elections than in previous years. This will, &undoubtedly, influence the process and outcomes of election campaigns.

I mean there is a practical dimension to it. Now, looking at the rating of the leading Russian political party - the United Russia - we can see that it has slightly fallen. So, many people start to question: Is there anything wrong? What happened? Nothing happened. It is just that an active election campaign has started, so all these numerous parties participating in the election process appear on the screen, in media, in newspapers.

What is their massage? They all criticize the government. They don't offer solutions to make things better, though. Sometimes they simply say things that even laymen realize are hardly practicable or just unfeasible. However, they look good on screen, scolding and holding up to shame members of the ruling party. They don't say whether they are ready to take on responsibility for making unpopular, but in the long run necessary, decisions.

John Micklethwait: Are you envious of the Chinese who don't have to go through these elections?

Vladimir Putin: China has another political system, it is a different country. I am sure, you will not be happy to see one and a half billion people suffering any disruption in their society and government. So, let China have its right and possibility to decide how it should organize its state and society. Russia is a different country, with different ways and different level of political system development. It is not even about the level, it is about the quality of the political system, which is developing and getting more complicated.

As a matter of fact, I am happy about it. I want to see this system grow stronger in future, to see balance within the political system, so that it could always be effective and oriented to development.

John Micklethwait: Would you have an exit strategy? In 2018 you would have been the longest serving president. Do you have an idea about how eventually you will leave power?

Vladimir Putin: I either will or will not take part in the elections. If I do not, another person will be elected head of state, President of Russia. The people will decide for whom they should vote.

Yet I would like to underscore that in any case already today we (and by that I mean myself and the members of my team: the Government and the Administration of the President) should shape our vision of how the country should develop and what political, internal political and economic processes should take place. That is why we are working on a strategy to develop the economy (primarily the economy, certainly) after 2018.

I am convinced that irrespective of the way in which internal political processes develop we should offer the country our vision of its economic development. And it will be up to the next president to agree or disagree with what we have offered, to update it or to offer something completely different.

John Micklethwait: You've just reorganized part of your government, you promoted some people, some former bodyguards and people like that. Do you think that might be the sort of area where the next leader for Russia will come? Will it come from the younger generation of people who are beginning to emerge?

Vladimir Putin: Certainly. I believe that the next Russian leader should be a fairly young yet mature person.

As for the members of various special services and the Armed Forces, there is nothing new in what I have done. It has not been the first time when former members of the Ministry of Defense, Federal Security Service have been promoted to head our regions. The Federal Protection Service is no exception; they are just as good as the others. If a person is willing to develop, is capable of developing, and is ready to serve his country in an office with greater powers and responsibilities, and I can see that such person has potential, why not? They can work.

After all, regional leaders will also have to go through elections and put forward proposals for the people of the regions in question to judge. The people in these regions need to look at these programmes, study them, get themselves familiar with those persons. There should be certain chemistry between the leader of the region and the people that live there. People should feel their possible new leader and I believe that they have to trust such leader in order to vote for him or her, otherwise they would not vote.

John Micklethwait: People might say there are two ways in which Russia is very difficult to rule. One is it is a very personal system, where many people vote for you rather than for party. And the other reason is Russian is still a fairly lawless place. You have things like murder of Boris Nemtsov which I know you condemned and you have brought people in, but the mastermind is still being sought. Is Russia a very very hard place to govern at the moment?

Vladimir Putin: You know, I may assure you that it is hard to govern any country. Would you say that governing the United States is an easy task? Is it easy to address even uncomplicated matters? The Guantanamo detention camp, for example? During his first term President Obama said that he would shut it down. Yet it is still there. Why? Is it that he does not want to? Certainly he does. I am confident that he does. Yet there emerge thousands of obstacles that prevent him from resolving this issue. In fact, this is indeed awful, but that is a different story. It is hard to govern any country, even a very small one.

It is not a matter of whether the country is large or small. It is rather a matter of one's attitude to the task, of whether one takes this task responsibly.

Russia is also hard to govern. Yet Russia is at a stage when its political system and market economy are shaped. It is a complicated yet very intriguing process. Indeed, Russia is not merely a large country, it is a great country that has distinct traditions and culture. It is true, it also has distinct political traditions. It is no secret that we used to have absolute monarchy, then came the times of communist rule, the base somewhat expanded, yet to a certain extent the system of the government became even more rigid.

We started building a completely new multi-party political system only in the 1990s. This is a very complex process and there are certain stages that cannot be skipped. Our citizens should get accustomed to this, feel their responsibility when they arrive at the polling stations. They should learn to question populist solutions, deliberations or candidates' mutual accusations.

They should watch attentively and analyze what candidates have to offer. This concerns both the parliamentary and presidential elections. By the way, in countries with a presidential form of governance people often vote for the presidential candidate rather than the political party. This is true of virtually any such country, and there is nothing unusual in Russia in this context.

John Micklethwait: Surely if you look at Chechnya and, say, the influence of someone like Ramzan Kadyrov. He has a very full reign, it does not seem if he is brought under power much. That is completely different to what would happen in say Mississippi or Tennessee. That is a different system, what is happening in Chechnya. Surely that is different. It is more lawless and it is more personal.

Vladimir Putin: That might be viewed from a different angle. One should not forget that it was not long ago that people were openly bought and sold on the markets, members of international terrorist organizations, including al-Qaeda ruled and people were beheaded in Chechnya. We by no means have forgotten that. The very Ramzan Kadyrov that is the leader of Chechnya today fought against the Federal troops during the so-called First Chechen War. This was a very complex and large transformation, indeed, when first his father, the first president of Chechnya and then he himself realized that Chechnya's future was linked to that of Russia. This choice was not a result of any pressure, but rather their internal conviction.

I remember perfectly well my first conversations with Ramzan Kadyrov's father, first President of Chechnya. He told me bluntly - and at that time, in 1999, I was the Premier - that ''we see that the future of Chechnya can not be dissociated from Russia. Otherwise, we will become dependent on the powerful and therefore we will feel worse. But the most important thing - which I also remember very well - is that you should never betray us.''

It was a very complex situation back then. The federal centre was behaving incoherently - either it advanced or retreated, either it agreed with something or broke agreements afterwards. The Chechen people needed a consistent and clear position of the central authorities of the country. But we should not forget the transformations that these people have undergone. We have signed a treaty with Chechnya and it is fully in line with the Constitution of the Russian Federation. We have a federal State and the federal entities are ***granted*** certain rights and the example of Chechnya demonstrates that this does not destroy or ruin the country, but, on the contrary, unites it.

Of course, many things require improvement and to a large extent need to forget these tragic events of the mid 1990s and finally heal our wounds. But all this takes time.

I am sure that we will strengthen our internal political institutions and economy and I have no doubts about it. I believe that Russia has already turned the most tragic pages of its history. We will only go ahead and grow stronger.

John Micklethwait: A personal thing. You've managed to rule Russia for 16 years. If you look at the chief executives and the business people who tune in to Bloomberg and watch it, very few of them last longer than 5-6 years, what advice would you give them to hang on to their jobs for longer?

Vladimir Putin: No matter how strange it would sound but one should not cling to power at any price. I have not, as you put it, just been in power for 16 years, I was the President of the Russian Federation for eight years and after that, without violating the Constitution or readjusting it to my own needs, I just decided not to run for the third presidential term, which was impossible; within the framework of the current Constitution. Our Constitution stipulates that one can be elected for two terms running. So I followed the rules: I was elected two times and then I just left and changed my job - I have worked as the Chairman of the Government for four years. In accordance with the Constitution, when I regained this right in four years, I run for the presidency, I was elected and I am the President now.

So we do not speak about 16 years, but rather about four, four and eight years, and now I serve my four-year term. I have been working as President for 12 years.

John Micklethwait: What is the reason for your success?

Vladimir Putin: Wait a minute. As for the time spent in office, let us say, Canada is one of the examples. I believe that its leader has spent 16 years in power. And the German Chancellor, for how much time has she stayed in power? If we refer to the number one in the executive power.

John Micklethwait: Not 16 years. You have done longer than most.

Vladimir Putin: I have not been President for 16 years, but for 12 years. I suppose that she has been in power not for fewer years.

But this is not about it. I do not know what secrets can exist here. I do not have any secrets. I just always try to feel the spirits of the people, feel their needs, their mood for patterns and methods of solving the tasks, their priorities and I am guided by all this in the first place. I believe that it is the most important aspect in the job of any person who does the kind of work that the Russian people have entrusted me.

John Micklethwait: You look around the world at the moment. There are so many countries that become dynasties - the Clintons, the Bushes in America. You have children who you successfully kept out of the public eye. Would you ever want your daughters to go into politics? Would want them to have the same life as you?

Vladimir Putin: I do not regard that I have the right to wish something for them. They are young, but nevertheless they are adults and should determine their future by themselves. In general, as I see it, they have already chosen their way, they pursue science and they are engaged in some activities that are noble and needed by people. They feel in demand, they enjoy their work and I am happy about it. They are responsible and honest about the profession they have chosen for themselves.

John Micklethwait: When I flew here on Korean airlines I had a choice of two films to watch: one was Doctor Zhivago, and the other was the Godfather. Which would you recommend to somebody trying to understand Russia?

Vladimir Putin: I do not know. You see, we have a famous poem, which goes: ''You will not grasp her with your mind or cover with a common label, for Russia is one of a kind - believe in her, if you are able''.

But the Russian culture is multifaceted and diverse. That is why if you want to understand, to feel Russia, you should certainly read books - Tolstoy, Chekhov, Gogol, Turgenev - listen to Tchaikovsky's music and watch our classical ballet. But the most important thing that one should talk to people. I assure you: as soon as you start to meet average ordinary people you will understand that Russians, whether they are Tatars, Mordovians, Chechens, Dagestanis, are very open-hearted people. They are open and a bit naive.

But there is one characteristic feature which many nations must have but it is particularly evident in Russians. It is a pursuit of justice. It seems to me that it is one of the dominant features in the Russian mentality. And another component of the Russian mentality is a pursuit of some... This is a common feature, there are millions of people and all people are different from each other, but on the average we certainly want to be well off and I will strive to do my best for people to live better and to improve the living standards. Notwithstanding all this, there is a pursuit of some high moral ideal, some moral values in Russian people's mentality and heart. This is the thing that for sure - and I convinced of it - is our positive distinctive feature.

John Micklethwait: Ok then, that sounds like Doctor Zhivago to me.

President Putin, I thank you for talking to us. You were so generous to devote your time to us.

Vladimir Putin: Thank you very much.

Source: President of the Russian Federation website in English 0800 gmt 5 Sep 16

**Load-Date:** September 5, 2016

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[***HERALD WAR REPORT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5HND-53N1-JDPF-N23R-00000-00&context=1516831)

Morpeth Herald

December 21, 2015 Monday

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**Length:** 4183 words

**Body**

In this feature to commemorate the First World War, we will bring you the news as it happened in 1915, as reported by the Morpeth Herald. All material is published with kind permission of the Mackay family. We thank them for their support and generosity in allowing us access to their archive.

The result of the great effort made in connection with Lord Derby's scheme to furnish a steady supply of recruits under the group system for His Majesty's Forces has been very gratifying indeed.

Evidence is not lacking that when the figures are fully tabulated they will record a triumph for the voluntary system of recruiting.

Locally all classes have come forward to take their share in the momentous struggle.

A striking feature of the scheme was the tremendous rush of recruits during the closing days. So great was the rush at the Morpeth recruiting office that the Council chambers had to be requisitioned on Saturday and Sunday to cope with the number of eligible men who wished to be attested.

From all accounts Sunday was a busy day with those upon whom rested the responsibility of swearing in recruits.

PIPER LAIDLAW, V.C.

As we predicted in this column a few weeks ago, Piper Daniel Laidlaw of the 7th Battalion King's Own Scottish Borderers, who won the Victoria Cross for most conspicuous bravery prior to the assault on the German trenches near Loos, will pay a short visit to friends in Morpeth today (Friday).

It is expected that the gallant piper will arrive by the train due to Morpeth Station at 12.35.

He will be received on the platform by the Mayor (Alderman Ed. Norman) and will afterwards be conveyed by motor car through the main streets to the Market Place, where he will receive a public welcome.

It is hoped that as many of the public as can be present will attend in the Market Place to receive the procession on its arrival there.

The circumstances of the brave act that earned for Piper Laidlaw the much-coveted distinction are as follows:- "With absolute coolness and disregard of danger he mounted the parapet, marched up and down, and played his company out of the trench. The effect of his splendid example was immediate and his company dashed out to the assault."

MORPETH TOWN COUNCIL

The monthly meeting of the Morpeth Town Council was held on Monday night. The Mayor (Ald. Edward Norman) presided.

A letter having been received from the Chief Constable with reference to the public lighting, the Committee recommended that the Town Clerk write again urging increase in the lighting allowed, and also that the N.E.R. Company be asked to remove the posts at the entrance to their premises.

The Town Clerk read a letter from the County Council inquiring whether this Council proposed to apply for sanction to the appointment of a Borough Committee under the Naval and Military Act:- The Committee recommended that the letter be answered in the affirmative.

The recommendation was carried.

Alderman Carr proposed that application be made to the Officer Commanding in the Northern District for the loan of a captured German gun for exhibition in a prominent position in the town. In doing so he said that he noticed other districts had been supplied by one or more of those captured guns.

It had occurred to him immediately after the last meeting that it would have been better for recruiting purposes if they had had a gun on exhibition.

He thought Morpeth itself could lay claim to having supplied a very large number of men to the Army and Navy, and when they took into consideration the surrounding district he ventured to remark that no other district of its size had provided such a large proportion of men per thousand of the population as Morpeth and the other surrounding district had done. On that ground alone he considered that they could make claim for one of those war trophies.

Another reason was that Morpeth was the centre of the district and was much more suitable than other places further east, north, or west.

The presence of a gun or other trophy placed in the Market Place would certainly have a two-fold object - in quickening the interest of the people in the great crisis and bring home to them the reality of the struggle and also give them some idea of the formidable weapons of war which were being used in the present conflict.

Whilst to some people who had lost sons and relatives at the Front it might bring back sad memories, but to those who had sons fighting at the present time it might create in their breasts a glow of pride that their sons and relatives were fighting against such fearful and wonderful ***instruments*** of war.

The exhibition of a gun might be the means of bringing home to those slackers the duties they owed to their country and to make them realise if they continued to stand aloof from His Majesty's forces that they were not worthy of the name of the country to which they belonged.

He suggested that the gun be placed in front of the Town Hall or in that triangular part opposite, should their application be successful.

Mr Armstrong seconded the resolution.

The Mayor, in supporting, said he was pleased to think it had occurred to Ald, Carr to bring this motion before them.

When they thought of the sacrifices made by the Morpeth men he felt that they had some claims for some of the trophies that had been won on the field of battle. Morpeth had responded well to the call under Lord Derby's recruiting scheme. He did not say that they had got every man, but there were few slackers left.

Mr Charlton also thought it would be a nice thing if Morpeth was allowed a captured German gun to exhibit in the Market Place.

He referred to the fact that four men had just returned from the Front, and one of them was Mr Thompson, an old campaigner. He was sure that the men who had left the town to fight their battles would like to see a trophy exhibited here.

The motion was unanimously carried.

The Mayor explained to the members that the Council Chamber was opened for recruiting purposes on Saturday and Sunday.

They had found the congestion in the recruiting office so severe and had found it impossible to cope with all the recruits that turned up at the recruiting office that they had to look abroad for another suitable place.

They then decided to use the Council Chamber, and he felt sure they could not have used it for a better purpose in order to deal with those who were ready to offer their services to their King and Country.

STARRED ***AGRICULTURAL*** HANDS

Addressing a gathering of farmers at Winchester on Saturday, Lord Selbourne said starred ***agricultural*** hands would not be given armlets. As they were indispensable, there was no reason to put them in the Army reserve, and they must be content to know they were doing their best for the country.

To meet labour difficulties farmers ought to ask landowners, through local committees, for gardeners, keepers and woodmen: and the landowners' duty was to offer all unessential labour to help farmers. Village women should be canvassed, as Lord Derby canvassed men, and patriotically urged to do their war work in the fields.

WOMEN AND COLLIERY WORK

Writing on the subject of Women's work at Northumberland Colliery Villages, a correspondent states:- "Everybody must feel satisfaction at the way women have come forward and performed so successfully the duties that previously, so it was thought, could only be done by men.

"In many branches the surprise had been the rapidity with which women have adapted themselves to their new calling.

"In towns a large percentage of the adult female population have been able to earn excellent wages in the factories and workshops, an opportunity which is debarred to women living in villages.

"Scattered over Northumberland and Durham are a number of colliery villages, which by reason of their wealth and population may be better described as small towns. In them are a large number of women ready and willing to do work formerly done by men.

"Of course, their services could only be made use of at the local colliery, but I understand that the Miners' Association objects to women being employed.

"Surely there are different kinds of work at a colliery (above ground) where men and boys are at present employed, and which could be equally well done by women and girls.

"Is there any reason why they should not be given an opportunity?"

GIFTS FOR 7TH N.F.

Sir,- I wish to acknowledge with many thanks receipt of cheque value £4 from Mrs T. Moffitt, Oldgate, being half the proceeds of a sale of work held recently.

Through Mrs Moffit's kindness I have sent off 12 parcels containing biscuits, chocolate, sardines, jars of paste, prepared coffee, milk and sugar, shaving soap, toilet soaps, pencils, writing pads, envelopes, playing cards, wood pipes, cigarettes, etc.

Mrs Woodhouse, North Place, very kindly sent me two large fruit loaves, which I have forwarded; Miss Mackay, "Herald" Office, pencils, envelopes, mouth organs, etc; Mrs Allon Burn, Oaklea, 1,000 cigarettes; Mr and Mrs G. L. Jackson, a £1 1s parcel of warm "comforts."

The following is an extract from Lance-Corporal Andrew Davison's letter, just received:- "However, of all the gifts you've sent out to us, your last batches are the champions, and, man alive, the men were pleased with the helmets, shirts, and socks.

"They were just the things the men needed most, and the ones you sent were right, thick and warm, tip-top quality and "home" made.

"They were almost fighting for the few shirts, so we drew lots and the winners got them, to their delight. The helmets were almost sufficient to go round after deducting those who already had them. Socks, especially the kind you send, are a great prize out here.

"Speaking generally, I don't know of another town that has done so well and studied the comfort of her men on service as well as has Morpeth.

"It has done splendidly, and we have got no one else to thank but you for "kicking off" as you did, and playing' as you have done and are doing."

From the Mayoress's Sewing Party I received the socks, shorts, mufflers, etc., and Canon Davies supplied the wool to the same ladies, who knitted over 50 warm helmets.

I am sure all those kind friends will feel amply repaid when they know the pleasure their gifts have given to our brave boys of the 7th N.F. -Yours, etc.,

THOS. B. WATERS

St James's Terrace, Morpeth

NORTHERN MINERS AND THE CRISIS

Mr John Cairns, ***financial*** secretary of the Northumberland Miners' Association, who has been giving his thought and active services in the effort to induce workmen to do their best to maintain the coal output, in the course of a conversation with a "Herald" representative, warmly commended the action taken by the local leaders of the workmen at the Ashington group of collieries and at other centres in order to induce the men to put forward their best energies to swell the output in view of the present conditions.

Mr Cairns said he had addressed meetings at Elswick and elsewhere on the subject recently.

Mr Cairns states that up to the end of November 189 miners had been killed in action out of 9,999 members of the Association who had enlisted.

To that could be added 784 half members, which made a total of over 10,000. That means that over 25 per cent of the members were in khaki.

The number of paying members in the Union was 43,000; now it is 32,000. That had involved various working alterations with a view of maintaining the output of coal.

Mr Cairns remarked that it is to the credit of the workmen that no dispute or stoppage of any gravity has been allowed to take place since the war started, and men have been content to fall in with the views of managers even in cases where the ordinary rules were schewed in order to attain the desired end.

"The miners have waived the rules in order to waive the flag," was the epigrammatic remark Mr Cairns, who explained "that the shortage of lads at some collieries caused many hewers to have to do "putting" and in some cases the three-shift system had been changed to the two-shift method."

ROLL OF HONOUR

BULLOCK.- At Chatham Military Hospital, on the 12th isnt., aged 30 years, Philip James Bullock, D.C.M., sergeant 50th Coy. Royal Engineers.

ROLL OF HONOUR

James Cook Wilson, A.B., Hawke Battalion, R.N.D., son of Mr and Mrs Wilson, King George's Road, Newbiggin, has been killed in action.

Mrs Vose, of 42 Jackson Street, Annitsford, has received official intimation that her husband, Corporal George Vose, 2nd N.F., has been reported as missing since October 4th.

Mrs Smith, of 3 Bridge Street, Morpeth, has received word that her husband, Private Thomas Smith, of the 8th N.F., has died of wounds received in action at the Dardanelles.

Corporal Maurice Pringle, 10th N.F., of Hutton, near Berwick, has died from wounds received through being shot in the head by a sniper. Prior to enlisting a year ago, he was employed at Ashington.

Mrs Ed. Dawson, of 62 Jubilee Terrace, Annitsford, has received official intimation that her son, Private Thos. Johnson, 14th N.F., Pioneers Transport Section, was wounded on December 1st, and is now in hospital in France.

MORPETH SOLDIER'S THANKS

Some weeks ago, Miss M. Hills, of Stanley Terrace, Morpeth, and a number of her girl friends, gave an entertainment to raise ***funds*** to provide comforts for the local lads at the Front. Miss Hills has received the following communication from Private G. Douglas, of the 7th Northumberland Fusiliers, acknowledging receipt of the good things sent. He writes:-

"I am faced with a pleasant task, and that is to express, on behalf of all the Morpeth boys, our warmest thanks for the shoal of good things that you and the girls have sent us. I received my brother's letter in which he told me to look out,' then the next day your letter and the three boxes arrives.

"I immediately shared them out to the lads, and told them who had sent them and how the money had been raised. They were delighted, and I had to be sure and tell you how pleased they were to receive the nice things.

"The things you sent are much appreciated at present, as we are resting' and billeted in farms, etc. - scattered all over in a terribly forsaken place, where you can buy nothing whatever. So you see we depend upon our good friends for tasty bits and other luxuries, and what delights us more than anything else is the way the Morpeth people have looked after us out here.'"

GIFTS FROM CAMBO

Lady Trevelyan of Cambo has dispatched parcels of warm clothing for prisoners of war in Germany, the British Red Cross Ambulance in Italy, to Gloster Battery, Queen Alexandrias's Field Force, and to mine sweepers.

ADVANCE IN WAGES

In response to an application from the workmen, Castle Ward Rural District Council, at its meeting at Ponteland on Monday, decided to advance the wages of the road men, etc., in their employment 2/- per week, during the continuance of the war, the advance to begin next pay.

WORKERS' EDUCATIONAL COUNCIL

The North Eastern District Council of the Workers' Educational Association met on Saturday at Burt Hall, Northumberland Road, Newcastle. Dr Jevons presided over a fairly large attendance.

The chairman alluded to the memorial of the late Lieut. P.A. Brown, and read an article upon his death which appeared in the "Illustrated Chronicle" on December 9.

The deceased officer was a prominent and useful member of the Association. When the war broke out he enlisted and afterwards was given a commission. He died in the execution of this duty at the Front after a gallant rescue had been made by Pte. Kenny, of Wingate. Dr Jevons then read the article in the "Illustrated Chronicle," describing how Lieut. Brown met his death, and the gallant act of Kenny, which won for the latter the Victoria Cross.

Lieut. Brown was one of the most lovable men he had ever met, and it was proposed to raise a memorial to him, something of an educational kind which would have met with the approval of their dead friend. Dr Jevons read a letter, which it was suggested should be sent to the branches, inviting subscriptions towards the memorial.

The proposal to proceed with a memorial was confirmed by the Council and it was also agreed to send a letter of congratulation to Private Kenny upon his very gallant deed.

A DOCTOR'S QUESTIONS

There be doctors who have queer notions as to what a miner's work is.

A young soldier has come home to this district who had the misfortune to be shot through the arm. Several inches of the bone have had to be taken away, and he has practically lost the use of that arm. The doctor who attended the injured solider asked what he was, and one being told he was a miner, blandly asked if he would be able to take up his work at the pit again! It showed what idea that doctor had of what a miner's work consists of.

There are many of our soldiers who have been wounded and severely maimed who are not discharged from army service, nor are they likely to be so long as the war lasts at any rate. These men are useful for home defence for drilling and training young soldiers and for various positions in the commissariat and other departments of army work.

What is to be done with the army of men who have been declared medically unfit? Some of these young men - many of them - are apparently strong fellows who have been rejected for some particular defect, but at the same time they could be found home service in many departments.

There are indeed comparatively few men who are physically perfect.

Doubtless our Government in the future time will deal with this matter. It is a pity that some effort has not been made to make some provision to deal with such cases before now. It will doubtless be done, but we are not a people who hurry in such matters.

NORTH EAST COAST TEEMERS' WAR BONUS

At a conference of representatives of the North of England Steamship Owners' Association, the Sunderland Shipowners' Society and Hartlepool Shipowners' Society, the North of England Trimmers' and Teemers' Association and the National Union of Railwaymen, it was mutually agreed that the war bonus arrangement concluded on March 3rd be cancelled, and that in lieu thereof a final bonus of 20 per cent be ***granted*** to trimmers over and above their total earnings under the respective tariffs at present in force between Amble and the Hartlepools inclusive; the same to be operative during the war, and for three months after the declaration of peace upon all vessels commencing to load as from December 13th, 1915.

Steamers more than half loaded on Saturday, December 11th, to be at present tariff rates, and those less than half loaded, completing on December 13th or subsequently, shall come under the increased tariff rates.

LABOUR FOR THE STEAM PLOUGHING SEASON NEXT SPRING

Sir,- With a view to considering what steps can be taken to ensure that a sufficient supply of skilled men will be available to work machines for steam cultivating and ploughing during the coming spring, Lord Selbourne has requested the War ***Agricultural*** Committee to obtain from proprietors of steam tackle in the county full particulars of the men required to work the existing sets of machines and of any shortage of skilled men at the present time.

Lord Selbourne intimates that the War Office may possibly agree to arrangements being made for the release on furlough of skilled men who have enlisted in order to take part in spring cultivation.

The simplest way of obtaining this information will be for each machine owner to send a postcard with his name and address to this Committee, and he will then receive a form of inquiry in which the particulars required by Lord Selbourne can be given.

May I take this opportunity of referring to the arrangements made by the Departmental Committee on Fertilisers under which 25 per cent of the make of sulphate of ammonia of each manufacturer for the months of November and December is held in reserve for farmers' use, and can be purchased at not more than £14 10s. per ton., single bags free, f.o.r. at works net cash, delivered in lots of not less than 10 cwt. each. This price applies to sulphate of ammonia containing 20 16 per cent of nitrogen.

I shall be glad to send a list of the makers of sulphate of ammonia in Northumberland on application. -Yours etc.,

C. WILLIAMS, Hon. Secretary

Northumberland War ***Agricultural*** Committee

The Moothall, Newcastle-on-Tyne

CONCERT AT BROOMHILL

An enjoyable concert was held on Saturday in the Central Hall at Broomhill, presided over by Lady Howick, and which had for its object to raise money for British Red Cross ***Funds***.

Mr C. Alderson of East Chevington introduced Lady Howick to the large audience. She gave an account of the work done in the various countries by the Red Cross and of money needed to carry on that work. She thanked the Broomhill people for their help.

The musical part of the programme was in the hands of Mr J. Vine, organist of Seaton Hirst Parish Church, who provided an excellent concert party.

On the motion of Mr Hemsley, Bullocks Hall, seconded by Mr Grey, a hearty vote of thanks was accorded to Lady Howick and the performers.

Mr Thos. Hemsley and Mr Hall (South Steads) kindly lent their cars to bring the performers from Newbiggin and Ashington.

The sum of £18 17s. was realised, which included donations of £1 from Mrs Hemsley of Woodside and £1 from Mrs Merivale of Togston Hall.

THE MAYORESS OF MORPETH'S SEWING MEETING

The last sewing meeting before Christmas was held on Thursday, the 16th inst., when tea was kindly given for the third time by Mrs F. Brumell, Fulbeck. That of the previous week, for which we have to thank Miss Griffiths, Newgate Street, realised £1 10s.

The thanks of the Mayor and the committee have been sent to Mrs Moffitt, Oldgate, for the handsome sum of £4, half proceeds of the sale of work organised by herself and daughters and held on December 12th; also to the children of the junior classes of Morpeth High School and Morpeth Council Schools for Girls, for gifts of woollen comforts for the soldiers; Mrs Carr and Mrs Pyle, Hudson Place, 2/6 each (4th donation); Mrs Allon Burn, socks and donation of £1; Mrs M. Tighe, 5/-; Mrs F.E. Schofield, a parcel of shirts and socks; Mrs Shaw, mufflers; Mrs Geo, Smith, socks; Miss K, Hopper, mufflers; Miss Logan, helmet; Miss Eva Jackson, helmet and socks; Mrs Halls, 2/6.

A letter of thanks for a bale sent out to C Squadron, Northumberland Hussars, has been received from Trooper W.C. Angus, and many grateful Morpeth men at the Front, to whom individual parcels have been sent from the Sewing Meeting.

Large bales have been sent this week for the Navy, c/o Miss Agness Watson, the "Sailors' Friends," and to Mrs Carrington Wilde for the Serbian relief.

CHRISTMAS DAY ATTRACTIONS

Captain Mitford, at Morpeth Court on Wednesday, after hearing applications from proprietors of pictures halls at Ashington and Newbiggin, asked Supt. Marshall if he had any objections to Christmas Day performances.

The superintendant's laconic reply was: "No; better there than elsewhere," a reply which sensible people will endorse.

Christmas Day used to be great for shooting matches and football, but another kind of shooting has upset all this.

ITALIAN THANKS FOR BRITISH RED CROSS

Mr G.M. Trevelyan, in command of the British Red Cross Ambulance in Italy, has received the following letter from the Commander of the 6th Italian Army Corps:-

"Dear Sir, I thank you for your hospitable welcome during my visit this afternoon I wish to express my sincere appreciation as to the way in which your hospital sanitary arrangements and ambulance was organised, so as to work with the greatest possible efficiency.

"As representative of the Army Corps I have the honour to command, I desire to convey my sentiments of sincere gratitude to a body of most estimable British citizens, who, handed together in a most brotherly spirit towards the Italian nation, have rendered on the battlefield under my command inestimable services; have carried under peril of their lives under the enemy's fire close on 5,000 of our sick and wounded to our ambulances and hospitals, have carried over 40,000 kil. of ground, have placed under the skilful care of your medical offices and nurses our wounded in your hospital wards.

"It is a new message of affection from your greatest country to ours whereby in its eloquent significance I am glad to be under a debt towards the British Red Cross and all its esteemed members.

(Signed) LUGI CAPELLO, Commander V.I.

Army Corps, to G. M. Trevelayn, Esq."

7th NORTHUMBERLAND FUSILIERS

Sir,- For some time past a great need has been felt for accessories to enable the carrying on of sports in a proper manner for the men of this battalion. The present is an appeal to the people of this district for ***funds*** to purchase and renew the necessary outfits.

Specially welcome would be the receipt of football boots and footballs, but as distinctive colours are required for the jerseys, monetary help is necessary for this.

Many men of this district are serving with this Unit.

The above will gladly be received by the Treasurer, Regimental Sports Committee, 7th Battalion Northumberland Fusiliers (2nd Line), Fishgate Schools, York, and acknowledged. -Yours, etc.,

H. HAWLEY, Sergt.-Major.

W. WELCH, Coy.-Sergt.-Major

Fishergate Schools, York.

**Load-Date:** December 21, 2015

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[***Full text: China's white paper on human rights***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5KP3-N061-JC8S-C3YD-00000-00&context=1516831)

BBC Monitoring Asia Pacific - Political

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**Length:** 10642 words

**Body**

Text of report in English by official Chinese news agency Xinhua (New China News Agency) on 12 September

BEIJING, Sept. 12 (Xinhua) -- The State Council Information Office of the People's Republic of China on Monday issued a white paper on new progress in the judicial protection of human rights in China.

Following is the full text of the document.

New Progress in the Judicial Protection of Human Rights in China

The State Council Information Office of the People's Republic of China

June 2016

First Edition 2016

Contents

Foreword 1

I. Strengthen the Mechanism of Judicial Protection of Human Rights 3

II. Further Improve the Legal Guarantee Procedure of Human Rights 11

III. Enhance Judicial Protection of Human Rights 19

IV. Safeguard the Legitimate Rights and Interests of Detainees 28

Foreword

Respecting and protecting human rights is a constitutional principle in China. It also reflects the will and pursuit of the Communist Party of China (CPC), the Chinese government and the Chinese people. The judiciary is the last line of defence to safeguard social fairness and justice, and judicial protection of human rights is an important part of human rights progress in a country. In recent years, especially since the 18th National Congress of the CPC, China has upheld the dominant position of the people, taking a people-first approach and ensuring that the people are the masters of the nation. The state strives to ensure the rights of the people, fully protects their interests, and promotes legislature based on rational analysis, strict law enforcement, judicial justice, and observance of the law by all citizens. Progress has been made in modernizing the system and capacity of state governance. China has effectively protected the people's rights and freedoms in an extensive array of fields in accordance with the law, while its people duly fulfil their obligations.

As China enhances the rule of law in all respects, new progress has been made in human rights protection in the field of justice. The reform of the judiciary has been driven to a deeper level, with improvements in the allocation of judicial powers and responsibilities, judicial accountability and opening-up, and the protection of lawyers' right to practice their profession. Channels of public participation in justice have been expanded, and the judicial protection of human rights has been improved. China has implemented a case-filing register system, revamped and improved its litigation system, and strictly enforced principles of legality, in dubio pro reo, exclusion of unlawful evidence. The state is resolute in preventing and correcting miscarriages of justice, and the procedures for protecting human rights in judicial practice have been raised to higher standards. The judiciary exercises its power independently and impartially in accordance with the law, leading to strengthened public credibility. Further efforts have been made in terms of state compensation and legal aid. Judicial fairness and justice is safeguarded, and citizens' rights are effectively protected. Crime suspects, defendants and criminals are treated in a more civilized manner, punishments are meted out in a more standardized way, and the personal dignity, safety, and legal property of detainees are all well protected, as are their rights of appeal, accusation, and impeachment.

There is no end to mankind's pursuit of progress. There is still much room for improvement for the rule of law in China. Strengthening judicial protection of human rights will continue to be a major task in implementing the rule of law. China will proceed from its prevailing reality, learn from the achievements of other countries regarding the rule of law, enhance judicial protection of human rights, safeguard social fairness and justice, and implement the rule of law in all respects.

I. Strengthen the Mechanism of Judicial Protection of Human Rights

China is striving to drive reform of the judiciary to a deeper level, allocate judicial powers and responsibilities in a more rational way, improve the judicial accountability system, promote judicial transparency, establish a national judicial assistance system, and ensure the right of lawyers to practice their profession and the rights of citizens to act as assessors and overseers.

Further improve the allocation of judicial powers and responsibilities, and ensure the independent and impartial exercise of the judicial and procuratorial power. Major plans for deeper reform of the judiciary were made at the 18th National Congress of the CPC and the third and fourth plenary sessions of the 18th Central Committee of the CPC. In 2014-2015, the Central Leading Group for Deepening Overall Reform held 19 meetings, 13 of which involved reform of the judiciary. The Group examined and approved 27 judiciary reform documents in total. Public security organs have improved the mechanism of law enforcement, changed the case-filing review system to case-filing register system, and strengthened examination and supervision of case admitting work. The Supreme People's Procuratorate has issued the "Opinions on Deepening Procuratorial Reform (Work Plan for 2013-2017)," and the Supreme People's Court has released the "Opinions on Deepening the Reform of People's Courts in All Respects - the Fourth Five-Year Reform Plan of the People's Courts (2014-2018)." Since 2014, pilot programmes have been promoted nationwide to improve performance in the following areas: judicial accountability, category-based management of judicial personnel, job security for the judicial profession, and unified management of the personnel, ***finance*** and property of people's courts and procuratorates below the provincial level. The reform of trial-centred litigation is making headway.

In 2014, people's courts and people's procuratorates transcending administrative boundaries were established in Beijing and Shanghai, to handle major cross-regional criminal, civil and administrative cases. This was to address certain parties' concerns over the authority of the jurisdiction in charge of their cases, and to promote the unified and correct application of laws. In 2015, the Supreme People's Court set up its first and second circuit courts in Shenzhen and Shenyang for major cross-regional administrative, civil and commercial cases. In 2015 the circuit courts handled 1,774 cases and concluded 1,653 of them, concluding all cases within the time limit.

Improve the judicial accountability system, and enhance the central role of judges and prosecutors in case handling. We will improve the accountability systems of presiding judges, collegial benches, and prosecutors for the cases they handle. The powers and responsibilities of judges and prosecutors have been made clear, and they have lifelong accountability for the cases they adjudicate. A strict accountability system for misjudgments has been implemented. Thus a judiciary operation mechanism with clear distinction between and unification of powers and responsibilities, and well management has taken shape. The judiciary has reformed the signing of written judgments, with a clear provision that other than in cases decided by a judicial committee, the presidents, vice presidents and divisional chief judges will not review and sign the written judgments of cases they did not participate in. It has been made clear that presidents and divisional chief judges of people's courts are not allowed to air judgmental opinions on cases they did not hear, or negate the opinion of trial judges and collegial benches, unless they attended deliberations, on such cases at the judicial committees or meetings of judges with specialized knowledge.

Reform has been carried out in judicial committees. The deliberation sessions of judicial committees are recorded with audio-visual devices from beginning to end, and all committee members who have participated in the discussion and cast their votes must sign their names in the meeting minutes. A performance appraisal and internal public evaluation system has also been established for judicial committees. In pilot courts of Shanghai, the rate of cases handled independently by trial judges and collegial benches reached 99.9 per cent of all cases, with only 0.1 per cent of cases submitted to judicial committees for discussion.

The Ministry of Public Security amended the Regulations on the Appraisal of Law Enforcement by Public Security Organs, and the Regulations on Law Enforcement Accountability of People's Police of Public Security Organs, establishing a complete and effective appraisal system for monitoring the quality of law enforcement and for improving accountability in the investigation of misconduct during law enforcement. Forced confessions and illegal employment of police ***instruments*** or weapons are subject to strict investigation for their responsibility. The Chinese authorities issued the Regulations on the Recording, Notification, and Accountability Investigation of Leading Officials for Interventions in Judicial Activities and Handling of Specific Cases, and the Regulations on the Recording and Accountability Investigation of Staff Members of Judicial Organs for Their Intervention in Case Handling. People's courts at all levels have set up special archives in their case information management systems for recording internal and external interest and intervention in case-handling, so as to record in a complete, strict, and timely fashion any intervention in judicial activities by leading officials and any interest in cases expressed by staff members. On November 6, 2015 and February 1, 2016, 12 such cases were made public, and those adjudged to have transgressed received punishments pursuant to the law.

Promote judicial transparency, and ensure the right to know and the right to supervise for concerned parties and the public. The Supreme People's Court has established three platforms for releasing information on judicial process, written judgments, and the execution of judgments. By the end of 2015 China Judicial Process Information Online had had a total of 878,500 visits, China Judgments Online had released 14,480,000 copies of written judgments and garnered 410 million visits, and China Law Enforcement Information Online had publicized 34,347,000 information entries about persons subject to judgment execution, and offered information services to 36,850,000 visitors. In 2015, Chinacourt.org broadcasted 3,795 live trials online. The January 2016 online broadcast of the Qvod Player (Kuaibo) case attracted more than one million viewers. The case information disclosure system of the people's procuratorates was officially launched in October 2014, and by 2015 it had released 2,540,000 pieces of information about the judicial process, 1,020,000 entries providing information on key cases, and 760,000 copies of effective legal documents.

Judicial organs have innovated the form of releasing judicial information, such as press conferences, websites, Weibo (microblog), WeChat, and news apps. In 2015, the Supreme People's Court held 26 press conferences. The Supreme People's Procuratorate held 14, and the Ministry of Public Security held 12. By 2015, people's courts at all levels nationwide had opened 3,980 Weibo and 1,447 WeChat accounts, and created 1,468 news apps. People's procuratorates at all levels nationwide had opened 4,085 Weibo and 3,186 WeChat accounts, and launched 2,550 news apps. Public security organs had opened 26,000 Weibo and WeChat accounts, and administrative organs of justice at all levels had opened a total of 8,000 Weibo and WeChat accounts and legal education apps and websites. The Supreme People's Court launched a mobile TV app, releasing 2,862 videos by 2015, with 22,245 minutes of updated content and 651,800 users.

Ensure lawyers' right of practice, so that lawyers are playing a bigger role in safeguarding the legitimate rights and interests of parties concerned. In 2015, the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security, the Ministry of State Security, and the Ministry of Justice jointly issued the Regulations on Protecting Lawyers' Right of Practice in Accordance with the Law, which further implements relevant legal provisions, makes clear various measures to protect lawyers' right of practice, makes it more convenient for lawyers to participate in litigation, and improves the remedy and accountability mechanisms for ensuring lawyers' right to practice. Within the scope of their functions and duties and as prescribed by the law, judicial organs have protected lawyers' rights to know, their rights of application and appeal, and the rights to meet their clients, to read case files, to collect evidence and ask questions, to cross-examine, and to debate in court. Judicial organs have ensured that lawyers are not deterred from defending and representing the parties concerned, whose legitimate rights are protected in accordance with the law.

Public security organs at all levels have accelerated the provision of lawyers' meeting rooms, and opened online platform for lawyers to make appointments to visit their clients and made known to the public such appointment phone numbers, providing convenience to meetings between lawyers and their clients and ensuring their conversations are not monitored. Procuratorial organs have effectively fulfilled their role of supervision over the obstruction of lawyers' right to practice.

In 2015, procuratorial organs at all levels resolved 1,093 cases involving infringement of lawyers' procedural rights pursuant to the law. In December 2015, the Supreme People's Court launched a lawyers service platform, collating 21,707 entries concerning law firms and 81,476 entries concerning lawyers. The platform offers convenient legal services to lawyers, including online case register, online access to case files, case information inquiry, electronic service of legal documents, and judges' contact details.

By 2015, 1,734 courts had opened the "12368" litigation service hotline, providing self- or staff-service information for parties concerned and lawyers, and handled a total of 76,270 inquiry calls.

In January 2016, the Supreme People's Court issued the Regulations on Effectively Protecting Lawyers' Procedural Rights in Accordance with the Law, which further clarifies the protection of lawyers' procedural rights and personal safety by people's courts, and stipulates that courts should, if conditions allow, provide lounges with desks, chairs, drinking water and other necessities for lawyers participating in court trials. Some courts in Beijing and Sichuan have provided changing rooms and waiting rooms for lawyers, protecting their dignity in litigious activities.

Conduct pilot programmes to reform the system of people's assessors and supervisors, and ensure citizens' right to act as assessors and supervisors. In April 2015, the Standing Committee of the National People's Congress (NPC) issued the Decision on Authorizing the Implementation of the Pilot Programme to Reform the System of People's Assessors in Certain Areas. In May 2015, the Supreme People's Court and the Ministry of Justice jointly issued the Measures on Implementing the Pilot Programme to Reform the System of People's Assessors, rolling out reform at 50 courts in 10 provinces (autonomous regions and municipalities directly under the central government). By 2015, these courts had welcomed 7,800 new people's assessors, four times the number of judges. In 2015, people's assessors took part in the trial of 2,846,000 cases. At the Dongying Intermediate People's Court of Shandong Province, people's assessors participated in a major work-related crime for the first time when hearing the trial of Ni Fake for accepting bribery and obtaining significant revenues from unclear sources. In September 2014, the Supreme People's Procuratorate and the Ministry of Justice jointly launched a pilot programme to reform the system of people's supervisors in Beijing and nine other provinces (autonomous regions and municipalities directly under the central government), supervising the handling of 1,505 cases according to the new reform requirements. Currently there are 15,000 people's supervisors at all levels of procuratorial organs. In 2012-2015, people's supervisors participated in 8,161 cases of work-related crimes, which are under the categories of "might be revoked" and "might not be prosecuted." Of the 216 cases in which people's supervisors gave opinions different from the preliminary decisions of procuratorial organs, 109 cases, or 50.5 per cent, were ruled in favour of the people's supervisors. People's supervisors also presented 1,040 opinions regarding the nine situations within their supervisory scope.

Appropriately handle letters and visits involving lawsuits in accordance with the law, and improve the channels of rights relief. A working mechanism of handling letters and visits involving lawsuits has been established, which runs according to the principles that litigation and letters and visits are separated, that letters and visits are divided in an orderly manner, and that letters and visits are handled in accordance with the law. There has been greater standardization in the scope, procedure, and responsibilities involving letters and visits concerning lawsuits. More channels are now available for people to air their grievances, including letters, visits, telephone calls, the internet, and videos, and integrated online platforms have been introduced for this purpose, ensuring that the people have access to claim their rights in accordance with the law. Lawyers have been invited to participate in activities of receiving letters and visits, and act as agents to handle them, in a way that strengthens public faith in the letters and visits system.

The Supreme People's Court opened an online platform for complaints and appeals in February 2014, and an online video system to receive complaints and appeals in May of that year, which handled a total of 8,200 cases by 2015. In 2015, visits to the Supreme People's Court of those who were seeking legal justice to their own case dropped by 12 per cent on a year-on-year basis. The Supreme People's Procuratorate established an online video system to receive appeals, which connects procuratorial organs at all four levels. In 2015, procuratorial organs at all levels received and handled 1,148,000 letters and visits. In 2012-2015, the Ministry of Justice received 19,788 people, registered 6,537 visits, and received 73,843 letters, including 10,337 letters on matters relating to the administrative organs of justice.

Abolish the system of reeducation through labour, and strengthen social governance with the rule of law. For more than 50 years, the system of reeducation through labour played a positive role in China, appropriate to the historical circumstances, in protecting public security, maintaining social order, ensuring social stability, and educating and rehabilitating lawbreakers. But over time its functions were gradually replaced with the implementation of laws such as the Law on Penalties for Administration of Public Security and the Law on Narcotics Control, and also through improvements in the Criminal Law. Over the years, as the relevant laws became increasingly applicable in cases of reeducation through labour, the correction system played a lesser role. In December 2013, the Standing Committee of the NPC passed the Decision on Annulment of the Regulations on Reeducation Through Labour, putting an end to the system. It was also decided that persons who were receiving reeducation through labour as prescribed by law should be released and exempted from their remaining terms.

Establish a national judicial assistance system, and strengthen the protection of victims. In 2014, six state organs, including the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security, jointly issued a document for establishing the national judicial assistance system. Under the framework, the state provides economic assistance to victims of crime who are unable to obtain ***financial*** compensation, to help them through difficulties. Judicial organs strictly perform their duty of notifying such victims of their right to apply for judicial assistance, and ensuring that eligible applicants receive timely relief. In 2015, 1.67 billion yuan went to 71,700 victims and their families. By the end of 2015, public security organs had given 140 million yuan in judicial assistance to 6,338 persons. From January 2014 to October 2015, procuratorial organs at all levels received 13,000 applications for judicial assistance, and ***granted*** 120 million yuan of relief. From 2013 to 2015, people's courts at all levels allowed 625 million yuan in reduction or exemption of litigation fees for parties in economic difficulty.

II. Further Improve the Legal Guarantee Procedure of Human Rights

We have reformed the case admitting system by converting the case-filing review system into a case-filing register system. We have revised the Criminal Procedure Law, and implemented principles of legality, presumption of innocence, exclusion of unlawful evidence. We have revised the Civil Procedure Law to effectively settle disputes. We have also revised the Administrative Procedure Law to strengthen the protection of legitimate rights and interests of private parties in administrative lawsuits. We have enacted the first Anti-Domestic Violence Law to strengthen legal protection of the personal rights of victims of domestic violence.

People's courts change the case-filing review system into a case-filing register system to better protect litigants' right of appeal. On May 1, 2015, a case-filing register system came into operation. People's courts should accept and register all cases of litigation, handle all those that meet the conditions of admissibility and prosecution, and ensure that all cases are entered and properly handled, and that litigious right is exercised without obstruction. From May to December in 2015, 9.94 million first trial cases were registered at courts across the country, a year-on-year increase of 29.54 per cent; the on-the-spot case registration rate was 95 per cent, among which civil cases increased by 26.45 per cent, administrative cases 66.51 per cent and criminal cases 58.66 per cent. Difficulties in filing administrative lawsuits concerning housing demolition, land acquisition, and government information disclosure were significantly eased.

Put in place a system to exclude unlawful evidence and protect the legitimate rights and interests of criminal suspects. The Criminal Procedure Law revised in 2012 has specific provisions on respecting and protecting human rights, and their implementation has been guaranteed through improving the evidence system, compulsory measures, defence system, investigation methods, trial procedure, and enforcement procedures, and by adding special procedures. The Criminal Procedure Law stipulates that after detaining and arresting suspects, the law enforcement agencies should immediately commit detainees and arrestees to custody in detention houses and ensure the interrogations of suspects and defendants are audio- and video-recorded. In 2014, the Ministry of Public Security issued more explicit regulations concerning the scope of and interrogation recording requirements for cases subject to audio and video recording. The interrogation rooms of public security organs and detention houses are all equipped with audio and video recording facilities to prevent misconduct in law enforcement such as extorting confessions by torture and obtaining evidence through illegal means. The Supreme People's Procuratorate issued the Provisions on Making Synchronous Audio and Video Recordings Throughout the Entire Process of Interrogation of Suspects in Work-Related Offences by People's Procuratorates to further regulate investigation and interrogation activities and strengthen protection of the legitimate rights and interests of criminal suspects. The Criminal Procedure Law outlines the scope of unlawfully-obtained evidence and procedures for excluding such evidence. The judicial organs should exclude such unlawful evidence if they find any during the criminal investigation, examination and prosecution, or trial of a case. In 2015, the procuratorial organs at all levels demanded the withdrawal of 10,384 cases wrongly filed by investigation organs, and regulated 31,874 cases of illegal conduct involving abuse of compulsory measures and unlawfully obtaining evidence. In 2014, the procuratorate of Shunping County, Hebei Province resolutely excluded illegally-obtained evidence in reviewing a murder case and decided not to approve arrest, and demanded provision of more evidence. The real murderer was later caught by a public security organ.

Implement the principle of presumption of innocence to prevent and correct miscarriages of justice. In 2013, the Ministry of Public Security issued the Notice on Further Strengthening and Improving Law Enforcement to Prevent Miscarriages of Justice and some other documents to prevent cases of misjudgment and to strengthen comprehensive, complete and real-time scrutiny of law enforcement to prevent miscarriages of justice at source. The Ministry of Justice issued the Opinions on Maximizing the Functions of the Forensic Assessment System to Prevent Miscarriages of Justice to strengthen forensic assessment management and further regulate such activities. The Supreme People's Procuratorate released Several Opinions on Effectively Performing Procuratorial Functions to Prevent and Correct Miscarriages of Justice, scrutinizing all activities concerning evidence, procedures and application of laws and to improve the system of discovery, correction, and prevention of cases of misjudgment, and to hold to account those responsible. In 2015, the procuratorial organs at all levels decided not to arrest 131,675 people and not to prosecute 25,778 in cases involving lack of evidence or actions that do not constitute a crime. In addition, they appealed against 6,591 judgments of criminal cases that they deemed wrong judgments. The Supreme People's Court issued the Opinions on Establishing and Improving the Working Mechanisms for the Prevention of Miscarriages of Justice in Criminal Cases, stipulating that the defendants should be acquitted for lack of evidence and no one should be prosecuted without criminal evidence. From 2012 to 2015, people's courts at all levels acquitted 3,369 defendants. A number of wrongful convictions were overturned in accordance with the law. These included the following cases:

. rape and murder by Zhang Hui and Zhang Gaoping, nephew and uncle

. poisoning by Nian Bin

. rape and murder by Hugjiltu

. rape and murder by Xu Hui

. murder by Huang Jiaguang

. rape and murder by Wang Benyu

. murder by Yu Yingsheng

. murder and arson by Chen Man

. poisoning by Qian Renfeng

. murder by Xu Jinlong

. murder by Yang Ming

Carry out the pilot programme of fast-track sentencing procedure for criminal cases to ensure defendants get speedy trials. In June, 2014, the Decision on Authorizing the Supreme People's Court and the Supreme People's Procuratorate to Launch the Pilot Programme of Fast-Track Sentencing Procedure for Criminal Cases in Certain Areas was issued by the Standing Committee of the NPC. In August, 2014, the Supreme People's Court and the Supreme People's Procuratorate were authorized to launch a pilot programme of fast-track sentencing for criminal cases in 18 cities including Beijing, Tianjin, Shanghai, and Chongqing. It concerns cases involving dangerous driving, traffic offences, theft, fraud, forcible seizure, personal injury, picking quarrels and making trouble, or any other violation where the circumstances are minor and the accused may be sentenced to imprisonment of not more than one year, criminal detention, control, or a fine. If the facts are clear, the evidence is sufficient, the defendant voluntarily confesses to the crime, and the parties do not dispute the application of law, the relevant procedure shall be simplified, provided that it is in conformity with the basic principles of the Criminal Procedure Law, and the litigation rights of the parties concerned are fully protected.

By 2015, 31,086 criminal cases suitable for the fast-track sentencing procedure were concluded in 212 pilot courts at the primary level nationwide, 33.13 per cent of all cases involving imprisonment of not more than one year in the same period in pilot courts at the primary level, representing 15.48 per cent of all criminal cases in all courts nationwide. 92.77 per cent of these were concluded within 10 days, and the pronouncement rate in court was 95.94 per cent; the appeal rate of the plaintiffs with incidental civil action was zero and that of defendants was only 2.13 per cent.

Regulate compulsory measures and reduce application of compulsory custodial measures. The Criminal Procedure Law further improved compulsory custodial measures, refined conditions for arrest, defined the social risk criteria of offences and reduced the application of compulsory custodial measures to standardize the application of criminal coercive measures and better protect citizens' rights of personal freedom. In 2014, the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security jointly issued documents to specify who should be notified when there are any changes in the place or time of custody, procedure of custody change, notification procedure and form of delivery, etc. as another attempt to prevent and correct extended custody. The procuratorial organs strictly abide by arrest conditions and procedures prescribed by law, with a view to being prudent when making arrest decisions and reducing the numbers of arrests. In 2015, the procuratorial organs at all levels decided not to arrest 90,086 people suspected of crimes but posing no social danger, and decided not to prosecute 50,787 people accused of minor offences but not subject to punishment according to law. A review system on the need for custody has been established. After the arrest of criminal suspects and defendants, the people's procuratorate still conducts a review on the necessity of keeping them in custody. If this is not necessary, it would suggest the relevant judicial organs release them or modify the compulsory measures. In 2015, procuratorate organs nationwide advised the release of 29,211 criminal suspects who needed no continued custody or whose compulsory measures be changed.

Improve procedures for juvenile criminal cases to help underage offenders better reintegrate into the society. The Criminal Procedure Law amended in 2012 added a chapter of procedures for juvenile criminal cases in the special procedures section, specifying the principle of "education, persuasion and rehabilitation" for juvenile offenders, sticking to the principle of applying primarily educational measures, and taking punitive sanctions as ancillary means. Judicial organs assign officials who have a good knowledge of the physical and psychological characteristics of minors to handle juvenile cases. The Ministry of Public Security revised the Provisions on the Procedures for Handling Criminal Cases by Public Security Organs, the Supreme People's Procuratorate amended the Rules for the People's Procuratorate's Handling of Criminal Cases Involving Minors, and the Supreme People's Court released a judicial interpretation applicable to the Criminal Procedure Law, further detailing the special protection measures for juvenile offenders. Public security organs at all levels set up special agencies or designated full-time staff to deal with juvenile delinquency in line with special requirements. In 2015 the Supreme People's Procuratorate set up the Procuratorial Office for Juvenile Delinquency. By March, 2016, 12 procuratorates at provincial level, 123 at city level and 893 at primary level had established special independent procuratorial agencies for juvenile delinquency. People's courts are pressing ahead with the building of juvenile courts. By 2015, there were 2,253 juvenile courts and over 7,200 judges of juvenile court nationwide.

The public security organs, people's procuratorates and people's courts strictly implement requirements such as reviewing age, designating lawyers for defendants, and prudently applying custody measures in handling juvenile criminal cases, and notifying legal representatives and appropriate adults to be present. The judicial organs may take into consideration the family and school background, cause of crime, guardianship and education of a juvenile offender and use these as references when handling a case. Trials of cases in which the offenders are under the age of 18 will not be open to the public. If the offender is under 18 at the time of the crime and sentenced to less than five years of imprisonment, the records of the crime will be sealed. Efforts are made to educate and transform juvenile delinquents and minors involved in misbehaviour. Since 2002, the juvenile relapse rate has been brought below 2 per cent, and juvenile delinquency cases have decreased gradually to a ratio of 3.56 per cent of all crimes in 2015.

Improve civil procedure system to strengthen protection of social and public interests. The Civil Procedure Law revised in 2012 set up a public interest litigation system. For conduct which damages public interests such as environmental pollution, or infringement of consumers' legitimate rights and interests, the relevant units and organizations prescribed by law may bring a lawsuit to the people's court. In 2015, the Supreme People's Court released a judicial interpretation to specify the prosecutor, court of jurisdiction, and trial procedure in environmental civil public interest litigation. In 2015, with the authorization of the Standing Committee of the NPC, the Supreme People's Procuratorate launched a pilot programme for public interest litigation in the fields of ecological and resource protection, state assets protection, assignment of land use right of state-owned land, food and drug safety, etc. The pilot procuratorates launched pre-trial procedure in 325 cases, gave suggestions and urged relevant administrative organs to take action or correct 224 violations and some social organizations to institute six public interest litigations. In cases of non-performance of duties, or in absence of social organizations taking any action, while public interests are being continually damaged, the procuratorial organs may institute public interest litigations. In 2015, there were 12 such cases.

Formulate and implement Anti-Domestic Violence Law to strengthen legal protection of the personal right of victims. The revised Civil Procedure Law stipulates provisions for behaviour regulation and defines the legal basis for rulings on personal protection. In December 2015, the Standing Committee of the NPC adopted the Anti-Domestic Violence Law, which stipulates that the offender should be given a written admonition, or subject to public security punishment or criminal sanctions based on the seriousness of the case. A personal safety protection writ system was set up for the first time to effectively protect the legitimate rights and interests of victims of domestic violence, particularly minors, the elderly, the disabled, and pregnant and lactating women. The Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security and the Ministry of Justice jointly released the Opinions on Handling Domestic Violence Cases in Accordance with Law to strengthen timely judicial intervention in cases of domestic violence. From 2014 to 2015, the Supreme People's Court released 15 typical cases involving domestic violence, providing judicial guidance to further protect the legitimate rights and interests of women, minors, and the elderly. The people's court of Yuexiu District, Guangzhou City accepted an application for personal safety protection from a woman named Lin, and issued a Personal Safety Protection Writ, forbidding respondent Xu, her husband, from inflicting violence on her and her family, and from interfering with the normal life of her and her family by harassing or tracking, and prohibiting his presence within 200 meters of her residence to effectively protect the personal safety of the applicant.

Reform the administrative litigation system to protect the legitimate rights and interests of private parties to administrative lawsuits. The revised Administrative Procedure Law in 2014 aimed to resolve difficulties in filing, adjudication, and execution of court rulings. It specifies that administrative agencies are not allowed to interfere with or impede the admission of administrative cases by the people's courts. In handling administrative cases, the people's courts can review regulatory documents formulated by ministries under the State Council, local people's governments and their departments, and if they find them unlawful, such documents cannot be used as references of legality in administrative cases and people's courts should offer suggestions to the enactment bodies. It also stipulates that if the reconsideration organ's decision sustains the original administrative action, the administrative organ taking the original administrative action and the reconsideration organ shall be co-defendants. The individual in charge of an administrative organ against which a complaint is filed shall appear in court to respond to the complaint. Measures should be improved to motivate administrative organs to implement effective judgments, and if they refuse to implement such judgments, convictions or mediation papers, people's courts may impose fines on or arrest leading members of administrative organs, persons in direct charge and others held accountable.

III. Enhance Judicial Protection of Human Rights

China punishes crimes by law, tries civil and administrative cases fairly, and strengthens the execution of effective judgments. It endeavours to improve institutions of community correction, state compensation and legal aid, and diligently safeguard citizens' right of life, property right, right of livelihood and other legitimate rights and interests.

Handle all kinds of criminal cases by law to protect people's right of life and property right. The state focuses on punishing violent terrorist crimes, serious crimes of violence, gangland crimes, crimes involving guns and explosives, crimes endangering food and medicine safety, crimes related to drug production and trafficking, and some other crimes. Public security organs have launched a series of special actions to fight against violent terrorist activities, combat organized criminal gangs, crack down on illegal gathering and trading of citizens' information, and combat telecommunication fraud and the use of pseudo base stations.

Together with the Ministry of Public Security and the China Food and Drug Administration, the Supreme People's Procuratorate has formulated working methods connecting administrative law enforcement on food and medicine crimes with criminal justice. In 2015, procuratorial organs at all levels recommended to food and drug regulatory authorities to bring 1,646 suspected criminal cases to lawsuit, and supervised and urged public security organs to file 877 cases. The mechanism enabling procuratorial organs to synchronously engage in investigating and handling industrial accidents has been improved. In 2015 procuratorial organs prosecuted 2,199 people for being liable for serious accidents, and investigated and dealt with 823 involved in these accidents for work-related crimes. After the Tianjin Port fire and explosion incident on August 12, 2015, procuratorial organs quickly launched an investigation, and then placed on file 25 cases of criminals suspected of dereliction of duty, abuse of power, and bribery. From 2012 to 2015, courts at all levels concluded 4,062,600 criminal cases of first instance. Related courts tried, according to the law, the case of the Kunming terrorist attack on March 1, 2014, that of Beijing terrorist attack on October 28, 2013, and other cases of violent terrorist crimes. Courts concluded 2,070 cases of gangland crimes, 1,050,500 cases of murder, robbery, kidnapping, rape and other crimes, and 417,300 cases of drug-related crimes.

Punish by law crimes of corruption and work-related crimes to create a favourable political and legal environment for the protection of human rights. In 2015, procuratorial organs at all levels placed on file and investigated 40,834 cases of work-related crimes involving 54,249 people. Specifically, they investigated and dealt with 4,490 cases of embezzlement, bribery, and defalcation of more than one million yuan each, a year-on-year increase of 22.5 per cent; 13,210 people for taking bribes and 8,217 for offering bribes; 13,040 civil servants for dereliction and malfeasance; and 20,538 people for work related crimes in land requisition and demolition, social security, education, health care, the Three Rural (***agriculture***, rural areas and farmers) issues and other livelihood fields concerning immediate interests of the people. From 2012 to 2015, courts at all levels concluded 94,900 cases of corruption and bribery and sentenced 100,200 criminals; concluded 10,300 cases of offering bribes and sentenced 9,219 criminals; and concluded 21,300 cases of dereliction of duty, and sentenced 23,500 criminals. Among the defendants, 381 were formerly at/above the department or bureau level, and 2,269 were at/above the county or division level. Zhou Yongkang was sentenced to life imprisonment and deprived of political rights for life, and his personal assets were confiscated. Bo Xilai was sentenced to life imprisonment and deprived of political rights for life, and his personal assets were confiscated.

Advance special actions against human trafficking, and make important progress in combating trafficking in women and children. China has made unremitting efforts to prevent and crack down on the abduction and trafficking of women and children. It has worked to implement China's National Plan of Action on Combating Trafficking in Women and Children (2013-2020) and to rescue abducted victims. Amendment (IX) to the Criminal Law increases penalties for whoever buys an abducted woman or child. Public security organs have launched special actions against human trafficking, and improved their working mechanisms. The principal leader or a leader in direct charge of a public security organ at the county (city or district) level should take charge of a special group for the examination of child trafficking cases, and take responsibility throughout the whole process. A mechanism for quickly searching for missing children has been put in place around the country, under which police resources are fully mobilized to quickly find missing children. A uniform operation of thorough search and investigation for children of unknown origin has been carried out nationwide, in which DNA information of children suspected of being the victims of abduction is collected and recorded into a national DNA database for comparison. As of 2015, the national DNA database against trafficking had helped more than 4,100 abducted children find their birth parents. The Anti-Trafficking Office of the Ministry of Public Security opened a Weibo to popularize information on anti-trafficking, promote public awareness in preventing and combating trafficking, and encourage people to support and participate in anti-trafficking work. Through these efforts, crimes of trafficking in women and children have been effectively curbed, and the number of such cases has decreased year by year since 2013. The number of cases of trafficking in women and children that courts at all levels concluded in 2015 fell by 55.55 per cent compared to 2010.

Bring to justice criminals who infringe the rights of minors, and strengthen the protection of minors' rights. In 2013, the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security and the Ministry of Justice jointly issued the Opinions on Legally Punishing the Crime of Sexual Assault Against Minors, highlighting protection of minor victims' rights and severe punishment of criminals engaging in sexual assault against minors. In October 2014, the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security and the Ministry of Civil Affairs issued the Opinions on Several Issues Concerning Law-based Handling of the Infringement of the Rights and Interests of Minors by Their Guardians, deciding that guardianship of parents or other guardians who sexually assault, treat with violence, abuse and abandon minors will be revoked according to law. Amendment (IX) to the Criminal Law abolishes the crime of sex with a girl under the age of 14, and stipulates that whoever has sexual relations with a girl under the age of 14, as applicable to the Criminal Law, shall be deemed to have committed rape and shall be given a heavier punishment. It also stipulates that anyone who maltreats a minor or an elderly person whom they are responsible for guarding and nursing, if the case is serious, shall be sentenced to imprisonment or criminal detention of not more than three years. From 2013 to 2015, people's courts at all levels concluded 7,610 cases involving child molestation, and sentenced 6,620 criminals; and concluded 224 criminal cases of maltreatment. In 2015, the People's Court of Tongshan District, Xuzhou City, Jiangsu Province concluded the first case of revoking the guardianship of a minor's parents. Public security organs have strengthened police on campus and in surrounding areas, and effectively maintained campus safety. Around the country, 170,000 police offices and security sentry boxes have been set up in surrounding areas of schools, and 260,000 posts for protecting students have been set up, representing a daily patrol force of 300,000. Schools have employed 700,000 security guards and provided them with 1.2 million items of protective equipment, and installed 680,000 sets of equipment for technical defence.

Strictly control the death penalty and employ it with prudence to ensure that it applies only to a very small number of extremely serious criminal offenders. Following the Amendment (VIII) to the Criminal Law in 2011 which abolishes the death penalty for 13 economy-related, non-violent offences, Amendment (IX) to the Criminal Law, adopted in 2015, again reduces the number of crimes for capital punishment, abolishing the death penalty for nine areas of crime: smuggling arms and ammunitions, smuggling nuclear materials, smuggling counterfeit currency notes, counterfeiting currency, illegally raising ***funds***, organizing others for prostitution, forcing others into prostitution, obstructing commanders or personnel in the performance of their military duties, and creating rumours and misleading the people during time of war. Amendment (IX) to the Criminal Law also extends the possibility of reprieve in cases of capital sentence. In death penalty cases, the defendant's right to defence and other legitimate rights and interests are fully protected, as hearings are held for all death penalty cases of second instance. When the Supreme People's Court reviews a death penalty case, it focuses on interrogating the defendant in accordance with the law, and listening to opinions of the defence counsel.

Try civil and commercial cases by law to effectively protect people's right of livelihood. From 2012 to 2015, courts at all levels concluded 32,302,400 civil and commercial cases. Among these, 90,100 involved rural contract disputes, 10,000 involved homestead disputes, and 6,611,600 cases involved marriage and family, upbringing and inheritance. The courts properly handled cases relating to personal injury, employment, education, health care, housing, and other areas closely related to people's daily and working life, protecting people's livelihood according to the law. From 2012 to 2015, people's courts at all levels concluded a total of 2,334,300 such cases.

Hear cases involving the environment or resource use to protect citizens' environmental rights. In June 2014, the Supreme People's Court established a tribunal for lawsuits involving the environment and resource use. As of 2015, courts of 24 provinces (autonomous regions and municipalities directly under the central government) had established 456 tribunals, collegial benches and circuit courts for environment cases. From 2012 to 2015, courts at all levels concluded a total of 495,500 such cases. From 2013 to 2015, the Supreme People's Court notified the public of 33 typical environment cases on four occasions, trying to ensure environment and resource laws are properly applied in a comprehensive, correct, and consistent way, and to promote environmental protection on the basis of the law.

Hear administrative cases to safeguard legitimate rights and interests of private parties. From 2012 to 2015, courts at all levels concluded 579,000 administrative cases of various types. The courts properly heard administrative proceedings involving house demolitions of high social concern, protecting the legitimate rights and interests of displaced people in accordance with the law. They concluded 32,800 administrative cases involving house demolitions. The system whereby the individual in charge of an administrative agency appears and defends the organ in court in accordance with the law has been improved. In 2014 and 2015, among Jiangsu administrative agencies involved in administrative proceedings, more than 90 per cent of those in charge appeared in court. Three consecutive magistrates of Hai'an County People's Government personally appeared in court. For six years, all heads of various administrative organs of this county, when involved in administrative proceedings, appeared in court. Coordination of administrative cases and enforcement of non-litigation administrative cases have been strengthened, helping resolve administrative disputes. Timely feedback on prominent law enforcement problems found in court trials has been provided to administrative agencies to promote law-based administration. From 2014 to 2015, the Supreme People's Court made known to the public ten cases concerning land acquisition, house demolition and relocation, ten information disclosure cases, ten cases concerning environmental protection, ten cases concerning administrative nonfeasance, and ten administrative cases concerning commercial interests. In so doing, it has regulated administrative law enforcement, and provided uniform criteria for judgment.

Safeguard legitimate rights and interests of applicants in state compensation cases. In 2015, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretation on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Regarding Compensation, elaborating on the circumstances under which investigation of criminal liabilities is terminated. The document has helped solve problems for citizens who cannot apply for state compensation due to protracted criminal cases, and played an important role in urging case handling organs to exercise functions according to the law and in protecting the right to state compensation. From 2012 to 2015, courts at all levels concluded a total of 12,300 cases on state compensation. On January 7, 2016, the Supreme People's Court and the Supreme People's Procuratorate brought the public's attention to eight typical criminal cases on state compensation.

Reinforce enforcement of effective judgment to protect legitimate rights and interests of relevant parties. The Supreme People's Court revised Several Provisions on Restricting Extravagant Spending of the Persons Subject to Enforcement, restricting expenditure not necessary for life or business operation by the persons who are included in the list of dishonest persons subject to enforcement. This effort helped set up a public mechanism for penalizing dishonest people. As of 2015, 3.08 million people subject to enforcement had been included in the list of dishonest persons, 3,577,000 attempts by these people to buy airline tickets had been intercepted, as well as 598,800 attempts to buy soft sleeper tickets and first-class tickets on high-speed trains. From 2012 to 2015, courts at all levels received 12,591,400 new cases of application for enforcement, of which 11,906,000 were enforced and concluded. Enforcement of cases relating to essential requirements of daily life has been reinforced. From December 1, 2015 to February 15, 2016, the Supreme People's Court enforced such cases in a centralized way, with focus on nine categories, including recovering payment for labour, migrant workers' wages, alimony, and payment for children's upbringing. As of January 15, 2016, about 60,000 cases had been enforced and concluded, involving sums of about two billion yuan.

Improve community correction work to effectively protect correction subjects' legitimate rights and interests. Administrative organs of justice at all levels have implemented the Opinions on Organizing Social Forces to Participate in Community Correction. They have covered community correction ***funds*** in ***financial*** budgets at all levels; encouraged and guided social forces to participate in community correction; tried to solve employment, schooling, social assistance, social security and other issues for correction subjects; strengthened education for and assistance to them through various channels; and directed attention to their psychological treatment. In so doing they have helped them better reintegrate into society. As of 2015, administrative organs of justice around the country had received a total of 2,702,000 offenders for community correction, among whom 2,004,000 were discharged from correction and 698,000 remained for correction. Only 0.2 per cent of offenders committed crimes during the correction period. Altogether 1,339 community correction centres have been established nationwide in counties or districts. There are 24,787 bases for community service, 9,218 bases for education, 8,165 bases for employment, and 672,000 community correction groups. Around the country, 83,000 social workers and 690,000 volunteers are engaged in community correction. Haidian District Community Correction Centre of Beijing founded the Zhongtu (Midway) College with five universities. In the college, university teachers provide targeted, classified education for correction subjects. Chaohu Community Correction Centre, Anhui Province, has established mental health records for correction subjects, and provides consulting services.

Increase legal aid to enable citizens to better enjoy the right to legal aid. A framework of grassroots legal aid has been put in place. More than 3,500 offices have been opened to provide convenient legal aid to the public, and more than 70,000 legal aid work stations have been set up, improving grassroots infrastructure. Judicial organs have worked to spread the national legal aid information management system, which helps to simplify the process of acceptance and review, and thus make it easier for citizens to receive legal aid. They have expanded the scope of supplementary items for legal aid, relaxed criteria for economic difficulty applying to legal aid, and increased ***fund*** guarantee for legal aid. From 2012 to 2015, the central government allocated 1.52 billion yuan to legal aid. The Central Authorities have urged local governments to include a legal aid ***fund*** in their budgets. As of 2015, 24 provinces (autonomous regions and municipalities directly under the central government) had established a provincial-level specialized ***fund*** for legal aid, and 91.4 per cent of all local governments had covered the legal aid ***fund*** in their budgets. From 2012 to 2015, 4.7 million legal aid cases were handled around the country. This represents an average annual increase of 7.4 per cent, benefiting more than 5.26 million people and providing legal advice to 25.87 million.

IV. Safeguard the Legitimate Rights and Interests of Detainees

We should further improve the conditions of prisons and detention houses, enhance scrutiny of supervisory activities and the execution of punishment, standardize commutation, parole, and execution of sentence outside prison, and stipulate that criminal defendants and appellants no longer need to wear clothing bearing the name of the detention house, so as to safeguard the detainees' personal dignity, safety, legal property, and legitimate rights including the rights to defence, to appeal, to complain, and to report violations of law.

Strengthen the construction and management of detention houses to safeguard detainees' personal safety. We must implement the new "Construction Standards for Detention Houses," replace shared beds with single beds, and define the construction standards and minimal per capita floor space in detention houses. We must strictly implement the system of physical examination upon admission, establish a long-term mechanism for preventing and combating prison bullies, adopt transition management over new detainees, and strictly forbid detainees from managing cells. We should strengthen the arraignment and interrogation system. When taking out a suspect from the detention house for identification - which must be done by no fewer than two investigators at a time - or recovering property related to a case, the case handling organs should hold a written instruction signed by the leading official of the organ above the county level which bears the legal causes for the investigation.

By the end of 2015, psychological counselling rooms had been built in 2,169 detention houses in China, and 2,207 detention houses had provided two-way video via the internet for those who serve their term of imprisonment in the detention houses. We should urge legal aid centres to locate in detention houses. More than 2,500 detention houses have set up offices for providing legal aid and consultation services to detainees and their families.

Standardize medical services and life management in prisons and detention houses to safeguard detainees' right to health. Detention houses should strictly follow the food supply quantity standard for detainees, which has been approved by local ***financial*** authorities. Meal standards, weekly menus and accounts should be posted in cells for supervision. Prisons should strictly follow the Regulations on Strengthening Management of Daily Life and Hygiene Work of Prisons, implement the prisoners' food supply quantity standard which was adjusted in 2013, practice food sampling and sample reservation, and implement the system of invitation for bidding for and procurement of daily necessities. We should strengthen management of daily life and hygiene work of prisons, and guarantee a scientific diet which is reasonably adjusted with fine management for prisoners while eliminating waste. We should take into consideration the special customs of ethnic minority prisoners, and provide special meals for those who are subject to dietary restrictions.

Prisons and detention houses should improve medical services for detainees, create medical records for them, staff them with stationed doctors, who make rounds of the cells every day, and transfer those who need to be treated in hospitals outside in a timely manner. Regulations on purchase, storage and use of medicines in prisons should be strictly followed. We should improve medical facilities, strengthen disease prevention and control, provide timely treatment to sick detainees, and guarantee their rights to life and health in accordance with the law.

The Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security, the Ministry of Justice and the National Health and Family Planning Commission jointly formulated the Regulations on Execution of Sentence Outside Prison, which came into effect on December 1, 2014. If persons serving sentences are injured or maimed while working during imprisonment, and are allowed to enjoy execution of sentence outside prison, the fees including their medical subsidies and living allowances outside the prison will be reimbursed in accordance with the relevant regulations of the state. Pregnant or lactating women, those who suffer severe illnesses and need to be released on bail for medical treatment, and those who cannot take care of themselves are also allowed to enjoy execution of sentence outside prison.

Enhance supervision over prisons and detention houses to safeguard the legitimate rights and interests of detainees. To increase the transparency of their law enforcement, detention houses should open to the public on a regular basis. By 2015, a complaint handling mechanism for detainees had been installed in 2,610 detention houses, and 2,558 had employed special supervisors. Procuratorial organs supervise activities in detention houses such as health examinations upon entrance and temporary removal of detainees, with a view to preventing and rectifying illegal interrogation and forced confessions outside detention houses. We should strengthen supervision over the term of criminal detention and urge relevant departments to settle outstanding cases. In 2013, 4,459 detainees involved in outstanding cases had been in detention for more than three years, but the figure fell to six in 2015.

Standardize commutation, parole and execution of sentence outside prison and safeguard detainees' rights to implementation of penalty change. We must open prison affairs wider to the public, including the legal conditions, procedures and results of commutation, parole and execution of sentence outside prison. People's courts should improve online public notification and hearings, and open a national information network on commutation, parole and execution of sentence outside prison. From 2012 to 2015 people's courts adjudicated 2,406,100 commutation cases and 160,100 parole cases. Prisons and detention houses should carry out relevant procedures in a timely manner for those who are qualified to enjoy commutation, parole or execution of sentence outside prison in accordance with the law. People's procuratorates should strictly perform their supervisory duties so as to ensure the justice and fairness of penalty changes.

Implement national amnesty to highlight humanitarianism. On August 29, 2015, the 16th session of the 12th Standing Committee of the NPC approved the decision on amnesty for prisoners, and Chinese President Xi Jinping signed an amnesty decree, ***granting*** amnesty for four types of criminals who had been serving sentences according to effective judgments made by people's courts before January 1, 2015 and were no longer considered to be a danger to society on release. This was the eighth national amnesty since the founding of the People's Republic of China in 1949 and the first time since the adoption of reform and opening-up in 1978. It was a new approach to implementing the amnesty system stipulated in the Constitution, to implementing rule of law and highlighting humanitarianism, so it was of great political and legal significance. According to judgments made by people's courts, 31,527 prisoners were ***granted*** amnesty across the country. Those who were incapable of work, or had no job, no source of income, and no legal supporters were ***granted*** subsistence allowances so that they could better reintegrate into society.

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[***WESTERN STATE FORMATION AND ALTERNATE STATE FORMATION: A COMPARATIVE CRITICAL APPRAISAL***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5K14-RVP1-JD09-3204-00000-00&context=1516831)

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**Body**

Introduction

The Westphalian state system, premised on the existence of territorially defined nation states, enjoying monopoly of violence over people and institutions within their boundaries, is a relatively recent phenomenon. Its emergence can be formally traced to the rise of the modern state system in 16th century Europe. The modern state system's formal emergence in Europe came with the Treaty of Westphalia of 1648, which ended the Thirty Years war and also the Medieval system of feudalism1 in the continent. It was the harbinger of the rise of sovereign and independent states with defined territories in Europe. The Treaty of Westphalia sanctioned Europe's division into territorially organized states, by recognizing the principle of state sovereignty and of non-interference in the territorial space of other states.2

The spread of the idea of the modern state system to other parts of the world began with the rise of European colonialism; however, modern statehood for a large number of Asian and African countries came only after the end of the Second World War. The process of decolonization was preceded by the struggle for self determination and independence by the people under the servitude of the European colonial powers, who after the Great War, were no longer in a position to retain their dominions. The unraveling of the European empires was followed by the addition of several new states in the international state system. Devoid of many attributes of statehood which their former European masters possessed, these new states were guaranteed juridical independence by various international treaties and through membership of international organizations, such as the United Nations.

The post-war bi-polar world order provided artificial stability to the new states, which had access to economic and military aid from the two rival superpowers. It enabled the newly independent states to temporarily overcome many of their vulnerabilities. This artificial stability waned with the end of the Cold War, when aid cuts weakened the powers of patronage of the Third World regimes, allowing rebel groups to challenge the state. Civil wars, violence, population displacement, erosion of authority and malfunctioning of state institutions afflicted many developing states after the end of the Cold War, earning them the title 'failed states'.

This paper investigates state formation in Europe within the state building paradigms of coercion, capital and political legitimacy. It applies the same paradigm in exploring state building in non-Western societies. This comparative analysis aims to explore why the state making trajectory progressed differently in the non-Western societies and what lessons can be gleaned from the Western, particularly European state building experiences, which could be transmitted to the states born in the post 1945 period. The paper includes an introduction, followed by an analysis of the role of coercion, capital, and legitimacy in state making in Europe and in other societies. It then addresses the question of transferability of Western state building methods to the developing countries, and the last section provides the conclusions.

Coercion, capital, legitimacy and state making in Europe

Historically, prior to the emergence of modern states, politically organized communities, arose in various civilizations of Europe, the Middle East, South America, Africa and Asia. These political communities can be broadly classified as: tribes without rulers, tribes with rulers, city-states and empires. The first two types of segmentary or acephalous groups/tribes with and without rulers, were family, lineage or clan based, and regulated their affairs under unwritten rules that were partly religious and partly magic by origin.3 City-states (Greek) and empires (Roman) among the pre-modern political entities came close to being a state. Whereas, the city- states were organized as small and basic political units in Greek cities,4 where the state and society were hardly distinguishable, empires, on the other hand, encompassed vast territories and clearly distinguished the state from the individual that it represented.

Such a distinction between the state and the society together with the ***grant*** of citizenship rights to all inhabitants of the empire as well as subjecting them to a systemized code (the Roman Law) are seen as the Roman empire's important contributions to the concept of a modern state.5 Roughly by the 9th century, the Roman empire's decline ushered in the era of feudalism in Europe. There was no strong centralized rule and myriads of small, independent principalities appeared all over Europe, ruled by counts, lords and dukes (members of European aristocracy). Decentralized administration was amongst feudalism's prominent features. The decentralized form of political authority under feudalism suffered from some inherent contradictions which ultimately led to its downfall and the birth of large, territorially defined sovereign European states between 1450 and 1650.

In feudalism, government survived largely owing to a system of cooperation between various counts, lords and dukes, who otherwise ran independent estates that preserved law and order and also had self perpetuating mechanisms. In the feudal system, with its decentralized, contractual nature, hundreds of small territories, cities, principalities, and estates functioned in relative independence and with little direction from a higher political authority.6 A lord-vassal system prevailed, wherein the Lord (king) loosely exercised some control over the vassals or the dukes. These vassals were indispensable to the Lord because they possessed large tracts of lands, provided soldiers for waging wars, dispensed justice, filled the Lord's coffers by collecting taxes and gave counsel to him. The bottom rung of this system was held by the serfs and peasants, who either tilled their own land or that of their masters, shared the yield with their dukes, and also served as soldiers during wars.7

The King's sovereignty had another challenger - the Church, which claimed absolute authority over spiritual matters and even a strong say in temporal ones. Such fragmentation of power encouraged strife, for the Higher Lord's monopoly over power was also contested and challenged by the assemblies comprising representatives of the higher clergy and the nobility, without whose consent and cooperation the Lord could not levy taxes or raise an army.

In the early feudal era, the King's weak authority was also owing to the indecisive nature of wars, which could be attributed to the low level of military technology. This deficiency was removed by the development of the technology of warfare, for instance with the invention of the longbow, pikes and gunpowder. The invention of gunpowder drastically changed the pattern of warfare. The events between 1300-1600 underlined the need for trained and equipped militaries.8 Improvements in military technology and the decisive outcome of wars provided the monarch with the motivation to acquire military resources independent of the nobles. The rise in military expenditure was met by direct and indirect taxes, deficit ***financing*** and accelerated efforts at the coercive collection of taxes.9 Such taxation served as the 'sinews of war' and acted as a catalyst for the emergence of fiscal administration and centralized bureaucracy in Europe.

Besides strengthening the monarch's politico-military position vis-a-vis other contenders, it enabled him to expand the incipient state's functions to include trade regulation, road building and the creation of security structures.10

Wars and the imposition of taxes for ***financing*** them, made state building in Europe a wholly coercive and intimidating process. State building costs were high and involved long and bloody wars with rival nobles, the Church and the ordinary people who were often forced to surrender material possessions.11 The intense character of state building has thus been termed an 'organized crime', wherein, war making, state making, protection, extraction and violence were all involved in producing in the long run, various forms of organization, including army, navy, bureaucracy, judicial system and fiscal and accounting structures.12 As pointed out by Tilly, war made the state and state made war13 Violent, at times long-drawn and widespread wars, established state boundaries, defined territories and reduced the number of independent states in Europe14 from 200 in 1648 to 25 in 1900.15

The connection between wars and state expansion continued into the 20th century as global wars and their aftermath expanded the scope of the state's functions, which now included expenditure on welfare services.16

On the capital side, expansion of the tax base was aided by the growth of mercantile activity, trade and manufacturing, and the capitalist mode of production in Europe.17 The monarch raised capital by expanding the tax base and increasing the productive capacity of the economy. The capitalist mode of production saw a phenomenal growth and this acted as a concomitant to the rise of modern bureaucratic states. The initial mode of tax collection from commercial, trade and productive activities was very coercive in nature. This coercive form of taxation become consensual with time, when "mobile capital or footloose traders", forced European rulers to treat them on concessional terms, by threatening them with relocation of trade to other cities. Such moves would have deprived governments of income sources. The consensual form of taxation with time, resulted in the ruler sharing authority with the representatives of the tax payers.18

Henceforth, official taxation was progressively legitimized by diverting public resources from patrimonial to bureaucratic and public expenditures, reflecting the rise of nationalistic consciousness.19 However, this diversion of resources from patrimonial to bureaucratic and public expenditure, came much later. Some historians also argue that the stability of the tax structure depended on the provision of justice to the people, but emphasize that war expenses in medieval Europe were primarily met through borrowing, sale of assets, currency debasement and temporary increases in the rates of existing taxes.20

Tilly, adds two more factors to the rise of modern statehood. First, Europe's cultural homogeneity, which assisted the state's expansion into new territories by easing the diffusion of organizational models and helped in the movement of population and administrative personnel from one government to another.21 Second, Europe's open geographical peripheries in terms of lack of power concentration around areas where states were forming, which made territories available for a state's geographical expansion and resource extraction.22 Europe's cultural homogeneity and geographical expanse notwithstanding, the 'war making states' argument is criticized by some scholars as being over simplistic. Gladstone, for example, criticizes this approach for negating, or at least ignoring the role of ideology, revolutions, religious conflicts and conflicts between landlords and non-landlords in the making of the state system in Europe.23

A similar form of criticism is also raised by Mc. Neill, who is sceptical of this theory for ignoring the role of political legitimacy, the clergy, Europe's demography and the impact of technological changes on state formation processes in Europe.24

Despite common features, state making in Europe followed different trajectories which resulted in a variety of state systems. Constitutional governments evolved in England, Hungary, Poland and Sweden, while autocratic governments flourished in France, Spain, Portugal, Savoy, Naples, Denmark, and the German principalities. This variation is attributed by scholars to differences in geography, economic structures, nature of representative assemblies and level of knowledge of administrative and ***financial*** matters. Hintze, extols geography in the context of European states facing a greater threat of land warfare, to have developed autocratic systems.25 This contention is challenged for its failure to explain the rise of constitutional regimes in Hungary and Poland, despite sustained (land) military pressures from the Turks and the Russians.26

Tilly asserts that states which depended on the supply of resource through the sea (sea faring states), such as England, the Netherlands and Venice, developed slimmer and constitutional governments, with lesser capacity to deal with local rivals. On the other hand, states with large populations and territory (land ones), such as France and Russia, developed bulky bureaucracies and a feudal system for extracting resources from rebellious populations.27 This explanation has been termed as insufficient by Ertman, who argues that the sea faring states as compared to the land ones faced much greater problems in collecting commercial taxes, which required of them to possess specialized knowledge and training, and therefore it is these states which should have acquired despotic governments instead of the land ones.28

Attributing variations in the state system to the nature of the growth of representative assemblies in Europe, Ertman, correlates England's constitutionalism to its parliament's multi-class character, where the nobility and the rural based local assembly's representatives jointly resisted royal absolutism. Ertman argues that German territories and Latin Europe developed into absolutist states, because their multi-layered, estate based separate assemblies of clergy, nobles and burghers could not make a common cause to resist the monarch. He further attributes patrimonial practices to early or late growth of administrative and ***financial*** services. In states that modernized under military pressures prior to 1450, rulers were forced to concede substantial direct control over emerging state apparatuses to patrimonial groups. Learning from the mistakes of the pioneers in state building, the late starters avoided these mistakes and resisted large scale appropriation of power by office holders and financiers.29

What the above discussion suggests is that multiple variations of state systems appeared in Europe at different stages of state evolution. These variations in state systems sprang not only from the distinct levels in the growth of political and administrative structures, but also resulted from differences in economic structures, geo-political environment and the timing of adoption and diffusion of bureaucratized, centralized administrations. Though the growth of coercive state apparatus and that of capital went hand in hand, the concept that state authority should draw legitimacy from the consent of the people came much later, in the 19th and 20th centuries. A homogeneous population that could relate its identity to the territory in a nation state, emerged only after the consolidation of the state's monopoly over the coercive apparatus and extension of its authority to the periphery.

As suggested by de Walle and Scott, nationalism developed with the state's penetration, standardization and accommodation of the population in a process, where public services and infrastructure were made accessible to the common man to engender a sense of loyalty among the people to the centre.30

The above section argued that the European state making experience was facilitated by the contradictions of medieval politics; particularly the contested nature of the sovereign's power. The development of military technology made wars decisive and underlined the significance of standing armies, maintained by the state. Coercion became a tool of state building for wars necessitated forced conscriptions and the imposition of taxes to support military growth. Its final effect was establishing the state's monopoly over violence within the territorial unit claimed by sovereign monarchs. The section also contends that the role of capital was crucial in building standing armies and constructing bureaucratic administrations. However, capital was generated from internal revenue sources. It also argues that in Europe, state building preceded nation building and the notion of legitimacy.

Popular democratic legitimacy evolved at a much later stage, once centralization and coercive control over territory and population had already been accomplished.

Alternate state formation in non-Western societies

After a brief account of the emergence of the modern state in Europe, this section makes an attempt to answer the following questions: What parallels, if any can be drawn between the state making and state building processes in Europe and the rest of the world? Does "the war-making states" argument apply in the non European (and non-Western) context? How different was the state making experience in non-Western societies? And finally what lessons can be drawn from the European state making experience for the states that came into being after the Second World War ended?

The modern state system was transmitted to other parts of the world through the process of colonialism.31 On the eve of colonization, Asia's and Africa's32 small and large empires, emirates, and tribal chiefdoms were organized, either under centralized rule, or segmentary lineage systems. The domination of a great part of the world by some European states led to a widespread loss of sovereignty, obliteration of indigenous pre-colonial administrative structures and the transformation of the Asian and African political landscape, underpinned by arbitrary boundary demarcations. Hence, at the very outset, the European state making experience can be distinguished from the processes in other parts of the world on the basis of it having been by and large free of conquest and rule by colonial powers. The pre-colonial political systems in Africa and Asia underwent profound changes and in many instances destruction at the hands of European colonizers.

In Libya, Lebanon, and North Yemen, the French and Italian colonial masters got rid of the Ottoman administrative and military structures, initiating, in Anderson's words, state-society relations based on kinship and tribal relations. Such re-ordering of socio-political relations attuned these patrimonial groups to persistently challenge the state's authority and legitimacy in the post-colonial period.33

The rise of European military and economic might and its manifestation in outward expansion to Asia had alarmed the 18th century Asian rulers, so that they began what can be called 'defensive modernization'. They undertook re-structuring of military, bureaucratic and tax administrations not under pressure of the internal political and economic dynamics, but as a defensive response to the expansion of European power. However, the process of 'defensive modernization' was interrupted by the domination of the world by some European countries. Nevertheless, it must be remembered that the continents other than Europe, presented a much more complex picture in terms of extension and monopoly of power over a diverse and varied social and cultural landscape. For example, the Middle East's societal structure was based on ***agriculture*** and nomadic pastoralism, but there was a central administration under the Ottomans, which allowed considerable local autonomy.

Extensive long distance trade and political and economic autonomy of the groups stand in sharp contrast to Europe's pre-modern society, characterized by its peasants' varied arrangements with lords and dukes and the absence of tribal or lineage based groups.34

In non-European societies, statehood came, not so much as a result of internal struggles and external wars, as in Europe, but from the imperial powers' inability to control and sustain such large territories after the traumatic experiences of the Second World War. The freedom movements in Asia after the Second World War were supported by the UN Security Council resolutions on the right of self determination.35 This is not to suggest that the anti-imperialist movements of the Asian and African nationalists were entirely peaceful or non-violent. The history of the Indo- Pakistan sub-continent's and other colonized states' nationalist movements suggests constant efforts by the colonial governments to quell what they saw as rebellion against imperial power. However, independence was achieved not as a result of internal struggles and external wars by indigenous elites, but when the metropolitan powers were themselves convinced of the futility of holding on to their foreign dominions.

In case of the African continent, the African Group in the United Nations36, which transformed into the Organization of African Unity (OAU) in 1963, played a crucial role in bringing the world body's attention to the questions of colonialism and self determination of the African peoples.37 In the absence of viable economies and workable political systems, the ***grant*** of independence was criticized for creating economically dependent and politically volatile states.38

European and non-European states were created under totally different international environments. As opposed to European history where we find that weak states perished in the struggle for state formation, the contemporary international system to use Barkey and Parekh's words, is highly tolerant of and nourishes weak states.39 This tolerance takes several forms. The principles of non intervention and peaceful settlement of disputes enshrined in the UN Charter, ensure respect for the territorial sovereignty of such states. Their existence is further strengthened by many global conventions that insist on territorial integrity and independence of states.40 The doctrine of uti possidetis, for example, adopted by the International Court of Justice (ICJ) in the case Burkina Faso v. Republic of Mali (1986) ensures the sanctity of colonial borders and frontiers.41

These guarantees of the sanctity of state borders were largely absent when states were forming in Europe, where external pressures of the threat of war and conquest by an adversary acted as a stimulus for developing coercive apparatus and centralized cohesive states. In some non-European examples, such as those of Japan, China, Cuba, Taiwan, South Korea and Israel, external threats led to the consolidation of internal administration.

However, for a majority of non-Western societies, it is not external threats but civil wars and internal strife which are weakening and destabilizing these states.42 The ethnic, and religious composition of the post-1945 states has created situations where sections of population are violently challenging the legitimacy of not only the regimes but the very existence of the states.43 Such civil strife has eroded states' legitimacy and weakened the effectiveness of their formal institutions.44

Some scholars disagree over the question whether 'war made the state' argument is applicable to non-Western societies. Cohen, et al. contrast peasant struggles in Java and India against agrarian taxes, to the European peasant resistance against the king's officials. They argue that such armed resistance is in retaliation against state expansion and, therefore violence in the new states, need not be interpreted as an indication of political decay but as a usual feature of the process of primitive accumulation of power.45 Niemann, likewise, argues that the conflict in DR Congo for example, is one of state formation in a global age, characterized by a struggle for state control, the elimination of rival sources of violence and the protection of commercial clients.

The protagonists (the DRC government, the rebel movement and the armed forces of neighbouring Rwanda, Uganda and Zimbabwe), to him, are engaged in war making, state making, protection and extraction, either directly or through proxies, with the objective of selling mineral resources in the global market and thereby accumulating profits.46 While war and violence in Europe made the state and enabled the sovereigns to define state boundaries through centralization and monopolization, it is highly unlikely that states in non- Western societies would be able to avoid violent struggles in the process of state centralization and expansion. But unlike the fluid state boundaries in Europe, the new states inherited boundaries as a given reality, which at times make wars assume the characteristic of an internal struggle between the state's security establishment and rebel groups, fighting to gain political leverage for control over state resources.

These wars are ***financially*** aided by the globalized exchange of arms and money, minerals and drug trade across states' borders. Civil wars in Africa are conspicuously ***funded*** from trade in illegal and contraband items, which prolong the duration of such conflicts and involve neighbouring states, who fight as proxies, supply men and material and provide sanctuaries to rebels in border areas. And, the multifarious effects of these conflicts in the form of spread of militancy, radical ideologies, diseases, displaced populations and economic problems are borne by neighbouring states.

Regarding the role of capital in state making, the European trajectory of state formation has some parallels with India, where the extraction of resources for building centralized military organizations began in the late medieval period.47 Moore, has investigated the central role of elites in administering high levels of extraction in India and the early development of administrative apparatus, which got hold of a third of ***agricultural*** produce through land tax.48 The British, largely built upon the administrative and ***financial*** system of the Mughals. In the majority of the new states born in the post 1945 period, revenues are generated from external sources like petroleum rents, foreign aid, and borrowing from abroad. This is in stark contrast to Europe, where development of the state was ***financed*** by domestic extraction of resources in the form of taxation on trade, commerce, mercantile activity and expanded base of production.

The non extraction of income from domestic resources frees a government from popular demands for representation and welfare, undermines its legitimacy, weakens the inducement to develop administrative capacity and encourages authoritarianism.49 This also sets in motion in the words of Leander, "decentralization of state's control over capital and coercion". He attributes such decentralization to the international guarantee of the inviolability of borders and the sanctity of the principle of state sovereignty. The loose hold over ***instruments*** of coercion of Third World regimes provides local strongmen opportunities to sponsor security through militias, maintained in turn through illegal income generation activities. And decentralization of capital inflows is taking place because there is more borrowing of capital from abroad, rather than its extraction from domestic resources.50 This is reflective of a reverse causality mechanism in the growth of capital and coercion in European and other societies.

Unlike, Europe, where state builders extracted resources internally to confront external security challenges, in non-European societies, rulers acquire resources from external sources to confront internal wars or strife.51

A further difference with regard to capital and state making can be gleaned in the far wider range of economic activities which states in alternate societies have begun to indulge in. In Europe, the scope of state functions widened with the expansion in tax base for ***financing*** new and prolonged wars, which resulted in the formation of highly centralized and bureaucratized states. This happened in the beginning of 20th century, when wars resulted in the creation of 'maximal states' that were supposed to go beyond the traditional functions of defence and maintenance of internal order to that of 'adjudication, redistribution and extensive infrastructural development'.52 The rise of the concept of welfare state increased state responsibilities in democratic and totalitarian states, and the independence of the colonies saw the scope of state functions widen even further.

In these states, low levels of industrial and economic growth made the governments adopt centralized planning for growth and development, including infrastructure provision, direct investment in and management of public enterprises and subsidizing of growth in industry and export.53 The difference here is obvious; while the European states assumed additional economic responsibilities after the initial process of state formation was almost complete, the states in the Third World assumed extraordinary tasks in relation to their economies immediately after independence. This was not only owing to structural economic deficiencies, but also because the conventional development theories, recommended that the post-colonial states have an intrusive control over their economies.54

As for the growth of nationalism, both European and non European state builders had to deal with challenges with regard to the integration of the state's and the people's identity to create a legitimacy base for their political rule. Territorial, ethnic, linguistic and cultural homogeneity developed in Europe between the late 19th and the early 20th centuries. In the past, legitimacy either had a civil or a historic base, with the state moulding a territorial nation, or a natural one, where the nation helped create the state.55 For states coming into existence after 1945, national cohesion became elusive owing to social, cultural and religious heterogeneity, made worse by the colonial demarcation of boundaries that either lumped together many groups in single administrative units or divided single groups into separate units. The elites of the developing countries undertook state building alongside nation building and both these processes often failed to complement each other.

The post 1945 democratic norms of elections through universal adult franchise, representative government, constitutional guarantees of civil liberties and a vibrant civil society complicated the state building tasks for these elites. The post-1945 world defined legitimacy as the embracing of all these democratic ideals. Devoid of the political, economic and social pre- requisites for democracy, non-Western societies witnessed a transition from colonial to quasi-democratic and finally military governments. Thus with very few exceptions, democratic governments in the new states of Asia and Africa were often dislodged through military takeover.

The findings of this section suggest that unlike Europe, the state in non- Western societies grew out of the collapse of colonialism. The growth of coercion followed a path distinct from Europe and the state's monopoly over violence was never complete especially in its periphery, owing to multiple problems that were a product of centuries of colonial rule. The borders of these states were sanctified by international law and the norms of sovereignty. Wars assumed an internal character, weakening the state's cohesiveness. Capital was derived from outside sources, rather than being indigenously derived. The processes which underpinned state making in the West had few parallels in non Western societies.

Lessons for the new post-1945 states?

The above discussion leads us to the conclusion that the processes which lie at the heart of the Western European state making experience have few parallels in the non-Western societies. State building through centralization, taxation inducing bureaucratic and administrative development, and the development of civic and representative political institutions through bargaining between the rulers and the ruled are processes that have seldom been the driving force behind state building in non-Western settings. Why study state building in Europe when there are few parallels to draw for understanding alternate state formation? And can some lessons be deduced for transferability to non Western settings?

The European state making experience helps us to understand more clearly the process of state formation in the new states of Asia, Africa and Eastern Europe. It contributes to an understanding of the constraints under which alternate state formation took place and how these constraints created a crisis of legitimacy and governance for the developing countries' elites. The European experience teaches us that a very important requirement for successful state building is creating apolitical bureaucratic structures (civil service, judiciary, police and army) for achieving the twin objectives of maintaining order and providing services to the population. It also demonstrates that state making is a long term, non-linear, difficult and laborious task. Therefore, while criticizing the developing world elite for their timorous attempts at building strong and centralized monopoly of power, we need to acknowledge that the state building task is further complicated by new constraints and compulsions.

For example, globalization and its concomitant adverse effects on state cohesion and strength were not present when states were forming in the early modern period in Europe.

Globalization is blamed for increasing the security predicaments for the developing world by forcing states to address a broad range of environmental, economic, socio-political and security concerns that are largely beyond the control and capacity of governments. When a state's infrastructure is unable to deal with crises effectively, it weakens and collapses. Also, the state's ability to direct and commandeer resources and its political centrality as the generator of security and welfare is compromised owing to the shifting of transnational activity from state to supra and sub state levels. 56 An example is the link between the world market and regional war economies (drugs, arms, oil and diamonds).57

In the economic realm, globalization is credited with increasing the state's current account deficit by increasing the volume of imports. It makes developing states vulnerable to changes in the monetary policies of the developed world, for example, higher interest rates in the developed world discourages the outflow of capital to the developing countries. It is also said to curb revenue generation for fiscal authorities, by causing flight of capital to countries with lower taxes, which puts pressures on the currency and weakens the banking system.58 Global trading markets enable insurgents to use profits from smuggled commodities for ***financing*** protracted civil wars. Prolonged conflict, in turn, has the potential to challenge regional and global security, because of the growing interdependence of states.59 The weakness of a state's coercive capacity encourages non-state actors to defy its sovereignty and abrade its authority.

Such non-state actors have the potential to challenge the integrity of states and weaken their coercive abilities.60 Influences of this sort were not there to hinder the early state builders' attempts at state formation in Europe.

Another lesson that can be drawn from the successful European state making experience is that long run stability and order requires state structures to be built around non-patrimonial, efficient and patronage free institutions and practices. European state making has had a fair share of inefficient and patrimonial regimes that nonetheless proved extremely durable and hard to remove. Ertman, gives the example of the French monarchy (the Bourban dynasty to be exact) that lasted for around 300 years despite massive inefficiency and corruption61. It took centuries for codification of informal into formal, and formalization of rules took place after industrialization and urbanization.62 The aspect that interests us is how in the light of the European example is it possible to resist patrimonial or rent seeking distortion of state structures during the state making process.

Patrimonial political structures in the context of Europe converted into efficient non-patrimonial ones through a relatively longer process of the monarch's dependence on domestic resource generation. The monarch's success in extracting domestic resources for centralizing the coercive capacity of the state depended on his abilities to provide justice to his people and concede some form of control over the public purse to their representatives. And as Ertman notes, autonomous, participatory and strong local government bodies in England and some other European states played a crucial role in keeping the absolutist, patrimonial and patronage based practices of the monarchs in check.63 Both underline the significance of state development ***financed*** by indigenous capital extraction and the importance of independent local self governing bodies for a healthy and legitimate state building process.

An additional lesson is that the European state making experience was rarely peaceful. External wars and internal subjugation of the local contenders of power by the monarch made this process very violent. It helps us to understand why state formation in non-European societies assumes a violent tone. Given the international recognition of the new states' external boundaries, the struggles and wars are overwhelmingly internal, waged against dissident groups and regions. These internal wars have largely weakened state capacity and eroded its legitimacy in post colonial societies.

The extension of Western statehood to non-Western societies without the development of relevant socio-political and economic structures that stabilized Western polities in their evolutionary phase has resulted in the formation of states that are weak and vulnerable. Faced with myriads of problems, the most difficult of which is the extension of state authority to the inhospitable periphery with low population density and subsistence economy, the developing country elites have failed in their attempts to establish a monopoly over violence. The failure to provide security and other essential state services in these peripheries, has resulted in the strengthening of the traditional community governance actors and structures, such as the extended family, village elders, tribes, and religious institutions to run the socio-political order and even the dispensation of justice.

Another facet of political life common to conflict-ridden societies, such as, Afghanistan and Somalia is the rise of strongmen or warlords as masters of violence and conversely maintainers of order. Such warlords emerge when protracted conflict or civil wars weaken not only state structures but also traditional informal governance institutions. In such settings, the state is not the lone provider of security and services but has to share its authority, legitimacy and capacity with other non state informal structures64.

To sum-up, post colonial African and Asian countries classify poorly as states when measured against the classical, Eurocentric Weberian definition of the state having a monopoly of force over its territory and population. To borrow from Jackson and Rosberg the attributes of statehood in the form of a stable population and effective government are seriously contested and challenged in these countries65. The post 1945 international system was based on the premise that the new states were capable of functioning as viable units with monopoly over violence and provision of security and services to their citizens. However, the post 1945 international system also placed the obligation on the new states to develop on lines of the Weberian ideals of a strong, centralized, democratic and well-governed state.

That the new states were not measuring up to these ideals was somewhat masked during the Cold War by the provision of strategic aid and defense capabilities to the weaker members of the international system. Super power support coupled with international recognition of a state's external boundaries provided superficial and temporary stability to these states and relieved the office holders from pressures to enhance domestic control and authority. The support was cut abruptly with the end of the Cold War. As a result, the regulatory capacity of the state was further weakened, making the prospects of armed resistance against the centre attractive for many predatory groups. The end of the Cold War witnessed a sharp rise in the number of civil wars in non- Western societies. Weak state capacity, low institutional competence, violence and war have resulted in the emergence of the phenomenon of 'failed states' in the international state system.

Conclusions

This paper argued that the European state making experience was facilitated by the contradictions of medieval politics, especially the contested nature of the sovereign's power. Coercion assumed the characteristics of developments in military technology that made wars decisive and underlined the significance of standing armies. Coercion as a tool of state making was very violent; wars necessitated forced conscriptions and payment of taxes to support military growth. Its ultimate effect was the establishment of the state's monopoly over violence within the territorial unit claimed by a sovereign monarch. The paper also contends that the role of capital was central in building standing armies and constructing bureaucratic administrations. It also argues that in Europe, state building preceded legitimacy building. Popular democratic legitimacy came at a much later stage, once centralization and coercive control over territory and population had already taken place.

The findings of the paper further suggest that unlike Europe, the state in non-Western societies grew out of the collapse of colonialism. The territories of these states were not delimited by wars, but were inherited as a given fact from their erstwhile colonial masters. The growth of coercion followed a path distinct from the European states and the state's monopoly over violence was never absolute especially in the periphery, owing to manifold problems that were a product of centuries of colonial rule.

Tracing the history of European state formation facilitates an understanding of the constraints under which alternate state formation took place and how these constraints have created a crisis of legitimacy and governance for the elites of developing countries. It demonstrates that state making is a long term, non-linear, and difficult process. The criticism directed at the developing world elite for their failure in building strong states, does not take into consideration the fact that state building cannot be time bound in the face of complexities arising from new constraints and compulsions. Globalization and its concomitant adverse effects on the state's cohesion and strength were absent when states were forming in early modern Europe. Another lesson gleaned is that stability and order require the construction of state structures around efficient and patronage free practices, and the creation of apolitical bureaucratic structures is a sin qua non for creating a service oriented state.

European state making had a fair share of inefficient and patrimonial regimes that proved extremely durable and hard to dislodge. The evolution of non-patrimonial political structures was slow, owing to the monarchy's successful extraction of domestic resources and its ability to provide justice to the people. Added to it was the concession of control over the public purse to the peoples' representatives. The role of autonomous, participatory and strong local government bodies in England and other European states was crucial in keeping the absolutist and patronage based practices of the monarchs in check. This signifies the crucial role of indigenous capital extraction and participatory local bodies, for a robust process of state building.

Notes:

1 The Medieval period in Europe is synonymous with the rise of feudalism, which began in the 9th century and continued for another six centuries.

2 The treaty was signed between Catholic and Protestant rulers in Europe at the end of the Thirty Years War and is hailed as the first great international charter that provided mechanisms for peaceful settlement of disputes and facilitated Europe's reconstruction by restoring commerce and trade among the signatories. See Leo Gross, "The Peace of Westphalia 1648-1948," The American Journal of International Law 42, no.1 (January 1948): 20-41.

3 These nomadic or semi nomadic tribes' livelihood depended on hunting, cattle raising, fishing and ***agriculture*** practiced at the subsistence level. For a discussion on pre-state political formations of tribe with and without rulers, see Martin Van Creveld, The Rise and Decline of the State (Cambridge: Cambridge University Press, 1999), 2-25.

4 On political organization of the City-States, see Earnest Barker, Greek Political Theory: Plato and his Predecessors (Great Britain: Mathuen and Co Ltd., 1918), 19-46.

5 For Roman political thought, see Lawrence C. Wanlass, Gestell's History of Political Thought (Delhi: Surjeet Publications, 1956), 75-80.

6 For politico-military features of feudalism, See Walter C. Opello and Stephen J. Rosow, The Nation-State and Global Order: A Historical Introduction to Contemporary Politics (New Delhi: Viva Books Private Limited, 2005), 37-52.

7 Ibid.

8 Europe is credited with the rise of modern armed forces and weaponry. For details of development of military technology and the invention of armies from the Neolithic era to the modern period (early 20th century). See Barton C. Hacker, "Military Technology and World History: A Reconnaissance," The History Teacher 30, no.4 (August 1997): 461-487.

9 The growth of government expenditure on military and corresponding state revenues is discussed in Richard Bean, "War and the Birth of the Nation State," The Journal of Economic History 33, no.1(March 1973): 203-221; and Opello and Rosow, The Nation- State, 55-64.

10 See Charles Tilly, "Sinews of War", Center for Research on Social Organization, Working Paper no. 195 (March 1975).

11 For a historical account of the struggle between monarchs, church, nobility and towns in Europe, see Martin Van Creveld, The Rise and Decline of the State (Cambridge: Cambridge University Press, 1999), 55-125

12 See Charles Tilly, "War Making and State Making as Organized Crime," Peter Evans (ed.), From Bringing the State Back (Cambridge: Cambridge University Press, 1985), 181-184.

13 But European rulers did not engage consciously in building states; it grew out of their efforts at raising strong armies for defeating internal and external enemies. See Tilly, ibid.

14 119 wars were fought in Europe between 1648 and 1945. See K. J. Holsti, "War, Peace and the State of the State," International Political Science Review 16, no. 4 (October 1995): 322.

15 See Lisa Anderson, "Antiquated Before they can Ossify: States that Fail Before they Form," Journal of International Affairs 58, no. 1(Fall 2004): 6.

16 See Karen A. Rasler and William R. Thompson, "War Making and State Making: Governmental Expenditures, Tax Revenues, and Global Wars," The American Political Science Review 79, no. 2 (June 1985): 491-507.

17 There was a marked increase in central revenues and per capita income, rising by 200 % for England and France and 1000% for Spain. See Bruce D. Porter, War and the Rise of the State: The Military Foundations of Modern Politics (New York: The Free Press, 1994), 34.

18 England is credited with being the first fiscal state to emerge in 17th century Europe. See Mick Moore, "State Formation and Quality of Governance in Developing Countries," International Political Science Review 25, no. 3 (July 2004): 298-230.

19 See Pierre Bourdieu, Loic J. D. Wacquant and Samar Farage, "Rethinking the State: Genesis and Structure of the Bureaucratic Field," Sociological Theory 12, no. 1 (March 1994): 3-10.

20 Ames and Rapp argue on long wars necessitating imposition of new and permanent taxes. See Edward Ames and Richard T. Rapp, "The Birth and Death of Taxes: A Hypothesis," The Journal of Economic History 37, no. 1 (March 1977): 161-178.

21 Western and Central Europe's cultural, social and to lesser extent economic homogeneity (prior to 1500), continued even in the wake of the destruction of the Catholic Church's unity by the rise of Protestantism. See Thomas Ertman, Birth of the Leviathan: Building States and Regimes in Medieval and Early Modern Europe (Cambridge: Cambridge University Press, 1997), 5.

22 See Charles Tilly, "Reflections on the History of European State-Making," in Charles Tilly (ed.), The Formation of National States in Western Europe (Princeton: Princeton University Press, 1975), 17-21.

23 See Jack A. Goldstone, "States Making States Making Wars Making States", Contemporary Sociology 20, no. 2 (March 1991): 176-178.

24 By stressing on the dependence of the majority of medieval European states on land resources, he disregards differences in levels of ***agricultural*** growth, techniques of cultivation, and property laws in the processes of state making. See William H. McNeill, Book Review of Coercion, Capital, and European States, AD 990-1990 by Charles Tilly," in The Journal of Modern History 64, no. 3 (September 1992): 583-584.

25 Hintze, as cited in Ertman, Birth of the Leviathan, 15-20.

26 Ibid.

27 Tilly, quoted in Achim Wennman, "Grasping the Strength of Fragile States: Aid Effectiveness Between Top-down and Bottom up State Building", CCDP Working Paper (Geneva, 2010): 14-15.

28 See Ertman, Birth of the Leviathan, 25-30.

29 Among the late state builders, he gives examples of Germany, Northern Netherlands, Denmark, Sweden, Hungary and Poland, which modernized after 1500. They established modern bureaucracies, based upon separation of office from the person of the office holder. See Ertman, ibid, 30-34.

30 Obligatory schooling and mass conscription introduced people to the norms and values of the state and physical networks and standardized services led to physical and psychological unification of the nation and the national territory. See Steven Van de Walle and Zoe Scott, "The Political Role of Service Delivery in State Building: Exploring the Relevance of European History for Developing Countries," Development Policy Review 29, no. 1 (2011): 5-21.

31 Portugal, Britain and the Netherlands were the first among the nation states of Europe to emerge as global powers competing over colonial lands and resources. See Goerge Modelski, "The Long Cycle of Global Politics and the Nation-State," Comparative Studies in Society and History 20, no. 2 (April 1978): 214-235.

32 Some scholars contend that the undeveloped and diffused nature of the political systems in Africa was an important reason why they were more easily conquered by European powers. See Robert H. Jackson and Carl G. Rosberg, "Sovereignty and Underdevelopment: Juridical Statehood in the African Crisis," The Journal of Modern African Studies 24, no. 1 (March 1986): 7. This is disputed by Bruce who cites Ghana and Mali which were among the important ancient empires that flourished in Africa. See Nii Lante Wallace-Bruce, "Africa and International Law," The Journal of Modern African Studies 23, no. 4 (December 1985): 575-602.

33 In Egypt, Tunisia and Turkey, where continuity of growth in administrative capacity was ensured, stable attributes of statehood in the form of well established military, bureaucratic and revenue structures developed. See Lisa Anderson, "The State in the Middle East and North Africa," Comparative Politics 20, no. 1 (October 1987): 1-15.

34 Ibid.

35 For example, the Security Council Resolution no. 1514 outlined the right of self determination of nations. The term "self determination" was first used by US President Woodrow Wilson in 1918, and it became part of the UN Charter (Article 1 and 55) in 1945. Later in 1960 it was included in the UN Declaration on the ***Granting*** of Independence to Colonial Countries and Peoples. In 1966 the right of nations to self determination was included in the UN Covenants on Human Rights. See Frederic L. Jr. Kirgis, "The Degrees of Self Determination in the United Nations Era," The American Journal of International Law 88, no. 2 (April 1994): 304-310.

36 The African Group comprising 8 states (1958) used the platform of the UN for getting international support for African anti colonial movements. See Catherine Hoskyns, "The African States and the United Nations 1958-1964," International Affairs 40, no. 3 (July 1964): 466-480.

37 The number of independent states in Africa grew from 8 in 1958 to 34 in 1964. See Hoskyns, ibid, 479.

38 The UN's hasty manner of extending support to Africans for their independence from colonial powers was criticized, partly because economic backwardness prevented them from paying even their dues to the UN. See Roy Welensky, "The United Nations and Colonialism in Africa", Annals of the American Academy of Political and Social Science, Africa in Motion (July 1964), 354.

39 See Karen Barkey and Sunita Parekh, "Comparative Perspectives on the State," Annual Review of Sociology, no. 17 (1991): 530-31.

40 Regional organizations, such as OAU, for example have denied the right of self-determination to local secessionist groups by recognizing a government's authority to rule over the country, if it effectively controls the capital city. See Jeffrey Herbst, "The Creation and Maintenance of National Boundaries in Africa," International Organization, no. 43 (Autumn 1989): 673-692.

41 This doctrine was supposed to minimize territorial disputes and maximize peace among post colonial states. See Michael Freeman, "National Self-Determination, Peace and Human Right," Peace Review 10, no. 2 (June 1998): 157-63; and Halim Moris, "Self- Determination: An Affirmative Right or Mere Rhetoric" (1997): 6, available from http: //[*www.tamilnation.org/selfdetermination/97moris.htm*](http://www.tamilnation.org/selfdetermination/97moris.htm).

42 Out of 187 wars in the period, 1945-1995, two-thirds were intra-state, mainly in Africa, the Middle East, South and South East Asia. See Holsti, "War, Peace," 322.

43 Christopher Clapham, "The Challenge to the State in a Globalized World," Development and Change 33, no. 5 (2002): 786.

44 Taylor and Botea contend that internal wars can strengthen states only when backed by a core ethnic group and a powerful ideology, as in Vietnam (1946-1989), but in the absence of political and national coherence, such wars greatly weaken the state, as in Afghanistan (1978-2008). See Brian D. Taylor and Roxana Botea, "Tilly Tally: War-Making and State- Making in the Contemporary World," International Studies Review, no. 10 (2008): 27-56.

45 See, Youssef Cohen, Brian R. Brown, and A. F. K. Organski, "Paradoxical Nature of State Making: The Violent Creation of Order," The American Political Science Review 75, no. 4 (December 1981): 901-910.

46 He finds the process different in terms of involvement of globalized transaction of money and weapons, which prolongs conflicts and regional and international efforts to negotiate end of conflict. See Michael Niemann, "War Making and State Making in Central Africa," Africa Today 53, no. 3, (Spring 2007): 22-36.

47 Modernization of the army and military fiscalism was initiated in South India during the time of Tipu Sultan, who coercively contested the contending claims of sovereignty by the rajas and created a centralized revenue administration, which replaced the tribute system by revenue collection through Amildars (non-local state officials). These policies were continued by the British East India Company after the takeover of Mysore in 1799. For details see Burton Stein, "State Formation and Economy Reconsidered: Part One," Modern Asian Studies 19, no. 3 (1985): 387-413.

48 He attributes India's democratic stability and authoritative government to its history of strong administrative rule, with clear parallels to Europe's trajectory of state development. See Mick Moore, "State Formation, and Quality of Governance in Developing Countries," International Political Science Review/ Revue international de science politque 2, no. 3 (July 2004): 316.

49 For an analysis of how rentier income destabilizes Third World regimes, see Moore, "State Formation and Quality of Governance in Developing Countries," 304-308; Benjamin Smith, "Oil Wealth and Regime Survival in the Developing World, 1960-1999," American Journal of Political Science 48, no. 2 (April 2004): 234-36; Jonathan di John, 'Oil Abundance and Violent Political Conflict: A Critical Assessment." Journal of Development Studies 43, no. 6 (2007): 973; Leonard Wantchekon, "Why do Revenue Abundant Countries have Authoritarian Governments?" (October 15, 2002), available from http.//[*www.afea-jad.com/2002/wantchekon3.pdf;*](http://www.afea-jad.com/2002/wantchekon3.pdf;) and Dwayne Woods, "Predatory Elites, Rents and Cocoa: A Comparative Analysis of Ghana and Ivory Coast," Commonwealth and Comparative Politics 42, no. 2 (July 2002): 224-39

50 See Anna Leander, "Wars and the Un-Making of States: Taking Tilly Seriously in the Contemporary World", in Stefano Guzzini and Dietrich Jung (eds.), Conceptual Innovations and Contemporary Security Analysis (London: Routledge, 2001), 69-80.

51 The altered nature of threat and changes in revenue sources modifies the relationship between war and state creation, radically transforming the nature of warfare itself. See Daniel Biro. "The (Un) bearable Lightness of...Violence: Warlordism as an Alternate Forms of Governance in the Westphalian Periphery?" In Tobias Debiel and Daniel Lambach (eds.), State Failure Revisited II: Actors of Violence and Alternate Forms of Governance (Institute for Development and Peace, University of Duisburg-Essan, INEF Report, 89, 2007), 21-22, accessed on December 9, 2011 from http: //inef.uni-due.de/page/documents/Report89.pdf.

52 See Michael C. Desch, "War and Strong States. Peace and Weak States?" International Organizations 50, no. 2 (Spring 1996): 241.

53 For the state's role in economic development, see James A. Caporaso, "The State's Role in Third World Economic Growth", Annals of the American Academy of Political and Social Science 459 (January 1982): 103-111.

54 These theories included, for example, the Structural Theories of 1940s, and the Western European theories of development, including the Linear Stages of Growth philosophy.

55 See Holsti, "War, Peace," 325-327.

56 Axtmann, terms this process "denationalization of the state" or 'destatization' of the political system; here the state either entirely transfers public responsibilities or exercises these in partnership with para-statal, NGOs. See Roland Axtmann, "The State of the State: The Model of the Modern State and its Contemporary Transformation," International Political Science Review 25, no. 3 (July 2004), 268-71.

57 This has led to what some refer to as state system breakdown due to the emergence from within states of regions and forces linked to the global economy independently of the state. See "Failed and Collapsed States in the International System," The African Studies Centre, Leiden, The Transnational Institute, Amsterdam, The Center of Social Studies, Coimbra University, and The Peace Research Center- CIP-FUHEM, Madrid (December 2003), 1-24.

58 United Nations, "Annual Review of Developments in Globalization and Regional Integration in the Arab Countries, 2008", Summary, 1 at [*www.escwa.org*](http://www.escwa.org).

59 Alexandros Yannis, "State Collapse and its implications for Peace-Building and Reconstruction," Development and Change 33, no. 5 (2002): 817-835.

60 The Pakistani government's 2009 operation against the Taliban in Swat valley of Khyber Pakhtunkhwa, put tremendous ***financial*** strain on the state, generated a massive refugee crisis (more than 3 million displaced from their homes) and adversely affected the economy of the area, affecting tax returns to the state.

61 Even in England, which rose as the first tax state of Europe, patrimonial practices in the form of proprietary office holding, tax farming, and inside ***finance*** with their accompanying inefficiency, arbitrariness, and diversion of substantial public revenues into private hands, was pervasive during the initial phases of state building. See Ertman, Birth of the Leviathan, 317-324.

62 Informal relations based on "patronage, corruption and incestuous relations between big and small business were widespread in the US as well as Europe". See Nils Boesen, "Governance and Accountability: How do the Formal and the Informal Interplay and Change", (International Seminar on Informal Institutions and Development-What do we know and what can we do?, Input Paper for Session B: Governance, Accountability and Capacity Development, 11-12 December 2006), accessed on January 12, 2012, at http: //[*www.oecd.org/dac/governance-development/37680055.pdf*](http://www.oecd.org/dac/governance-development/37680055.pdf).

63 As Ertman suggests, an overriding lesson for today's state builders is that right from the start it is the combination of a strong centre and strong, participatory localities which, over the long run, will best permit states to balance the demands of infrastructure expansion, political participation, economic growth, and geo-political competition. See Ertman, Birth of the Leviathan, 317-324.

64 Boege et al., call these hybrid political orders, where diverse and competing claims to power and logic coexist and overlap, namely the logic of the formal state, of traditional informal societal order and of globalization and associated social fragmentation (ethnic, tribal and religious). See Volker Boege, Anna Brown, Kevin Clements and Anna Nolan, "On Hybrid Political Orders and Emerging States: What is Failing-States in the Global South or Research and Politics in the West?", in Martina Fischer and Beatrix Schmelzle (eds.), Building Peace in the Absence of States: Challenging the Discourse on State Failure (Berlin: Berghof Research Center for Constructive Conflict Management, 2009), 15-31.

65 See Robert H. Jackson and Carl G. Rosberg, "Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood," World Politics 35, issue 1 (October 1982): 1-24; and Robert H. Jackson, "Quasi-States, Dual Regimes, and Neoclassical Theory: International Jurisprudence and the Third World," International Organization 41, no.4 (Autumn 1987): 525-530.

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**ABSTRACT**

Recently, innovation has become a critical parameter for contemporary regional and local development policy in the global North. In South African debates about regional and local development policy issues of innovation rarely are discussed and the country’s most recent policy documents and frameworks around local economic development (LED) make no mention or acknowledgement of issues around innovation. This disconnect between South Africa’s national innovation policies and those around regional and local development planning is under review as the country’s Department of Science and Technology (DST) with responsibility for innovation policy in the country, released a new strategy document intended to inform the DST’s involvement in the policy space of LED with the mandate of strengthening local systems of innovation and production in a systemic and systematic manner. It is argued that in terms of LED policy and practice across the global South this South African policy document represents a potential benchmark policy intervention which merits scrutiny and discussion. The aim is to examine the shift in national policy thinking towards the use and role of innovation for driving economic and social change in the marginalised spaces of South Africa. Against a background of debates around national, regional and local systems of innovation in the global South and of the emergence of new perspectives around the potential of innovation to contribute to poverty reduction, job creation and LED a critical review is provided of new policy directions and strategic proposals for the application of innovation to drive economic and social change in South Africa’s marginalised spaces.

**FULL TEXT**

**Introduction**

With the expansion of knowledge-based economies in advanced countries, economic progress is less reliant on traditional resources of capital and labour for wealth creation and instead is driven by new knowledge, innovation and technological change (Herstad et al., 2014; Varis et al., 2014). As one recent observer argues “innovation has been a key driver of the cumulative increases in productivity growth in industrial countries and is driven by technological change, investment in physical capital and the growth of human skills” (Oyelaran-Oyeyinka, 2014: 483). From the turn of the century innovation studies were given considerable prominence as science and technology were seen as a means to uplift and move people out of poverty in support of the Millennium Development Goals (Hart et al., 2013). In the ‘age of innovation’ Kourtit et al., (2011) highlight the emergence of new paradigms which are inspired by Schumpeterian thinking with its emphasis on innovation as a main driving factor for long-term economic growth. In this context innovation can be understood as the introduction of new and improved products, processes and business practices to markets in order to create additional value for firms which in turn impacts positively on local economic development (LED), as well as on competitiveness of regions and nations (cf. Fagerberg, 2013; Organisation for Economic Co-operation and Development (OECD), 2005; Porter, 2008).

Across the global North one aspect of the changing face and orientation of local and regional development policies is the increased attention which is given to innovation (Shearmur and Bonnet, 2011; Stephens et al., 2013). Feldman and Choi (2015) argue that policies to promote innovation (and entrepreneurship) within geographically defined concentrations have become an increasingly important development strategy particularly in North America and the European Union. Among others de la Mothe and Paquet (2012) document the growing interest in local and regional systems of innovation. Arguably, therefore, in recent years innovation has become a critical parameter for contemporary regional and local development policy. What is termed the ‘neo-innovation policy’ essentially takes for ***granted*** “that the fate of a region or place is contingent on its daring capacity, its potential to start new activities, its ability to link its knowledge basis to creativity, and its smart public policy (i.e. by exploiting the self-organizing capacity of an area)” (Kourtit et al., 2011: 128). For peripheral regions, particularly those in the global South, it is disclosed that innovation (and creativity) is a key factor in stimulating economic catch-up and growth (Fitjar and Rodríguez-Pose, 2015; Fu, 2011; Stephens et al., 2013; Varis et al., 2014). Much contemporary work on innovation and regional and local development is informed by the premise that certain regional and local dynamics are conducive to innovation enhancement. In turn, this is the driver for interventions to support regional and local innovation policies in search of catalysing LED (Shearmur and Bonnet, 2011).

The South African National System of Innovation (NSI) must be understood as “quite young” and in terms of state policy is aimed at engineering a decisive break from the economic structures inherited from apartheid (Scerri, 2013). Nevertheless, in South African debates about regional and local development policy issues of innovation rarely are discussed. Indeed, the OECD (2008) observes that the role of regions in fostering economic growth is a relatively new concept in South Africa which has notably remained absent from strategic documents aimed at economic growth. The country’s most recent policy documents and frameworks around LED, which were released in 2013 and 2015 (Department of Cooperative Governance and Traditional Affairs, 2013, 2015), make no mention or acknowledgement of issues around innovation. Moreover, no consideration is given to the role of neo-innovation policies towards contributing to the national objectives of launching a “more effective fight against poverty, inequality and unemployment through the development of inclusive and competitive local economies” and “to support the potential of local economies to grow and develop the national economy” (Department of Cooperative Governance and Traditional Affairs, 2015: 14). There are promising signs, however, that this disconnect between South Africa’s national innovation policies and those around regional and local development planning is being addressed. In 2015 South Africa’s Department of Science and Technology (DST), the core department with responsibility for innovation policy in the country, released a new strategy document titled *Innovation for Local Economic Development* (ILED) which is intended to inform the DST’s involvement in the policy space of LED with the mandate of “strengthening local systems of innovation and production, in a systemic and systematic manner”.

It can be argued that in terms of LED policy and practice in the global South this South African policy document represents a potential benchmark policy intervention which merits scrutiny and discussion. Using the lens of ILED the aim in this paper is to examine the shift in national policy thinking towards the use and role of innovation for driving economic and social change in the marginalised spaces of South Africa. Four sections of material are presented. First, a brief overview is given of debates around national, regional and local systems of innovation in the global South. Second, attention turns to South Africa and the emergence of new perspectives around the potential of innovation to contribute to poverty reduction, job creation and LED. Three, a review is provided of the ILED policy directions and strategic proposals. By way of conclusion the final section offers a critical analysis of ILED and of potential ways forward for the application of innovation to drive economic and social change in South Africa’s marginalised spaces.

**Innovation in the global South**

In the global South debates around innovation are taking a distinct trajectory, in contrast to that of advanced countries. Maharajh and Kraemer-Mbula (2009: 6) contend that: Despite sharing innovation as a common drive for competition, recent studies continue to confirm that innovation although generically described is not universal. This partially explains the significant differences in innovation activities, performance and results within and between countries. The literature on latecomer enterprises’ has taken into account the different economic, social and technological environment in which firms in developing countries operate. Indeed, several authors argue that a broad-based approach is needed for innovation in the context of the global South (Fagerberg, 2013; Fagerberg et al., 2012; Lorentzen, 2011; Maharajh and Kraemer-Mbula, 2009). These authors stress that emphasis on innovation as a continuous process (rather than focusing on outputs per se), and being user-driven, non-technological, service-based, and incremental is needed. In addition, it is argued that innovation should be channelled to address challenges associated with under-development and poverty, and contribute to LED and job creation, rather than focusing exclusively on global competitiveness through scientific and technological endeavours (cf. African Union Commission, 2014; Lorentzen, 2011; Maharajh, 2012; OECD, 2007, 2008; Phiri et al., 2015). For instance, the recent *Science, Technology and Innovation Strategy for Africa 2024*, which recognises the role of Science, Technology and Innovation (STI) in Africa’s “sustained growth, competitiveness and economic transformation”, also aims to utilise STI to bring about development in the continent (African Union Commission, 2014: 11). Of central concern is the recognition that whilst innovation has the potential to uplift the living conditions of the poor “this cannot be achieved through traditional, narrow science and technology centred on innovation and policy systems” (Daka and Toivanen, 2014: 250). Kraemer-Mbula and Wawae (2010), Lundvall et al. (2009) and the OECD (2013, 2015) highlight issues concerning innovation and the development agenda, stressing the challenges for policy makers in understanding how innovation contributes to the development of low-income economies especially in sub-Saharan Africa. Often developing countries exhibit “islands of excellence”, which are highly innovative world-leading businesses, sectors, regions or research institutes, coexisting with a mass of unproductive firms, many (but not all) of which would be in the informal economy (OECD, 2013: 29). Daka and Toivanen (2014: 244) observe that “Western or rich countries’ innovation system models or industry-led catch up models are not themselves applicable or replicable in the context of developing countries”. For example, Phiri et al. (2015: 4) point out developing countries “are faced with the task of defining innovation policy in a way that incorporates the poor”. Lorentzen (2011) stresses that innovative activities in poor countries usually occur in sectors where Research and Development (R&D) is not the core driver for innovation. Given its vast size in most of the economies of sub-Saharan Africa, the significance of the informal economy for innovation systems and policies cannot be overlooked (Daka and Toivanen, 2014; Harris, 2014; Links et al., 2014; Manyati, 2014). Nevertheless, only limited research investigations have been pursued to unpack innovations in the informal economy (Harris, 2014; Manyati, 2014).

Much attention in developing countries surrounds the possibilities for “inclusive innovation” to address the challenges of high levels of poverty. For Phiri et al. (2015: 13) the term inclusive innovation remains elusive and ill-defined. Nevertheless, George et al. (2012: 661) view it as innovation that “benefits the disenfranchised”. Similarly the OECD (2015: 5) characterises inclusive innovation projects as “initiatives that directly serve the welfare of lower-income and excluded groups”. Two dimensions of inclusive innovation are differentiated. First, are so-termed pro-inclusive innovations which involve the modification of existing technologies, products and services to better meet the needs of lower (as well as middle) income groups (OECD, 2015: 10). Second, is the category of “grassroots innovations” which are inclusive innovations which emphasize the empowerment of lower-income groups. It is argued by Gupta (2012) that grassroots innovations are “innovations for the poor by the poor” and often are anchored on knowledge from below. This said, the OECD (2015: 10) adds that such innovations “can be supported by other actors in the innovation system, including universities, non-governmental organisations (NGOs) and private firms”. Abrol and Gupta (2014: 541) contend that “non-formal grassroots innovators are far more capable than many others to produce innovations because these innovations can have a better fit with local market, resource constrained conditions and opportunities available for social inclusion and environment friendly development in the emerging and developing economies”.

Arguably, grassroots innovations draw strength from two sources of knowledge – namely traditional knowledge and a range of externally developed technologies (OECD, 2013: 11). Further, it is made clear inclusive innovations “are not characterised by their incremental or radical nature – or whether they are new to the firm, the market or the world – but rather by their consumers and producers, that are different from other innovations” (OECD, 2015: 15). The OECD (2013: 12) clarifies that grassroots innovations mostly are “ingenious adaptations of products to local contexts and often limited to their contributions to the local context”. Their inclusivity derives from low entry barriers such that all can participate unlike technology-intensive types of innovations which demand adequate skills. For the developing world Bhaduri (2014: 497) asserts that these types of inclusive innovation underline the significance “of building on local knowledge and community practices for sustained innovation and growth”.

**New South African perspectives**

In many respects South Africa is a microcosm and classic illustration of debates taking place across the global South about the role of innovation in development and of policy approaches. It is observed that, evidenced by various policies and strategic plans issued on innovation since the democratic transition, much work around innovation in South Africa has replicated global trends as it remains mostly concentrated upon the formal sector, urban areas, and techno-scientific innovation (Links et al., 2014). Key national STI policies in South Africa include the *White Paper on Science and Technology* (Republic of South Africa, 1996), the *National Research and Development Strategy* (Republic of South Africa, 2002) and the *Ten-year Innovation Plan* (DST, 2008). These policy frameworks deliberately aim to drive the economy’s transformation to knowledge-based within the NSI approach (Blankley and Booyens, 2010; Kruss and Lorentzen, 2011). Is argued that the NSI policy focus is problematic for several reasons. First, the NSI approach which draws heavily on experiences in the global North was an emerging concept for LED in the global South when the key STI policy documents were formulated in South Africa during the mid-1990s (Kruss and Lorentzen, 2011). Kruss and Lorentzen (2011) contend that the NSI framework remains highly theoretical since there is limited empirical evidence that it is a workable concept for economies wanting to catch-up, especially for global South countries like South Africa which has major developmental challenges. Second, whilst the NSI approach relies on institutional actors, Kruss and Lorentzen (2011) observe that there is an increasing scholarship on linkages between firms and other actors outside the traditional NSI which are not considered in South African STI policies. Third, the OECD (2007) advises that a limitation of the NSI approach in the South African context is a ‘too narrow’ focus on public R&D which has obscured important issues such as the role of innovation-generating activities, other than R&D. Similarly, Hart et al. (2012: 31) aver that the NSI is “too formal” and with a desire to focus on global grand challenges through the application of imported European models of innovation and innovation thinking.

There has reportedly been extensive policy experimentation in South Africa and that performance of the local STI system has not been strong (Kaplan, 2008; Kruss and Lorentzen, 2011; OECD, 2007, 2008). Areas where progress has been made include political awareness of the importance of STI, as well as the broadened international industrial and academic networks (OECD, 2007). South Africa has a nucleus of innovation performing businesses and services which have been the main engine of growth with certain sectors achieving strong innovation especially in the area of Information and Communication Technologies (Kahn and Hounwanou, 2008; Murphy and Carmody, 2015; OECD, 2007). Specific sectors performing well with regard to innovation include the medical and pharmaceutical sectors; as well as business and ***finance***, and engineering services (Human Sciences Research Council and Department of Science and Technology, 2011). This said, Ndabeni (2014) highlights the significant role of SMMEs in South Africa’s NSI but that with ***finance*** and human capital limitations most entrepreneurs are poorly equipped to undertake technological innovations. Furthermore, research on innovation primarily has concentrated upon the activities and contributions of formal actors such that the “informal sector remains peripheral in studies of South Africa’s innovative capacity” (Phiri et al., 2015). In addition, with its traditional urban bias a research lacuna surrounds the nature and role of innovation which occurs in South Africa’s marginalised areas, especially in rural spaces. Many innovative actors in these areas “are reported to be overlooked in innovation studies, especially those who are unregistered, unregulated and who do not engage directly with the NSI” (Links et al., 2014: 179).

Overall, it is assessed that South Africa’s innovation policies “appear to be far from inclusive and do not have any pro-poor or informal focus” (Links et al., 2014: 179). Phiri et al. (2015: 2) advance that “South Africa’s National System of Innovation aims to address the challenges of an unequal society. However, the efforts of the South African state to promote innovation have largely failed to incorporate the majority population into the formal skills-intensive sectors of the economy”. In a critical observation Lorentzen (2011) contends that the poor hardly feature in innovation debates in post-apartheid South Africa. Reiterating this stance Hart et al. (2012: 31) assert that South Africa’s core challenges of poverty, unemployment and inequality must assume centre-stage in national innovation strategy and policy-making. Furthermore, the importance of a restructured NSI being of relevance to the poor rather than the elite, it is argued, “cannot be overemphasised” (Hart et al., 2013: 32).

During the past few years there has accumulated new empirical evidence from rural South Africa of how marginalised communities benefit from innovation as direct users but equally important as innovative actors in their own right (Hart et al., 2014; Jacobs et al., 2014; Links et al., 2014). The application of grassroots innovation to upgrade ***agricultural*** development in Potshini within Joe Gqabi Local Municipality, close to the town of Bergville, forms part of wider initiatives which are supported by the NGO network PROVILINNA which is an acronym for promoting local innovation in ecologically oriented ***agriculture*** and natural resource management. In this particular initiative local innovation support ***funds*** are used as vehicles for facilitating access to resources for supporting experimentation in crops and livestock by local farmers (Letty et al., 2012). Another example is the work of Saveact (one of the NGOs also involved at Potshini) in the Matatiele area around Alfred Nzo District Municipality as well as in the Joe Gqabi District Municipality in Eastern Cape. The project complements the wider Local Economic Action Partnership (LEAP) in the Eastern Cape. Specifically, it involved a participatory market system analysis in order to afford relevant economic support to marginalised and vulnerable groups (Kruger et al., 2010). Innovation is implicit in the strategic support interventions which are put forward for strengthening market chain system elements.

Of greatest relevance to addressing the South African policy challenge of promoting a pro-poor focus on innovation are the series of investigations reported by Jacobs et al. (2014), Links et al. (2014) and Mhula-Links et al. (2014). Collectively, these studies provide clear evidence that rural enterprises engage in innovation activities to expand the social and human wellbeing of rural communities as well as for conventional commercial motives. In addition, they document that in rural South Africa locally designed innovations often are anchored upon local needs and local demands and can be diffused to other areas by means of larger networks. Many, if not the majority, of these grassroots innovations occur in the informal economy. In South Africa Links et al. (2014: 178) show that these often different forms of innovation in the rural informal economy “generally focus on the innovation activities of the poorer members of society” among whom the primary objective is an imperative “to solve local problems and challenges and thereby improve their livelihoods and standards of living”. Importantly, these innovations in the informal economy of the country’s marginalised or ‘distressed areas’ are usually not part of any large programmes supported by actors within the NSI or other actors engaged in traditional R&D activities.

**Innovation for LED**

It is within this changing landscape surrounding the imperative for a pro-poor focus on innovation in the global South in general and more especially in South Africa’s rural district municipalities that the DST entered into the policy arena of LED with its 2015 strategy document, ILED. Above all, this policy intervention seeks to prioritise support initiatives for LED in South Africa’s spatially marginalised rural areas (DST, 2015). At the outset the DST policy document concedes that the existing NSI in South Africa is not sufficiently responding to the challenges of inequality and poverty alleviation and that a disconnect exists between the NSI and sub-national tiers of government, in particular the level of local government. It is stressed that critically important to the ILED agenda is the necessity to address historical spatial patterns in South Africa which continue to exclude the country’s poor from economic development. Three issues are foregrounded as relevant to strategy development. First, is the need for an inclusive and integrated rural economy. Second, is to contribute towards reversal of the spatial effects of apartheid which is to be pursued through concentrating upon economic opportunities in marginalised spaces. Third, is the challenge of improving education, training and innovation which is to be dealt with by “building and enhancing innovation capacity by way of Human Capital Development within the local context” (DST, 2015: 7).

The ILED approach, it is argued, is underpinned by systems thinking and especially innovation systems theory and production systems. The former perspective advances that innovation emerges within a context (system) in which a range of actors interact and synergise different types of knowledge and stresses the centrality of networking, interactive learning and collaboration for understanding innovation practices. The latter focus is centred on the role of local clusters in production systems. Further informing the ILED approach is an acknowledgement that whilst innovation can assist in poverty alleviation the exclusive focus upon innovations that are outputs of a formal scientific, technological and production must be questioned. A broadened focus on innovation is required therefore to extend to innovations in the informal economy as potential drivers of local systems of innovation and for local development. This opens up the national policy landscape to recognise the potential value of grassroots innovations and how these might be leveraged for purposes of socio-economic development. It is stated that the ILED approach is grounded on three philosophical principles, namely democratisation and localisation of knowledge generation; ensuring that economically marginalised communities enjoy a meaningful stake in the knowledge economy; and to guarantee that innovation does not exacerbate existing inequalities in society.

Overall, the DST considers that ILED “converges with the notion of participatory development” in contributing to its vision statement of “increased well-being and prosperity through science, technology and innovation” (DST, 2015: 12). Its core objective “is to contribute towards inclusive development by strengthening local systems of innovation and production that can support the creation of sustainable employment creation, wealth creation and elimination of poverty” (DST, 2015: 12). More specifically, three major goals are isolated: to strengthen local innovation systems, to build local knowledge infrastructure, local innovation spaces and human capacity to harness local innovation, and to unlock economic value through launching catalytic interventions. The DST’s strategic approach sets forth the potential contribution of STI in LED. Its focus is twofold. First, is to energise local economic clusters through launching catalytic innovation-driven economic development interventions which are positioned to unlock economic value inherent in localities in high potential sectors along the entire value chain and thereby introducing broader economic change. Second, the ILED approach stresses the need to strengthen “local innovation systems”. This necessitates enhancing the synergies and dynamics of networks of local agents which interact in local economies and are involved in the generation, diffusion, and utilisation of technology, knowledge and innovative solutions for local economic activities. At the heart of these local innovation systems are considered to be so far untapped informal and community driven spaces which are focussed on grassroots innovation for inclusive development.

**Discussion and reflection**

The ILED strategic approach must be considered as a work in progress. Nevertheless, it must be applauded as marking a major break with traditional STI approaches in South Africa and potentially more broadly in other parts of sub-Saharan Africa. The approach incorporates a refreshing new perspective on the role of innovation in poverty reduction and for LED planning. In particular, the approach is a potential benchmark in the global South in terms of its pro-poor focus. This said, a number of points can be raised in respect of the emphasis given to local systems of innovation and more especially in the environment of marginalised and remote rural spaces which constitute the target spaces for ILED intervention.

A critical point of reflection concerns the conceptual framework adopted by the ILED strategy, underpinned by ‘systems thinking’ with a focus on ‘local knowledge’, ‘local economic clusters’, and ‘local innovation systems’, which is an adaptation of the NSI approach to the local level. The NSI framework in which government agencies, research institutes and universities, and private firms are central actors in fostering innovation draws heavily on experiences in the global North (cf. Kruss and Lorentzen, 2011). Furthermore, it is pointed that the ‘cluster model’ of local economic growth and innovation originated with industrial or technological, city-based clusters in the global North (cf. Herstad et al. 2014; Taylor, 2010; Varis et al., 2014). The model is based on observations that factors which play a critical role in sustaining commercially successful innovation such as skills, knowledge, infrastructure, institutional support, capital, enterprising firms, markets and economic opportunities agglomerate in specific city-based clusters. However, Taylor (2010) contends that the promotion of localised, space-bound clusters, often utilised as a LED policy ‘mantra’, has major limitations; and that a ‘more nuanced and empirically grounded’ approach is needed to stimulate and support local growth. In this regard, international research highlights the importance of external, non-local knowledge for firm level innovation, as also evidenced in South Africa (Booyens, 2016; Collits and Rowe, 2015; Fitjar and Rodríguez-Pose, 2015). In fact, Vissers and Dankbaar (2013: 700) maintain that proximity “features as an enabling element, but no more than that, in ongoing processes of knowledge creation, transfer, absorption, and change”. Varis et al. (2014) observe that: “Several recent studies have indeed confirmed that, especially for the most innovative firms, inter-regional and international linkages are of great importance, even more so if these firms are located in geographically remote regions”. In addition, it should be understood that highly skilled human resources; access to ***financial*** resources, and strong institutions drive innovation (Carrincazeaux and Gaschet, 2015; Rodríguez-Pose and Di Cataldo, 2015). However, these dimensions are in most cases constrained in small town and rural areas in South Africa. In general, smaller centres in South Africa are ‘resource-poor’, ‘capacity weak’, and have limited access to ***funding***, skilled personnel, and institutional support which hamper LED (Nel et al., 2009; Rogerson and Rogerson, 2012). In addition, effective governance for LED and systems to support innovation in South Africa are reportedly not well developed (Booyens, 2016; Kruss and Lorentzen, 2011, Lawrence, 2013; Phiri et al., 2015).

Therefore, it is argued that access to non-local knowledge and ***financial*** resources are especially important for peripheral areas in South Africa to enhance learning, facilitate knowledge transfer, build the absorptive capacity, and stimulate economic catch-up. It is recognised that the dynamics of regions differ and certain regions, particularly those in the global South, have low capacities for innovation (Lorentzen, 2011; Maharajh, 2012; Maharajh and Kraemer-Mbula, 2009). In order to stimulate innovation, a focus on core local and regional competencies and resources is stressed (Chaminade and Plechero, 2015; Fu, 2011; Maharajh, 2012). In this regard, the emphasis should not necessarily be on novel and ‘high-tech’ innovation (Fagerberg et al., 2009; Lorentzen, 2011). Lorentzen (2011: 6) argues that countries in the global South “may be involved in technological efforts in the course of which they accumulate technological capabilities that are evidence of learning and that lead to upgrading through technology adoption”. In addition, it is argued that diversity in a local economic base is needed to support regional development and that core competencies accordingly need to be expanded to enhance local resilience and capacity (Lorentzen, 2011; Maharajh, 2012). This said, government structures and local governance need to be strengthened to build absorptive capacity and support innovation for LED (cf. Maharajh and Kraemer-Mbula, 2009). Rodríguez-Pose and Di Cataldo (2015) assert that the effectiveness of innovation policies depends on the ‘quality of local institutions’. They argue that the quality of institutions depends on control of corruption, rule of law, government effectiveness and government accountability. These issues remain challenges within the local context (cf. Lawrence, 2013; Rogerson, 2014). Furthermore, policy support for the enhancement of local knowledge and skills remains another important area for improvement in the South African context.

With regard to rural innovation, this paper recognises that grassroots and inclusive innovation endeavour to harness local, indigenous knowledge for innovation and community development. This is in line with authors such as Ndlovu and Makoni (2014: 514) who argue that “the majority of peoples of the Global South’s population do not have the capacity to fully participate in the global economy. As such, LED strategies must also be directed towards the idea of ‘self-reliance’”. Authors argue that this approach is desired instead of adopting ‘top-down’ approaches from the North which exacerbates inequalities in the South (cf. Ndlovu and Makoni, 2014; Phiri et al., 2015). This said, the enhancement of competitiveness to stimulate ILED is also desired as evident in the literature and policies reviewed. This analysis advocates that the debates around innovation for local self-reliance; pro-poor development and competitiveness need to be separated. In the first instance, inclusive or grassroots innovation focusses on innovation by local enterprises using indigenous knowledge. In the second instance, innovation with a pro-poor emphasis to improve local living conditions and infrastructure, meet community needs, and/or alleviate poverty is promoted. In the last instance, debates centre on achieving local competitiveness and growth through the development of new and improved goods, services or processes for global markets by local firms and entrepreneurs. External knowledge as a means to stimulate novel innovation towards enhancing local or regional competitiveness is most important in the latter case. It is contended that distinct policy frameworks and ***instruments*** will be needed to achieve the different objectives of self-reliance, pro-poor development and competitiveness and based on thorough assessments of local needs, conditions, resources, skills, constraints and opportunities.

In final analysis, it is argued that in relation to innovation and LED there is a need to unpack debates around rurality and innovation, self-reliance, pro-poor development and competitiveness. In addition, policy makers need to consider the stimulation of a multi-spatial and open innovation system which fosters strong linkages with national and international agencies, institutions and actors to access to knowledge, ***financial*** resources, and global markets to stimulate learning, collaboration and innovation for LED. The improvement of governance structures and governance in rural areas, as well as education in general with a specific emphasis on skills and knowledge for innovation remain critical foci for enhancing LED in the local context. One vital issue for future research and policy development in the area of ILED concerns rural sources of innovation, how innovation is organised in specific sectors, and whether rural innovation is in fact supported by local dynamics. It needs to be determined how and from where knowledge is accessed for innovation purposes, who develops innovations, and which institutions or agencies support innovation activities. Empirical data in this regard would be invaluable for enhanced policy development in the area of ILED.

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[***Social Pointillism and Starry Nights: Making Points to Make Connections in the Sudanese Civil War***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BH2-VXY1-JBMY-H3X1-00000-00&context=1516831)

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**ABSTRACT**

The Pointillists – notably Georges Seurat and Paul Signac – were à la mode in the late 19th century. Their paintings relied upon a brushwork that placed points of colour to construct their representations. These points were placed such that when looked at as a whole they revealed a picture of some reality. This article argues the possibility of social pointillism, where the picture one is attempting to paint is of what happens in global social realities. Points in pointillism were daubs of colour. They painted pictures on canvases. Points in social pointillism are forces with powers. They create analytic canvases that reveal fields of power in the starry nights of human being. In order to make this argument, discussion begins at the Otello restaurant; proceeds to presentation of social pointillism; explains how social pointillism is relevant to a starry night ontology, and ends by identifying a virtue of employing such pointillism to paint pictures of starry nights.

**FULL TEXT**

**Introduction**

This article proposes a way of making points to make connections; connections that can reveal knowledge of hidden social realities. To begin to do so, consider the art scene in late 19th century France.

The Pointillists – notably Georges Seurat and Paul Signac – were à la mode in the late 19th century. Their paintings relied upon a brushwork that placed points of colour to construct their representations. These points were placed such that when looked at as a whole they revealed a picture of some reality. This article argues the possibility of social pointillism, where the picture one is attempting to paint is of what happens in global social realities. Points in pointillism were daubs of colour. They painted pictures on canvases. Points in social pointillism are forces with powers. They create analytic canvases that reveal fields of power in the starry nights of human being. In order to make this argument, discussion begins at the Otello restaurant; proceeds to presentation of social pointillism; explains how social pointillism is relevant to a starry night ontology, and ends by identifying a virtue of employing such pointillism to paint pictures of starry nights.

**The Council**

The African bureau [of the State Department] was the primary locus of policymaking for Sudan. (Petterson, 2003)

Petterson, the American ambassador to Sudan during the early 1990s, has it wrong. The ‘primary locus’ for policymaking vis-à-vis Sudan during the 1990s was Otello, an Italian restaurant near Washington’s Dupont Circle. Here a group of seven ‘wonks’, calling themselves ‘the Council’, met (Hamilton, 2012). ‘Wonk’ is the term for those with a great interest, some might say an obsession, with details of political policy. The Council wonks regarded themselves as good folk, righteous humanitarians; and it was they, not the ambassador roasting out in the backwater of Khartoum, who had a disproportionate influence upon US Sudanese policy. This was they had a thing about the Sudan. First, the wonks are presented.

**Council actors**

The first Council member was Brian D’Silva. He had met with John Garang in 1978 when the two were graduate students in ***agricultural*** economics. Charismatic to many who met him, US Army trained, Garang led the Sudanese People’s Liberation Army (SPLA), the military arm of the Sudanese People’s Liberation Movement (SPLM). D’Silva became Garang’s champion in the United States. Francis Deng, from southern Sudan, was a second member of the Council. Yale educated, he was a Sudanese diplomat and scholar, who had become a US resident, with positions at such institutions as the US Institute of Peace, the Brookings Institution and Johns Hopkins University. He offered other Council members connections to southern Sudan.

Roger Winter and John Prendergast were two important members who came from humanitarian work, especially in the Sudan. Winter, called by one admirer ‘a Saint’ (Griswold, 2008), had worked in the Carter administration, but ‘vowed never to work in the government again, preferring the less bureaucratic non-government sector’ (Hamilton, 2012: 4). So in 1981 he became the executive director of the US Committee for Refugees. One document reported Prendergast to be a ‘rockstar’ (Beaty, 2013). He was identified by his speakers’ bureau as a ‘human rights activist’ and a ‘friend’ of George Clooney (American Program Bureau, 2013).

Ted Dagne was another Council member. He was an Ethiopian refugee, who worked in a variety of positions in the US Congress, and established an ‘intense friendship’ with Garang (Hamilton, 2012: 2). At some point in the mid-1990s, Susan Rice, at the time rapidly rising within the State Department ranks, became a Council member; as did Eric Reeves, an English professor at Smith College. Rice would turn out to be the most powerful member of the group. Reeves, a Shakespeare and Milton expert, would turn out to be its fiercest polemicist. Playfully, the group nicknamed each other in a grand manner. Dagne was the ‘Emperor’; Reeves was ‘Deputy Emperor’; Winter was the ‘Spear Carrier’; Prendergast was the ‘Councillor in Waiting’; and Deng was the ‘Diplomat’. Rice and D’Silva do not seem to have had nicknames. However, these humanitarians were not play-acting during their restaurant trysts, they were plotting.

It might be asked, who *really* were the Council members – *bon vivant* humanitarians chowing down at a DC watering hole, or something more ominous? Keith Harmon Snow, the progressive war correspondent who covers Africa, thought he saw something darker. Rice, Winter, Prendergast and Dagne operated in other areas of Africa, especially the Horn and Great Lakes, ‘supporting and covering up’ Western low-intensity military operations (Snow, 2012). He identified them as ‘intelligence operatives’ (Snow, 2012). Further, he quoted Jean Marie Higiro, an official at one time in the Rwandan government, as saying, ‘Roger Winter is an intelligence operative’ (Snow, 2012). Spain’s Juan Carrero Saralegui, a human rights activist with expertise in Rwanda, has also identified Winter as an intelligence officer (Snow, 2012: 9). It is not unusual for the CIA to covertly insert personnel into private institutions and NGOs functioning in areas that the intelligence community has an interest. Winter’s position as executive director of the US Committee for Refugees would be just such a position. Alan Boswell, reporting for McClatchy, observed that Dagne in 2012, while working in the new Republic of South Sudan, was ‘an embedded go-between, and source of intelligence’ (2012), and if he was an intelligence ‘source’ in 2012, it is not improbable that he served the same function during the 1990s. Next discussed is what was the Council’s thing about Sudan.

**The thing, their hermeneutic**

A way of grasping the thing of their intrigues is by revealing the hermeneutic the Emperor and his Council brought to their interpretations?1 First, and foremost it was a narrow one. Though the Council operated throughout Africa, the reality they focused upon at the Otello was the puzzle of the Sudan. Specifically, perceptually they understood Sudan as a place with a civil war, pitting Muslim north against Christian south; and as Winter put it, as reported by *New York Times* correspondent Eliza Griswold, in Sudan, ‘there’s a good guy and a bad guy’ (Griswold, 2008). The ‘bad guy’ was the Sudanese government in Khartoum led by Omar al-Bashir. It terrorised its own population. The ‘good guy’ was the Sudanese People’s Liberation Army (SPLA), and its political arm the Sudanese People’s Liberation Movement (SPLM), in the south. Perhaps the Council’s affection for the SPLA/M originated in their ‘respect for Garang’ (Hamilton, 2012: 4). Winter put the good guy/bad guy matter as follows, ‘You have these well-trained guys in Khartoum who are murderers and never keep an agreement’ (Hamilton, 2012: 4). Of course, members of the Council acknowledged the SPLA ‘fighters committed horrific crimes during the war’ (Hamilton, 2012: 4). There were within the SPLA different factions which fought each other. Perhaps, the most enduring strife pitted Riek Machar against first Garang and then his successor, Salva Kiir. Additionally, there were southern factions outside of the SPLA which fought each other and the SPLA. All this conflict tended to utilise terrorist tactics. Prendergast’s own book *Crisis Response: Humanitarian Band-AIDS in Sudan and Somalia* explicitly announced that the SPLA/M ‘terrorized the southern population’ (1997). So the Council’s perceptual interpretation of Sudan as divided into good and bad guys was a misinterpretation. Both sides in the civil warring terrorised, so the country was actually divided into bad guys and bad guys.

Just how ‘bad’ did the Council think the Khartoum ‘bad guys’ were? Here Prendergast expressed the Council’s views when he told Rice that al-Bashir’s government was ‘too deformed to be reformed’ (Hamilton, 2012: 3). Reeves went further, labelling al-Bashir’s government, ‘a serially genocidal regime’ (2004). Strong words, which implied either that Khartoum should undergo regime change or that Sudan should be dismembered by providing backing to SPLA ‘good guys’ to do the job. Reeves, when Bush II was implementing violent regime change in Iraq, jumped at the idea of doing the same in Sudan; but most Council members supported the latter possibility. Backing the south they believed should come in many forms – ranging from propaganda monsterising the ‘Arab’ north to assisting the SPLA in its fighting.

Thus, the Council’s hermeneutic, perceptually, was that Sudan was divided into ‘good guys’ and ‘bad guys’; and, procedurally, that support up to, and including, military intervention should be accorded to the ‘good guys’; though it should supplied covertly so the United States could be viewed as humanitarian ‘good guys’. There was nothing especially humanitarian here. The Council was a clique of Washington security elites pursuing an imperial goal of control in yet another world region, and their policy to achieve this followed from their interpretation of the situation in Sudan. Defeat the ‘bad guy’ by supporting the ‘good guy’.

**They implement their hermeneutic**

The Council members’ ability to implement their policy goal derived from the positions they held in the Clinton administration. The most powerful person was Susan Rice. She ‘grew up with … privilege and … connections’ (O’Neal Parker, 1998). It was during the 1990s that those ‘connections’ paid off. Rice received her doctorate in 1990. Three years later she joined the National Security Council (NSC). In 1995 she became the NSC Director for Africa, a post she held for two years. After which, in 1997, she switched to the State Department – nine months after her lifelong family friend, Madeleine Albright, became secretary of state – and was appointed the assistant secretary of state for Africa, the highest position in the US government dealing with African affairs. Privilege has its plunder: seven years from her doctorate, age 33, Susan Rice was the security elite who ran Africa for the US government.2

Rice had her advisors. John Prendergast, her Council compatriot, was important among these. In 1996, she brought him into the NSC, and when she left, he replaced her as the Africa director. Roger Winter at this time remained with the US Committee for Refugees but was believed to be her ‘closest advisor on Africa’ (EIR Investigative Team, 1998). Rice, Prendergast and Winter were a ‘team’ Winter said in September 1997 ‘to lead the United States into support of a war against the government of Sudan’ (Hassan, 2009). They would, we shall see, not only lead the United States to support a war against Khartoum, but to covertly conduct it.

D’Silva and Dagne played supporting roles in the Council ‘team’. D’Silva went on to a career in the USAID, specialising in the Sudan, from which position he argued the case for southern Sudan. Dagne worked for the US Congress and for much of the time he was employed by the Congressional Research Service, an institution whose function is to provide Congress with the ‘objective’ information it needs to legislate. Dagne wrote reports about Sudan, a number of which were notorious for their bias in favour of the SPLA (see Dagne, 1997, 2002). He went on to work for the House of Representatives Sub-Committee on Africa, where, with the assistance of Representative Donald Payne, he created a network of pro-southern Sudan representatives.

The Emperor also had something of an intelligence role within the Council. This is because, as Herman Cohen, Bush I’s administration assistant secretary of state for Africa, remembered, Dagne was a ‘good friend’ of SPLA leader John Garang, and would host meetings for him in his Washington home (Cohen, 2000: 83). Rebecca Hamilton described ‘an intense friendship’ between Garang and Dagne; in the course of which ‘they spoke on the phone every day’ (2012: 2–3). These phone calls clearly provided considerable SPLA/M intelligence, which was certainly shared with other Council members, and allowed them to coordinate their southern Sudanese politics.

By the mid-1990s, Rice and Prendergast occupied the two highest positions concerning Africa in the NSC and the State Department. Their superiors, first Anthony Lake and then Sandy Berger in the NSA, and first Warren Christopher and then Madeleine Albright in Foggy Bottom, were not Africanists, and were distracted by more pressing events, especially in the Balkans. D’Silva and Dagne gave the Council strong representation in the USAID and Congress. Dagne gave them the best, latest, inside information on what was happening in Sudan from the perspective of the SPLA leader. The Otello plotters might be said to have established a near complete understanding among US foreign policy elites over the ‘truth’ of their interpretation of the situation in the Sudan. Consequently, in the 1990s it was hard to be pro-Khartoum when the Council told everybody al-Bashir’s government was ‘too deformed to be reformed’.3 What was the consequence of this near monopoly over knowledge of the Sudan situation?

By 1995 Rice was at the NSC, joined a year later by Prendergast. By 1997, Rice was promoted to assistant secretary of state for Africa and Prendergast was in charge of Africa in the NSC. Khartoum was trying to reconcile with the United States. Prendergast and Rice were arguing against accepting these attempts. Late in 1997, Prendergast announced that the US government viewed the al-Bashir regime as ‘the principle threat to US security interests on the Continent of Africa today’ (in Hoile 1999: 8). On 5 November 1997, Executive Order 13067 was issued. In it Clinton echoed, and upped, the rhetorical level of Prendergast’s words. Khartoum was said to ‘constitute an unusual and extraordinary threat to the national security and foreign policy of the United States’ (Executive Order 13967, 1997: 1). Hereafter, US policy formally sought to harm the ‘bad guy’ by helping the ‘good guy’. At this juncture, the impatient reader may expostulate, ‘Pip pip, my good man – make some points, make some connections’!

**Getting to the point**

A ‘point’ in social pointillism is an abstraction concerning forces (causes) and their powers (effects) at specific places over certain times; more specifically, it is particular actors at a place in time with certain forces that create certain powers. Points might be imagined of as incandescent, due to their concentration of force and power. Force, as I use the term, is not solely physical coercion or violence, though on occasions it is. Rather, the concept is employed in a more general sense, as cause. Causes are brought about due to operation of ‘force resources’. Utilisations of force resources are ‘exercises of force’.

There are five varieties of such resources. The first of these involves ‘***instruments***’ – tools, monies (capital), technologies, etc. – things that individuals have devised that when used make things happen. The second force resource is ‘land’, raw materials that people use when they make things happen. A third force resource is ‘actors’, individuals performing practical or discursive action. ‘Discursive’ action is use of the body to write or speak. ‘Practical’ action is use of the body, usually with tools, to get something done. Labour, of course, has been a particularly important sort of practical action in economic groups. Actors act upon their desires, formed on the basis of their hermeneutic preferences. Elite actors’ desires are said to be *délires*, because they are so powerful that they control large numbers of people. Actors’ desires and *délires* form the fourth and fifth force resources at their disposal.

‘Culture’ is a fourth force resource, involving signs of the times learned and shared by people; with signs being representations (or representations of representations) about being. Cultural representations function as messages communicating the perceptual and procedural interpretations of hermeneutics. Procedural interpretations choreograph the exercise of force, that is, organise when and how force resources will be deployed in space over time. Together actors’ perceptual and procedural messages are their desires or *délires*. Elite *délires* that have been institutionalised by laws, public policies, administrative regulations, royal decrees, fatwas, etc., are said to be public *délires.*

‘Authoritative’, the fifth force resource, is the right, in some way institutionally ***granted***, to choreograph specific force resources in specific perceived situations to achieve *délires*. Exercises of force are the utilisation of discursive actions communicating cultural or authoritative messages to choreograph other force resources. Choreographed together, force resources are causes that get things done; and getting things done is having effects, the attainment of powers. Some powers include the effects of one point upon another. A ‘field of power’ is a place of connected points: a ‘picture’ of incandescent points strung together with other points. Critically, if this ‘picture’ is to be accurate, it must be shown how the forces at one point have powers over other points.4

Consequently, getting to the point in a social pointillist methodology involves detection of fields of power, which sleuth work requires performance of two empirical chores. The first concerns analysis of points’ force situations. This involves observation of what the force resources are at a point and how they are exercised. The second concerns analysis of points’ connection situations. This consists of discovery of powers generated by a point’s exercise of force, which includes discovery of those powers that points have over other points. Powers of one point upon another are the connections between points. Let us apply this social pointillism.

**Connecting the points: a US/Sudanese field of power**

Recall that points are abstractions so, with this in mind, let us designate the Council and all its various actions as the Council point. First considered is its force situation, followed by its connection situation.

**Force situation**

The inventory of the Council’s force resources begins by observing that its action was provided by the six male and one female member. These actors did not rely upon land force resources to achieve their powers. Rather, to do so they wielded discursive action and authoritative resources, which they choreographed with certain ***instruments*** (especially money and certain tools).

The Council’s actors interpreted the situation in the Sudan, and from this hermeneutic practice derived a cultural message. The perceptual part of the message concerned Sudan’s moral geography. The North, specifically the Khartoum government, was the ‘bad guy’. The South, especially the SPLA/M, was the ‘good guy’. The procedural part of their message followed from its perceptual understanding. If Khartoum was the ‘bad guy’, it was ‘too deformed to be reformed’. If the SPLA/M was the ‘good guy’ it was to be supported. This was their *délire*.

Council members used discursive action to disseminate their *délire* throughout different US institutions. Dagne was important in lining up support for it in the US Congress. Lauren Blanchard has noted that there was ‘no country’ other than Sudan ‘on which Congress … focused greater attention’ (2012: 1). Representative Payne, through whom Dagne worked, sponsored passage of a congressional resolution endorsing South Sudanese right of self-determination (Hamilton, 2012). D’Silva argued for the Council’s cultural message on Sudan within the USAID, itself a part of the State Department. Winter and Deng supported it in areas where they had influence, broadly speaking among Washington’s humanitarian and governmental elites. Reeves argued the Council’s case across a diverse range of advocacy groups that demonised the Muslim North and praised the Christian South in the Sudan. In general, it might be said that the Council throughout the 1990s was effective in generating a hermetic seal both in US civil society and in government, sealing in understanding that SPLA/SPLM were ‘good guys’ and sealing out any recognition of al-Bashir’s Arabs as having any redeeming qualities.

Against this background, Rice and Prendergast acted. They were situated in the Council point in high positions within the State Department and the president’s NSC, which gave them considerable authoritative resources; one of which was the right to help shape US policy towards Africa. Their *délire* was that the Council culture message could become US government policy vis-à-vis Sudan. And they did succeed in their *délire*! ‘From 1995 … onwards the United States government began to militarily, diplomatically, and ***financially*** support the SPLA’ (ESPAC, 1998: 7). The 1997 Executive Order 13067 designated Khartoum an ‘extraordinary threat’ to US national security. Hereafter, Khartoum was authorised as an enemy, and the SPLA/M as an ally to destroy the enemy. This meant that the authoritative resource of Council members, their key force resource, had had the power of creating a particular public *délire*, the authorisation of exercise of US government force resources against Khartoum’s ‘extraordinary threat’ to US national security. It is time to turn to the Council point’s connection situation.

**Connection situation**

Implementation of the Council point’s public *délire* achieved powers in two Sudanese points – one in the Khartoum government, the other in the SPLA/M. However, these Sudanese points were influenced by those in the countries that served as proxies for US policy (primarily Uganda, Eritrea and Israel). Recall that US operations in Sudan during the 1990s were largely covert. There is little information concerning how US force resources were exercised in the Sudanese and proxy points. However, broad outlines of the situation can be indicated.

Armed with the authoritative resource of US policy to utilise US government force resources against the Khartoum point, US security elites choreographed movement of ***instruments*** of war to the proxy points and from the proxy points to the SPLA/M. Who the actors were in the transfer of force resources, what their magnitudes were and how their movements were choreographed is unknown. Remember that, with the exception of the food transfers, these ***instruments*** of war flowed secretly. However, they did occur. Food, weapons and training reached the SPLA point. In 1996, $20 million of military equipment was moved through the proxy points, which the United States called ‘frontline’ states, to the SPLA. Probably a good deal of further ***funding*** came from covert sources in the CIA. US commandos were on the ground at times during the fighting (Hassan, 2009). One informant related how he saw huge truck convoys bring war supplies across the border from Uganda into southern Sudan.

Two main forms of violent force resources were supplied. The first was ‘humanitarian’ aid that came in the form of food; in principle, provided to the civilian population for famine relief. Food became a weapon in two ways. First, a fair portion of it was taken by the SPLA to feed its own personnel. If, as Frederick the Great quipped, ‘an army marches on its stomach’, then the United States was responsible for filling SPLA stomachs. The second way that food served as a weapon had to do with Khartoum’s strategy against the South. It lacked the ability to defeat the SPLA in the field. So it planned to starve it into submission. However, US provision of food to southerners weakened this strategy. The second sort of violent force resources provided by Washington were more conventional and included weapons and training. These, however, were provided by US proxies in the 1990s and early 2000s – making it appear that their provision was independent of the United States.

There are questions about how significant US support of the SPLA’s was to Khartoum’s defeat. Autesserre asserts that American assistance was ‘not enough to enable them to win the war’ (2002: 1). However, she was writing prior to the termination of the Second Sudanese War. Nick Turse reported in 2014 that, ‘For more than 20 years, a bipartisan coalition in Washington and beyond championed [the] rebel forces’ of the SPLA (2014). Secretary of State John Kerry confided in 2012 that the United States ‘helped midwife the birth of South Sudan’ (in Turse, 2014) Of course, Washington’s backing was largely covert, but that ‘midwife’ was the Council. By the beginning of the 2000s, Khartoum sought to bring the civil war to a close. This was accomplished in 2005 with the signing of the Comprehensive Peace Agreement. Below a broader, ontological implication is revealed concerning the just performed social pointillist analysis.

**Starry nights**

And do you know what ‘the world’ is to me? … a play of forces. (Nietzsche)Force ‘has shown us how to explain all the changes of motion which bodies experience, and how to think about all physical phenomena’. (Peirce)

In effect, this section makes points about points. The first of which concerns an ontology of starry nights, whose exposition will turn upon Neitzsche’s and Peirce’s appreciation of the significance of force.5 Germane to this discussion is further consideration of the notion of the field which has played an important part in discussion of the doings at the Otello.6 Fields were concepts in the part of physics called classical field theory, which was especially important in theories that explained electromagnetism and gravitation. Here fields were conceptualised as places of electromagnetic and gravitational force, with these imagined as central forces of nature (Landau and Lifshits, 1971). By the end of the first half of the 20th century, the concept had migrated from physics to psychology and the social sciences. Kurt Lewin, more than anyone, was responsible for bringing the concept from physics into the human sciences; retaining the connection between fields and force, with ‘force fields’ understood as social places where vectors of force influenced individual behaviour (1951: 39).

The concept diffused from Lewin to anthropologists assembled around Max Gluckman at Manchester University in the 1950s and 1960s.7 He spoke of anthropologists having a ‘field of study’ (Devons and Gluckman, 1964: 158), literally making fields – not society, culture, kinship, etc. – *the* object of study in social analyses. Other Manchester School members developed the structural substance of fields linking them to networks and games of goal attainment. Barnes (1554), Epstein (1967) and Mitchell (1969) understood fields as networks or networks of networks. Turner considered fields to be ‘the totality of relationships between actors oriented to the same prizes and values’ (1974: 127). Pierre Bourdieu has shown fields to be of capital importance in sociology, insisting upon the ‘logic of fields’ (Bourdieu and Wacquant, 1992: 94–115). Bourdieu’s field seems derived from that of the Manchester School, for it is ‘defined as a network, or a configuration, of objective relations between positions’, which network involves ‘structure of the distribution of power’ (Bourdieu and Wacquant, 1992: 97). Bourdieu’s fields of the ‘structure of … power’ resemble those of Turner in that they are something of a ‘game’ in which actors ‘concur in their belief (doxa) in the game and its stakes’ (Bourdieu and Wacquant, 1992: 98).

Most recently, Nina Glick Schiller and her collaborators have extended the notion of field into global systems research showing its utility for theorising transnationalism (Basch, Schiller and Szanton, 1994). She continues the tradition of understanding fields in terms of networks and power, defining them as ‘networks of unequal power that may be locally situated or extended nationally or transnationally’ (Schiller and Çağlar, 2013: 499).

The treatment of fields in the Otello story has continued understanding fields as places and times of force and power; but broadens that understanding by assigning to it an ontological significance. It is at this juncture that Neitzsche and Peirce – naughty boys of 19th-century philosophy – become relevant.8 Nietzsche, coming from a more metaphysical corner, asked ‘What is “the world”…?’ By putting ‘the World’ in quotation marks, he was really asking, ‘What is being or reality?’ He answered this question by saying it was a ‘play of forces’. Peirce, occupying a pragmatic corner, elaborated upon Nietzsche, by explaining what forces did, in effect, clarifying why they were so important; and what they did was ‘to explain all changes of motion’.

Recall ontology is speculation not about being itself, but about, once it has been observed, its fundamentals. So what is the nature of being? According to the Nietzsche/Peirce view it is ‘force’ at ‘play’ changing ‘motion’, making it the producer of what happens – *all* that happens, Peirce emphasised. This response to the question of the nature of being raises another question: what is force and what is motion? Here, analysis of the Council provides an answer. Force is causes. Motion is the effect of causes. The idea that force is at ‘play’ rests comfortably with Bourdieu’s and Turner’s beliefs that fields are places where there are games with prizes to be won. The Council won the prize of dismembering Sudan in the game to decide Sudan’s future.

Elsewhere (Reyna, forthcoming) I have used a metaphor of a starry night to illuminate this Nietzsche/Pierce ontology. Being, including the human being, is a place of stars. These stars are points of fiery force that produces powers. Over time there is motion in the starry firmament as the force of different points connects, in the sense of having powers over, other points. Fields of power in this ontology are ways of knowing about starry nights. This leads us to a second, methodological point concerning how to study fields of power in the starry night of the human being.

The social pointillism applied to the Otello wonks is a methodology for constructing fields of power. Because such fields are places of causality it is important to know what causality is. Certain anthropologists, perhaps influenced by Geertz (1973), are sceptical of causality. Reyna (2002: 90–98) discussed debates pertaining to causality, found a number of these plausible, especially those of Miller (1987) and Salmon (1998). Hume called causality ‘the cement of the universe’ (1739: 662). Here is a powerful trope that certainly makes causality important because it is the ‘cement’ holding everything together. But I think Hume has got it wrong. Causality is not about concrete but about motion, for as the epistemologist Wesley Salmon puts it, ‘*Causal processes are the means by which structure and order are propagated … from one space-time region of the universe to other times and places*’ (1998: 298: italics in the original). Something ‘propagated’ is something moved.

In such a view of causality, the analyst must establish: 1) regions of space-time order, and 2) producers that oblige the order. By ‘spatio-temporal order’ one means that there are observations establishing certain regions detected to come before being followed by those that come after. For example, it has been established that smoking is a region in space and time that is antecedent to cancer, which comes subsequently. By ‘producers’ one means that events emanating from the antecedent region in some way oblige what occurs in the subsequent region. A spatiotemporal order has been established between smoking and cancer, but it is unknown how smoking produces cancer. The ‘producer’ is missing. Causes are the antecedent space-time regions. Effects are the subsequent space-time regions.

In social pointillism, as the analysis of the Council and its effects made clear, points are places where cause and effect occur. Causes are forces and effects are powers. Exercise of force resources is the producer connecting points. A field of power, the starry night of the human being, is points connected to other points, with it the observation of how antecedent points produce connections with subsequent points. This means that social pointillists have the following empirical tasks to perform in order to establish as a field of power:

Points of antecedence and subsequence must be observed, including discovery of the force resources in each point:

Hermeneutic politics must be observed to establish how force resources at each point will be exercised.

Observations must be made showing how the exercise of force resources in antecedent points produces powers in subsequent points.

This article concludes by showing how social pointillism has removed clouds obscuring the starry night of the US/Sudanese field of power.

**Conclusion**

A field of power opened during the 1990s involving four points of star light – those of the Otello, the proxy states, Khartoum and the SPLA/M. Spatiotemporally, at time T1 antecedent exercise of force in the Council point had subsequent power in the proxy points; at time T2 antecedent exercises of force in the proxy points had subsequent power in the SPLA point; at time T3 antecedent exercises of force in the SPLA point had power in the Khartoum point. To begin construction of the US/Sudanese field of power, Council wonks conducted a hermeneutic politics which established how US force resources would be exercised and acquired power over US government Sudanese policymaking. They achieved this power in the form of an authority resource that specified how the US government intervened in the Sudanese civil war. Specifically, this authority resource directed US government actors to supply to actors in the proxy points violent force resources in the form of ***instruments*** of war (weapons, training and food). Subsequently, proxy point actors transferred the violent force resources to the SPLA. Subsequent to action in the proxy points, the SPLA exercised their newly acquired violent force resources to help achieve the power of defeating Khartoum. The motion in this field of power, what connected the points to each other, was a flow of violent force resources, and it was their violence that was the causal producer in this field. So what is a virtue of this social pointillism? By connecting the points, it has removed the clouds from the US/Sudanese field of power revealing an unexpected social reality and, in so doing, explained why at least in some measure the SPLA was able to defeat Khartoum in the Sudanese civil war. Who knew what was happening in Sudanese battlefields during the 1990s began with some wonks at an Italian restaurant out by Dupont Circle?

**Notes**

Declaration of Conflicting InterestsThe author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.; FundingThe author(s) received no ***financial*** support for the research, authorship, and/or publication of this article.; 1.I use the term ‘hermeneutic’ in a special manner. It is an interpretive couplet including the understanding of ‘what is’ and ‘what to do about it’. The former understanding is said to be ‘perceptual’, the later is ‘procedural’ (see Reyna, forthcoming).; 2.Some State Department professionals, according to a *Washington Post* article, charged she was ‘not truly an “Africanist”’ (O’Neal Parker, 1998). Another source reported, ‘the poverty of her knowledge of Africa … shocked the Africa diplomatic corps in Washington’ (EIR Investigative Team, 1998).; 3.There were some in the State Department, as well as in the African-American community, who were sceptical about the Council’s judgement.; 4.More complete exposition of concepts introduced in the text can be found in Reyna *Deadly Contradictions* (forthcoming).; 5.Ontology is the study of ‘the essential characteristics of being itself’ (Bunnin and Yu, 2009: 491). Edmund Leach once chastised anthropologists in the Radcliffe-Brownian tradition as ‘butterfly collectors’ (1961: 2). Ontology can be the collection of different ontological butterflies. However, it is a more useful if it distinguishes truer from less true ontologies because there is greater knowledge of the nature of being.; 6.Literature reviews concerning fields can be found in Martin (2003) and Postill (2013).; 7.Bruce Kapferer reports the notion of field came to the Manchester School via Lewin (2014: personal communication).; 8.Nietzsche and Peirce were naughty boys because they said scandalous things, such as ‘God is dead’ (Nietzsche 1882: 181) or other thinkers were ‘Sir Oracles’, ‘colporting brocards’, peddling ‘obsolete wisdom’ (Peirce 1887: 361).

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[***Full text of China white paper on Xinjiang region***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5H0M-04J1-DYRV-30C3-00000-00&context=1516831)

BBC Monitoring Asia Pacific - Political

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September 24, 2015 Thursday

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**Length:** 17719 words

**Body**

Text of report in English by official Chinese news agency Xinhua (New China News Agency)

Beijing, 24 September: The Information Office of the State Council, or China's Cabinet, on Thursday issued a white paper titled "Historical Witness to Ethnic Equality, Unity and Development in Xinjiang." Following is the full text:

Historical Witness to Ethnic Equality, Unity and Development in Xinjiang

The State Council Information Office of the People's Republic of China

September 2015, Beijing

First Edition 2015

Contents

Foreword[fip EoBODYIND]

I. Implementing the System of Ethnic Regional Autonomy

II. Upholding Ethnic Equality and Unity

III. Constantly Strengthening the Foundations of Development

IV. Improving Standards of Living for All

V. Promoting Cultural Prosperity

VI. Maintaining Social Harmony and Stability in Accordance with the Law

VII. Respecting and Protecting Freedom of Religious Belief

VIII.Promoting the Unique Role of the Xinjiang Production and Construction Corps

IX. State Support and Assistance to Xinjiang

Conclusion

Forewo rd

China is a unified and multiethnic country. Xinjiang has been home to several of China's ethnic peoples since ancient times. Over the long course of history the ethnic groups in Xinjiang have maintained close relations with each other, trusting and depending on each other and sharing weal and woe together. They have worked hard to build Xinjiang, to safeguard border stability, national unification and ethnic unity, and to promote the development and progress of China.

Under the unified state leadership, implementing regional autonomy in areas where ethnic minorities live in concentrated communities is a basic political system of China. It is an important step on the correct path towards resolving ethnic problems in a Chinese manner and an institutional guarantee that the path will be followed. Implementing the system of ethnic regional autonomy in Xinjiang is a measure that accords with the prevailing situation in China and with the realities of life and the needs of Xinjiang. Doing so has acted as a bulwark to national unification and to the equality, unity and development of all ethnic groups in Xinjiang.

Since the peaceful liberation of Xinjiang in 1949, and the founding of the Xinjiang Uygur Autonomous Region in 1955 in particular, Xinjiang has seen continued improvement in its standard of living, comprehensive progress in various areas, stability in the overall situation of society, and positive momentum for development. All this has been made possible by strong support from the state and other parts of the country, as well as by the concerted efforts of all of Xinjiang's ethnic groups.

In 2010 and 2014, the central government held two meetings to discuss work related to Xinjiang, resulting in a steady improvement of the guiding principles and strategies for governing Xinjiang, ushering in a new era in the economic and social development of the region.

The development and progress witnessed in Xinjiang has been achieved by all the peoples of China - including the various ethnic groups in Xinjiang - working together in pursuit of a common goal. It gives a vivid expression to the progress made by China's ethnic groups towards achieving common prosperity, and marks the successful implementation of China's system of ethnic regional autonomy in Xinjiang.

I. Implementing the System of Ethnic Regional Autonomy

Located in China's northwest, Xinjiang was documented as forming part of China's territories as early as 60 BC, and went on to become an integral part of the unified and multiethnic country. In light of the actual local conditions, the central governments in successive dynastic periods adopted various different forms of governance in this region. During the process of creating and developing a unified and multiethnic country, all the ethnic peoples of Xinjiang developed close ties and became integrated as one.

Known for their hard working, wisdom and bravery, the ethnic groups of Xinjiang created a distinctive multiethnic culture, which became an important part of overall Chinese culture. Xinjiang also became a key gateway connecting China with the rest of the world and disseminating diverse cultures.

After the First Opium War (1840-1842), China was gradually reduced to a semi-colonial and semi-feudal society, and the ethnic peoples of Xinjiang suffered oppression under the foreign aggressors, feudal forces and exploiting classes, falling to the bottom of society.

By the late 1940s, most of the arable land in the farming areas of southern Xinjiang, Ili and Urumqi had been seized by a handful of landlords, leaving very little to the majority of peasants. In the remote villages inhabited by Uygur peasants in southern Xinjiang, a small number of serf owners' estates existed in relatively complete form. The overlords of these estates owned their serfs from head to toe, and the serfs were forced to work their masters' lands without payment and to perform all kinds of domestic chores. In the pastoral areas of northern Xinjiang, remnants of the feudal clan system were evident in that the nobility and the clan chiefs not only held large herds of livestock, but also enjoyed all kinds of feudal privileges.

Before the founding of the People's Republic of China, Xinjiang lagged far behind the rest of the country in economic and social development, and the ethnic peoples there lived in dire poverty and were deprived of basic human rights.

Founded in 1921, the Communist Party of China (CPC) took as its mission the search for a right path to realize national independence and the liberation of the people, including the ethnic peoples of Xinjiang. In its early days, the CPC sent some of its members to Xinjiang to carry out revolutionary work. During the Chinese people's War of Resistance against Japanese Aggression, the people of all ethnic groups in Xinjiang lent their support to the cause of resistance through various means under the leadership of the CPC. A number of revolutionary youth, influenced by progressive ideas, actively mobilized the peoples of Xinjiang to fight against reactionary and backward forces. The common call of history convinced them that only the CPC could save China - a prerequisite for the consensus against which Xinjiang later greeted its peaceful liberation.

In September 1949, Xinjiang was liberated peacefully, thanks to the efforts made by people of all ethnic groups there. On October 1, together with all their fellow countrymen, the ethnic peoples of Xinjiang witnessed the founding of the People's Republic of China. After liberation, Xinjiang kept its provincial system.

On December 17, 1949, under the leadership of the CPC Central Committee and the CPC Xinjiang Bureau, the Xinjiang provincial people's government was established. Represented by deputies from all ethnic groups and social sectors in Xinjiang, and with Burhan al-Shahidi as chair, this opened a new leaf in the development of a new people's democratic government. Under the leadership of the CPC, and with the strong support of the Chinese People's Liberation Army, the provincial government of Xinjiang led the local ethnic peoples in successfully quelling revolts, suppressing bandits and putting down reactionary armed rebellions. The uprising troops of the former regime and ethnic armed forces were regrouped.

In line with the principles of equality, unity, and mutual assistance for ethnic groups, the peoples of Xinjiang became the masters of the region, and for the first time elected deputies to the people's congresses at all levels. The democratic reform that followed, with rural land reform at its core, abolished feudal land ownership and distributed land to the deprived local peasants, putting an end once and for all to centuries of oppression and exploitation for the working people of Xinjiang.

The People's Republic of China has upheld ethnic equality, unity, common prosperity and development of all ethnic groups as the basic principles in solving ethnic problems and handling ethnic relations. It made it a state policy to practice ethnic regional autonomy in areas where people of ethnic minorities live in concentrated communities. When the People's Republic of China was founded in 1949, the ethnic peoples of Xinjiang mainly comprised the Uygur, Han, Kazak, Hui, Kirgiz, Mongolian, Xibe, Tajik, Manchu, Uzbek, Russian, Daur and Tartar, with the Uygurs boasting the largest population. Each of these ethnic groups was characterized by living in homogenous communities of its own, or by living together with or mixing with other groups, and the various peoples maintained close and extensive relations - a continuation of the traditional lifestyle. The practice of ethnic regional autonomy in Xinjiang has ensured the democratic rights of all ethnic peoples in the region, making them the masters of Xinjiang. It is also of great significance in strengthening the harmonious relationship of equality, unity and mutual assistance of the various ethnic groups, safeguarding national unification, accelerating economic development, and promoting social progress in Xinjiang.

On August 22, 1952, in accordance with the relevant provisions of the Program of the People's Republic of China for Implementing Ethnic Regional Autonomy, the second session of the first people's congress of all ethnic groups and walks of life was held in Xinjiang Province, passing the Resolution on Executing the Program of the People's Republic of China for Implementing Ethnic Regional Autonomy and forming a preparatory committee for exercising ethnic regional autonomy in Xinjiang Province on September 10.

In its official written reply on December 22, 1953, the Government Administrative Council of the Central People's Government approved the Measures for Exercising Ethnic Regional Autonomy in Xinjiang Province, initiating the preparatory work for establishing autonomous areas in Xinjiang in an orderly fashion. By 1954, with the approval of the central government, Xinjiang had completed the preparations for the establishment of autonomous areas at or below the prefecture level, establishing five autonomous prefectures, i.e., Bayingolin Mongolian, Bortala Mongolian, Kizilsu Kirgiz, Changji Hui and Ili Kazak, six autonomous counties, i.e., Yanqi Hui, Qapqal Xibe, Mori Kazak, Hoboksar Mongolian, Tashkurghan Tajik and Barkol Kazak.

The establishment of these autonomous prefectures and counties laid the foundation for the establishment of the Xinjiang Uygur Autonomous Region. In accordance with the Program of the People's Republic of China for Practicing Ethnic Regional Autonomy, the CPC Xinjiang Bureau made proactive and prudent preparations for establishing the autonomous region. The 21st meeting of the Standing Committee of the First National People's Congress passed on September 13, 1955 the resolution to establish the Xinjiang Uygur Autonomous Region to replace the former Xinjiang Province, with the former areas under the jurisdiction of the Xinjiang Province being put under the jurisdiction of the newly established autonomous region.

In September 20-30, 1955, the second session of the First People's Congress of Xinjiang Province was convened in Urumqi. The meeting approved the Report on Preparatory Work for the Establishment of the Xinjiang Uygur Autonomous Region along with some other ***instruments***, and elected a 41-member People's Committee of Xinjiang Uygur Autonomous Region, with Seypidin Ezizi (Uygur) as chair, and Gao Jinchun (Han), Memetmin Iminof (Uygur) and Patihan Sugurbayev (Kazak) as vice chairs. On October 1, 1955, the Xinjiang Uygur Autonomous Region was officially founded.

The establishment of the Xinjiang Uygur Autonomous Region marked the full implementation of the system of ethnic regional autonomy in Xinjiang. Under the leadership and care of the central government and with the strong support and help from other provinces, autonomous regions and municipalities, the people of the various ethnic groups in Xinjiang plunged into the construction of Xinjiang in a massive scale.

In 1984, the state promulgated and put into effect the Law of the People's Republic of China on Ethnic Regional Autonomy, establishing ethnic regional autonomy as a basic political system of the state, thereby providing a powerful legal basis for all ethnic peoples in Xinjiang to fully exercise their right of autonomy based on the principle of safeguarding national unification.

In May 2010 and May 2014, the central government held two meetings to specially discuss work in relation to Xinjiang, emphasizing the importance of upholding and improving the system of ethnic regional autonomy, and calling for efforts to build a socialist Xinjiang featuring unity and harmony, prosperity and vigor, civility and progress, and peace and contentment for its people. The various undertakings of Xinjiang had entered a new stage of development.

II. Upholding Ethnic Equality and Unity

Since its establishment in 1955, the Xinjiang Uygur Autonomous Region has remained committed to supporting and improving the system of ethnic regional autonomy. It has implemented China's ethnic policies, endeavored to promote the unity and common prosperity of various ethnic groups, and developed and consolidated the new type of socialist ethnic relations of equality, unity, mutual assistance and harmony.

The principle of equality among all ethnic groups has been upheld. All ethnic groups in China, regardless of the sizes of their population and levels of development, are equal. They enjoy equal rights and are required to fulfill the same obligations in accordance with the law. The establishment of the system of ethnic regional autonomy served to protect the legitimate rights and interests of ethnic minorities and safeguard the equal rights and interests of individual citizens. People of all ethnic origins in Xinjiang are ensured an equal legal status. They enjoy the rights to vote and stand for election as prescribed by the Constitution and the law, the right of equal participation in the administration of state affairs, the right of religious belief, the right to receive education, the right to use their own spoken and written languages, the right to inherit and carry on the traditional culture of their own ethnic groups, etc.

The region has focused on eliminating ethnic misunderstandings carried over from the past; it has firmly opposed any form of ethnic oppression or discrimination, and outlawed any action that might sabotage ethnic unity or incite ethnic separatism. In addition to respecting and protecting the rights and interests of all ethnic peoples within their jurisdiction, governments of ethnic autonomous areas at various levels shoulder at the same time the responsibility of safeguarding national unification, ethnic unity and social stability.

Internal affairs of the ethnic autonomous areas are administered independently. Home to more than a dozen major ethnic groups, the Xinjiang Uygur Autonomous Region is the only autonomous region in China with three levels of autonomous administrative divisions (region, prefecture and county). It boasts five autonomous prefectures, six autonomous counties and 42 ethnic townships. The people of each ethnic autonomous area elect their own deputies to the people's congress and form the self-government organs of power to exercise the right to manage their own internal affairs. In the composition of deputies to the people's congresses and the appointment of officials, the region's self-government organs at each level have always adhered to the principles of equal participation and common management. In 2014, the 550 deputies to the 12th People's Congress of the Xinjiang Uygur Autonomous Region came from 14 ethnic groups, with 66 percent being ethnic minorities themselves, three percentage points higher than the proportion of the total population of all ethnic groups in Xinjiang. Of nine chairperson and vice chairpersons of the Standing Committee of the current regional people's congress, six are citizens of ethnic minority origins. In Xinjiang now, the heads of the autonomous region, all the autonomous prefectures and all autonomous counties are citizens from the ethnic group(s) exercising regional autonomy in the areas concerned. Moreover, an overwhelming number of the heads of other prefectures, cities and counties are citizens of ethnic minority origins. Ethnic groups in Xinjiang also enjoy the right of equal participation in the administration of state affairs. Of 60 deputies from Xinjiang who attended the 12th National People's Congress in 2014, 38, or over 63 percent, were ethnic minorities. There are many people of ethnic minority origins from Xinjiang holding leading posts in central and state organs.

According to the Constitution of the People's Republic of China and the Law of the People's Republic of China on Ethnic Regional Autonomy, ethnic autonomous areas have the right to enact autonomous and separate regulations to adapt the provisions of the state law, administrative regulations and local regulations in accordance with their local conditions. These stipulations have played an important role in safeguarding the legitimate rights and interests of the ethnic minorities and promoting economic and social development in ethnic autonomous areas.

All ethnic groups are guaranteed the right to use and develop their own spoken and written languages. Xinjiang is a region of multiple spoken and written languages, of which there are ten principal ones. The region has enacted the Regulations for Work Concerning Spoken and Written Languages in the Xinjiang Uygur Autonomous Region, which provides a legal basis for the extensive use of the spoken and written languages of ethnic minorities in such fields as justice, administration, education, news media, publishing, radio, movies, television programs, the Internet and daily life. Government organs in handling public affairs and various other organizations in recruitment and promotion tests all use the language(s) of the ethnic groups exercising autonomy in a given area. Seven languages are used as teaching languages in primary and secondary schools in the region, five languages are used in broadcasting and television programs, and six languages are used in publishing books, audio-visual products and electronic publications.

The Law of the People's Republic of China on the Standard Spoken and Written Chinese Language rules that the standard spoken and written Chinese language is Putonghua (a common speech with pronunciation based on the Beijing dialect) and the standardized Chinese characters. The autonomous region encourages ethnic minorities to study the standard spoken and written Chinese and offers appropriate courses in primary and secondary schools, and it also encourages ethnic minority peoples to study one another's languages so as to enhance mutual understanding and communication. Since 2010, the autonomous region has required that newly recruited civil servants must acquire basic skills in both the standard and ethnic languages before they enter the service, and that they must be provided with opportunities of and conditions for bilingual training.

The customs of ethnic minorities are respected and the freedom of each ethnic group to maintain or reform its own customs is protected. In 2004, the region formulated the Halal Food Regulations of the Xinjiang Uygur Autonomous Region to protect the halal dietary customs of the relevant ethnic groups, which stipulated that departments in charge of ethnic affairs of the people's governments at/above the county level are vested with the responsibility of supervising and exercising control over the production and supply of halal food within areas under their jurisdiction. The region also renders support to and guarantees the production and supply of special supplies to ethnic minorities. Ethnic minorities which have the tradition of inhumation (ground burial) are exempt from the government requirement for cremation, and are allotted special plots for cemeteries. Major festivals of the ethnic minorities are also made official public holidays in Xinjiang. The region encourages all ethnic groups to respect one another's customs while encourages following more scientific, civilized and healthy customs in relation to food, clothing, shelter, transportation, weddings, funerals and etiquettes.

Candidates of ethnic minority origins are selected and cultivated as officials and professionals. A large number of administrative officials and technical professionals from ethnic minority groups have been fostered through training courses and working at the grassroots level, or through work exchanges or job rotation. In 1955, the number of ethnic minority officials in Xinjiang was 46,000, which increased to 417,000 in 2014, accounting for 51.4 percent of the total officials in the region. When selecting leading officials and recruiting civil servants, the autonomous region implements more flexible policies such as setting a recruitment ratio and offering directional recruitment and bonus points in favor of ethnic minorities, so as to make sure that a certain number of ethnic minorities join the civil service. The proportion of ethnic minority civil servants in the total recruitment increased from 29.9 percent in 2009 to 48.3 percent in 2014.

Special support has been given to professional personnel of ethnic minority origins. Since 1992, the state has put in place a special program to train professionals of ethnic minority origins in key areas of science and technology by way of holding training courses, advanced studies, exchanges and being placed on more challenging posts, etc. and by the end of 2014 the region had trained in total 3,917 middle- and high-caliber professionals of ethnic minority origins badly needed in Xinjiang.

In key areas of science and technology, Xinjiang has established and implemented a ***fund*** for special training of science and technology talents of ethnic minority origins since 2000. The number of ethnic minority technical professionals in Xinjiang increased from 124,300 in 1985 to 294,400 in 2014, and the proportion rose from 34.43 percent to 58.37 percent of the total number of such people in the region. The number of ethnic minority professionals with academic titles equivalent to professor and associate professor reached 21,100 in 2014.

The ethnic regional autonomy provides an institutional guarantee to ethnic unity. The region's population totaled 5.1 million in 1955 while by 2014 it had increased to over 23.2 million, of which 14.6 million were ethnic minorities, making up 63 percent of the total. The region has carried out all kinds of educational programs advocating ethnic unity, paying particular attention to education of the youth, as evidenced by courses on ethnic unity and knowledge about the various ethnic groups offered in various institutions of learning - from primary schools to universities. In Xinjiang, unremitting efforts have also been made in holding activities promoting ethnic unity and progress. To advocate ethnic unity and counter acts undermining it, the autonomous region has since 1983 held seven meetings awarding those making outstanding contribution to ethnic unity and progress, and commending units and individuals who have excelled in this regard. To date, the State Council, the State Ethnic Affairs Commission and the Xinjiang Uygur Autonomous Region have commended 1,304 model units and 2,272 exemplary individuals. Since 1983, the region has held an "educational month of ethnic unity" each May, carrying out intensive and extensive public publicity on ethnic unity. In 2009, the region promulgated the Regulations of the Xinjiang Uygur Autonomous Region on Ethnic Unity Education, further regulating ethnic unity education activities in order to call people of all ethnic groups to safeguard ethnic unity. By the end of 2010, the region had enacted the Measures for the Administration of Commendation of Role Models Contributing to Ethnic Unity Activities (Trial). The region encourages all members of ethnic groups to strengthen contact, exchange, integration and mutual support mechanisms, and advocates that primary or secondary school students of all ethnic groups study in the same classes and schools. It has become an important ideological guarantee for ethnic unity that "the Han Chinese cannot live without the ethnic minorities, the ethnic minorities cannot do without the Han Chinese, and no any one minority group can live without the other minority groups."

Along with the region's economic and social development in recent years, increasing mobility has been witnessed in the population of different ethnic groups in Xinjiang. There has been a rising trend in the urbanization and scattered living of ethnic minorities (who used to live in remote rural areas in concentrated communities - ed.), and as such the contact and exchange among them have grown ever closer. In work, study and entertainment as well as shared community life, people of different ethnic origins have enhanced their friendship and mutual understanding.

III. Constantly Strengthening the Foundations of Development

Over the past six decades, Xinjiang's economy has achieved steady and rapid development, which has accelerated the region' s modernization and laid a solid foundation for improved standards of living and progress in various social programs.

Marked improvement has been observed in Xinjiang' s overall strength. Its gross regional product (GRP) was only RMB1.2 billion in 1955 and RMB3.9 billion in 1978. In 2014, it reached RMB927.3 billion, a 116-fold increase over that of 1955 in real terms, with an annual growth rate of 8.3 percent, or 0.2 percentage point higher than China' s average during the same period. Over the years between 2010 and 2014, the average annual growth rate of Xinjiang's GRP was 11.1 percent, 2.5 percentage points higher than the national average. It ranked the fourth of all the country's province-level divisions - its highest ever placing as compared to the 30th in 2009. Xinjiang's per-capita GRP rose to RMB40,648 in 2014 from RMB241 in 1955, about a 24-fold increase in real terms, and a 5.6-percent annual growth. Xinjiang's fiscal revenues and expenditure, no more than RMB170 million and RMB180 million in 1955, grew to RMB128 billion and RMB332 billion in 2014. Over the period from 2010 to 2014, Xinjiang collected a total of RMB454 billion in fiscal revenues, and spent a total of RMB1,308.8 billion.

The gap between urban and rural areas has gradually been narrowed. When the Xinjiang Uygur Autonomous Region was founded, it had only few cities like Urumqi, Kashi (Kashgar), Yining (Ghulja) and Hami (Kumul). Its rural areas remained a closed natural economy. There was a yawning gap between urban and rural areas. After six decades of construction and development, enormous improvement has been observed in the production and living conditions of both urban and rural residents. The ratio of urban to rural population was 15.1:84.9 in 1955. By 2014, it had changed to 46.07:53.93. The ratio of urban residents' income to that of rural residents decreased from 3.2:1 in 2009 to 2.7:1 in 2014, narrower than that in the 11 other provinces and autonomous regions of western China. As Xinjiang's new model of urbanization develops fast, more and more rural residents are moving to the cities and enjoying a modern city life.

The economy of the various areas of Xinjiang is developing in a coordinated way. For historical reasons and due to different conditions, Xinjiang's northern and southern parts, which are divided by the Tianshan Mountains, varied sharply in development. Following the launch of reform and opening-up drive in 1978, Xinjiang decided to first develop the economic belt along the northern slopes of the Tianshan Mountains. Development then extended to other parts and propelled the economic growth of the whole region. In 2014, the gross product of the economic belt reached RMB638.7 billion, accounting for 68.9 percent of Xinjiang's total. The state and the autonomous region have also attached great importance to the development of southern Xinjiang, which is mainly populated by ethnic minorities. Since 2010 in particular, Xinjiang has actively encouraged the development of the southern Xinjiang petroleum, natural gas and chemical industry belt and made strenuous effort to support the development of poverty-stricken areas there by giving them a high priority in ***funding*** and projects. The average economic growth rate of the four southern Xinjiang prefectures (Hotan, Aksu and Kashi prefectures, and Kizilsu Kirgiz autonomous prefecture) increased from 10.5 percent in 2009 to 11.2 percent in 2014. A steady growth has been seen in the economic strength of southern Xinjiang, so has a constant improvement in the local people's standards of living.

The economic structure is being steadily optimized. Xinjiang's economy represented a typical pattern featuring traditional ***agriculture*** and husbandry as the main component. The ratio of added-value of the primary, secondary and tertiary sectors was 54.4:26.1:19.5 in 1955, and the workforce distribution among the three sectors was 86.9:6.1:7.0. By 2014, the two ratios had improved to 16.6:42.6:40.8 and 45.4:16.0:38.6. A modern industrial structure, with the ***agricultural*** sector as the base, manufacturing sector as the spearhead, and service sector as an important component, had taken shape in Xinjiang. After 1978, Xinjiang has stepped up the adjustment of its pattern of ownership. It gave full play to the leading role of public ownership, forming a system of state-owned pillar industries such as petroleum, non-ferrous metals, chemical engineering, steel and coal, as the mainstays, thus having guaranteed the sustained, steady and coordinated growth of the national economy. Meanwhile, it has encouraged, supported and guided the development of the non-public sector. The number of individually owned businesses reached 720,000 in 2014, as compared to the mere 4,168 in 1978. In 2014, private investment in fixed assets was around RMB407 billion, contributing 48.2 percent of the total. Non-public industrial enterprises witnessed a growth rate 5.4 percentage points higher than the industrial sector as a whole, and contributed 33.8 percent to the increment of industrial enterprises with an annual sales revenue of RMB20 million or more.

The infrastructure has become more and more complete. In 2014, 175,500 km of highways were open to traffic, of which 4,316 km were expressways, five times more than in 2009, and Xinjiang had risen to the 12th place among all province-level administrative divisions in the country from the 27th in 2009. A total of 135,000 km of roads served the traffic in rural areas, linking 99.93 percent of towns and 98.71 percent of administrative villages. Some 98 percent of roads between towns and 85 percent of roads between administrative villages were concrete or asphalt ones that meet national standards and requirements. Rail transport in Xinjiang has developed from scratch. In 2014, the overall length of track reached 5,760 km. The region's first high-speed rail between Urumqi and Lanzhou has opened to traffic. A trunk rail network, stretching from east to west and from north to south, connects Xinjiang with other parts of China and with countries in Asia and Europe. In 1978, Xinjiang had only one civil airport and nine regional air routes. By 2014, it had in operation 16 civil airports, and 115 air routes totaling 160,000 km. Thus, Xinjiang now boasts the most airports and the longest air routes in operation of all China's province-level administrative divisions.

Water conservancy projects have led to a great improvement in working and living conditions. Xinjiang had 538 reservoirs with a total storage capacity of 16.908 billion cu m in 2014, as compared to three with a total storage capacity of 52.34 million cu m in 1949. Since 2010, key water conservancy projects bearing on daily life have taken priority in Xinjiang; they included high-efficiency water-saving projects in ***agriculture***, "settlement of herdsmen" water projects, and safe drinking water projects in rural areas. By 2014, high-efficiency water-saving irrigation extended to 27.7 million (1.85 million ha) of farmlands, topping the whole country. Xinjiang had improved irrigation over 3,984,900 (265,660 ha), increased the area of forage land by 3,720,800 (248,053 ha), achieved a net increase of 3.03 million tons in fine forage and hay, and provided water sources for forage lands to safeguard the settlements of 106,000 herding families. Xinjiang's rural areas had a total of 1,315 water works of different sizes, which provided safe drinking water to 11.3 million people, or over 96 percent of the rural population. This has effectively held in check the spread of local infectious and frequently occurring diseases caused by water source pollution.

The power industry is developing rapidly. The South Hami-Zhengzhou +-800 kv UHVDC Transmission Project, Xinjiang's first UHVDC transmission channel sending electricity out of Xinjiang, was put into operation in 2010, and the building of the supporting power projects of the Zhundong-Huadong +-1100 kv UHVDC Transmission Project has started. Xinjiang's 110 kv and 220 kv grids were connected to the 750 kv higher-grade trunk grid. In 2014, Xinjiang had installed power-generating capacity of 55 million kw, and produced 209 billion kwh of electricity. It sent 17.5 billion kwh to other parts of China through transmission lines totaling 65,656 km. The installed capacity using new energy made up 20 percent of the total. A pattern of power generation with thermal power as the mainstay and other forms of power like hydro power, wind power, gas power, photovoltaic power and biomass power in support, has taken shape.

Xinjiang has become an information society. Six decades ago telegrams and post were mainly carried by animals. Now, its communications industry has entered the modern information era. There is Internet coverage across most of the region. In 2014, broadband user numbers exceeded 3 million, and there were 91 mobile phones per 100 people. Around 98 percent of villages had phone line connections and 97 percent of administrative villages had broadband connections. Xinjiang has invested great efforts in raising the status of Urumqi as a regional inward and outward hub in international telecommunication services. Its voice and data services have cross-border connections with more than ten foreign countries, and are able to connect international call services to the whole of the country.

Solid progress has been made in opening up to the outside world. Since 1978, Xinjiang, with state approval, has created 17 first-class ports and 12 second-class ports, in addition to successfully holding 19 Urumqi Foreign Economic Relations and Trade Fairs and four China-Eurasia Expos. It has set up two national economic development zones in Kashi and Khorgos, and the International Center for Cross-Border Cooperation between China and Kazakhstan in Khorgos. Now, there are in Xinjiang 23 state-class industrial clusters. It trades with 186 countries and regions. A new pattern of all-round opening up has taken shape in the region. The value of Xinjiang's combined imports and exports grew from US$51 million in 1955 to almost US$27.7 billion in 2014, averaging an annual growth rate of 11.3 percent. Between 2009 and 2014, applied foreign investment grew at an annual rate of over 12 percent, the volumes of overseas contract business increased by an annual average of 26 percent, and investment outside China went up by an annual average of 25 percent.

The driving force of scientific and technological innovation has remarkably increased in Xinjiang's socio-economic development. Since its founding, Xinjiang has experienced constant increases in its ***financial*** input in science and technology, in the size of staff in scientific work, in the variety research platforms and in the number of research achievements, which have gradually led to the establishment of a system of scientific and technological innovation with distinct regional characteristics. The contribution made by scientific and technological progress to the development of ***agriculture*** has increased year by year, and improved crop varieties make up over 90 percent of total output. Industrial technology and new and high technology are developing rapidly. Xinjiang leads the country in railway traction transformer technologies, solar and wind power equipment research and manufacturing, and information processing in ethnic minority languages. It has made major technological breakthroughs in the field of resources and environment technology, discovering the petroleum and natural gas reserves in the Tarim Basin. The technologies used in the Tarim Desert Highway and Shelter Forest Project meet the highest international advanced standards.

Steady progress has been made in environmental protection. The ecological system in Xinjiang is extremely fragile, with very limited environmental capacity. Oases account for only 5 percent of the region's total area. Over the past 60 years, and especially since 2010, Xinjiang has made ecological and environmental protection a top priority, insisting on sustainable development of resources and the eco-environment. It has devoted great efforts to protecting and building its ecological system, carefully balancing the interests of economic growth and environmental protection.

Xinjiang protects its environment in accordance with the law. It has drawn up detailed plans and regulations first to protect the environment. It enacted the Zoning Program of Major Functional Areas of Xinjiang Uygur Autonomous Region, and amended or issued a series of local regulations, including the Regulations of Xinjiang Uygur Autonomous Region on Environmental Protection, Regulations of Xinjiang Uygur Autonomous Region on Environmental Protection in the Development of Coal, Petroleum and Natural Gas, Regulations of the Xinjiang Autonomous Region on Wetland Conservation of the Autonomous Region, and Regulations of Urumqi City on Air Pollution Prevention and Control. It now has 31 natural reserves of various kinds at or above the autonomous region level, 18 scenic spots, 52 forest parks, nine geoparks, one world natural heritage site, and 16 wetland parks. Fifty-four percent of its wetland areas are under protection, higher than the national average of 43 percent.

Xinjiang has intensified efforts in ecological and environmental protection programs. Since 2010, Xinjiang has planted or protected over 2,500,000 (166,667 ha) of forests by restricting access to mountain areas. Its total forest area and forest stock rank 14th and 12th in China. Now, belts of shelter-forests built to protect farmlands in all of Xinjiang's 82 counties and county-level cities have merged to form a network, 45 counties and county-level cities have reached the national standards in plains afforestation, and 95 percent of farmlands are effectively protected by the shelter-forests. The forest coverage in oases has risen from 15 percent to 23.5 percent, and a total of 3,258,000 (217,200 ha) of farmland has been returned to forest. Major projects for ecological protection have been launched, such as the Million Ecological Economic Forest Project in Ili Valley and the Project for Prevention and Control of Desertification around Tarim Basin, restoring a total of 24.6 million (1.64 million ha) of degraded lands and enclosing 51.6 million (3.4 million ha) of grassland to prevent grazing. It has curbed water and soil erosion over more than 4,000 sq km of small river valleys. The Comprehensive Reclamation Project of Tarim River Valley has provided emergency water supplies to its lower reaches on 15 occasions, gradually restoring prosperity there. In 2014, water quality was good in 94 percent of major rivers and 67.8 percent of lakes and reservoirs, as compared to 88.3 percent and 43.3 percent in 2009. This is much higher than the national average level.

Xinjiang has put in a lot of work to tackle pollution. Joint prevention and control of air pollution has been carried out in areas like Urumqi and Kuytun-Dushanzi-Wusu. There has been a considerable improvement in the air quality of the regional capital, Urumqi. During 2014, the city had 310 days with good air quality, the best ever for 20 years. Xinjiang has piloted environmental protection in some lakes with good water quality, such as Bosten Lake, Sayram Lake, Ulungur Lake and Kanas Lake. In order to safeguard drinking water, it has made great efforts to protect 367 centralized drinking-water source areas, and comprehensively improved the habitat of 1,836 villages. Xinjiang encourages ecological progress through examples. It has built up two national model cities for environmental protection, 43 national-level eco-friendly prefectures, towns and villages, and 1,057 autonomous region-level eco-friendly prefectures, towns and villages.

IV. Improving Standards of Living for All

Since the founding of the autonomous region, and especially since the launch of the reform and opening-up drive, Xinjiang has enjoyed overall economic and social development, and people of the various ethnic groups in the autonomous region have all benefitted from the fruits of the reform and development. Since 2010, Xinjiang has stepped up efforts and input in improving the people's living standards, undertaking over 500 key projects in this regard over the past six consecutive "people's livelihood years," with the expenditure on improving the people's livelihood accounting for over 70 percent of the region's yearly total public spending. This has made these six years a period in which the people are benefitted the most and see the greatest improvement in their material well-being and cultural life.

Employment channels are constantly expanding. In 2014, the registered urban unemployment rate of Xinjiang was 3.2 percent. From 2010 to 2014, 2.5 million new urban jobs were created, averaging a yearly growth of 500,000. In 2010, Xinjiang established a registration system for people with difficulties in finding work and for families of which no member was gainfully employed. By 2014, under this system Xinjiang had helped 29,000 members of these "zero-employment" families find jobs, cutting the number of zero-employment families by 26,000. From 2010 to 2014, Xinjiang provided jobs to 303,000 university graduates, with the employment rates of university graduates and university graduates of ethnic minority origins reaching 88.6 and 82.7 percent, respectively. By May 2011, it had virtually resolved the employment problems of 75,000 unemployed graduates of junior colleges and technical secondary schools who had registered before the end of 2009, of whom 84.6 percent came from ethnic minority groups. Some 1.66 million job opportunities were created for rural surplus labor in 2009. This figure increased to 2.85 million in 2014. During this five-year period, the relevant wage bill totaled RMB56.6 billion.

The life of the people has kept improving. In 2014, the per-capita disposable income of urban residents averaged RMB21,881, an increase of 51.2 fold over that of 1980, representing an average annual growth of 12.3 percent. This also represented an increase of more than RMB9,624 over that of 2009. The per-capita net income of rural residents was RMB8,114, increasing by 41.4 fold as compared with that of 1980, averaging an annual growth of 11.5 percent. This was an increase of more than RMB4,231 as compared with 2009. The Engel coefficient of urban and rural residents continued to decline, from 36.3 percent and 41.5 percent respectively in 2009 to 31.3 percent and 34.5 percent in 2014.

Living conditions of both urban and rural residents have continued to improve. In 2004, Xinjiang started an earthquake-resistant and comfortable housing project; and since 2010, it has launched projects of offering comfortable housing and enriching the people, settlement of herdsmen for developing animal husbandry, and urban affordable housing. By 2014, more than 4.8 million farmers and herdsmen and 2.07 million middle- and low-income urban residents had moved into new homes. The average flood space for an urban household was 85 sq m, and that of a rural household was 105 sq m. All urban households and 72 percent of rural households have been provided with facilities for heating. In urban areas, the water supply covered 96.3 percent of the population, and the centralized sewage treatment rate reached 78.6 percent. Sixty-three percent of domestic garbage underwent hazard-free treatment. In built-up urban areas, the green coverage rate was 34.9 percent, and per-capita green park area was 10.7 sq m. Projects to improve the communal environment in rural areas and demonstration projects of comprehensive improvement of rural environment were launched, gradually bringing about a clean and neat village environment for more than 2 million farmers and herdsmen.

Continuous development has been seen in education. Since 2010, education in the region has ushered in a new period of rapid development. Over the past five years, education expenditure has exceeded RMB250 billion. In 2014, the proportion of education expenditure in the GDP increased to 6.47 percent. Xinjiang has 9,230 schools of various types and at all levels, with 4,734,800 students and 338,200 full-time teachers. From 2010 to 2014, the three-year kindergarten enrollment rate grew from 51 percent to 72.4 percent; the proportion of junior high school graduates getting enrolled into high schools increased from 74 percent to 91 percent, while the gross high school enrollment increased from 67 percent to 84 percent. The university and college admission rate grew from 64 percent to 79 percent, and the gross enrollment rate of higher education increased from 22 percent to 31 percent. This brought Xinjiang to a level of higher education take-up similar to the rest of the country. A full system of vocational education was in place, with 176 secondary vocational and technical schools providing for 219,500 students.

Bilingual education has undergone full development. As of the 1950s, ethnic minority students have gradually been offered bilingual courses, thus ensuing steady development in this regard. In 2014, a total of 269,400 Xinjiang students - from pre-school to high school - were receiving bilingual education, and the coverage of bilingual education in various forms reached 100 percent. From 2010 to 2014, the take-up of two-year pre-school bilingual education grew from 59 percent to 89 percent. Practice has proved that bilingual education has further promoted relations among different ethnic groups, in addition to improving the employability of the ethnic minorities.

The mechanism for guaranteeing education has improved. In tandem with the rest of China, Xinjiang has implemented the policy of "two exemptions and one subsidy" - exemption from miscellaneous fees and textbook fees, and subsidized living expenses for resident students, and abolishing tuition and miscellaneous fees for urban primary and middle schools and realizing free compulsory education. The policy of "three exemptions and one subsidy" has been implemented for high schools and secondary vocational schools in the four prefectures of southern Xinjiang, i.e., exemption from tuition, textbook and boarding fees, and subsidized living expenses for resident students, in order to realize 14-year free education there. A nutrition improvement program has also been implemented for all rural students undertaking compulsory education, covering 36 counties and all junior high school classes specially set up in some cities in Xinjiang for minority students from remote impoverished areas. A system for subsidizing students from pre-school to higher education has been established, and its coverage even extends to students from Xinjiang studying overseas at their own expense, ensuring that students from all ethnic groups enjoy equal access to education.

Public health has been improved steadily. Through 60 years of development, total healthcare resources continue to expand, while the health service system continues to improve. As a major indicator of people's livelihood, since 2010, ***financial*** input in healthcare has kept growing. In 2014, Xinjiang boasted 18,873 medical and health institutions at various levels and of various types, manned by 153,417 health professionals. In the region, every 1,000 people averaged 6.22 hospital beds, 2.38 licensed (assistant) doctors and 2.60 registered nurses, a level higher than the national average. The health emergency response capacity has been significantly enhanced, and major epidemic and endemic diseases have been brought under effective control. Key health indicators have improved remarkably. From 2010 to 2014, the infant mortality rate fell from 2.66 to 2.16 per thousand, the maternal mortality rate went down from 43.41 to 39.27 per 100,000, and average life expectancy reached 72.35 years.

There has been a steady improvement in the provision of social security. In 2011, Xinjiang led the country in establishing systems of basic old-age insurance and basic medical insurance that gave overall consideration to both urban and rural areas and cover all the local population, providing everyone access to basic social security. The coverage of the new cooperative medical system for ***agricultural*** and pastoral areas was 99.7 percent. The coverage of the new rural social pension insurance reached 98.5 percent. Unemployment, work-related injury and maternity insurance systems have been extended to cover all occupational groups. In 2014, there were 33.5 million registrations in Xinjiang's various social insurance schemes, an increase of 10.73 million or 47 percent over 2009. The coverage of these insurance schemes exceeded 90 percent, essentially ensuring that all those in need of insurance are provided for.

For 10 consecutive years, Xinjiang has adjusted the basic pension for enterprise retirees, increasing the basic monthly pension from an average of RMB1,338 in 2009 up to RMB2,298 in 2014, a level of increase that tops the whole country. For four consecutive years, the unemployment insurance benefits have been increased, with the per-capita average monthly unemployment insurance reaching RMB761 in 2014. The annual per-capita government subsidy for urban residents' medical insurance was raised from RMB120 in 2009 to RMB330 in 2014, RMB10 higher than the national average.

Social assistance has continued to strengthen. Subsistence allowances and other life assistance systems have been established. Life assistance plays an increasingly important role in underpinning security. The system of subsistence allowances covers both urban and rural areas, again ensuring that all of those in need of insurance are provided for. From 2009 to 2014, the monthly subsistence allowance for urban residents increased from RMB176 per capita to RMB329 per capita, while that of rural residents rose from RMB68 to RMB129. Subsidies for disabled servicemen and family members of revolutionary martyrs and servicemen doubled. For rural households enjoying the "five guarantees" (proper food, clothing, medical care, housing and funeral/educational expenses), subsidies for those living in nursing homes increased from RMB3,036 to RMB6,750 per year, and that for those living at home grew from RMB2,280 to RMB4,301 per year. In 2014, there were 1,726 old people's homes, with a total of 52,183 beds, averaging 20.6 beds per thousand elderly people. People over the age 80 now enjoy a basic living allowance and free medical check-up. The minimum basic living expenses for orphans supported by welfare institutions grew from RMB360 per month in 2009 to RMB900 per month in 2014.

Remarkable results have been achieved in poverty alleviation. In the 1990s, the state launched the Seven-Year Poverty Alleviation Program (to lift 80 million people out of poverty), during which Xinjiang had managed to solve the problem of providing food and clothing for 1.32 million impoverished people. From 2001 to 2010, Xinjiang solved the problem of shortages of food and clothing for 2.84 million people, thus entering a new stage of consolidation and development in this regard. From 2011 to 2014, Xinjiang carried out policies of regional development and priority poverty alleviation in the three prefectures of southern Xinjiang (Hotan, Kashi and Kizilsu), and in border areas and poor mountainous areas. Over these four years, special ***funds*** allocated for poverty relief totaled RMB10.1 billion, 12,000 poverty alleviation projects were implemented, poverty alleviation training was provided to 775,000 ***recipients***, and poverty reduction programs were carried out in 1,902 poverty-stricken villages. Thanks to these efforts, Xinjiang's poverty-stricken population was reduced by 1.39 million, and marked improvement has been seen in the work and living conditions of farmers and herdsmen in the poverty-stricken areas.

V. Promoting cultural prosperity

Since the autonomous region was established in 1955, Xinjiang has attached great importance to culture, promoting the preservation, bequeathal and onward transmission of fine cultural traditions, and vigorously developing modern culture, in order to meet the ever growing cultural needs of the people of all ethnic groups and safeguard their equal cultural rights and interests.

Public cultural services have improved remarkably. In 1955, Xinjiang had only one public library and 36 cultural centers. In 1978, Xinjiang built its first museum. In 2007, with state support, Xinjiang launched two nonprofit cultural projects - the East Wind Project (to give books and publications free of charge) and the Rural Library Project (to provide farmers with books, periodicals, newspapers and audio and video products). In 2008 and 2012, Xinjiang started the Radio and TV Programs for Each Village Project and the Radio and TV Programs for Each Rural Household Project, both benefiting all local rural population. By 2014, every administrative village in Xinjiang had its own rural library.

Since 2010, the state and the autonomous region have provided a total of RMB1.5 billion to improve cultural infrastructure, launching the County-level Library and Cultural Center Renovation Project, the National Cultural Information Resources Sharing Project (constructing information centers to share Xinjiang' s resources with other areas of the country), and the Town and Township Comprehensive Cultural Center Project, as well as the aforementioned Radio and TV Programs for Each Village Project and Radio and TV Programs for Each Rural Household Project. By 2014, Xinjiang had built 117 cultural centers, 107 public libraries, 82 museums (memorial halls) and 1,147 cultural activity venues, made radio and TV access to 3.46 million rural households, and completed the basic public cultural service system of four levels (the autonomous region, prefecture, county (city) and town (township)).

Cultural heritage has been effectively protected. Xinjiang has 113 cultural relic sites under state protection, and 550 under autonomous regional protection. The region boasts 128,894 individual items or sets of cultural relics. "Silk Roads: The Routes Network of Chang' an-Tianshan Corridor" has been designated as a World Heritage Site. Gaochang Ancient City Ruins, Jiaohe Ancient City Ruins, Beiting Ancient City Site, Kizilgaha Beacon Tower, Kizil Grottoes and Subashi Buddhist Temple Ruins are the first group to be listed in the World Heritage Sites in Xinjiang. The autonomous region has collected and registered 11,194 copies of ancient ethnic minority books, and edited and published 140 of them. Sixty-six ancient ethnic minority titles have been included in the Catalogue of National Rare Ancient Books. Kutadgu Bilig and A Comprehensive Turkic Dictionary, masterpieces of the Karahan Kingdom, which were almost lost to posterity, have been translated into and published in both Uygur and Han Chinese. In 2009, the autonomous region launched the Uygur Historic and Cultural Preservation Project - Renovation of Dilapidated Buildings in the Old Kashi City Proper. By 2014, this project had received ***grants*** amounting to RMB3 billion, and old and dilapidated buildings for 31,000 households had been renovated.

Currently, Xinjiang has three projects on the UNESCO Intangible Cultural Heritage List and the List of Intangible Cultural Heritage in Need of Urgent Safeguarding - The Art of Xinjiang Uygur Muqam, the Epic of Manas, and the Meshrep, in addition to 127 items of intangible cultural heritage of state class and 293 items of the autonomous regional class, as well as 64 representative trustees of intangible cultural heritages at state level and 459 at autonomous regional level. In 2010, Regulations of Xinjiang Uygur Autonomous Region on the Preservation of the Art of Uygur Muqam was promulgated, which was China' s first separate regulations at provincial level designed to protect intangible cultural heritage. The autonomous region has collected more than 700 long folk poems of the Uygur, Kazak, Mongol, Kirgiz and other ethnic groups. Vigorous efforts have been made to preserve traditional ethnic cultural treasures, such as the Mongolian epic Janger, the Kazak' s ballad singing Aytes, the Hui folk song Hua' er, the Tajik' s Eagle Dance and the Xibe' s West Moving Festival.

Literature and arts are prospering. Since the founding of the autonomous region, Xinjiang' s folk and classical literature has been collected, collated, translated, published and studied. Writers, poets, translators, playwrights, performing artists, literary critics of all ethnic minority origins have rapidly matured, forming a multiethnic literary writing, performing and research contingent. Works of excellence have been staged, including Hello, Apandi (acrobatic show), Grand Bazaar (drama), Gherip-Senem (opera), Visitors on the Icy Mountain (musical), Love over the Tianshan Mountains (musical), and The Spring of Muqam (song and dance drama). A group of literary and art works have won the Best Works Award, the Lu Xun Literary Prize, the Gold Award of the National Ethnic Minority Theatrical Festival, Splendor Award and Lotus Award for Stage Arts of Excellence (the former for theatrical artworks and the latter for dance), the China Acrobatic Golden Chrysanthemum Award, the Steed Award (for ethnic minority writers), the Tianshan Literary Prize, and other national and autonomous regional prizes.

Press and publishing are making steady progress. In 2014, Xinjiang published 111 newspapers, including 51 in ethnic minority languages, and 199 periodicals, including 116 in ethnic minority languages and three in foreign languages. Xinjiang Daily, published in four languages - Uygur, Han Chinese, Kazak and Mongolian - is the official provincial-level newspaper published in the largest number of languages in China. Xinjiang Economic Daily has been published in Urumqi. Urumqi Evening News (Uygur edition) is China' s first evening post published in ethnic minority languages. Kizilsu News (Kirgiz edition) is China' s only newspaper published in the Kirgiz language. Qapqal News is the world' s only newspaper published in the Xibe language. Xinjiang now has 13 publishing houses publishing books, audio and video products, and e-publications in six languages - Uygur, Han Chinese, Kazak, Mongolian, Kirgiz and Xibe. Since 2010, the autonomous region has launched several major publishing projects, including Xinjiang' s Library, Xinjiang Ethnic Literary Creation and Chinese-Ethnic Minority Language Translation Project, and Encyclopedia Sinica (Uygur and Kazak editions). A group of excellent publications have won the Best Works Award, the China Government Award for Publishing, and other national awards.

The radio, film and television industries are developing rapidly. By 2014, Xinjiang had five radio stations, eight TV stations, 92 radio and TV stations, and 66 medium and short-wave radio transmitter and relay stations. Some 96.5 percent of the local population had access to radio, and 96.9 percent to TV. Xinjiang People' s Broadcasting Station now provides 12 radio channels in five languages - Uygur, Han Chinese, Kazak, Mongolian and Kirgiz, and Xinjiang TV provides 12 TV channels in four languages - Uygur, Han Chinese, Kazak and Kirgiz. Radio programs from Xinjiang People' s Broadcasting Station are available to the world through Xinjiang News Online ([*http://www.xjbs.com.cn*](http://www.xjbs.com.cn)) and CRI Online (   [*http://gb.cri.cn*](http://gb.cri.cn)). Xinjiang' s radio and TV programs have been broadcast in Kirghizstan, Uzbekistan, Kazakhstan, Mongolia and Turkey. Xinjiang TV is the provincial-level TV station boasting the largest number of channels and broadcasts in the largest number of languages in China; its program signal covers the whole of the region, the capital cities of all provinces and autonomous regions, plus the Hong Kong and Macau SARs. In the last five years, Xinjiang has dubbed an annual average 5,500 episodes of ethnic minority films and TV plays, and a number of fine films, radio and TV programs have won the Best Works Award, the China News Award and the China Huabiao Film Awards.

New media is developing rapidly. Currently, Xinjiang has nearly 17,000 registered websites and 11.4 million netizens, and about 50 percent of the local population has access to the Internet. In 2014, the autonomous region opened a WeChat public account called "The Last Kilometer," which covers all parts of China and dozens of other countries and regions. This has become an important public platform to spread the voice of Xinjiang and discuss issues in relation to Xinjiang. The autonomous region, the various subordinating prefectures and counties have jointly developed a "zero-distance" Internet communication platform, which constitutes a new system of international communications.

Cultural exchanges with other countries are becoming increasingly lively. The autonomous region has sent delegations to more than 60 countries and regions, including the US, Germany, Japan, Kazakhstan, Turkey and Libya, to participate in academic exchanges, hold exhibitions of cultural relics and stage theatrical performances. Xinjiang has registered and founded publishing institutions in Turkey, Kazakhstan and the US. China Xinjiang International Ethnic Dance Festival, Chinese and Foreign Culture Week of China-Eurasia Expo, and China Xinjiang International Arts Biennale have become brand-name cultural exchange projects of considerable international influence.

Sports have been promoted. Xinjiang had 425 sports venues of various types in 1955. By 2014, it had more than 26,000. The autonomous region encourages people to participate in the nationwide fitness campaign. It has held 13 Sports Meets of Xinjiang Uygur Autonomous Region, eight National Traditional Ethnic Minority Sports Meets, various sports meets for senior citizens, and Paralympic sporting events. Rural sports are thriving. Xinjiang has established 7,726 Farmers' and Herders' Sports and Fitness Projects at village level. These sports events and fitness activities have been much appreciated by the local farmers and herders. By 2014, the autonomous region had identified and revived 629 traditional ethnic minority sports. The Uygur traditional tightrope-walking activity known as Darwaz is of great repute around the world.

Cultural and sports industries have maintained a sound momentum of development. By 2014, Xinjiang had established six state-class cultural industry demonstration bases, 20 cultural industry parks (zones) at the autonomous regional and prefectural levels, and 76 cultural industry demonstration bases at the autonomous regional level. In recent years, the region has been proactively experimenting with the professionalization and commercialization of sports; a group of professional sports clubs have been introduced and established, including Xinjiang Tianshan Snow Leopard Football Club and Tianshan Women' s Basketball Club. Sports events and the market for sports performances are flourishing; Taklimakan Rally and CBA (Chinese Basketball Association) matches in Xinjiang have been commercial successes. Xinjiang has fostered a sports and fitness market supported by grassroots clubs, and promoted distinctive mass sports events. Continuous development has been seen in the sports leisure market, represented by the China International Camping Congress and the International Desert Hiking Contest, and featuring in particular winter sports and air sports.

VI. Maintaining Social Harmony and Stability in Accordance with the Law

Ever since its founding, Xinjiang Autonomous Region has made constant efforts in strengthening rule of law, managing all affairs on the basis of law and remaining resolute in punishing violent terrorist crimes, in order to promote ethnic unity and achieve harmonious social development.

A distinctive local legislation system is now in place. According to the Constitution and state laws, the local legislature of the autonomous region enjoys both legislative power entitled to provincial-level administrative divisions and the power to enact regulations on the exercise of autonomy and separate regulations based on local special political, economic and cultural conditions. By the end of 2014, the autonomous regional people' s congress and its standing committee had formulated in total over 150 local regulations, passed more than 30 regulatory resolutions and decisions, and approved 98 separate regulations and other local regulations submitted by the various subordinating autonomous prefectures and Urumqi. The autonomous region people' s government had worked out over 320 administrative rules and regulations. The legislation covers various aspects, such as politics, economy, culture, education, religion, ethnic unity and social security. These local rules and regulations provide a legal guarantee to the legitimate rights and interests of all ethnic groups and promote the development of various undertakings of the region.

Further improvement has been seen in the capability and level of administration by law. The people's governments at various levels in the autonomous region uphold the supremacy of the Constitution and laws and has made continuous endeavor in innovating new forms of social management for the government to exercise administration, manage social affairs and administer economic and cultural undertakings in accordance with the law. They have established and improved in succession a number of administrative management systems, such as guaranteed service, full notification and conclusion within a time limit, in addition to annulling, adjusting and reducing items subject to administrative examination and approval. Efforts have been made to promote and implement the system of appraisal, the system of life-long accountability for major policy decisions and a responsibility tracking-down system. The system of accountability in administrative enforcement of law has been put in practice. A record-filing and review system has been established for normative documents to correct illegal and improper abstract administrative acts in a timely manner. Administrative review applications have been handled in accordance with the law to resolve administrative disputes in an effective and timely manner. The people' s governments at all levels have intensified efforts in administrative accountability, made greater endeavor in preventing and controlling risks of integrity in key sectors and links, and strengthened oversight by the general public and the media over the government and law enforcement departments. They have established mechanisms for the public to express their concerns in relation to their rights and interests. They have promptly handled administrative complaints and seriously investigated and punished those violating the discipline and regulations. A system of law-based administration, various systems of open handling of affairs and the system of information disclosure have all been set up and augmented step by step.

The level of impartial administration of justice has been steadily enhanced. The public security organs, procuratorates and courts have coordinated with and supervise one another and exercise their powers in accordance with the statutory jurisdiction and procedures. Tasked with maintaining social order and punishing crime, the public security organs perform their duties in accordance with the law and effectively safeguard state security and social stability. The procuratorates have earnestly performed their functions as the public prosecutors, striking severe blows at different types of criminal offences, thoroughly investigated and handled various white-collar crimes such as embezzlement, giving and taking bribes, malfeasance, and rights encroachment, exercise their function of legal supervision, and consciously subject themselves to the supervision of the people' s congresses at various levels and the society at large in order to better ensure judicial justice. Observing the principles of upholding justice, administering justice for the people and protecting the legitimate rights and interests of the citizens, legal persons and other organizations, the people' s courts have strengthened the function of adjudication supervision, handled an annual average around 300,000 cases of various types, established and improved a multi-party dispute settlement mechanism, a system of judicial aid and a mechanism of execution, and promoted information disclosure in relation to administration of justice. As a result, gradual improvement has been observed in the efficiency of justice administration and level of impartial administration of justice. In 2014, 86.85 percent of those standing trial at courts of first instance gave up lodging appeals to courts at higher levels, and 34,378 judgment documents have been disclosed on [*www.court.gov.cn*](http://www.court.gov.cn), so have 47,580 executed cases.

The contingent of law work has continuously strengthened. By 2014, courts in the autonomous regions had a total of 9,656 law workers, including 4,192 from ethnic minorities; the procuratorates had a total of 5,994 staff members, of whom 2,293 were from minority ethnic groups; and the public security organs have made constant efforts to integrate the police resources, resulting in a steady uplift in their professional and law enforcement capability. The law-enforcing administrative organs have made great efforts to strengthen their ranks, strengthened front-line forces at the grassroots level and the policemen and officers have displayed steady improvement in their competence and capacity to perform their duties. Proceeding from Xinjiang' s reality, the legal service teams have extended the range of and improved the level of service. By the end of 2014, Xinjiang had a total of 1,503 legal service agencies of various types, employing 8,206 legal professionals. Of these, 435 law firms employed 4,092 lawyers; 125 notary offices were manned by 435 notaries; and 738 were community-level legal service offices which hired 2,601 legal service workers. There were 93 judicial expertise institutions with 813 judicial experts. There were also 112 legal aid agencies with 265 workers.

The autonomous region constantly promotes education and publicity concerning the rule of law. Since 1985, Xinjiang has implemented six five-year programs in spread of legal knowledge. In the course of carrying out these programs, due consideration has been given to the actual situation in Xinjiang, with major attention being extended to the publicity of such statutes as the country' s Constitution, the Law on Ethnic Regional Autonomy, and the Marriage Law. Centering around the situation of combating terrorism, safeguarding stability and countering extremism in the region, in-depth publicity and education activities themed "anti-violence, rule of law and order" have been carried out to arouse the awareness of people of all ethnic groups there, aiming at laying a solid ideological foundation for combating terrorism and maintaining stability. The region has constantly worked out new ways in the publicity of and education in law-based governance to inspire a culture of rule of law. The media has also intensified its efforts in the public of rule of law. The [*www.fzxj.cn*](http://www.fzxj.cn) has turned out to be the first large website in the northwest region to promote the law, and a number of distinctive and influential radio programs and columns publicizing legal knowledge have been emerged, and they included "The Law and You" and "Rule of Law Online." Solid progress has been made in promoting rule of law in Party and government organs, rural areas, urban communities, schools, enterprises and all social entities. In 2011, the Regulations of Xinjiang Uygur Autonomous Region on Publicity and Education in Rule of Law were promulgated, making the work embark on law-based orbit. By 2014, 60 villages in the region had been named "National Model Villages of Democracy and Rule of Law," and two prefectures and 21 counties (county-level cities, urban districts) had been nominated as "National Model City for Promoting Rule of Law."

Violent and terrorist crimes are punished severely in accordance with the law. Since the 1990s, the three forces (ethnic separatism, religious extremism, and violent terrorism) working from bases both inside and outside China have planned and staged a series of incidents of terror and violence, such as explosion, assassination, poisoning, arson, assault and riot, in Xinjiang and elsewhere, causing great loss to the lives and property of innocent civilians of all ethnic groups. Of them, the July 5 riot in Urumqi in 2009 killed 197, injured over 1,700, and caused huge property damage. Again, the terrorist attack in Kashi' s Shache County on July 28 claimed 37 lives and injured 13, with 31 vehicles being smashed or burned. These violent and bloody crimes show clearly that the perpetrators are anything but representatives of "national" or "religious" interests. They are a great and real threat to ethnic unity and social stability in Xinjiang.

Judicial organs in the autonomous region have always upheld the principles that everyone is equal before the law and any crime shall be punished; they strictly distinguish commonplace criminal offenses from violent and terrorist crimes and handled them accordingly to firmly maintain social equality and justice. The public security organs are on high alert for signs of violent attacks and terrorism, and respond with the utmost severity. Most terrorist groups have been knocked out at the planning stage. The people' s procuratorates have performed, in accordance with the law, their functions of approving arrest, reviewing the evidence and indictment, and exercising earnest supervision over investigation and trial procedures. The people' s courts administer justice strictly, severely punishing the ringleaders and felons of violent and terrorist crimes, and extending clemency to those who confess their crimes and help with investigations, on the premise that the defendants' litigation rights are ensured in accordance with the law. In the nationwide special movement to suppress violent and terrorist activities, some violent terrorist gangs have been smashed, and some fugitives have heeded to the advice of their families and are inspired by the state policies to turn themselves in. The tendency of frequent eruptions of violent and terrorist attacks in Xinjiang has been somewhat checked.

VII. Respecting and Protecting Freedom of Religious Belief

Xinjiang is a region where several religions have existed side by side since ancient times. The religions in Xinjiang today include Islam, Buddhism, Christianity, Daoism and Orthodox Eastern Church.

Before the founding of the People's Republic of China in 1949, the relations between different religions were very complicated. In history, there were frequent conflicts between different religions and between different sects of the same religion. In the mid-10th century, the Islamic Kara-Khanid Khanate launched a religious war against the Buddhist kingdom of Khotan. Having lasted for more than 40 years, the war caused great damage to the society and economy of southern Xinjiang and dreadful sufferings to the people there. Buddhist believers were forced to convert to Islam, and Buddhist culture was almost totally destroyed in the area. During the Ming and Qing dynasties (1368-1912), Islam split into two hostile sects - Qara-taghlyq (black mountain) and Aq-taghlyq (white mountain), whose bitter feuds lasted for hundreds of years. Muslims were compelled to take side, either this or that, thereby forfeiting their religious freedom.

After the founding of the People's Republic of China, the policy of religious freedom is implemented together with the practice of the policy of ethnic regional autonomy; democratic reform of religious system and law-based management of religious affairs have helped the harmonious coexistence among different religions in Xinjiang. Citizens believing in or not believing in region have treated one another with respect and understanding, ushering in a new historical period of harmonious coexistence of the various religions in Xinjiang. It is then the people of all ethnic groups in the region have indeed got the right to freedom of religious belief.

Freedom of religious belief is a basic right bestowed by the Constitution on all its citizens. It is stipulated in the Constitution as follows: "Citizens of the People's Republic of China enjoy freedom of religious belief." The Law of the People's Republic of China on Ethnic Regional Autonomy clearly rules, "Organs of self-government in ethnic autonomous areas guarantee the freedom of religious belief to citizens of the various ethnic groups..."; "No state organ, public organization or individual may compel citizens to believe in, or not to believe in, any religion; nor may they discriminate against citizens who believe in, or do not believe in, any religion..."; "The state protects normal religious activities." In addition, the State Council promulgated the Regulations on Religious Affairs in 2004, which stipulates, "Citizens enjoy freedom of religious belief..."; "The state protects normal religious activities, as well as the legal rights and interests of believers, religious organizations and venues for religious activities in accordance with the law."

The Chinese government is fully committed to a policy of freedom of religious belief, respecting its citizens' freedom to believe or not believe in religion. Citizens are equal before the law and must carry out the duties imposed by the Constitution and other laws, whether they believe in or not believe in any religion. Anyone who encroaches on the citizens' freedom of believing in or not believing in any religion shall bear legal liability, and citizens both believing in or not believing in any religion also bear legal liability for breaching the Constitution and the law.

The policy of freedom of religious belief has been fully implemented in Xinjiang. After the founding of Xinjiang Uygur Autonomous Region, people of all ethnic groups are guaranteed the right of freedom in religious belief. It is up to the person concerned to make his or her free decision to believe or not to believe in any religion, to believe in a religion in the past but not now, not to believe any religion in the past but believe one now, to believe in this or that religion and to believe in this or that sect of the same religion. All normal religious activities held by the believers either in religious venues or at their homes in line with customary religious practices are protected by the law, and no state organ, public organization or individual may interfere with such activities.

Xinjiang currently has 24,800 venues for religious activities, including mosques, churches, Buddhist temples and Daoist temples with 29,300 clerical practitioners, basically sufficient to meet the religious believers' needs for normal religious activities. In addition, the region has 112 religious organizations and eight religious colleges. In Xinjiang, 1,436 religious practitioners have been elected deputies to or members of people's congresses and the people's political consultative conferences at various levels. They have actively participated in deliberations and management of administrative affairs on behalf of religious believers, and in exercising supervision over the government in respect to the implementation of the policy of freedom of religious belief. The lawful rights and interests of religious organizations are protected by the law.

Most people of Xinjiang's 10 major ethnic groups are followers of Islam, so there are all together in Xinjiang 24,400 mosques with 28,600 clerical personnel. Since the 1980s, the central government has allocated over RMB10 million to maintaining or repairing a number of key religious sites listed under the protection of the state and the autonomous region, including the Id Kah Mosque in Kashi, Juma Mosque in Hotan, Yang Hang Mosque in Urumqi, and Emin Minaret in Turfan. The Xinjiang Islamic Institute has trained 634 students since its founding in 1987, and since 2001 has held 132 training sessions for 28,665 clerical personnel. Since 2001, in order to train high-caliber clerics, Xinjiang has sent 70 people to visit Islamic institutions of higher-learning in Egypt, Pakistan, Saudi Arabia and other countries for further studies. In accordance with standard international practices, the Chinese government has implemented a policy for planning and organizing pilgrimages. Since the 1980s, more than 50,000 people from Xinjiang have made pilgrimages to Mecca in Saudi Arabia.

The normal requirements of religious believers have been satisfied. The government of the autonomous region has managed to do a better job in the religion-related work in view of the actual conditions of the various religions; it has shown full respect to citizens' right of freedom of religious beliefs and has kept opening up new legitimate channels for religious believers to correctly understand the ABC of the various religions, thus basically satisfying the reasonable requirements of the religious believers. By 2014, more than 1.76 million copies of religious classics, books, and magazines had been published, including the Quran, Selections from Al-Sahih Muhammad Ibn-Ismail al-Bukhari and Selected Works of Waez in Uygur, Kazak, Han Chinese and Kirgiz languages, the "New Collections of Waez's Speeches" series in Uygur, Kazak and Han Chinese languages, and the magazine China's Muslims. In 2013, the new Uygur edition of the Quran was published and 230,000 copies were sold. By 2014, the number of Islamic publications available in Xinjiang's ethnic minority languages exceeded 20, which basically satisfies Muslims' demands to learn about the Islam and Islamic scriptures.

Xinjiang has strengthened management of religious affairs in accordance with the law. The state and the autonomous region, following the basic principles of "protecting the lawful, banning the unlawful, holding in check the extremist, resisting infiltration and punishing crime," exercise management of religious affairs, protect the freedom of religious beliefs and ensure the orderly holding of normal religious activities and protect the legitimate rights and interests of religious organizations in accordance with the law and relevant regulations. The re-amended Regulations of Xinjiang Uygur Autonomous Region on Religious Affairs were issued in 2014, indicating further implementation of the basic policy of protecting the citizens' freedom of religious belief as prescribed in the Constitution, in addition to emphasizing that religious activities must be carried out within the boundaries prescribed by the law and relevant regulations and that activities that harm national security and interests, public interests and the citizens' legitimate rights and interests in the name of religion must be banned.

Religious extremism has been firmly curbed in accordance with the law. Religious extremists advocate extreme ideas, incite religious hatred and resentment against other religions and "heretics," undermine Xinjiang's religious harmony and ethnic unity, deny the traditional Islam in Xinjiang, cause damage to its internal harmony and jeopardize the fundamental interests of Muslims. Extremist ideas distort and contravene Islamic theology, and the extremists bewitch Muslims, especially teenagers, with such heretical ideas as "the shahid (martyr) engaged in jihad (holy war) can live in the garden of Paradise," thus turning some individuals into extremists and terrorists whose thoughts are controlled and who are manipulated to frequently perform acts of violence and terrorism and kill innocent people of all ethnic groups, even their fellow Islamic clerics and Muslims. Many facts have revealed that religious extremism has developed into a real risk that has endangered national and ethnic unity, undermines religious and social harmony, menaces Xinjiang's lasting social stability and threatens the life and property safety of people of all ethnic groups. Suppressing religious extremism in accordance with the law is a just move that protects the fundamental interests of the state and the people, including Muslims themselves, and is also an important part of the international response to religious extremism. The autonomous region has always pursued the policy of freedom of religious belief, protected normal religious activities, worked hard against extremism in ensuring the life safety of the people, and effectively prevented spreading of religious extremism.

VIII. Promoting the Unique Role of the Xinjiang Production and Construction Corps

Founded in October 1954, the Xinjiang Production and Construction Corps (XPCC) plays a key role in Xinjiang Uygur Autonomous Region. It assumes the responsibilities of reclaiming the wasteland and guarding the border areas commissioned by the state, and operates a unique administrative system that combines the functions of the Party, government, military and enterprise, with economic planning directly supervised by the state. It is an organization that handles its own administrative and judicial affairs within the reclamation areas under its jurisdiction in accordance with the laws and regulations and those enacted by the Xinjiang Uygur Autonomous Region. By the end of 2014, the XPCC had had under it 14 divisions comprised of 176 regiments, and was exercising jurisdiction over an area of 70,600 sq km boasting a total population of 2,732,900, accounting for 11.8 percent of Xinjiang's total.

Inspired by the XPCC spirit of "loving the motherland, selfless devotion, hard work, and forging ahead with pioneering endeavors," over the past six decades the XPCC workers have, generation after generation, made strenuous efforts to turn the desolate Gobi wilderness from time immemorial into ecological oases, initiate Xinjiang's cause of modernization, build one after another large farms and industrial and mining enterprises, and establish quite a number of new cities and towns. The XPCC has made an indelible contribution to the development of Xinjiang by promoting unity among all the ethnic groups, maintaining social stability and consolidating border defenses.

The XPCC has played an important driving role for the development and progress of Xinjiang. Starting with establishing farms by reclaiming wastelands, the XPCC expanded its activities to running mines, building factories and roads, developing commerce and trade, and initiating undertakings in science, education, culture and healthcare with ***funds*** for construction and life it had accumulated by way of working hard and practicing economy. Its regimental ***agricultural*** and stock raising farms and subordinating enterprises not only have provided for their own needs, but also have paid taxes to the local governments in accordance with the law, in addition to planning and building in succession quite a number of transport and hydropower projects as well as industrial and mining enterprises for the local governments, for free. To support Xinjiang' s industrial development, the XPCC has also transferred to the local governments, at no cost, a number of large-scale industrial, construction, transport, and commercial enterprises it had developed, making an important contribution to the modernization of the region. Since its founding, the XPCC has built eight county-level cities of Alar, Tiemenguan, Tumushuke, Kekedala, Shuanghe, Wujiaqu, Shihezi and Beitun, six administrative towns of Jinyinchuan, Caohu, Wutong, Caijiahu, Beiquan and Shihezi, and a large number of smaller towns on the regimental farms, facilitating the urbanization process in Xinjiang.

The XPCC has played an exemplar role in guiding the development of productive forces in Xinjiang. Fully exploiting its large-scale and group advantages in production organization, the Corps has built a modern ***agricultural*** system featuring mechanized, intensive and massive-scale production which is unique to China's inland arid areas, leading the nation in ***agricultural*** water-saving irrigation, promotion of mechanized farming, and the building of modern ***agriculture*** demonstration bases; it has become a key national production base for quality cotton and specialty fruit. In 2014, the total sown area of farm crops under its management reached 1,327,900 ha, accounting for 22.2 percent of the total in Xinjiang. The total output of cotton was 1.6 million tons, making up 36.3 percent of Xinjiang's production and 26.6 percent of the national total, leading the country for years in per-unit yield, rate of mechanization and per-capita output. It also tops the country in both output and scale of production of water-saving irrigation equipment, tomato products and cotton textile spindles. Ninety-one items of its farm produce have been acknowledged as famous brands or reputed trademarks of China and Xinjiang.

The XPCC has promoted ethnic unity in Xinjiang. In Xinjiang, the divisions, regimental farms, enterprises and public institutions under the XPCC are extensively scattered in the various prefectures, cities, counties of Xinjiang, closely interwoven with the local administrative divisions and extensively involved in various aspects of the autonomous region's economic and social development. The Corps has earnestly implemented the Party' s ethnic and religious policies, performing public service and offering practical help to the people of various ethnic groups. As early as 1959, it formulated the Twenty-Article Outline Concerning Support to the Army and Love for the People for Sincerely Serving the People of Various Ethnic Groups. In 1984, shortly after it was restored, the XPCC launched a co-construction mechanism between its grassroots-level units and local villages. During their interactions, the Corps' ***agricultural*** production units have kept imparting new technology and new crop species to local farmers, helping all local ethnic minorities to gain prosperity. The Corps' medical institutions have kept making medical-aid tours to the local villages and pasturing areas all year round, delivering medicines, treating the sick and preventing diseases. The Corps' performing art troupes also bring free shows to the local peoples.

The XPCC workers live in peace and harmony as neighbors with people of various ethnic groups in Xinjiang; they share mutual support and assistance. The Corps has provided various public services not only to its workers, but also to the local people, attracting people from all ethnic groups of Xinjiang and various other parts of the country to work, study, seek medical care, and start businesses in the XPCC, thus promoting ethnic unity, unity between the Corps and local governments, and integrative development of both XPCC and the local society, facilitating the formation of interwoven social development model for Xinjiang's ethnic groups and laying down the social foundation for these ethnic groups to communicate and integrate. During the process of creating the unique XPCC culture, the Corps makes a due contribution to enriching the local cultures of Xinjiang by promoting cultural exchanges among the different peoples and enhancing their identity with the Chinese culture that features integrated diversity.

The XPCC has played a unique role in maintaining stability and defending border area. Always upholding principles of being both soldiers and civilians, and combining productive labor with military duties and the army with the people, the Corps has paid equal attention to productive work and military training; the hundreds of thousands of XPCC workers from 58 border regimental farms have guarded a 2,000-km section of China's borderlines to ensure the security of China' s northwestern borders. In the face of severe and complex threats to social stability in Xinjiang, the various divisions, regiments, companies, enterprises and public institutions under the XPCC have established an emergency-response militia contingent. The XPCC has played a unique and irreplaceable role in maintaining social stability in Xinjiang, quashing violent terrorist activities and safeguarding the public.

It is the Chinese government's strategic plan to administer state affairs and ensure national stability and an important strategy to strengthen frontier governance to form, support and develop the XPCC; it is a major institutional innovation in maintaining stability in Xinjiang, safeguarding ethnic unity and national unification, and developing the border area; and it is an effective mechanism for the central government to support the localities, the more developed inland areas to support border areas, and the various ethnic groups to render mutual assistance. After decades of development, XPCC-built cities and regiment-built towns have gradually developed into the regional economic and cultural hubs, where all sorts of resources converge - population, capital, industry, talent, education and healthcare.

Upholding the national interests as its own interests and overall situation of Xinjiang its foremost concern, the XPCC has remained a key force in developing and building Xinjiang and bringing benefits to people of all its ethnic groups, as well as in safeguarding national unification and maintaining stability in Xinjiang. As such, it has always enjoyed support and help from the region's governments at all levels and the people of all the ethnic groups. In view of the new conditions and prioritizing the overall goal of lasting stability and peace in Xinjiang, the XPCC will give full play to its role in adjusting the social structure, promoting cultural exchange and facilitating inter-district coordination, further boost its strength, deepen XPCC-Xinjiang integrative development, and endeavor to make still greater contributions to the development, progress, harmony and stability of Xinjiang.

IX. State Support and Assistance to Xinjiang

The CPC and the Chinese government have always attached great importance to the development of Xinjiang, and have continuously increased their support and assistance. Over the past 60 years, the state's ***financial*** ***grants*** to Xinjiang totaled almost RMB1.7 trillion. The state and other provinces, autonomous regions and municipalities directly under the central government have at different times provided support to Xinjiang in various forms, acting as a strong driving force to boost the region's economic and social development.

State support has laid the foundation for Xinjiang's development. From the founding of the autonomous region to the launch of the reform and opening-up drive, the state had, by way of job allocation and job transfer, encouraged intellectuals and technical professionals to go to work in Xinjiang, called on young adults, urban educated youth and workers in inland areas of the country to support frontier development and encouraged demobilized service people to stay in Xinjiang and assigned them jobs there, thus fostering a generation of builders who have been hard-working and pioneering and took roots in the border areas. They have made an invaluable contribution to Xinjiang's economic and social development, to the cultivation and defense of the border regions as well as national security.

The state has supported Xinjiang to boost its development by adopting quite a number of measures, such as checking and ratifying on a yearly basis its balance of total revenues and expenditures, and turning in to the state the surplus while having the deficiency to be made up by the central budget; raising the proportion of budget reserves for ethnic minority areas; implementing preferential policies for ethnic trade companies; and establishing various special ***funds*** like special allowance ***funds*** of education for ethnic minority areas, and ethnic minority area allowances. From 1955 to 1978, the state subsidized Xinjiang with RMB7.19 billion accumulatively. With hefty state ***funds***, many major infrastructure and other industrial projects in the region have been completed, including the Lanzhou-Urumqi Railway and the Karamay and Tarim oilfields.

The state has strengthened both policy and ***financial*** support to Xinjiang. Since the adoption of the reform and opening-up policy, the state has kept intensifying efforts to support Xinjiang in such fields as economy, education, science and technology, culture, medical services, ecological and environmental protection, and ***finance***. From 1980 to 1988, the central budget provided a quota subsidy to Xinjiang with an average yearly increase of 10 percent. In 1994, when the state introduced tax revenue-sharing between the central and local authorities, it maintained the previous policies of providing subsidies and special allocations to ethnic minority areas. When it adopted transitional transfer payments the following year, it added special provision concerning the policy of transfer payments to ethnic minority areas.

The state has guided and encouraged businesses to invest in Xinjiang, and provided greater investment and ***financial*** support to Xinjiang. In 2005, it initiated pairing-assistance to the four prefectures and the three divisions under the XPCC in southern Xinjiang. In 2007, it promulgated the Opinions of the State Council on Further Boosting Xinjiang's Economic and Social Development.

The state has also trained and provided talents for Xinjiang. In the 1980s, it initiated a cooperative program between Xinjiang and more than 100 institutions of higher learning in other parts of the country, with the total enrollment eventually growing from 800 to 6,800. By 2014, these institutions had enrolled, accumulatively, 54,000 students of ethnic minority origins from Xinjiang, in addition to providing the autonomous region with 21,000 undergraduates and junior college graduates. In 2000, the state launched a program encouraging senior high schools in hinterland areas of the country to hold classes of students from Xinjiang, so far enrolling in total 70,000 from Xinjiang, 38,000 of whom have graduated, with 95 percent continuing their studies in colleges located in the developed provinces, municipalities and autonomous regions. Since 2003, junior high school classes have been set up in some cities of Xinjiang, enrolling to date a total of 61,300 students from remote impoverished aseas. Senior high school classes and secondary vocational classes were opened in 2011 in other parts of the country for Xinjiang students, which have thus far enrolled 13,200 students.

All of these senior-high-school and junior-high-school classes held in hinterland areas target mainly ethnic minority students from Xinjiang's farming and pasturing areas to offer them a better education. At present, more than 100,000 ethnic minority students are studying in nearly 600 schools in some 20 economically better developed provinces, municipalities directly under the central government and autonomous regions.

In 1996, the state began to extend support to Xinjiang's development by way of selecting and sending officials to work in Xinjiang. By 2014, it had sent eight complements numbering more than 11,000 officials and professionals. In 2004, a new initiative involved sending qualified professionals with doctor's degrees to work in the region. By 2014, 11 groups of 81 persons with doctor's degrees had gone and worked in the autonomous region through this project.

The state has also implemented a number of other talent training policies, such as selecting and appointing officials of ethnic minority origins to temporary posts in central government offices or in areas with better developed economy to get training; holding Xinjiang classes in inland higher-learning institutions and senior high schools; implementing such programs as the "Program for High-Caliber Personnel from Ethnic Minorities" and "Light of the West" for the training of visiting scholars; and giving special policy support to the development of higher-learning institutions located in the ethnic minority areas or the master's and doctor's degree ***granting*** centers of ethnic colleges and universities in terms of graduate enrollment size, etc.

The new round of pairing-assistance has yielded notable results. The First National Meeting on Pairing-Assistance to Xinjiang was held in March 2010. At the meeting, the central authorities decided to pair off 19 provinces and municipalities directly under the central government with 82 counties (cities) in 12 prefectures in Xinjiang and the 12 divisions of the XPCC to render support to the latter.

Moreover, the state has adopted a number of special policies to support Xinjiang's development, and these include: as of January 1,2015, ad valorem collection has been implemented for coal resources tax in Xinjiang at a rate of 6 percent; Xinjiang has been designated a key state-class comprehensive energy base and all-round efforts are called to improve the clean and efficient development, conversion and utilization of Xinjiang's energy resources; specific provisions have been made in eight aspects concerning officials and professionals coming to support Xinjiang's development, such as the scope and form of management authority, selection and rotation; a policy has been adopted to ***grant*** a two-year income tax exemption and three-year half pay for Xinjiang's enterprises listed in the "Catalog of Industries and Enterprises Enjoying Income Tax Preferences and Whose Development in Areas with Difficulties of Xinjiang (Trial)"; a policy covering 10 aspects of support to the two economic development zones in Kashi and Khorgos has been adopted; and differentiated industrial policies have been implemented for Xinjiang's 12 main industries.

The state's ***financial*** allowances to Xinjiang in the 2010-2014 period reached RMB1,061.65 billion, or a 1.68-fold increase over that in the 1955-2009 period, which stood at RMB630.15 billion. By the end of 2014, the 19 provinces and municipalities directly under the central government, which have been involved in the pairing-assistance to Xinjiang, had provided RMB53.6 billion of ***funds*** and undertaken 4,906 aid projects in Xinjiang, in addition to even a larger number of so-called livelihood projects in terms of urban and rural housing improvement, personnel training, employment, public health and community organization, bringing tangible benefits to the local people and markedly enhancing the development of science, education, culture and public health as well as improvement of the situation in rural areas. Relying on the 6,482 cooperative projects brought by the provinces and municipalities rendering support to it, Xinjiang had brought in RMB827.7 billion of investment.

The Second Central Meeting on the Work of Xinjiang held in May 2014 proposed to adopt special policies in ***finance***, investment, banking and personnel to mainly support the four prefectures in southern Xinjiang so as to further promote the coordinated development of different areas in Xinjiang.

Conclusion

Treme ndous changes have taken place in Xinjiang over the past 60 years.

Under the firm leadership of the CPC and the central government, and with the generous support of the whole nation, the people of all ethnic groups in Xinjiang have unswervingly followed the path of socialism with Chinese characteristics, pursued ethnic equality, unity and development, practiced the system of ethnic regional autonomy, and brought about enormous changes in all areas north and south of the Tianshan Mountains. Experience has proved that the combination of centralized national leadership with ethnic regional autonomy, and the combination of ethnic factors with regional ones fully accord with the prevailing situation in China and with the realities and needs of Xinjiang. It is the basic premise behind the drive for equality, harmonious co-existence and development of all ethnic groups in Xinjiang, and serves as an important guarantee that these goals will be realized.

Today, Xinjiang is standing at a new starting point for development. As a key region on the Silk Road Economic Belt, it functions as a major window on China's opening to the west. It is a transportation hub that links the continents of Asia and Europe, and a center of business and trade, ***finance***, cultural and scientific exchange, and medical services. The Second Central Meeting on the Work of Xinjiang formulated the strategy of "governing Xinjiang in accordance with the law, stabilizing Xinjiang with unity, and building Xinjiang with a long-term goal." The people of all ethnic groups in Xinjiang will seize this precious opportunity to unite their efforts in pursuit of further historic achievements.

To build a beautiful Xinjiang with efforts of all ethnic groups and realize the Chinese Dream is the common aspiration of the whole nation, including all the peoples of Xinjiang. A brighter future beckons.

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[***Perceived quality of private education and fears of stratification: Investigating the propositions of human capital theory by exploring the case of Colombia***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BNK-7DJ1-DY41-73KH-00000-00&context=1516831)

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**Body**

**ABSTRACT**

The purpose of this paper is to discuss the recent developments in the higher education system of Colombia in order to illustrate how these encourage stratification between (types of) universities and their students. We do so by discussing propositions generated by human capital theory and apply them to the experiences of students and graduates from Colombian universities.

We conducted a survey (n = 700) amongst graduate and undergraduate students at 12 low-fee private universities. Four interviews with (former) students served as an illustration. The majority of undergraduate students perceived the quality of their education as poor and wanted to attend another university. Both students and graduates expressed uncertainty about finding a job and anticipated difficulties as they felt they lacked essential skills. Due to relatively unhindered privatization and marketization of the columbian higher education sector, low-quality private provision in Colombia demonstrates this structural inequality.

Our study shows that investing in higher education does not always correlate positively with skills gained or future income, thereby revealing the necessity to use human capital theory in a more nuanced manner.

**FULL TEXT**

**Introduction**

The advancement of science and technology (Miller, 2012) is a major stimulator in developing countries. In addition to foreign investment and the stimulation of business in a globalizing world, education is an important factor. Innovation and competitiveness allow countries to perform well in international markets (e.g. Gacel-Ávila, 2012), while the incomes of people rise as a return on investment in education. The improvement in productivity and economic growth is expected to enhance social welfare as a whole.

A growing demand for higher education (HE) is a global trend and more acute in developing countries. We chose to focus primarily on the situation in Colombia. However, these phenomena are common in many developing countries, as shown in the later section “The higher education system in Colombia”.

Because HE in Latin America remains relatively under-researched (Berry and Taylor, 2014), we will discuss the Colombian HE system to illustrate that recent developments in this system reinforce inequality instead of diminishing them. We will show that the cost of enrolling at a university and the expected rewards after graduating differ significantly between institutions. There are a few expensive private HE institutions (HEIs) with recognized levels of quality, and a large number of private HE institutions in which the fees are very low, but where the quality of education seems to be quite poor. The fees charged by the public universities depend on the socio-economic situation of the students, as well as their abilities.

Graduate and undergraduate students expressed fears and uncertainties that appear to contradict several basic assumptions taken for ***granted*** in human capital theory (HCT). HCT associates investment in HE with positive future returns in the form of higher incomes. However, when taking the quality of education into account, some of its postulates are difficult to sustain. More years spent in education and, in particular, HE does not necessarily lead to higher salaries or other rewards.

Our investigations are based on a survey of 500 undergraduates and 200 graduates. In addition, four interviews with a current student and three former students of an elite university were held to serve as an illustration of our findings. This paper examines how current and former students perceive the quality of HE provided by inexpensive universities. Our findings reveal a number of difficulties faced by both graduate and undergraduate students when entering the labour market. They face a number of challenges in HE and in their future earning potential, social integration and discrimination. When the quality of education is taken into account, graduates from low-fee universities find it harder to find employment and, if they do, they expect to be paid less and are more likely to be underemployed, because of social and labour market discrimination.

The assumptions made by the traditional HCT do not reflect these problems, which are experienced by students and graduates from a number of low-quality, low-fee institutions. Our hypothesis, therefore, is that investments in HE do not always translate into positive returns, especially for low-income families who invest their scarce resources in HE so that their offspring may attend low-fee private universities.

We continue now with an overview of the basic assumptions of HCT. The subsequent sections “The HE system in Colombia” and “Some considerations on the quality HE in Colombia” deal with the HE system in Colombia and the returns on this investment. Our empirical evidence is presented in the section “Findings”. The paper ends with the discussion and conclusions.

**Human capital theory: basic assumptions against a more nuanced view**

HCT asserts that if individuals make a variety of investments in education and practice through formal education and on-the-job training, they will be eventually rewarded. Human capital is seen as a “stock of knowledge and characteristics of the worker, that contributes to his or her productivity, including schooling” (Acemoglu and Autor, 2011: 3). Schooling or education enhances their marketable skills and capabilities that in turn boost future incomes through positive rates of returns. To Ishikawa and Ryan (2002), for example, the earnings of an individual are determined predominantly by their stock of human capital. Thus additional years of schooling are associated with future higher earnings. Although health and nutrition are also important components of human capital, investments in education are related to monetary incentives. In this regard, education is often seen as the main form of human capital (Sweetland, 1996) that acts on at least two levels. Becker et al. (1990) likewise find that investments in education not only increase skills acquired through knowledge at a micro level, as a result of which the individuals gain future benefits in the form of higher wages, but also at a macro level, because education can improve productivity, foster innovation and stimulate economic growth, as affirmed by Nelson and Phelps (1966), Bashir et al. (2012). For the OECD (2012) and the European Commission (2013), investment in education is seen as a way to improve social welfare. This positive correlation between education (schooling) and earnings is well established in the empirical literature. For example, Tamasauskiene and Poteliene (2013: 198), assert that “…better educated individuals suffer less unemployment, work in more prestigious occupations and have more of other social returns like honour and status than their less well-educated counterparts”.

A number of authors have established a body of principles that frame HCT. Mincer (1957, 1974) found disparities of earnings and incomes within broad population groups classified by educational status. The causes of the differences in personal income distribution are attributed to dissimilarities in formal schooling and experience provided by on-the-job training. Schultz (1961), for example, stated that expenditure on education has accounted for the most remarkable rise in real earnings per worker. This form of capital improves individual well-being and yields a positive rate of return on the investment. Disparities in earnings are attributable to variations in health and education but are mainly the result of differences in investment in schooling. Becker (1962, 1964) established a relation between investments in human capital and schooling on the distribution of income and future real income. Finally, Becker and Chiswicks (1966) developed an alternative approach to calculating rates of return from human capital, in order to understand the determinants of the distribution of earnings.

Some studies, nevertheless, disagree with aspects of this basic theory. For instance, Nelson and Phelps (1966) emphasized human capital as the ability to acquire formal education, but coupled with people's ability to adapt to changing environments. To Spence (1973), observable measures of human capital are a sign of skills that are especially useful in the production process. Bowles and Gintis (1976) stressed the ability of individuals to work in organizations, adjusting to life in capitalist societies. The main work of the school should be teaching the correct ideology and preparing people for real life. Gardner (1993) pointed to a multiple intelligence perspective, rather than considering human capital as a one-dimensional type of skill.

There have been a limited number of studies up to now that have described a relationship between variations in education quality (especially in HE) and the dispersion of graduates' future earnings. This point was stressed by James et al. (1989: 247) who found that even while there is “… a voluminous literature on returns to quality in higher education, and the determinants of quality at primary and secondary schools, it is surprising how little work has been done on the causes and consequences of college quality …”. More recently, Zhang and Thomas (2005: 262) pointed out that, HCT provides perspectives to interpret the effect of college quality but does not suggest the magnitude of such an effect. However, considering the increasing gap between the costs of a college among colleges of varying quality, we expect that college quality has a significant effect on graduates' earnings if larger investments in human capital lead to higher income.Kinsler and Pavan (2011) and Carnoy et al. (2012) produced similar findings in the HE sector. Winters (2013) demonstrated the absence of perceived quality of HE in more recent research in HCT.

We presume that perceived HE quality has an impact on the future economic status of graduates. For Zhang and Thomas (2005) and the OECD (2012), the dynamics of the demand for tertiary education have led to a massive expansion of HE in the US and in Europe, as well as in developing countries, but this has also resulted in a proliferation of HEIs and extraordinary segmentation, differentiation and stratification of HE. Romo de la Rosa (2007) discussed the expansion of private academic institutions in the US and Latin America, while Castillo (2013) makes a specific reference to Colombia.

The work by Acemoglu and Autor (2011) considered schooling as the most observable component of human capital investment, despite involving a relatively small fraction of it. These authors take the differences between school quality into account, which consists of teacher–pupil ratios, per-pupil spending, the length of the school year and the educational quality of the teachers. They note that empirical data on these components is lacking. Therefore, we think that discussions around HCT deserve a more nuanced approach; they should go beyond the dichotomy of college versus non-college graduates or the average number of years of schooling, and equal weight should be put on education quality. Given the differentiation among HEIs, graduates are not a homogeneous group. Instead, there is a lot of diversity between graduate students, because of social perceptions of substantial differences in the quality of HEIs and the difficulties some graduates experience in entering the labour market, due to difficulties finding a job and discrimination. For some researchers, the quality of the education is an element in the construction of human capital and thus has an important effect on the earnings of graduates (Behrman and Birdsall, 1983; Ehremberg, 2000; Solmon, 1975; Thomas, 2003; Weisbroad and Karpoff, 1968), even though its influence is not always incorporated into the human capital analysis framework.

The importance of political context as a crucial factor is discussed in two studies by Van der Merwe (2010) and Molla (2014) on HCT in two African countries. They demonstrate that the traditional assumptions formulated by HCT do not hold in a neoliberal discourse. Van der Merwe (2010) carried out a case study in the South African HE system and discovered affirmation of the HCT proposition that individuals regard HE as an investment, or a “risk versus return” prospect. His study shows that the traditional HCT relies on improbable assumptions about human behaviour to model educational choice. Despite a very different HE system in Ethiopia, it is interesting to note that a study by Molla (2014) illustrates how HE reforms typically endorse neo-liberal policy agendas. His study demonstrates how these reforms affected the social equity both at discursive and policy level. While the problem of inequality is considered as a lack of access and a barrier to the formation of human capital, Molla reveals that the strive for greater efficiency and cost reduction are not consistent with so-called equity ***instruments*** for marginalized members of society. In other words, a broader social justice perspective is required to stimulate the provision of equity in terms of participation and successful completion of HE studies.

As HE expanded and became stratified, ***finer*** differentiation among graduates has meant that quality matters and plays an important role in graduate earnings (Zhang, 2005a). College quality has a statistically significant effect on graduate earnings, as shown by Thomas (2003), Hanushek and Wösmann (2007) and Suhonen (2014). The question that arises is how to measure the quality of teaching at universities. Researchers have demonstrated a variety of empirical results (Zhang, 2005b). Diverse measurements of HEI quality also affect the average cost of attending institutions of varying quality, creating stratification and differentiation or a premium on future earnings (Hersch, 2014)..

As the quality of education between universities is *dissimilar*, so are the costs of enrolment and graduate incomes. If any returns on these investments can be expected, they will likely diverge too. Low costs of enrolment could generally be linked with poor quality HEIs and low future earnings. So the returns on this investment will not amount to that which was hoped for, even though HCT presupposes this. The relationship between investments in HE, the cost of student fees at undergraduate level and the rate of return on this investment at some private universities, especially those with inexpensive fees in the Colombian case, deserve further investigation.

Publications currently available on HCT quite often discuss education and schooling in general, while the studies in HE are often economically focussed and refer to various forms of capital, such as social or cultural capital. Davies et al. (2014) discuss an integrated model of participation in HE in England, and show that social and economic factors are treated as complementary rather than competing, whilst Perna et al. (2014) present a typology to promote human capital development in international scholarship programs. A study by Callejo-Pérez et al. (2011) has quite a narrow focus within HE, as they discuss the added value of the doctorate in terms of intellectual capital.

We will use our data to explain why some of the basic assumptions behind HCT when considered within a broader context do not hold, and how and why the perceived quality of education should be taken into account, based on the experiences and opinions of students and graduates from these lower-fee universities.

**The higher education system in Colombia**

Colombia is a South American country with a land area of 1.14 million km2 and 47 million inhabitants. According to the National Administrative Department of Statistics, the average per capita income in 2013 was €4158.

For the World Bank (2014), Colombia is an upper-middle-income developing country in which HE must play a role in economic growth, given its relation to research, innovation, competitiveness and knowledge. As the European Commission (2013) pointed out, education “…plays a crucial role in individual and societal advancement; and, with its impact on innovation and research, it provides the highly skilled human capital that knowledge-based economies need to generate growth and prosperity …” (p. 3). Investing in education brings economic incentives for individuals (Mincer, 1974; Solow, 1956). The wellbeing of people is linked to education through the increase in personal incomes of graduates (Misas, 2004) (OECD, 2012). In Colombia, since the 1992 Act 30 of 28 December 1992, by which the public service of higher education is organized in public and private HEIs. These institutions are officially recognized as the providers of this public service, which is organized into undergraduate and graduate levels.

In 2014, according to the National Ministry of Education, the public sector accounted for 52.4% of the enrolment into HE (Ministry of Education, 2014). Colombian HEIs are classified into four levels: 1) professional technical institutions; 2) technological institutions; 3) university institutions; and 4) universities. The first two provide vocational training, which involves activities that develop skills for various trades and occupations. They provide training courses, and successful students are credited with the title of technician and senior technician, respectively. These two categories of education are not exempt from criticism, as they focus on lower-income groups and there is a social perception that they offer second-class education, free of charge and targeted at lower-income individuals. It is equivalent to the vocational education and training recognized in other countries.

University institutions represent the third level. They also contribute to educating (senior) technicians, but additionally provide professional vocational programs. When a student finishes a masters' degree, he or she becomes a professional in economics, medicine, etc. Finally, universities represent the highest level of HEIs. They provide undergraduate HE, MSc and PhD programs. Commonly, the last two categories or levels are referred to as university programs.

There were 4,354,649 young people aged 17–21 in Colombia in 2013. Of this number 1,983,421 were enrolled in HE (Ministry of Education, 2014), of which 32.7% were enrolled at professional technical institutions and technological institutions, and 61.4% were enrolled at universities (See Table 1). Table 1.Total enrollment by level of education in all HE institutions, 2013.

| **2013** |  |  |
| --- | --- | --- |
| Professional technical | 83,483 | 4.0% |
| Technology | 604,410 | 28.7% |
| University | 1,295,528 | 61.4% |
| Specialization | 82,515 | 3.9% |
| Masters | 39,488 | 1.9% |
| PhD | 3800 | 0.2% |
| Total | 1,958,429 | 100.0% |

Source: Ministerio de Educación Nacional.Table 2.Major higher education institutions, 2012.

|  | **Nature** | **Public** | **Private** | **Special regime** | **Total** |
| --- | --- | --- | --- | --- | --- |
| 1. | Professional technical institutions | 9 | 26 | 0 | 35 |
| 2. | Technological institutions | 6 | 39 | 6 | 51 |
| 3. | University institutions/ Technological schools | 16 | 93 | 12 | 121 |
| 4. | Universities | 31 | 49 | 1 | 81 |
|  | Total | **62** | **207** | **19** | **288** |

Source: Ministerio de Educación Nacional.Table 3.Enrollment by public or private sector, 2013.

| **Sector** | **2013** | **%** |
| --- | --- | --- |
| Public | 1,106,230 | 52.4 |
| Private | 1,002,994 | 47.6 |
| Total | 1.958.429 | 1 |

Source: Ministerio de Educación Nacional.

Table 1 shows that 1.29 million student enrolments in 2013, out of 4.35 million, were to universities – a gross coverage rate of 28%. The gross coverage rate measures students enrolled at different HEIs as a proportion of the population aged between 17 and 21 years. These figures are taken from National Administrative Department of Statistics projections based on the 2005 census. This number does not include professional technician and technology students. These enrolments are low compared to international standards (Melo et al., 2014). About 2.37 million people of this age group do not attend HEIs.

Global trends demonstrate that the demand for HE is growing exponentially in developing countries, as indicated in the report for the European Commission (2013; see also British Council, 2012). The pace of demand for education is much faster than the capacity of public institutions to expand their activities, as its growth is limited by budgetary, institutional or physical constraints. So, the private sector plays an important role in the growth of the HE sector, as it is growing much faster than the public HEIs.

In line with this global trend, the population entering secondary education in Colombia is growing rapidly. Hence, the corresponding demand for HE is increasing dramatically in a context of lax state regulation. The supply of publicly ***funded*** HE is not growing at the same pace, due to budgetary or physical constraints. Because public HEIs are unable to accommodate more students, the private universities absorb this excess, which adds to the increasing importance of these institutions. As the demand for HE outstrips supply, this gives rise to a huge number of private HEIs (Castillo, 2013; Desiderio and Lechuga, 2012; Rama, 2010). Rabossi (2009) describes that through the neoliberal wave from the early 1990s onwards, the Colombian HE system developed quicker than other South American countries, from a rigid and elitist system into a more competitive model.

The enrolment data published by the Ministry of Education show the relative importance of university institutions and universities at the undergraduate level. The data in Table 1 show that only 0.2% of those enrolled in HE (some 3800 individuals) are enrolled in PhD programs.

Private HEIs outstrip public ones in numbers of institutions (Table 2), which is in line with the global trend (e.g. Levy, 2013). A total of 141 private HEIs enrolled 1,002,994 students in 2013 (47.6%) as shown in Table 3. Further, 46 public HEIs also accounted for a great number of enrolments: 1,106,230 students enrolled in 2013 (52.4%). Public HEIs accounted for a slightly larger number of students, but this is declining slowly in favour of private HEIs, while the total student numbers remain more or less equal.

While the number of private institutions is growing, their average quality is not improving. The quality of the education they provide is differentiated and stratified (Bonilla, 2007). The HEIs in the private sector are of two types: 1) a small number of private institutions that offer high-quality education for a small number of individuals at a very high cost; and 2) low-fee education offered through a large number of private institutions for many students that come from low-income families. Once graduated, students from the first type of HE gain access to the highest incomes and social recognition; but this is not the case for the second group (See for example Hanushek and Wößmann, 2012). In this group, universities are only fulfilling the *minimum requirements* for quality (i.e. qualified registration).

A substantial proportion of the students pursue their studies in low-quality programs and choose their courses for ease of access and the ability to attend classes at night. Students and graduates concentrate on a few fields of study, especially administrative sciences, education and law.

As explained, there is a wide hierarchy of establishments in terms of quality. This leads to a downgrading of some diplomas awarded to graduates in inexpensive establishments. Most of the private low-fee universities are known as demand-absorptive institutions, as they emerge on to the market without adequate public regulation. Students are unlikely to fulfil the standards of knowledge and skills required in the current labour market.

The weaknesses of teaching quality manifest themselves in several ways: Teachers are often hired on an hourly basis.Research resources are improvised and very limited.There is limited student selection, leading to mass enrolment, particularly of students from low-income households.

Other problems associated with low-quality education are the inequalities of access. While the average gross rate of enrolment in the lowest income group was 8.5% for the period 2002–2007, for the highest income group this average rate was 88.3% (Castillo, 2013). This may be another factor that influences the dispersion of future earnings. Variations in quality have led to differentiation in educational attainment, the earnings that graduates receive, expectations, frustrations, underemployment and unemployment.

**Some considerations on the quality of higher education in Colombia**

The unfulfilled demand for HE has led, as explained, to the further proliferation of private institutions, following the Act 30 of Parliament of 28 December 1992 referred to above. However, this development has raised concerns about the quality of the education being offered by the system. The quality of private education seems to be more heterogeneous than that provided in the public sector, and their qualifications lack the academic rigour to fulfil the minimum requirements expected of a professional diploma. This has been addressed by several studies in the following countries, including: Chang (2007) for Malaysia; Tsevi (2014) for Ghana; Silas (2005) for México; Rodríguez and Viegas (2011) for Portugal; AUCC (2011) for Canada; and Radloff and Coates (2013) for Australia.

To ensure the quality of teaching, the Colombian state established a National System of Accreditation. One condition involves what is known as qualified registration (QR), a mandatory mechanism through which the Ministry of Education verifies and ensures that HEIs comply with a number of minimum quality standards that a HE program must meet. Every program must obtain QR to operate from its inception. Once given, it lasts for seven years. If the conditions are maintained, then this registration is extended for another seven years.

The registration is subject to academic and institutional conditions. The former denote the curriculum content (relevance), research training, human resources, number and quality of teachers, physical infrastructure and social relevance of programs. The institutional conditions establish mechanisms for the selection of future students, the evaluation of students and teachers, administrative and academic structures, self-assessment, monitoring policies for graduates, university welfare and ***financial*** resources. ***Financial*** conditions establish the ***financial*** viability of programs (Act 1295, 2010 [DECREE No. 1295 REPUBLIC OF COLOMBIA]).

Additionally, institutions can engage in a voluntary process to attain the highest quality standards. This type of accreditation is demanding and temporary, being ***granted*** for periods of three to 10 years for programs, and six to 12 years for institutions. In other words, accreditation is a mechanism through which institutions and/or programs demonstrate that they meet the high-quality standards prescribed by the National Accreditation Board. Some universities that are accredited as high quality do not get all their programs accredited.

In 2014, for instance, of the 3685 university programs, all met the basic quality requirements for QR, but only 705 were accredited with high quality (See Table 4). The Colombian HE system has a vast number of universities operating under the minimum quality requirements. Table 4.Academic programs offer by level training, 2014.

| **Level** | **With qualified registration** | **HQA** | **Percentage of programs with HQA** |
| --- | --- | --- | --- |
| Technical Professional | 762 | 22 | 2.9 |
| Technological | 1568 | 71 | 4.5 |
| University | 3685 | 705 | 19.1 |
| Specialization | 2979 | 1 | 0 |
| MSc | 1232 | 11 | 0.9 |
| PhD | 212 | 3 | 1.4 |
| Total | 10438 | 813 | 7.8 |

*Note*: HQA: High Quality Accreditation. Source: Ministerio de Educación Nacional.

While the private universities have to meet the first requirement, many of them do not meet the second, the high-quality accreditation (HQA) of undergraduate programs (see the next section). These programs do not have state recognition of the quality standards of HEIs and academic programs awarded under voluntary accreditation. According to the Ministry of Education in 2014, 19.3% (718 out of 3715) of undergraduate university programs were accredited with high-quality standards, while only 11.8% of private universities (34 out of 189) were accredited with high quality (CNA, 2014).

**Provision of higher education, returns on investment and poverty traps**

Referring back to the relationship between education and income in the framework of HCT, and the rising importance of private institutions providing HE, there is great diversity in the quality standards of the education that they offer (OECD, 2012). In some private HEIs, low-quality education may be the norm rather than the exception, which can have some distorting effects on personal income.

Data show that the minimum wage in Colombia is €245 per month, and 11.41 million people (57.5% of the employed workforce) earn the minimum wage or less (ACRIP Nacional, 2013). For people who earn the minimum wage it is ***financially*** difficult to send their children to university. Furthermore, about 50% of the labour force is informal, in the sense that these workers do not have an employment contract, earn salaries below the minimum wage and are without access to social security. According to the National Administrative Department of Statistics, 9.1% of the labour force was unemployed in 2014.

This situation has implications for a vast group of people in terms of their opportunities to get access to HE, see for example World Bank (2014). It is unaffordable for them, given the limited availability of publicly ***funded*** HE and the high cost of good quality private education. The lack of places at public universities and the expensive tuition at some prestigious private HEIs has led to a proliferation of low-quality private universities. Inexpensive university institutions can be seen as an attractive alternative for a large number of people who cannot access public education and are excluded from the best private universities because of the cost. There are few alternatives to choose from. However, even the low fees they charge take a large share of the incomes of these low-earning households. Individuals can pay for inexpensive but poor-quality education that, in the end, does not translate into higher future incomes. Some of them can get access to HE, but only that of an inferior quality, in institutions with a weak reputation. The quality of these sorts of institutions is measured by their mere compliance with the basic quality standards required for QR. This situation has economic as well as social consequences for those population groups with limited means.

Even when public education is the most important provider of education in a country such as Colombia, private education has a role to play in the process. Its performance needs to be evaluated in terms of the income of its alumni, and in the context of the relationship between investment in education quality and its returns.

**Research method**

The data used in this research were collected using two different questionnaires. Both questionnaires were piloted amongst four respondents and, consequently, slightly adapted. The first survey was filled out by 500 undergraduate students selected from 12 low-cost universities in Bogotá (between 40 and 50 per university) based on a non-probability convenience sampling. We visited the sites of these twelve universities and distributed the questionnaires on the spot. Between 60% and 90% of the students were willing to fill out our survey. The second survey involved a poll amongst 200 graduates, through a snowball sampling by email. Although these ways of non-probability sampling might affect our validity, we think that the large number of respondents used in this study can compensate this.

The private HEIs were selected based on the cost of their fees. Some of them are known as demand-absorption institutions (World Bank, 2012). For the purpose of illustration and validation of the findings of our survey, four interviews were held with one student from the best public university in Bogotá (National University of Colombia) and three graduates from low-fee universities.

The main aim of the questionnaire was to determine the respondents' perceptions regarding the quality of education they received. They were also questioned about their expectations of the future, such as their integration into the labour market. One of the most important variables was the expenditure of these students on their enrolment in HE, in other words, whether the reason for studying at a particular university was an economic one. Another variable involved how this related to expected returns on this investment, measured by the income they expected to earn. While a cheaper fee does not necessarily equate with a lower quality of education, we assumed a link between the cost of enrolment and the quality indicators. The survey consisted of three parts. It investigated: 1) whether the main reason for going to that university was economic or academic; 2) some quality variables of HE such as teachers, libraries and research activities; and 3) possible discrimination by students and graduates of other universities.

Graduates were asked about the university they had graduated from, their perceptions about the quality of education they received, their current remuneration and whether they had had difficulty finding a job. In addition, some questions about the relevance and worth of the knowledge and its applicability to the current labour market were used, as indicators as to whether they considered studying as a long-term investment to obtain higher incomes and a better quality of life.

**Findings**

**Undergraduate students**

The first part of our survey involved 500 undergraduate students, both males and females. On average, the number of female students was higher than the number of males, who were dominant in the science, engineering and maths disciplines. Students' ages ranged from 17 to 18 in the first semester, and up to approximately 24 years when they completed their studies. As shown in Table 5, 22% of the students studied in the first semester, 16% in the second and 23% in the third semester; 39% were distributed over the fourth to the 10th semesters. Table 6 shows information about the students' chosen disciplines. A large number of respondents were studying law (65 individuals, 13%), psychology (47 individuals, 9%) and architecture (39 individuals, 8%), while 22% were studying different engineering courses and 48% were distributed among subjects such as international business, public accounting, industrial design and business administration, among others. Table 5.Coursing semester student.

| **Semester** | **Number of students** | **Semester students currently valid %** |
| --- | --- | --- |
| 1 | 112 | 22.4 |
| 2 | 82 | 16.4 |
| 3 | 115 | 23.0 |
| 4 | 44 | 8.8 |
| 5 | 41 | 8.2 |
| 6 | 23 | 4.6 |
| 7 | 37 | 7.4 |
| 8 | 8 | 1.6 |
| 9 | 16 | 3.2 |
| 10 | 20 | 4.0 |
| Total | 500 | 99.8 |

Table 6.The most popular major subjects among students.

| **Discipline** | **Student enrolment** |
| --- | --- |
| Law | 13.0% |
| Psychology | 9.4% |
| Architecture | 7.8% |
| Systems Engineering | 5.4% |
| Industrial Engineering | 4.8% |
| Civil Engineering | 4.4% |
| International Business | 5.8% |
| Children Education | 3.8% |
| Environmental Engineering | 3.2% |
| Physical Culture and sport | 3.0% |
| Public Accounting | 3.0% |
| Social Communication and Journalism | 3.0% |
| Business Administration | 2.8% |
| Industrial Design | 2.8% |
| Environmental Engineering | 2.4% |
| Tourism and Hotel Management | 1.8% |
| Mechanical Engineering | 1.6% |

In Table 7 we classify the costs of studying at a number of private HEIs in Colombia, showing the most expensive and some lower-fee universities, and attempt to correlate these variables with education quality. Table 7 shows that the top private Colombian universities attained both QR and HQA, the two main indicators of education quality in Colombia. Low-priced universities achieved just QR, which indicates that the quality of education they offer is not good enough according to these (and other) criteria to evaluate quality, in the sense that they could only just fulfil basic quality requirements. Table 7.Average costs per semester, 2014.

| **University** | **Location** | **Affiliation** | **AV fee (€)** | **QR** | **HQA** |
| --- | --- | --- | --- | --- | --- |
| Los Andes | Bogotá | Private | 5028 | Yes | Yes |
| Rosario | Bogotá | Private | 3381 | Yes | Yes |
| Javeriana | Bogotá | Private | 3370 | Yes | Yes |
| Externado | Bogotá | Private | 2706 | Yes | Yes |
| Piloto | Bogotá | Private | 1627 | Yes | No |
| UAN | Bogotá | Private | 1460 | Yes | No |
| Catholic | Bogotá | Private | 1401 | Yes | No |
| Gran Colombia | Bogotá | Private | 1262 | Yes | No |
| Autónoma | Bogotá | Private | 1239 | Yes | No |
| Minuto | Bogotá | Private | 989 | Yes | No |
| ECCI | Bogotá | Private | 842 | Yes | No |
| UNIPANAM | Bogotá | Private | 774 | Yes | No |

Source: Each university, respectively, and CNA.Exchange rate 2 August 2014: €1 = COL$2517 (Colombian Pesos).QR: qualified registration; HQA: high-quality accreditation; ECCI: Escuela Colombiana de Carreras Intermedias; UNIPANAM: Pan-American University; UAN: Universidad Antonio Nariño; Av: Average.

The cost of studying at all of these private HEIs ranged from an average of €5028 per semester at the University of Los Andes, the most expensive in Colombia, to €774 at the Pan-American University (UNIPANAM), as the cheapest one. But even between the most expensive universities, there are important differences in costs. For example, the difference in fees between the University of Los Andes and Rosario University is some €1647.

Table 7 shows an emerging pattern. It seems that according to the quality criteria of Colombian HE, which are materialized in the HQA, expensive education is generally of better quality than low-priced education. The former has both QR and HQA.

In low-fee universities, the costs range from €1648 per semester (Pilot University) to €774 (UNIPANAM). According to the data, for 50% of students the main reason for studying at one of these universities was academic. This means that they believed that the education was of good quality. However, 41% of them explained that economic considerations, or the costs of the fees, were an important reason for choosing a university. Despite the high number of students that are at those universities, supposedly for academic reasons, 72.2% of the respondents wanted to change university.

This high number implies that students are dissatisfied with their current university and would like to transfer to universities that are recognized as offering good quality, whether public or private. Examples of these include: National University of Columbia (public) 14.8%; Javeriana University (private) 6.4%; University of Los Andes (private) 6.4%; District University of Bogotá (public) 4.4%; Externado University (private) 3%; and Rosario University (private) 3.4%. In order of preferences, 25% of the students would like to study at a recognized public university, while 23% would like to change to a renowned private HEI. The students’ preferences coincided with the level of the fees, which could be considered an indicator of the quality of the institution as perceived by the students. In other words, the higher the fee, the more likely the quality of education is considered to be high, and the more eager students are to attend such an institution.

In addition, an average of 44.2% of students reported that they were certain that the quality of their teachers was inadequate. They believed that only some teachers were sufficiently qualified. This value was considered higher at Autónoma (60%) and UNIPANAM (56%). According to the data, this is in line with other findings related to the quality of teachers in the Colombian HE system. Between institutions, the percentage of the students who wanted to study in other universities was on average 72%. This ranged from 46% (which in itself is high) to one low-fee private HEI – the most inexpensive one – at which 90% wanted to transfer (see Figure 1). Figure 1.Percentages of students wanting to study at another university. *Note*: Minute: Minuto University; G Colombia: Gran Colombia University; CUN: Corporación Unificada Nacional de Educación Superior CUN; UNNINCA: Universidad Incca de Colombia; ECCI: Escuela Colombiana de Carreras Industriales; UAN: Universidad Antonio Nariño.

Out of all of the 116,819 university teachers in Colombia for the year 2014, 31% were full-time teachers and 14% were part-time teachers. More than half of the teachers (55%) were part-time teachers who were remunerated according to the hours they worked (Ministry of Education, 2014). However, the inexpensive universities hired part-time teachers who often worked simultaneously at more than one university. Staff with PhDs were more likely to be employed at the public universities and the expensive private universities. It is common that in low-fee faculties there are very few teachers and professors with a PhD. The students consulted in the poll stated that only 27% of the teachers spoke a second language apart from Spanish, while 22% of the students did not know whether the teachers spoke another language. In addition, 35% of the students were convinced that the facilities at their universities were of poor quality, especially the libraries (23%).

Part of the survey was directed at the students' opinions about the potential labour market. Many students, 42% (211) expressed the opinion that it would be difficult to find a job once they graduated. When asked whether they felt equal to graduates from expensive universities, 51% said they felt some degree of labour and social discrimination, while 100 students (20%) expected to earn a lower wage, and about 10% believed that they would be poorly paid and employed in a field outside of what they had studied.

**Graduate students**

The second part of our investigation involved 200 former students who had graduated from the lower-fee private HEIs. The graduates agreed that they considered the relationship between the investment in HE and returns on that investment as very uncertain. They thought that investing in tertiary education would not automatically give them a positive return, which contradicts the assumptions of HCT. Their frustrations seemed to be particularly caused by the quality of the education they had received, based on their own perceptions and the perceptions of their future employers.

Of the graduate students, 88% were employed, 83% were in a formal job, 44% of them had found it very difficult to find a job and 63% of them considered their salary lower than expected. Only 4% stated that they had found a well-paid job. Underemployment, in other words, being hired in a position that is not commensurate with their qualifications, or having to work more hours that they were actually paid for, was alarmingly high at 33.3%. Some graduates were working in fields different to what they studied. In that sense, 63% of the graduates stated that they felt underpaid, as they were working either in non-graduate jobs or in work outside the subject of their degree.

Strikingly, 35% of the graduates found that the education they had received was of poor quality; many of the current students wanted to study at another university. They generally considered the quality of the teachers, the facilities and libraries as inadequate, and found that the private HEI only complied with the basic requirements for teaching quality. Many teachers are only contracted for the two or four hours that they spend in the classroom each day and they do not feel strongly connected with the university. Full-time teachers or those on tenured contracts are rare in inexpensive universities.

A further problem is that 48% of the respondents found that their skills were incomplete or not of a high enough standard to enable them to find work in the current labour market: 33% of them found that they could not perform successfully in the current labour market, and 25% found that they could cope to some extent, but that they could not perform well. In total, 65% of the graduates had not reached an important position in their career path. What is more surprising is that a very high percentage of the graduates (38%) believed that the money they had spent on education had not proved to be an investment, while 29% revealed that they had suffered from discrimination. This discrimination was reflected in employers who preferred to hire graduates from some universities, while rejecting or paying lower wages to people from others.

Some of our findings were corroborated by the four interviews that were carried out as an illustration for this research. The first interview we conducted was with an engineering student at a recognized university in Bogotá. He was working and studying at the same time. He worked as supervisor in part time, but still had a better salary and position than a graduate engineer from a low-fee university, who would be very unlikely to reach a better position and earn more wages due to his educational background.

The graduates interviewed expressed frustration about the inability to meet their pay and career expectations because, although most of them had found a job, their employers underestimated their abilities. Their working hours were long and they were paid far below what a professional graduate from other universities received, even for similar jobs. “I feel discriminated against because I receive lower wages, work longer hours, and have less opportunities for promotion at work, than graduates from top universities” explained one of the respondents. So, for graduates from a low-fee university, there are fewer opportunities to regain their investment in terms of money and effort, dedication and personal sacrifice, at least in the short and medium term.

**Discussion**

HCT assumes that investing in education, especially HE, will provide greater returns through the higher salaries that would be earned once people graduate. We think that investments in HE do not always translate into positive returns, especially for low-income families who invest their scarce resources in HE so that their offspring may attend low-fee private universities.

Our most important findings relate to the dissatisfaction expressed by students and graduates with the lower-fee universities. As our results showed, 72% of the students enrolled at lower-fee universities in Colombia had wanted to study at another university, while 41% chose the university for economic and not academic reasons. This coincides with findings from the popular media and the Ministry of Education. The students’ choices were often limited to inexpensive private HEIs, as demonstrated, for example, in a special edition on HE featured in *El Tiempo* newspaper (*El Tiempo*, 2014). Students from low-income households commonly came from poorer quality schools (Montenegro, 2015; Banco Mundial, 2009) and they considered the quality of their lecturers as weak. According to Ministerio de Educación Nacional (2014), 38% of teachers in Colombia do not have a postgraduate qualification. The remaining 61.3% are postgraduate teachers, differentiated as follows: 31.6% have a specialization; 23.8% have a masters; and only 5.8% (6803 individuals) have a PhD. Our study shows that 60% of the graduate students from the same institutions expected to be underpaid and 40% felt they lacked sufficient skills to succeed in the current labour market.

Interestingly, Acemoglu and Autor (2011) consider school quality as a crucial factor when discussing investments in human capital. Amongst the components of school quality, they mention the spending per pupil and the educational quality of teachers, aspects which also appeared crucial in our findings.

Because our findings from the surveys and interviews demonstrate that students perceive they are getting lower-fee but inferior quality HE, the assumptions of the classical HCT are hard to maintain. Our study reveals that, for the poorest strata of the population, having access to HE can no longer be seen as a way out – that is, a step on the ladder towards economic and social improvements. In the views of the students/graduates, the education provided at low-fee private universities does not empower them with sufficient conditions, skills or abilities to break down the cycle of intergenerational poverty (Baum and Ma, 2007; Blanden et al., 2007).

When considering HE as part of the education sector for providing more equal opportunities, in Colombia the accessibility of universities is no longer the main object for discussion (e.g. Molla, 2014; Rabossi, 2009). Instead, the actual and perceived quality of HE should be taken into consideration, while focus should not be placed on a mere compliance with the basic quality standards, but should take into account the experiences and perceptions of students, graduates and employers. Our study has shown that when viewing the impact of HCT within a neo-liberal discourse, the further growth of a private but accessible HE sector can reinforce stratification and differentiation of opportunities, instead of creating more equality amongst the population.

**Conclusion**

In conclusion, it is clear that the quality of HE should play a more important role when investigating its outcomes. Our main findings suggest that not all ***funding*** spent on HE can be considered a long-term investment, as students and graduates do not expect or receive social recognition or a material return on such investments in terms of better employment prospects or a higher income.

Our findings demonstrate that students and former students of low-fee universities perceived the quality of education as weak; they seemed to lack certain skills and they experienced difficulties and discrimination in the labour market. As a result, graduates from these universities expected to be poorly paid, even if they found a job. Some were unemployed or underemployed. Many of them believed that they lacked the abilities necessary to function successfully in the current labour market.

The implications of the considerations outlined above mean that the authorities, such as the Ministry of Education and the related institutions, have to rethink the monitoring of the quality of HE in Colombia. Accessibility has become much less of an issue than the comparability of educational quality. Stricter compliance with the requirements of quality and discipline by private HEIs that do not fully meet the quality conditions is required. In order to achieve this, central government and regional authorities need to face up to the possibility of making the voluntary accreditation process more enforceable and shaking up the National Council for Accreditation. In addition, they must implement more stringent requirements in the process of authorizing the opening of more private HEIs. However, compliance with formal quality criteria is insufficient, as perceptions of students, graduates and employers play an important part.

As a follow-up to this study, a more elaborate investigation involving the collection of more data, for example in other Colombian cities outside Bogotá, is recommendable. This would help to expand the knowledge on HE quality and the importance of how quality is experienced and perceived. The stratifying effects of the expansion of private HE cannot be ignored when considering schooling in developing counties.

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[***Employment relations and growing income inequality: Causes and potential options for its reversal***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BM3-69X1-DY41-72XH-00000-00&context=1516831)

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**ABSTRACT**

The growth of income inequality is now recognized to be one of the most important developments in employment relations of our time. While inequality has increased in many parts of the world, it has been most pronounced in the United States. We review the factors that have been suggested to cause the growth in inequality and, given these multiple causes, suggest a set of actions that might begin to reverse this trend. We give special attention to the changes in the employment relationship related to labor market institutions – including unions and other forms of worker representation, wage regulations and enforcement, and safety net policy – while also accounting for explanations and proposals that focus on technology, skills and education, and globalization. Additionally, we argue that emerging forms of organizational restructuring are becoming increasingly important to the study of inequality and its remedies.

**FULL TEXT**

**Introduction**

The growth of income inequality is now recognized to be one of the most important developments in employment relations of our time. While inequality has increased in many parts of the world, it has been most pronounced in the United States. In this article, we will review the factors that are suggested to cause the growth in inequality and, given these multiple causes, suggest a set of actions that might begin its reversal, with particular emphasis on the employment relationship and labor market institutions. While we focus mostly on the US, we place the discussion in a broader global context.

**Trends in inequality in the US**

The most widely used indicators of the growth in income inequality in the US come from Piketty and Saez (2013). Using detailed tax data from the US Internal Revenue Service, the authors show a remarkable pattern of income transfer – of over 15% of national aggregate income – from the bottom 90% of the income distribution to the top 10% over the past three decades (Figure 1). Even within the top decile of the income distribution, it is the top 1% that realized disproportionate gains, accounting for almost 60% of income growth between 1976 and 2007. In contrast, income growth of the bottom 90th percentile was relatively flat (Figure 2). Figure 1.Top decile income share in the United States, 1917–2014. *Source*: Piketty and Saez (2007 [2015]).Figure 2.Decomposing the top decile US income shares into three groups, 1917–2014. *Source*: Piketty and Saez (2007 [2015]).

A second widely used indicator focuses specifically on long-term trends in compensation and labor productivity (Figure 3). For three decades following World War II real compensation (wages and fringe benefit costs) moved roughly in tandem with productivity. From 1979 to 2014, however, productivity grew by approximately 63%, while real compensation for hourly workers in the US increased by only about 8% – meaning productivity increased about eight times faster than wages and benefits despite the rise in workers’ education levels during this period. Figure 3.The growing gap between productivity and workers’ hourly compensation, 1948–2014. *Source*: Economic Policy Institute analysis of data from Bureau of Economic Analysis' National Income and Product Accounts and the Bureau of Labor Statistics' Consumer Price Indexes and Labor and Productivity Costs (Bivens and Mishel, 2015).

A third indicator of growing inequality is the shift in labor’s share of national income. Since 1970, labor income share has declined overall, even when accounting for income sources such as health and pension benefits. Labor share measured by salary and wages only has deteriorated more sharply, falling nearly nine percentage points over this period (Figure 4). Figure 4.Declining shares of labor compensation and wages, 1955–2014. *Note*: Compensation includes all forms of remuneration, including wages and salaries and employer contributions (to employee pension and insurance ***funds***, as well as government social programs). Wages and salaries do not include any such contributions. *Source*: US Bureau of Economic Analysis, Table 1.12: National Income by Type of Income. Last revised: October 29, 2015.

The shift from labor- to capital-intensive industries is part of the reason for this shift, but also important is the growing decline of labor share within industries – especially those where profits have grown tremendously, such as in ***finance*** (International Labour Organization (ILO), 2015) and the simultaneous accumulation of capital income by the very top of wage earners.

**Global trends in inequality**

The US is not alone in experiencing growing inequality over recent decades. Many industrialized countries – such as Japan, Canada, and those in Europe – have followed a similar trajectory. In particular, dramatic growth patterns at the very top are observed in other English-speaking countries such as the United Kingdom and Canada, although to a lesser degree, while in other countries such as Japan and those in Europe such accumulation is not as pronounced (Alvaredo et al., 2013). Scholars attribute these observations to a convergence in labor market institutions in countries such as the US and the UK – the decline of collecting bargaining, for example, or the declining real value of minimum wages (Gosling and Lemieux, 2004) – but also point to significant change in bargaining among CEOs and other top executives in large companies (Bivens and Mishel, 2015). Still, there is concern that as countries seek to mimic US-style compensation structures and labor market policies, their patterns of inequality will become more closely aligned with that of the US, as has been the experience in the UK (Gosling and Lemieux, 2004). Although these concerns are widespread across countries, we focus here on the causes and consequences of wage inequality in relation to the employment relationship in the US, as it is the country with the most extreme growth in inequality and the one for which we have the most expertise. (It is important to note that here we focus primarily on income inequality due to wage inequality, not other sources such as differences in property ownership and capital income. Wages account for approximately 80% of total income in the US and 70% in Europe (ILO, 2015).)

**Explanations for income inequality**

Not surprisingly, the growth in inequality has gained significant attention and been the source of considerable debate among researchers from multiple disciplines. We review the evidence generated by this research in the following, starting with traditional explanations in economics focused on the external market and technological change before turning to institutional and organizational factors that arise from various disciplines. In so doing, we aim to arrive at an explanation of inequality that reflects the fundamental ways in which the organization of the employment relationship has changed.

**Skill-biased technological change**

One of the first factors economists turned to in explaining inequality is skilled-biased technological change (SBTC), in which inequality is posited to rise when new technologies generate demand for highly-skilled workers (Card and DiNardo, 2002). This rise in inequality is argued to occur in two ways: first, through demand for skilled workers who are needed to fill more technologically advanced jobs yet who are in short supply, and later, by the displacement of lower- and middle-skilled workers, which intensifies competition for lower-wage jobs (Autor, 2010; Autor et al., 2008).

The increase in the college-to-high-school wage premium in the 1980s was the first indicator that led researchers to examine this issue in detail. In 1980, this premium was 39%; by 1990, it had risen to 54%. However, during the 1990s, the growth in the college-to-high-school differential slowed and stood at 61% by 2000, where it approximately remains today (Goldin and Katz, 2008; James, 2012). This stagnation, along with the failure to explain differences in educational returns by demographic factors such as age, gender, or race, led a number of scholars to critique the theory of SBTC as incomplete at best (Card and DiNardo, 2002; Lemieux, 2008).

Still, however, the debate around SBTC persists. Current arguments regarding SBTC have shifted focus from skills measured by education to the changing composition of tasks in technologically changed work (Acemoglu and Autor, 2011). This emphasis led to the emergence of the ‘job polarization’ thesis: namely, that a ‘hollowing out’ of middle-skill jobs is occurring at the same time that jobs characterized by low- and high-skill levels (and corresponding low- and high-wage levels) are growing (Autor, 2010). Empirical evidence challenges this idea: Holzer (2010), for example, finds that middle-skilled jobs in the US are actually projected to *grow* in the near future. Others argue that the job change patterns in the most recent decade fail to reflect the job polarization thesis, notably as job growth in low-wage sectors has outstripped that of high-wage sectors throughout the 2000s. Using a comparative perspective across various countries, still others show that institutions affect the degree to which the job polarization hypothesis bears out (Fernandez-Macias, 2012).

**Globalization**

The next favorite explanation was globalization and the related decline of the American manufacturing sector: since 1980, the US has lost just over one-third of its manufacturing jobs. A number of studies have shown that workers displaced from manufacturing jobs who regain employment experience wage reductions of 20% or more (Holzer et al., 2011: 125). A different study documents numerous negative effects – declining wages, significant increases in income transfer payments, higher unemployment, and larger reductions in labor force participation – experienced in communities exposed to increased import competition from China (Autor et al., 2013). These community effects are more persistent than economic theory would predict: the same study found relatively little geographic mobility among those displaced. More recently, offshoring undertaken by US firms during the 2002–2008 period has been shown to advantage higher-skilled (and higher-paid) workers who undertake relatively more abstract and communication-dependent tasks in their jobs (Oldenski, 2014).

**Composition of the labor supply**

Finally, we briefly note that growing inequality is also attributed to the changing demographic composition of the labor supply. These arguments primarily revolve around gender, immigration, or education levels – the influx of women, for example, or immigrants into certain sectors is argued to drive down wage levels. Research has challenged such findings (Lemieux, 2008), while also situating the disparity in outcomes among different demographic groups in the context of labor market institutions, as described more fully in the next section.

**Labor market institutions**

Scholars in various disciplines have established linkages between labor market institutions – such as wage laws, labor unions, and regulatory regimes – and patterns of growing wage inequality. Below, we review the main labor market institutions that we deem important to understanding inequality.

**Minimum wages**

The first institutional feature thoroughly examined was the decline in purchasing power of the national minimum wage. The current US$7.25 per hour federal minimum stands at about 25% below the purchasing power of the minimum wage at its peak in 1968, which, had it kept up with inflation, would currently stand at approximately US$10.94 per hour.

The decline of the federal minimum wage’s real value is particularly deleterious to those at the bottom of the wage distribution – historically, this has been especially so for women, who were less likely to be employed in unionized industries upon their entrance to the labor market in the 1980s (DiNardo et al., 1996; Lee, 1999; Lemieux, 1993). Fortin and Lemieux (1997) estimate that had the real value of the minimum wage in 1979 been maintained in 1988, the variance in female log wages would have increased by 32.1% *less* than it actually did, compared to the 24.2% lesser increase in men’s wage dispersion under the same conditions. These trends changed markedly during the 1990s and 2000s, when explosive growth of top incomes became the primary driver of disparity in income (Lemieux, 2008). Even so, the minimum wage is still an important institutional feature affecting inequality, particularly among those at the bottom of the US wage distribution.

**Decline in unions and bargaining power**

More recently, scholars have recognized that decline in unions and worker bargaining power account for a sizable portion of the problem. By 1980, union membership had been declining slowly for two decades, and international competition was eating away at unionized manufacturing firms. Membership’s abrupt and steep decline in the early 1980s – initiated by the Federal Reserve’s efforts to break the back of rampant inflation; a harder management line against unions, signaled by President Reagan’s firing of striking air traffic controllers; a deep recession; and the growth of non-union domestic competition – persisted for the following three decades.

Tables 1 and 2 report previously unpublished data from research regarding the changes in industrial relations in the 1980s (Kochan et al., 1986). Specifically, we show that collective bargaining outcomes changed after 1980 due to a decline in the power derived from strikes, centralized bargaining, and informal pattern bargaining arrangements that spread negotiated wage settlements within local labor markets and industries. The analysis is based on regressions on wage changes negotiated in collective bargaining units in manufacturing firms with 1000 or more employees from 1957 to 1984. As Table 1 shows, prior to 1980, the coefficients on strikes, centralized (firm-wide rather than single plant-level) negotiations and regional and intra-industry pattern bargaining were positive and significant. In contrast, from 1980 to 1984 (the last year these data were collected), the coefficients are mostly either insignificant or negative. Table 1.Wage change regressions: 1957–1984.

|  | **Full sample** | **Pre-1980** | **Post-1980** |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Multi-plant, single firm structures | .0039\*\* (.0012) | .0037\*\* (.0012) | .0058\*\* (.0012) | .0055\*\* (.0012) | −.0067 (.0038) | −.0067 (.0039) |
| Multi-firm structures | .0042\*\* (.0013) | .0043\*\* (.0014) | .0046\*\* (.0014) | .0046\*\* (.0014) | .0031 (.0043) | .0028 (.0043) |
| Region-wide pattern bargaining | .0046\*\* (.0013) | .0050\*\* (.0014) | .0036\*\* (.0014) | .0039\*\* (.0014) | .0085\* (.0043) | .0090\* (.0043) |
| Industry-wide pattern bargaining | .0045\*\* (.0014) | .0046\*\* (.0014) | .0043\*\* (.0015) | .0042\*\* (.0014) | .0057 (.0046) | .0063 (.0046) |
| Strike 1–14 days |  | .0075\* (.0031) |  | .0080\*\* (.0030) |  | .0039 (.0157) |
| Strike 15–24 days |  | .0054 (.0046) |  | .0020 (.0046) |  | .0164 (.0158) |
| Strike 25 or more days |  | .0052\*\* (.0019) |  | .0060\*\* (.0019) |  | −.0029 (.0072) |
| R2 | .50 | .50 | .55 | .55 | .31 | .30 |

All equations in Tables 1 and 2 contain controls for changes in rates of inflation, employment growth/decline, unemployment and presence/absence of wage and price guidelines or controls. Standard errors in parentheses.*Note*: \**p* < 0.05; \*\**p* < 0.01; \*\*\**p* < 0.001.Table 2.Over-predictions of post-1980 wage changes using pre-1980 model.

| **Structure/pattern cell** | **N** | **Without strikes (%)** | **With strikes (%)** |
| --- | --- | --- | --- |
| Overall sample | 414 | 1.35 | 1.36 |
| Single plant | 169 | 0.79 | 0.83 |
| Multi plant/single firm | 163 | 2.10 | 2.09 |
| Multi-firm | 82 | 0.94 | 0.96 |
| No pattern | 83 | 1.20 | 1.24 |
| Regional pattern | 162 | 0.89 | 0.90 |
| Industry pattern | 169 | 1.85 | 1.83 |

The data in Table 2 show that overall, the model of wage determination under collective bargaining that dominated in the 1957–1979 time period over-predicted wage settlements in the early 1980s by 1.35% and, consistent with the results shown in Table 1, over-predicted wage changes more in units with centralized bargaining structures and intra-industry pattern bargaining traditions. Thus, the key sources of power that unions used to increase wages and spread these gains within industries had declined. This decline is substantial: extrapolating from these findings, if the magnitude of these wage outcomes persisted in bargaining, the 1.35% estimate would account for nearly 20% of the difference in growth of productivity and wages from 1980 through 2015. Although imprecise, this is in the same range as more recent studies of the effects of union decline.

Similarly, Erickson (1992, 1996) documents the demise in the 1980s of specific union contract clauses that had helped maintain pattern bargaining within and across the aerospace, automobile, and ***agricultural*** implement industries. Freeman (1980, 1982) also shows that leading up to the 1980s, unions played an important role in reducing wage inequality within organizations, finding that the dispersion of wages within unionized organizations of different industries ranged from 5% to 50% lower than that found within non-unionized organizations.

Using more recent data, Western and Rosenfeld (2011) estimate the decline in unionization accounts for as much as 20% to 30% of the rise in wage inequality since the 1980s. The impact is strongest among less educated and blue collar men – a group for whom unions reduced inequality prior to the 1980s by mitigating the deleterious effects of a falling minimum wage (Freeman, 1993; Western and Rosenfeld, 2011).

**Deteriorating labor enforcement regimes and safety net**

The absence of unions has yet a different effect in low-wage sectors, where they have traditionally acted as a deterrent against wage theft and other labor standards violations that contribute to inequality (Wright and Brown, 2013). A 2008 survey of over 4000 low-wage workers in the cities of Chicago, Los Angeles, and New York found that approximately 67.5% of respondents – who worked in non-union car washes, retail and food service, and domestic work, among other sectors – faced wage reductions through violations in the prior week. These included underpayment of wages, lack of overtime pay, or working off the clock, and cost them nearly US$3000 in wages over a year of full-time work (Bernhardt et al., 2013).

Compounding the problem is weakened enforcement capacity of the state, an issue that has been observed in many countries (ILO, 2006). In the US, the number of workers and establishments covered by the Fair Labor Standards Act has risen steadily over the last two decades, yet the number of inspectors in the Department of Labor has simultaneously declined (Weil, 2014). Enforcement of wage standards is also hindered by the fact that 70% of wage and hour investigations result from worker complaints (Weil, 2008), even though evidence suggests there is a mismatch between industries where complaints are made and where violations are most commonplace (Weil and Pyles, 2005).

US social policy relevant to the safety net – as measured by social insurance and the payroll and income tax systems, both of which ***grant*** access to safety net programs through employment – is the weakest among Organization for Economic Co-operation and Development (OECD) countries. By 2000, the US was spending the least among this group in income transfers and cash social transfers for the non-elderly (Smeeding, 2005). These weak safety net programs indirectly affect growing inequality, as observed through the lack of paid family leave (Ray et al., 2009) or work-sharing (Appelbaum, 2012), or the low rates of take-up of unemployment insurance (DeNavas-Walt and Proctor, 2014; Schaefer, 2010).

**Organizational and employment relationship changes**

Increasingly, scholars are beginning to turn their attention to the role of organizations and their employment relationships as explanatory factors driving specific dimensions of inequality. Increases in income inequality have been documented in organizations within and across industries (Groshen, 1991), between large and small firms (Davis and Haltiwanger, 1991), and among individuals within establishments (Barth et al., 2014). Next, we point to two factors that explain at least part of this organizational story: the changing environment and interests of firms as they relate to financialization, and organizations’ growing use of ‘fissured’ employment relationships.

**Financialization of corporate behavior**

A number of researchers have documented the rise of financialization, that is, the growing importance of maximizing shareholder value, in corporate behavior that began in the 1980s (Appelbaum and Batt, 2014; Jacoby, 2004; Kochan, 2016; Lazonick, 2009). The argument is that this shift has persisted since then as (1) new debt ***instruments*** (often referred to as junk bonds because they were offered at high-interest rates with little collateral) became available to support highly leveraged and sometimes hostile buyouts and takeovers of firms (Appelbaum and Batt, 2014; Lazonick, 2009), (2) new models for pricing stock options became available, leading firms to increase the portion of CEO pay tied to share price improvements (Black and Scholes, 1973; Merton, 1971), and (3) ***finance*** considerations dominated in corporate decision-making as the pressures from Wall Street agents increased and the countervailing power of unions declined (Jacoby, 2004; Useem, 1993). These developments in turn led to growing inequality as gains were diverted from the full labor force to shareholders and corporate officers. Although estimates vary, economists calculate that the current ratio of CEO to average hourly worker pay is now approximately 300:1, compared to only 20:1 in the 1960s (Mishel and Davis, 2015).

**Fissurization of employment relationships**

One result of financialization and increased focus on shareholder value can be observed through the restructuring of organizations from the vertically integrated, bureaucratic enterprises of the past to more networked, horizontally organized firms of today. Increasingly, these arrangements are reflected in the notion of ‘fissured’ work which includes not only contingent arrangements (e.g., temporary labor or contract workers), but also organizational structures resulting from subcontracting, outsourcing, and franchising (Weil, 2014).

The common thread throughout all these forms of fissured work is that they introduce external considerations into the firm–employee relationship, often placing the employment relationship outside its formal borders. When a Silicon Valley technology firm, for example, contracts out its janitorial positions, those jobs – and decisions regarding their wage levels – are no longer included in an enclosed system characterized by norms of internal equity among workers who labor for the same employer. Rather, the external, competitive market of janitorial contractors becomes a reference point through which wages are set as janitorial contractors vie for business.

The clearest illustration of how this contributes to inequality comes from a 2010 study of subcontracting of janitorial and building service workers in the US (Dube and Kaplan, 2010). Between 1983 and 2000, the occupational percentage of building security guards working for subcontractors increased from 40.1% to 49.7% and of janitors from 16.4% to 21.6%. This growth in contracting was accompanied by simultaneous wage loss: janitors experienced a US$1.33 wage penalty per hour (and earned 14% less than directly employed workers in the same occupation) and guards a penalty of US$2.34 per hour (earning 21% less). Similar trends in subcontracting have been reported in the petrochemical industry (Kochan et al., 1994), call centers (Batt et al., 2004), hotels (Hertz, 2010), and school cafeterias (McCain, 2009).

It is worth noting that the fissurization of work presents additional challenges to various other institutional factors we have identified as important to inequality. For instance, jobs in subcontracted arrangements are subject to greater risks of injuries and accidents (Kochan et al., 1994) as well as violations of labor law (Bernhardt et al., 2013), as the triangular employment relationship escapes regulatory checks on compliance through ambiguous legal standards defining workers’ employer of record (Zatz, 2008). Union organizing also becomes more difficult in settings where there is ambiguity over which employer is responsible for managing and controlling employees, and where there are workers misclassified as independent contractors (Kalleberg et al., 2000). Studies in other countries have likewise demonstrated that a range of human resource practices typically found in firms are either less likely to exist or to be constrained by the same uncertainty of which employer is responsible for managing the workforce in networked organizations (Marchington et al., 2011).

**Limited adoption and diffusion of high-road business models**

A large body of empirical research has documented the positive effects of sets of workplace practices labeled ‘high-performance work systems’ on productivity and other indicators of organizational performance (Appelbaum et al., 2011). These work systems in turn are supported by so-called high-road business strategies that compete on the basis of achieving high productivity and service quality rather than by minimizing and tightly controlling labor costs. The evidence on the relationship among these strategies and practices and wages is, however, somewhat mixed (Osterman, 1994): positive wage effects are more likely to be experienced in unionized than non-unionized firms (Bailey et al., 2001). Moreover, while there are case examples in almost all industries of high-road firms that pay above-average wages (e.g. Appelbaum et al., 2000; Cascio, 2006; Hoffer Gittell, 2003; Kochan et al., 2009; Ton, 2014), the reality is these strategies have not widely diffused across American industry. The mental model that labor is a cost to be minimized continues to dominate the behavior of many business decision-makers and analysts. If the hypothesis is correct that these high-road strategies and workplace practices are necessary conditions for achieving the high productivity needed to support high and increasing wages, the limited diffusion of these strategies and practices may serve as another cause of wage stagnation.

**Options for reversing trends in inequality**

While there is now widespread public recognition and concern about income inequality and persistent wage stagnation, action at the national policy level is slow in coming, largely because of deep political gridlock that blocks efforts to reform prevailing labor and employment policies (Kochan, 2016). There has, however, been increased activity at local levels, both by city and state-level governments and by private sector firms and unions. In this section, we review actions that have either been proposed or are underway that seek to address one or more of the aforementioned causes of inequality.

**Education and skills**

While SBTC has lost some of its power as the primary explanation for growing inequality, there is little doubt that one long-term effect of technological change is to increase demand for skills and education. Thus, education is a critical starting point – a necessary but far from sufficient solution for reversing these trends.

A highly educated, skilled, and innovative workforce is essential to generating the technological breakthroughs and improvements needed to drive productivity and to support a high-wage economy. Yet there is considerable evidence that the US educational system needs significant reforms to produce a workforce with both the technical (science, technological, engineering, and math or so-called STEM) and behavioral (communications, problem-solving, and coordination/negotiations) skills employers indicate they need both today and in the future. There is, however, considerable momentum in the US focused on addressing these challenges, starting with efforts to expand access to early childhood education. The Obama Administration’s and equivalent state-level pressures and incentives for reform and increased ***funding*** have generated a wave of innovation aimed at, among other things, promoting collaborative teacher–union–school district improvements (Bluestone and Kochan, 2011; Rubinstein and McCarthy, 2014), diffusion of a new common core of curriculum standards, and expansion of the school day or year.

There also is a growing recognition of the need to strengthen community colleges, vocational schools, and labor-management apprenticeships and other training programs that focus on building technical or so-called middle skills. The key actions needed are to better coordinate middle-skill educational and training programs with other labor market intermediaries, employers, and labor organizations that constitute what are now popularly described as the ‘eco-system’ for workforce development and training (Weaver and Osterman, 2014).

**Globalization and trade**

Globalization of economic activity will undoubtedly continue and generate benefits for the aggregate global economy, both for workers in developing economies and for those with the skills needed to compete in high productivity, innovation-based workplaces. This implies that efforts to promote high-productivity high-wage economies and business strategies must feature prominently in the approach taken to deal with globalization in the US and other advanced economies.

The major globalization-related policy issue currently under debate in many countries is the Trans Pacific Partnership trade agreement. It is highly controversial because some estimates of its likely impact on domestic employment and income suggest it will most likely favor corporations and those in the higher parts of the income distribution, while possibly reducing job opportunities of lower income workers (Rosnick, 2015). The Trans Pacific Partnership does, however, have stronger explicit provisions for minimum labor standards than those in prior multilateral trade agreements, including minimum wages, the right to form unions and collectively bargain, prohibition of forced labor, and limitations on use of export zones exempt from labor regulations.

Despite these standards, enforcement of labor protection provisions of trade agreements requires complementary strategies of national governments, multinational companies that monitor and work with their global suppliers, local and transnational non-governmental organizations and unions on the ground, and international labor organizations (Locke, 2013). Building these multi-stakeholder systems is critical: global trade will continue to create risks to both lower-wage and low-skilled workers in advanced economies. The Obama Administration has taken steps in this direction by creating and ***funding*** a set of advanced manufacturing institutes which support development of next generation technologies and products with investments in education, training, and promotion of high-road business strategies. Yet the need to promote high-road strategies goes beyond the next generation manufacturing firms, and there is no consensus strategy for doing so. Certainly, continued efforts to educate business leaders and investors about the strategic choices open to them and the consequences of their strategies for job and career quality need to continue.

**Employment and labor policy initiatives**

These educational and high-road strategies need to be complemented with government policies that bring up minimum labor standards to reduce the incentive to compete on the basis of minimizing labor costs and provide incentives to compete with high-productivity high-wage strategies. Here, we review examples of such initiatives and emphasize the role of local policy efforts in institution-building.

**Minimum and living wages**

Starting in the 1990s, advocates have relied on minimum and living wage campaigns to raise the wage floor in localities, cities, and states. By many measures, these have been effective both in raising wages for those paid at the minimum and those directly above them in the wage structure (Wicks-Lim, 2006). Twenty-nine states currently have minimum wage levels that are higher than the federal minimum; of these, 15 have indexed their minimum wages to inflation. A growing number of cities – such as San Francisco, CA and Seattle, WA – have followed suit, and have recently passed or are pursuing legislation to increase their local minimum wage to US$15 per hour over a number of years. Advocates also increasingly rely on living wage campaigns; currently, over 140 cities and counties have enacted such laws (Bernhardt and Osterman, 2016). Despite their spread, however, many of these policies cover a limited range of jobs – often work purchased or in other ways regulated by local governments or part of local economic development efforts – and thus have limited capacity to generate large-scale patterns of change.

Yet, in a hopeful sign, demands for change to the federal minimum wage are flourishing at the national level. In many respects, these demands have been led by workers and labor unions. The now-international ‘Fight for 15’ is one such example, rooted in early efforts among fast-food workers to increase wages and realize the right to organize in fissured work settings. Such efforts have effectively brought worker voice and demands addressing wage inequality front and center within the Obama Administration and among candidates of the upcoming 2016 US presidential election.

**Wage standards enforcement and administrative action**

Paired with campaigns to raise the wage floor are innovative approaches to enforcing wage regulations. For instance, advocates in San Francisco, CA successfully created a new city entity, the Office of Labor Standards Enforcement (OLSE), in 2001. The OLSE uses innovative cross-agency information-sharing and enforcement strategies to address wage violations and other labor standards infractions. To date, it has recovered over US$17m in back wages and collected over US$2m in employer penalties (Dietz et al., 2014). Notably, the OLSE also increases the effectiveness of enforcement activities by directly engaging with community-based and worker organizations, a best practice documented in the literature (Fine and Gordon, 2010).

At a national level, the Obama Administration has proposed increased coverage of salaried workers for overtime work, while also issuing a clarifying administrative letter detailing the criteria for worker classification as an employee or an independent contractor (which determines coverage under wage and overtime rules). The National Labor Relations Board has likewise issued a recent decision broadening the definition of ‘employer’ for the purpose of determining whether subcontracted work is covered under the nation’s labor relations statute, and similar cases concerning companies such as Federal Express and Uber are being considered in federal and state-level courts. Scholars are also increasingly documenting enforcement theories built on leveraging fissured, supply chain relationships among firms, often referred to as strategic enforcement (Weil, 2008; Wright and Brown, 2013).

**Government contracting rules**

One area of considerable discussion is whether the federal government can or should use its power as a purchaser of goods and services as a means of enforcing and improving employment standards. The model for doing so comes from the US experience in enforcing and promoting the 1964 Civil Rights Act, which prohibits discrimination in employment on the basis of race and sex, among other protected groups. A subsequent Executive Order required government contractors to demonstrate steps they take to achieve affirmative actions. Later research demonstrated the efficacy of these requirements in promoting non-discrimination and equal opportunities (Leonard, 1990). The question under debate in government and academic circles is whether this model could be applied to promote diffusion of high-productivity high-wage practices among government contractors. This remains to be seen. President Obama signed an executive order, effective in 2016, that requires contracting firms to disclose their records of compliance and violation of labor and employment law. Some suggest expanding this order by inserting high-productivity high-wage criteria in the specifications used to select competing bidders for government contracts – a strategy that may substitute for the role of pattern bargaining discussed earlier.

**Next generation unions and sources of power**

One of the biggest open questions facing both the US and to some extent other countries is what will fill the void left by union decline. While reproducing unions and collective bargaining in the mirror image of their past is neither likely nor viable, alternative means are needed to reinstate voice and bargaining at work. Indeed, unions are pursuing new strategies to this end, such as non-traditional organizing of freelancers and supporting organizing efforts targeting large employers in low-wage, union-scarce sectors, such as those in fast food as well as with the retailer Walmart (Bernhardt and Osterman, 2016).

The crisis in worker representation has also sparked considerable innovation in labor and community group coalitions, and among an expanding number of networks at local, national, and global levels. These range from religious-based groups (Bobo, 2009); to students mobilizing against sweatshop conditions; and to international coalitions of non-governmental organizations (NGOs), governments, international agencies, employers, and unions aimed at upgrading conditions in global supply chains (Locke, 2013). One of the most promising organizing strategies comes through worker centers, which are typically organized around specific, often low-wage industries such as restaurants or construction. By some estimates, there are currently 225 such organizations throughout the country, up from only five in 1992 (Fine, 2011). Perhaps most importantly, the federation of many local worker centers within fragmented industries – such as restaurants, domestic work, and taxi transportation – is establishing larger scale, more effective organizations (Fine, 2011).

**Alternative wage-setting criteria and norms**

As noted earlier, the tandem movement of productivity and real wages and compensation in the pre-1980s era was driven by, among other factors, union agreements that aligned productivity gains and cost of living clauses into collective bargaining contracts. New approaches to wage setting at the level of the enterprise will be needed to ensure that those who work together to generate productivity and profits have a fair chance of sharing in the gains produced. Profit sharing, productivity gains sharing, and broad-based employee stock ownership plans (Blasi et al., 2014) are alternative ways of embedding this principle in the wage-setting processes within specific enterprises.

New federal rules will soon require publication of salary ratios between CEOs and average workers in corporate reports. Whether this effort to increase transparency will be powerful enough to change corporate practices remains to be seen. Corporate boards may need stronger pressures to change the ways CEOs are paid (such as changes in marginal income tax rates; Piketty, 2014), given the embedded roles that compensation consultants play in spreading CEO compensation patterns across firms and industries.

**Labor policy**

While each of the options reviewed can contribute to stimulating wage growth and reducing inequality, sustained progress will require a fundamental change in national labor and employment policy. There are a number of dimensions to such change: updating minimum wage laws and clarifying the definition of the employer in fissured work settings, as described earlier, are two glaringly necessary changes. Expansion of safety net programs – such as the Earned Income Tax Credit, the Affordable Care Act, and paid family and medical leave – can provide low-income workers better access to employment opportunities while promoting overall economic growth (Lower-Basch, 2014). Additionally, updating current laws that govern collective bargaining is yet another step towards fundamental change, particularly since current law cannot provide union representation coverage to all workers who want it (Ferguson, 2008). It remains to be seen whether changing labor relations policy is possible, given that, both historically and recently, it has been the most difficult aspect of US employment policy to change (Kochan, 2016).

**Conclusion**

The widespread recognition and growing public debates over income inequality are producing a growing body of research on the causes of wage stagnation and options for addressing it within private and public realms. Until recently, most of the academic debate has focused on the relative importance of technology and globalization as underlying causal forces, and on education – and to a lesser extent, trade policies – as remedies. More recently, however, attention has turned to institutional factors including minimum wages, unions and their bargaining power, and employment policies and their enforcement. We extend this literature here to focus on some of the key changes in employment relationships and organizational practices that affect wages and related employment conditions at the enterprise level.

It is clear that these causal forces are closely interrelated and that no single change in policy or organizational practice will suffice to reverse long-term trends in wages. Investments in education are a necessary but far from sufficient component of a broader strategy. So too are more direct efforts to build next generation manufacturing industries in ways that support and sustain high-wage jobs. Equally important, however, are actions aimed at bringing up the floor of the wage structure through raises in minimum wages and better enforcement of employment standards, modernization of labor policies that allow workers to build new sources of bargaining power consistent with the modern economy, and organizational changes that challenge the financialization of corporations and encourage broader diffusion of firms that embrace high-road business strategies and workplace practices.

The historical trends in inequality, and particularly in productivity-wage growth patterns, suggest two final points. The current situation is the product of trends of over 30 years’ duration and therefore it will take a sustained period of wage growth to make up for lost ground. But the fact that turning points as clear as the ones that reversed the high level of inequality in the US observed just prior to the passage of the New Deal labor legislation in the 1930s and the beginning of the productivity-wage gap around 1980 suggest that a broad-based, systematic strategy that is well informed by research can change these long-run trends and put the economy on a different path. Doing so again is the defining challenge facing our field today.

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**Body**

Considered by many to be one of the last economic frontiers, Myanmar has been the object of investor interest for the past three years. As of November 30, 2015, data from the Directorate of Investment and Company Administration (DICA) shows that the total amount of foreign direct investment (FDI) for the period from 1988 to November 2015 has reached $58.2bn, consisting mainly of manufacturing enterprises, with oil and gas companies bringing in one-third of total investment, at $19.6bn. Since the country opened up in 2012, the influx of FDI reached its peak in 2014 with a total of over $8bn in approved investment for the year. In comparison, FDI in 2015 was at $3.9bn, a significant drop from the previous year.

**Changing Tides**

This decrease in the level of foreign investment may be attributed to investor caution ahead of the first free general election in Myanmar in over 50 years. In November 2015, the international community awaited and monitored these elections, with the results expected to affect existing policies, including the government's attitude towards economic development and foreign investment. With the outcome of these elections generally considered fair and the present government conceding victory to Daw Aung San Suu Kyi's opposition party, the National League of Democracy, and promising a peaceful transfer of power, the investor outlook is expected to shift from a wait-and-see attitude to FDI returning to or even exceeding pre-election levels.

While the latter half of 2015 was focused on the national elections, Myanmar's initial objective of providing a legal framework in line with international standards and best practices remains at the forefront of the government's concerns. New policies have been enacted that relax the previously strict trading rules by opening certain sectors up to foreign participation. Investment permits with corresponding incentives and benefits continue to be issued under the 2012 Myanmar Foreign Investment Law, as well as investment permits issued under the 2014 Special Economic Zone (SEZ) Law.

New laws and regulations have also been enacted to strengthen the labour market and enhance regulatory oversight of foreign currency transactions, including the ability to register inward capital remittances with the Central Bank of Myanmar (CBM). Regulations have been in place since 2014 providing an effective legal framework against money laundering activities, as well as putting into place rules for the enforcement of foreign arbi-tral awards. In addition, the government has also taken steps to update and streamline its foreign and citizens investment laws into a single Myanmar Investment Law, and to overhaul the century-old Myanmar Companies Act.

The drafts of these laws have been submitted to Parliament for consideration and it is likely that the discussion on the proposed laws will continue once Parliament reconvenes. The government has since been active in fostering an environment conducive to FDI. What follows is a discussion of the present regulatory framework that underpins the foreign investment system as a whole.

**The Legal System**

Myanmar's legal system draws from a combination of colonial era English common law, traditional Myanmar customary law and modern Myanmar legislation. The result is a collection of rules and regulations, spanning from the late 19th century through to the present day, that overlap and, at times, offer contradictory or incomplete guidance. As the country continues down the path of modernisation, so does its legal system, as more comprehensive legislation is brought forward to supplant, supplement and clarify the existing legal regime. In 2010 the Union Judiciary Law was adopted to set out the structure and operating guidelines for the nation's court system. The hierarchy of courts begins with the Supreme Court at the top, followed by the High Courts of the Regions and States, the District Courts and Courts of Self-Administered Divisions and Zones, and at the bottom, the Township Courts and other courts specially constituted by law. A separate system of Courts-Martial has exclusive jurisdiction with regard to matters involving military personnel. The Supreme Court holds jurisdiction of cases involving treaties, regional disputes, piracy and other matters as determined by law, while a separate Constitutional Tribunal is responsible for constitutional disputes and vetting laws passed by Parliament. Two classes of attorneys make up the legal practice in Myanmar: advocates who may practice in any court, and attorneys who are restricted from practicing in the Supreme Court but may handle matters in any subordinate courts.

The past 60 years have seen several shifts in Myanmar lawmaking. Until 1954, the Burma Code was the primary source of law throughout Myanmar, though after the 1962 coup drafting of new legislation was stalled. From 1962, when the military regime took power, until the enactment of a new constitution in 2008, only a handful of laws related to economic affairs were passed. Since the enactment of the new constitution, a burst of legislative activity has occurred as the new government works at a rapid pace to bring Myanmar up to international standards. Among these laws, two that had the most immediate effect on the economy was the 2012 Myanmar Foreign Investment Law and the 2014 SEZ Law.

**Vehicles For FDI**

 Foreign investors who wish to undertake specific business activities in Myanmar may rely on the foreign investment framework available under the Myanmar Companies Act, the 2012 Myanmar Foreign Investment Law and the 2014 SEZ Law. Through these laws, foreign investors may choose to establish a foreign branch office in Myanmar; incorporate a private limited company; apply for and secure an investment permit from the Myanmar Investment Commission (MIC), which is also known as an MIC Permit; or apply for and secure an investment permit from the relevant Myanmar SEZ Management Committee, which is also known as an SEZ Permit.

**Myanmar Companies Act**

A branch office is considered an extension of its foreign parent company and is a non-resident entity for the purposes of taxation in Myanmar. It is authorised to engage in revenue-generating activities in Myanmar that are related to the primary business of its foreign parent company. The registration of a branch office is also necessary for foreign investors that wish to establish a representative office in Myanmar, as there is no separate concept of a representative office under existing Myanmar law, except for foreign banks that are permitted by the DICA to establish a representative office. The scope of business for these branch offices is thereby limited to non-revenue generating activities such as marketing, liaison services and market research.

However, unlike a branch office, a private limited company has a juridical personality separate from its shareholders and is considered a resident entity for purposes of taxation. This private limited company may be incorporated as a wholly owned subsidiary of a foreign parent, or may be partly held by a Myanmar partner. Moreover, this private limited company may engage in and provide a myriad of activities and services, although care must be taken to ensure that the scope of business thus applied for and undertaken are not among those that require an MIC Permit.

**Permit Rules**

Both branch offices and private limited companies are required to secure a Form of Permit, previously known as a Permit to Trade, as a pre-condition for carrying out business. This permit enumerates the scope of activities that the branch or company is permitted to conduct in Myanmar and is considered to be the general business licence of the branch or company. The minimum investment capital for both a branch office and a private limited company is $50,000.

Applicants seeking the registration of a branch or private limited company may also seek the issuance of a temporary registration certificate, which, once issued by the Companies Registration Office, will permit the applicant to operate the business entity while its corresponding application is pending evaluation and approval. The issuance of a temporary registration certificate, however, does not guarantee the eventual approval of the application for registration, and should the application be subsequently rejected, the applicant will thereby be unable to continue business operations.

In any event, any such branch or private limited company allowed to operate in Myanmar does not generally enjoy the concessions and benefits extended to foreign investors under the 2012 Myanmar Foreign Investment Law and the 2014 SEZ Law. For this, the foreign investor must secure an MIC Permit from the MIC or an SEZ Permit.

**MIC Permit**

While foreign investors establishing a private limited company in Myanmar are generally free to apply for an MIC Permit, the MIC has issued Notification No. 49/2014 which, updating and replacing the earlier Notification No. 1/2013, provides a list of activities for which an investment permit is required before a foreigner may engage in economic activities. This notification enumerates specific economic activities that are generally prohibited to foreign investment, those that must be undertaken through a joint venture with Myanmar nationals, and those that require compliance with certain conditions by the applying foreign investor.

Compared to Notification No. 1/2013, Notification No. 49/2014 streamlined the list of economic activities and removed the following from the list of prohibited activities:

* Economic activities that are deemed to deteriorate the watershed or catchment protection of national forests, religious locations and/or traditional beliefs, pasture lands, shifting cultivation farms and water resources;

1. ***Agriculture*** and manufacturing activities that are not compliant with the Fertiliser Law, Seed Law and ***Agricultural*** Law;
2. Installation of a factory utilising imported wastes;
3. Manufacturing chemicals that can contribute to ozone depletion;
4. Manufacturing of 21 types of organic compounds prohibited by the Stockholm Convention on Persistent Organic Pollutants;
5. Manufacturing of hazardous chemicals;
6. Manufacturing and marketing of construction materials that include asbestos;
7. Trading of electric power;
8. Utilisation and importation of methyl tert-butyl ether and tetraethyl lead;
9. Activities that may emit hazardous chemicals. It may therefore be interpreted to mean that foreigners may engage in these activities under the Myanmar Companies Act and the Myanmar Foreign Investment Law. Due to the nature of the activities, however, these are still subject to the rules and regulations of the relevant ministry, which may or may not consent to the planned activity.

In addition, certain activities that were previously permitted only under a joint venture with Myanmar citizens under Notification No. 1/2013 have been removed from the list under Notification No. 49/2014. Therefore, these activities may be conducted by 100% foreign-owned companies. These activities now include:

* Manufacturing of certain vaccines;

1. Prospecting, exploration and production of industrial minerals and metallic minerals;
2. Large-scale production of minerals;
3. Establishing factories to manufacture structural metal frameworks for buildings and girders; and
4. Engaging in tourism. Among the prohibited activities that were carried over from Notification No. 1/2013 to Notification No. 49/2014 is the production of minerals on medium scale or small scale.

The establishment and sale of office/ commercial buildings must be undertaken through a joint venture with a Myanmar partner. Meanwhile, the importation and distribution of petroleum products and the exploration and production of petroleum and its products require a joint venture with the Ministry of Energy.

In addition to Notification No. 49/2014, the MIC has also issued Notification No. 50/2014, which enumerates business activities that require environmental impact assessments. In addition, Notification No. 51/2014 excludes certain business activities from exemption from Customs duties and taxes. Among the business activities enumerated under MIC Notification No. 51/2014 are: restaurants, food and beverage businesses; rental of vehicles, machinery and equipment; and the construction and sale of buildings.

**Key Factors**

These latest notifications further refine and clarify previously ambiguous areas of foreign investment and demonstrate the MIC's desire to create a more stable and investment-friendly environment under the Myanmar Foreign Investment Law.

At the same time, as mandated by the Myanmar Foreign Investment Law, the MIC will also evaluate all investment permit applications according to certain key factors, which include whether the investment will result in a significant level of domestic employment; whether the economic activity will involve the import and use of heavy equipment or advanced technology; the value that the economic activity will add to the domestic economy; and the degree to which an economic activity will uplift the living standards of Myanmar citizens.

MIC Permit applications that do not sufficiently meet these factors will not be ***granted***; however, a foreign investor whose application for an MIC Permit has been denied may still attempt to establish a private limited company with the Companies Registration Office. The Companies Registration Office may similarly deny such an application if it deems the applicant's intended activities may only be carried out with the approval of the MIC.

**Legal Benefits**

Foreign investors ***granted*** an MIC Permit are generally permitted to enjoy certain benefits and guarantees under the Myanmar Foreign Investment Law that are not otherwise available to foreign investors registering business entities without an MIC Permit. These include:

* Exemption from income tax for five consecutive years from the commencement of commercial operations;

1. Opportunity to lease and develop land for a period not exceeding 50 years, but renewable for two terms of 10 years each;
2. Ability to engage in import-export activities; and
3. A legal mechanism for repatriation of capital and profits.

The Myanmar Foreign Investment Law also expressly provides that ***recipients*** of an MIC Permit will not be nationalised during the term of their investment. While there is no specific rule on the minimum investment threshold for the ***grant*** of an MIC Permit under the Myanmar Foreign Investment Law, the MIC has generally expected a minimum investment amount of $500,000.

The DICA regularly provides information on investment permit applications that have been ***granted*** by the MIC. As of November 2015, 1024 enterprises have been permitted to conduct business under the Myanmar Foreign Investment Law.

**SEZ Permits**

Foreign investors may also wish to locate in an SEZ and for this they will need to apply for an SEZ Permit. Foreign investors ***granted*** an SEZ Permit are generally permitted to enjoy certain benefits and guarantees under the SEZ Law that are not otherwise available to foreign investors registering business entities without such permit or an MIC permit. The benefits or guarantees available will depend on whether the foreign investor is located in a free zone area, categorised as a free zone business, located in a promotion zone area or categorised as a promotion zone business, which are defined under the SEZ Law.

For free zone businesses, the benefits include an exemption from income tax for the first seven years from the commencement of commercial operations, the opportunity to lease and develop land for a period not exceeding 50 years (renewable for 25 years), the ability to engage in import-export activities, and a mechanism for repatriation of capital and profits. Promotion zone business on the other hand are ***granted*** exemption from income tax for the first five years from commencement of commercial operations, the same period for lease of land located within an SEZ, limited exemption from Customs duties and other taxes, and a mechanism for the repatriation of capital and profits.

**Eligible Activities**

Among the activities that may be established in an SEZ are manufacturing, real estate development, warehousing and logistics services, ***financial*** services, and long- and short-term rental/leasing services, among other things. The minimum investment threshold for the ***grant*** of an SEZ Permit depends on the type of business to be established.

An export-oriented manufacturing business in a free zone or a free zone business exporting at least 75% of the gross sales of its products to a foreign country is required to have a minimum paid-in capital of $750,000. However, supporting industries in a free zone that supply at least 80% of the gross sales of its products to export-oriented manufacturing businesses have a minimum paid-in capital equivalent of $300,000. Eligible businesses, as well as the minimum capital requirements, are provided in the Myanmar SEZ Rules approved on August 27, 2015. There are three SEZs in Myanmar to date, namely:

* Thilawa SEZ, located north-east of Yangon;

1. Dawei SEZ, located in the southern region of Myanmar; and
2. Kyaukphyu SEZ, located in the western part of Myanmar in Rakhine State.

Among the three zones, only the Thilawa SEZ has commenced operations, with its respective management committee ***granting*** SEZ permits to 49 investors as of early January 2016. The firms that have been ***granted*** permits are principally engaged in export-oriented manufacturing businesses.

**Trading Restrictions**

Even after registering a private limited company or receiving an MIC Permit under the Myanmar Foreign Investment Law, foreigners are nonetheless and, as a general rule, restricted from engaging in any kind of trading activities. There is currently no specific legal definition of what constitutes "trading activities" for the purposes of this restriction, although it is generally understood that these include the import of goods for purposes of resale and the procurement of local goods for purposes of resale.

Nonetheless, Myanmar authorities have routinely applied policy exceptions, thereby permitting foreigners to engage in trading activities. The policies have been issued by the following: the MIC, the Thilawa SEZ Management Committee, and the Ministry of Commerce (MoC). The MIC for its part has permitted, on a case-by-case basis, foreign companies operating through an MIC Permit to sell and distribute products that a foreign investor has manufactured, in whole or in part, in Myanmar.

The Thilawa SEZ Management Committee has issued Instruction No. 2/2015 providing for guidelines by which firms may engage in trading activities. Under this rule, businesses in the promotion zone may engage in retail trading activities inside the Thilawa SEZ, as well as wholesale trading activities both inside and outside the SEZ. Businesses in the free zone, on the other hand, are not allowed to engage in any retail trading activities, but may similarly engage in wholesale trading activities inside and outside of the Thilawa SEZ, provided that the aggregate value of these wholesale trading activities will constitute no more than 25% of the total value of the free zone businesses' annual sales.

At the same time, and notwithstanding the ability of such businesses to engage in the foregoing trading activities, the Thilawa SEZ Management Committee has also defined a certain class of "specified products" that may not be sold, whether in retail or wholesale. Instruction No. 2/2015 does not yet provide a definitive list of these specified products, although it does mention "four-wheel vehicles or motorcycles".

**Participating In Trade**

In order to engage in these limited trading activities, Instruction No. 2/2015 prescribes certain pre-qualifying requirements. Free zone and promotion zone businesses, for example, must construct or establish a warehouse for the goods to be sold, with promotion zone firms also required to meet a minimum investment of $2m and adopt certain value-added activities (such as repacking and quality-control services) to supplement the production, manufacture or import of goods designated for sale.

The MoC also issued Notification No. 19 and 20 in March 2015, and Notification No. 96/2015 in November 2015 that pertains to trading motor vehicles and specific goods. Notification No. 19 and 20 set out the regulations under which foreigners may enter into a joint venture with a Myanmar national and open a car showroom for the purpose of direct distribution of motor vehicles.

The MoC, through Notification No. 96, has relaxed its trading restrictions on the sale of certain ***agricultural*** products and medical equipment. Under the notification, foreign companies are permitted to establish a private limited company under a joint venture with Myanmar nationals, for the specific purpose of importing and on-selling fertilisers, insemination seeds, pesticides or hospital equipment, in the Myanmar market. The percentage of foreign-local ownership allowed in joint ventures is still under consideration.

**Alternative Structures**

If the foreigner's proposed business activity is not among those covered by the exemptions previously discussed, foreigners may participate in the retail market in Myanmar by entering into contractual structures such as licensing and distributorship arrangements with qualified Myanmar entities that are 100% Myanmar owned.

Under the alternative structure, a qualified Myanmar entity will be responsible for importing goods for its own account and shall have full control over the distribution of the foreigner partner's goods. The participation of the foreigner will thus be limited to entering into the contractual arrangement for licensing or distribution.

The foreigner partner may also consider entering into service arrangements with the qualified Myanmar entity to assist in marketing activities to promote the sale of goods. However, the terms and conditions of the proposed arrangement must be negotiated at arm's length in order to avoid any impression that the foreign investor is indirectly engaging in trading activities in Myanmar.

**Dealings With Land**

There is, at present, no single piece of legislation that governs land ownership and land use in Myanmar. Instead, there exists a patchwork of laws that mainly relate to the type of land regulated, from forest, farmland, fallow land and industrial land, to name only a few. Myanmar law does recognise freehold rights, which are reserved exclusively for Myanmar nationals. "Ancestral lands" were ***granted*** during the time when Myanmar was under British colonial rule. The Myanmar government, however, no longer ***grants*** such freehold interests, and as a result much of the land held by private individuals in Myanmar is in the form of ***grants*** from the state or from other private persons. ***Grant*** land exists mostly in large cities and towns, including Yangon and Mandalay, and the ***grant*** holder is permitted to use the land for a stipulated period of time, the majority of which usually have a term of 60-90 years. ***Grant*** land is transferable and persons with leasehold interests may carve out and divest lesser interests.

**Foreign Land Ownership**

An important limitation on land use relevant to foreign investment is found in the Transfer of Immoveable Property Restriction Act of 1987, which generally prohibits any sale, transfer or exchange of land to any foreigner or foreign company. Non-Myanmar nationals and companies are only allowed to lease land for a term of less than one year. Fortunately, the act allows exemptions from these prohibitions if ***granted*** by relevant government ministries when extended to foreign governments, diplomatic missions or other organisations. For the purpose of foreign investment, such exemptions are secured through an MIC Permit under the Myanmar Foreign Investment Law or through an SEZ Permit under the SEZ Law, both of which allow foreign investors to lease land for at least 50 years.

Another challenge for foreign investors dealing with land ownership in Myanmar is securing the right to long-term leases, as approved by the MIC under Myanmar law. Until very recently, the Office of the Register of Deeds did not accept long-term foreign leases for registration. However, there appears to have been a recent positive change in policy as the Office of the Register of Deeds is now receptive to the registration of foreign long-term leases. This does not only provide additional comforts for foreign investors seeking to secure their rights to land, but is also a welcome development that hopefully progresses into a wider range of registrable ***instruments***, including mortgages.

**Government-Reserved Sectors**

While most economic activities are generally open to investment under Myanmar's liberalised FDI regime, there are specific sectors that have been traditionally reserved for the government and its state-owned enterprises. These include, among others, the exploration, extraction and sale of petroleum and natural gas; postal and telecommunication services; pilotage and air navigation services; power generation and distribution; and the cultivation and conservation of forest plantations.

However, under relevant Myanmar law, including Notification No. 49/2014, the government has the right to allow non-government persons, including foreigners, to participate in some of these otherwise reserved sectors, either through a joint venture with the government or under specified requirements and conditions. Approval for foreign engagement in these reserved sectors usually proceeds from a recommendation from the relevant ministry or government-owned entity ***granted*** jurisdiction over the reserved sector. For example, for investments relating to the exploration, extraction and sale of petroleum and natural gas, a joint venture with the Ministry of Energy is necessary in order to secure MIC Permit approval. The government of Myanmar exercised this discretion when it awarded foreign firms telecommunications licences, as well as oil and gas blocks.

The willingness by the Myanmar government to open these otherwise reserved sectors of the economy is an acknowledgment of the limitations of existing government resources in developing crucial industries and recognition of the indispensable role that foreign investors can play in the overall development of Myanmar's economy. Thus, other foreign investors wishing to enter into such government-reserved sectors do have an open avenue through specific government approval, which involves applying for permit from the MIC.

**IP Protection Schemes**

Current intellectual property (IP) protections in Myanmar are relatively weak, with a Copyright Act first promulgated in 1914, but no subsequent formal laws with respect to the protection of trademarks and patents. The currently applicable Copyright Act is limited in scope and only provides protections for original literary, dramatic and artistic works if they are either first published in Myanmar, or if unpublished, are the work of a citizen or person otherwise inside of Myanmar at the time of creation. Copyrighted works from other nations are afforded no protection in Myanmar under this system, although a practice of registering aspects of a foreign work through a trademark, where possible, has developed to provide some semblance of protection.

**Registering IP**

While Myanmar does not have any law specifically regulating trademarks and their registration, a de facto registration regime has developed. Through the combined regulations of Section 18(F) of the Myanmar Registration Act (1908) and Direction 13 issued by the Inspector General of Registration, parties may assert trademark ownership by filing a Declaration of Ownership with the Yangon Registration Office of the Settlement and Land Records Department (SLRD). Trademark owners may also publish a cautionary notice in an English-language newspaper of general circulation, for the purposes of:

* Notifying the public of trademark ownership;

1. Warning the public against infringement; and
2. Enhancing a trademark owner's claim of ownership in case of court litigation.

The publication of the notice is usually repeated every three years. The registration of trademarks with the SLRD and the publication of cautionary notices are not compulsory, though they may be presented as *prima facie* evidence of trademark ownership. Registration, therefore, is merely for evidentiary purposes. It does not, by itself, confer any proprietary rights in the mark. Instead, and as recognised by extant rulings of the Supreme Court, prior use of the trademark is the prevailing and definitive standard for ownership. Thus, to establish a valid claim to a trademark, the claimant must show the use of the trademark in Myanmar.

There was at one time a Burma Patents and Designs Act, but it was repealed in 1993 and has not, as of yet, been replaced with any legislation to protect either patents or industrial designs. Despite the lack of a proper patent protection scheme, patent or invention ownership may still be registered with the Register of Deeds. Through this system a patent holder theoretically may apply for a perpetual injunction under Section 54 of the Specific Relief Act against anyone who would violate their patent property rights. Notwithstanding the practice as outlined in theory, the lack of actual IP protection in law and uncertainty regarding the outcome of any request for injunctive relief from the courts results in an unreliable IP scheme.

**Updating The Law**

The current system could be politely described as inadequate for the purpose of protecting the valuable IP of major foreign investors. However, a new IP regime presently being drafted is expected to result in redesigned laws for copyrights, trademarks, patents and industrial designs. Based on the present draft of the Trademarks Bill, there will be a definitive shift from the ad-hoc system of trademark registration under a first-to-market principle to a first-to-file system. The proposed shift is geared towards aligning Myanmar's legal framework on IP laws with international standards. The Copyright Bill is also being enhanced to align software, electronic rights management and technological protections with modern standards. Most importantly, the proposed law intends to establish a Myanmar IP Office that shall be the central regulatory agency tasked with administering new IP laws. The draft laws have been submitted to Parliament for deliberation and have been designated as among the bills that will be given priority once Parliament reconvenes.

**Anti-Corruption Law**

Myanmar's Anti-Corruption Law came into effect in August 2013, replacing the outdated and underutilised Suppression of Corruption Act. Targeting in particular the bribery of public officials, the new law establishes the Commission for the Eradication of Bribery, which has the power to require asset reporting by certain officials on an annual basis. Members of the commission and public officials ordered by the commission are now required to prepare an inventory of assets and liabilities listed in their names and their family members' names to be submitted to the President's Office. Other powers ***granted*** to the commission include: the ability to seize evidence and freeze properties; investigate accounts at ***financial*** institutions; and confiscate money and property as part of an investigation. Public officials found guilty under the new law face imprisonment of up to 15 years and the confiscation of properties earned through corruption. The Anti-Corruption Law also applies to non-public officials who have assisted other public officials in corrupt dealings.

**Anti-Money Laundering Law**

Myanmar's Anti-Money Laundering Law, which came into effect in 2014, provides for the obligations of reporting entities - namely, banks, ***financial*** institutions and non-***financial*** businesses and professions - in order to curb money laundering activities. Reporting entities are bound by law to issue policies and procedures regarding:

* Implementing regulations regarding the conduct of ongoing customer due diligence and evaluation of transactions;

1. Employment supervision proceduress to raise employees' integrity; and
2. Training programmes to enable employees to assist in know-your-customer requirements, among other things.

In connection with the general obligation on reporting entities imposed by the Anti-Money Laundering Law, the CBM recognised the country's need to comply with global standards for banking regulation, supervision and practices under the Basel Core Principles and observe the recommendations of the ***Financial*** Action Task Force 40. As a result, the bank published the AML/CFT Risk-Based Management Guidance Note on January 27, 2015, which requires banks and ***financial*** institutions to develop effective frameworks to manage money laundering or terrorism-related ***financing*** risks, which shall include having a risk management process and framework in place. Subsequent to this, the CBM also issued Directive No. 21/2015, which provides general guidance on know-your-customer procedures, which is deemed part of developing an effective framework to manage risk related to money laundering activities.

**Competition Law**

Myanmar's Competition Law, enacted on February 24, 2015, aims to protect the public from trade monopolies, market control and unfair competition by businesses - activities that are deemed to be inconsistent with the policy of the state of promoting a free and fair competitive commercial environment. The law also enumerates acts that are considered to restrain competition, including but not limited to:

* Controlling the market;

1. Negotiating and setting the purchase price by business entities;
2. Entering into agreements that restrain competition in the market;
3. Taking advantage of a business entity's dominant status in the market;
4. Restraining or controlling manufacturing market share, technology and technical development and investment; and
5. Negotiating prices in an auction.

**Improving Competition**

The Competition Law authorises the establishment of the Myanmar Competition Commission, which shall be responsible for implementing rules and regulations promoting fair competition. The law also envisions the creation of an investigation committee that shall be responsible for investigating and imposing penalties and fines on businesses that are found to be in violation of the law. Prohibited acts include:

* Disclosing business secrets;

1. Discrediting another business;
2. Conducting advertising and sales promotions that lead to unfair competition;
3. Selling goods in the market with prices below production cost and landed cost; and
4. Abusing one's own business influence and persuading or inducing another person/entity to breach agreements made with other businesses, among others things.

While the law was issued in early 2015, it expressly provides that it will go into effect based on a date set by the president by notification. Based on Notification No. 69, the president has designated the law's effective date to be February 24, 2017.

**Bilateral Investment Agreements**

Apart from a fast-developing foreign investment framework, and to further bolster investor confidence in the domestic market, Myanmar has also entered into bilateral investment agreements with Japan, South Korea, the Philippines, China, Laos, Vietnam, Thailand, Israel and India. As a member of ASEAN, Myanmar is also a party to various multilateral agreements that aim to develop and enhance cross-border trade and investment among ASEAN-member states. This includes the ASEAN Comprehensive Investment Agreement and the agreement on the ASEAN Economic Community.

Myanmar law also recognises various dispute resolution mechanisms, including domestic and international arbitration, to resolve investment-related disputes. Myanmar has, in fact, recently acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which would allow Myanmar's courts to recognise arbitral awards made in jurisdictions party to the same convention. The ratification of the New York convention is expected to give foreign investors an added measure of security in protecting their investments. The country's government also recently enacted the 2016 Arbitration Law that is intended to provide a framework capable of supporting the recognition and enforcement of foreign arbitral awards by Myanmar courts.

**Labour & Employment Law**

While there is no overarching labour legislation or employment code in Myanmar, various labour laws are in place that provide the minimum standards for employment in Myanmar. The Shops and Establishments Act of 1951 outlines the maximum hours of work for employees engaged at shops, commercial establishments, establishments for public entertainment and industrial establishments. The Leaves and Holidays Act of 1952 mandates the provision of earned, casual and medical leave days, and the manner by which they may be used by employees. The Myanmar Social Security Law of 2012 requires the remittance of monthly contributions. The Labour Disputes Settlement Law of 2012, as amended in 2014, provides the framework for employer-employee disputes, and the Employment and Skill Development Law (ESDL) sets out the particular matters to be included in an employment contract, as well as requiring an employer to execute an employment contract with the employee within 30 days from the appointment of the employee.

**Labour Updates**

In addition to these laws, the Ministry of Labour, Employment and Social Security (MLES) has issued a series of notifications for 2015 to strengthen the enforcement of existing labour legislation or update existing policies to address the needs of the present time. These notifications, which cover matters pertaining to separation pay, minimum wage and procedures for employment contract registration, are discussed below.

The MLES, through Notification No. 84/2015 dated July 3, 2015, has prescribed a schedule of termination payment rates that may be expected by employees. These termination payment rates are based on the employee's last drawn salary (without overtime payment) and the employee's tenure with the employer. Minimum wage rates were also set in 2015. The National Committee for Minimum Wage, under Notification No. 1/2015, set the minimum wage in Myanmar at MMK450 ($0.41) per hour and MMK3600 ($3.24) for eight working hours. The minimum wage requirement, effective as of September 1, 2015, applies to all types of businesses and locations, except for small enterprises with 15 workers or less and small-scale family businesses.

Finally, the MLES issued Notification No. 1/2015, implementing the contract execution provisions of the ESDL. The notification, effective as of September 1, 2015, specifically mandates:

* Execution of employment contracts within 30 days from the date of appointment of an employee, mirroring Section 5(a) of the ESDL;

1. Mandatory use of a template employment contract; and
2. Use of a salary record book in the format provided by the MLES.

While the imposition of terms in a prescribed employment contract is not specially provided in the ESDL, as it only enumerates the general subjects that are required to be covered in employment contracts, Notification No. 1/2015 supplements the ESDL by prescribing an actual template agreement, the terms of which are to be reflected in employment contracts to be signed between all employers and employees. The prescribed template is currently only available in Myanmar. Although the prescribed employment contract attempts to comprehensively cover all terms required in an employer-employee relationship, deviations from the prescribed employment contract may still be necessary to conform to peculiarities to a specific profession and to satisfy the requirements of other applicable laws. Notification No. 1/2015, however, does not clearly state if such deviations will be allowed.

The MLES, with the issuance of Notification No. 1/2015, intends to strictly enforce the ESDL's contract execution provisions and will monitor compliance with both the 30-day execution requirement and the content requirement as set forth in the prescribed employment contract through the mandatory presentation and approval of all contracts to the relevant township labour office. Failure to satisfy the 30-day execution period is punishable with a penalty of imprisonment for a maximum period of six months or a fine, or both. Meanwhile, a failure to comply with the terms and conditions of an employment contract, which may include a failure to include the terms and conditions in the MLES' prescribed employment contract, is subject to a penalty of imprisonment for a maximum of three months, or a fine, or both.

**Dealings With Foreign Currency**

The promulgation of the Foreign Exchange Management Law in 2012 has significantly liberalised the ability of both locals and foreigners to deal with foreign currency in Myanmar. The law requires all foreign exchange transactions to occur through banks that have been authorised by the CBM to deal in foreign exchange. As such, foreign investors may now open foreign currency accounts at authorised banks within Myanmar and maintain foreign currency accounts abroad, as well as remit foreign exchange abroad, subject to the approval of the relevant government authorities.

For foreign investors operating under an MIC Permit, upon approval from the MIC and the CBM, they may transfer or remit foreign currency initially brought into Myanmar for purposes of the investment. These amounts include net profits, dividends received by shareholders who brought foreign capital into Myanmar, and amounts receivable upon liquidation of the enterprise.

**Ordinary Transactions**

Apart from the remittance of foreign currency by foreign investors operating under an MIC Permit, the Foreign Exchange Management Law also enumerates foreign currency transactions known as ordinary transferred payments, and which, according to the law, cannot be restricted, whether or not one is operating through an investment permit. Ordinary transferred payments include:

* Trading and services, and payments for short-term bank loans;

1. Interest payable on loans, and net profit accrued from investments;
2. Repayments of loans in instalments, or depreciations for direct investments; and/or
3. Local remittances or those from abroad for an individual's family.

Notwithstanding such language, Myanmar's banks still generally require the approval of the CBM for any loan repayments of any shareholders' or offshore loans, even for those companies that may not be operating under an MIC Permit. The practical effect is that foreign investors, whether operating under an MIC Permit or not, will be required to obtain the prior approval of the CBM for any intended inward remittance of shareholders' or offshore loans, as well as intended outward remittance of principal, interest and profits.

**Obtaining Approval**

The CBM, in its Notification No. 7/2014, otherwise known as the 2014 Foreign Exchange Management Regulations (FEMR), affirms its role in approving any inward or outward remittances of foreign currency. Under the FEMR, foreign investors remitting ***funds*** into Myanmar are required to present documents to the CBM reflecting that the remittance was made to a foreign exchange licensee. This requirement applies to all investors, including those that have obtained an MIC Permit or an SEZ Permit.

In addition, internal residents obtaining offshore loans will need to request prior permission from the CBM. The FEMR expressly provides that when obtaining offshore loans internal residents, which includes companies or branch offices established under Myanmar law, shall request prior permission from the CBM and shall therefore present the loan agreement together with such other documents as may be required by the CBM. Among the information to be provided in the application are the objectives of the loan, the terms and conditions for its repayment, and the interest rate. This rule affects all foreign entities including those with an MIC Permit or SEZ Permit.

The Foreign Exchange Management Law was amended in 2015 to strengthen regulatory oversight on foreign exchange flows. The proposed amendment covers issues involving export earnings, offshore loans, capital payments on foreign investments undertaken by internal residents, and the transfer of gold and other jewellery.

**Related Amendments**

Regarding existing requirements on foreign currency export earnings already found in the FEMR, the proposed amendment reiterates the obligation to deposit such export earnings at an authorised bank within a prescribed period of time. Foreign currency loans contracted by Myanmar residents must also be obtained with prior approval from the CBM, a requirement already set out in the FEMR.

Customs regulations found in the FEMR on dealings with gold, foreign currency and jewellery are also reiterated in the proposed amendment, which confirms the need to obtain Customs approval at the port of entry or exit for the import or export of gold and other jewellery, and foreign currency exceeding $10,000. Finally, the proposed amendment also seeks to regulate dividends earned by Myanmar residents from overseas investments by requiring that such dividends be remitted into Myanmar only through authorised banks, as opposed to, for example, more informal and thereby unregulated foreign exchange channels.

Penalties range from imprisonment of up to one year, a fine or both for non-compliance in reporting export earnings, obtaining offshore loans and transacting capital payments on foreign investments, and imprisonment of up to three years or a fine or both for unlawful transfer of gold, foreign currency and other jewellery.

**Liberalisation Of Banking**

2015 was also a significant year for Myanmar's banking industry with the issuance of CBM licences to nine foreign banks that are now permitted to engage in commercial banking activities, but are limited to opening of accounts for and ***granting*** of loans to foreign companies or domestic banks. Foreign companies are defined as a foreign entity in Myanmar with 100% foreign ownership, a joint venture company between foreigners and Myanmar citizens, and an authorised branch or representative office of a foreign company in Myanmar. Presently, the scope of permitted activities for licensed foreign banks is limited and they are still not permitted under their licence to engage in retail banking activities.

The nine foreign banks that obtained CBM licences in 2015 include: Bank of Tokyo-Mitsubishi UFJ, Oversea-Chinese Banking Corporation, Sumitomo Mitsui Banking Corporation, United Overseas Bank, Bangkok Bank Public Company, Industrial and Commercial Bank of China, Maybank, Mizuho Bank, and Australia and New Zealand Banking Group.

On December 14, 2015, the CBM announced its intention to conduct a second round of foreign bank licence approvals that is intended to entice investment from banking institutions from other countries. Accordingly, countries whose banks have already been ***granted*** a licence during the first round of approvals (Australia, Japan, China, Malaysia, Singapore and Thailand) are no longer permitted to participate in the second round.

**Stock Exchange**

With the launch of the Yangon Stock Exchange (YSX) in December 9, 2015, the country's public companies are preparing to shift from over-the-counter trading to trading shares in a centralised exchange. While the YSX was launched in December 2015, trading has not yet commenced and the companies that have expressed their interest to be listed on the YSX will still need to undergo evaluation.

The firms that have expressed their intention to list on the YSX include: First Myanmar Investment Company, First Private Bank, Great Hor Kham Public Company, Myanmar Agribusiness Public Corporation, Myanmar Citizens Bank and Myanmar Thilawa SEZ Holdings.

The listing criteria for the companies proposing to list on the YSX were issued by the YSX on August 14, 2015 and broadly covers requirements relating to corporate existence, level of paid-up capital, shareholder composition and profit levels, as well as corporate governance and management compliance requirements, including corporate policies on auditing, tax, insider trading and reporting. Presently, however, the existing rules only permit Myanmar citizens to invest in companies listed in OBG would like to thank *Kelvin Chia Yangon*for its contribution to THE REPORT Myanmar 2016 the stock exchange. It is anticipated, however, that additional legal mechanisms will be put in place once the draft Myanmar Companies Law is passed. The first stock trading date will be announced at a later time once the YSX determines that all matters necessary for trading are available.

**Conclusion**

Myanmar has continued to modernise its legal framework despite a shift in focus at the end of 2015 on the conduct of the elections. Notably in the second half of 2015, several notifications were issued that enhanced existing labour regulations, foreign exchange legislation and anti-money laundering requirements.

Hence, Myanmar's government appears steadfast in providing a legal framework consistent with international standards. During this transition period, the modernisation of the country's legal framework continues with the issuance of the 2016 Arbitration Law at the beginning of the year. Significant laws such as the Foreign Investment Law, Myanmar Companies Act and the IP regulations are still in the pipeline and are to be considered once the country's Parliament reconvenes.

The peaceful conduct of the November 2015 elections and the acceptance by the present ruling party of the result in favour of Daw Aung San Suu Kyii's opposition National League for Democracy sparked ever-increasing interest in Myanmar and its opportunities for economic growth.

However, the pace and extent of this interest in Myanmar is still to be determined. Considering the country's ongoing efforts to modernise its legal framework in recent years, it seems very likely that this trend will continue going forward. The outlook for foreign investors seeking to expand into Myanmar is therefore promising.

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**End of Document**



[***Tourism development in the Dominican Republic: An examination of the economic impact to coastal households***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BM4-FYP1-JBMY-H0J0-00000-00&context=1516831)

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**ABSTRACT**

Coastal tourism projects are promoted in the Dominican Republic as national-level economic development initiatives that will create jobs for local residents, subsequently benefiting the households in these communities. However, the economic benefits of tourism can be severely weakened as a result of the neoliberal economic policies that guide such projects. Like other economically developing countries—particularly small island nations—the Dominican Republic embraced neoliberal policies that have ultimately reshaped the country’s economic, political, cultural, and physical landscape. As a result, transnational companies, foreign investors, and large-scale enclave tourism projects are the dominant form of tourism development in the Dominican Republic. Though companies’ revenue and profit data are not available for analysis of economic leakage, households can be investigated to understand the level of economic benefits obtained by residents of the local communities. Toward this end, 360 household surveys were collected to examine household income and material assets across 12 coastal communities in three regions of the Dominican Republic. Because of the noted differences in previous development literature, gender of the head of households and whether the household was dependent on income from tourism employment were compared across these measures after adjusting for regional differences. Results indicate that the gender of the head of the household and tourism dependency positively predicted household income, while only gender of the head of the household predicted material assets.

**FULL TEXT**

**Introduction**

Tourism researchers are questioning the unchecked acceptance of a neoliberal capitalist ideology that has uncritically been guiding tourism development (Ateljevic et al., 2012; Bianchi, 2009). As a political practice, tourism has the potential to exacerbate inequalities of class, gender, and race (Bianchi, 2009; Hall, 1994); conversely, if planned and managed correctly, with the explicit inclusion of local communities and focus on the redistribution of costs and benefits spread across all stakeholders, tourism can lead to equality, equity, and justice (Higgins-Desbiolles, 2008). In the contexts of lesser economically developed countries (LEDCs), and small island nations such as the Dominican Republic (DR), the global political economy has created a situation ripe for foreign investment, the establishment of transnational and multinational companies (TNCs/MNCs), and the growth of enclave tourism development, which are likely to intensify inequality and inequity in the region.

This study examines the economic impact of tourism on household income and material assets in coastal communities; differences based upon head of the household gender and household tourism dependency are investigated, adjusting for regional differences. The findings relate to the broader discussion of the political economy in the DR and contribute to the literature by critically analyzing these tourism impacts across gender in rural coastal communities. Furthermore, this study applied a social justice framework which utilizes a distributive paradigm to understand how social costs and benefits, such as wealth, income, and material resources are dispersed among societal populations. Distributive patterns in tourism are situated within historical and political contexts and are directly influenced by power relations dictated by social constructions of gender, class, and race (Ferguson, 2010b; Hall, 1994). Embedded in the politics of tourism, power plays an important role in decision-making and the subsequent distribution of the costs and benefits of tourism development (Hall, 1994, 2003). The unequal distribution of impacts is often detrimental to marginalized groups, which include those of lower economic class and women (David, 2002). Within the context of this study, the effects of the global political economy and neoliberalism on a small island nation are explored by investigating the economic impact of tourism at the household level.

**Study site**

Though the DR entered the Caribbean tourism industry late, it quickly became one of the strongest destinations in the region. International tourist arrivals to the DR grew an average of 9% per year between 1993 and 2002, and increased from 3,282,000 in 2003 to 4,125,000 in 2010, after holding steady during the 2008–2009 economic recession (World Data Bank, 2013). Tourism propelled the DR into being an upper-middle-income country with one of the largest economies in Central America and the Caribbean (World Data Bank, 2013). In 2011, with 66,790 hotel rooms, tourism accounted for 4.7% of the total gross domestic product (GDP), and directly or indirectly supported 14% of all employment in the country (Association of Hotels and Tourism in the Dominican Republic and the Central Bank of the Dominican Republic, 2013; WTTC, 2012), though many of the rooms are concentrated within just a few tourism establishments, reflecting the dominant form of tourism development (see Barrera et al., 2008).

As such, most of the DR’s large-scale tourism development is characterized by foreign ownership and investment (see Sasidharan and Hall, 2012). For example, Carnival Cruise, Inc. has invested USD $85 million to develop the “Amber Cove” cruise terminal on the North Coast outside of the City of San Felipe de Puerto Plata (Puerto Plata), set to open in October 2015. Former Tourism Minister Francisco Javier Garcia stated that the project was to move quickly, “mostly because [this] investment doesn’t require any ***financing*** or Dominican Government facilities for the investors” (Dominican Today, 2011: para. 3). In the Eastern Punta Cana region, there were over 50 foreign firms who initially invested approximately USD$800 million in the 30,000 acre Cap Cana luxury resort. The unprecedented project included approximately 5 km of coastline, million dollar homes, world-class golf courses, amenities, and hotels, contained within a secure, gated community (Classical Reality International, n.d.). AMResorts, a subsidiary of the U.S. Apple Leisure Group, owns six resort brands and in early 2015, they announced two new DR resort contracts, one adjacent to the Cap Cana luxury community and the other in the Southeast La Romana-Bayahibe area (Hotel News Resource, 2015). These examples typify the size, scope, and hegemonic nature of DR tourism projects, which often make it difficult for local communities to enter the planning discourse, open tourism businesses, or participate in the industry except as low-level employees (Brennan, 2004; Hall, 1994).

Development at this scale requires substantial capital and credit lines, which local entrepreneurs in LEDCs often do not have access to (Hall and Lew, 2009). Likewise, foreign tourism companies from more economically developed countries (MEDCs) have access to managerial expertise, marketing skills, and professional networks that outcompete local businesses. These projects often import outside employment and repatriate profits to their countries of origin, further reducing local residents’ economic opportunities and preventing the lowest earners in small island states to advance economically (Scheyvens and Momsen, 2008). Moreover, enclave tourism development or the “all inclusive” resort model is comprised of self-sufficient properties that give tourists little reason to leave the property, which reduces opportunities for the development of the informal tourism sector (Carlisle, 2010). Enclave tourism also stresses the environmental, cultural, and social resources; reduces local access to resources; causes resident displacement; and creates a sense of powerlessness (Buncic, 2008; Carlisle, 2010; Freitag, 1994, 1996). Yet, this neoliberal tourism development strategy has been supported because of the suggested “trickledown effect” of money and capital to lower socioeconomic classes that should result (Bianchi, 2009; Brennan, 2004). By exploring the impact of neoliberal tourism development on household income and material assets, manifested in large-scale enclave tourism development, this study indirectly investigates the extent to which economic impacts are trickling down to the local communities impacted by this type of development.

**Political economy**

Political economy refers to the production, accumulation, and distribution of wealth within a society, including the role of government and how political behavior influences the structure of the economy (Bramwell, 2011; Mosedale, 2011; Williams, 2004). Since “economic relations permeate in all aspects of our everyday lives” (Bianchi, 2009: 488), the critical questions that should be asked include: who *controls* economic policy and processes?, Who *benefits* from the policies and processes?, and Who *is impacted by the consequences* of the policies and processes? (Hall and Lew, 2009). Scholars have previously noted the paucity of tourism research that has considered the role of the political economy given its relevancy to the discussion of tourism impacts and sustainable development (Bramwell, 2011; Mosedale, 2011; Williams, 2004).

Important to the context of the DR, is investigating the political economy between LEDCs and MEDCs, which is also discussed as the distribution of wealth across the Global North–South divide. Embedded in the tenets of Marxism, dependency theory was popularized in Paul Baran’s (1957) *The Political Economy of Growth*, which suggests that current development is influenced and situated within the historical condition of LEDCs being dependent on MEDCs. In this regard, MEDCs growth comes “at the cost of, and often on the backs of, the developing nations” (Wiarda, 2005: 30). Dependency theory originated after a critical analysis of economic development in Latin America, which employed this “outward-oriented model in which the region provided primary goods to Euro-American markets” (Peet, 1991: 43). The political economy of Latin America must be considered within the historical effects of colonialism, and neocolonialism, the continued economic imperialism that persists through global capitalism. Andre Frank (1967), and other world-systems theory thinkers, proposed that slow economic development, or underdevelopment of Latin America, is not caused by “backwardness”—a tenet of modernization theory which had previously dominated discourse—but rather, is a result of continuous economic disadvantage and pillaging of resources.

**Political and economic conditions in the DR**

Like many small island states, the DR has experienced political, social, and economic issues that influenced its pace of development. The DR gained independence from Spain in 1865, was occupied by the U.S. between 1916 and 1924, and was ruled by successive dictatorships culminating in the repressive reign of Rafael Trujillo. The first democratically held election was in 1996; however, political corruption is still rampant (Ferguson, 2001b). ***Agricultural*** commodities, primarily tobacco, coffee, cocoa, and sugar, drove the DR economy through the 1970s (Pozo et al., 2010). The mid-1980s and 1990s saw drastic inflation, devaluation of the DR Peso, rising unemployment rates, and deteriorating income levels, all of which increased the poverty level (Ferguson, 2001a). This was in part a result of the privatization of sugarcane production and the collapse of coffee prices, which triggered a need to diversify the Dominican economy.

As a condition to secure international loans from agencies such as the International Monetary ***Fund*** and World Bank, the DR was required to open its borders to international trading, lifting trade barriers and government controls, and implementing new economic policies that encouraged further globalization. These economic policies are known as structural adjustment policies (SAPs) and are reflective of neoliberal ideology. They involve a combination of short-term strategies aimed at stabilization and long-term structural reforms aimed at transforming state-controlled economies into global market economies (Gregory, 2007). For example, free trade zones (FTZs), or designated areas near transportation hubs that could receive material goods from across the globe for further manufacturing and reexporting without interference from the government, appeared in the DR at this time (Pozo et al., 2010). Economic incentives, including attractive taxation and a cheap labor force, also encouraged TNCs to take advantage of the open borders and invest in, or relocate facilities to, the DR. Specifically, the foreign direct investment law (or Tourist Incentive Law) was also established during this time, which eliminated restrictions on foreign tourism investment and encouraged large-scale enclave tourism in special economic zones similar in concept to the FTZs (Freitag, 1994; Pozo et al., 2010; Roessingh et al., 2008). Since tourism in the DR is developed in rural areas lacking necessary infrastructure (e.g. water treatment, sewage, stable electricity), developers are ***granted*** concessions and are exempt from certain costly policies. At the national level, foreign tourism development was initially encouraged to increase economic diversification, though indicators suggest that the DR is increasingly dependent on tourism (Freitag, 1994; Wilkinson, 1989, 2009). Nonetheless, it is within this context that the stage was set for the foreign-owned, large-scale tourism development model to dominant the landscapes in the coastal regions.

And while the benefits accrue for the TNCs, neoliberal economic policies and SAPs have more recently been criticized for not creating their intended trickledown economic effect because the jobs they produce are often low paying and seasonal. Furthermore, much of the social welfare burden has been transferred from the state to families through the cutting of social support programs, which further oppresses vulnerable and disenfranchised groups such as women and the poorest sectors of society (Connelly et al., 2000; Momsen, 2004). Since these policies resulted in less spending on social programs and few economic opportunities, Dominicans began relying more on the informal employment sector, remittances from abroad, and the opportunities of temporary or permanent migration as revenue streams that could increase their household income; moreover, they have had to move away from single-earner households and rely on dual/multiple incomes (Cabezas, 2004; Gregory, 2007).

As a result of these economic conditions, in 2003 inflation skyrocketed to 42.7% (Barrera et al., 2008) and by 2004, 3% of the population was in extreme poverty (World Data Bank, 2013). However, by 2007 inflation had stabilized and tourism development resumed (Barrera et al., 2008), with only 2.39% of the DR population (total pop = 99,270,000) living in poverty in 2010 (World Bank Data, 2013). Still, like many Latin American countries, the DR has high levels of income inequality (Hammill, 2005). Using the GINI Index, which measures the degree of inequality in the distribution of income or wealth, the World Bank scored the DR at 47.2% in 2010, as 10% of the population made 36.4% of all income, while the bottom 10% made 1.8% (World Data Bank, 2013). Reducing levels of poverty, in conjunction with creating a more balanced distribution of income, stronger public institutions, and improved basic services for residents, remains as important development goals (Barrera et al., 2008). However, the DR has one of the lowest ratios of social spending to GDP compared to other Latin American countries (Hammill, 2005).

The DR also faces high unemployment; 2010 data indicate a 69% labor force participation rate for those between the ages of 15 and 64 (World Data Bank, 2013). In 2013 the International Monetary ***Fund*** noted that although the DR maintained high rates of output and productivity growth, employment rates remained weak during the last 20 years, and that jobs are continuing to be low status and pay (Abdullaev and Estevao, 2013). The report also cited rampant labor market informality, inequality, and poverty as factors contributing to the imbalance in employment creation.

Unemployment in the DR, as in other LEDCs takes on various forms (Bulmer-Thomas, 2012). Seasonal unemployment occurs when there is a reduced demand, thus reduced need for labor, at a specific time of the year (e.g. “tourist off-season”), which results in higher unemployment. “Disguised” unemployment occurs when there is an excess of labor such that an individual’s productive value is lessened or becomes redundant because there are fewer vital jobs than there are employees (Wellisz, 1968). It has historically been a recurring issue in many Caribbean nations including Cuba and Guyana, though the DR has more recently experienced problems with open unemployment (Bulmer-Thomas, 2012). Open unemployment in the DR is believed to occur where laborers are not compensated in a way that matches their level of skill or education, a symptom of neoliberal economic policy. Abdullaev and Estevao (2013) argue that “low employment rates in tandem with low open unemployment rates point to low labor force participation as a significant labor market problem in the Dominican Republic” (p. 6).

Broad unemployment rates are also connected to crime and incarceration rates to some extent. In a 2014 report, the U.S. Department of State, claimed the crime rate in DR is “high” with the International Center for Prison Studies (ICPS) indicating that for every 100,000 DR residents, 233 are incarcerated (relatively high per 100,000 residents compared to some of its neighbors; e.g. Jamaica (145), Haiti (97) and low compared to others; e.g. Puerto Rico (351). While unemployment was listed as a contributor to crime and incarceration in the DR, incarcerated individuals are not included in calculations of unemployment as defined by the World Data Bank (2013). Thus, it is difficult to determine exactly how crime and subsequent incarcerations affect unemployment rates and consequently household income in the DR. It should be noted, however, that men and women are equally represented in open unemployment rates, while broader unemployment is higher (58%) for women. Open unemployment is also highest for youth and first time job seekers in the DR (Abdullaev and Estevao, 2013). With only 2.3% of the prison population in the DR comprised of youth and 2.5% of the prison population comprised of women, it would appear that incarceration is not a major contributor to open or broad unemployment in the DR, were these numbers to be included in the calculation of unemployment (ICPS).

**Gender, development, and labor force participation**

Gender carries with it constructions of power, and thus, can impede or promote political participation and create differential outcomes for women and men in development projects (Momsen, 2004). Within Dominican communities, gender identity, relations, and roles are shaped by the traditional gender ideology, *machismo–marianismo*. Gendered divisions of labor continue to be defined by this ideology because it created separate spheres where “men’s place is in the public realm of ‘la calle’ (the street) and women’s place is in the private realm of ‘la casa’ (the home)” (Raynolds, 2002: 786). Researchers have investigated the way in which women are being involved in the labor force in LEDCs as global restructuring shifts them into the public sphere and challenges the traditional division of labor (Connelly et al., 2000).

As such, labor participation and the way women become active in employment outside the house needs to be examined. While neoliberal ideology has become the impetus for women to work outside of the household, they still face barriers related to challenging the traditional gender ideology that places them at a disadvantage in the job market. Young women are most affected by discrimination in the labor market, with a 39.3% unemployment rate for women between the ages of 15 and 29 compared to the 18.8% unemployment rate of men of the same age (Centro de Estudios de Género (CEG), 2012). In this regard, lack of access to jobs—and continued barriers to higher paying jobs by women—may lead to lower levels of household income, particularly for households headed by women. According to the Center for Gender Studies at the Instituto Tecnológico de Santo Domingo (CEG, 2012), in 2011 over three million people were registered as poor in the DR and 65% of these are households headed by women. Additionally, over half (51%) of employed women are involved in the informal labor market, which results in higher levels of job insecurity and social vulnerability. The informal labor market is a part of a dual economic system in contrast to the “formal sector,” is characterized by easy labor entry and family ownership, and is composed of unregulated institutions, often physically located within the household (Kermath and Thomas, 1992). Past research suggests that women are more likely to be involved in the informal labor market because it allows them to balance employment outside the household with their domestic and reproductive responsibilities (Duffy et al., 2012; Ferguson, 2010a).

**Methods**

This study examined the impact of tourism on household income and material assets in coastal communities, with a particular interest in differences across gender of the head of the household and tourism dependency. Examination of income and wealth distribution using the household as the unit of analysis does not come without its critiques. For example, some argue that such a simplistic approach may overlook exchanges of economic resources (Folbre, 1986; Raynolds, 2002). Because economic realities are experienced, felt, and shared at the household level, the researchers took care to ask detailed questions regarding economic generation by all members.

**Data collection**

During the summer of 2012, a local research team along with the primary investigator conducted in-person structured survey interviews using a household questionnaire. Aside from the primary researcher who was a Western, White woman, the research team included four Dominican women who helped collect data, translate, and provide local contextual information when necessary. While Dominican society is patriarchal, the data collectors did not detect any bias from respondents based on the forthright comments provided by both men and women.

Data were collected from 12 communities representing three coastal regions in the DR; the North, South, and East Coast (Figure 1, Table 1). These regions were identified for this study based on several sources of data: previous tourism research that had utilized locations in the DR and provided rich descriptions of the communities (Freitag, 1994, 1996; Gregory, 2007; Leon, 2007; Roessingh and Duijnhoven, 2005), travel guides (e.g. Lonely Planet, Fodors, and Frommer’s), and the Ministry of Tourism Office (e.g. information from the official tourism website as well as phone calls to regional marketing offices in the U.S.). Figure 1.Map of communities surveyed in DR.*Source:* Reprinted with permissions from Elsevier.Table 1.Community descriptions.

|  |  |
| --- | --- |
| Lupéron (pop. 20,000) | Located on the North Coast, 25 km west of the Puerto Plata Tourist Zone, it had traditionally been a coastal ***agricultural*** community before it became the center of enclave tourism between 1986 and 1995 (Freitag, 1994, 1996). The major mass tourist resort permanently closed in 2011, resulting in a drastic decrease in tourism. There remains a trickle of tourist activity from fishing vessels and sailboats who port in the Puerto Blanca Marina, but many of the tourist shops and restaurants have since closed (Duffy, 2013). Tourism money had improved community infrastructure (e.g. roads, sidewalks, lighting) but much of this has deteriorated with tourism’s decline (Duffy, 2013; Freitag, 1994, 1996). |
| Maimón (pop lthan 1000) | This small community, 24 km west of Puerto Plata, was primarily a fishing village until the first hotel complex opened in 1998. Situated on a bay, in 2012, Carnival Cruise announced it would develop a new private port in the Maimón Bay (the Amber Cove), set to open at the end of 2015 (Duffy, 2013). |
| Puerto Plata (pop. 280,000) | San Felipe de Puerto Plata is the largest city in the Puerto Plata province. Of focus in this study was the Puerto Plata Tourist Zone (60 km stretch between Maimón and Cabarete). This was the first area to receive attention from the newly formed INFRATUR (Department of Investment and Infrastructure) and was given USD$76 million in World Bank ***funds*** in the 1970s to develop a malecon and other tourist infrastructure, which has positioned it as the second most popular region for tourist arrivals. However, the city has been overrun by negative tourism impacts due to poor planning and control (e.g. environmental degradation, crime, prostitution, overcrowding), leading to a decline in tourism, major economic leakage, and poor reinvestment in the community (Freitag, 1994, 1996; Roessingh and Duijnhoven, 2005, 2008). |
| Cabarete (pop 40,000) | Cabarete, located 37 km east of Puerto Plata, has become a major destination for adventure sport tourists, particularly windsurfing and kitesurfing. Major accommodation development occurred in the 1990s and continues to attract investors for new condo development—one of the few locations on the North Coast that is still a thriving tourist destination (Duffy, 2013). |
| Palenque (pop 15,000) | Palenque (Sabana Grande de Palenque), located west of the capital city, Santo Domingo, has predominantly been a day-trip destination for regional locals. Multiple investors have attempted to purchase land for enclave development but plans have fallen through due to public outcry and lawsuits over property rights as it would limit public beach access (Duffy, 2013). |
| Andrés—Boca Chica (pop gthan 120,000) | Andrés and Boca Chica are located 30 km southeast of Santo Domingo, nestled closely to the international airport, free trade zone, and major trading port. Andrés had traditionally been a sugar batey (company town) and ***agricultural*** community while Boca Chica had the sugar mill. Boca Chica eventually became a seaside resort town attracting both domestic and foreign travelers. However, through the complexities of globalization, it has become a hot spot for prostitution, sex tourism, and drugs. Additionally, after the 2010 Haiti earthquake, Haitian immigration has abounded in this area (Duffy, 2013; Gregory, 2007). |
| Juan Dolio (pop. 3000) | Juan Dolio, located 50 km southeast of Santo Domingo. In 1973, fishing access was limited by the government in order to increase tourism. Europeans became a major market as well as domestic wealthy families from Santo Domingo who purchased second homes that line the beach front, further limiting local access to the beach. In 1998, Hurricane Georges caused major damage to the community; instead of investing money to fix the damage, many of the private investors moved on to the more popular Punta Cana region. Highway 3, designed to improve access to the beach, now creates a literal divide between the tourists/wealthy elite and local residents (Duffy, 2013). |
| Boca de Chavon (pop. lthan 1000) | Boca de Chavón receives little direct tourism to the community; however, most residents commute (sometimes for weeks) to other communities for tourism work such as, La Romana, Bayahibe, and Bávaro. The community is located next to Casa de Campo, one of the largest and longest standing all-inclusive resorts in the DR, and continues to face pressures from investors who want to purchase the community’s land (Duffy, 2013; Leon, 2007). |
| Bayahibe (pop. 2000) | Bayahibe, located 10 km east of La Romana, is insulated from many of the urban ills that face Boca Chica, Andres, and Juan Dolio. Tourism is the primary industry and is driven, in part, by the community’s first class scuba diving opportunities. Traditionally, Bayahibe was a fishing village, but many of the fishermen became boat drivers to transport tourists over to Isla Saona. People in the community have grown dependent on tourism, and it has brought many positive aspects to the community including jobs and infrastructure such as medical services. While it sits near many large-scale enclave tourism developments in Punta Cana, the town itself has had smaller independently owned hotels established, though they are struggling to compete with the resorts (Duffy, 2013). |
| Otra Banda (pop. 8000) | Otra Banda is an inland community in the La Altagracia province that sits on the outskirts of Higüey, a large working-class community. It “popped up” as a migrant tourism community where workers live and commute 30–45 min to work each day via buses provided by the resorts. Though the houses were in relative good shape, there is no piped water. Additionally, many of the households in this community were not made up of family units but coworkers who migrated there for work. That said, the community is flourishing in view of some of the challenges experienced by its neighbors (Duffy, 2013). |
| Nuevo Juanillo (pop. lthan 500) | Nuevo Juanillo is known by Dominicans across the country for its forced displacement by the Cap Cana luxury resort (30,000 acre resort with 12 hotels, 5.3 miles of oceanfront property). Located in the La Altagracia/ Punta Cana region, Juanillo was a fishing community until “Cap Cana representatives offered them two choices: a house in a new housing project (5 km inland) constructed for them, or a lump sum of money” (Leon, 2007: 356). While the resort followed through in building the housing, other promises (e.g. water, electricity) and gainful employment (e.g. fishing, tourism work) fell through. Most residents have since left and the resort has begun using it to house employees (Duffy, 2013; Leon, 2007). |
| El Macao (pop. lthan 500) | El Macao is located directly north of Bávaro in the Punta Cana region and is largely exempt from the all-inclusive resorts. When investors began surveying the land for purchasing in El Macao, the residents united to prevent land purchases, due to similar occurrences in other regions. They continue to have tourists visit the area for surf lessons, ATV and dune buggy rides, and horseback riding; often these tourists are coming from resort properties (Duffy, 2013). |

Once the communities were selected, “barrios” (i.e. neighborhoods) were purposefully selected through observation and word of mouth. After neighborhoods were identified through spatial analysis using current satellite maps, systematic sampling was employed by selecting a central starting point or what would appear to be the “main street,” and approaching every second house for inclusion in the study (side roads and connecting streets were also included). This procedure allowed for data collection throughout the heart of local residential communities. There were two data collection periods—morning and late afternoon; if less than 20 surveys were collected, a third round of data collection occurred. Heads of the household or their partners, over the age of 18, were invited to participate in the survey.

***Instrument* questions**

The household questionnaire was translated into Spanish by a native Dominican speaker and contained 28 items regarding demographic and employment information, household income, and material assets. It was reviewed by the local research team prior to data collection to ensure accuracy.

**Household income**

This study measured household income using the methods of the Central Bank of the Dominican Republic’s national survey (Banco Central RD, 1999). The procedures included measuring monthly household cash income from work, remittances from abroad, child support, and government programs. A maximum of three activities was recorded for each member of the household and coded by industry (e.g. tourism, ***agriculture***, fishing), and the sum of all income reported was calculated (also see Leon, 2007). ***Instrument*** questions also distinguished between types of work: self-employed (i.e. you sell what you make, grow, catch; I have my own job), temporary worker (i.e. work odd jobs when needed; contracted on demand), wage earner (i.e. steady income from a job; hired by a business), entrepreneur (i.e. own your own business; hire people to work for you), and unpaid work (i.e. work in a family business without direct pay).

**Gender and head of the household**

The term “head of household” was originally created as a way to identify the chief economic provider or main decision maker of the household. However, it is also a concept imbued with gender ideology and patriarchal norms positioning the “man” as the person of authority (Budlender, 2003). Development projects have targeted women because their involvement is pivotal for addressing poverty and improving household standard of living; households headed by women tend to spend a larger percentage of their earnings toward household amenities and family needs such as child nutrition (Grasmuck and Espinal, 2000; Leon, 2007). Due to these differences, this study compared heads of the households by gender. Head of the household was captured in three items on the ***instrument***: (1) Who is the main decision maker in your household (self-report), (2) who is the head of the household (self-report), and (3) who makes the largest economic contribution to the household (woman or man; calculated through reported wages)? Cronbach’s alpha showed reliability across the three factors at .858 (mean = 1.352). As such, the self-reported head of the household variable was used as the construct for defining head of the household in this study because this is the most common technique for measurement.

**Tourism dependency and households**

A tourism-dependent household was determined in the same way that a tourism commodity is defined; households that had over 50% of their income originating directly from tourism employment were deemed tourism dependent (Hall and Lew, 2009). Leon (2007) found that tourism-dependent households, on average, were receiving higher incomes. However, she noted that the differences between tourism and nontourism household incomes could “be explained by the fact that tourism has become not just the most attractive, but the only economic option available to locals in many communities” (354). To that end, caution should be taken in the findings as even non-tourism-dependent households in this study may still receive indirect and induced economic impacts from tourism.

**Material assets**

Material assets were measured by home construction material type, presence of major amenities, and presence of material lifestyle items (Table 2). Subsequently, the numbers were summed and each household was given an overall material asset score ranging from 0 (lowest level of material assets) to 17 (highest level of material assets). The initial development of this scale was based off of ideas presented in Leon (2007), though modified for this study. This is not a validated scale and caution should be taken in generalizing the results. Table 2.Material assets dimensions.

|  | **Total possible score** |  |  |
| --- | --- | --- | --- |
| Home construction materials | Roof | 1 = cement/concrete, 0 = zinc/wood/other |  |
| Walls | 1 = cement/concrete, 0 = wood | Max: 3 |  |
| Floor | 1 = cement/concrete, 0 = wood, earth) | Min: 0 |  |
| Major amenities | Bathroom Facilities | 1 = Flush toilet, 0 = Pit toilet/ None |  |
| Water | 2 = Piped water from aqueducts, 1 = potable water/ purchased water, 0 = surface water | Max: 3 Min: 0 |  |
| Material lifestyle/ appliances | Television | 1 = “yes” they have the item, 0 = “no” they don’t have |  |
| Radio |  |  |  |
| Refrigerator |  |  |  |
| Gas stove |  |  |  |
| Washing machine | Max: 11 |  |  |
| Air conditioning | Min: 0 |  |  |
| Fan |  |  |  |
| Cell phone |  |  |  |
| Bicycle |  |  |  |
| Motoconcho |  |  |  |
| Car |  |  |  |
|  |  | Total possible score (combined): | Max: 17 Min: 0 |

**Analysis procedures**

A multivariate analysis of covariance (MANCOVA) was performed to compare means of multiple dependent variables (Tabachnick and Fidell, 2007). Household income (DV1) and material assets (DV2) were examined based on the gender of the head of the household (IV1) and whether the household was tourism dependent (IV2), when controlling for regional differences (covariate). Region was controlled for due to the potential differences between the three regions; however, analyzing regional differences was beyond the scope of this project. All data screening tests suggested the data to be robust with the exception of a violation of the assumption of variance. However, no corrective action was taken because Box’s M is known for being sensitive particularly in cases where there are unequal sample sizes for each cell (Tabachnick and Fidell, 2007).

**Results**

A total of 376 household questionnaires were collected; however, after data cleaning, 360 surveys were included in the final analysis (Table 3). Descriptive statistics were reported and a MANCOVA conducted to examine the differences in household income and material assets between households headed by men and households headed by women as well as between tourism-dependent and non-dependent households. Table 3.Number of surveys collected per community.

| **Community** | **Surveys (N)** | **Region** |
| --- | --- | --- |
| Luperón | 29 | North (38.1%) |
| Maimón | 30 |  |
| Puerto Plata | 51 |  |
| Cabarete | 27 |  |
| Palenque | 29 | South (39.1%) |
| Andrés—Boca Chica | 28 |  |
| Juan Dolio | 30 |  |
| Boca de Chavon | 24 |  |
| Bayahibe | 30 |  |
| Otra Banda | 25 | East (22.8%) |
| Nuevo Juanillo | 30 |  |
| El Macao | 27 |  |
| Total | 360 |  |

**Demographic and descriptive data**

The respondent sample was 61.7% women, and almost two-thirds of all respondents (62.2%) were a partner in a civil union or marriage. It should be noted that the sampling strategy of interviewing respondents at home could explain the larger portion of females in the sample. Average household size was 3.69 (SD = 1.65) with 2.69 (SD = 2.01) being children. While 11.4% of respondents had a postsecondary education, 43.3% had a secondary education, and 43.3% reported a primary education. Approximately 31% of the respondents had migrated to the current community they were living in and of those migrants, 70% had migrated in order to work specifically in the tourism industry (Table 4). Table 4.Demographic information of respondents.

| **Response option** | **Percentage** | **N** |
| --- | --- | --- |
| Gender |  |  |
| Women | 61.7 | 222 |
| Men | 38.3 | 138 |
| Education level |  |  |
| None | 1.7 | 6 |
| Primary | 43.3 | 156 |
| Secondary | 43.3 | 156 |
| University/higher | 11.4 | 41 |
| Relationship status |  |  |
| Single | 19.7 | 71 |
| Married | 18.3 | 66 |
| Civil Union | 43.9 | 158 |
| Separated | 13.3 | 48 |
| Divorced | 1.7 | 6 |
| Widowed | 3.1 | 11 |
| Migrant |  |  |
| Yesa | 31.0 | 111 |
| No | 69.0 | 247 |
| Age |  |  |
| Mean | 37.4 |  |
| SD | 12.5 |  |
| Number of children |  |  |
| Mean | 2.69 |  |
| SD | 2.01 |  |
| Number of people living in household |  |  |
| Mean | 3.69 |  |
| SD | 1.65 |  |

a70.1% of migrants (21.7% of all respondents) moved specifically for tourism.

Almost 90% of the men and 41% of women reported employment outside the house. Self-employment and wage earner were the two largest occupational areas for both women and men for a combined total of 84 and 86.6%, respectively (Table 5). While almost all women respondents (98.6%) reported completing household tasks, only 32.6% of men did the same. Table 5.Occupational category and area of tourism work.

|  | **Response option** | **Men** | **Women** |  |  |
| --- | --- | --- | --- | --- | --- |
| **(%)** | **N** | **(%)** | **N** |  |  |
| Works outside the household (e.g. employed outside the home) | (yes) | 89.9 | 124 | 41 | 91 |
| Unemployed (e.g. does not receive income from employment outside the home) |  | 10.1 | 14 | 59 | 131 |
| Occupational categorya | Self-employedb | 33.6 | 42 | 42.6 | 39 |
| Temporary worker | 12.8 | 16 | 7.7 | 7 |  |
| Wage earner | 50.4 | 63 | 44.0 | 40 |  |
| Business owner/entrepreneur | 2.4 | 3 | 2.1 | 2 |  |
| Unpaid labor | 0.8 | 1 | 3.2 | 3 |  |
| Area of worka | Tourism | 68.8 | 86 | 45.1 | 41 |
| ***Agriculture***/farming | 0.8 | 1 | 0 | 0 |  |
| Fishing | 7.2 | 9 | 0 | 0 |  |
| Manufacturing/FTZs | 0.8 | 1 | 0 | 0 |  |
| Transport/trucking | 4.8 | 6 | 1.1 | 1 |  |
| Retail/sales/vending | 7.2 | 9 | 23.1 | 21 |  |
| Services (e.g. hairstylist/bank teller) | 1.6 | 2 | 24.2 | 22 |  |
| Other | 8.8 | 10 | 13.2 | 12 |  |
| Works inside the household (e.g. cleaning, cooking, child care)c | (yes) | 32.6 | 42 | 98.6 | 217 |

aDoes not include respondents who are unemployed.bSelf-employed refers to individuals who independently sell what they grow, catch, or make but does not include entrepreneurs who hire employees and have a formal business organization.cIndividuals may have been employed in work inside and outside of the home simultaneously, hence the sum of males who work outside and inside does not add up to 100%.

The average household income per month for the sample was RD$14,952.97 (USD $334.37; SD = 12,654.05) while the median household was RD$ 11,500.00 (USD $257.16), or approximately USD $8.57 per day (exchange rate at the time of data collection was RD $39 = USD $1). This study found that 44.7% (n = 151) of all the households receiving income through employment (n = 338) were tourism dependent; additionally, 66.9% (n = 241) of households were headed by men while 33.1% (n = 119) households were headed by women (Table 6). Table 6.Characteristics of men-headed households and women-headed households.

|  | **Men-headed household** | **Men-headed household** | **Women-headed household** | **Women-headed household** |
| --- | --- | --- | --- | --- |
|  | **Frequency** | **(%)** | **Frequency** | **(%)** |
| Relationship status |  |  |  |  |
| Single | 37 | 15.4 | 34 | 28.6 |
| Married | 59 | 24.5 | 7 | 5.9 |
| Civil union | 130 | 53.9 | 28 | 23.5 |
| Separated | 13 | 5.4 | 35 | 29.4 |
| Divorced | 2 | .8 | 4 | 3.4 |
| Widowed | 0 | 0 | 11 | 9.2 |
| Number of children |  |  |  |  |
| Mean | 2.63 | 2.81 |  |  |
| SD | 2.05 | 1.90 |  |  |
| Number of people living in household |  |  |  |  |
| Mean | 3.74 | 3.58 |  |  |
| SD | 1.55 | 1.84 |  |  |
| Household income |  |  |  |  |
| Mean | RD$ 16,151.49 | RD$ 9496.13 |  |  |
| SD | RD$ 13,519.13 | RD$ 9711.68 |  |  |
| Number of tourism-dependent households |  |  |  |  |
|  | 122 | 50.6 | 37 | 26.9 |

Tourism-dependent households reported that on average, 90.64% of their income (M = RD$ 16,984.43, SD = 13,969.39) was derived from tourism while those who were classified as nontourism dependent derived approximately 4.45% of their income (M = RD$ 891.40, SD = 2,739.11) from tourism. With regard to material assets, the overall mean score was 11.42 (SD = 2.40; scale of 0–17). The average household construction score was 2.18 (SD = .856; scale of 0–3), major amenities score was 2.74 (SD = .452; scale of 0–3), and material lifestyle score was 6.48 (SD = 1.977; scale of 0–11).

It should also be noted that there are distinct discrepancies between the three regions, where only 25.6% of the households on the North Coast, 58.8% of the households on the East Coast, and 51.2% of the households on the South Coast were considered to be tourism dependent. Likewise, average income was also different between the regions where the North Coast was RD $11, 270.72 (M = USD $252.03), the South Coast was $16,463.58 (M = USD $368.15), and East Coast was $17,532.51 (M = USD $392.05).

**MANCOVA results**

Results of the MANCOVA indicate that the combination of the DVs, household income, and material assets was not significantly impacted by the interaction between gender of the head of the household and whether the household was dependent on tourism income when controlling for regional differences, as indicated by the Wilks test statistic (λ = .995031, F = .814, *p* = .444); however, there were significant main effects for the head of household’s gender (λ = .957698, F = 7.200, *p* < .001) and household tourism dependency (λ = .955629, F = 7.568, *p* < .001). Household income was significantly affected by tourism dependency (F = 15.176, p < .001) and gender of the household head (F = 8.825, p = .003). Material assets of the household were also significantly affected by the head of the household gender (F = 9.526, p = .002). The results indicated that male-headed households had a statistically higher household income than those headed by women (X¯ difference = 4,529.39, std. error = 1524.70, p = .003; households headed by men, X¯ = 16,904.78, std. error = 793.50; households headed by women, X¯ = 12,375.39, std. error = 1,302.03). Households headed by men also had a higher level of material assets than those headed by women (X¯ difference = .898, std. error = .291, p = .002; households headed by men, X¯ = 11.558, std. error = .151; households headed by women, X¯ = 10.469, std. error = .249).

When controlling for household gender, tourism-dependent households (n = 151) had higher levels of income (X¯ difference = 6,077.12, std. error = 1,559.98; p < .001; tourism-dependent households, X¯ = 17,678.64, std. error = 1,248.983; non-tourism-dependent households, X¯ = 11,601.52, std. error = 905.193). The effect size (η2) for tourism dependency on household income is 0.044, for head of household gender on income is 0.029, and head of household gender on material assets is 0.028.

**Discussion of findings**

**Gender and head of the household**

This study confirmed previous findings that households headed by men had higher incomes (CEG, 2012) but is also contradictory as households headed by men had higher levels of overall material assets (e.g. Grasmuck and Espinal, 2000; Leon, 2007). Previous studies suggested that women-headed households prioritize family-oriented purchases such as home appliances and amenities that improve quality of life. This discrepancy could be due to the fact that households headed by men were characteristically different from women-headed households. For example, approximately 78% of the men-headed households and only 29.4% of women-headed households were characterized by the household head being married or in a civil union (e.g. women-headed households were most often characterized as the women being separated or single). The possibility of a dual income household could account for the difference, which previous research in the DR has suggested is becoming increasingly necessary in order to meet basic household needs (Duffy et al., 2015). Additional research is needed to determine if the percentage spent directly on family needs varied between men- and women-headed households. Moreover, it is also worth noting that this study confirmed that the tourism industry is an important area of work for women as almost half of the women employed outside the home were working in the tourism industry and were largely absent from ***agriculture***, fishing, and manufacturing. This supports previous literature that tourism is a feminized industry, offering employment opportunities for women outside the household (e.g. Chant, 1997).

**Tourism-dependent households**

Similar to Leon (2007), this study found that household income level was significantly influenced by its status as a tourism-dependent household. Households that were tourism dependent attributed as much as 90.64% of their income to tourism while non-tourism-dependent households attributed only 4.45% of their income to tourism. In this regard, there appears to be a “trickledown” economic effect occurring in these communities from tourism development at the household level. However, these effects are reserved for households directly employed by the industry, such that non-tourism-dependent households likely experience the negative impacts of neoliberal tourism development without reaping the economic rewards. These results must also be contextualized by the fact that tourism appears to be the major employer (nearly 69% of males and 45.1% of females were employed by the tourism industry with the next largest industry employing only 7.2% of males—fishing, retail, and 24.2% of females—services; e.g. hairstylist, teller) and other options for household income are limited. Thus, the tourism industry in the DR may be creating jobs but at hours and wage rates that do not contribute meaningfully to total household income. This finding aligns with literature highlighting neoliberal practices that promise the creation of income stabilizing jobs, but in reality deliver low paying, seasonal, part-time substitutes (Casellas and Holocomb, 2001; Connelly et al., 2000; Gregory, 2007).

While literature enumerates the general negative influences of neoliberal economic policies dictated at a national level (e.g. Gregory, 2007), understanding the daily, on-the-ground impacts to tourism-dependent households is critical for future economic strategy formation. Additionally, this study provides evidence that the DR’s national dependency on tourism is felt at the household level. Thus, the concerns of overreliance and vulnerability of small island nations in the Caribbean—particularly due to the effects of climate change such as coastal erosion, sea level rise, loss of biodiversity, as well as economic and social impacts from large-scale tourism development—will need to be addressed at the household and community levels.

For tourism to be most economically beneficial to a destination, local business ownership and entrepreneurship is imperative (Scheyvens and Momsen, 2008). However, the lack of small businesses and entrepreneurial opportunities in DR destinations dominated by enclave tourism reiterates the findings by Roessingh and Duljnhoven (2005), who investigated tourism development in Puerto Plata and found that the local entrepreneurs had limited success due to neoliberal economic policy that favored large-scale transnational development. This study suggests that there is limited economic “trickledown” occurring from the large-scale enclave tourism projects.

**Limitations**

These findings indicate that foreign-owned MNCs and TNCs provide an economic benefit to select regions of the DR; however, the sample size and sampling method limit generalizability. Future research should account for population differences in each of the communities with regard to sampling size. Moreover, regional differences were detected during field work and controlled for in the analysis; future studies should explore the nuanced differences of the political economy in each of the three regions to better understand the scope of the country as a whole.

This study employed an indirect measure of economic impact using the household as the unit of analysis; however, this approach has been criticized for its simplistic nature, as it fails to assess the induced and indirect effects. Detailed questions regarding employment and resource acquisition were asked of all household members; however, this issue may not have been fully addressed. A clear evaluation of the economic benefit and leakage experienced by and through TNCs and MNCs was also excluded from this study as it would be difficult to compare benefits experienced at the household and corporate levels, partially due to the lack of corporate data.

**Implications and future research**

The concern resonating from this study is whether the neoliberal economic policies that have shaped the tourism industry in the DR have provided sufficient economic benefits to households in the coastal communities. This study suggests that those who work in the tourism industry are better off ***financially***. Another telling finding from the present study indicated that the majority of respondents are wage earners or self-employed, rather than entrepreneurs and business owners suggesting that the economic policy has stifled the local economic ecosystem. What is difficult to assess through the methods employed in this study is the “what if” factor; if fewer TNCs dominated the landscape, would we find more local entrepreneurs and small business owners in their place?; would wages be higher as a result of decreased economic leakage and repatriation?; or, if fewer TNCs dominated the landscape, would the structure of the labor force allow for more upward movement of local Dominicans, and thus higher household incomes and access to material assets? Further research is also needed to tease out additional quality-of-life questions raised here. For example, are there social and environmental costs that outweigh the economic gain? Are the opportunities for economic gain available to all community members or select local elite? How has the high level of migration of tourism employment changed or weakened the family/household structures? For example, are some rural origin locations becoming depopulated and do the receiving areas have the necessary infrastructure for a 21.7% increase in population?

The distribution of tourism benefits, particularly economic, should be examined to determine if the allocation of ***financial*** benefits is equitable among stakeholders. Significant relationships between the independent variables (head of household, tourism dependency) and the dependent variable (household income) were detected in this study. Thus, future research should also explore how and why these relationships vary by region. Tourism planners and developers must appreciate the structures that create differential impacts in order to help mitigate the widening gap between rich and poor (Gregory, 2007). Pro-poor tourism development policies may be warranted to improve the standard of living for the local residents (Hall, 2003; Harrison, 2008). Specifically, the linkages and value chains between tourism and traditional economic sectors need to be identified and examined to create additional, higher paying forms of employment and strengthen existing local businesses (Van de Mosselaer and Van der Duim, 2012).

Likewise, focused action could help restore the informal tourism sector, which is often where large portions of residents, particularly those who are less skilled and less educated, are employed, subsequently providing them direct access to tourism income. However, typical enclave models do not promote the informal tourism sector, as resident interactions with tourists are structurally discouraged and limited (Carlisle, 2010; Freitag, 1994). Similarly, attention should be paid to providing resources, education, and training to local residents to develop more successful entrepreneurs and small business owners. However, for this to be effective there would need to be collaboration with the large-scale tourism projects to negotiate more opportunities for interaction between tourists and local small businesses. Moreover, there could be human resource and hiring policies that focus on the employment and promotion of local residents in order to strengthen the connection to the local communities.

Whether or not tourism is economically advantageous to the poorer local households remains a question for future research; of particular concern is the maturity of the tourism product observed during data collection in many of the communities suggests a decline in tourism could be possible if policies do not address environmental and cultural degradation. This issue is interrelated with employment concerns, because after tourism becomes established, policy that prevents the overdevelopment and overuse of resources, including increased pressure on traditional industry sectors (e.g. fishing and ***agriculture***) can be more difficult to authorize. The role of women in tourism needs more exploration, as tourism employment is outside of the home, which may help increase women’s status (Duffy et al., 2015; Leon, 2007). Additional research is also needed to determine how tourism is affecting women and challenging traditional *machismo–marianismo* ideologies.

**Conclusion**

This study examined whether tourism development resulted in economic impacts at a household level, namely in the form of household income and material assets in Dominican coastal communities. The analysis focused on differences in these variables across gender of the head of the household and dependency on tourism, while adjusting for regional differences, and reiterates questions that others have raised as to how tourism benefits residents in LEDCs (Leon, 2007; Mitchell and Ashley, 2010; Scheyvens and Momsen, 2008). Due to a neoliberal economic agenda, the DR currently faces high levels of income inequality (Hammill, 2005), and foreign-owned, large-scale, enclave tourism projects may only exacerbate the inequality (Buncic, 2008; Carlisle, 2010; Freitag, 1994, 1996). To the question of whether the rural households are receiving a “trickledown effect” from tourism, the short answer is yes; however, many questions remain as to whether they are benefiting as much as they could. Understanding “who benefits” from tourism requires an understanding of the power structures that control tourism (Ateljevic et al., 2012; Bianchi, 2009). Likewise, understanding the far-reaching impacts of neoliberal economic policy is difficult at best. Acknowledging neoliberalism as it relates to the growing international tourism industry in LEDCs and small island nations such as the DR is paramount for tourism researchers exploring the impacts of tourism development in LEDCs.

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[***Vladimir Putin at the Valdai Discussion Club in October 2015***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5H7F-1XM1-JC8S-C4F1-00000-00&context=1516831)

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**Body**

President Putin attended a meeting of the Valdai (Valday) Discussion Club in Sochi on 22 October 2015, and covered a broad range of subjects in his opening speech and a questions and answers session. The following is the text of a report in English by the Russian presidential website on 24 October, with subheadings inserted editorially:

Meeting of the Valdai International Discussion Club October 22, 2015, Sochi

Vladimir Putin took part in the final plenary session of the 12th annual meeting of the Valdai International Discussion Club.

This topic of this year's Valdai conference is Societies Between War and Peace: Overcoming the Logic of Conflict in Tomorrow's World. In the period between October 19 and 22, experts from 30 countries have been considering various aspects of the perception of war and peace both in the public consciousness and in international relations, religion and economic interaction between states.

Opening speech

President of Russia Vladimir Putin:

Colleagues, ladies and gentlemen,

Allow me to greet you here at this regular meeting of the Valdai International Club.

It is true that for over 10 years now this has been a platform to discuss the most pressing issues and consider the directions and prospects for the development of Russia and the whole world. The participants change, of course, but overall, this discussion platform retains its core, so to speak - we have turned into a kind of mutually understanding environment.

We have an open discussion here; this is an open intellectual platform for an exchange of views, assessments and forecasts that are very important for us here in Russia. I would like to thank all the Russian and foreign politicians, experts, public figures and journalists taking part in the work of this club.

This year the discussion focuses on issues of war and peace. This topic has clearly been the concern of humanity throughout its history. Back in ancient times, in antiquity people argued about the nature, the causes of conflicts, about the fair and unfair use of force, of whether wars would always accompany the development of civilization, broken only by ceasefires, or would the time come when arguments and conflicts are resolved without war.

I'm sure you recalled our great writer Leo Tolstoy here. In his great novel War and Peace, he wrote that war contradicted human reason and human nature, while peace in his opinion was good for people.

True, peace, a peaceful life have always been humanity's ideal. State figures, philosophers and lawyers have often come up with models for a peaceful interaction between nations. Various coalitions and alliances declared that their goal was to ensure strong, 'lasting' peace as they used to say. However, the problem was that they often turned to war as a way to resolve the accumulated contradictions, while war itself served as a means for establishing new post-war hierarchies in the world.

Meanwhile peace, as a state of world politics, has never been stable and did not come of itself. Periods of peace in both European and world history were always been based on securing and maintaining the existing balance of forces. This happened in the 17th century in the times of the so-called Peace of Westphalia, which put an end to the Thirty Years' War. Then in the 19th century, in the time of the Vienna Congress; and again 70 years ago in Yalta, when the victors over Nazism made the decision to set up the United Nations Organization and lay down the principles of relations between states.

With the appearance of nuclear weapons, it became clear that there could be no winner in a global conflict. There can be only one end - guaranteed mutual destruction. It so happened that in its attempt to create ever more destructive weapons humanity has made any big war pointless.

Incidentally, the world leaders of the 1950s, 1960s, 1970s and even 1980s did treat the use of armed force as an exceptional measure. In this sense, they behaved responsibly, weighing all the circumstances and possible consequences.

The end of the Cold War put an end to ideological opposition, but the basis for arguments and geopolitical conflicts remained. All states have always had and will continue to have their own diverse interests, while the course of world history has always been accompanied by competition between nations and their alliances. In my view, this is absolutely natural.

The main thing is to ensure that this competition develops within the framework of fixed political, legal and moral norms and rules. Otherwise, competition and conflicts of interest may lead to acute crises and dramatic outbursts.

We have seen this happen many times in the past. Today, unfortunately, we have again come across similar situations. Attempts to promote a model of unilateral domination, as I have said on numerous occasions, have led to an imbalance in the system of international law and global regulation, which means there is a threat, and political, economic or military competition may get out of control.

What, for instance, could such uncontrolled competition mean for international security? A growing number of regional conflicts, especially in 'border' areas, where the interests of major nations or blocs meet. This can also lead to the probable downfall of the system of non-proliferation of weapons of mass destruction (which I also consider to be very dangerous), which, in turn, would result in a new spiral of the arms race.

We have already seen the appearance of the concept of the so-called disarming first strike, including one with the use of high-precision long-range non-nuclear weapons comparable in their effect to nuclear weapons.

The use of the threat of a nuclear missile attack from Iran as an excuse, as we know, has destroyed the fundamental basis of modern international security - the Anti-Ballistic Missile Treaty. The United States has unilaterally seceded from the treaty. Incidentally, today we have resolved the Iranian issue and there is no threat from Iran and never has been, just as we said.

The thing that seemed to have led our American partners to build an anti-missile defence system is gone. It would be reasonable to expect work to develop the US anti-missile defence system to come to an end as well. What is actually happening? Nothing of the kind, or actually the opposite - everything continues.

Recently the United States conducted the first test of the anti-missile defence system in Europe. What does this mean? It means we were right when we argued with our American partners. They were simply trying yet again to mislead us and the whole world. To put it plainly, they were lying. It was not about the hypothetical Iranian threat, which never existed. It was about an attempt to destroy the strategic balance, to change the balance of forces in their favour not only to dominate, but to have the opportunity to dictate their will to all: to their geopolitical competition and, I believe, to their allies as well. This is a very dangerous scenario, harmful to all, including, in my opinion, to the United States.

The nuclear deterrent lost its value. Some probably even had the illusion that victory of one party in a world conflict was again possible - without irreversible, unacceptable, as experts say, consequences for the winner, if there ever is one.

In the past 25 years, the threshold for the use of force has gone down noticeably. The anti-war immunity we have acquired after two world wars, which we had on a subconscious, psychological level, has become weaker. The very perception of war has changed: for TV viewers it was becoming and has now become an entertaining media picture, as if nobody dies in combat, as if people do not suffer and cities and entire states are not destroyed.

Unfortunately, military terminology is becoming part of everyday life. Thus, trade and sanctions wars have become today's global economic reality - this has become a set phrase used by the media. The sanctions, meanwhile, are often used also as an ***instrument*** of unfair competition to put pressure on or completely 'throw' competition out of the market. As an example, I could take the outright epidemic of fines imposed on companies, including European ones, by the United States. Flimsy pretexts are being used, and all those who dare violate the unilateral American sanctions are severely punished.

You know, this may not be Russia's business, but this is a discussion club, therefore I will ask: Is that the way one treats allies? No, this is how one treats vassals who dare act as they wish - they are punished for misbehaving.

Last year a fine was imposed on a French bank to a total of almost 9bn - 8.9bn dollars, I believe. Toyota paid 1.2bn dollars, while the German Kommerzbank signed an agreement to pay 1.7bn dollars into the American budget, and so forth.

We also see the development of the process to create non-transparent economic blocs, which is done following practically all the rules of conspiracy. The goal is obvious - to reformat the world economy in a way that would make it possible to extract a greater profit from domination and the spread of economic, trade and technological regulation standards.

The creation of economic blocs by imposing their terms on the strongest players would clearly not make the world safer, but would only create time bombs, conditions for future conflicts.

The World Trade Organization was once set up. True, the discussion there is not proceeding smoothly, and the Doha round of talks ended in a deadlock, possibly, but we should continue looking for ways out and for compromise, because only compromise can lead to the creation of a long-term system of relations in any sphere, including the economy. Meanwhile, if we dismiss that the concerns of certain countries - participants in economic communication, if we pretend that they can be bypassed, the contradictions will not go away, they will not be resolved, they will remain, which means that one day they will make themselves known.

As you know, our approach is different. While creating the Eurasian Economic Union we tried to develop relations with our partners, including relations within the Chinese Silk Road Economic Belt initiative. We are actively working on the basis of equality in BRICS, APEC and the G20.

The global information space is also shaken by wars today, in a manner of speaking. The 'only correct' viewpoint and interpretation of events is aggressively imposed on people, certain facts are either concealed or manipulated. We are all used to labelling and the creation of an enemy image.

The authorities in countries that seemed to have always appealed to such values as freedom of speech and the free dissemination of information - something we have heard about so often in the past - are now trying to prevent the spreading of objective information and any opinion that differs from their own; they declare it hostile propaganda that needs to be combated, clearly using undemocratic means.

Unfortunately, we hear the words war and conflict ever more frequently when talking about relations between people of different cultures, religions and ethnicity. Today hundreds of thousands of migrants are trying to integrate into a different society without a profession and without any knowledge of the language, traditions and culture of the countries they are moving to. Meanwhile, the residents of those countries - and we should openly speak about this, without trying to polish things up - the residents are irritated by the dominance of strangers, rising crime rate, money spent on refugees from the budgets of their countries.

Many people sympathize with the refugees, of course, and would like to help them. The question is how to do it without infringing on the interests of the residents of the countries where the refugees are moving. Meanwhile, a massive uncontrolled shocking clash of different lifestyles can lead, and already is leading to growing nationalism and intolerance, to the emergence of a permanent conflict in society.

Colleagues, we must be realistic: military power is, of course, and will remain for a long time still an ***instrument*** of international politics. Good or bad, this is a fact of life. The question is, will it be used only when all other means have been exhausted? When we have to resist common threats, like, for instance, terrorism, and will it be used in compliance with the known rules laid down in international law. Or will we use force on any pretext, even just to remind the world who is boss here, without giving a thought about the legitimacy of the use of force and its consequences, without solving problems, but only multiplying them.

We see what is happening in the Middle East. For decades, maybe even centuries, inter-ethnic, religious and political conflicts and acute social issues have been accumulating here. In a word, a storm was brewing there, while attempts to forcefully rearrange the region became the match that lead to a real blast, to the destruction of statehood, an outbreak of terrorism and, finally, to growing global risks.

A terrorist organization, the so-called Islamic State, took huge territories under control. Just think about it: if they occupied Damascus or Baghdad, the terrorist gangs could achieve the status of a practically official power, they would create a stronghold for global expansion. Is anyone considering this? It is time the entire international community realized what we are dealing with - it is, in fact, an enemy of civilization and world culture that is bringing with it an ideology of hatred and barbarity, trampling upon morals and world religious values, including those of Islam, thereby compromising it.

We do not need wordplay here; we should not break down the terrorists into moderate and immoderate ones. It would be good to know the difference. Probably, in the opinion of certain experts, it is that the so-called moderate militants behead people in limited numbers or in some delicate fashion.

In actual fact, we now see a real mix of terrorist groups. True, at times militants from the Islamic State, Jabhat al-Nusra and other Al-Qaeda heirs and splinters fight each other, but they fight for money, for feeding grounds, this is what they are fighting for. They are not fighting for ideological reasons, while their essence and methods remain the same: terror, murder, turning people into a timid, frightened, obedient mass.

In the past years the situation has been deteriorating, the terrorists' infrastructure has been growing, along with their numbers, while the weapons provided to the so-called moderate opposition eventually ended up in the hands of terrorist organizations. Moreover, sometimes entire bands would go over to their side, marching in with flying colours, as they say.

Why is it that the efforts of, say, our American partners and their allies in their struggle against the Islamic State has not produced any tangible results? Obviously, this is not about any lack of military equipment or potential. Clearly, the United States has a huge potential, the biggest military potential in the world, only double crossing is never easy. You declare war on terrorists and simultaneously try to use some of them to arrange the figures on the Middle East board in your own interests, as you may think.

It is impossible to combat terrorism in general if some terrorists are used as a battering ram to overthrow the regimes that are not to one's liking. You cannot get rid of those terrorists, it is only an illusion to think you can get rid of them later, take power away from them or reach some agreement with them. The situation in Libya is the best example here.

Let us hope that the new government will manage to stabilize the situation, though this is not a fact yet. However, we need to assist in this stabilization.

We understand quite well that the militants fighting in the Middle East represent a threat to everyone, including Russia. People in our nation know what terrorist aggression means and know what the bandits in the North Caucasus have done. We remember the bloody terrorist attacks in Budennovsk, Moscow, Beslan, Volgograd and other Russian cities. Russia has always fought terrorism in all its forms, consistently advocating for truly unifying the global community's efforts to fight this evil. That is why we made our suggestion to create a broad anti-terror coalition, which I recently voiced in my speech at the United Nations.

After Syria's official authorities reached out to us for support, we made the decision to launch a Russian military operation in that nation. I will stress again: it is fully legitimate and its only goal is to help restore peace. I am sure that the Russian service members' actions will have the necessary positive effect on the situation, helping Syria's official authorities create the conditions for subsequent actions in reaching a political settlement and stage pre-emptive strikes against terrorists that threaten our nation, Russia. Thus, we help all nations and peoples who are certainly in danger if these terrorists return home.

Here is what we believe we must do to support long-term settlement in the region, as well as its social, economic and political revival. First of all, free Syria and Iraq's territories from terrorists and not let them move their activities to other regions. And to do that, we must join all forces - the Iraqi and Syrian regular armies, Kurdish militia, various opposition groups that have actually made a real contribution to fighting terrorists - and coordinate the actions of countries within and outside of the region against terrorism. At the same time, joint anti-terrorist action must certainly be based on international law.

Second, it is obvious that a military victory over the militants alone will not resolve all problems, but it will create conditions for the main thing: a beginning of a political process with participation by all healthy, patriotic forces of the Syrian society. It is the Syrians who must decide their fate with exclusively civil, respectful assistance from the international community, and not under external pressure through ultimatums, blackmail or threats.

The collapse of Syria's official authorities, for example, will only mobilize terrorists. Right now, instead of undermining them, we must revive them, strengthening state institutions in the conflict zone.

I want to remind you that throughout its history, the Middle East has often been an arena for clashes between various empires and powers. They redrew boundaries and reshaped the region's political structure to suit their tastes and interests. And the consequences were not always good or beneficial for the people living there. Actually, no one even asked their opinion. The last people to find out what was happening in their own nations were the people living in the Middle East.

Of course, this begs the question: isn't it time for the international community to coordinate all its actions with the people who live in these territories? I think that it's long overdue; these people - like any people - should be treated with respect.

The involvement in the process of political settlement of the Muslim clergy, leaders of Islam and heads of Muslim nations is crucial. We count on their consolidated position and assistance, as well as their moral authority. It is very important to protect people, especially youth, against the destructive effects of the ideology of the terrorists, who are trying to use them as cannon fodder, nothing more. We need to distinguish clearly between genuine Islam, whose values are peace, family, good deeds, helping others, respecting traditions, and the lies and hatred that the militants sow under the guise of Islam.

Fourth, we currently need to develop a roadmap for the region's economic and social development, to restore basic infrastructure, housing, hospitals and schools. Only this kind of on-site creative work after eliminating terrorism and reaching a political settlement can stop the enormous flow of refugees to European nations and return those who left to their homelands.

It is clear that Syria will need massive ***financial***, economic and humanitarian assistance in order to heal the wounds of war. We need to determine the format within which we could do this work, getting donor nations and international ***financial*** institutions involved. Right now, Syria's problems are being discussed at the UN and other international organizations, and within the framework of interstate relations. It's true that for now, we are not always able to reach an understanding and it is painfully difficult to abandon might-have-been expectations and unjustified calculations, but nevertheless, there is some progress.

We see that contacts are being gradually established between military departments within the anti-terrorist operation framework, although not as actively and quickly as we might like. Approval of the Russian-American document on safety guidelines for the two countries' military aircraft flying missions over Syria is a serious step in the right direction.

We are also close to starting an exchange of information with our western colleagues on militants' positions and movements. All these are certainly steps in the right direction. What's most important is to treat one another as allies in a common fight, to be honest and open. Only then can we guarantee victory over the terrorists.

For all the drama of its current situation, Syria can become a model for partnership in the name of common interests, resolving problems that affect everyone, and developing an effective risk management system. We already had this opportunity after the end of the Cold War. Unfortunately, we did not take advantage of it. We also had the opportunity in the early 2000s, when Russia, the US and many other nations were faced with terrorist aggression and unfortunately, we were unable to establish a good dynamic for cooperating then, either. I will not return to that and the reasons for why we were unable to do this. I think everyone knows already. Now, what's important is to draw the right lessons from what happened in the past and to move forward.

I am confident that the experience we acquired and today's situation will allow us to finally make the right choice - the choice in favour of cooperation, mutual respect and trust, the choice in favour of peace.

Thank you very much for your attention. (Applause.)

Questions and answers: demise of USSR

Vladimir Putin: First of all, let me thank everyone who spoke. I think this was all very substantive and interesting, and I am very pleased to see that our discussion has spice and substance to it rather than being all dry talk.

Let's not dig around now in the distant past. When it comes to who is to blame for the Soviet Union's collapse, I think that internal reasons were the primary cause, of course, and in this sense, Mr Ambassador was right. The inefficiency of the former Soviet Union's political and economic systems was the main cause of the state's collapse.

But who gave this process a helping hand is another matter. I don't think that our geopolitical adversaries were standing around idle, but internal reasons were nonetheless the primary cause. Mr Ambassador, as I understand it, was debating with me from afar, and now here, face to face, when he said that, unlike me, he does not consider the collapse of the Soviet Union one of the twentieth century's great tragedies. For my part, I continue to insist that this was a tragedy, above all a humanitarian tragedy. This is what I was saying.

The Soviet collapse left 25 million Russians abroad. This just happened overnight and no one ever asked them. I repeat my argument that the Russian people became the world's biggest divided nation, and this was unquestionably a tragedy. That is not to mention the socioeconomic dimension. The Soviet collapse brought down the social system and economy with it. Yes, the old economy was not very effective, but its collapse threw millions of people into poverty, and this was also a tragedy for individual people and families.

Now, on the question of continuing strategic offensive arms limitation talks, you are right to say that we do need to continue this dialogue. But at the same time, I cannot say that Russia and the United States have done nothing here. We did conclude a new treaty on limiting strategic offensive arms and set goals for limiting this type of weapons. However, the USA's unilateral withdrawal from the ABM Treaty, which was the cornerstone for preserving the balance of power and international security, has left this whole system in a serious and complicated state.

In this respect, since this is a discussion club, I would like to ask Mr Ambassador what he thinks of the USA's unilateral withdrawal from the ABM Treaty.

Jack Matlock: I was personally opposed to that withdrawal and I take your point. I would say that I don't think that any subsequent plans for the sort of deployments were or could be a threat to Russian systems. But in general, I am not a supporter of ABM systems. I would point out that I think the main source of that is not to threaten Russia but to secure employment in the United States. A lot comes from the military-industrial complex and the number of people it employs.

Vladimir Putin: Mr Ambassador, I find your arguments unconvincing. I have the greatest respect for your experience and diplomatic skills, of which you have given us a flawless demonstration, avoiding a direct answer. Well, you did answer my question, but not without some embellishments.

One should not create jobs when the result of this activity threatens all of humanity. And if developing new missile defence systems is about creating jobs, why create them in this particular area? Why not create jobs in biology, pharmaceuticals, or in high-tech sectors not related to arms production?

On the question of whether this poses a threat to Russia or not, I can assure you that US security and strategic arms specialists are fully aware that this does threaten Russia's nuclear capability, and that the whole purpose of this system is to reduce the nuclear capabilities of all countries but the USA itself to zero. We've been hearing arguments this whole time about the Iranian nuclear threat, but as I said in my remarks before, our position was always that there was no such threat, and now not only we but the entire international community share this view.

The United States initiated the signing of an agreement with Iran on settling the Iranian nuclear issue. We actively followed and supported our US and Iranian partners on the road to a common decision and this agreement has now come into force and Iran has agreed to send its enriched uranium out of the country. So if there is no Iranian nuclear problem, why develop a missile defence system? You could stop the project, but not only has the project not stopped, on the contrary, new tests and exercises are taking place. These systems will be in place in Romania by the end of the year and in Poland by 2018 or 2020.

As I can tell you, and the specialists know, the missile defence deployment sites can be used effectively for stationing cruise missile attack systems. Does this not create a threat for us? Of course it does, and it changes the very philosophy of international security. If one country thinks that it has created a missile defence shield that will protect it from any strikes or counter-strikes, it has its hands free to use whatever types of weapons it likes, and it is this that upsets the strategic balance. You have worked on arms agreements in the past and have achieved some amazing results. I can but take off my hat to you and congratulate you on this. You and your Russian partners have had some great successes, but what is happening now cannot fail to worry us. I am sure that you would agree with this in your heart. Essentially, you admitted as much when you said that you did not support the USA's unilateral withdrawal from the treaty.

Ukraine

Now, on the subject of Ukraine, and on the idea that this creates dangers for us, yes, of course it creates dangers, but was it we who created this situation? Remember the year when Mr Yanukovych lost the election and Mr Yushchenko came to power? Look at how he came to power. It was through a third round of voting, which is not even in the Ukrainian Constitution's provisions. The Western countries actively supported this. This was a complete violation of the Constitution. What kind of democracy is this? This is simply chaos. They did it once, and then did it again in even more flagrant form with the change of regime and coup d'etat that took place in Ukraine not so long ago.

Russia's position is not that we oppose the Ukrainian people's choice. We are ready to accept any choice. Ukraine genuinely is a brotherly country in our eyes, a brotherly people. I don't make any distinction between Russians and Ukrainians. But we oppose this method of changing the government. It is not a good method anywhere in the world, but it is completely unacceptable in the post-Soviet region, where, to be frank, many former Soviet republics do not yet have traditions of statehood and have not yet developed stable political systems. In this context, we need to take great care of what we do have and help it to develop. We were ready to work even with the people who came to power as a result of that unconstitutional third round back then. We worked with Mr Yushchenko and Ms Timoshenko, though they were considered to be completely pro-Western politicians - I think this is not an accurate label in general, but this was the way they were viewed. We met with them, travelled to Kiev, received them here in Russia. Yes, we sometimes had fierce debates on economic matters, but we did work together.

But what are we supposed to do when faced with a coup d'etat? Do you want to organize an Iraq or Libya here? The US authorities have not hidden the fact that they are spending billions there. The authorities have said directly in public that they have spent 5bn dollars on supporting the opposition. Is this the right choice?

Another of our colleagues said that it is wrong to interpret things as suggesting that the United States seeks to change the political system and government in Russia. It is hard for me to agree with that argument. The United States has a law that concerns Ukraine, but it directly mentions Russia, and this law states that the goal is democratisation of the Russian Federation. Just imagine if we were to write into Russian law that our goal is to democratize the United States, though in principle we could do this, and let me tell you why.

There are grounds for this. Everyone knows that there were two occasions in US history when a president came to power with the votes of the majority of the electoral college members but the minority of voters. Is this democratic? No, democracy is the people's power, the will of the majority. How can you have someone elected to the country's highest office by only a minority of voters? This is a problem in your constitution, but we do not demand that you change your constitution.

We can debate all of this forever, but if you have a country writing such things into its domestic laws and ***financing*** the domestic opposition [of another country]... Having an opposition is a normal thing, but it must survive on its own resources, and if you have a country openly spending billions on supporting it, is this normal political practice? Will this help to build a spirit of trust at the interstate level? I don't think so.

NATO expansion after German reunification

Now, on the subject of democracy moving closer to our borders. (Laughter). You seem to be an experienced person. Do you imagine we could be opposed to having democracy on our borders? What is it you call democracy here? Are you referring to NATO's move towards our borders? Is that what you mean by democracy? NATO is a military alliance. We are worried not about democracy on our borders, but about military infrastructure coming ever closer to our borders. How do you expect us to respond in such a case? What are we to think? This is the issue that worries us.

You know what is at the heart of today's problems? I will share it with you, and we will certainly make public the document I want to refer to now. It is a record of the discussions between German politicians and top Soviet officials just before Germany's reunification. It makes for very interesting reading, just like reading a detective story.

One prominent German political figure of the time, a leader in the Social Democratic Party, said during the talks with the senior Russian officials - I can't quote him word for word, but I remember the original closely enough - he said, "If we don't reach agreement now on the principles for Germany's reunification and Europe's future, crises will continue and even grow after Germany's reunification and we will not end them but only face them again in new forms." Later, when the Soviet officials got into discussion with him, he was surprised and said, "You'd think I am defending the Soviet Union's interests - reproaching them for their short-sighted views it seems - but I'm thinking about Europe's future." And he turned out to be absolutely right.

Mr Ambassador, your colleagues did not reach agreements then on the basic principles of what would follow Germany's reunification: the question of prospective NATO membership for Germany, the future of military infrastructure, its forms and development, and the coordination of security issues in Europe. Oral agreements were reached back then, but nothing was put on paper, nothing fixed, and so it went from there. But as you all recall from my speech in Munich, when I made this point, back then, the NATO Secretary General gave the oral assurance that the Soviet Union could be sure that NATO - I quote - would not expand beyond the eastern borders of today's GDR. And yet the reality was completely different. There were two waves of NATO expansion eastwards, and now we have missile defence systems right on our borders too.

I think that all of this raises legitimate concerns in our eyes, and this is something we certainly need to work on. Despite all the difficulties, we are willing to work together. On the serious issue of missile defence, we have already made past proposals and I say again that we could work together as a threesome - the USA, Russia, and Europe. What would this kind of cooperation entail? It would mean that all three parties agree together on the direction missile threats are coming from, and have equal part in the system's command and in other secondary matters. But our proposals met with a refusal. It was not we who did not seek cooperation, but others who refused us.

Syria

Now we face the serious issue of what is happening in Syria, and I am sure this will be the subject of further discussion. We hear criticism that we are supposedly striking the wrong targets. I said recently, speaking in Moscow, "Tell us what are the right targets to hit if you know them," but no, they don't tell us. So we ask them to tell us which targets to avoid, but they still don't answer us.

We have this excellent movie, Ivan Vasilyevich Changes Profession. The Russian audience knows it well. One of the movie's characters says to the other, "How am I supposed to understand what you're saying if you don't say anything?" Fortunately, at the military level at least, as I said before, we are starting to say something to each other and come to some agreements. The circumstances oblige us to do so.

The military people are the most responsible it seems, and I hope that if they can reach agreements, we will be able to reach agreements at the political level too. Thank you. ... [ellipsis as received]

Vladimir Putin: How effective will our operations in Syria be?

How can I give a certain answer to such questions? The only thing that is certain is an insurance policy. We are acting in accordance with our convictions and with the norms of international law. We hope that coordinated action between our strike aircraft and the other military systems being used, coordinated with the Syrian army's offensive, will produce positive results. I believe and our military also think that results have already been achieved.

Is this enough to be able to say that we have defeated terrorism in Syria? No, big efforts are still needed before we will be able to make such an assertion. A lot of work is still needed, and let me stress that this must be joint work.

We do not want to start finger-pointing now, but let me say nonetheless that over the nearly 18 months that a US-led coalition has been carrying out airstrikes, with more than 11 countries taking part and more than 500 strikes against various targets, there is no result yet, and this is a clear fact. What result can we speak of if the terrorists have reinforced their presence in Syria and Iraq, dug in deeper in the territory they had already taken, and expanded their presence? In this sense, it seems to me that our colleagues have not achieved any effective results as yet.

The first operations between our armed forces and the Syrian armed forces have produced results, but this is not enough. It would be wonderful if we united forces, everyone who genuinely wants to fight terrorism, if all the region's countries and the outside powers, including the United States, came together on this. In essence, this is just what we proposed.

We proposed that a military delegation come to Moscow first, and then I said that we were ready to send a high-level political delegation headed by Russia's Prime Minister to discuss political questions. But our proposal was given a refusal. True, our American colleagues did then provide explanations at the ministerial level, saying that there had been some misunderstanding and that the road is open, that we can take this road and should think about how to unite our efforts.

Now, the foreign ministers of the USA, Russia, Saudi Arabia, and Turkey will meet. I think that other countries in the region should join this process too, countries whose involvement is essential if we want to settle this issue. I am thinking of Iran, primarily. We have already said this many times before. But it is a start at this stage to have the foreign ministers meet to discuss things. As for our Iranian partners, we are in close contact with them on this matter, and Iran makes its own significant contribution to a settlement.

On the question of Syria's partition, I think this would be the worst-case scenario. It is an unacceptable option because it would not help to resolve the conflict but would instead only serve to increase and prolong it. This would become a permanent conflict. If Syria were partitioned into separate territories, they would inevitably fight between themselves without end and nothing positive would come out of this.

On the matter of whether al-Assad should go or not, I have said many times already that I think it wrong to even ask this question. How can we ask and decide from outside whether this or that country's leader should stay or go. This is a matter for the Syrian people to decide. Let me add though that we must be certain that government is formed on the basis of transparent democratic procedures. We can talk of having some kind of international monitoring of these procedures, including election procedures, but this must be objective monitoring, and most importantly, it must not have a bias in favour of any one country or group of countries.

Finally, on how we see the political process, let me give a general outline now, but let me say at the same time that it is the Syrians themselves who must formulate this process, its principles and final goals, what they want and how they will achieve it. By the Syrians themselves, I am referring to the lawful government and the opposition forces. Of course, we take the view that the root causes of the conflict in Syria are not just the fight against terrorism and terrorist attacks, though terrorist aggression is clear and the terrorists are simply taking advantage of Syria's internal difficulties. We need to separate the terrorist threat from the internal political problems. Certainly, the Syrian government must establish working contact with those opposition forces that are ready for dialogue. I understood from my meeting with President al-Assad the day before that he is ready for such dialogue ... [ellipsis as received].

Military campaign in Syria

Vladimir Putin: I can tell you, I watch the video reports after the strike and they make an impression. Such a quantity of ammunition goes off there that it flies practically all the way up to the planes. You get the impression that they have collected arms and ammunition from throughout the entire Middle East. They have put together a colossal amount of arms. You can't help but wonder where they get the money from. It's really a tremendous amount of firepower they've accumulated. Now, of course, it is less than it was. The Syrian army really is making gains with our support. The results are modest for now, but they are there, and I am sure that there will be more ... [ellipsis as received].

Vladimir Putin: (responding to a question on possible Russian participation in an operation in Iraq) We have no such plans and cannot have them because the Iraqi government has not made any such request of us. We are providing assistance to Iraq in the form of arms supplies. This is something we were already doing, and we make our contribution to fighting terrorism in Iraq this way - by supplying weapons and ammunition. But the Iraqi government has not made any request for other aid, though we work together with them not just through supplies of arms and military equipment, but through information exchanges too.

As you know, it was in Baghdad that Iran, Syria, Russia and Iraq established an information centre, where we exchange information and set the main directions in the fight against terrorism, including against the Islamic State, but we have no plans to expand military operations involving Russia's Aerospace Forces. ... [ellipsis as received].

Vladimir Putin: The aim of Russia's military operations and diplomatic efforts in this area is to fight terrorism and not to mediate between representatives of the different currents of Islam. We value equally our Shi'i friends, our Sunni friends, and our Alawite friends. We do not make distinctions between them.

We have very good relations with many countries where the Sunni branch of Islam is dominant. We also have very good relations with majority Shi'i countries, and we therefore make no distinction between them. Let me say again that our sole and primary aim is to fight terrorism.

At the same time, we are aware of the realities on the ground. Of the 34, I think (it's around that number, anyway), cabinet members in Syria, more than half are Sunnis, and Sunnis are just as broadly represented in the Syrian army as in the government. Syria was always primarily a secular state, after all.

But let me say again that we are aware of the real circumstances we are working in, and of course, if our actions could help to give discussion between the different religious groups a more civilized, good-neighbourly and friendly nature and help to settle various conflicts and unite efforts in the fight against terrorism, we would consider our mission fulfilled ... [ellipsis as received].

Vladimir Putin: I was wondering to myself just now whether to say this or not. Let me raise the curtain a little on our talks with President al-Assad. I asked him, "How would you react if we see that there is an armed opposition in Syria today that is ready to genuinely fight terrorism, fight the Islamic State, and we were to support their efforts in this fight against terrorism just as we are supporting the Syrian army?" He said, "I think it would be positive." We are reflecting on this now and will try, if it all works out, to translate these agreements into practical steps ... [ellipsis as received].

Russia's role in the world

Vladimir Putin (responding to a question on Russia's role in the future world): The answer is simple: in the modern world, in the near future and, I think, in the more distant future, the role and significance of any state in the world will depend on the level of a particular nation's economic development. It will depend on how modern the economy is and how much it strives towards the future, the extent to which it is based on the newest technologies, and how quickly it adopts the new technological order.

And here, I am not talking about the territory, population, or military component - all that is very important, and without it, a nation cannot claim to hold one of the leading positions in the world. But in this respect, the economy and its development as well as the economic growth rates based on the new technological foundation lie at the heart of everything.

I feel that Russia has every chance of becoming one of the leaders, in the sense of having a high level of education among the population and a high level of fundamental science development. We have many problems here. We have always had them and will continue to have them - the same as other nations. But we are giving more and more attention not only to reviving fundamental and applied science, but also giving new momentum to developing these important areas. If we take into account these circumstances and absolutely natural competitive advantages, then Russia will certainly play a notable role.

I think it's very difficult to identify a specific ranking. This is not an athletic competition, however, it is entirely clear to me that Russia has good prospects and a strong future - but it will certainly involve developing relations with our neighbours. First and foremost, these are our closest neighbours, partners and allies within such organizations as the Eurasian Economic Union and the Collective Security Treaty Organization (CSTO).

This includes developing relations with neighbours like China, the nation with which we have the highest turnover, at over 80bn dollars. And, of course, a great nation like India. And we certainly cannot imagine our development without developing relations with Europe.

Christian culture lies at the foundation of our unity, but we also have an advantage in that nearly 20 per cent of our population is Muslim, and in this respect, we can be a link between many of our partners and the Islamic world. And, of course, we count on developing relations with the United States - if our partners will want it ... [ellipsis as received].

US missiles for Syrian opposition

Vladimir Putin (responding to a question on the possibility of air defence missile systems in the hands of the Syrian opposition): This is an entirely valid question, I do not see anything here that could be translated into another category of wrong questions, and I will answer very pragmatically.

As far as we know - although it would be great if I am mistaken - the American military are already providing anti-tank and anti-armour weapons systems and are training gunners. I think this is a major mistake. I believe that this weaponry will certainly fall into the hands of terrorist organizations.

Moreover, as you know, our American colleagues simply chose to airdrop weapons and ammunition in certain areas. Who will receive this weaponry and ammunition? Who will use it? Against whom? There is no certainty; I simply know 100 per cent that nobody can be certain of this, including those who do it. Even if it initially makes it into the right hands, tomorrow, it might and very likely will end up in the hands of ISIS or Jabhat al-Nusra or other similar organizations. I feel this is a big mistake.

Is it possible to transfer anti-aircraft weapons or MANPADs? I hope not, because American leaders, although we disagree on many positions, are nevertheless sensible people and realize that these weapons could end up in the hands of those who will aim them against the American pilots who also fly over Syria - ***granted***, they're doing it unlawfully, but still do it. And I think at least this should stop them from transferring this kind of weaponry.

As for certain types of aircraft - I have flown on them, I know what they are. Overall, I'm surprised that pilots are doing this. With those G-forces you can hardly move your head. And they need to not only control the aircraft but also control the weapons. Because the strikes are primarily made visually. The G-forces you experience with the aircraft's sharp declines and rapid ascents are enormous; you can only move your fingers. This is the highest level of aerobatics, figuratively speaking. And these people certainly deserve our respect.

Our service members in Syria, of course, are fighting terrorism and in this respect, protect the interests of the Syrian people, but not only that. First and foremost, they protect the interests of Russia and the Russian people. They are striking the militants and militant groups that are a threat to our nation. Of course, they are risking their health and their lives. And in this regard, they are all heroes, but they chose this profession of their own free will. It was their choice. I am proud of them.

There is one more thing I want to say. Fifty years ago, I learnt one rule in the streets of Leningrad: if the fight is inevitable, be the first to strike. And I assure you, the treat of terrorist strikes against Russia has not become greater or less due to our actions in Syria. It was already there and it still is, unfortunately. We were not taking any action in Syria. What caused the terrorists to strike the railway station in Volgograd? Nothing. Simply their people-hating mentality, their attitude towards people's lives, the fight against Russia itself. And so it is better for us to fight them there, as I already said, rather than await them here ... [ellipsis as received].

Ukraine and Minsk accords

Vladimir Putin: Regarding the Minsk Agreements. I believe (and I have already said this) that there is no other way if we want to achieve lasting peace in the southeast of Ukraine and restore the country's territorial integrity, there is no other way but to comply with the Minsk Agreements. Can Germany play a positive part here? It can.

I believe that the Federal Chancellor of Germany and the President of France are being sufficiently objective today, and though it is obvious that for political reasons they support the current Kiev authorities, in my opinion they have a sufficiently fair assessment of the situation. They already have the understanding that the problems that have accumulated there are not only black and white - it is much more complicated.

I spoke about this in New York at the meeting with my American colleague and partner - the President of the United States of America. I said that without the participation of Europe and the United States it would hardly be possible to resolve the situation. There is no point in accusing Russia of non-compliance or failure to motivate the authorities of the unrecognized republics in the southeast of Ukraine to some action to implement the Minsk Agreements, if the Kiev authorities fail to comply with the key terms of those agreements. And the Kiev authorities are not in compliance.

This is no secret, it is something we often speak about, but I will say again what I mean when I say that the Kiev authorities are not complying with the Minsk Agreements.

The first thing that needs to be done to achieve a political settlement is amending the Constitution of Ukraine, this is stated directly in the Minsk Agreements, it is important: upon agreement - as it says - with these territories, the unrecognized republics. The authorities in Kiev amended the Constitution without any agreement with these unrecognized republics, insisting that they have reached agreement with the Venice Commission. Fine, but the Minsk Agreements say nothing about the Venice Commission, they require agreement with Donbass - something that has not been reached.

Second. The amendments should be permanent. Actually, they are made in transitional provisions, and in our view this means that it is a temporary measure. Our opponents speak of the opposite. How exactly was the Constitution amended? In essence the law on special status for these territories has been added to it, which has already been passed. When I ask what law is that, the German Chancellor, the French President and the Ukrainian President all confirm this is the law that the Ukrainian Rada has already passed. I asked if this was permanent, and they said it was.

So then, I ask them if they know that the law was passed for only three years, and one year has already passed, and Mr Poroshenko confirmed this. My European partners expressed their view that if the law was added to the Constitution, it should be permanent, but then this should be fixed in the Constitution.

Next. There was an argument about elections in the unrecognized republics. The Minsk Agreements say the Rada should pass a law on elections and they should be held in accordance with Ukrainian law. However, this law should also be agreed upon with these unrecognized republics. They sent in their proposals three times, but received no reply.

Moreover, the law that was passed says clearly that it will not apply to elections on these territories. Then what should they do? That is why they declared they would hold the elections on their own. We have managed to convince both territories to postpone the elections. We agreed that the law should be drafted together with Kiev. But this has to be done.

Finally, the Minsk Agreements say clearly: within 30 days of their signing the Rada should pass a resolution to introduce a law on special status. As I have said, it was passed by the Rada earlier. What did our partners in Kiev do? They approved the resolution passed by the Rada and formally, they were in compliance with the Minsk Agreements.

At the same time, without agreement with Donbass they passed another article - article 10 of that law that says that it would only come into effect after the elections there, in other words they again put it off. These are simply manipulations. This is exactly what I said to my Ukrainian partner. These are nothing more but manipulations. Formally, they seem to have complied. As the classics of Marxism-Leninism used to say, correct in form but mockery in essence.

Finally, they should pass a law on amnesty. If everyone keeps telling us that the elections have to be conducted in line with OSCE standards, they should not forget that OSCE standards envisage one important condition of the election campaign: nobody can be criminally persecuted, while all the leaders of the Luhansk and Donetsk people's republics are under criminal persecution. However, this is something everyone agrees on - both our American and European partners: that the law on amnesty needs to be passed. It has not been passed.

The Minsk Agreements say this directly. The reference to the fact that it is covered in the law on special status does not work because the law is not in effect. A reference to having it covered in the law on future elections does not work either because there is no such law. There should be a separate amnesty law. I doubt that anyone here would say this is impossible. This is an international standard - you cannot have elections where people with active or passive voting rights are subject to criminal persecution.

There are a number of other issues, but they are not being resolved; the ball, so to speak, is on the side of the Kiev authorities. This needs to be done and it can only be done by the Kiev Government and the Kiev President together with their European and American partners, not with Moscow. I apologies for taking such a long time, but I had to make my position clear ... [ellipsis as received].

The Russian and global economy

Vladimir Putin: The first question deals with the crisis, problems in the economy and its development.

As we all know from the forecasts of respectable international organizations, including economic and political ones, like the UN, the World Bank and the IMF, the global economy is not developing at the rate we all dreamed of. In this sense, the entire world economy is experiencing problems.

Russia's economy is experiencing several problems at once, going through a number of trials. These have to do not only with the limitations that are often mentioned, the politicized limitations on the economy, the so-called sanctions, which do play a certain part, though not a decisive one. The most important factor limiting growth, reducing economic growth rates is of course the fall in prices of our traditional exports. However all this does not apply to Russia alone - it concerns practically all developing markets. The Russian market is also affected, though possibly slightly less than some other developing markets are if we look at statistics.

What should we do? You have already said it yourself and mentioned that here in Russia we frequently and consistently speak of the need to diversify the economy, making it more diversified focusing on high technology sectors. True, progress here is slow. Is there anything positive happening here? There is. Here is an illustration. If, say, some 5-7 years ago the oil-and-gas sector accounted for 14 per cent of the GDP, today its share in Russia's GDP, in the national economy is 9 per cent.

For comparison, I would like to say that the oil-and-gas sector, say, in Saudi Arabia accounts for 45 per cent, if I remember correctly, while in some states of the Gulf it reaches 50 per cent, while in Venezuela it is 30 per cent, and in this country it is 9 per cent. As you see, the difference is great. For the first time, despite all the difficulties we encountered in the last quarter - unexpectedly for us, maybe, but such was the effect of our efforts, and I will explain about the efforts in a moment - we saw a growth in engineering product exports against the overall drop in production in this sector of the economy. However, exports of engineering products have grown.

What are the current problems? The thing is that our economy, having come across this situation on the external market, is not structurally ready to maintain the required growth rates. Certain industries were affected and we believe this requires special attention. I will tell you what we are doing here. Primarily, this is the industry. In some branches, the drop reaches 10 and more per cent. This causes special concern, but we know what to do here as well. Finally, we need to focus on the national currency, something the Central Bank is doing quite confidently.

In this connection, I believe that those experts and Government members who say that we have passed the peak of the crisis are right. Now we need to focus on the factors I have just mentioned, on supporting the most affected sectors - this includes construction, engineering, car manufacturing and some high-tech construction branches. For this purpose the Government has allocated an additional 150bn roubles, another 300bn roubles have been allocated to ***agriculture***; therefore, there is sufficient ***financial*** support.

We have to carry on with the work we have been doing over the past years. The Central Bank, as I said, is doing its part to stabilize the national currency - another factor that allows us to say we have achieved certain stability. The exchange rate of the national currency does fluctuate along with the changing oil prices, but overall it has stabilized. We are maintaining a positive trade balance despite all the difficulties.

The Central Bank has rather significant gold and currency reserves - over 370bn. We have significant reserves in the Government ***funds*** - over 70bn dollars in one reserve ***fund*** and 74bn dollars in another one. True, the way we are structuring the tactics of our economic development, we will be cutting into those a little, but nevertheless, by the end of 2018 I am certain we will have sufficient Government reserves in addition to those of the Central Bank.

Over the previous period, the previous quarter, the budget deficit was only 1.5 per cent. Inflation is going down: last month it was 0.5 per cent, I believe, the end-of-year figure will be significant, around 11.9 or possibly 12 per cent. However, we proceed from the assumption that in the following years there will be a downward trend. Actually, the trend has begun and we need to maintain it.

Generally, we will try to maintain the macroeconomic indices using a very conservative approach to budget spending, bearing in mind that salaries have gone down a little in real terms. I am certain they will grow along with economic growth. However, with this in view we need to switch over (we will be making appropriate legal decisions now) to a more targeted approach to social support. This is a rough set of ***instruments*** that we intend to use to ensure further diversification and economic growth rates that we clearly need.

Now about Syria. You said the goal of the USA is to get rid of al-Assad, while Russia's goal is to support al-Assad, right? It may be true that the USA have the goal to get rid of al-Assad. Our goal is to combat terrorism and to help President al-Assad gain victory over terrorism, which in turn would create conditions for the beginning and, hopefully, successful implementation of a political settlement. I believe this is the only right way out.

Source: President of the Russian Federation website, Moscow, in English 1200 gmt 24 Oct 15

**Load-Date:** October 26, 2015

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[***The $10bn question: what happened to the Marcos millions?; In the 21 years Ferdinand Marcos ran the Philippines, billions went missing. As his son stands for vice-president, will the stolen fortune ever be recovered?***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5JPT-S501-F021-61VX-00000-00&context=1516831)

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**Section:** WORLD NEWS

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**Byline:** Nick Davies

**Body**

In the early hours of a February morning in 1986, Ferdinand and Imelda Marcos flew into exile. After 21 years as president of the Philippines, Marcos had rigged one too many elections. The army had turned against him, and the people had come out on to the streets in their thousands. The Marcoses had seen the crisis coming and been able to prepare their escape, so when they landed that morning at the Hickham USAF base in Hawaii, they brought plenty of possessions with them.

The official US customs record runs to 23 pages. In the two C-141 transport planes that carried them, they had packed: 23 wooden crates; 12 suitcases and bags, and various boxes, whose contents included enough clothes to fill 67 racks; 413 pieces of jewellery, including 70 pairs of jewel-studded cufflinks; an ivory statue of the infant Jesus with a silver mantle and a diamond necklace; 24 gold bricks, inscribed "To my husband on our 24th anniversary"; and more than 27m Philippine pesos in freshly-printed notes. The total value was $15m.

This was a fortune by any standards, easily enough to see the couple through the rest of their lives. Yet the new government of the Philippines knew this was only a very small part of the Marcoses' wealth. The reality, they discovered, was that Ferdinand Marcos had amassed a fortune up to 650 times greater. According to a subsequent estimate by the Philippine supreme court, he had accumulated up to $10bn while in office.

Since his official salary had never risen above $13,500 a year, it was blazingly clear this was stolen wealth on the most spectacular scale. Some of his closest allies also stole billions. As their victim was a nation in which 40% of the people survive on less than $2 a day, the Republic of the Philippines decided urgently to try to retrieve its money.

Even amid the chaos of the revolution, the very first executive order issued by the new president, Cory Aquino, established the Presidential Commission on Good Government, the PCGG. It was to recover "all ill-gotten wealth accumulated by former president Ferdinand Marcos, his immediate family, relatives, subordinates and close associates" and given the power to sequester any assets believed to be the proceeds of crime.

Thirty years later, the PCGG is still working, its 94 lawyers, researchers and administrators housed proudly in a building recovered from the Marcos family. The government gives it an annual budget of $2.2m. Its staff have traced money through jurisdictions all over the world and fought their way through hundreds of court cases. And yet something has gone terribly wrong: to date, the PCGG has recovered only a fraction of what was stolen by the Marcos network; no one has served a prison sentence for their part in the crime.

Now, with its task still far from complete, its survival is threatened by a political development that would never have been anticipated by the crowds who swelled the streets in triumph as Marcos fled. The former president's son, Ferdinand Marcos Jr, generally known as "Bongbong", is a frontrunner to become vice-president in the national elections on 9 May. If he wins, he would have the power to shut down the PCGG, as political allies of his family have tried to do in the past. The world's biggest thief will have won.

Last month I was given unrestricted access to the enormous archive the PCGG has assembled in its years of global detective work: the president's handwritten diary, frequently puffed with self-regard; the notepaper headed "From the office of the president", with scribbled sums endlessly totting up his cash; minutes of company meetings with his comments scrawled in the margins; contracts; "side agreements"; records of multiple bank accounts; hundreds of share certificates; private investigators' reports; and tens of thousands of pages of court judgments.

It needs to be said that this is not about Imelda Marcos and her infamous collection of shoes, although her shopping habit is real. She bought perfume not by the ounce but by the gallon. She hoarded old masters; at one point, she tried to buy Tiffany & Co. But in this particular circus she was only a clown, her crazy consumption deflecting attention from the big beast that was out of its cage.

Other autocrats were stealing from their people - in Haiti, Nicaragua, Iran - but Marcos stole more and he stole better

The PCGG archive tells the inside story of the biggest theft in history, and of the master criminal who organised it: skilful, arrogant, cruel. It also opens a door into the offshore world revealed by the Panama Papers. Marcos was one of the first to exploit the rats' nest of secret jurisdictions and hidden ownership then in the early stages of being built beneath the floorboards of public life.

But what is most important about Marcos is that he committed his crimes as a politician. His career starts with a cynicism that now seems familiar - manipulating electorates, using money to buy power and power to make money. But he went one big step further in merging politics and ***finance***, converting the ***instruments*** of government into one vast cash machine. A handful of other autocrats were also busy stealing from their people in that era - in Haiti, Nicaragua, Iran - but Marcos stole more and he stole better. Ultimately, he emerges as a laboratory specimen from the early stages of a contemporary epidemic: the global contagion of corruption that has since spread through Africa and South America, the Middle East and parts of Asia. Marcos was a model of the politician as thief.

A single document in the Manila archive marks the start of the detective story. In a sworn deposition, a young civil servant named Chito Roque describes how, on the night the Marcoses flew into exile, he worked his way through the crowds outside the presidential palace to the gates where anxious soldiers were posted. He was with his boss, a senior official in the new government, and they eventually found their way into the inner sanctum, the Marcoses' private living quarters. There, they could see the signs of hasty flight: food still warm on the dining table, empty boxes, papers scattered on the floor, shredding machines stuffed with more paper.

His boss went home, but Chito wandered into the bedroom of the deposed president, where "I saw a filing cabinet and I opened the first drawer and I saw a safe inside and there were numbers, a combination that was pasted on the door, so I followed the combination and opened the safe." Inside, he found records of bank accounts in Switzerland and Canada, share certificates and several letters signed by Marcos.

Those documents now sit in the offices of the PCGG, along with thousands more retrieved from the palace and the 50 or so other properties the Marcoses and their allies owned in the Philippines, and from homes and offices in the US. As the years have gone by, hundreds of thousands of pages have been added from other sources, all now sitting, neatly ordered, in a white, two-storey building near the centre of Manila. Outside, a six-lane highway is jammed with traffic, bellowing and belching fumes. Inside, all is calm and cool. A notice asks visitors kindly to leave their firearms at reception.

In the early years, the PCGG documents suggest, Marcos was naive in his crime. With sacks of cash from rich backers and help from the CIA, the bright young lawyer won elections to congress, then the senate, but he was nothing special, just another "Mr Ten Per Cent" selling his political influence. After he became President Ten Per Cent in 1965, his income from kickbacks for government contracts increased, but his guile went no further than stashing $215,000 in a New York bank in his own name. As far as the records show, he and Imelda took their first steps to real secrecy on 20 March 1968, when they used false names to deposit $950,000 in four accounts with Credit Suisse, he as William Saunders (he practised his new signature on the headed paper), she as Jane Ryan. By February 1970, the Swiss accounts were so loaded, the couple added an extra layer of concealment, transferring their ownership to foundations registered in Liechtenstein. Then Marcos started to get really clever.

On 21 September 1972, he declared martial law. As his diary records, the Nixon administration consented as he shut down congress, arrested his political opponents, took control of the media and courts, and suspended all civil rights. On the same day - as a PCGG worker pointed out to me with some passion - he took time off to open another Swiss bank account. In his diary a week later, reflecting on his "reforms", Marcos wrote: "The legitimate use of force on chosen targets is the incontestable secret of the reform movement."

Over the following nine years, an estimated 34,000 trade unionists, student leaders, writers and politicians were tortured with electric shocks, heated irons and rape; 3,240 men and women were dumped dead in public places; 398 others simply disappeared. With total power over politics, the president closed in on the country's wealth.

This was no longer just about kickbacks. Marcos started to steal whole companies, using the crude tactics of a gangster. He wanted the nation's electricity company, Meralco, owned by Eugenio Lopez, patriarch of one of the families who had run the country for centuries. He had Lopez's son charged with plotting to assassinate him, which carried the death penalty. The old oligarch handed over his company for $220 (it was worth $400m). To have gunmen is a gangster's requirement; to have gunmen in uniforms, with all the power of the state behind them, is a gangster's dream.

Yet most of Marcos's takeovers involved no violence. Martial law allowed him, literally, to write his own law: his decrees passed straight on to the statute book. When he wanted to take over the sugar industry, he set up companies and then issued decrees that allowed them to dominate the planting, milling and international marketing of Philippine sugar, which accounted for 27% of export earnings. He then created a Philippine Exchange Company, decreed it should handle all foreign sugar sales and used its monopoly position to buy from farmers at rock-bottom prices and sell at vast profit. This allowed him to buy Northern Lines, which had the contract to ship the sugar overseas. Finally, he decreed that the sugar industry be exempt from minimum-wage law, with the result that 500,000 labourers saw their income fall to less than $1 a day, making even more profit.

The PCGG archive shows how, in the same way, Marcos used his own companies to take over the three other key areas of ***agriculture***: coconuts, tobacco and bananas. ***Granting*** himself government contracts, monopoly deals and tax exemptions, he levered his way into dominating industries across the whole economy - logging and paper, meat, oil, insurance, shipping and airlines, beer and cigarettes, textiles, hotels and casinos, newspapers, radio and TV. His was an early and particularly rapacious version of privatisation.

Crucially, he saw his crime through a lawyer's eyes. Of course people would observe that the Marcoses were suddenly very wealthy - they could live with that. What mattered was to ensure that there was no evidence. Repeatedly, he set up his companies so that outwardly they belonged to other people. Marcos deployed dozens of cronies: relatives, golf partners, political allies, anybody who shared his greed. The crony would sign a deed transferring ownership of most of the business - usually 60% - but would leave a blank space for the name. Marcos would hold the deed and leave the space blank. There was no "evidence" that he owned the 60%.

Marcos stole, then stole more. The Japanese paid reparations for the second world war; he skimmed it and put the profit into his Swiss accounts. He stole international aid money, gold from the Central Bank, loans from international banks and military aid from the US. He decreed that more than a million impoverished coconut farmers must pay a levy, supposedly to improve the industry, amounting to $216m. He had already issued decrees to gift most of the coconut trade to one of his own companies; now he stole great chunks of the levy ***fund***, all the while taking kickbacks on government contracts.

All the Marcoses had to do was turn on the taps anywhere in the world and cash would come pouring out

All this theft created a logistical problem: how to handle the tidal flow of money. The PCGG archive shows how Marcos set up his own banking system, using cronies to buy private banks and others to control the state banks. These were useful for stealing more money, in loans that would never be repaid, and for accessing foreign currency - although eventually he set up his own specialist bank to trade currency on the black market.

Above all, the banks acted like a network of dykes receiving his ocean of income. Bank staff would make regular - sometimes weekly - trips to the palace, to pick up cheques and bundles of cash, which were then deposited in dozens of accounts. The millions were then channelled into Marcos's expanding reservoir of offshore accounts (he had 69 in Switzerland alone). Then all he and Imelda had to do was turn on the taps anywhere in the world and cash would come pouring out; cash that had been washed clean of its connection to crime.

For all its craziness, the gorging on consumer goods that followed now seems a natural progression. There were multiple houses for the extended family, a $5.5m yacht, private planes, helicopters and dozens of Mercedes-Benzes. When their youngest daughter was married in June 1983, they built a new runway and hotel, renovated a 200-year-old church, demolished nearby houses and rebuilt them in traditional style, imported carriages from Austria and horses from Morocco.

The men and women who work at the PCGG are driven by an anger. Each day they discover more detail of this crime, while its victims sleep on the pavements and in the slums around them. They are well aware of what the money could do for the impoverished people of the Philippines: if Marcos stole $10bn, this would have paid for the entire government budget for his last year in power three times over. And so they want not only to retrieve the stolen money, but to restore it. It is not easy. The Marcoses, with their money and their connections, have always been in the lead.

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Consider the saga of the missing paintings. When the PCGG searched the president's palace after he fled, they found that the walls of the ballroom displayed 23 pale patches where once there had been masterpieces. The Marcoses had a town house on East 66th Street in New York, where Imelda held many parties. Neighbours told investigators that they had seen two 18-wheel trailers pull up a few days after the couple went into exile: they had been loaded up with antiques and paintings, and driven away. By the time the house was searched a few weeks later, there were only brass plaques boasting of treasures that had once occupied its walls: the Madonna And Child by Michelangelo, the Marquesa de Santa Cruz by Goya, a couple of Monets, two Braques, a Pissarro, a Manet.

Paperwork retrieved from their various homes revealed that the Marcoses had bought at least 304 valuable paintings. Almost all were now missing. The Philippine investigators were left with a few dozen inferior works abandoned in some of the Philippine homes, and one Henri Fantin-Latour found wrapped in a blanket under a maid's bed in one of their New York apartments, apparently an attempt to thieve from the thief. They got a judge to order galleries and auction houses not to sell anything that might have come from the Marcoses. There was not much else they could do.

During their first year, the PCGG received a little help from several former Marcos staff and allies. A ***financial*** aide, Rolando Gapud, gave them details of five Swiss bank accounts. By Marcos standards, they did not contain very much (only $356m) and the banks refused to hand it over. All the PCGG could do was persuade a Swiss court to freeze the accounts. Gapud and others began to disclose the scale of Marcos's ownership of the Philippine economy. In Manila, the government set up an "anti-graft" court; by the end of 1986, the PCGG was opening cases against Marcos and his network.

One of those who came forward was Oscar Cariño, former manager of the New York branch of the Philippine National Bank. In a sworn statement, he claimed he had created accounts for two fictitious companies to conceal the Marcos millions. It emerged that the paintings had changed hands with the help of some powerful connections. The court heard that some part had been played by Adnan Khashoggi, the notorious Saudi arms dealer. An Australian TV programme claimed that dozens of Marcos paintings had been flown out of the US on a private plane; 38 others had been shipped from Hawaii. Acting on a request from the PCGG, French police raided two of Khashoggi's apartments and found paperwork confirming that many of the masterpieces were now in his hands.

Reports said the White House was leaning on the prosecutors to go soft to avoid embarrassment for five US presidents

Khashoggi argued that he had made bona fide purchases from the couple, of the paintings and of four Manhattan skyscrapers. But the US authorities claimed that the documents he produced to support this had been backdated, and formally accused him of obstructing the course of justice.

Khashoggi was arrested in Switzerland and extradited to New York, where he joined Marcos, Imelda and a network of others indicted under anti-racketeering law. But Ferdinand Marcos died in September 1989, before the case came to trial; he was 72 and had been in a hospital in Honolulu for months. Without Marcos, some evidence became inadmissible. There were reports that the White House was leaning on the prosecutors to go soft, that there was too much potential embarrassment for the last five US presidents. Imelda told the court she was "a poor widow who knew nothing about her husband's activities". Khashoggi protested his innocence and was acquitted of any offence. The transcript of the trial runs to thousands of pages. It ended in July 1990, with all the defendants declared not guilty on all counts.

The US authorities agreed to take no further legal action if Khashoggi surrendered the paintings and the skyscrapers. But when the skyscrapers were finally sold, it turned out they had been mortgaged to the hilt by the Marcoses. The city demanded unpaid property taxes. Though the buildings' total sale price was $50m, the Philippine people received only $5.7m. Most of the dozens of paintings Khashoggi is believed to have handled were no longer in his possession. The PCGG retrieved just 26.

For the investigators, this was a frustrating journey. Aquino's government, which had launched the commission in the heat of revolution, rapidly stepped on the brake. Her supporters say there was no option: Marcos and his cronies owned so much of the economy that to seize their assets would crash the banks. Her critics, meanwhile, argue that her government was always compromised: the Aquinos were one of the wealthiest families in the country; the old oligarchy was back in power. Whatever the motive, the PCGG was ordered to seize nothing, but instead to work through the courts. Over the following few years, it became clear that this had handed the initiative to the Marcoses, who had the money to hire the very best lawyers. Soon, dozens of cases were sidetracked by endless technical argument.

Just as Marcos's wealth was too great to seize, so his political influence was too big to beat. Two weeks after the revolution, a source in New York had shown the PCGG a report revealing that, even before he was deposed, his allies in US intelligence were aware that he had stolen up to $10bn. But the CIA refused to disclose what they knew. The Japanese government made it clear to Aquino that they were not going to hand over information, and aid packages could be in jeopardy if the PCGG pushed too hard. In the UK, Margaret Thatcher's government said it was "not our business".

The problem for these governments was that they had turned a blind eye while their companies had waded into the muck alongside Marcos - taking his money without asking where it came from. In some cases, Marcos, in turn, had paid bribes to senior politicians and made illegal contributions to election campaigns, including those of US presidents Jimmy Carter and Ronald Reagan. (When this surfaced in 1986, they said they had not known where the money came from.)

A PCGG veteran of nearly 30 years has a special frustration with the US. He says they have never handed over all the paperwork seized from Marcos when he arrived in Hawaii, and he flicks through the copies he has: "See? Some pages which are blank, some inventory pages which are blank. We think they have redacted transactions involving US organisations. They were partners in theft." And he pauses to consider how the US would react if some other nation seized evidence of their most prolific criminal and handed it over in redacted form.

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By the autumn of 1991, Imelda Marcos was feeling sufficiently safe to go back to the Philippines with her three adult children. In New York, the PCGG picked up rumours that some of the paintings were still there and being sold by a professional dealer. They hired a firm of private investigators, IGI, to watch the dealer, and established that he had some of the Marcos collection, including Goya's portrait of the Marquesa de Santa Cruz.

Early in June 1992, the investigators discovered the dealer had been warned that they were on to him. The next morning, they watched as five men and women "of Filipino appearance" turned up outside the dealer's apartment in two vans, loaded up boxes and large blue suitcases, and drove out to JFK airport, where all five checked in as first-class passengers along with their unusual cargo. With no legal power to intervene, the investigators could only watch as they flew off to Manila.

Bongbong is still laying claim to stolen wealth: 'If he wins, we don't see how we can do our work'

The pattern of impunity was set. In Seattle in December 1989, a jury found that the Marcoses were implicated in a plot to murder two Filipino union activists who had been shot there in 1981. The jury ordered them to pay $15.1m compensation to the victims' families. The money has not been paid. In Hawaii in 1995, a court found the regime had abused the human rights of thousands who'd been tortured and killed, and ordered that Ferdinand's estate pay nearly $2bn compensation. Less than 1% of that has been paid. Having returned to Manila, in September 1993 Imelda was convicted of personally defrauding the state in a land deal while Marcos was still in power. She was sentenced to 18 years in prison but bailed while she lodged an appeal. Five years later the supreme court threw out her conviction on technical grounds.

Soon, the PCGG was running into more problems, as Marcos allies found their way back into power and argued that the failure to retrieve more stolen money proved the commission was pointless and should be closed. Worse, the PCGG was tainted by the corruption it was trying to expose. Some officials were caught exploiting empty Marcos properties and pocketing "excessive" expenses. Twice the weakened PCGG made compromise agreements with the Marcos family that were so generous, the Philippine courts blocked them.

By the late 1990s, Imelda had been elected to the Philippine House of Representatives and was emboldened to give provocative interviews in which she declared "there is more money the government is not yet aware of" and "we own practically everything in the Philippines". Increasingly secure, her confidence got the better of her. In 2007, she gave more interviews and posed for photographs that clearly showed eight of the missing paintings gleaming on her walls, including Goya's portrait. Another old master hung on the wall of her office in the House of Representatives.

The PCGG went to court for an order to recover them. But with the Marcoses opposing every move, the case took six years. When they finally raided Imelda's office and four of her homes in October 2014, they again found only pale patches on the walls where the eight paintings had once hung and "Imelda crying into her handkerchief".

Even so, the PCGG has dragged some victories out of the swamp. In 2004, they finally retrieved the money from the five Swiss accounts. At an even slower pace, they seized the assets of half a dozen crony companies and recovered most of the coconut levy. They auctioned paintings, jewellery, silver and dozens of houses.

In total, the PCGG has succeeded in retrieving $3.7bn. That amounts to less than half the top estimate for what was taken by Marcos alone. In spite of their efforts, they have watched his associates retire to a life of self-indulgence with most of their fortunes intact. They have dozens of cases still bogged down in the courts, including 22 that started in 1987 or earlier.

The head of the PCGG, Richard Amurao, is a conspicuously decent lawyer, aged 41, who spent five years as a commissioner before becoming chairman last year. He points out how a single piece of Imelda's jewellery could have paid for 2,000 young Filipinos to go through college. He is not giving up, yet reflects that it has been exhausting, and hard to see how they can win. "It is like the traffic jams in Manila. You begin to accept that it just is this way."

Deep in the vaults of the Central Bank, he says, there is a large collection of Imelda's jewellery, due to be auctioned next month. It includes most of what was seized 30 years ago by US customs, another stash found in the palace, and a third intercepted at Manila airport as a friend of Imelda's attempted to fly out of the country. Last year, Christie's valued the collection; they identified treasures that had previously been missed, including a tiara with 25 pearls in a diamond frame seized from the Russian tsar's family in the 1918 revolution. It is estimated to be worth more than $4m. Amurao's workers have invented their own word to describe anybody who is extravagantly greedy: "Imeldific".

What will happen if Bongbong Marcos is elected vice-president? Will he allow his mother access to the vaults to retrieve the jewellery she insists is hers? Will he kill the PCGG entirely? Bongbong, 58, started his political career before his family was exiled, becoming vice-governor of Ilocos Norte province in 1981, aged 23. Six years after exile, he returned to become a congressman. He recently denied any involvement in the legal moves that have blocked so much of the PCGG's work. In February, Amurao issued a tough response, saying his claim was "belied by court records which show his involvement". He listed cases in which Bongbong and his mother are still laying claim to what the PCGG says is ill-gotten wealth. Imelda is now 86, and actively campaigning for her son.

"The work is not finished," Amurao says. "There is no statute of limitation on seeking justice. But the passing of time makes it more and more difficult to find new leads. Time is an ally for those who want us to forget. And if Bongbong wins, we don't really see how we can do our work - not with the son of the former president only a heartbeat away from the presidency."

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[***THE UKRAINE CRISIS AND THE EU***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5HCY-7NK1-JD09-30TN-00000-00&context=1516831)

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**Body**

Ukraine which has been a dangerous flashpoint in recent months is situated in East-Central Europe. On its west it is bounded by Hungary, Slovakia, Poland, Moldova and Romania, on the north by Belarus, on the northeast and east by Russia and on the south by the Black Sea and the Sea of Azov.1

To understand the situation in Ukraine today, one has to know its history. Briefly, Ukraine was a part of the East Slavic state, Kievan Rus which was set up in the 10th century AD. In the 13th century following invasion by the Mongols, Ukraine became a vassal of the "yellow horde". During the second half of the 14th century Lithuania liberated the Ukraine from the Mongols and placed it under Lithuanian rule. However, rivalry between Muscovy and Lithuania over Ukrainian territory accelerated and in response Lithuania and Poland formed a Commonwealth in the sixteenth century.2 In 1667 by the Treaty of Andrusovo between Poland and Russia, Ukraine was divided into two parts. As a result of Poland's decline by the end of the 18th century Russia took it over, except for its western territory which was acquired by Austria.3

After the February Revolution in 1917, the Russian Empire collapsed, and the Ukrainian nationalists formed a Central Rada (Council) in Kiev. In June it proclaimed a Ukrainian republic within the Russian federation, but after the Bolshevik Revolution in October 1917, the Rada declared the country's independence in 1918. Soon a military struggle started between the pro- Bolshevik forces and the forces of the Ukrainian National Republic. Although the Soviet forces captured a considerable part of Ukraine in 1918, in the same year the Soviet Union was forced to cede Ukraine to Germany under the terms of the Treaty of Brest-Litovsk. After the defeat of Germany in the First World War, Bolshevik forces invaded Ukraine and by December 1920 they were in control of the whole of Ukraine. In 1922, the Ukrainian Soviet Socialist Republic was created as a constituent Republic of the Soviet Union.

However, under the terms of Treaty of Riga between Poland and the Soviet Union in 1921, Ukraine's western territories were awarded to Poland, Czechoslovakia and Romania. After Poland was dismembered in 1939 as a result of the understanding between Nazi Germany and the Soviet Union much of the western part of the Ukraine came under Soviet control. After the end of the Second World War the Soviet Union also wrested the rest of western Ukraine from Czechoslovakia and Romania and annexed it to the Ukraine SSR. In 1945, Ukraine as a nominally independent state became a member of the United Nations alongside the USSR. This gave the Soviet Union an extra vote in the UN forum. The Soviet Union transferred Crimea to Ukraine in 1954.

When the Soviet Union was dissolved in December 1991, its successor the Russian Federation retained the port of Sevastopol for its Black Sea Fleet so that the Russian navy could reach the Mediterranean Sea and beyond.6 Sevastopol was strategically very important for the Russian Federation.

Earlier, a movement for the independence of Ukraine from the Soviet Union called "Rukh" began in 1988. With Rukh a new political situation arose in the Republic: it was for the first time since the imposition of Soviet rule, that the Communist party's monopoly on power was challenged.7After an abortive coup in Moscow against Gorbachev staged by conservative Communist leaders, the Ukrainian parliament adopted the Act of Declaration of Independence of Ukraine on August 24, 1991. Ukraine became an independent state, after a referendum on December 1, 1991.

The current Ukrainian crisis broke out in November 2013, when President Viktor Yanukovych refused to sign the association agreement with the EU. It has not only threatened the country's stability, sovereignty and integrity, but also worsened the open rivalry between the European Union and Moscow over those countries which share common borders with them. Competition in the region between the two sides emerged because of the Assimilation Policy, the Eastern Partnership and the Eurasian Customs Union.

With the eastern enlargement of the European Union in 2004, Ukraine became a direct neighbour of the European Union besides being a neighbour of the Russian Federation. This led to the development of a political rift between the "pro-Russian" eastern Ukraine, and the "pro- European" western Ukraine. The division resulted in political turmoil, and there was the outbreak of the "Orange Revolution" in 2004; this movement was a reaction to the fraudulent presidential elections that declared pro- Russian Viktor Yanukovych, who at that time was Prime Minister, as the victor. However, the Supreme Court issued a judgment declaring the election null and void and ordering a new election, which was held in December 2004. The result of this election was that Viktor Yushchenko, who was pro-West, was declared victorious and became president in January 2005.

After his inauguration, Yushchenko paid his first visit to Moscow as a conciliatory gesture towards Russia, but his government did not show much enthusiasm for the scheme that his predecessor, Kuchma, had signed in 2003 for the creation of a 'single economic space' with Russia, Belarus and Kazakhstan. Yushchenko, on the contrary, showed interest in economic integration with the EU.10 However, this development led to the outbreak of the "Euromaidan" uprising and the Crimean crisis.

Yanukovych, who became president after winning the 2010 election faced strong protests against his government's decision not to sign an association agreement with the European Union, owing to pressure from Moscow.

These protests led to the ouster of the government of President Viktor Yanukovych in February 2014, and he decided to flee to Russia. From then onwards Ukraine has been in turmoil. The Russian Federation, in order to protect its military interests in Crimea, began to support pro-Russian separatist forces and the excuse it offered was that it was protecting the human rights of Russians and other minorities in the area.13 In March 2014 Russia annexed Crimea after a referendum that endorsed its reunification with Russia.14 In the same month, demonstrations for autonomy by pro- Russians began in eastern Ukraine. Ukraine's interim government that was established in February 2014 authorized the governor of eastern Ukraine in April to take measures to restore Kiev's authority in the face of the threat of Russian military intervention.

Under the patronage of Moscow, pro- Russian separatists in eastern Ukraine held elections in early November 2014, which Kiev and the important western powers refused to recognize. 16 On March 15, 2014 a US-sponsored resolution, rejecting the result of Crimea's referendum, could not be passed in the UN Security Council owing to the Russian veto. The proposed resolution had reaffirmed Ukraine's "sovereignty, independence, unity and territorial integrity".17 On this occasion, the People's Republic of China had abstained from the vote. Beijing is highly sensitive about issues of territorial integrity, because it faces insurgencies in its regions of Tibet and Xinjiang.18 Canada, Germany, Lithuania, Ukraine and Costa Rica, then co-sponsored a UN General Assembly resolution on March 27, 2014, placing emphasis on Ukraine's territorial integrity and seeking a peaceful resolution of the conflict through direct political negotiations.

It also asked all UN member states to avoid actions that could threaten the national unity and territorial integrity of Ukraine. Though this General Assembly resolution was passed, it is not legally binding on member states.

The European Union's policy

Geographical proximity of Ukraine to the EU and Russia, the latter's role in Ukraine, the Maidan protesters' attraction to EU values and the Union's attitude during the events that preceded the crisis, all contributed to the aggravation of the Ukrainian crisis. The EU's response to the vociferous anti-government protests that began when Ukrainian president Viktor Yanukovych rejected the proffered Association Agreement with the EU at the Vilnius summit in November 2014, was rather weak. EU support for the Maidan protestors was restricted to rhetorical condemnation of Yanukovych's actions. Here it is important to understand the varied interests and inclinations of the major EU member states in the region. France is traditionally interested in strengthening its international position through a balance of power in the continent, and does not hesitate to use its partnership with Russia to undermine American hegemony.

The strategic culture of post-Second World War Germany that has developed over the decades strongly favours close economic relations with Russia. With its Nazi past, which it would like to erase, it prefers dialogue not confrontation. The United Kingdom and Poland are inclined to perceive Russia as a potential adversary,20 and disturbed over the Russian role in Ukraine, decided to boycott all events to be held as part of the UK-Russia and Poland-Russia "Year of Culture" to strengthen ties between the countries.21

The EU imposed sanctions on Russia when the latter annexed Crimea and supported the separatist bid in east Ukraine. Russia's annexation of Crimea clearly demonstrated that the crisis in Ukraine was not just a domestic matter but that Russia was directly involved and was protecting its interests in the country.22

The EU's policies on Ukraine had some ambiguities, for on the one hand it supported the demonstrators of Maidan and on the other also made efforts to negotiate between Yanukovych and the protesters through the so-called Weimar Triangle, comprising the French, German and Polish foreign ministers. This weakened the Union's image.23

In another measure to express its disapproval of Russia's annexation of Crimea and its intervention in eastern Ukraine, the EU along with the US imposed sanctions on Russian individuals and businesses. Such sanctions were further toughened after a Malaysia Airlines plane was destroyed over eastern Ukraine on July17, 2014. Some key sectors of the Russian economy which are closely connected with the ruling elite have also been targeted by the EU and the US. Russian state owned banks are now not ***granted*** long-term loans. Exports of dual-use military equipment to Russia and future EU-Russia arms deals are disallowed. While Russian state owned energy company Gazprom, the biggest gas producer in the world and the biggest supplier of gas to Europe was not affected, the EU and the US have now imposed a ban on exports of some oil industry technology and services to Russia.

The EU-US sanctions have also targeted many senior officials in eastern Ukraine and Crimea who have been supportive of the pro-Russian separatist revolt. These include organizations and individuals close to Russian President Vladimir Putin.24 Moscow has retaliated by imposing embargoes on European food, dairy products and energy exports to exert political pressure 25on member states of the EU from Eastern and Central Europe and states that are dependent on Russian gas. 26

The Council of Europe's parliamentary assembly that formulated the European Convention on Human Rights suspended Russia's voting rights27 in April 2014. As a result, the Russian delegation was unable to vote for judges in the European Court of Human Rights or for the Secretary General of the Council of Europe. They were also not allowed to send their election observers to other countries.28In response, the Russians withdrew their office holders in the Council of Europe, such as committee chairs.

To defuse the crisis in eastern Ukraine, Russian, Ukrainian, American and European foreign ministers held a meeting in April 2014 in Geneva and signed an agreement on measures to de-escalate tensions and restore security for all citizens of the country. 29 On this occasion they issued a joint statement which rejected all types of extremism, racism and religious intolerance including anti-Semitism.30 However, this joint statement did not contribute much to bring peace and stability in the conflict-ridden area.

A mission of the Organization for Security and Cooperation in Europe (OSCE) was sent to Ukraine on July 24, 2014, for monitoring and verifying the Minsk cease-fire agreement that was signed by both parties in September 2014. A three-month mandate was given to the mission and the monitors were deployed at the Russian checkpoints Donetsk and Gukovo.

In October, the permanent Council of the OSCE extended the mission's mandate until November 2014. It was further extended in December 2014, until March 23, 2015.

As the crisis drew more international attention, the EU's role began to decline. It was now NATO, the United States and major individual European Union member states, in particular Germany and France which took the lead.33 Germany appears to have adopted a dual-track policy under which it favours sanctions against Russia while it also does not want to isolate it and therefore calls for continuing the dialogue with it. Germany, we can say is realistic, for it knows that the military option for resolving the crisis is out of the question.

The EU's credibility was undermined when in September 2014, at a meeting between the EU Trade Commissioner, Ukraine's Foreign Minister and Russia's Minister of Economic Development, held to stop further destabilization of Ukraine and to ensure the latter's accessibility to the CIS market under the Ukraine-Russia bilateral preferential regime,35 it was agreed that the Deep and Comprehensive Free Trade Agreement (DCFTA) between the EU and Ukraine that was supposed to be implemented in November would be put off until December 2015.36 Russia was worried about the impact of the agreement on its market.

As opined by an observer the EU thus retreated from its firmly held position that Russia had no right to intervene in EU-Ukraine relations. He added that it would encourage Russia to step-up military, economic and diplomatic pressure on Ukraine, which would adversely impact upon the country's reform process. 38The EU move was perceived as a political concession to safeguard the cease-fire. It appeared that Russia had been given a veto over the Ukrainian issue. In response to the position adopted by the EU, Ukraine's Deputy Foreign Minister, Danylo Lubkivsky resigned from his post. He declared that the postponement gave a wrong message to all to the aggressor, to Ukraine's allies and the Ukrainian people.

In the European Union too, there was criticizm of the move. Elmar Brok, the head of the European Parliament's foreign affairs committee, pointed out "nobody knows whether this will make Putin change his mind, or whether he will continue with his imperial politics".

It is noteworthy that the EU member states were divided into three groups throughout the crisis. The UK, along with Poland, Lithuania, Latvia and Estonia pushed for tighter sanctions. Hungary, Slovakia, Greece, the Czech Republic and Cyprus were not happy about EU sanctions against Russia, for they were apprehensive of the potential economic impact. Countries such as Belgium, Ireland, Denmark and Austria avoided any vigorous response.

Sanctions with a limited scope could not bring about a secure truce. The Minsk ceasefire agreement of September was thus violated by both sides.

The Ukraine crisis escalated when President Petro Poroshenko's pro-West party won the election in October 2014. In a retaliatory move, Russia manipulated the elections in eastern Ukraine. The EU and the US rejected the election result and declared that these were illegal and illegitimate, but the EU's 28 member states at a Council meeting held on November 17 in Brussels, differed on imposing any further sanctions on Russia. The foreign ministers finally decided at this meeting to impose more travel bans on the pro-Russia separatists who were blamed for several violations of the ceasefire. Their assets in the EU were also frozen.

Two days after this meeting, German Foreign Minister, Frank-Walter Steinmeier visited Ukraine and Moscow to discuss the possibility of renewing dialogue between the warring parties in Ukraine, to suggest ways to settle the conflict in Ukraine and to propose a high-level meeting of the EU and the Eurasian Economic Union (EEU).43 However, these German efforts failed to produce any positive outcome for the resolution of this conflict.

Some scholars hold the West responsible for destabilizing the region. The EU's policy of expansion towards the East and NATO's eastward enlargement, avowedly for the stability and security of post-Cold War Europe, provoked the Russian Federation, which considered the inclusion of its neighbours in the Western bloc as a great threat to its strategic interests. Here it is important to recall that the first phase of NATO enlargement took place in 1999 that ushered the Czech Republic, Hungary and Poland into the alliance. The second phase of enlargement took place in 2004, in which Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia became members of the trans-Atlantic alliance. In 2008, at a summit in Bucharest, NATO announced its intention to expand further to include Ukraine and Georgia. These are amongst the countries that Russia considers as its "outer boundaries", crucial for its own security.

Despite Russia's attack on Georgia in August 2008 to intimidate Ukraine and Georgia so that they would abandon the idea of joining NATO, the Alliance kept on advancing to the Russian backyard and in 2009 it drew in Croatia and Albania.

The European Union too has been moving eastward to promote "Western values" particularly democracy and the international human rights regime in the post-Soviet states. It presented the Eastern Partnership initiative in 2009. Sweden and Poland were in the forefront of the proposal for an Eastern Partnership, supported by Britain, Hungary and the three Baltic states Lithuania, Latvia and Estonia. The plan offers six republics of the former USSR limited association rather than full membership of the EU. Unlike previous agreements that the EU had offered to Southern and Eastern European states such as Spain and Poland, the partnership offered the former Soviet republics limited association, under the framework of the Deep and Comprehensive Free Trade Agreement. It gives easier access to these countries to the EU market.

Under its terms, Ukraine and two other former Soviet republics, Belarus and Moldova could later become EU members if they succeed in adopting several reforms in their economic and political system. The other three members of the Eastern Partnership Azerbaijan, Armenia and Georgia are situated in the Trans-Caucasus region, which is outside Europe, they therefore have little chance of ever acquiring EU membership.

The Eastern Partnership's underlying aim is to build gas pipelines bypassing Moscow and to ensure the security of the transportation of gas to the EU's partner countries. Russia therefore was alarmed by this proposal and considered it as a direct threat to its economic interests.

EU member countries are divided over the partnership agreement. While Poland supports it, the western EU member states such as Germany, France, Belgium and the Netherlands have not shown much enthusiasm for the initiative. Italy and Spain were not interested, for their attention was focused on domestic ***financial*** issues and problems related to immigration along their southern borders.

It is not a secret that the US has given ***funds*** to pro-West individuals and organizations to encourage countries to join the Western alliance. In December 2013 Victoria Nuland, the US Assistant Secretary of State for European and Eurasian affairs, estimated that since 1991,the US government had invested more than $ 5 billion in Ukraine. The National Endowment for Democracy (NED) was in the forefront for developing the civil society in Ukraine. In 2010, when pro-Russia Yanukovych won the presidential election, the NED decided to step up its efforts to support the opposition and consolidate the country's democratic institutions. This was seen by Russia as not only against its interests but also as stark intervention in the internal affairs of a state.

The European Union's rather reluctant role in the Ukraine crisis, which is largely owing to its general inconsistency and lack of will in Common Foreign and Security Policy matters, has affected its policies towards these former Soviet Republics. Armenia, Azerbaijan, Belarus, Georgia and Moldova are direct affectees of the crisis and are worried about their future. There are serious fears about Russian plans and actions. These countries face three main threats, these are: i) "frozen conflicts" and separatist movements; ii) corruption and underdeveloped political cultures; and iii) economic/energy dependence on Russia.

Moldova, a small Eastern European country of 3.5 million, without access to the sea, like Ukraine, has been facing immense pressure from the Russian Federation because of its pro-European policy. Russia imposed embargoes on this economically weak country's ***agricultural*** products after it signed association agreements including the Deep and Comprehensive Free Trade Agreement (DCTFA) with the EU in June 2014.51 In a move to bully Moldova, Moscow also amended its migration law so that it can now expel Moldovan immigrant workers from Russia. Moldova's economy is heavily dependent on trade with Russia and the remittances sent by its immigrant workers.

In the elections in Moldova in November 2014, the pro-European parties managed to bag around 44 percent of the vote while the pro-Russia groups got about 40 percent. A difficult situation arose for the parties in forming a national government.53 There is a real danger that if Moldova continues to show its leaning towards Europe, Russia may incite trouble in Gagauzia a "national-territorial autonomous unit" of Moldova which in a recent referendum, voted massively against close EU-Moldova relations, and the breakaway territory of Transnistria where the Russian army is stationed, as a strategic lever.

Similarly, there are unresolved or potential conflicts like the one between Armenia and Azerbaijan over Nagorno-Karabakh and the Georgia-Russia dispute over Abkhazia and South Ossetia. Russia has been using these conflicts as its main ***instruments*** for the arm-twisting of these South Caucasus countries. Further, Russia is the biggest trade partner of Armenia and its firms are in control of around 80 percent of Armenia's energy resources. So nearly total dependence on Russia forced the Armenian government to desist from signing an Association Agreement with the EU,55 and it joined the Eurasian Economic Union (EEU) in January 2015.

Georgia, that signed an Association Agreement with the EU in June 2014 , is not dependent on Russia for energy so it faces less of a threat in the economic realm but it could certainly be affected at the political and security level owing to the threat of Russian incorporation of Abkhazia and South Ossetia.57 The recent declarations from the secessionist region of South Ossetia about holding a referendum on joining Russia, indicated that Russia is planning to take over this region. Azerbaijan and Armenia's clashes in July 2014 over Nagorno-Karabakh have exacerbated tensions in the South Caucasus. Azerbaijan too has thought it safe to adopt an ambiguous position vis-a-vis the EU. It did not sign an Association Agreement at the Vilnius summit in November58 and is cooperating with both sides.

Conclusion

The EU is an association of 28 sovereign states that have given certain rights/powers in matters relating to trade, economy, currency and some other areas to the Union, but have not given up their sovereignty in sensitive ones such as defence and foreign policy, particularly where they are convinced that their national interests are at stake. Thus, the Ukraine crisis highlighted that the EU could not deal with the matter as an association of states. Some member states such as Britain, Poland and the Baltic states favour stringent sanctions against Russia, but the latter's former satellite states, Hungary, Slovakia, and the Czech Republic and the Mediterranean countries Greece and Cyprus are against EU sanctions because of the potential economic fall-out. Belgium, Ireland, Denmark and Austria have adopted the middle path.

Thus after Crimea acceded to Russia and the latter incited the insurgency in the eastern part of Ukraine, the EU did not impose new sanctions against it in its Foreign Affairs Council meeting held in November 2014. This was largely owing to Germany's pressure, for it was not in favour of isolating Russia. Germany is realistic in this regard, for it understands that Russia would take pressure only to a certain extent and that the military option could not be exercised against it. The American plan to supply arms to the Ukrainian government has been rejected by EU member states, which prefer a diplomatic solution of the crisis.

The EU itself lacks military muscle, though individually some of its member states are strong military powers. The global ***financial*** crisis that broke out in 2008 and the resultant austerity drive by the European countries to counter it, further weakened the possibility of the exercise of the military option by the EU member states. There has been a decline in defence budgets of member states and therefore it is not realistic to expect an enhancement of European military capabilities in the near future. The EU therefore has no option but to depend on its soft power tools in the Ukraine crisis. But this policy has failed in the face of the hard power tools that Russia has applied in Crimea.

Competition between the two rival economic integration projects: the Eastern Partnership and the Eurasian Customs Union has not only heightened the open rivalry between the EU and the US on the one hand and Russia on the other hand to draw the states lying on the periphery of Russia into their respective spheres of influence, this rivalry, in fact hostility, has jeopardized Ukraine's stability, sovereignty and integrity.

Russia retains strong influence over its former constituent republics through its investments, visa-free and unrestricted mobility of people and access to the Russian market. On the other hand, the goals of the European Union's Eastern Partnership Initiative i.e. democratization, market reform, and protection and promotion of human rights are tough tests for the partner countries.

The failure of the European Union's efforts to bring Ukraine into its sphere of influence has apparently discouraged other countries of the region to opt for the European system and to lean on the EU, and at the same time it has exposed the EU's inadequacy as a tenable and strong bloc able to confront the Russian Federation and provide protection to its vulnerable partners.

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**ABSTRACT**

Among Europe’s industrial relations systems, that of Italy stands out because of its high degree of voluntarism. Despite the existence of a specific – albeit never implemented – article in the 1948 Constitution, in the following decades employee participation has remained limited to the sphere of contractually established information and consultation rights, without in any way envisaging more formalized and incisive forms of co-determination at both workplace and board levels, prescribed by law only in very few cases. The aim of this article is to provide an overview of worker participation in Italy from the post-war period to the present day, outlining the links between the ideologies of the players involved, the prevailing production models and industrial relations practices, both formal and informal, that have been implemented at sectoral and company level. The article also provides an overview of best practices and the legislative measures in the pipeline, as well as outlining opportunities for and obstacles to real change in the near future.

**FULL TEXT**

**Introduction**

The debate on employee participation in Italy has been at best erratic. Besides academic and trade union consideration, there has not been a single government that has not proposed and debated draft laws on the subject. However, they have all been dropped before any significant progress had been made. Although it is enshrined in the 1948 Constitution, the theme has remained limited to the sphere of contractually established information and consultation rights, without envisaging more formalized forms of co-determination at both workplace and board levels.

Having long been characterized by their confrontational stance, Italian industrial relations had come to be regarded, in the late 1990s, as an example of the ‘revival of neo-corporatism’ (Crouch, 1998; Baccaro, 2002; Regalia and Regini, 2004), through extensive concertation arrangements as a means to meet the Maastricht criteria, although formally missing some of its ideal-typical prerequisites (Schmitter and Lehmbruch, 1979). Things have since changed once again, under the tightening guidelines of the Euro Plus Pact and the notorious ‘secret’ letter sent by the ECB to the Italian government in August 2011. As in other countries, the importance of social pacts continues to fade and for the first time reforms of pensions, collective bargaining and the labour market have gone ahead based on unilateral government decisions, within the framework of the new European economic governance (Bordogna and Pedersini, 2015; Schulten and Müller, 2014).

Nevertheless, the erratic trend of the past has re-emerged and the issue of employee participation is again drawing the attention of stakeholders and policy-makers (Carrieri et al., 2015). Both trade unions and employers – albeit from different viewpoints – appear to be rethinking the strategic value of participation, overcoming old prejudices and distrust. This is due to several factors: the crisis of the national model of industrial relations, whose particular variety of voluntarism seems to have reached deadlock;trade unions are on the defensive, trying to get out of the corner into which they have been pushed by the new EU economic and institutional scenario;the prospects arising from comparison with the rest of Europe, in particular the German model of co-determination (Biasi, 2013);the new post-Fordist forms of work organization and their consequences in terms of direct involvement and participation;the impulse of European Union legislation, which has stimulated some normative realignment in the area of participatory rights;existing practices at company level, which may benefit from rationalization;a partial overcoming of the traditional reluctance of social partners with regard to stronger and more institutionalized forms of reciprocal responsibility.

The aim of the present article is to provide an overview of the trajectory of employee participation in Italy from the post-war period to the present day, outlining the links between the cultures and ideologies of industrial relations actors, the changes in the prevailing production model and industrial relations practices. The article presents an updated picture of collective bargaining practices and outcomes, legal issues, current developments and legislative measures in the pipeline, concluding with some remarks about the current situation, outlining opportunities for and obstacles to a real change in the near future.

**Meanings and forms of employee participation**

‘Employee participation’ (or ‘workers’ participation’) is a politically intricate, multifaceted and technically indeterminate category that has multiple meanings, including various concepts and aims that commonly refer to the sphere of *industrial democracy* (Arrigo and Casale, 2011; Poole, 1982; Blumberg, 1968). As Gollan and Xu note, ‘In the literature, terms such as participation, engagement, involvement or empowerment are sometimes used interchangeably, whereas the meanings and forms that the term *employee participation* can take vary considerably across disciplines’ (2015). Unlike *economic democracy*, which aims at macro-level redistribution, as well as cooperation or ***financial*** participation at micro level, *industrial democracy* entails workers’ involvement in decision-making that more directly concerns production strategies and working conditions (Macpherson, 1987). A significant theoretical contribution – dating back to the origins of this debate – has come from the British tradition of industrial relations (Clegg, 1960; Webb and Webb, 1897) and the German socio-economic culture of *Wirtschaftsdemokratie*, which developed during the Weimar years (Naphtali, Hilferding, Sinzheimer, Kahn-Freund). Industrial conflict, collective bargaining and legal enactments – before any form of participatory rights – were long the typical tools through which industrial democracy could be achieved in full autonomy and in the form of organized opposition within the capitalist enterprise.

Taking its cue from a prolonged interdisciplinary interest in this issue, participation can be regarded as a tool to emancipate work from being merely the object to being the subject of production, an ***instrument*** of *democracy at work* which allows workers to control work organization, while ensuring – in a win–win perspective – the sustainability of businesses, an apprenticeship on the way to socialist self-management, but also – more critically – a factor that enables the integration of the working class in the capitalist enterprise. This enhances particularistic and micro-corporative interests, prevents industrial conflict and overcomes the conflict between labour and capital. Once participation also acquires a political aspect, inasmuch as it cannot be dissociated from issues of power, authority, legitimation and control (Pizzorno, 1966), any attempt to define it requires a historical contextualization. Employee participation appeared in policy programmes across the political spectrum, from socialist organizations to Fascist-related corporatism. It also features in the social doctrines of the Catholic Church, in the concept of the *social market economy* and in the latest human resources techniques. Starting from such diverse aims, prominent scholars proposed various typologies, distinguishing for instance between *subordinated participation*, *collaborative participation* and *conflicting participation* (Baglioni, 1995). Within the framework of such a classification, as we will see in what follows, the Italian experience could be categorized under the – oxymoronic – ‘conflicting participation’.

Employee participation can be understood in terms of its *behavioural sense*, as an approach to human resource management or in its *institutional* sense, which includes only formal mechanisms. From this point of view, the meaning of participation relies on its being *a normative technique impacting corporate decision-making processes*. If legal subordination is a matter of exercising direction and power, in the sense of the entrepreneur’s legitimate exercise of hierarchical authority over employees – legitimized by the assumption that the proprietor bears the business risk – then participatory rights are a limit or procedural conditioning of this hierarchical authority and subjection. Such authority will gradually be eroded by the rise of a ‘counter-power’ qualified by procedural rules. Employee participation usually consists of mechanisms or procedures that allow employees and their representatives to intervene in organizational decision-making within the enterprise and to impose joint decisions on company management, thereby asserting the workers’ point of view.

Involvement and participation may be direct or indirect (Lippert et al., 2014; Cremers, 2011; Sisson, 2000): we have (i) *direct involvement*, when it is implemented informally within the work organization (team work, quality circles and so on), providing enhanced autonomy without any mediation of union-like workers’ representatives; and (ii) *indirect involvement* when mediation takes the form of representative bodies (shop stewards, trade union delegates, works councils, board representation), formally acknowledged by the company. In terms of rights, it can consist of rights to information, consultation, co-determination and co-management, which represent different degrees of *involvement* through which, in EU terms, employees representatives ‘may exercise an influence on decisions to be taken within the company’. In accordance with this approach, *participation* is only board-level employee representation (BLER) (Gold et al., 2010; Vitols and Kluge, 2011; Fulton, 2009), intended to be ‘the influence of employees’ representatives in the affairs of a company by way of (1) the right to elect or appoint some of the members of the company’s supervisory or administrative organ’. 1 However, such a divide and vocabulary do not correspond to the common conceptualization traditionally used by scholars, for whom participation is a broad umbrella notion and objective, covering a diverse range and scale of workers’ rights and prerogatives among its concrete tools and achievements.

As for industrial relations, employee participation has traditionally been contrasted with collective bargaining, with the former understood as *association* (especially if assuming the form of BLER) and the latter as *exchange* (Treu, 1989). The political outcome of this set up has been to identify participation with *integration*, and bargaining with *autonomy*. This is because participation generally foresees involvement and, therefore, a degree of shared responsibility of workers in the company’s decision-making, while bargaining is grounded on a clearer distinction of interests with a greater reciprocal freedom of action of the parties concerned. This kind of contrast, in reality, has proved to be more theoretical than practical.

The extent of a system of employee participation can be measured on the basis of at least three principal aspects (Leonardi, 2013): (i) *decision classes* (strategic, managerial, executive) on which influence is exercised; (ii) *decisional level* (group, company, productive unit) to which normally corresponds a specific class of decisions; and (iii) *degree of formalization* (*ex lege; ex contractu*), with which the rights in question become, *in due time* (problem setting vs problem solving) binding and enforceable.

From an ideal-typical point of view, we have a *strong* model of employee participation when co-determination rights in the strategic decision class are formalized by law either at board or workplace level. This is classically the case with regard to German *Mitbestimmung* (Silva, 2013; Müller-Jentsch, 2008), 2 especially in its parity-based variation of the coal and steel industry law (1951). On the other hand, we would have a *weak* model if employee participation were barely formalized, focusing only on executive decision-making, with little impact on company strategy. On the basis of this classification, the Italian model can be considered relatively weak, mainly due to the absence of any form whatsoever of board-level employee representation (Cremers et al., 2013; Vitols and Kluge, 2011; Rehfeldt et al., 2011).

However, as I will suggest in the concluding paragraphs, the changes induced by the combination of globalization and new productive paradigms tend to undermine fatally – not only in Italy – the capacity of trade unions really to influence corporate strategies. All systems, including the more consolidated ones, are subject to the pressures of global markets, employers and lawmakers. On the other hand, the new models of work organization could potentially be used to subvert managerial aims, paving the way for more effective influence, at least on shop-floor working conditions, if union action is able to combine conflict, bargaining and participation, without relying exclusively – and ideologically – on only one ***instrument*** or another.

**Cultures and identities of the Italian social partners: a post-war overview**

The issue of employee participation in Italy goes back a long way (Leonardi, 2013; Olivelli, 2005; Baglioni, 1995). Any attempt to sketch the evolution of employee participation in Italy needs to take account not only of the different actors’ cultures and ideologies, but also the economic, social and political development of a country of marked divisions and contrasts. A starting point might be the Constitution of 1948. Unusually, it includes a full article dedicated to workers’ right ‘*to collaborate in the management of enterprises*, in the ways and within the limits established by law’ (Article 46), while – in more general terms – it considers it a duty of the Republic ‘to remove the economic and social obstacles that, by limiting the freedom and equality of citizens, prevent the full development of the human person and *the effective participation of all workers in the political*, *economic and social organization of the country*’ (Article 3.2).

Article 46 could have been a pillar of a system of economic and industrial democracy, but that never materialized. The causes are various and complex (Pedrazzoli, 2005; Ghezzi, 1980; D’Antona, 1980), being in the first instance both semantic and political: the final choice of, for example, ‘collaborate’ rather than ‘participate’ – as originally proposed – and ‘in harmony with the needs of production’, sounded too close to the Fascist corporatist ideology of idyllic labour–capital relations. 3 Even the public registration of trade unions as a precondition for signing *erga omnes* binding industry-wide collective agreements, or a legal regulation governing the right to strike, as prescribed by two other articles of the Constitution (39 and 40), have long been viewed and rejected as a legacy of the former regime and its juridical culture.

The most important but nevertheless brief experience of employee participation at workplace level, the *Consigli di gestione* (Joint management councils), developed during the factory occupations in the almost insurrectional climate at the end of the Second World War, was rapidly reabsorbed as soon as the traditional power relations within firms were restored within no more than five years (Amari, 2014; Leonardi, 1997).

The employers were determined to reaffirm their exclusive managerial prerogatives in the teeth of any prospect of employee participation, even in its weakest form. The Italian variety of Taylorism/Fordism, which at that time was in full flight, did not contemplate any real form of power sharing in business governance and work organization. Proposals from the most open of the unions on these issues, CISL – the newly established organization close to the ruling Christian Democrats – were cold-shouldered by the employers’ associations. Similarly ignored were the neo-capitalist ideas of individual ‘enlightened’ entrepreneurs, such as Adriano Olivetti and Piero Bassetti, who were more inclined to a participatory style than their colleagues and were strictly censored and even threatened with expulsion by their association. In the years of the economic boom, during the 1950s, capital and management had re-gained full control of their companies, imposing unilateral and anti-union practices in the workplace (Craveri, 1977; Accornero, 1975).

In such a scenario, it was easy for the labour movement and its strongest component, the communist-driven CGIL, to see confirmed their analysis of neo-capitalism and its refusal of any kind of commitment that could compromise freedom of industrial action. Despite the existence of minority options – CISL and UIL, the latter supporting the German model of BLER – a confrontational approach long prevailed, under the leadership of CGIL. In the culture of the CGIL, industrial and economic democracy was related to the possibility of achieving ‘structural reforms’ through the political intervention of a left-leaning coalition of social forces and parties. The idea of ‘progressive democracy’, developed by the Italian Communist Party, prevailed; its core inspiration was not Article 46 but Article 3.2 of the Constitution (legal enactment to remove any hurdle impeding substantial equality), through public intervention in the economy (Article 41) and ownership (Articles 42 and 43). Working conditions, during that period, were pretty much neglected by the communist activists, who had embraced Gramsci’s doctrine on – and fascination with – the rationalizing power of Fordism. The socialists, though sharing the same belief in central planning and nationalization, seemed to devote more attention to shop-floor democracy.

In the 1960s, unorthodox communists and socialists (Tronti, Panzieri and their influential *Quaderni Rossi* 4 ) revisited Gramsci’s thesis on workers’ control, which was also a feature of 1920s *Linkskommunismus* (Korsch, Pannekoek). They worked out the theory of so-called *Operaismo* (‘workerism’), which is probably the most original Italian contribution to international neo-Marxism in those years. According to it, the factory represents a vehicle for the self-organization of the working class and the development of new forms of militancy. It is a laboratory for a new subjectivity exercising hegemony over the production system, until society as a whole is won over. In the social climate of the ‘hot autumn’ in 1969, new forms of works council were established, the Factory Councils. This was a model of semi-direct democracy in which union delegates were elected, with a revocable mandate, by their work unit, no matter whether it was unionized or not and with full bargaining power on all key deliberations. This model and approach to union democracy is still alive in the culture of many CGIL officers and shop stewards.

During that period scholars close to the labour movement played an important role in importing ideas from abroad. Surprisingly, it was the Anglo-Saxon, not the German or Nordic model that exerted the strongest influence. Labour lawyers such as socialists Gino Giugni and Federico Mancini further pursued the ideas developed by Otto Kahn-Freund and Americans Perlman and Commons (School of Wisconsin) on the role and value of collective autonomy and self-regulation in industrial relations (Giugni, 1977). Meanwhile, young Catholics and leftist intellectuals linked to the CISL, inspired by the pluralist theory of the so-called Oxford School (Clegg et al., 1980) provided new theoretical tools that substantially transformed their initially moderate union into a more rank-and-file oriented one. They also opened a debate on self-management (Baglioni et al., 1977), while the Confederation’s printing house (Edizioni Lavoro) translated and published the best of the international literature on industrial relations. Thanks to the dissemination of collective cultures and plural identities among communists, socialists and Catholics (Cella, 2008), the Italian labour movement, on the wave of a mounting cycle of class struggle (Pizzorno et al., 1978) experienced one of the longest periods of union growth and power in Western societies.

As in Webb’s seminal *Industrial Democracy*, as already mentioned, strikes, collective bargaining and political reforms are considered the most effective tools for achieving industrial democracy and, more significantly, changing society. The 1970 Workers’ Statute was the major outcome of this development: inspired by Roosevelt’s Wagner Act – via Labour Minister Gino Giugni – it was a case of auxiliary legislation, aimed at stabilizing union liberties and power on the shop floor.

Because of such bottom-up pressure, CGIL, CISL and UIL finally combined to form a unified federation that lasted until 1984. During the so-called ‘decade of the unions’ (1969–1979) the effective voice of Italian workers was proved to be no less strong than in countries with more institutionalized models of co-determination. Proud and self-confident in this conviction, two generations of shop stewards and union officials believed they had nothing to learn from elsewhere. Few found much to offer in the German model or were tempted to exchange an almost unlimited power to strike for sitting on some supervisory board which obfuscated their autonomy. The *voluntarism* of Italian industrial relations, along with other enduring traits, can be explained by such a mixture of cultures and ideologies. Finally, in the late 1970s national industry-wide collective agreements began to include workers’ rights to information and consultation on an increasing range of issues in their opening chapters, either at sectoral or company level.

Many things in Italy would change in the 1980s, as they did in the rest of the world. The balance of power started to shift and Italian scholars and unionists started to look with growing interest at the very neo-corporatism that had long been dismissed (Vardaro, 1988), just when neo-corporatism was slipping into a crisis in its Nordic birthplaces and bastions. Implementation is based on the notion of ‘political exchange’ (Pizzorno, 1980; Rusconi, 1984). Also workers, as a survey at Fiat indicated, now considered the German model to be the most appealing foreign option. Later on, the milestone framework agreement of 23 July 1993, by establishing the basic rules for collective bargaining and workplace representation, endorsed the value of employee participation, elevating it as a key element in company bargaining, especially in the areas of production-related wage and work organization. ‘From conflict to participation’ was the mantra of this new phase.

Public companies, for decades a pillar of the industrial system, also played a key role in the evolution of the Italian system of industrial relations. From the late 1950s (and until the late 1990s), they had their own employers’ association, outside the Confindustria umbrella. In the early 1960s, in open contrast to private employers, public managers paved the way for company agreements and to a two-tier *articulated bargaining* system. In the mid-1980s – when the private employers, individually (FIAT) and collectively organized (Federmeccanica, the largest metalworkers employers association), sought to sideline the twice defeated unions (at Fiat in 1980 and in a referendum on the ‘sliding wage scale’ in 1985 5 ) once and for all, the big public holdings (IRI and ENI) opted for a different approach. With ad hoc ‘*Protocolli’*, a robust system of information and consultation was established through joint committees, at company and group level, with detailed procedures for preventing unilateral action and cooling down conflicts.

It is worth highlighting that traditionally – due to the specific nature of public ownership and production cycles (unregulated work stoppages were impossible for safety reasons), as well as the larger average size of the companies concerned – both social partners in the energy and large chemical industries practised more cooperative industrial relations than, for instance, the metalworking sector, in which they have always been more antagonistic.

In this scenario of different cultures and objectives, de facto cross-vetoing occurred, with regard to method (CISL’s scepticism with regard to the law) and content (CGIL’s original reluctance for board-level employee representation and, continuing, ***financial*** participation) and also both (employers’ associations). This impeded the development of any formal system of employee participation.

Echoes of these developments have proved persistent. CISL has probably remained more faithful to its original inspiration (Baglioni, 2011): an identity-dictated choice for *participation* in all possible forms, servicing and bilateralism (see below), and decentralized bargaining, reluctant to accept any interference by the law. CGIL has revised some of its original views on the subject (Leonardi, 2013). Starting from the 1980s, the country’s largest confederation, through a lively internal debate, has gradually accepted *co-determination,* including the long rejected BLER. Compared with CISL (and UIL), CGIL still practises a more rank-and-file kind of unionism, with more centrally coordinated collective bargaining, and marshals most social protest. Its metal sector federation (FIOM), with its combative leader (Landini), now aims at guiding a ‘social coalition’, open to other movements, against neoliberal policies, whereas the rest of the confederation remains fairly sceptical. Nevertheless, even CGIL has not given up on developing pragmatic company-level bargaining and bilateral ***funds*** for occupational welfare.

**Influence of EU legislation**

EU law has played a very important role in the public discourse and legal changes concerning employees’ information and participation (Alaimo, 2014; Zoppoli, 2006). A first generation of EU-driven laws in Italy dates back to the early 1990s, although the EC directives were passed in the mid-1970s. They concerned collective dismissals, transfer of undertakings, and health and safety. A second generation of EU-driven laws followed, related to the transposition of the Directives on European Work Councils, the European Company Statute and information and consultation. In three cases out of five, enactment came after the social partners had agreed a peak-level joint statement.

Directive 2002/14/EC set common statutory standards for the national level and to some extent represents a legislative enactment of Article 27 of the EU Charter of Fundamental Rights. To this end, Italy’s most representative employers’ associations and trade union confederations signed a joint position in November 2006. Because collective agreements in Italy lack an *erga omnes* effect, a transposition of the Directive into Italian law was possible only after an implementation act, namely Legislative Decree No. 25/2007, which was passed two years after the deadline for transposition. The contents of the information and consultation rights and duties foreseen by Italian law are substantially in line with those contained in the Directive (Guarriello, 2013; Leonardi, 2010). The Directive leaves to the Member States the decision whether to apply the rules to undertakings employing at least 50 employees or at least 20 employees. Italian social partners and lawmakers opted for the more restrictive threshold of 50. According to trade unionists and scholars, the Italian reception of the EU Directive has not given rise to any innovative feature or added value. The perception is that most of the ‘new’ rights were already recognized and rooted in collective agreements at all levels 6 . The two weakest points concern scope and sanctions. First, the high threshold (50 instead of 20) excludes too many workers: approximately two-thirds of Italian employees. Secondly, the very limited administrative sanctions for enterprises do not represent an adequate deterrent. If an employer violates workers’ rights to be properly informed and consulted, the 2007 Decree provides only for administrative sanctions, with almost ridiculous fines, ranging from €3000 to a maximum of €18,000 for each instance of non-compliance.

The impact of the Italian legislation on the European Company 7 (Corapi and Pernazza, 2011; Cattero, 2011), Legislative Decree No. 188 of 19 August 2005, has been fairly disappointing. It represented an opportunity to develop meaningful forms of board-level employee representation, but, in practice, no such effect has been achieved (Gottardi, 2014; Guarriello, 2013). 8 Only some public institutions for social protection and health and safety at work (INPS, INAIL) have a dual system of governance, with a degree of workers’ participation at supervisory board level. 9

**Some juridical profiles**

Employee involvement is at its most intense during the joint examination phase, when social partners discuss available information and, in compliance with the Civil Code clauses on goodwill and fairness, may reach an agreement or sign an understanding, without in any way establishing a formal contractual commitment. The outcomes of consultation are not binding on employers. Once joint examination has taken its course, the parties are no longer bound by the non-unilateral obligation and thus are free to take the actions they deem necessary.

The body responsible for information and consultation rights in workplaces with over 15 employees is the *rappresentanza sindacale unitaria (RSU)* or unitary workplace union structure. Below that threshold there is no right or obligation to elect union representatives. Decisions within RSUs are taken by majority. To be eligible, organizations have to collect signatures from at least 5 per cent of the workers entitled to vote. CGIL, CISL and UIL lists receive the most votes. Once set up, the RSU – a pluralist single channel proportionally representing different organizations – has both participatory and bargaining rights.

Health and safety representatives (RLS) and their rights are provided for by law, after the transposition of the EU directives. The RLS have the legal right to access workplaces and to receive all documentation concerning risk assessment and related prevention measures, with the possibility of calling in the authorities if the prevention/protection measures are deemed unsuitable. Consultation must occur both preventively for risk assessment and successively to verify the adequacy and effectiveness of prevention and protection measures.

The overall percentage of employees covered by some workplace representation is uncertain and accurate data are not available because registration is not mandatory. However, taking all the different kinds of representation together, including public sector and health and safety representatives, in establishments with more than 15 employees, coverage is probably fairly high. Excluding the RLS and considering only RSU, a plausible estimate could be around 35 per cent of private workplaces with over 15 employees, which – notoriously – are a minority. Alongside the RSU and RLS, another body that is becoming increasingly important is the joint committee. Based on collective bargaining, joint committees are composed mainly of members of the RSU and their aim is to encourage non-confrontational exchange to deal with ad hoc single issues.

Importantly, employers who impede or hinder the exercise of union rights are liable to prosecution for anti-union activities (Article 28, Workers’ Statute). If found guilty by the court, the employer will be required immediately to permit the collective rights that they had tried to quash. This is a key norm that for many years has allowed trade unions to seek enforcement of collective rights that would otherwise exist only on paper.

Timeliness is absolutely crucial for the effective exercise of information and consultation rights. Advanced information foresees the disclosure of pre-emptive information. The main question is which indicators show *when* a business project is about to be implemented. There is no formal element that precisely defines the moment of a corporate change and it can be very difficult for a company to involve workers’ representatives in anticipation of a change in good time. Local managers of multinationals, in particular, can themselves be excluded from short-term planning, because changes are more and more dictated by ‘the market’ or taken by the parent company abroad. But if a company gives up making longer-term plans, how can we expect trade unions to be in a position to co-determine such decisions? This is one of the biggest challenges that the new global ***financial*** capitalism poses to all participatory systems, even those that are traditionally considered stronger than the Italian one.

**Collective bargaining and participatory rights today**

Italian collective bargaining is based on a two-tier system with industry-level collective labour agreements and decentralized collective agreements at company or territorial level, where companies are below the relevant size threshold. Industry-level bargaining is the core of the system. Nowadays, information and consultation rights are the cornerstone of all collective agreements, both at national and company level. Through roughly 400 national sectoral agreements (but the latest figures tell us of a proliferation in the last seven years, up to a striking 700), all wage-earners are covered by collective agreements. All texts start with a sort of political understanding, where the signatory parties declare the common values and objectives they aim to achieve, with particular emphasis on the value of a participatory approach and the common will to seek agreed solutions to problems, especially competitiveness in global markets. All agreements foresee joint committees, monitoring and procedures for a proactive exchange of views on a wide range of issues: the economic situation and expected trends, employment, competitiveness, vocational training and equal opportunities.

In sectors with a very high proportion of SMEs, seasonal or fragmented work, where employment has traditionally been unstable and trade unions are weak at the workplace level (construction, crafts, ***agriculture***, retail, tourism, temporary agency work), unions and employers have also established bipartite joint bodies and ***funds***, an original form of collectively agreed welfare provision in the form of integrative pensions and health insurance, vocational training, temporary lay-offs and income support, and health and safety. This is so-called *bilateralism*, which has received strong support from recent legislation and, importantly, can now be considered the most structured form of participation achieved in Italy in the past 20 years (Leonardi, 2014).

The second level of collective bargaining is not compulsory and depends on the presence of RSU and on the power relations in each workplace. Despite the social partners’ intentions and public policy incentives, such as the de-taxation of productivity-related wages, the spread of decentralized bargaining remains far below expectations. According to some studies (Banca d’Italia, 2013), it covers roughly 55 per cent of the workforce and 20 per cent of enterprises, mainly unionized ones (26 per cent) with over 20 employees. In fact, the proportion of companies without workers’ representatives with a company agreement is a mere 2.8 per cent. Most of these agreements are signed in the north and centre of Italy.

According to a survey on a sample of 2402 agreements signed between 2009 and 2012, conducted by CISL’s national observatory (OCSEL) on decentralized collective bargaining (2013), the issue of *trade union prerogatives at the workplace* appears in 20 per cent of texts, in third place behind wages and crisis management. Of these prerogatives, 87 per cent consist of *information and consultation rights*. They concern mainly the economic situation of the enterprise (85 per cent), vocational training (72 per cent), employment (68 per cent) and working hours (64 per cent). *Participation* as a further specific item is hardly mentioned: only 5 per cent of texts refer to the institution of ad hoc joint committees on company strategic choices. Another, already mentioned recent survey on sectoral and company-level collective bargaining produced similar results (ADAPT, 2015): 43 per cent of a sample of roughly 800 texts concern industrial relations machinery, 35 per cent improvements in information and consultation and 14 per cent the establishment of joint committees.

So-called ‘best practices’ have been identified by the media and academics in case studies of various sectors (Carrieri et al., 2015). They basically consist, again, of a mixture of broad information and consultation rights, joint committees and occupational welfare schemes. Although partially privatized, Eni and Enel – two of Italy’s few last truly global players – have confirmed their advanced protocols on industrial relations. Other examples were Electrolux – at least until 2014, when the Swedish company threatened to close down an Italian plant if its unitary labour costs were not aligned with the levels of its Polish factories – and Finmeccanica, both in the metalworking sector (Famiglietti, 2015). Further examples are Gucci, Tod’s and Luxottica in lifestyle and clothing, the cooperative Granarolo in the food and beverage industry and GD and IMA in the packaging industry in Emilia Romagna (IRES ER, 2011).

It is worth recalling the role played by some German multinationals in exporting aspects of their co-determination model, at workplace level, to some of their subsidiaries in Italy (Telljohann, 2015). Examples are Lamborghini and Ducati, historical brands in the engineering sector, now under the control of Volkswagen. Implementing the transnational company agreements signed by the German automotive giant, namely the *Labour Relations Charter* signed in 2009 (ABT, 2015), the two companies have adopted a system of workers’ involvement in which the two traditions and models – the Italian and the German – are partially merged through a mixture of information and consultation prerogatives and ad hoc joint committees.

The contents and quality of the information and consultation are fairly well appreciated by trade unionists, although they usually complain about a lack of timeliness and the often unsatisfactory outcomes of such procedures. Compared with other European systems, Italian workers’ participation appears still to be fairly weak. According to an international study (Vitols, 2010), Italy is still at the bottom of the list in the EU, concentrating exclusively on collective bargaining, limited to information and consultation procedures, while stronger forms of involvement are almost absent.

**The challenge of direct involvement and participation**

In post-Fordist economies employee participation is commonly considered to be a key factor in enterprise innovation and competitiveness, as it can help to enhance the anticipation of change and increase levels of employee empowerment and satisfaction (Knudsen et al., 2011; Cremers, 2011). Concepts such as involvement and work autonomy are often subsumed under a single construct of *direct participation* (Lopes et al., 2015). Inspired by Japanese models of work organization, this includes concepts such as *lean production*, *World Class Manufacturing* and *high performance work practices* (Schonberger, 1996; Storey and Harrison, 1999).

Unlike in the past, workers are not considered merely a constraint but as a problem-solving resource to be duly activated through a range of HRM techniques, including better working conditions and high-trust industrial relations. The aim is to widen informality and decision-making power in the execution of tasks, long considered by middle management as dysfunctions to be identified and removed. Impetus has frequently originated from company management, so that significant items in the traditional trade union platform of demands are today being taken up and integrated in new corporate strategies. Furthermore, sometimes replacing traditional forms of collective bargaining and involvement, managers seem to be opting more and more for *direct participation*, without and/or beyond the classic ‘indirect’ dialogue with workers’ representatives.

These epochal changes in managerial culture and practices have found a receptive terrain in Italian companies (Pero and Ponzellini, 2015). Surveys over the past couple of decades have revealed the diffusion of these new approaches. This applies, for instance, to some highly innovative firms in the bio-mechanical or packaging industrial districts of Emilia Romagna, where trade unions have usually been involved in the search for new shared solutions. More famous – and controversial – is the case of FIAT, traditionally on the frontline in all phases of historical transformation in national industrial relations. A recent and broad survey commissioned by the CISL metalworkers’ federation (FIM-CISL, 2014) was conducted by the University of Milan among the workers in 24 FIAT establishments. The goal was to investigate the impact of *World Class Manufacturing* on working conditions and workers’ perceptions. Workers expressed their appreciation of progress related to the work environment, their involvement through team work, requests for suggestions, job rotation and product quality. The critical factors remain (i) more intensive working times and pace of work (it is ‘less porous’ and there are no opportunities for workers to divert their attention from the job in hand); (ii) low satisfaction with performance-related bonuses; (iii) limited evidence of a real use of employees’ suggestions by the management; and (iv) limited rotation. Other empirical research on the same target group, closer to FIOM-CGIL (Tuccino, 2011), has revealed that work intensity has now been greatly increased and only partially compensated by some ergonomic improvements. At the same time, industrial relations have become very bitter, with a clear intention on the part of the management to eject the representative and combative FIOM-CGIL from all factories, similar to what Toyota did in the early 1950s (Coriat, 1992) in order to achieve its managerial utopia of a zero-conflict company.

Generally speaking, such a radical change of paradigm offers the employees unprecedented opportunities to increase their skills, voice and motivation to a level unknown previously. CISL is the most convinced of the challenges of such a new horizon (Baglioni, 2011) whereas, from a different perspective, a very influential trade union leader, CGIL’s Bruno Trentin (1992), used to insist on them as the new potential frontier for a modern unionism and *liberation at work*.

Nevertheless, dangers and criticisms are no less evident (Gorz, 1988; Boltanski and Chiappello, 1999). Managers’ control over working time – the traditional target of the ‘scientific’ organization of work – although more indirect and comfortable in terms of work ergonomics and environment, has never been so pervasive, through the elimination of any ‘porosity’ and *non-value added activities.* As the European Working Conditions Surveys have shown (Eurofound, 2012), higher employee autonomy and involvement at work often go hand in hand with a more stressful intensification of tasks and psycho-physical overstrain. Moreover, they achieve a form of disintermediation in interest representation, in which the role of the unions and their shop-floor representatives is fatally marginalized. In August 2015 the media emphasized the successful request by Electrolux management to workers as to whether some of them were available to work on the national mid-summer holiday on 15 August, after the unions firmly rejected this. Yet, elsewhere, some welfare benefits are unilaterally ***granted***, so to increase workers’ loyalty and motivation, often at the expanse of collective representation.

If industrial democracy was initially conceived with the aim of extending workers’ citizenship within the factory gates, now this appears at best as an *ex post* justification. It is not about creating a more ‘democratic’ enterprise, but merely about making it more efficient and profitable. The constitutional asymmetry between capital and labour has not been reduced, but only better covered up. Corporate strategic centres and deliberations, in the era of shareholder-value capitalism, financialization and multinational companies, have never been so obscure and distant from the workers and their unions, making it more difficult for them to exert any effective influence over them. Through the functional differentiation of its internal organization, business power tends to evade the traditional venues of collective bargaining (Harvey, 2013) by: (i) scaling up, by creating a screen of legal personality, into a transnational entity of Chinese boxes, in which the company’s boundaries are completely blurred; and/or (ii) scaling down, by outsourcing and decentring its executive decision-making, and using more and more flexible workers. From a managerial point of view, the meaning (and the rhetoric) of *participation* coincides with that of *involvement* (Hyman and Mason, 1995). In the Italian industrial relations vocabulary we have passed from the original *controllo operaio* in the 1950–1970s, to *codeterminazione* in the 1980–1990s, then to *partecipazione*, and finally to *coinvolgimento* (involvement). This semantic and symptomatic political shift – which is observable in Italy like everywhere else – from democratic union-driven aims to more managerially driven HRM approaches (Gollan and Xu, 2015) is a clear sign of the ideological hegemony (Edwards, 2006) of the neoliberal consensus. A case of the lost battle of ideas and words, to use the Hyman categories.

As production and work organization continue to evolve in this direction, industrial relations systems cannot remain the same (Gumbrell-McCormick and Hyman, 2013). The new attention paid to employee participation goes hand in hand with the ongoing pressure towards a definitive decentralization of collective bargaining. Direct participation and company-level bargaining, in the perspective of ‘competitive corporatism’, are inevitably antipathetic to multi-employer agreements and within-country solidarity. The open attack coming from the new European governance on the multi-employer bargaining system in more and more countries (Schulten and Müller, 2014; Marginson, 2015) – Italy included – is a clear effect of this new scenario. Another aspect of it is the obsession with preventing industrial conflict and unrest, despite its sharp decline. See the cases of Britain and Spain. The separate and controversial agreements signed at FIAT in 2009–2010, 10 but also the last three inter-sectoral framework agreements on union representativeness and collective bargaining (Confindustria, 2011–2014), with their stricter cool-down procedures, are clearly inspired by such management concerns and purposes. We have to bear in mind that, historically, strong limitations on strike action have been the price paid by the Nordic labour movement for its co-determination rights. The big question today is whether neo-corporatist *political exchange* is still (i) feasible and (ii) beneficial.

However, labour as a crucial resource can be an element of unprecedented vulnerability for companies. In the era of just-in-time and zero-stocks, a shop-floor stoppage could result in serious damage, which represents a major opportunity to restore collective bargaining. If strategic decision-making appears unreachable today, as never before, new opportunities are opening in the no less crucial area of the quality of work organization and conditions at shop-floor level.

**Conclusions**

In the past six years the Italian industrial relations system has experienced a prolonged phase of transition, which does not seem to have reached its end (Carrieri and Treu, 2013). The numerous events that have affected it in recent times are rapidly and profoundly changing this particular national model. Collective bargaining has repeatedly been the subject of ‘reform’, undermined either from the top, by European interventionism, or from the bottom, as in the case of Fiat. This offers employers a regressive exit strategy from a model that we could otherwise define as ‘organized decentralization’ (Traxler, 1995).

Union density and collective bargaining coverage numerically resist better than in the EU average (Visser, 2015) 11 . Nevertheless, compared with other countries, the difficulties of Italian trade unionism are more *qualitative* than *quantitative* (Leonardi and Sanna, 2015). For example: the gap between the level of general trade union recognition and their power resources and the modest outcomes in terms of wages, employment rates, human capital and welfare provisions, is significant;the marginalization experienced by unions because of the new European and state interventionism in the main social issues, collective bargaining included, has further weakened union influence;the crisis of traditional voluntarism in the field of industrial relations, with subsequent legal uncertainty and conflicts, has led to divisions between the main confederations and has opened up strategic divides among unions concerning their role in the new century.

As for workers’ participation, we can summarize our argument as follows: an historical and ideologically-based reluctance of social partners to establish forms of strong involvement and participation by law, with the assumption of reciprocal responsibilities, in terms of limiting management prerogatives, on one side, and a stricter regulation of union autonomy, on the other;the lack of any widespread form of board-level employee representation and other significant forms of ***financial*** participation, as found in other countries;the key role played by collective bargaining, the true pillar of the whole Italian industrial relations system;national legislation that over the years has slowly implemented EU legislation on information and consultation, on specific issues or at a more general level;the lack of a uniform, reliable and effective picture of participatory practices, with important divides across sectors, branches and companies of different sizes;the increasing role played by new forms of work organization, with a strong managerial emphasis on the issue of workers’ involvement, through different forms of informal and team work;the key mediation of the government in solving occupational crises in many large companies (Electrolux, Ilva, Eni, Finmeccanica, Whirlpool);a widespread perception of industrial relations as unsatisfactory, with employers demanding more decentralization and flexibility and the unions demanding more enforceable and reliable articulation of levels, tools and decision-making.

A higher degree of formalization, by means of which workers’ participation would be made certain, regular, pre-emptive and mandatory, has been suggested by a number of scholars and trade unionists. These favour a holistic approach to representation at workplace level, the collective bargaining system and workers’ participation in all its potential forms.

In recent governments, MPs of different political orientations have aimed to introduce comprehensive legislation that covers all the different aspects of participation: information and consultation, board-level representation and ***financial*** participation (Caragnano, 2011). A new bill is now under discussion (1051/2015) on an initiative from two MPs, former Berlusconi Labour Minister Sacconi and neoliberal labour lawyer Ichino. In 10 articles they propose to establish framework legislation on all possible forms of workers’ participation. Like most previous bills, this one is based entirely on the ‘free will’ of the social partners, at the decentralized level, to negotiate and establish one or more forms of industrial and economic democracy. From this viewpoint, we predict that it will not have a serious impact on the current situation. The traditional weak enforceability and effectiveness of the Italian voluntary approach to participation will probably remain unchanged. Sanctions for avoidance or violations are not mentioned and there is no reason to believe that companies will willingly establish supervisory boards with workers’ participation, when these are not mandatory. Only ***financial*** participation might receive a real impulse, due to companies’ need for recapitalization, especially because of the banks’ credit crunch.

Nowadays, in Italy like everywhere else, trade unions and national states are being challenged and significantly weakened with regard to their institutional role and political sovereignty. A post-democratic Europe is more and more the arena in which the major decisions are being taken. The situation is being further aggravated by the increasingly multinational structure of modern companies (Ramsey and Haworth, 1989), which often makes it impossible to identify the centres of power where decisions affecting national/local units are taken.

The hard times we are living through and the growing imbalance of forces between capital and labour are anything but favourable for legal transposition from one country to another, importing models produced during completely different periods of development. It is very unlikely that, in such a global scenario, Italy will be able to acquire by law what trade unions achieved in Germany or Sweden when class power relations were the most favourable ever from the standpoint of labour (Borioni and Leonardi, 2015).

Despite the hostile scenario and tough challenges, industrial and economic democracy, in the various forms of workers’ participation in company management, will always remain the main objective of the labour movement.

**Notes**

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[***Organizing through conflict: exploring the relationship between strikes and union membership in Germany***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BM4-FYP1-JBMY-H1MG-00000-00&context=1516831)

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**ABSTRACT**

This article explores the possible link between trade union organizing and industrial action. The focus is on Germany and the period between 2004 and 2015. During that period there was a significant shift in German strike activity from manufacturing to the service sector. Special attention will therefore be given to the United Services Union, ver.di, the second largest union in Germany. The article argues that major preconditions for organizing crystallize during industrial disputes. Strikes constitute decisive moments in which the diverging interests of employers and employees are directly experienced, and in which unions are called on to demonstrate their effectiveness as collective organizations. There is evidence that ‘organizing through conflict’ has the potential to support union building and that within such an approach industrial action can work as a catalyst. The conclusion is that successful strikes offer opportunities within a comprehensive organizing strategy without however being the magic bullet with which unions can easily close the representation gap.

**FULL TEXT**

**Introduction**

The expression ‘organizing through conflict’ (*Organisieren am Konflikt*) was in Germany coined by the former Commerce, Banking and Insurance Union (Gewerkschaft Handel, Banken und Versicherungen, HBV) in the 1970s to denote the work of building the union through engaging with concrete workplace or bargaining conflicts (Bayer, 1980: 180–181). 1 It became common knowledge amongst union officials that contentious bargaining rounds offered particular opportunities for organizing and since the mid-2000s the amalgamated United Services Union (Vereinte Dienstleistungsgewerkschaft, ver.di) has recorded specific increases in membership in the context of industrial disputes.

There are few case studies on the association between strikes and union growth. Historical research indicates that in some countries union membership surged when strike frequency was high (e.g. Cronin, 1979; Kelly, 1998). Analysing the relation between labour militancy and union membership levels in 16 countries from the 1880s to the 1990s, Gerald Friedman (2008) concluded that militancy and in particular mass strikes were the key to union growth. He has been criticized for his largely one-dimensional approach and his neglect of the complexities of the subject (see Howell, 2008; Piven, 2009). Southern European strike history since the Great Recession of 2008 also teaches us that political mass strikes are neither necessarily an expression of unions’ strength nor the trigger for union growth (Hamann et al., 2012). The association between membership development and strike activity is therefore less than perfect (see Kelly, 2015: 725).

Given the limited scale of industrial action in many countries the explanatory potential of aggregated national data is limited and a focus on the industry and company level is much more promising. Darlington’s qualitative study of the National Union of Rail, Maritime and Transport Workers (RMT) (2009) shows how the union grew through a strategy in which successful mobilizations for industrial action played a crucial role. An unpublished dissertation (McCarthy, 2010) on the Public and Commercial Services Union (PCS) finds positive quantitative effects of strikes on new members, although it is based on comparatively limited data. 2 Cregan’s (2013) survey-based study which analyses the impact of industrial action at the workplace on joining or leaving the union in some Australian workplaces points in a similar direction but is also limited in scope.

The aim of this article is to explore more closely the possible link between trade union organizing and industrial action. The focus of the study is on Germany and the period between 2004 and 2015. During that period German strike activity significantly shifted from manufacturing to the service sector. Special attention will therefore be given to ver.di, the second largest German union with 2,040,000 members in 2015. The study expands on and refines previous work (Dribbusch, 2011).

Our study is close to the mobilization theory developed by Kelly (1998). It draws on an actor-related approach in which the prime focus, with appropriate consideration for the contextual conditions, is on the range of choices and interventions available to unions (see, for example, Undy et al., 1981; Ganz, 2000; Heery et al., 2000; Brinkmann et al., 2008). First we present a theoretical approach to the relationship between strikes and union organizing; and secondly, an investigation of the degree to which strikes and processes associated with industrial action are reflected in changes in union membership.

Unions in Germany have traditionally been very reluctant to disclose their organizational strength on the ground and disaggregated membership data are not publicly available. 3 The author is therefore grateful to all the unions that ***granted*** access to their records. Without their support the study would not have been possible. Insight into the course of disputes and negotiations was gained through numerous often informal talks with union activists and officials and participant observation in the metalworking and retail industries.

**Union organizing and strikes – the argument**

Many opinion polls and surveys confirm that employees have a broadly favourable view of unions and their necessity in social and economic life (for Germany, Frerichs and Pohl, 2001; DGB, 2007). However, there is a large gap between the extent of this approval and actual union membership. This so-called representation gap (Towers, 1997) indicates that a number of preconditions have to be met for approval to be converted into actual membership. Organizing requires intervention. It is a complex process over which unions can exercise considerable influence, but cannot fully control (Dribbusch, 2003: 23–56; Simms et al., 2013). The central characteristic of union organizing is that it takes place at the site of the conflicts which are inherent to the employment relationship, and at the same time intervenes in the distribution of power between employees and employers. As a consequence, organizing is in most cases a contested process within a specific historical, economic and institutional setting.

Conceived in ideal-typical terms, there are two subjective and one organizational precondition for employees to organize in a union: they are all closely interlinked. The first is the perception of conflicts or problems related to the employment relationship, termed ‘*perceived injustice*’ by Kelly (1998: 27–29). What is critical is not the *objective* nature of the wage-labour relationship but whether employees *subjectively* perceive conflicts, grievances or problems, or at the least do not exclude the prospect of these occurring in the future, and – crucially – can hold their employer or management responsible for these circumstances (Kelly, 1998: 45–46). For many wage-earners, therefore, a trade union is a collective ‘conflict insurance’ (Van de Vall, 1966) against the risks intrinsic to wage labour. This does not mean that normative motivations are irrelevant. Such considerations certainly play a significant role for members who engage more generally in and on behalf of their union (for Germany, Prott, 2006). However, for most employees, as indicated by a number of surveys covering a wide range of unions in various European countries and industries, the main factor in joining a union is the desire for ‘support should a problem arise at work’ (Waddington, 2014). Conversely, it would follow that employees who do not view their employment relationship as being problematic or who locate the causes of fundamental problems at work as lying outside the workplace are less likely to join a union. Perceptions of conflict are influenced by employers’ strategies and practice, but also by union representatives who are able to engage with these problems, highlight them as more general issues, and suggest options for resolution (Kelly, 1998; Darlington, 2009).

The second prerequisite for joining a union is its *perceived effectiveness* (for example, Boxall and Haynes, 1997: 571; Cregan, 2005). Employees must be convinced that union membership can provide the collective support that they want and can strengthen their individual and collective position in relation to their employer. This subjective assessment will be influenced by the situation at the workplace, the employee’s position in the hierarchy, and last but not least by actions taken by management. This assessment will be shaped by the record of union activity at workplace and industry level, unions’ responses to wider social questions but also by successful strikes or prominent defeats (see Mason and Bain, 1993: 341).

The third, organizational, precondition for successful organizing is the *availability of a trade union* (Hancké, 1993: 596). In the absence of a union, there are, as a rule, no new members. Joining a union requires direct contact between employees and the organization, which is most effectively undertaken through personal contact at the workplace (see Mason and Bain, 1993; Dribbusch, 2003: 27–28). This may seem a true-but-trivial precondition, but it is one that frequently is not met (Mason and Bain, 1993; Dribbusch, 2003). To build a union presence in unorganized workplaces is therefore a key to union growth and remains the major challenge for unions.

The significance of strikes as catalysts for building union organizational power is based on the argument that the three basic preconditions for organizing crystallize and are more fully met during disputes. Strikes constitute decisive moments in which the diverging interests of employers and employees are directly experienced, and in which unions are called on to demonstrate their effectiveness as collective organizations. Conflicts and grievances are exposed and brought to a head. Preparations for such a conflict place greater demands on both union officials and activists, who are more visible at the workplace and whose activity becomes more directly evident to employees. Strikes represent a break with everyday routines and also imply and foster elements of self-organization, resistance and civil disobedience. For many strikers we spoke to in meetings and on the picket line the strike is not only about the declared objectives of the industrial action. By temporarily overturning the prerogatives of the company and their immediate managers a stoppage is frequently also a demonstration that there are limits to what employees are prepared to accept. Strikes have the potential to allow employees to experience their collective strength. This is the core of their importance for building a union presence at the workplace.

**The strike as an exceptional event**

Only few bargaining conflicts culminate in a strike. Strikes require a number of preconditions to be met, can entail serious risks and remain an exceptional event which in Germany only a minority of workers ever experience during their working lives. In a 2008 national survey of employees, only 20 per cent of respondents stated that they had ever participated in some form of strike – 9 per cent of respondents once and 11 per cent several times. 4 Around three times more union members (44 per cent) than non-members (14 per cent) had been involved at least once in a strike. The fact that union members are much more prevalent amongst strikers is an indication of the fact that strikes tend to take place in well-organized workplaces and branches. This was confirmed in the 2015 works council survey by the Institute of Economic and Social Research (WSI), carried out in the first quarter of 2015 and representative of all private sector workplaces with 20 or more employees and having a works council. 5 Eleven per cent of all works councils stated that either a single work stoppage (5.8 per cent) or several stoppages (5.3 per cent) had taken place in their establishment ‘within the previous 12 months’. 6 There was a strong link between unionization and strikes (see Table 1).

**Table 1.**

2015 WSI works council survey: ‘Have there been work stoppages in your establishment in the last 12 months?’ % of all establishments surveyed.

| **Union density at establishment** | **Yes, once** | **Yes, several times** |
| --- | --- | --- |
| No union member reported | 0.0 | 0.0 |
| Union density between ≥ 0.1% and lthan 30% | 2.8 | 2.9 |
| Union density between ≥ 30% and lthan 70% | 7.7 | 10.5 |
| Union density between ≥ 70 and 100% | 13.3 | 9.9 |

Source: 2015 WSI works council survey.

**Strikes and power resources**

Industrial disputes are always embedded in a specific historic environment and strongly influenced by the balance of power between workers, their unions and the employers. This is not the place to engage in a detailed discussion on power resource theory (e.g. Korpi, 1998; Silver, 2003; Schmalz and Dörre, 2014) but the position of workers in the labour market and within the labour process (∼structural power), union density and links to political parties (∼associational power) and the institutional framework (∼institutional power) are significant factors that shape industrial conflicts. They are, however, not determinants in the sense that favourable conditions would automatically generate union success. Unions also require what Ganz (2000) called strategic capacity. They must be able to identify opportunities and to campaign effectively. This includes the capacity positively to influence the public discourse and to mobilize community support if needed. Finally, power is a relational category and each dispute has at least two parties. It is never the workers or their union alone but also employers or the government that exert influence on the course and outcome of industrial disputes.

**Strike pay**

Strikes mean that employees risk losing earnings. In contrast to the practice in other countries, in Germany substantial strike pay has a long tradition. A number of surveys (DGB, 2007; ver.di, 2007) have established that strike pay is seen by union members as one of the most significant union benefits. Unions differ in the extent to which they provide this benefit. As a rule the amount of strike pay is related to the individual monthly contribution, which at most DGB unions amounts to 1 per cent of the monthly gross wage. The formulas differ in detail but strike pay is generally substantial. The German metalworkers’ union, IG Metall, pays between 12 and 14 times the monthly contribution per week depending on length of membership. Ver.di ***grants*** between 2.2 and 2.5 times the monthly contribution per day. As strike pay is exempt from taxes the benefit covers approximately 80 per cent of the net wage.

Strike benefit can be an additional incentive to join a union. Whereas IG Metall restricts strike pay in principal to members who joined at least three months before the start of industrial action, ver.di allows employees to join at the beginning or even during a strike. 7 To prevent purely opportunistic entries members who received strike pay must stay in ver.di for at least 12 more months (those who join during the strike even for 18 months) or pay back the benefit.

**Employees’ perspectives**

According to a 2007 representative survey, employees have two main expectations of unions in relation to strikes (DGB, 2007). Eighty-one per cent of all union members found it ‘important’ or ‘extremely important’ that ‘the union makes use of strikes as a means of exerting pressure in the course of collective bargaining’. This view was also shared by 59 per cent of non-members. In both instances there was very little difference between responses from residents of East and West Germany. At the same time, 88 per cent of members, and 89 per cent of non-members, stated that it was ‘important’ or ‘extremely important’ for unions to be able to ‘achieve settlements without a strike’. The responses mirror both the wish for unions to negotiate as forcefully as possible with the employer, but also the expectation that they should do this in a way that does not culminate in a strike. However, should a conflict arise, then, as the repeatedly high votes in favour of industrial action in strike ballots show, employees exhibit a high level of willingness to strike.

**Social partnership and militancy**

Industrial relations in Germany have traditionally been characterized by a strong sense of cooperation and ‘social partnership’ not least through the institution of the works council, board level co-determination and the strong position of unions in public services. This has never excluded substantial conflicts if one side has seen its core interests violated or if bargaining interests had to be fought out. The key question for unions always was the degree to which they were respected by employers as partners on equal terms. This differed over time and between sectors and companies depending on varying balances of power.

Since the mid-2000s we can identify a remarkable shift of industrial action from manufacturing to the service sector (Bewernitz and Dribbusch, 2014) – a ‘tertiarisation of industrial conflict’ as Bordogna and Cella (2002) label it. At the heart of this development is ver.di – a union so broad in scope it resembles a confederation. It is organized along 13 *Fachbereiche (∼ trade sections*, in the following ‘TS’) which together cover 68 *Fachgruppen (∼ trade groups*, in the following ‘TG’). In 2014 the union was party to some 20,000 collective agreements (ver.di, 2015: 171); a relevant number of them, however, constituting parts of packages were not negotiated separately. According to the annual WSI estimate on industrial action between 2004 and 2015, about a third of all workers involved in industrial action and some 85 per cent of all strike days can be attributed to the service sector. 8 Almost all strikes which attracted public attention between 2004 and 2015 were related to disputes in services.

Over the same period the ver.di executive approved industrial action for more than 1500 collective bargaining disputes. While in 2004 the annual number of approvals was 36 it had more than quadrupled by 2009 and with the exception of 2010 has remained at this level ever since. This development confirms that industrial action is established within ver.di as an option in the course of collective bargaining. However, internal assessments by ver.di and a monitoring of ver.di websites indicate that a relevant proportion of approved applications for industrial action are not put into practice. Estimates range from 30 to 40 per cent for the years since 2011. 9 Even then, however, a very large number of disputes remain. In comparison the largest German union, IG Metall, centrally recorded between 2004 and 2015 fewer than 50 strike disputes including, however, 16 often very large waves of warning strikes involving hundreds of thousands of metalworkers. In addition to these, there were an unknown but significant number of local strikes across the organizing territory of IG Metall. In 2015 alone we found 56 stoppages lasting between one and up to 24 hours which, as no strike pay was involved, were not reported to the head office and therefore not in the records.

The fact that ver.di is more often involved in industrial action than IG Metall is related rather to different characteristics of their respective organizing territories than an expression of fundamentally different approaches to industrial action. Both IG Metall and ver.di regard the strike as a regular part of their repertoire of action. But industrial relations in the service sector have become less stable and are much more fragmented than in manufacturing. To give just one example: until privatization in the early 1990s the then Federal Postal Services (Bundespost), which besides running a major savings bank, monopolized postal and telecommunication services, which were governed by one package of collective agreements. In 2014 ver.di was party to some 120 collective agreements in postal services and a further 450 in telecommunications (communication to the author).

Although there is a growing awareness within the union apparatus of the chances positively to combine successful industrial action with organizing and recruitment efforts (Kocsis et al., 2013), it would be misleading to assume that the union would engage in industrial action only for the sake of membership gains. The bargaining landscape has profoundly changed for ver.di (Dribbusch and Schulten, 2007). At the core of a great number of conflicts are employers opting out of collective bargaining or – as in the paradigmatic case of mail order giant Amazon – simply refusing to bargain collectively.

**Strikes and membership growth – the evidence**

Strikes are rare in the early stages of organizing when the degree of union presence and employee willingness to take industrial action are often undeveloped. In situations where the issue is to consolidate or expand a union presence, however, industrial action can play an important role for organization (Birke, 2010: 83). To give just one well-documented example: a token strike followed by a 14-day all-out strike embedded in the retail bargaining round played an important role in the course of an organizing project at the logistics company Hermes Warehousing Solutions (HWS) (Lange, 2009) evidenced in the emergence of new union activists and a significant increase in membership levels. Unions in other branches had similar experiences (Dribbusch, 2011). As might be expected, large increases in membership are more likely to be found in branches and workplaces in which there is a longstanding unmet need for union organization. In addition to the existence of an issue that provides the basis for mobilization for a strike, one other precondition for success appears to be a signal that the union is in earnest. This was perceived by officials of the construction workers’ union IG BAU as a decisive factor in the first national cleaners’ dispute in 2009, when the union recorded above average numbers of new members far beyond those workplaces where stoppages took place. Beyond these individual examples to which of course could also be added cases of mixed successes or even failures we turn now to the quantitative picture.

**The quantitative picture**

This section begins by stating a qualification: it is almost impossible to determine reliably the precise quantitative effect of strikes on union membership. When employees enter the union they are not asked for their motives. The following section is therefore less engaged in measuring exactly these effects but rather looks at chronological links. Being aware that correlation does not always imply causation (Franzosi, 1989) we chose examples where we could be confident that membership increases were indeed related to bargaining conflicts and not caused by, for example, the reorganization of union statistics.

We turn now to the union which in the period under observation was most frequently involved in industrial action. Most strikes in which ver.di is involved are related to company-level disputes, are frequently brief and involve comparatively few employees. The largest turn-outs of strikers are recorded during warning strikes in the public sector bargaining rounds and the greatest strike volume in terms of days not worked during a few long-lasting disputes which are usually restricted to only parts of the union.

We therefore focus on a trade section which saw recurring disputes within our period of observation, that is, *Fachbereich 7* ‘*Gemeinden*’ (‘municipalities’, in the following TS 7). This section, with about 245,000 members in 2015, organizes in the basic tier of local government covering mainly municipal administration, social services and child care. The remaining municipal employees in local transport and refuse disposal are allocated to other sections within ver.di. Municipal employees are covered by a package of collective agreements which also covers all central government employees, but not those employed by the federal states (*Länder*). Between 2005 and 2015, public employees were involved in several large waves of warning strikes in the context of the national pay rounds in 2008, 2012 and 2014. In 2005/2006 municipal employees mobilized to resist demands by employers for longer working hours. The dispute culminated in 2006 in Baden-Württemberg in the run-up to the then longest ever public sector strike in Germany.

**Social services and child care**

Since the mid-2000s the union has reinforced organizing employees in municipal social services and child care facilities. *Fachgruppe 702* ‘social services and child care’ (in the following TG 702), a subdivision of TS 7, was at the centre of two emblematic disputes – the first national strike of municipal child care and social service workers in 2009 and its sequel in 2015 (Kutlu, 2015). ‘Organizing through conflict’ left the most visible traces here (see Figure 1). We compare the development at national level with that of three selected regions. 10

**Figure 1.**

Ver.di membership development TG 702 (social services and child care), national level, Baden-Württemberg (BW), North-Rhine Westphalia (NRW) and Saxony/Saxony Anhalt/Thuringia (SAT), 2005–2015, indexed (2005=100).

Sources: ver.di, own calculation.

Between 2005 and June 2015 national membership in TG 702 more than doubled. The most significant spikes can be observed in 2009 and in the first half of 2015. Both disputes focused on better working conditions for staff in social services and in particular child care facilities. What is remarkable is that, although the 2009 dispute ended with a compromise which was not enthusiastically received and only approved by a small majority of members in a final ballot, membership levels did not collapse but recovered after some decline in 2012. The 2015 dispute was embedded in a broader union campaign which focused on a ***financial*** upgrading of social work and child care. A popular argument was that employees who care for people should not be paid less than those who care for machines – an allusion to the wages of car workers. The campaign resonated extremely well amongst the employees concerned. After a first wave of new entries during the 2014 pay round for the public sector, membership figures reached unprecedented highs in the course of the 2015 strike. There were clear peaks of new members immediately prior to and at the beginning of the strike but employees continued to join the union over the whole course of the disputes.

**Regional differences**

The development in TG 702 was much less significant in eastern Germany (see the data for SAT in Figure 1). East German regions not only had a hard time with public sector job cuts but also found it more difficult to mobilize for strikes. Industrial action has a different tradition in eastern Germany where the strike was for decades severely prosecuted and walk-outs were widely absent when the regime was toppled in late 1989. Strike activity remained very scarce after 1990 and was widely absent in the service sector. There is anecdotal evidence that in 2015 eastern German child care workers weighed up their salaries against the fact that often husbands and acquaintances were unemployed or earned less whereas in relatively prosperous Baden-Württemberg these benchmarks were substantially different.

Amongst the West German regions Baden-Württemberg has a reputation for its emphasis on membership mobilization and innovative strike activity and has one of the top organizing records in the public sector. Here the first rise in membership can be seen during the 2006 regional dispute on working time whereas in the large North-Rhine Westphalia membership soared above average in the course of the 2008 pay round.

**Local differences**

Local differences become visible if we now turn to the aggregated membership developments of TS 7 within the successful Baden-Württemberg region (see Figure 2).

**Figure 2.**

Ver.di membership TS 7 (municipalities) at various levels\*, 2004–2015, indexed (2004=100).

\* TS 7: membership development at national level, in the region of Baden-Württemberg (BW) and two anonymized local districts (‘A’ and ‘B’) within BW. Sources: ver.di; author’s calculation.

Between 2004 and 2015 we see an overall decline of 18 per cent in the municipalities section TS 7. This is the effect of significant membership losses in ‘public administration’ (TG 701) in particular in eastern Germany which could not be compensated by the national gains in TG 702. In the Baden-Württemberg region (the dotted line) the development was more positive with a growth of 16 per cent over the same period. Within the region, a large urban district (which we term ‘District A’), which has a reputation within ver.di for its proactive organizing and bargaining approaches, even saw a growth of 48 per cent. 11 In the same period, however, membership in ‘District B’, a more rural district which spans towns and villages, declined by 2 per cent. Here the 2008 and 2012 warning strikes had left no trace in contrast to the 2015 mobilization.

**The dynamic of organizing**

We turn now to a comparison of annual rates of joiners and leavers in District A (see Figure 3). Interviews with those responsible for the public sector in District A revealed that already before the 2006 dispute a targeted effort had been made to widen the membership basis, to ensure that appropriate organizational steps had been taken, and that as many non-members as possible were approached about joining ver.di. The first major warning strike in December 2005 led to a tenfold increase in new members compared with the average for the preceding months. During the initial weeks in which the full strike was called in February 2006, the number of new members also increased substantially. The drop in membership in 2007 might suggest dissatisfaction with the outcome or the resignation of those who had joined solely to obtain strike pay. However, although there was a noticeable rise in exits in the second quarter of 2007, for the year as a whole the more significant development for the overall total was the marked drop in new entrants. This pattern continued in the following years. Comparable developments in retail or in the commercial cleaning sector during and after the 2009 national strike by the construction workers union IG BAU suggest that organizations have only limited scope to sustain the mobilization built up in a dispute. Activists and full-time officials can only sustain the extra effort involved for a brief period, and once a dispute is settled employees also revert back to everyday routines.

**Figure 3.**

Ver.di TS 7 (municipalities): local district ‘A’ within Baden-Württemberg: annual rates of joiners and leavers 2004–2015 (%)\*.

\* Rates of joiners and leavers as percentage of membership totals as at end of preceding year. Sources: ver.di; author’s calculations.

The relationship between industrial action and membership growth in the public service is not an isolated instance even if the details of local developments differ widely. Similar effects can also be identified in other sections within ver.di, for example in health care.

**‘Conditional collective bargaining’**

Since 2007 the health care section (*Fachbereich 3*, i.e. TS 3) has seen a steady growth in membership, becoming the largest trade section within ver.di (372,000 members as of 2014). At the core of this section are employees in public and private hospitals. When the privatization of health care (Schulten and Böhlke, 2012), which had started in the 1990s, took on a new dynamic in the mid-2000s the section reconsidered its organizing strategies. A new approach called ‘conditional collective bargaining’ (*bedingungsgebundene Tarifarbeit*) was developed (Dilcher and Gröschl-Bahr, 2013). The concept was originally designed for weakly organized workplaces where bargaining coverage never existed or had been lost. It is built around the idea that collective bargaining requires not only a sufficient union density but also a commitment of employees to the issues at stake. The focus is not so much on the works council but on setting up an establishment-level bargaining commission (*betriebliche Tarifkommission*). Ideal-typically the next step is to conduct a survey to identify problems and demands. These are presented at a works assembly where, contrary to traditional union practice, the most often very low level of membership is disclosed. The argument is then that meaningful bargaining can only start if a certain level of legitimacy, that is, membership, is attained. The approach is in a way a variety of organizing through conflict. The strike is part of the repertoire of action if necessary but membership growth stems essentially from the increased activity of the union and the prospects of better terms and conditions through collective agreements. The hospital trade group, *Fachgruppe 302* (TG 302) in the regional district of Saxony, Saxony-Anhalt and Thuringia (SAT) managed to turn the tide when this approach was implemented in 2009 (see Figure 4). At the heart of the increase were successful disputes at some major hospitals.

**Figure 4.**

Annual rates of joiners and leavers in ver.di TG 302 (hospitals), Saxony/Saxony Anhalt/Thuringia (SAT) region, 2005–2015.

Sources: ver.di, own calculation.

**Strikes and membership retention**

As noted above, for many employees a strike is a rare – and therefore special – event in their working life. In particular, for employees in the highly fragmented service sector, it is also an opportunity to experience collective strength very palpably through demonstrations and strike assemblies. It is also a time when the union is very close to its membership. We would therefore expect members who were involved in industrial action to feel a stronger attachment to the unions than others. The available membership data of ver.di, however, do not so far allow this thesis to be verified with the necessary accuracy.

**New forms of industrial action**

Within ver.di new models for union work based on campaigning and rank-and-file participation have been linked with activating forms of industrial action (Renneberg, 2008, 2011; Dribbusch, 2009; Riexinger and Hägele, 2009; Riexinger, 2013; Kutlu, 2015). Whereas IG Metall as a rule does not enter into industrial action unless a substantial majority of workers in the bargaining unit is organized, this precondition is rarely met in the service sector. Apart from a few patches in dock-work, public transport or refuse disposal, unions in the service sector are often faced with the challenge to act from a minority position or to remain largely passive (see Riexinger, 2013). Assembling isolated strikers in meetings and organizing visibility via public rallies are therefore considered crucial to render a strike effective and strengthen the union in the course of the dispute (Renneberg, 2005, 2011). Tactics must aim at hitting employers where they are most vulnerable. This is easier for hospital doctors, train drivers, pilots or security staff at airports than for women in retail. As many disputes, not least in services, are decided by winning over the public, a skilful use of the media is important. Tactics are discovered whereby public sympathy is for example won by allowing trams and buses to continue to run but without controlling tickets (Hoepfner, 2014). The courts have so far left a wide scope for non-violent action. Non-strike forms of action such as flash-mobs which might also involve external supporters are successively making their way into the repertoires of action (Rehder et al., 2012). What would probably not attract a great deal of attention in France is considered a rather militant action in Germany and can send a strong signal to the public and employers. Without interpreting too much into it: a new employer aggressiveness favours a change of the ‘classic German’ way of strikes into a more ‘French’ logic of action whereby not only the threat, but the real proof of mobilization power becomes in many cases a precondition for successful bargaining.

Since 2008, ver.di has tacitly started to introduce various means for fostering participation, such as conducting member surveys or organizing national assemblies of strike delegates. In addition, there are new forms of networking and cooperation with external supporters (see Richter, 2014). Such strategies invariably run the risk of internal conflicts. Officials are sometimes sceptical towards activism and external support (Richter, 2014) not least because activated members are often more critical towards compromises than those who stand at the margins of a dispute (Dribbusch, 2009; Lange, 2009; Birke, 2010: 179–180). This conflict had to be borne by the ver.di leadership when a meeting of strike delegates (*Streikdelegiertenversammlung*) during the national 2015 strike in social services and child care rejected, against the intention of the union leadership, the agreed outcome of a joint dispute resolution procedure. A subsequent membership ballot confirmed the rejection by a 70 per cent majority. Only after a new round of negotiations was a compromise finally accepted. But apart from these inherent conflicts, active involvement in strike action has the potential to strengthen members’ ties to the union and promote further organizing. Long-term case studies might throw more light on such processes. In industries such as retail, where employees are confronted with powerful corporations but are scattered across a cosmos of small workplaces, successful organizing requires committed lay activists (Dribbusch, 2003). An outstanding example of a successful activist-driven organizing strategy is the Swedish H&M chain in Germany (Fütterer and Rhein, 2015). While only 15 outlets had a works council in 2002, the figure stood at 131 outlets in February 2015. H&M, with a largely young, female, migrant and thus allegedly difficult-to-organize workforce, became one of the pillars in the strike waves of the 2013 and 2015 retail bargaining rounds.

**Conclusion: opportunities and limits**

Disputes allow for the intensification and compression of ideal-type perceptions and understandings of conflict, to address grievances collectively and give unions a chance to demonstrate their capacity to prevail against an employer. Engaging in industrial action, including escalating disputes to a full-scale strike, can assist in undertaking challenging organizing processes. But besides these potentially positive effects of industrial action there are also limits to an organizing strategy based on strikes.

First of all most strikes are limited in scope. It therefore does not come as a surprise that small unions with a comparatively homogenous organizing territory find it easier to generate significant increases through some spectacular disputes. When the hospitals doctors’ union MB won in 2006 its first separate collective agreements through its first national strike ever this represented a turning point in their organizational history (see Martens, 2007). The extent to which the union met with the approval of its target group can be seen in the 22 per cent increase in membership recorded in 2006 and a further 10 per cent rise in 2007. Since then, the growth rates have slowed down and MB, with 116,000 members in 2014, appears to have attained its potential membership. Such a development is rather unlikely for a general service union like ver.di. Despite extraordinary strike-related membership gains, in particular in social services and child care, the union finished the year 2015 with an overall membership decline of 0.1 per cent.

Secondly, the employment relationship is characterized by a mixture of conflict and cooperation (see Kelly, 1998: 8). As a rule, employees do not want to be caught up in a permanent war with their employer (Crosby, 2005: 226). For the most part, employees have a highly pragmatic relationship both to the act of participating in a stoppage as well as to unions. They will support strikes from time to time as the necessary expression of counter power to the employer, but will also judge such action primarily in terms of its success or prospects for success. Schumann et al. (1971) found that the 1969 wave of wildcat strikes increased the self-confidence of the workers involved and their readiness to take similar action, not least because the strikes were overwhelmingly perceived as being successful and effective. But successful strikes are tied to certain preconditions and eventualities that are not always given. Strikes can have mixed outcomes or simply be lost. IG Metall experienced long-lasting negative effects on membership in eastern Germany following the historic defeat of eastern German metalworkers in the 2003 strike on the 35-hour week which ended without any agreement being reached (Raess, 2006; Dribbusch, 2007: 284). Even 12 years later an East German delegate recalled at the 2015 IG Metall congress how at the GM Opel plant in Eisenach membership cards ‘flew past our heads’ and that it took years to recover from this setback (IG Metall, 2015: 90). The defeat inflicted collateral damages on other unions. Overall, East German DGB membership dropped by 10 per cent in 2004 (compared to 5 per cent in 2003). The dispute was characterized by an unexpected resistance on the part of employers and exposed substantial disagreement within IG Metall about goals and tactics. It was a striking example of the limits of union voluntarism.

These limits are also illustrated by the case of Amazon which continues to refuse to conclude a collective agreement with ver.di. The dispute, which started in spring 2013 with only a minority of workers being organized, was still unsolved at the beginning of 2016 despite public sympathy for the strikers. The development of the dispute showed that ‘organizing through conflict’ is not a short-cut strategy especially when the employer is prepared to invest substantial resources in fighting the union (Boewe and Schulten, 2015). The company proved to be able to counter the effects of stoppages by moving its processing of orders, even to neighbouring countries.

But even where disputes turn out well for a union they do not automatically result in membership gains. A detailed comparison of local and sectional developments indicates that even within similar industrial and spatial settings both the intensity of mobilization and the development of membership can vary substantially. Particular union actors are apparently more successful than others at focusing on existing discontent on the part of employees and converting it into an organized mobilization. This points to the importance of strategic capacities and confirms previous studies on organizing and recruitment (Dribbusch, 2003).

Finally, for employees and unions strikes involve costs. Ver.di allocates 8 per cent of its annual income from membership fees (ver.di collected some €444m in 2014) to its strike ***fund***. The year 2015 with its some 1.5 million individual strike days 12 cost the union more than €100m in strike pay and strike-related expenditures. 13 Despite a substantial strike ***fund*** ver.di cannot cope every year with such expenditures.

The central challenge for German unionism remains to address adequately the shift of employment to the service sector. Building a broad-based union presence is difficult. But, as we have seen, there is evidence that ‘organizing through conflict’ has the potential to support the building up of that presence. And within such an approach industrial action can work as a catalyst. Industrial action is however not the magic bullet. It is not a substitute for day-to-day organizing activities but it can offer opportunities.

It remains an interesting question whether similar effects could be observed in other countries. To examine that in detail must be left to future research. We would not expect similar findings for unions which are strongly attached to a policy of industrial peace. A positive association between industrial action and union growth is also less likely in countries like France where the participation in industrial action is largely disconnected from individual union membership and unions’ ***finances*** rely only partly on membership fees. In the so-called Ghent countries, Belgium, Denmark, Finland and Sweden, where unions are involved in the administration of unemployment benefit the motivation to join is at least partly disconnected from union action. In the UK where unions rely on individual membership there is some indication that strikes may have similar effects to those in Germany (Darlington, 2009; McCarthy, 2010). Miracles, however, are nowhere to be expected.

**Notes**

FundingThe author received no ***financial*** support for the research, authorship, and/or publication of this article.; 1HBV merged with other unions to establish the United Services Union, ver.di, in 2001.; 2A presentation based on PCS data ‘Does strike action stimulate trade union membership growth’ by A Hodder, J Kelly, N McCarthy and M Williams was also given at the 2014 BUIRA conference in London.; 3Furthermore, check-off agreements by which the employer transfers membership contributions deducted from the salary directly to the union are extremely rare; members usually pay by direct debit.; 4The survey on behalf of the Hans-Böckler-Stiftung was conducted in April–May 2008 with a representative sample of 2000 individuals aged 16 to 65 who were either dependent employees, unemployed or in training at the time the survey was conducted.; 5Works councils only exist in the private sector and the public sector was not covered by the survey.; 6The question asked: ‘Have there been work stoppages in your establishment in the last 12 months: this includes protest meetings, strikes or token warning strikes (*Warnstreiks*)?’; 7New members receive slightly reduced strike pay.; 8The fact that the majority of workers involved in strike action are attributed to manufacturing is closely related to the brief but extended waves of token warning strikes which accompanied almost every sectoral bargaining round in metalworking.; 9To establish the motives for this phenomenon would require further research. In several cases negotiators will (as a matter of routine) make an advance application for industrial action to ensure that the full repertoire of action is available if needed. In some cases it is also reported that the threat of industrial action already helped to find a settlement.; 10Baden-Württemberg was chosen because of its involvement in the 2006 dispute, NRW is the unions’ biggest region and SAT is the largest eastern German region.; 11Within ver.di the term ‘district’ (*Bezirk*) designates the lowest territorial level in the organization. The larger regional units are termed ‘Regional districts’ (*Landesbezirk*). I use here the term ‘region’.; 12Strike day means here a calendar day on which a member received strike pay regardless of whether this was for a full shift or parts of it. About 85 per cent of strike days were caused by two disputes – the one in social services and child care and a four-week strike at Deutsche Post DHL (German Mail).; 13As was made public by the union treasurer at the 2015 congress of ver.di.

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**ABSTRACT**

Recently, there has been a more profound political debate in Latin American countries around the possibilities of legal regulation and decriminalization of currently controlled drugs, particularly cannabis. This debate is a complex one that deals with a growing drug trade towards North America and Europe, as well as oversaturated judicial and health systems across Latin America. Mexico's role in the production and/or distribution of controlled drugs has been recognized for many years, but only recently has Mexico’s own problematic use of drugs, especially in the cities of the northern and southern borders, been raised as an issue. Drug policy in Mexico has a long history, which can only be understood in its political and economic contexts and its relations with the United States. Mexican drug policy is stipulated in several legal documents such as the Constitution, the General Health Law and specific Official Mexican Standards, amongst others. In these documents possession, use and sale of drugs are considered illegal, but in case of some drugs like cannabis, cocaine, opium, heroin, MDA, MDMA, Meth (crystal), and LSD, the maximum amount that an individual may possess for personal use is stipulated. Currently, there are controversies in Mexico regarding exempting the use of certain drugs (especially cannabis) for medical indications as well as increasing the maximum amounts under which possession is deemed for personal use whilst reducing the penalty in case of personal use in small doses.

**FULL TEXT**

**Introduction**

Changes in public policy on legal regulation, legalisation and penalisation regarding drugs have been discussed since the 1960s at several international meetings, but the relationship between politics and science is complex and a consensus is yet to be reached. The last few years have been characterised by the resurgence of a Latin America that is becoming more independent of its relationship with the United States in relation to its public policies. The need to open the democratic debate on the subject of drugs derives from the prevailing reality in Latin American societies, of the loss of lives due to the violence caused by drug trafficking and the war against drugs. In addition, there is the incapability of the judicial systems to carry out the policy of reducing supply as well as the reduction of its own demand. One of the challenges in the Latin American region is to find a balance between the preservation of public health by means of public awareness and a system of drug regulation and, on the other hand, the negative consequences caused by repressive controls. This balance can only be reached with the participation of governments, medical institutions and the general population, to optimise the wellbeing of humanity with conciliatory behaviors that are respectful of cultural differences and reduce consumer repression.

The use of alcohol, tobacco and psychoactive substances is well established as having high worldwide rates of morbidity and mortality. Science tries to identify the medical and psychological consequences of the use of specific dosages of substances, whilst governments are interested in developing public policies for the purpose of analysing costs and benefits, risk analysis, and to which degree the policies adapt to public values. These public values are relevant because in a democratic society there are tensions between individual responsibilities and the role of the government. The use of alcohol, for example, is an individual choice but the government can act by increasing taxes on alcoholic beverages, restrict the sale to minors and forbid the use in certain places.

The harmful use of alcohol is one of the main risk factors for the burden of disease in the Region of the Americas; it contributes to violence, injuries, suicides, non-transmissible chronic diseases, mental health disorders, as well as alcohol dependence (Babor, 2010). In Mexico, according to data from the Encuesta Nacional de Adicciones (*National Survey of Addictions*), the rate of dependence on alcohol in the group of adolescents (12–17 years of age) almost doubled from 2.7 to 4.1 per cent between 2008 and 2011. This means that over 742 thousand minors are alcoholics. Thus, the use of alcohol is the main problem of dependence in Mexico (Figure 1) (Villatoro-Velazquez et al., 2012). Figure 1.Trends in drugs use during the last year. Total population, from 12 to 65 years old.Source: Villatoro-Velazquez et al., 2012.

**General overview of legislation of drugs: Mexican perspective**

Historically, the drugs situation in Mexico has been strongly influenced by the pressure of external events, particularly by the United States. For example, when the Congress of the United States of America approved Harrison's Narcotics Law in 1914, which was aimed at monitoring and regulating the distribution and sale of drugs (Musto, 1998), Mexico’s Revolutionary War was taking place (1910). The Mexican government was concerned about maintaining control over the country and therefore wanted to reduce opium traffic (Astorga, 1999).

Prohibitionist policies drove up prices of drugs in the U.S., so the production and traffic of opium became more lucrative in Mexico. Entrepreneurs were involved in small-scale trafficking. Over time, government drug control eliminated many of these traffickers, conversely benefitting the remaining gangs and cartels which still control most of the drug traffic in Mexico to this day (Bellis, 2003). Since the years 1916–1920, in general, drug traffic in Mexico was conducted through the cities of the North West Frontier such as Mexicali and Tijuana. Farming and commerce associated with poppy were legal in Mexico until 1926. In the 1930s, opium traffickers increased their routes to pass through the more central border cities of Nogales and Ciudad Juarez via the routes made to transport ***agricultural*** products to the U.S. by means of the Southern Pacific Railroad (Astorga, 1999).

On 17 February, 1940, Lazaro Cardenas’ government in Mexico legalized drugs. However, Washington considered that policy as “a danger to the U.S.” and lobbied it by pressuring Mexico with an embargo that ended up with the suspension of legalization on 3 July 1940 (Espolea).

In the 1960s, Mexico became a major supplier of drugs to the U.S. particularly heroin and cannabis, and to a lesser extent barbiturates and amphetamines. With the dismantling of some large smuggling networks in other countries during the 1970s, for a while Mexico was the main supplier of heroin to the U.S., providing up to 75% of the national market (DEA, 2004).

In 1969, the administration of the U.S. government under President Nixon, through “*Operation Intercept*”, significantly disrupted traffic through the northern border and marked the beginning of a new era in Mexico–U.S. drug policy (Doyle, 2003).

In the mid-1970s, the political climate between Mexico and the U.S. changed due to the discovery of oil fields in southeastern Mexico in 1972. The Mexican government began a military operation against illicit cultivation and trafficking of opium and cannabis with the full cooperation of the U.S. government (Anderson, 1981).

An unexpected response to this campaign was that Mexican poppy farmers moved their operations to tropical regions in the country and changed their strategies for crops, such as planting on steep slopes and narrow gorges, between forested areas to hide the crops (Stevenson, 2003).

The torture and murder of Enrique Camarena, a DEA agent, in 1980 marked the beginning of the current chapter in the history of drug traffic in northern Mexico. This event highlighted the fact that the political and social elite were no longer “untouchable” in Mexico (Astorga, 1999). Drug traffickers became more powerful, wealthy and daring. Applying technological advances, ***finance***, communications and transportation in the exercise of their illegal trade, they adopted a business style of the drug trade mixed with extreme levels of violence Drugs had become a global commodity with an economic level on par with oil (Bewley-Taylor, 2003; Fazey, 2003). In 1993, a letter from the Mexican government to the Secretary General of the United Nations (UN) caused a stir as it exhorted the world to pay more attention to the issue of drug legislation. It set a precedent to debate the worldwide problem of drugs and, in 1998, the United Nations Special Session (UNGASS) was held. In it, the UN committed to “a drug-free world” for the year 2008, whilst maintaining the prohibitionist policies of the United States. Despite this, Mexico has in recent years played an important role in the production of high quality, low price of methamphetamine and is the largest supplier of cannabis to the U.S. with an estimated 70% of all cocaine from South America passing through the Central America-Mexico corridor (DEA, 2003).

In 2009, another UNGASS took place in Vienna, Austria, with a top priority for the need to balance the budgets assigned by the countries to the combat of the offence and reduction of the demand for drugs. This was contradictory to the results shown on the production of cannabis, as it was estimated that in 2006, 31% of the cannabis produced worldwide was grown in North America, and that Mexico’s production was 7400 metric tonnes, that is, the highest in the world (Diario Oficial de la Federación, 2009). The 2009 report of the United Nations Office on Drugs and Crime in the state of Washington, stressed the need to reform the drug control policies by the control of those substances and recognising the situation as a health problem, but without legalisation (Hernández-Tinajero, 2010). On 6 November 2012, the world paradigm of prohibition of cannabis was broken: the states of Colorado and Washington approved local initiatives in favour of totally legalising the use of the drug. Colorado voted in favour of Amendment 64, which proposed that the State Constitution be amended to allow the personal use and the sale of cannabis for recreational purposes. The initiative compared cannabis to alcohol and the taxes raised through its sale were directed to the building of schools and a state ***fund***. Washington voted in favour of Initiative 502, which proposes legalisation of the drug, but only for those over 21. Growing cannabis without a licence would continue to be illegal. This approval takes place at a time in which the governments of Latin American countries, such as Guatemala and Mexico, affected by the violence caused by the war against the illegal traffic of drugs promoted by the United States, have called for a revision of this offensive due to its poor results. Other countries like Uruguay (where now legal under as state monopoly) and Brazil, have opened the internal debate about the pertinence of legalising cannabis (NOM-028-SSA2-1999, 1999).

**The legislation situation in Mexico**

In Mexico, there is a legal framework in which the policies regarding psychoactive substances are provided. Some important documents to be mentioned are: the Political Constitution of the United Mexican States (*Constitución Política de los Estados Unidos Mexicanos*), the General Health Law (*Ley General de Salud*), the Federal Criminal Code (*Código Penal Federal*) and the Official Mexican Standard (*Norma Oficial Mexicana*) (Moreno, 2009), Table 1. Table 1.Summary of drugs legislation in Mexico

|  |  |  |
| --- | --- | --- |
| Political Constitution of the United Mexican States | Article 4 | Every person is entitled to the protection of his/her health. The law shall define the bases and modes for access to the health services and establish the concurrence of the Federation and the federative entities in the matter of general health in accordance with the provisions of section XVI of article 73 of this Constitution (Constitución Política de los Estados Unidos Mexicanos, 1917) |
| Article 73 | The Council of General health shall depend directly from the President of the Republic, without intervention by any Ministry and its general stipulations shall be mandatory for the nation (Constitución Política de los Estados Unidos Mexicanos, 1917) |  |
| General Health Law | Article 237 | Any action in prohibited from those mentioned in article 235 of this Law, regarding the following substances or plants: opium prepared for smoking, diacetylmorphine or heroin, their salts or derivatives, cannabis sativa, indica and americana or cannabis, Papaver somniferum or opium poppy, Papaver bactreaum and Erythoxylon novogranatense or coca, in any of their forms, preparations or derivatives. (Ley General de Salud, 2014) |
| Federal Criminal Code | Article 194 | Prison of 10 to 25 years and 100 to 500 days (of minimum wage) fine shall be imposed upon whoever: I.– Produces, transports, trades, markets, provides even gratuitously or prescribes any of the narcotics stated in the preceding article, without the proper authorization to which the General Health Law refers. II.– Introduces in or takes out of the country any of the narcotics comprised in the preceding articles, even momentarily or in transit. III.– Provides ***financial*** resources or of any other kind, or collaborates in any manner to the ***financing***, supervision or promotion to make possible the performance of any of the offences to which this chapter refers; and IV.– Executes acts of advertising or propaganda to promote the use of any of the items comprised in the preceding article. (Codigo Penal Federal, 2015) |
| Mexican Official Standard 028 | NOM 028 | NOM028 establishes the fundamental criteria for the attention of patients with problems induced by substances, in addition to other subjects such as prevention, early identification, timely intervention, ambulatory treatment and residencies for patients with addiction problems. (NOM-028-SSA2-1999, 1999) |

Later, in the year 2009, an amendment was made to the General Health Law, the Federal Criminal Code and the Code of Criminal Procedures, that states the maximum dosages for personal and immediate use that are not subject to criminal penalties. Instead people caught in possession are recommended a certain number of prevention or treatment sessions. This “Law against low level drug traffic” states the possibility of not imposing prison penalties to those persons who are found with 5 or less grams of cannabis, provided that it is intended for personal use (United States Senate Caucus, 2012), Table 2. However, although the legislation appears to decriminalise the possession for use, in actual practice, a prohibitionist policy is maintained. A possible advance is that the concept of a user appears in the legislation as distinct from that of a drug addict and of a retail seller, creating hope to advance toward the protection of the human rights of users (Hernández-Tinajero, 2010). The Mexican Official Standard 028 (NOM028), is the most important regulatory ***instrument*** in the matter of providing services (NOM-028-SSA2-1999, 1999). Table 2.Legal carrying amounts of drugs for personal use in Mexico

| **Drug** | **Quantity** |
| --- | --- |
| Cannabis | 5 g |
| Opium | 2 g |
| Cocaine | 500 mg |
| Heroin | 50 mg |
| MDA, nodioxiamphetamine | 40 mg; powder, granular or crystal |
|  | 1 unit; tablets/capsules weighing no more than 200 mg |
| MDMA, metilendioxin | 40 mg; powder, granular or crystal |
|  | 1 unit; tablets/capsules weighing no more than 200 mg |
| Methamphetamine (crystal) | 40 mg; powder, granular or crystal |
|  | 1 unit; tablets/capsules weighing no more than 200 mg |
| LSD | 0.015 mg |

Note: The public use of these drugs is illegal (DOF 20/08/2009) ([*http://www.espolea.org/uploads/8/7/2/7/8727772/postal-portar-web.gif*](http://www.espolea.org/uploads/8/7/2/7/8727772/postal-portar-web.gif)).

The treatments on the subject of addictions in Mexico are mainly offered at the following institutions: Centers for Youth Integration (CYI) governmental organization, hospital emergency rooms, non-governmental organization (NGO) treatment centers and centers “New Life”. The CYI attend about 25,665 people every year (2009 data). The main substances that led to the demand for treatment is alcohol (19.9%), cocaine (12.5%), cannabis (15.6%) and inhalants (14.1%). The CYI attend to mainly young people from 15 to 19 years old (Table 3). Table 3.Users who have been treated (Medina-Mora et al., 2012)

| **Last year consumers** | **Last year drugs dependent** |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Gender/ age** | **N** | **%** | **CI 95%** | **N** | **%** | **CI 95%** |
| Total | 136,900 | 9.4 | 5.519–13.327 | 101,965 | 18.4 | 8.775–28.089 |
| Male | 118,113 | 10.3 | 5.715–14.900 | 95,840 | 19.8 | 9.048–30.530 |
| Female | 18,787 | 6.1 | – | 6125 | 8.9 | – |

Source: National Survey of Addictions (2011).

A total of 167 hospital emergency services in Mexico attend to around 16,430 patients (2009 data), of which only 3.4% were under the influence of some substance, while a third reported the use of a substance in the last 30 days (Medina-Mora et al., 2012).

A total of 1118 NGO Treatment Centers treat about 70,470 people per year (2009 data). Alcohol is the onset drug most reported (49.1%), followed by tobacco (18.4%) and cannabis (17.8%). The drug with the most frequent national impact is alcohol, followed by cocaine, cannabis and methamphetamine in fourth place. Most people attending were 35 or older (Medina-Mora et al., 2012).

A total of 335 “New Life” Centers operating in Mexico are primarily engaged in universal and selective prevention, as well as brief treatments for early users or experimenters. A total of 5437 cases were treated in 2012; the impact drug referred was alcohol in 44.8% of cases, followed by cannabis, cocaine and tobacco (Medina-Mora et al., 2012), Table 3.

The main problems faced by these institutions are (Medina-Mora et al., 2012): The growing need for trained staff in the delivery of medical, psychological and social comprehensive treatments (Table 4).The poor therapeutic adherence of most people with substance use disorder, due to denial of illness or inability to stay sober.Although there have been significant efforts to articulate the various institutions responsible for providing care in addictions, there are still deficiencies in the reference systems between the centers and outpatient monitoring.Table 4.Type of treatment received by drugs-dependent people (Medina-Mora et al., 2012)

|  | **Total** | **Male** | **Female** |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Treatment** | **N** | **%** | **CI 95%** | **N** | **%** | **CI 95%** | **N** | **%** | **CI 95%** |
| Complete with professional | 35,700 | 35.0 | 4.415–65.610 | 29,575 | 30.9 | – | 6 125 | 100.0 | – |
| Partial with professional | 22,554 | 22.1 | 3.616–40.624 | 22,554 | 23.5 | 3.711–43.355 | – | – | – |
| Self-help/mutual aid | 15,159 | 14.9 | – | 15,159 | 15.8 | – | – | – | – |
| Other | 28,551 | 28.0 | 1.582–54.420 | 28,551 | 29.8 | 1.956–57.625 | – | – | – |

Source: National Survey of Addictions (2011).

The National Survey of Addictions measures the annual use of certain substances in a population from 12 to 65 years of age. According to the figures published by the National Council against Addictions, the use of any illegal drug in Mexico went from 0.8% of the population in 2002 to 1.4% in 2008 and to 1.5% in 2011. Although the Presidency of the Republic asserts that the trend to the use of drugs has become stabilized, when the figures are analysed by age group, by type of drug and by gender, the situation is not the same.

The use of cannabis increased from 0.6 to 1.0% between 2002 and 2008 and to 1.2% in 2011; that of cocaine from 0.3 and 0.4 to 0.5%. There was a larger increase in men’s use of illegal drugs: from 1.7 to 2.3 between 2002 and 2008 to reach 2.6% in 2011. In women, there was an increase from 0.1 in 2002 to 0.5 in 2008, but in 2011 a reduction was recorded to 0.4%. The use in adolescents of 12 to 17 years that had risen from 0.7 to 1.5 between 2002 and 2008 kept steady at 1.5% in 2011. On the other hand, in the population from 18 to 34 years, the growth is important: from 1.4 to 2.0 between 2002 and 2008 up to 2.3% in 2011 (Villatoro-Velazquez et al., 2012), Table 5. Table 5.Trends in drugs use during the last year

|  | **National survey of addictions** |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2002** | **2008** | **2011** |  |
|  | **%** | **%** | **%** | **CI 95%** |
| Total |  |  |  |  |
| Cannabis | 0.6 | 1.0 | 1.2 | 0.957–1.461 |
| Cocaine\*\* | 0.3 | 0.4 | 0.5 | 0.351–0.643 |
| Crack | \*\*\* | 0.1 | 0.1 | 0.033–0.93 |
| Hallucinogens | \*\*\* | 0.1 | 0.1 | 0.010–0.146 |
| Inhalants | 0.1 | 0.1 | 0.1 | 0.049–0.194 |
| Amphetamines | \*\*\* | 0.1 | 0.2 | 0.068–0.222 |
| Any illegal drug | 0.8 | 1.4 | 1.5 | 1.229–1.782 |
| Any drug | 1.3 | 1.6 | 1.8 | 1.519–2.120 |
| Male |  |  |  |  |
| Cannabis | 1.2 | 1.7 | 2.2a | 1.717–2.657 |
| Cocaine\*\* | 0.7 | 0.8 | 0.9 | 0.636–1.211 |
| Crack | \*\*\* | 0.2 | 0.2 | 0.055–0.379 |
| Hallucinogens | \*\*\* | 0.1 | 0.1 | 0.005–0.275 |
| Inhalants | 0.2 | 0.2 | 0.2 | 0.066–0.336 |
| Amphetamines | 0.1 | 0.2 | 0.2 | 0.101–0.346 |
| Any illegal drug | 1.7 | 2.3 | 2.6 | 2.126–3.147 |
| Any drug | 2.2 | 2.5 | 3.0 | 2.435–3.516 |
| Female |  |  |  |  |
| Cannabis | 0.1 | 0.4 | 0.3 | 0.084–0.502 |
| Cocaine\*\* | \*\*\* | 0.1 | 0.1 | 0.027–0.169 |
| Crack | \*\* | \*\*\* | \*\*\* | \*\*\* |
| Hallucinogens | \*\*\* | \*\*\* | \*\*\* | \*\*\* |
| Inhalants | \*\*\* | \*\*\* | \*\*\* | \*\*\* |
| Amphetamines | \*\*\* | 0.1 | 0.1 | \*\*\* |
| Any illegal drug | 0.1 | 0.5 | 0.4 | 0.200–0.692 |
| Any drug | 0.5 | 0.8 | 0.7 | 0.470–1.023 |

Note: Total population, from 12 to 65 years old (Villatoro-Velazquez et al., 2012).\*\*Cocaine also includes crack.\*\*\*Percentage obtained is less than 0.1.1When zero is included in the confidence intervals; three dashes are shown, indicating that the study’s accuracy is unable to detect the substance use.aNumbers in red indicate a statistically significant increase.

**Dichotomy of the legislation of drugs in Latin America**

The recent years have been characterized by the resurgence of an ever more independent Latin America in public policies concerning its relation with the United States (Sample, 2012). The need to open the democratic debate on the subject of drugs derives from the prevailing reality in the Latin American societies of loss of lives and the incapability of the judicial systems to carry out the policy of reducing the supply over the reduction of demand. Even in the United States Senate, there has been awareness of the need to reduce the use of drugs that feeds violence throughout Latin America and the Caribbean (United States Senate Caucus on International Narcotics Control, 2012).

An interesting subject in the matter of health policies related to drugs is the terminology used for the prohibition of production, distribution, marketing, transportation, possession and use, that is, it is necessary to clarify the definitions of regularisation, legalisation and decriminalisation. Recently, this situation has taken on a higher emphasis in the case of cannabis.

First, it is essential to mention that Colombia and Paraguay are the major producers and exporters of cannabis in South America. According to the INCB 2004 report on Paraguay, the drug traffickers have developed a hybrid cannabis with the ability to grow in the dry winter months and thus increase the production of the plant throughout the year (ONU, 2007).

Chile is South America's most affected country in terms of cannabis' use, with a rate of 5.6% (of the population of 15 to 64 years of age). In other countries such as Argentina and Peru, a growing trend was found toward cannabis use in the year 2005. Argentina is in the process of being decriminalising the use of cannabis in small amounts in private spaces, while the Federal Chamber of Argentina decriminalised the cultivation of cannabis in flower pots for personal use. The rate of use of cannabis in the southern region of South America in 2007 was 4.8%, according to data from a study conducted by the ONUDD and the Inter-American Commission for Control of Drug Abuse (CICAD), published in 2008. The higher rate of cannabis use at some point in life was recorded in Chile (27.1%) and the lowest in Peru (4.0%); other countries such as Argentina and Uruguay had rates of 7.2% and 5.3%, respectively (ONU, 2007).

The sixth Summit of the Americas was held in Cartagena, Colombia in 2012. At this meeting, the creation of an Inter-American System against Organised Crime was approved along with an information sharing system in order to reinforce multinational cooperation against organised crime (Pachico, 2012).

In the past 10 years, a gradual trend towards decriminalisation of drug possession for personal use in Latin America has become clear. In some countries this involves adaptations to the existing laws and in some cases there are even attempts to modify the codes, penalties and the legislative bodies (Armenta and Mataal Jelsma, 2012). In the following, some examples of countries that are entering into important changes in drugs legislation are presented. Argentina. There are plans to reform drug policy. Stemming from sentencing that declared unconstitutional the repression of possession for use, called the “Arriola ruling” presented in the Supreme Court of Justice in 2009. In June of 2009, a debate began on reform to the Law of Narcotics (Law 23.737) in the Chamber of Deputies. This reform contemplates a proposal related to seeking to differentiate between the person who grows for commercial purposes and one who does so for purposes of personal use (Cámara de Diputados de la Nación, 2012). It also deals with a reduction of penalties for minor offences for drug traffic, mainly in the case of persons in a situation of marginality and poverty.Brazil. The use of drugs has been decriminalized since 2006, according to the Juridical Commission of the Senate (Law 11.343/2006). This Commission suggests that the quantity stated for own use be what the person needs for his/her five days of use. On 10 May 2012, the Federal Supreme Court qualified as unconstitutional the preventive arrest of a person suspected of drug offences (Armenta and Mataal Jelsma, 2012). Notwithstanding this measure, tens of thousands of persons are in jail for this reason, which aggravates the problem of overpopulation of the country’s jails.Colombia. Since the Sentence by the Constitutional Court in 1994, the possession of drugs is decriminalized in the country, provided that the possession is for personal use and when the incident takes place without affecting third parties. In 2009, the Colombian Government reformed its Constitution, penalising the use and possession of drugs. But in practice, when a person is arrested with drug for personal use, he/she only receives an administrative penalty, not a criminal penalty. In July 2010, the Government approved the Law of Citizen Security, amending the Criminal Code to impose severe penalties on those caught carrying more than 20 grams of cannabis. Contrary to these penalisation measures, the Chamber’s plenary session approved a bill whereby the States recommends that use, abuse of and addiction to psychoactive substances, legal or illegal, is a matter of public health, echoing the opinion of sectors of the civil society and experts on drug policies who have declared themselves against the criminalisation of users.Ecuador. The Constituent Assembly in 2005 ***granted*** amnesty to some 2000 persons regarding drug use; this measure alleviated temporarily jail overcrowding (Metaal, 2009). Law 106 on Narcotic and Psychotropic Substances has also been amended. At the National Assembly, an integral reform for the entire penal legislation and its implementation in a new Organic Integral Criminal Code has been proposed. The section entitled “Offences of illicit production or traffic of substances catalogued as subject to control” comprises 13 articles and provides for decriminalization of the users, setting a threshold for controlled substances. It creates the micro-traffic category and creates a special article for the carriers, with reduced penalties. These reforms respect the provisions of the Constitution of 2008 that state that use of drugs is a problem of public health and does not allow in any case the criminalisation and impairment of constitutional rights (Constitución de la República de Ecuador, 2008).Uruguay. Although the use and possession of illegal drugs in doses intended for personal use is not considered as an offence, there are laws that punish drug trafficking and prohibit the growing of plants used to extract narcotics. The Government has announced that it will soon introduce a legislative proposal that stipulates that planting, growing, harvesting and marketing of any plant from which a narcotic can be extracted is prohibited. However, this law protects the “self-growing” of cannabis, as it allows an individual to plant, grow and harvest at his/her home up to eight plants and carry on his/her person up to 25 grams of cannabis (Gobierno de Uruguay, 2012). In April 2014, it is expected that a decree from the Uruguay government to regulate the trade of cannabis is ready. This was announced by Diego Canepa, the president of the National Drug Council at the international forum “Update on the medical and therapeutic uses of cannabis”. Canepa also emphasized that it is necessary to make a distinction between the medical and recreational use of cannabis, and decided to regulate both markets separately: medical and non-medical. In this sense, he stated that the medical use of marijuana will be regulated specifically by mid-year and indicated that this issue needs a thorough job, because “among other things, it will generate the opening of a huge industry in the country”. Apparently, once the regulation of non-medical marijuana is approved, the application of some aspects will not be immediate, such as sales in the pharmacy network. Meanwhile, some other aspects contained in the regulation will be implemented immediately, such as cannabis club restrictions (Presidencia República del Uruguay, 2014).

**Debate on public policies in Latin America**

In the coming years, the political class of Latin America has to face the debate on legal regulation of drugs and whether making decisions on this subject will render a benefit to the countries suffering the violence generated by drug trafficking and the war on drugs.

One of the challenges for the Latin American region is to find a balance between the preservation of public health by creating awareness and regulation of the drug problem and, on the other hand, the negative consequences generated by repressive controls. This balance can only be possible with the participation of the governments, medical institutions and the general population, in order to optimise the wellbeing of their people with responses that are flexible and capable of respecting the socio-cultural differences while reducing the repression of users.

Two subjects have dominated public opinion and the government meetings: harm reduction policies and the decriminalisation/depenalisation of drugs. The former has as background the experiences of injecting heroin use in the United States. In Latin America, the use of injected cocaine is more common than that of heroin: between 400,000 and two million Latin American users are estimated to exist, mainly in Brazil and to a lesser degree in Argentina. In several countries as the above mentioned, as well as in Mexico, Paraguay and Uruguay, there are programs for exchange of needles.

A measure implemented in Brazil is to provide pipes for crack, having as its objective to reduce the shared use of infected utensils.

Another alternative for harm reduction is the proposal by the Bolivian government to legalise the natural and traditionally used coca products particularly the coca leaf in order to prevent that certain groups of recreational users start using cocaine and thereby reduce the risks associated with the use of cocaine.

The second point is about decriminalization/depenalisation of drugs. The European Observatory of Drugs and Drug Addiction indicates that decriminalisation is the elimination of a behaviour or activity from criminal law, while depenalisation implies a removal of the criminal penalty, usually by replacing them with civil sanctions. It has taken on even more relevance in recent years, due to the hardening of anti-drug legislations adopted by countries, which causes the worldwide jail population to increase considerably due to offences such as growing of opium poppy, coca shrub or cannabis plant, the transportation, sale, distribution and use of narcotics. Depenalisation includes those engaged in small scale traffic and personal use. On the other hand, the term legalisation is the elimination from criminal law of all the offences related to narcotics: the use, possession, growing, production, traffic, etc. This then could lead to large increases in use through the opening up of a commercial market depending on the local laws re trading and sales; this can also be applied to alcohol and snuff.

In Latin America, the policy toward drugs has largely set aside the view of its being a problem of public health in favour of viewing it as a judicial matter. For this reason, not so much attention has been given to understanding the drug use phenomenon, or prevention, rehabilitation and harm reduction. The trend has been to negate the existence of demand as a social phenomenon aggravated by criminal stigmatisation of the market, partly due to a response of a prohibitionist nature imposed by the United States (Romero, 2009).

**Controversy over drugs legislation in Mexico**

Mexico's role in the production and distribution of illegal drugs has been recognized for many years, but just recently has there been awareness of the problematic use of drugs, especially in border cities. Efforts to monitor tendencies in drugs abuse through the National Epidemiological Surveillance System (NESS) and the *National Survey of Addictions* have helped to study consumption, but there is still much progress required in local and state programs planning to prevent and reduce drugs consumption.

Next, some controversial issues are described regarding drugs legislation in Mexico.

**Gateway drug**

One popular theory amongst people who are against cannabis legalization is that it is a first step or “gateway” towards the use of harder drugs. However, correlations between early tobacco, alcohol and cannabis use are not yet conclusive. Possibly because these correlations may reflect individual unobserved factors, for example, the tendency to be involved in risky behaviors (DeSimone, 1998). North-American research shows that about 10% of the people who had ever used cannabis will become daily users, and around 20%–30% will become weekly users. Usually, cannabis use begins in adolescence (Bachman et al., 1997). Cannabis effects depend on the dose, administration mode, user's previous experience with this drug, mood and social environment in which it's used (Hall and Pacula, 2003). The main reason why most young people use cannabis is to experience the effects of elevation: mild euphoria, relaxation, altered perceptions, including time distortion and intensification of ordinary experiences, such as eating, watching movies, listening to music and having sex (Green et al., 2003). When used in a social context, the elevation may be accompanied by intense laughter and increased sociability. These effects typically occur after smoking and last for 1 to 2 hours (Iversen, 2008).

**Price**

A major role in the debate on drugs legalization is regarding the possible reduction in drug prices and with this increased availability of drugs. A minority of people advocate that the legalization and decriminalization argue that the use of illegal addictive substances does not depend entirely on the price. There are ways to estimate whether the decrease in the price of drugs impacts on consumption through price elasticity of demand, meaning the magnitude of the response in terms of consumption due to a change in price. It is also possible to calculate the substance consumption impact when decreases or increases the price of another illegal substance. This effect is called cross-price effects/elasticity (Grossman et al., 2002). On a sample population, this elasticity also shows the percentage increase in the number of users associated with a reduction of 1 percent in the price; unfortunately, there is no reliable information of elasticity of drugs in Mexico.

Furthermore, there is no reliable data on the concentration of Δ-9-tetrahydrocannabinol and other cannabinoids (e.g., cannabidiol) in cannabis products commonly used (Hall and Degenhardt, 2009). What is known is that the THC content is high in the female cannabis plant. Cannabis which includes tops and leaves of the dried flowers of the plant, contains between 0.5% and 5% THC. Hashish is composed of dried cannabis resin, contains between 2% and 20% of THC. Hash oil is an extract based on hash oil containing between 15% and 50% of THC (UNODC, 2006). In the U.S., the THC content of cannabis increased from 2% in 1980 to 4.5% in 1997 and 8.5% in 2006 (ElSohly, 2008).

Published studies suggest extremely large price reductions; 70 times in the case of heroin, 20 times in cocaine and 15 times in the case of cannabis, in states in the U.S. where cannabis has been legalized, although other studies claim that declines in prices are overrated. Data suggest that the price on the black market cocaine is 2.5 to 5 times higher than the price that would prevail if legalized, while the price in the black market heroin is 8–19 times higher than the price in the legal market (Becker and Grossman, 2001).

The monetary taxes on the sale of drugs, such as taxes on tobacco, in a state where cannabis legalization could be considered a poor substitute for a war on drugs, and excise duties have been assumed to be unable to reduce drug use in comparison to prohibition, as the producers can always choose to sell illegally (Ramaekers et al, 2004).

**Penalties**

Cannabis can cause disturbance in reaction time, information processing, coordination, perceptual-motor, motor performance, attention, and behavior tracking (Ramaekers et al., 2004; Solowij, 1998). These effects may increase the risk of accidents if users drive while intoxicated. Studies on the effects of cannabis on driving road deficiencies found more modest effects than those caused by alcohol (Smiley, 1999). However, some epidemiological studies also suggest that cannabis users who drive under the influence of the substance are at increased risk of accidents (Drummer et al., 2004; Gerberich et al., 2003; Grotenhermen et al., 2007; Mura et al., 2003).

**Medical uses**

Under certain circumstances (for example, the last stages of some terminal illnesses), the use of heroin, morphine, and cannabis in small amounts is allowed in public health law and the federal criminal code in Mexico. Sale of needles and syringes is legal in Mexico and does not require a prescription. However, in areas of high drug activity some pharmacists limit the sale of needles and syringes to those who “*seem to be*” drug users, either saying they have “*run out*” the type of popular needles among users of drugs or artificially raising prices. In Ciudad Juarez, attempts have been made to establish a training program for pharmacists on HIV, risk factors for drug use for HIV, as well as the importance of access to clean syringes (Bucardo et al., 2005).

Cannabis is usually smoked in a pipe or water pipe (sometimes combined with tobacco), because this is the most effective way to achieve the desired psychoactive effects. The amount of THC that enters the lungs varies between 20% and 70%, and 5% to 24% reaches the brain (Wachtel et al., 2002). A dose of 2–3 mg of THC produces effects on casual users, who usually share a single pipe with others. The dose of THC which kills rodents is very high and the fatal human dose is estimated between 15 g and 70 g (Gable, 2004), which is much higher than consumption in users; therefore, overdose cannabis users are virtually impossible. Regular users can smoke up to 3–5 cannabis pipes a day for several reasons, including the development of tolerance and the need to experience stronger effects.

Currently, legislation in Mexico is contemplating expanding the allowable amount of cannabis per user to avoid incurring a strict penalty, since the prisons are full of individuals who are not criminals, thus overloading the Mexican prison system.

**Conclusion**

In recent years, the legal regulation of drugs, mainly cannabis has generated intense public debate. This article is a review of current public policies in several countries of Latin America, including Mexico. The situation of Mexico regarding demand and supply of illegal drugs is closely linked to what happens in the U.S. In addition, the drug abuse and its known health damage must be taken into consideration by social issues such as drug trafficking, organized crime and on the other hand, the efforts of the governments of Latin America to address these problems.

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**Body**

Armagh - Méabh Lenehan My name is Méabh Lenehan. I am a 23 year old Digital Marketer and I hail from a beautiful little village called Aghagallon, right on the shore lands of Lough Neagh. I am the oldest of three in the Lenehan house, the only girl and a proud Daddy's girl at that. I graduated from The University of Ulster at Jordanstown in July 2015 with First Class Honours in Marketing and a Diploma in Industrial Studies. I completed an international academic placement year in 2013/14 and studied Events and Hospitality Management in Florida.

There were many highlights such as travelling to New York and Chicago but singing "Lady of Knock" at St Patricks Day Mass is definitely one that stands out. I am a keen sports person and GAA holds a special place in my heart. I captain the St Mary's Aghagallon Camogie team and have been privileged to wear the Orchard County jersey at both minor and senior levels. I help coach our underage teams and love supporting my two younger brothers who play Gaelic football for St Mary's. I believe in everything the GAA represents; cultural activities such as Irish music and dance and the values it embodies; community, inclusiveness, respect and teamwork. A voluntary school trip to Nairobi in Kenya at the age of 18 to work with street boys and teach young children has inspired my whole outlook on life. It was wonderfully humbling to meet such deprived yet truly happy children and they enabled me to see the world with new eyes.I am deeply honoured to be the Armagh Ambassador in Tralee this year. I am so proud of my roots and I am blessed to have the chance to share that with my Rose sisters who I just can't wait to meet.

Carlow - Emma O'Byrne My name is Emma O' Byrne, I am 22 and I am incredibly proud to be the Carlow Rose of 2016. I have just completed a B.A. in Psychology at University College Dublin, where I spent a wonderful three years studying. I hope to continue my studies in psychology in September 2017 and have deferred two master's programs until then, in the areas of Health and Business Psychology. I have a huge passion for positive psychology and mental health and hope to follow this side of psychology through voluntary and community work regardless of my career. I have had amazing experiences working as a volunteer with a variety of organisations over the last number of years, however the highlight came last summer when I was fortunate enough to combine two loves in my life voluntary work and travelling, by travelling to India with UCD Volunteers Overseas to work with a local community in Assam for four weeks. It was a challenging but hugely enjoyable and rewarding experience, which I am so lucky to have been a part of. I also have a passion for nutrition and food, and am always baking and cooking healthy alternatives. I was diagnosed with Ulcerative Colitis in 2006 and firmly believe that the drastic improvement in my health four years ago was down to nutrition and lifestyle changes. I have a slight addiction to cookbooks and have collected well over 50 in my 22 years. I love experiencing new things, meeting new people and getting outside my comfort zone and that is what encouraged me to enter the Rose of Tralee this year. The experience to date has been beyond any of my expectations and I am so grateful to be a part of this wonderful rose family.

Cavan - Lisa Reilly Hi everyone, my name is Lisa Reilly and I am both honoured and proud to be this year's Cavan Rose. I am 26 years old and from the parish of Ballinagh in the beautiful County Cavan.After receiving my Honours Degree in Early Childhood Care and Education, I was accepted into the University of Edinburgh to complete a Professional Graduate Diploma in Primary Education.After qualifying, I completed my first two years of teaching in a primary school in Edinburgh. Being a home bird, I decided to move home to Ireland last June. On my return I was lucky enough to secure a job in HOPE Montessori and Autism Unit in Dublin.This experience was extremely rewarding and I loved every minute of working with the amazing staff and fantastic children.This post provided me with the opportunity to train in ABA (Applied Behaviour Analysis) which is the use of techniques and principles to bring about meaningful and positive change in behaviour, widely used when working with children with Autism. I now teach in two amazing inner city schools in Dublin, as a Resource teacher and love every minute. Children really are the funniest people! I hope to complete a Masters in Leadership and Management in Education in the near future, with the aim to excel within the Department of Education as a head teacher and maybe one day become an inspector for the department. I also teach English to foreign students from all over Europe each summer in Dublin City University as part of Education First international language school. I am known to be a very sociable person and love spending time with family and friends. I am honoured to Clare - Leah Kenny My name is Leah Kenny, I am 22 years old and to represent County Clare in the upcoming Rose of Tralee Festival this August is an absolute dream come true for me. I cannot wait to experience the festival, meet new people and do my county proud! I am from Barefield which is a small village just outside Ennis, Co. Clare. I recently finished my final year in Mary Immaculate College where I studied Primary School Teaching. I thoroughly enjoyed my four years there and am eager to get into the workforce this September and begin my teaching career. I have a keen interest in Irish Traditional Music and have played the fiddle for 15 years. I have participated in many Fleadhs down through the years in solo, group, band and duet competitions. The highlight of my musical career was in 2012 when I was placed 2nd in the under 18 All-Ireland fiddle competition in Cavan. I also have a strong interest in fashion and beauty and last year decided to start my own blog, Styleah. On this, I write about current trends, my favourite items/products and share my passion with many others who have similar interests. Through my blog, I have been given many opportunities and connecting with other people who have a passion for fashion! In February 2016, I was listed as RSVP Magazine's 'One to Watch' as a style blogger and this has definitely been a highlight of my blogging career so far. I am a fashion columnist for 'Love From' magazine which is a quarterly lifestyle magazine in the UK. This is a fantastic opportunity which also allows me to develop my passion and interest in fashion. I am thrilled to be this year's Clare Rose and am looking forward to the year ahead!

Cork - Denise Collins I come from Knocknagree on the Cork/Kerry border and I'm from a family of seven, four of whom support Cork and three support Kerry. Most Munster finals in my house are very entertaining. My mother Margaret is a nurse in Millstreet and my father Pat has an architectural office in Killarney. I'm 26 and have three sisters and one brother. I attended Hollymount Primary School on the Cork side of the border and Scoil Phobail Sliabh Luachra, Rathmore, on the Kerry side of the border. After studying ***Agricultural*** Science, Biology, Physics and Maths in the University of Limerick from 2008-2012 I completed a postgraduate diploma in Maths in the University of Limerick from 2014-2015. I have taught Science and Maths in Davis College, Mallow for the past four years. I've a keen interest in everything ***agricultural*** and I have recently been added to my parents herd number. I'm captain of my local football team Knocknagree Ladies this year. As a child, I was the only girl on the underage Knocknagree football team and was also successful for Gneeveguilla Athletics Club, winning many county and Munster titles and one All-Ireland for sprinting. I also trained as a lifeguard at 15 and spent my summers as a lifeguard in Killarney for six years! I'm involved in the Kenya Education Project and recently volunteered for three weeks in Brother Beausang School near Nairobi, Kenya. I love to travel and have spent periods of time in various parts of Europe, America, South-East Asia and in the United Arab Emirates.

Derry - Eimear Cassidy Hi folks, I'm Eiméar Cassidy, 26, and come from an area called Newbridge in the heart of south Derry. Although small in size, this does not reflect the size and level of commitment within the Newbridge community. Fun fact -at the age of four, I was able to rhyme off the names of the Derry 1993 All-Ireland winning team (very proud of this), although I'm not sure I'd be able to do it now. I'm the youngest of six children and have a large extended family with 74 first cousins! I love being part of such a large family, so many to call upon and plenty of craic at family get-togethers. It can have its downsides too, for example, I was once tricked into whisking milk for 20 minutes believing it was cream! Needless to say I'll never live that one down. I'm a 'mature student' finishing my degree in Communication with Public Relations at Ulster University, Jordanstown. I hope to pursue a career in business consultancy or training and development. In July 2012, a few family members and I set off for the land down under. I spent almost a year travelling and working around Australia, an experience that will stay with me forever. I made many amazing new friends from such places as Australia, New Zealand, South Korea, and Cork Boy! Although I'm not musically gifted (apart from playing the obligatory Kerry Polka on the tin whistle) I have a love of traditional Irish music and culture. I am PRO for my local Comhaltas branch - Newbridge CCE; a role I'm extremely passionate about. Overall I'm a happy go lucky girl. I love getting to know new people and pretty much talk to anyone. I'm only in a bad mood if I'm hungry, so as long as there's food I'm all good.

Donegal- Zoe McGettigan Hello everybody! My name is Zoe Mc Gettigan. I am 24 years old and proud to be born and bred in lovely Letterkenny in County Donegal. In 2013, I graduated with a first class honours degree in Early Childhood Care and Education, a field of study that I feel so passionate about ever since I was a teenage babysitter. For the past three years I have been teaching preschool and afterschool children in a local crÈche and Montessori school just two minutes from my house. I absolutely love every minute of my job, it makes me so proud seeing my little kiddies growing and learning each day and the children definitely like to keep me on my toes. I am hoping to continue my studies and a masters is something that I am eager to accomplish in the near future. After a work day I love nothing more than to do some exercise -some may call me a bit of a 'bootcamp fanatic' (who doesn't like burpees and lunges!). I think it's important for myself to keep fit and healthy and of course it is a good stress reliever after a busy day with all my children. In my spare time I love spending time with my wonderful family, friends and boyfriend, shopping (a girl can never have enough clothes), singing along to American country music and I have recently started teaching myself the guitar (which will probably take a lifetime). I am loving every minute of being the 2016 Donegal Rose and I really am living my dream. I have had so many wonderful opportunities and experiences, my favourites so far being the Mount Errigal climb for Autism and participating in the St. Patricks Day Parade in Letterkenny.

Down - Fainche McCormack I was the youngest of three girls and the baby until a wee brother, Pól Óg, arrived six years later.'Middle child syndrome' was never going to be an issue when given the distinctive name Ferdia -which lasted for three days until it was changed to the even more unique Fainche following Daddy's consultations with Br Beusang (Christian Brothers Newry).This uniqueness and individuality typifies my character: Ever since early childhood I have always done my own thing, swam against the stream and when everybody would turn right I would turn left (although that might be more down to clumsiness and a bad sense of direction!). I am immensely proud of my family history.The McCormacks come from a long line of hill farmers and I am now in the tenth generation to live in Grinan. My middle name is Ailish after my paternal grandmother who along with my great grandmother (Blue Nanny) would always look forward to the Rose of Tralee and would have relished every moment of this experience with me. Every year at the end of the summer holidays we girls would gather round the tele, tune into RTÉ, take control of the living room for two nights and I would chose my winner. Initially it was the girl who was wearing what I considered to be the nicest dress, however as the years have gone on the judging process has become more complex.The study of A-Level maths introduced charts, graphs and percentiles all to come to the conclusion that all the girls were excellent and anyone of them could be the Rose of Tralee! I am nineteen years old and am passionate about family, friends, helping others, music, education, travel and new experiences.

Hi, I am Lorna Whyte I'm from Malahide. I am 25 years old. I am a primary school teacher and currently teach 5th class. I studied Irish and Human Development in St Pat's and went on to do a post graduate degree in Primary Education. I have always wanted to be a teacher ever since I can remember and feel very lucky to be able to do something every day that I am extremely passionate about. I am currently facilitating an online development course in mindfulness for the primary teachers in conjunction with ChillOut Ireland and the INTO, this is something I am particularly proud of. I have a great love and interest in the area of Special Education. I volunteered/taught in ABACAS Special School Kilbarrack (January 2015 to date every Tuesday/Thursday). Through my experience in ABACAS I have become familiar and comfortable with applying ABA (Applied behaviour analysis), PSI (Personalised for Independence), Lámh, ASDAN and PECS (Picture Exchange Communication System). This is an area which I hope to develop further in my teaching career, perhaps a masters in the future. I love rugby, GAA and all things sport. I am a proud Dublin supporter and love cheering on the boys in blue on Hill 16. I am also an avid gym goer and play tag rugby. I love lifting heavy weights and currently leg press 220kgs. The skills I have learned through this hobby, have enabled me to build confidence in myself, knowing I can challenge myself and achieve my goals. Entering the Rose is one of the best experiences of my life so far and I feel very lucky to have met such wonderful ladies along the way and many more over the next while. I am honoured to be representing my county and community down in Tralee.

Fermanagh - Mairéad McHugh Hello! My name is Mairéad McHugh and I am delighted to be the Fermanagh Rose 2016. I'm 25 and from Kinawley, a small village on the Fermanagh/Cavan border. I am the youngest of five, I am a very family orientated person and I love spending time with family, especially my four beautiful nephews. I graduated from University of Ulster, Jordanstown in 2012 with a degree in Speech and Language Therapy. I moved to Aberdeen, Scotland for my first job, living away from home for three years made me realise how important my Irish culture is to me. My time in Aberdeen was greatly enhanced by being part of the Dalriada Ladies Gaelic football club, I am proud to say I was on the founding committee of this team. I have recently rejoined my local GAA team, Kinawley Ladies. I am currently a Speech and Language Therapist in Belfast, working with adults with communication and swallowing difficulties. I love my job and it is a very rewarding role. I am a keen traveller, last year I visited 10 European cities for the first time and I also spent two months travelling around South East Asia. I have an active social life and I like meeting new people. I love music especially Irish country music and I enjoy dancing. I enjoy charity work and have been involved with many brilliant charities, the most rewarding was volunteering in Uganda with Nurture Africa in 2012. During my time as The Fermanagh Rose I have chosen to support Stroke Association NI.I am very excited to be involved in the International Rose of Tralee Festival and I am looking forward to meeting all the Roses and the entire Rose family. I hope that I will be a positive ambassador of Fermanagh and make my family, friends and county proud.

Galway - Rosie Burke My name is Rosie. I'm 23, and hail from the close parish of Ballinderreen in South Galway where I live with my parents PJ and Claire, brother Michael and sister Bláthnaid. I have many interests and hobbies. I come from a very musical household. My parents afforded myself and my siblings every opportunity to learn and practise music from a young age. I sing, play the concertina, piano and guitar. Michael, Bláthanid and I regularly play gigs, functions and charity fundraisers around home and Galway. We have taken part in many a Fleadh Cheoil over the years with Kilnadeema Comhaltas. Growing up, I always had a love of animals and the outdoors. I was exposed to ***agricultural*** livelihood from a young age by my father. This planted a seed in my mind from the tender age of four, when I decided I wanted to be a vet. Having spent five years studying at UCD, that dream finally came true as I qualified as a Veterinary Surgeon this May. I have had five unforgettable years in UCD where I made lifelong friendships with the most amazing people. The veterinary faculty is a tight-knit community and has been an invaluable support network throughout my years of study. I am active and love keeping fit. I believe that a healthy body is a healthy mind and for me, exercise has been a really positive way to clear my mind from study. I play camogie with Ballinderreen and in more recent years, have become an avid gym-goer. I love travelling, and am fortunate to have had opportunities to see parts of the world, meet new people and experience different cultures. But I am a proud Galway Girl at heart with a grá for Ireland, the Irish language and culture.

Kerry - Danielle O'Sullivan I'm Danielle O'Sullivan and I'm proud to say that I'm the 2016 Kerry Rose. I'm a 23 year old hailing from the beautiful town of Killarney. Sport is one of the big passions in my life and like any Kerry cailín I've a love for all things GAA related. I played Gaelic football with my local club Killarney Legion for many years and take any chance I can to attend games. I started doing Tae-Kwon-Do when I was 9 and achieved black belt status when I was 17, something most people find hard to believe considering I'm a tiny 5'4''. I've been lucky enough to have successfully represented my club and county both nationally and internationally even managing to win bronze at the European Championships. I'm also a big football fan supporting Leeds United, which for some reason always causes a laugh when I tell people. I completed my degree in Law and Economics last year at Limerick University, and am currently studying for my Masters in Human Rights Law and Criminal Justice. I plan on qualifying as a solicitor when I finish and working in human rights, hopefully in the area of women's rights. My goal is to someday work for the United Nations. The other big passion in my life is mental health campaigning. I'm on the US Embassy's Youth Council where we tackle problems that face young people in Ireland. I'm the project leader for mental health and we are working on a campaign to educate Irish youth about the importance of healthy relationships, and the effects unhealthy ones can have on their mental health. I feel so thankful and privileged to be given the opportunity to represent my county at this year's Rose of Tralee, and look forward to the adventure ahead.

Kildare - Meabhdh O'Sullivan My name is Meabhdh O'Sullivan, I'm 23 years old and from Newbridge in the beautiful County of Kildare. I am the youngest of four, with two brothers and one sister. My mother hails from Belfast in Co. Antrim and my father is a Newbridge man with a family history in Co. Tipp. I graduated in 2015 with a BSc. in Sports Science and Health from DCU. I am currently working on Research for Motor Neuron Disease based in Trinity and Beaumont Hospital under Prof. Orla Hardiman. We are investigating the environmental risk factors for the development of MND in the hope of discovering a cause for this horrific disease. I hope to begin a Masters in Physiotherapy in September with the goal of working with a sports team when I am fully qualified. I am a proud GAA woman and am usually seen supporting my local club Sarsfields, or 'the sash' as they are affectionately known, at the weekend. Needless to say I have thoroughly enjoyed wearing my sash at all events! I have a love of all things music and dance so I am no stranger to the stage. I am involved in Newbridge Musical Society who recently staged the first production of Dolly Parton's '9 to 5' by a musical society in Ireland. I am also a member of Leah Moran's Stage School, one of the most successful stage schools in the county. I would like to thank my family and friends as I have been blown away by their support. Here's to 2016 as Kildare Rose.

Kilkenny - Sarah Kearns My name is Sarah Kearns, I am 25 and I am exceptionally proud to have been chosen as the 2016 Rose ambassador for Kilkenny. Having completed a joint degree in primary education and psychology, I worked as a Primary Teacher for three years in a DEIS school in Cork. I am now pursuing a Professional Doctorate in Educational Psychology through UCD, an area I am especially passionate about. Growing up in Kilkenny, and a house full of boys, it was inevitable that I would pursue a hurling/camogie career. In my 15 years playing, I collected 2 Leinster medals and 1 All-Ireland medal playing for my county. I have also participated in many other sports, including horse-riding, Irish-dancing, white collar boxing and badminton, in which I also represented Kilkenny. Unfortunately, injury forced an early end to my camogie career, but through an intense strength and conditioning programme, I am currently training for triathlons and adventure races.I'm an avid musician, having been blessed with music genes from both sides of the family. I have been playing piano and singing from a young age, and was incredibly proud to represent Kilkenny in piano and accordion in the provincial Fleadh Cheoil na hÉireann. I have taught piano and theory of music to young children, and loved passing on my passion for music during my teaching career, coaching the school choir for local and national choral events. Outside of my studies, I home-tutor children with special educational needs, and work as a Resource teacher every Friday, rolling out programmes in Mindfulness and Emotional Regulation.

My name is Kate Hyland and I am 27 years old. I live in a small, quaint village called Clough, in the lovely county of Laois! There are six of us in my family. My dad, Canice, is a dairy farmer in our home village, and my mum, Olga, is Principal of our local primary school, Clough National School. I have two brothers, Shane and Ciaran, and one sister, Ruth. I am the oldest and of course most mature child in the Hyland household! In 2010, I graduated from St. Patricks College, Drumcondra, with a Bachelor of Arts in Humanities, specifying in Irish Language and Music, and was lucky enough to be given a place on a Post Graduate Diploma in Education. It was always my ambition to be a primary school teacher and so I was delighted to graduate with honours, and am now teaching in Presentation Primary School Portarlington. This is a huge school with over 700 pupils and a staff of almost 49 women and 1 man (God bless him)! I am hugely involved in my local traditional music group - Camross Comhaltas. I joined these at the young age of 11 and have been playing 'trad-music' ever since. I play the tin-whistle, flute and concertina. I am also the piano player for our Céilí band. In 2006 I won an All-Ireland with our Under 18 Céilí Band. We are a household of GAA fanatics and so it's no surprise that I became involved in hurling, camogie and football from an early age. In 2012 I won a Camogie All-Ireland with my secondary school - St. Fergals College, Rathdowney. I continue to be very sporty, captaining this year's Portlaoise Hockey Team. I am really looking forward to this year's Rose of Tralee Festival, getting to know all the other girls and of course meeting Dáithí!

Leitrim - Annmarie Keegan My name is Annmarie Keegan. I am 26 years old and I am honoured to have been chosen as the 2016 Rose ambassador for my beautiful county. I hail from Aughavas, a small quaint parish in the south of Leitrim. I am the youngest of four children with two brothers and one sister. I have two nieces and two nephews and I strive to keep up my proud title of 'Coolest Auntie ever'. After finishing my secondary school education, I moved to Galway where I spent three wonderful years completing my Bachelor of Arts degree. After graduating in 2011, I moved home to Leitrim and worked locally before making the big move to Dublin to further my education, receiving my CIPD qualification in Human Resource Management from NCI Dublin. Loving my time during the week in Dublin working as a HR Professional, I leave it all behind me come 4pm on a Friday when I make the journey back home to Leitrim, where my mother greets me with a welcoming smile and, if I am lucky, a cup of tea. I am an animal lover and have two pet Jack Russells, one of which holds a close resemblance in size and personality to a sheep dog! I love American country music and would love to one day attend a concert in the Grand Ole Opry in Nashville. I have recently started teaching myself the accordion, having received my grandfather's accordion. It is my favourite ***instrument*** and it holds great sentimental value to me so hopefully one day I will play as good as he did.I am extremely proud to be representing Leitrim and look forward to an adventurous year ahead with my fellow Roses and I know it will be an experience I will treasure forever.

Limerick - Marie Hennessy Dia daoibh a chairde! Is mise Marie Hennessy. I am 25 years old and I hail from a place called Rooska, a short distance from the town of Newcastle West. I come from a family of six, including my wonderful parents and three sisters. I completed my Bachelor of Arts degree in Irish and English and my Professional Diploma in Education the University of Limerick. I am a secondary school teacher of Irish and English and am lucky enough to have spent this past year teaching both of these subjects in a local school, Desmond College. I absolutely love my job! Shortly after I completed my studies, I moved to the small Emirate of Sharjah in the UAE to work, live and learn about the culture. Apart from teaching in an International school, I also had the opportunity to enjoy the fabulous lifestyle which the UAE has to offer. Weekends and holidays were spent playing Gaelic football, travelling around the Middle East and South East Asia, and of course, meeting and socialising with our second families both from Ireland and abroad. The highlight of the year was, without a shadow of a doubt, the GAA World Games, the first ever and hosted in Abu Dhabi. The sense of pride amongst the Irish people in Abu Dhabi that weekend was indescribable. I am extremely passionate about the preservation and promotion of the Irish language. I have spent every summer for the past eleven years in Coláiste Bhréanainn Irish college in Ballybunion, County Kerry. I can honestly say I would not know my summer without it! I am absolutely thrilled to have been selected to represent Limerick at this year's Festival. I cannot express in words what this experience has been like so far and I am very much looking forward to everything that is yet to come!

Longford - Caroline Doyle Hi everyone, my name is Caroline Doyle and I am honoured to be representing Longford in this year's Rose of Tralee International Festival. I hope I do Longford proud and represent the county for all its beauty, talent and community spirit. I come from the small picturesque town of Lanesborough in County Longford. Lanesborough is situated on the banks of the River Shannon. My mother originally hails from Wicklow, although she is a converted Longford woman now. I have two brothers, Patrick and Phelim. I am 25 years of age and I am a Maths and Geography secondary school teacher. As well as being a teacher, I studied Environment, Society and Development as part of my Masters Degree and worked with post-war communities in Bosnia and Herzegovina. This was a learning experience that I will never forget. I enjoy working with students with special educational needs and would like to become further qualified in that area. I enjoy any type of sport, particularly Gaelic football and kickboxing. Although quite girly, I am not afraid to throw a punch in the ring and believe that self defence for all women is vital. I am a very positive person and I like to surround myself with positive activities. I enjoy working with and meeting new people. Each year, I participate in several fundraising events for different charities. This year I did the Darkness into Light walk, and an eliminator challenge in aid of a local youth group in Longford. I enjoy learning new things and love to take myself out of my comfort zone. Being part of the Rose of Tralee International Festival 2016 is an amazing feeling and I hope to embrace the experience with all my heart.

Louth - Megan Ferguson Hi my name is Megan Ferguson and I am 19 years old. I was born and reared in The Cooley Peninsula, Co Louth. I live in Cooley with my only sister, Órla, my parents, Pat and Caroline, and Buddy the dog. I currently work full time in the Four Seasons Hotel Carlingford at banqueting events. I love my job in the hotel as I work on the most important day of two people's lives, I also enjoy working with the public and getting to know the visitors that come to Carlingford and the peninsula. I am passionate about my local GAA team, Cooley Kickhams, whom I have played for since I could get football shorts small enough to fit me. I have captained my local team and played for my county and nothing gives me more joy than pulling on a jersey and pouring everything I have into a game. As is the same with many young people from the country areas jiving is my favourite night out. There is nothing better than a packed dancefloor listening to the likes of Jimmy, Nathan, Mike, Derek and others. I have really enjoyed wearing the 2016 Louth Sash so far and have loved representing the Louth Rose centre at various events across the county and further afield. The support that I have received from people far and wide has been unbelievable and I cannot thank those people enough. I look forward to the rest of the year as Louth Rose and cannot wait to get on the bus and head for Tralee. Hope to see you all soon, Megan.

Mayo - Fionna McDarby Hello! I am 25 years old, the youngest of four children and hail from Ballinrobe, a beautiful town in South Mayo renowned for its fantastic fishing and home to the unofficial Queen of Ireland, Panti Bliss! In 2015, after completing degrees in Psychology and Sociological and Political Studies at NUI Galway, I added a Masters in Health Psychology to the list. In between my studies, I was fortunate to be awarded a scholarship to attend Boston College for a year and experience the warmth and generosity of the ever expanding Irish-American community that resides in ever nook and cranny of the city. Currently, I work as a Health Psychologist in the Weight Management Service in St. Columcille's Hospital in Dublin, under the expertise of Ireland's leading Obesity expert, Professor Donal O'Shea, who was a Rose Escort himself. Through my studies and my work, childhood obesity has become a particular area of interest for me, and my research on this topical issue has been covered in the national press and given me my five minutes of fame on the popular television programme, Operation Transformation. Although at this stage you'd think I'd seen enough of college libraries, I hope to go on and undertake a doctorate in clinical psychology. I've always been a bit of an adrenaline junkie, from wakeboarding and gorge jumping to hitting the piste every winter, where my enthusiasm for snowboarding is only rivalled by my lack of skill and grace on the slopes. Irish dancing has been a passion of mine since the age of seven, when I saw Riverdance for the Meath - Treasa Sheridan Hello all. My name is Treasa Sheridan and I am 24 years old. I am delighted to be representing County Meath in this year's Rose of Tralee International Festival. I hail from a beautiful and picturesque village of Kilmessan based in the Royal county of Meath. I am blessed with an amazing family. I have five beautiful older sisters and one handsome younger brother. I have a huge passion for health and well-being. In 2014 I graduated with a degree in Health and Physical Activity from Dundalk Institute of Technology. From studying health, I try my best to promote health and well-being to the best of my capability. In 2014 I started to work as part of the events team in the Knightsbrook Hotel, Spa and Golf Resort. Here I aid in all aspects of conference and banqueting. I enjoy meeting new people and the hustle and bustle. In the future I hope to pursue a Masters in primary school education as I would love to work with the younger population. I have an Irish background and would love to share my love of the Irish language with the rural communities and schools. I am a sports fanatic. I enjoy playing everything GAA. Any chance I get, I'm out on the field. Sport plays a huge role in my life, I feel that sport is a great way of maintaining and improving a healthy well-being. This year I was blessed to manage the under-10 Dunsany ladies team (MY MINIONS). They are a super group. They may be small but they are mighty in heart. I am so delighted and thankful for all of the support and well wishes from everyone. You are all so very kind and I am very grateful. Go raibh mile maith agaibh.

Offaly - Emma Kirwan Being 18 years old, I'm honoured to say that I, Emma, am the 2016 Offaly Rose. Growing up I was the tomboy in the house playing all kinds of sport, from GAA to rugby, and showing a huge interest in engineering. I would head out to the shed where Dad would be slaving away at making something, and I'd always try and twist his arm to let me do a bit of welding, and of course being the youngest girl, it would work. I'm just finished secondary school, and awaiting that dreaded letter with the results of my leaving certificate, which should arrive when I'm in Tralee on the 17th of August. I plan on studying aeronautical engineering, in UL, in September. (Fingers crossed.) I have a huge interest in flying and I hope to pursue a career in flying for the air corps someday. I also play soccer and camogie. I played with my county for five years in total, three with the camogie team and two with the ladies football team. In the early days of secondary school I played on the lads' football team, starting corner forward. We went on that year to win a Leinster final, and it was a surreal experience, a game which I will never forget. Anyone who knows me, knows how much I love sport and they were surprised to hear that my talent for the Rose of Tralee didn't involve a hurl or a football. This whole experience still hasn't sunk in, and I don't think it will. The support from everyone so far has been amazing. I've received cards in the post and any amount of phone calls, all wishing me luck. I just hope I can do the parish of Killeigh and the county of Offaly proud in the mighty Dome in Tralee.

Hello everybody. My name is Pamela Allen, my family and friends call me Polly or Pam. I am 22 years of age but will be 23 at the Rose of Tralee Festival. I am the 'middle child' and the proud sister of two six feet tall brothers. I spent six great years in Monaghan Collegiate Secondary School where I was chosen as Deputy Head Girl. I hated snow days for fear of missing school. I braved the leaving certificate and ventured on my own to Trinity College Dublin where I studied a Bachelors Degree in General Nursing for four years. A fantastic profession with a rewarding outcome every day. I am currently working in Tallaght Hospital on a medical/surgical ward which I adore. I was inspired to become a nurse having volunteered in a nursing home caring for residents. I live on a dairy farm, where 'Daddy's Girl' helps with the daily tasks that may include calving cows or feeding the sheep. I am involved in a local Club called Breffni/Oriel Holstein Friesian Breeders Club, which is a young farmers club for young people who have a keen interest in cattle. The members have won many awards at both national and international level. I love working with children and I am hoping to go back to college to study Children's Nursing. I enjoy Zumba, a dance class that I attend where I have learned from my elders in the class whom reassure me 'I will survive'. I love a well made cup of tea with a rich tea biscuit while reading the local paper. I am honoured to have been selected as the Monaghan Rose, I am looking forward to meeting all the other Roses and Escorts, and the laughter and friendships it will bring.

Roscommon - Aisling McNeill Dia Dhaoibh! Aisling Mc Neill is my name and I'm proud and privileged to say that I am the 2016 Roscommon Rose. I'm a 23 year old primary school teacher and I am teaching 3rd and 4th class girls. I work in the fabulous Scoil Mhuire Convent Primary School in Roscommon Town, the school that I was ironically educated in. I studied for three years in St. Patrick's College Drumcondra. I'm a loyal Roscommon supporter and GAA plays a huge part in my life - wouldn't it be wonderful to see 'The Rossies' win an All Ireland Football title? Who says dreams can't come true? I'm heavily involved in Roscommon Gaels GAA club. Like many, I love a challenge and I have the travel bug. I've explored The United States and I spent a summer volunteering in Uganda in local schools teaching children of the Kabale District in Bukinda. Earlier this year, I completed 'Hell and Back', a certain physical and mental challenge! I'm the ultimate tea queen - I love a good strong cup of Lyons tea with a dash of milk! My sense of direction is appalling and I have a fear of lizards and snakes! My greatest love in life is my bed - getting up is the biggest challenge! I'm honoured to represent Roscommon on an international stage and am looking forward to sharing with the world all that our great county has exhibit. I'm proud of all things Irish and all things Roscommon and I can't wait to embrace all that The International Rose of Tralee has to offer in what I know will be an experience of a lifetime. Go raibh mile maith agaibh.

Hi, my name is Katie Higgins and I currently live and work in Sligo. I grew up and have spent most of my 22 years in a little village called Moylough in County Galway. I recently graduated with an honours Degree in Nursing Science and I am putting it to good use working in Coronary Care in Sligo University Hospital. I come from a family of five, and my parents Gerard and Patricia are involved and encourage participation in community activities and fundraising like the community council, defibrillator group, tidy towns and various festivals. I enjoy acting, dancing, singing, Gaelic football, people, travelling and new experiences. Some of my achievements include footballer of the year, class rep in college, playing county football for Galway, and coming first in Ireland in Occupational Health and Safety while in College. I believe in treating others as you would like to be treated, an outlook which inspired my pursuit of a career in Nursing. Now I have a direct impact on improving the quality of life for so many of our patients. In my daily work I love having the opportunity to comfort people; whether their distress is physical, emotional, mental or spiritual. To see rapid results of our caring actions, promoting health and empowering patients. I love where I am from: Galway (now the world's friendliest city) and I am very happy now living and working in Sligo. My personal qualities that I want to bring to the role as a Rose are honesty, leadership, professionalism and my sense of humour. I am an cheerful person who is open minded, energetic, enthusiastic, friendly and talkative. My future goals include a post graduate in Coronary and Intensive Care, more world travel and above all else I want to be the person who makes a difference in my everyday life!

Tyrone - Genevieve Scullion My name is Genevieve. I am from Killeeshil, County Tyrone. I am 22, seventh in a family of four boys and four girls. I love to design, play music and Gaelic football and travel. I recently finished my degree in Interactive Multimedia Design at Ulster University, with a year's placement in a Digital Marketing Agency. I've enjoyed working on wonderful projects for local charities, friends, schools and individual businesses by designing promotional material, wedding stationery and websites. Designing the Michaela Foundation Girls' Summer Camp Journal has been my favourite project. I am honoured that nearly 4,000 campettes record their camp experiences in the journal annually. Teaching and working with the Massai tribe in Africa inspired me and I am glad to have been welcomed into a variety of organisations including Dromantine Summer Camp, Michaela Foundation, Rise of the Roses and Friends of Africa. I am a trustee of TanzaniAid, a registered charity founded by my sister Clare. I help out at events hosted by these organisations and I appreciate the opportunity to create concepts and designs for them. With a passion for music and singing, I enjoy getting the chance to perform regularly in The Black Cat, a fine local Restaurant and singing at weddings with my sisters and friends. I represented our GAA club singing solo and in ballad groups in Scór competitions. I've played Gaelic football in successful teams from primary school to college level alongside my twin sister Anne and our lifelong friends, winning County, Ulster and All Ireland titles.

My name is Fiona O'Sullivan and I am honoured to be this year's Tipperary Rose. I am 22 and I live in Thurles, the birthplace of the GAA! As an only girl, I left the sports to my three brothers and I spent the majority of my life acting, singing and attempting to dance on any stage I could find. Although, I did play on a winning Tag Rugby team back in 2014 (I had the important position of costume designer!). I have just finished studying Speech and Language Therapy in University College Cork and loved every minute of it! During the weekends you can find me presenting the programme Tipperary Matters on Irish TV. This job has brought me to every corner of the county. I have met so many influential people from Tipp and I have discovered that it is a fantastic county to be from. So as you can imagine, I am very proud to be representing Tipperary in this year's festival! My best friend describes me as adventurous, energetic and driven. I am always looking for something fun and exciting to do whether that is volunteering in my cousin's school, organising events and parties, trekking around Europe, working in New York or starting a boot camp for charity! I am so excited to be part of this year's Rose of Tralee. I have already received tremendous support from all over the county. As the saying goes, "Where Tipperary leads, Ireland Follows!" Waterford - Jenny Walsh Heya! My name is Jenny and I'm a 20-year-old physiotherapy student. Hailing from the Déise, (the home of the 'blaa'), I'm a proud Waterford girl, and even prouder to be the 2016 Waterford Rose. One of my biggest passions in life is dancing. I've tried just about every style over the years, with ballet emerging as firm favourite. I love competing and performing, gracing the stage for the first time at just four years of age, and I've appeared in numerous different musical theatre, pantomime and ballet productions since, including the classical ballet Giselle' where I danced the leading role with Centre Stage School of Ballet and Performing Arts. I joined the Richie Hayes stage school when I was 13, and can honestly say it's one of the best decisions I've ever made! Apart from gaining top-class training, it was here that I met some of the people that I'm lucky enough still call my best friends. After completing my Leaving Cert, I went on to take year of full-time dance training in the College of Dance, Dublin. In 2015, I returned to the books and my love for academia (some say I'm mad!), and began degree in Physiotherapy in UCD, having been awarded a J.P. McManus All Ireland Scholarship. I'm also a part-time dance teacher and choreographer in TheatreBox Stage School, Waterford. A quick-fire, random peek into my life would reveal that I'm a proud gaelgeoir, a self-confessed shopaholic, and an Instagram fanatic. I'm absolutely thrilled to be fulfilling my childhood dream of becoming a Rose, and my adult-self ambition to represent my family, friends and Westmeath - Niamh Moriarty My name is Niamh Moriarty. I am 27 year's old and have been born and raised in a little place called Kneadsbridge on the outskirts of Mullingar, Co Westmeath. My father is originally from Lisnagree, Co Kerry and my mother from Palmerstown and Finglas, Co Dublin. I am the oldest of three girls in my family and we are quite a close unit. My sisters and I are blessed with the life our parents have provided us with. We have so many happy childhood memories of the Rose of Tralee Festival. Each summer our family holiday was planned around the Rose of Tralee events. Sunny days on Banna beach to the Tralee town park, the Rose parade and midnight madness to name but a few, "those were the days" we often say. My parents motivated me to work hard in school and supported me different endeavours throughout. I graduated in 2012 with an honours degree Pharmaceutical technology. On graduating I gained a permanent position with Alkermes Pharma Ireland, where I am now working for the last four years as a Process Engineer. In Alkermes we manufacture medicines with a patient focus in mind. It is rewarding to know our drugs better the lives of our patients. I am passionate about supporting the diseases our patients suffer.As huge GAA fans, my parents have instilled this passion in me. I am a member of The Downs GAA Club where I am the chairperson of the ladies club. I thoroughly enjoy travelling. I spent a summer in Chicago, Illinois on a J1 visa during my second year of college. Recently I have travelled in Indonesia and Thailand. I enjoy the simple things in life more than anything.

Wicklow - Jane Harrison I'm Jane Harrison, 26, and I'm the Wicklow Rose. If you'd told me years ago I would be involved in the Rose of Tralee International Festival I would not have believed you. I was amazed to be selected, having shed over eleven stone in recent years, unlike the majority of weight loss stories, I found myself unhappier than ever after my weight loss. While being heavily overweight, I always had a sense of hope and what was to come. However, once I had reached my goal weight my confidence and belief in myself was just the same as it was when I weighed over twenty-two stone. Three years on, life experiences and soul searching have led me to learn who I am, my life objectives and I now understand who I am as a person, emotionally, physically and spiritually and be content in myself. My weight was a symptom, not the problem. I hope to motivate others to start appreciating their journey to bettering themselves. I was one to always say "when", when I lose weight, when I'm happy, when everything falls into place. It takes hard work and dedication but happiness and confidence is possible for everyone. Once you realise your self-worth, it is very hard to settle for anything less but you have to want to make the changes in order for it to happen. After going through years of taunting for my weight, it helped me grow a second skin and I cemented a strong character and as a Rose I hope I can help others do this. I have always been Ireland's biggest Rose advocate and can't wait to meet people with the same outlook during my year as Wicklow Rose. My passion is communication and socialising, and I know I will make lifelong friends during this experience.

Wexford - Sarah-Mai Fitzpatrick I'm Sarah-Mai Fitzpatrick, 25 years old, with one sibling Patrick Fitzpatrick and currently living in Dublin. I have two wonderful dogs Muffins and Maisy who are very much a part of the family. I am a full time professional Irish dancer since the age of 19 and a teacher at my mother's school, Mahon School of Irish Dance, which was established 36 years ago and ran in Kilanerin, Co Wexford. I competed for 20 years and achieved numerous titles internationally and regionally, such as European, All Ireland, and South Eastern Championships. I have travelled the world since with many Dance shows such as Ragús, Rhythm of the Dance and Celtic Legends. When at home I work in Ireland with companies such as Johnnie Foxes Pub, Damhsa (Belvedere Hotel and corporate events) and with 360 Entertainment as part of Slide Step. Highlights of my career include working alongside Dolly Parton in her theme park Dollywood, Tennessee, dancing in Russia's Kremlin Palace and Olympic Stadium, performing with the best in Irish talent (with Seo Linn) as part of RTÉ's Televised Centenary celebration in the Bord Gais Energy Theatre, dancing with Riverdance in Wexford Opera House and also working with them for the TG4 CLG Centenary Laochra performance in Croke Park. Recently I have been studying Sports Massage Therapy, another passion of mine, as well as being a fluent Irish Speaker. The Rose of Tralee has always been a family affair with my father Patrick Fitzpatrick playing at the festival every year with Band of an Garda Síochána. I am so excited to be joining my fellow Roses in Tralee and representing the wonderful county that is Wexford.

Abu Dhabi - Dearbhladh Walsh Hello my name is Dearbhladh Walsh. I am 24 and grew up in Cloneyhurke, just outside the town of Portarlington in Co. Offaly. I have two brothers and very supportive, caring and hardworking parents. I am a Primary School Teacher, I taught in the Presentation Primary School in Portarlington for three years before I took a career break last summer to make the move to the UAE. Although I am only living in Abu Dhabi one year it has been the experience of a lifetime. Aside from the beautiful weather, teaching in a school outside of Ireland is a great learning curve for me as well as getting to enjoy the fantastic lifestyle that is on offer for expats in the UAE.I love to travel and was lucky enough to visit a variety of destinations this year including Kenya, Bahrain, Nepal and India. I look forward to seeing more of the Middle East and Asia over the next couple of years.My passion is for music. I love to sing and I play four different ***instruments***. I play the traditional Irish flute, the tin whistle, the guitar and the harp. I have played at many weddings and events over the years both at home and abroad and participated in and won numerous competitions. I enjoy keeping active and playing sports also. I took up Gaelic football this year and I am really enjoying the experience playing for Abu Dhabi na Fianna GAA club.The enthusiasm and support shown to me since becoming the Abu Dhabi Rose has been overwhelming, I have thoroughly enjoyed my involvement in events organized by the Irish community such as Darkness into Light and the 1916 Commemorative Celebrations. I am really looking forward to representing the growing Irish diaspora in Abu Dhabi and I hope to do them proud.

Arizona - Ciara Archer Hello! I'm Ciara Archer - your 2016 Arizona Rose! I am 23 years old and am proud to come from the Grand Canyon State! A recent graduate of the Walter Cronkite School of Journalism and Mass Communication at Arizona State University, I earned my Bachelor of Arts in Journalism, specializing in Public Relations. During my degree, I was chosen to participate in an internship with the Disney College Program, and had the privilege of making magic for many guests at the Disneyland Resort in Anaheim, California. After graduation, I found employment as a public relations associate at Axiom Public Affairs - a local government affairs firm that works on political campaigns, corporate communications, and a variety of other issues. It is a great opportunity where I continue to learn each and every day! My community involvement includes serving as co-marketing chair for the Phoenix Hub of the World Economic Forum's Global Shapers Community. This group is developed by young professionals around the globe who are "exceptional in their potential, their achievements and their drive to make a contribution to their communities." I love spending time with my 18-year-old brother Taidgh, snuggling with my eight rescue dogs, watching old movies, reading, and listening to vinyl records. My family is a huge part of my life and I live for the days I get to learn from and be around them. I come by my Irish heritage through my dad who was born and raised in Dublin, where my granddad and many extended family members still reside. Participating in the Rose of Tralee is a wonderful way to honor my grandmother's memory - who was a big reason for my applying.

Chicago - Maggie McEldowney am thrilled to represent Chicago in the Rose of Tralee Festival! There is such a strong Irish presence in Chicago, particularly on the south side where I'm from... where the craic is always best! I am a 27 year-old Chicago native working as the Director of Development at Marist High School. I am passionate about raising money for families who could not otherwise afford Catholic education.After earning the Chick Evans Scholarship to the University of Illinois, I graduated with a degree in Media Studies in 2011. I am actively involved in the Chick Evans Scholar Alumni Community. In my free time, I serve on the Board of the Young Irish Fellowship Club of Chicago, a committee responsible for coordinating fundraisers that celebrate Irish culture. In 2015, I ran the Chicago Marathon raising money for local charities. I volunteer my time at Chicago events such as the Juvenile Diabetes Research Foundation Gala, the American Ireland ***Fund*** Green Gala, and Mulliganeers fundraisers. I understand the tremendous impact a Rose can have on the lives of others, and will continue that tradition wholeheartedly as the 2016 Chicago Rose. My grandmother, Brigid O'Neill, was born and raised in Maghera, Co. Derry. The McEldowney's hail from Draperstown, Co. Derry. Father Seamus O'Neill, my dad's cousin, is a devout member of the St. Patrick's Society for the Foreign Missions, located in Co. Wicklow.My family, friends, and neighbors' outpouring of support over the last few weeks has been overwhelming. It is an honor to be your 2016 Chicago Rose, and I hope to leave a lasting impression I am thrilled to be representing Boston and New England at the Rose of Tralee Festival! While I was born in California, I was raised in the quaint suburbs of Boston, Massachusetts. I am a rising senior at Fairfield University, pursuing a double-major in English and Communication accompanied by a Minor in Theatre. I am a proud member of the Honors Program and International English Honors Society, Sigma Tau Delta, seeking to pursue a career in public service. I have lived in Chicago, teaching inner-city girls, in the Dominican Republic, working with orphans with disabilities, as a way to practice achieving these goals of service. I was recently the first student from Fairfield to be nominated for the Harry S. Truman Scholarship. I also enjoy working in the corporate world, as I am a 20-year-old marketing intern for Trepp. I have loved living and working in New York City this summer! I also a translation project employee at SAI Global Compliance in Waltham, MA. I would not be the accomplished young lady I am today without my background in Irish Step Dance. I am a national and world-ranked Irish Step Dancer, having danced and competed for the Harney Academy for over 15 years. I still lace up my ghillies as the captain and choreographer of the Fairfield University Irish Step Dance Ensemble and hold the position as ensemble secretary. In addition, I enjoy performing on stage in many musicals and plays, having recently stared in Brian Friel's Irish play, Dancing at Lughnasa. found the experience was an appropriate connection to my Irish heritage, my family ancestry is in County Cork.

Derby - Kara Foley My name is Kara Foley, I am 27 years old and I'm from Derby, UK. I studied Youth and Community Development at Leeds Metropolitan University where I achieved a 2:1 Honours Degree. I currently work closely with young people in the local communities of Nottinghamshire and Derbyshire within schools, thus allowing me to gain further knowledge and experience within this sector where hope to progress a lifelong career. I thoroughly enjoy creating and supporting young people to improve their opportunities and quality of life. My Father was born in Co. Cork. He is from a village not too far from Blarney, called Carraig Na BhFear. My maternal grandmother is from Milford, north of Cork city. I am the eldest child out of five children. Living in Derby and having grown up here with large Irish community, attending the local Catholic school, I have made many great lifelong friends. I love the community spirit within Derby that my family are a part of. I have worked in the local Irish Centre and know many people. It great to grow up in a community that you really feel a part of. I am extremely proud of my heritage and to represent the local Derby Centre and community. The Rose of Tralee is something that has always been a part of my life since childhood. It's something that I have always wanted to do and feel privileged now to represent the Derby Centre. Derby has a thriving and patriotic Irish Community, to represent them is truly an honour and a dream come true. I hope am able to make the centre, my community, family and friends proud.

Hello! My name is Rebecca Garnett and I am absolutely delighted to be representing Dubai at the Rose of Tralee International Festival. I grew up in Yorkshire and at 23, I am the eldest of four children. My Irish heritage comes from my Mother's side of the family, the McEvoys who hail from Newbridge, County Kildare. I graduated from Durham University with a joint honours degree in English and Education and from there went on to study my P.G.C.E at the University of Cambridge. I have previously taught in Uganda and decided to make the move from London to Dubai last year. My family have always been incredibly supportive of travelling and very much promoted the idea of living abroad as my mother has spent time working in California and my father likewise in Germany. I am a very keen runner and charity fundraiser and happiest when combining the two. My most proud accomplishment is having completed the Edinburgh Marathon. The support shown to me since being selected as the Dubai Rose has been overwhelming and I have loved every minute so far. There have been a huge number of opportunities and events that I have been lucky enough to have been involved in such as the 'Rise Up! 1916 Celebration of Ireland' and the very first Darkness into Light walk in Dubai. A real highlight this Spring was taking part in 'Strictly Come Dancing' to raise money for my chosen charity 'Children of the Mountain' as I am always first on the dancefloor! I am really looking forward to representing the Irish community in Dubai and hope to do them proud in Tralee in August.

Germany - Kari Foss I am Kari and I am delighted to be representing Germany in the 2016 International Rose of Tralee Festival! Born in the US, I was privileged to grow up in a close-knit Irish family. My Irish grandmother and mother were both incredible role models to me; both having a big Catholic families while working full time. Their hard work has blessed me with the opportunities I have today. I am a 27 year old lawyer working in Frankfurt, Germany for the world's largest immigration law firm, Fragomen Global LLP. I was born in Connecticut, but my family and I soon moved to Austin, Texas where I was raised. I attended Concordia College in Minnesota where I received my Bachelors in Political Science and German in 2011. I then went to law school in South Dakota where I received by Juris Doctorate in 2014. After my studies, I made my way to Europe after having received an Alexander Von Humboldt Research Fellowship. Moving to many different places throughout my life has shown me the true worth of having Irish heritage. From bumping into Irish who are based around the world, to drinking at Irish pubs while having a craic with the locals; the Irish are truly an open and friendly community. The love and support I received from my family has also made me appreciate even more my Irish family values. I am proud to be representing all Irish women and Germany in the 2016 Rose of Tralee Festival. I can't wait to join the festivities and meet the other Roses!

Florida- Sheena Kelly I'm a Florida native and an Irish citizen. I'm 22 and have just graduated from the University of Florida with a degree in Psychology and Communications. My plan is to pursue a career in the legal field, specifically as a child advocate attorney, defending the legal rights of children and acting as their positive voice. While at the University of Florida, I was involved with several respective organizations. I served as Chapter President for Delta Gamma Fraternity, an organization built on a foundation of fostering high ideals of friendship, promoting educational and cultural interests and developing social responsibility and the best qualities of character. I also served as Senator for Student Government, was awarded Miss Greek 2013 benefitting American Cancer Society, and spearheaded the Kind Campaign (a non-profit organization that brings awareness and healing to the negative and lasting effects of girl-against-girl "crime"). I'm an active member of Florida Blue Key, Florida's oldest leadership honorary, which recognizes individuals with outstanding ability, leadership, and service. In my spare time, I enjoy reading motivational books, volunteering in my community, boating and all other outdoor activities the weather permits. I'm the daughter of Lorraine FitzGerald Kelly from Saggart, Co. Dublin and Lawrence B. Kelly, Florida native and 4th generation Irish. My brother, Lawrence Brandan, and I have spent countless summers in Ireland. It is an honour and truly a dream come true to represent Florida in the Rose of Tralee International Festival. My family, friends, and sorority sisters who are not able to attend will be watching and cheering me on from America.

Kentucky - Morgan Loy Hello! My name is Morgan Loy and I am delighted to introduce myself as the Kentucky Rose. When I learned about the opportunity to celebrate my family's Irish heritage, I excitedly applied to be a Rose. Little did I know then, I was on my way to embarking on a once in a lifetime experience. I grew up learning about my family's history. I vividly remember the first time my father read from a folder of documents that were passed down through his family. I learned about my distant grandparents who lived in County Derry and other relatives from Dublin. I eagerly anticipate seeing the sites and the countryside where my ancestors once roamed. As for me, Louisville, Kentucky is home. I am a 22-yearold college senior at the University of Kentucky, where I study accounting and marketing. This summer, I have taken on an internship in the marketing department of General Electric. As for when I am at school, I am an Event Coordinator for the university's student center. I love to volunteer and have served on the executive board for many campus organizations. The Make-A-Wish Foundation, Best Buddies (an organization that creates opportunities for people with intellectual and developmental disabilities), and the Hope Center (a men's homeless shelter) are just a few of the organizations I have taken part in during college. When I am not immersed in my studies and other commitments, I love to spend time with my family and friends. One of my three sisters, Merryll Loy, is making a name for herself in the music industry of Nashville, Tennessee. I am honored to serve as an ambassador for Kentucky and one for my Irish heritage!

Hello! I am 24 years old and this summer have completed my law exams! I studied Geography as my undergraduate degree after which I completed a law conversion and have now finished the final, practical year - much to my father's relief! I completed my very first legal work experience in Dublin back when I was 14 years old in the Four Courts. During my lunch breaks I sat in on the "Lying Eyes" trial in which a woman hired a hitman to kill her husband and stepson, and after that I was certain law was for me. I now paralegal day each week alongside my studies with a gorgeous firm called Waltons & Morse and have recently been working on the infamous Hatton Garden Heist.I was born and brought up in London however my Mum is a Galway hailing from Ardrahan and I have spent every summer holiday out in Connemara where the entire of my Irish family congregate every summer. We spent eight weeks down on the beaches, attempting to play some golf, and drinking lots of Club Orange! On my Dad's side my grandparents are from Dublin and Cork. My grandad actually played rugby for Ireland against England in 1954.I am a person who cannot sit still and love to go to spin classes particularly! I absolutely cannot stand running, however pushed myself to complete two half marathons raising almost £1000 for a local hospice and recently completed a 10km run for the wonderful London Irish Centre! I have also played the violin since I was 4 years old alongside the oboe and singing. I was a member of the Ealing Youth Orchestra throughout school and now play with the Amati orchestra up by St Paul's Cathedral in London.

Melbourne - Meghan Griffin G'Day, My name is Meghan Griffin, and I am honoured to be representing the Irish community in Melbourne as this year's Melbourne Rose. I am 27 years old and come from Co Clare in the West Coast of Ireland. I have been living in Melbourne, the most liveable city in the world, for the past three years and am loving every minute of it. I graduated from Limerick Institute of Technology in 2010, with a first class honours degree in Business and Event Management. Upon completing my undergraduate degree I was awarded a bursary to pursue a Master of Arts by research which I undertook on 'Volunteerism in the Events Industry'. Since moving to Melbourne I have been very fortunate to secure two fantastic positions working in the Higher Education Sector within two of Australia's leading universities, the University of Melbourne and Monash University. I currently work at Monash University as the Events & Alumni Relations Manager for the Faculty of Medicine, Nursing and Health Sciences. I am passionate about all things dance and fitness and love putting this passion to good use by organising and participating in events to raise ***funds*** for extremely worthy causes, including the Cancer Council and Pieta House. I love being part of the thriving Irish community in Melbourne and never miss an opportunity to meet new people through my participation in touch rugby, boot camp and 'The Sisterhood', a Facebook group my sister and I set up to motivate ourselves and our friends to stay fit and healthy. I am truly humbled to have been afforded the opportunity to represent the Irish community in Melbourne at the International Rose of Tralee Festival.

My name is Síle Reidy, I am 20 years old and I am delighted to be representing Luxembourg in the 2016 Rose of Tralee. I am a Kerry girl, born and bred, my family have been living and farming in Ballymacelligott for many generations. I had a very enjoyable upbringing, and summer holidays for me meant lots of GAA, playing football for Na Gaeil in Tralee through the underage [*www.levels.No*](http://www.levels.No) summer holidays were complete without spending many days and nights at the 'festival'. Every year, we attended the Rose parade and as a family, we were glued to the television to watch the action from the 'Dome' while my sister and I bet to see who wins! I am currently a student at the University of Limerick studying for a Bachelor's Degree in Business majoring in Accounting and ***Finance***. As part of my degree program, I completed my Erasmus in Lille, France and I am now living in Luxembourg employed with Credit Suisse ***Fund*** Services as part of my work placement. Working in Project Management gives me a great overview of all departments in the ***fund*** industry and I would like to pursue a career in Accounting and ***Finance*** in a company with a strong international focus. Charity and volunteering work is important to me. Mentoring and becoming a leader for incoming first year disadvantaged students in UL, and volunteering with the Red Cross in Luxembourg was a very rewarding experience. It would be a dream come true for me to be the Rose of Tralee for 2016 to represent both the Rose of Tralee Festival and Luxembourg on the world stage. My experience so far has been thoroughly enjoyable, and I can't wait to meet the other Roses as we make the trip to Tralee.

New Orleans - Shannon Burke Hey y'all! My name is Shannon Burke, and I am thrilled to have been chosen as the 2016 New Orleans Rose! I am 23 years old, and I am proud to have been born and raised in the great city of New Orleans, Louisiana. Louisiana has so much to offer including the amazing culture and of course, the food! I graduated from Louisiana State University (Go Tigers!) in August of 2015 with an undergraduate degree in Communication Disorders. I am a Registered Line Technician, which has allowed me the pleasure of gaining experience working under talented Behavior Analysts, Speech Pathologists, as well as Occupation Therapists in the Baton Rouge area. I have recently been hired by Autism Spectrum Therapies in New Orleans and hope to attend Graduate School in the near future and pursue a career as a Speech Pathologist. My family and friends mean the world to me. They make up a large part of who I am. Because I am an only child, my friends have always been like siblings. Going to Mardi Gras parades, LSU football games, and out dancing are just a few of the many things we like to do. Everyone has been so supportive and excited for my future trip to Ireland. They are ecstatic that I will finally be going to #1 place to visit on my bucket list! My family is well-known for participating in many activities with the Irish Channel Organization and Parade "krew." My ancestors came from Galway and made their home stay in New Orleans. From my roots all the way to my name, I am Irish through and through! I cannot wait to represent myself, as well as my city, in the Rose of Tralee International Festival. I hope to take a piece of New York - Kristin Stack Hi! I'm a 26-year-old Doctoral student, splitting my time between living in Garfield, NJ and in Pittsburgh, PA, where I'm working toward my PhD from the University of Pittsburgh's Katz School of Business. My father is from Athea, Co. Limerick, and my mother is from Tralee, Co. Kerry. I go to Ireland once or twice a year to spend time with family, and this will be an extra-special way to return in August! Both sides of my family follow the Rose of Tralee Festival and have deep respect for the Roses; I'm honored to be among them, and I thank my family for seeing the Rose in me long before I saw it in myself. Back in the USA, I'm determined to have a career in the business world without sacrificing the things that make me happiest, like spending time with family in Ireland. I've grown up lucky enough to visit so often, and I want a career that allows me to keep that up. That's why I'm pursuing academia! As an academic, I hope to pursue research projects in Corporate Social Responsibility and in employee performance and compensation. And I'll also get to teach at the college level! When I'm not working or sneaking off to Ireland, I like running 5K's with my dad and sister, hiking new, fun trails with my fiancé, or scoping out the best local Irish bar televising GAA or rugby games! During my time as a Rose, I hope to encourage more Irish and Irish-American women to pursue careers in business and in academia. We've made leaps and bounds in terms of gender equality in these fields, though I think they could still use more smart, kind, and talented women. I'm looking forward to the experience of a lifetime in the year ahead!

Newcastle/Gateshead - Aisling Murray My name is Aisling Murray, I am 24 years old and am thrilled to be the Newcastle/Gateshead Rose. I come from the beautiful seaside town of Newcastle, County Down and moved across the water in 2011 to Newcastle-upon-Tyne in England to study Medicine. At Newcastle University, I have completed four years of my medical degree and this year am taking a year out to complete a Masters of Research in Medical Sciences, researching a growth factor in melanoma cells, the most aggressive skin cancer, to develop a new targeted drug. I will return to medicine in September and graduate as a doctor in July 2017. I have a keen interest in music and play drums, percussion, piano and violin. I played traditional Irish music with the Newcastle Co Down Comhaltas for many years in fleadhs across Ireland. At home, I also played in the City of Belfast Youth Orchestra and the Ulster Youth Orchestra. Currently, I play percussion with various orchestras and a Brass Band in the North East of England and have had amazing experiences playing in venues across the UK including the Royal Albert Hall, London and The Sage, Gateshead. I love sport and recently completed the 'Coast to Coast', cycling from one coast of England to the other. I can't wait to complete the Great North Run this year and am already planning my next sporting adventure, cycling the Wild Atlantic Way! I am the youngest of four sisters and am a doting aunty to twin girls, a little boy and soon to be an aunty again! I am overwhelmed by the support I have received from my family and friends in taking part in the Rose of Tralee and am honoured to be Kia ora koutou! My name is Hannah Greally, I am 21 years old and I am so excited to be representing Aotearoa as the 2016 New Zealand Rose. In June this year I completed a degree in Psychology, Criminology, Ecology and Biodiversity. I am currently job hunting, hoping to find a job that I am passionate about to kick start my career. Ideally, I would love to work in criminal justice and am particularly interested in the fields of prisoner rehabilitation and youth justice. I would like to upskill in a few years time and undertake a diploma of adult education to combat the poor literacy and numeracy rates of prisoners. I am also doing ongoing study in Tikanga Maori (The Maori world, culture and values). The indigenous Maori culture is very important to me and I am very much enjoying my journey in this course, celebrating the origins of Aotearoa New Zealand. In 2014 I was extraordinarily fortunate to travel to Thailand for a month. I lived with a local family in a hilltop village called Blay Doh Key, where I worked in an Asian Elephant Rehabilitation Program. Working with such amazing beasts alongside beautiful people gave me a passion for volunteering. Spending time at the local village school and teaching English cemented for me that I would like to work with young people. In my spare time I love hanging out with my family and friends, taking advantage of the beautiful sights that my country has to offer. I am also passionate about music. Listening to it, playing it, writing it, it doesn't matter. I was even part of a Glee Club during high school. I am so excited to be a Rose this year and hope to make everyone back home proud.

Newfoundland&Labrador -AnnaMurphy I'm Anna Murphy, your Newfoundland and Labrador Rose! I am 24 and from the colourful city of St. John's. My equally colourful family is everything to me. I adore spending time with my brother, Thomas, and my parents, Tom and Roxanne. Last year, I graduated from the Textiles: Craft and Apparel Design Program at the College of the North Atlantic. I was awarded the President's Award of Excellence for achieving the highest marks in my class. Since, I have worked diligently to open my own fine craft business, Yellow Rose. My commitment to learning and personal development continues. I am a member of Eastern Edge Quilting, the Embroidery Certificate Program and on the Board of Directors for Craft Council NL. Last year, my goal was to run a local 10 mile race, the Tely 10. For 2016, my Mom and I completed our first half-marathon. We crossed the finish line holding hands and laughing. Now, we are training for our second Tely 10! Giving back to my community is a huge part of my life. I volunteer with countless organizations providing craft education and labour. I am passionate about the preservation of intangible culture and heritage in my province. Our music and traditions all stem from our ancestral home, Ireland. My Irish heritage is on both sides of my family. The Murphy's, from Co. Cork, traveled seven generations ago as merchants and fishermen. The Power's, from Co. Waterford, traveled six generations ago with French pirates. This heritage is evident in my life, tattoos, artwork and love for Irish music. I am incredibly honoured to be the Newfoundland and Labrador Rose. This is a dream come true.

North Carolina - Maigan Kennedy Hey, y'all! My name is Maigan Kennedy. I'm 27 and I grew up in Durham, North Carolina, just outside the capital city of Raleigh. I've been acting professionally for about four years, and have won awards for both solo and ensemble performances. I recently graduated with a BA in Theatre Performance and served as an officer for Alpha Psi Omega, the national theatre honors fraternity. I also take great pleasure in working backstage, most recently as general manager for a local, professional, nonprofit theatre. Another passion is music composition. I compose for theatre and movement pieces, and my composition style, fueled by caffeine, blends cello, piano, and voice to provide melodic (and sometimes eerie) underscoring for productions. My compositions have been featured statewide by professional and college theatre troupes. I'm a classically trained singer and cellist, and I play piano, guitar, bass, and tin whistle... I'm also trying to learn the bodhrán. Wish me luck! I'm fortunate to be involved with two community arts organizations: Arts in Action, a group that emphasizes healthy lifestyle choices, and Theatre4Change, a group focused on teaching conflict resolution through improvisation. I also volunteer with the US Committee for Refugees and Immigrants, where I coach English as a Second Language classes, outfit apartments for new arrivals, and mentor families on American culture. I can trace my family's Irish heritage to before 1739, the year my ancestor John Kennedy immigrated from Carrickfergus to the United States. Though my link to Ireland is more than two centuries old, it just goes to show that Irish roots run deep, and I'm honored to represent my family and the North Carolina Irish in this prestigious festival!

Ottawa - Sarah Griffin A 24 year old graduate, dancer and volunteer -I'm Sarah Griffin and I am absolutely thrilled to be the 2016 Ottawa Rose! A proud Irish-French Canadian, I grew up in a suburb of Montreal called Deux-Montagnes and my Irish roots stem from St. Mullins, Co. Carlow and Ardfert, Co. Kerry. I attended the University of Ottawa where I completed my bilingual Honours Bachelor of Arts with Specialization in Linguistics and a minor in Celtic Studies. I am currently working for Statistics Canada on the 2016 Census. In the fall, I will be commencing my graduate certificate to be a Communicative Disorders Assistant (CDA). A major focus and passion of mine over is Irish dance. Thanks to Sue Fay Healy Irish Dance, I have been lucky enough to compete at multiple international championships ending my competitive career this past fall at the 2015 All Ireland Irish dance championships in Killarney, Co. Kerry. Although I am still dancing recreationally, I am also a proud player for the Ottawa Gaels Gaelic football team. I enjoy volunteer coaching for GRDO (Gloucester Recreation Development Organization), a non-profit, after school sports skill development program for children 4-14 years old. I love to stay involved and give back in my community here in Ottawa in any way possible! Last summer, I received the Ireland Canada University Foundation Scholarship where I had to opportunity to study Irish within the Connemara Gaeltacht, in Cheathrú Rua (Carraroe), over three of the most amazing weeks of my life. I live on a Hereford cattle farm west of Ottawa and although I am new to farming, I love working with the cows, growing my own vegetables and living in the country.

Hello, my name is Kathleen O'Donnell and I am excited to share this experience with you! For my 22 years in this beautiful world, I have lived in Cincinnati, with my two loving parents, two rambunctious brothers, and our ditzy yet dog Daisy. My ancestry comes mainly from County Donegal and Connaught on my father's side of the family. Cincinnati has been a wonderful city to grow in. As it happens, I have been going to school on the same street since 7th I discovered my love for ballet when I was 13 years old. I pursued a professional dance career for seven years, and studied ballet under University of Cincinnati's prestigious dance program for one year. However, by that point I had developed persistent and painful ankle condition. The injury became unbearable, and I forced to reconsider my career plans. I decided to pursue a degree in middle school education in math and science, and am now in my last year of study. I will take on the role of Student Teacher less than a week after this Festival concludes; I am very eager to meet my 8th grade science class. I have always lead an active and busy life, occupying my free time with hobbies like (hula) hoop dancing, attending music festivals, canoeing, painting, reading, and games with friends. Hooping in particular has become another passion in my life. After my ankle injury, I found a hoop and started learning the flow art YouTube, despite being limited to one foot. Fast forward four years, and I have performed my hoop dance in six states. I dream of sharing it with the world! Since I grew up with two older brothers, I am looking forward to finally having sisterhood through the Rose of Tralee.

Perth - Denise Quigley My name is Denise Quigley and I am representing Perth in the 2016 Rose of Tralee International Festival. I am 27 and was born and raised in Frosses Co. Donegal where I attended Frosses National School. I am one of six children. I attended the Abbey Vocational School. I then completed a certificate in Hairdressing at Cavan Institute. Eager to travel with my qualifications and visa, I set sail for Australia in 2010. My first year was spent in Canberra, then six months in Sydney, from there I moved to outback Queensland for four Years. It was in Queensland I received my Permanent Residency and met Danny Costello from Ardfert. Travelling feet took over and we decided to move to sunny Perth in 2015. I played Gaelic football from a young age with St. Nauls GAA and at U16 won an All Ireland County Medal. I love meeting new people and travelling, so hairdressing seems an ideal career for me. After arriving in Perth I received my Citizenship and Australian Passport. The trip to Tralee will be my first adventure on my Australian Passport. Since winning the Perth Rose selection I have adopted the nickname "Rosie" in Western Australia. With this achievement I have had the pleasure of meeting so many people within the Irish community. Everyone loves the Irish here. Australians are very fond of the accent and although some don't know it yet, they will have a great love for the Rose of Tralee Festival from now on. Many of my friends are not Irish so it's great getting them involved. Enjoying overwhelming support from all corners, I cannot wait to meet the Roses from all over the world while representing Western Australia this year.

Philadelphia - Brigid Gallagher My name is Brigid Gallagher and I am the 26-year-old middle sister of seven girls.

Following my Bachelor's Degree in Graphic Design and Psychology from West Chester University, I am pursuing my Masters of Art Therapy and Counseling from Drexel University. I am the Executive Director of the Philadelphia Veterans House, a non-profit organization serving homeless veterans in Philadelphia. Coming from a large family, loving every minute of it and realizing the blessings that have overwhelmed my life, I have transferred my experiences into the work that I do and dedicated my service to the support of our military veterans and their families. I am an avid runner, having run competitive track and field for 14 years and I'm very much looking forward to completing my fourth marathon this October. I absolutely love art in all forms, especially when I have the opportunity to create it and have been lucky to enjoy graphic design as a part-time career. I love to travel, meet new people and spend as much time with family as possible. I am definitely most proud of my role as aunt to my nieces Mary Grace and Claire and nephew Ryan. I am a published illustrator of a children's book that was written by my older sister, 2007 Philadelphia Rose, Colleen. I am a member of the West Point Society -Philadelphia Chapter, West Chester University's Alumni Association Board Committees and one of the newest members of the Society of the Friendly Sons of St. Patrick. My Irish roots run back to great-grandparents lineage in Co Derry, Donegal and Kilkenny. I am so honored to have been chosen as the 2016 Philadelphia Rose and beyond excited to embrace all that this experience has to offer.

San Francisco - Margaret Harkin I was born in San Francisco 26 years ago, and raised just south of the city in San Mateo. The only daughter to parents that moved to the sunshine in 1981, I was preceded by two brothers and followed by yet another. I grew up playing soccer and softball, with zero ability to Irish dance. Thankfully, my inability to jig or reel did not keep me from Ireland. My parents, born and raised in Leitrim, took us home frequently. While my friends have memories of Hawaiian volcanoes, my favorite summers were spent climbing rolling hills, watching sheep be dipped, and spending time with my cousins. I loved it, though I have yet to see Hawaii. I began volunteering while attending St. Francis High School, and have been fortunate enough to participate in eight U.S. Disaster Relief trips. From California wildfires to Oklahoma tornadoes, I found fulfillment in meeting the tangible needs of the hurting, and it has shaped my young adult life thus far. I spent the summer of 2012 in Nepal, playing soccer with street children during the day, and working to rescue trafficked young women at night. It was in Kathmandu that I saw the disparity of health across the world; that the value of life differs greatly by where we live. I completed my Bachelors of Science in Public Health in 2013 and left the U.S. for Ireland, earning my Masters of Public Health in International Health from University College Dublin in December of 2015. This past January, on a medical mission trip to the Philippines, I decided I want to pursue a degree in Medicine, which is the current route I am on. Representing San Francisco in Ireland is beyond humbling; two places that raised me, shaped me, and have enabled me to reach out.

Hello! My name is Jessica Logan, and I am very honoured to be the 2016 Queensland Rose and to represent the Irish community of Queensland. I am incredibly excited to be travelling for the first time to Ireland to experience my cultural heritage! I am 27 years old and have lived in Queensland my entire life, having grown up in the south-west on remote cattle properties. My younger brother and I didn't really go to school, and instead did the Charleville School of Distance Education which meant our mother taught us and we had lessons on the two-way radio. My high school years were spent as a boarder in Brisbane. I have since stayed in the city, where I studied my BA in Linguistics & Psychology, GradCert in Editing & Publishing and GradDip in Applied Linguistics. I utilise these degrees in my work at the Institute of Health and Biomedical Innovation, where I primarily assist academics as an editor for their research ***grants*** and applications. I am studying an MBA in Philanthropy and Non-Profit and have a keen interest in using my experience in disability services, research and the arts to transfer into the fields of development and advancement.A huge part of my life is pipe bands, and I have been playing in bands for 10 years this year! As a tenor drummer I have attained the highest level in solo competition and I am the Vice-Chairman of Pipe Bands Queensland. I have been incredibly lucky to have travelled twice to Scotland to compete in the World Pipe Band Championships. I love making old things new again and have a passion for repurposing vintage and pre-loved clothes, homewares and furniture. My Irish ancestry is from my father's family, who emigrated from Leitrim,Tipperary and Kerry.

Scotland - Blathnaid Loughran My name is Blathnaid Loughran, and I am 26. I am so proud to represent Scotland in the Rose of Tralee. I grew up in Omagh, County Tyrone, where I lived with my parents and older sister. When I finished school in Loreto Grammar, I moved to Belfast to study for an English degree in Queen's University. For four years I lived with friends and loved every moment of student life. When I graduated with a 2:1, I was thrilled to be accepted into a Postgraduate Diploma in Education in Glasgow University. Glasgow shares strong links with Ireland and I embraced me new environment. I have always wanted to be a teacher. My parents and my sister are all teachers. It is safe to say that teaching is in my blood! It is truly rewarding to have an impact on the lives of my pupils. I am passionate about music especially jazz and blues. My favourite artists include Etta James, Otis Redding and Joni Mitchell and I love to sing their songs. As an active member of Glasgow University Chaplaincy, I sing regularly at masses and social events associated with the church. I am a lifelong piano player and have achieved grades in this and acting; and I often competed in the famous Feis. I recently played and sang at my sister's wedding in July, despite also being a bridesmaid! I enjoy cooking and developing new recipes. I keep fit by playing tennis, running and swimming and was a qualified lifeguard. Above all, however, my main passion in life is my friends and family. With us all dispersed widely, it has become increasingly clear just how precious the quality time I get to spend with them really is; especially with the impending arrival of my first niece or nephew!

My name is Rochelle Melino, I am 27 years old and from the south coast of South Australia. I'm Irish/Italian first generation on both sides. My grandparents on my mother's side are Irish, from Kilmore Quay Co. Wexford and Shillelagh Co. Wicklow. I'm very very proud to be Italian and Irish! Although I've inherited more of the Italian features, my Irish heritage plays a big part in my life. I'm an Irish dancer, my mother has the Murchu school of Irish dancing and my brother, sister and myself all danced competitively. I've been lucky enough to have won state titles, placed top 10 at nationals and qualified to compete at the world championships three times, which is how I came to visit Ireland for the first time in 2010! And where I had the chance to meet my relatives in Kilcullen, Carlow and Wicklow. I currently work as a bank manager for the Commonwealth Bank of Australia, this is something I love and am proud to have achieved it in the time frame that I have. I'm passionate about people and my team, and helping them grow through their different roles in the bank. I've really have found a love for leadership now that I have seen how much I can influence someone and affect how they feel about themselves. I love my life, my family and my boyfriend and have a really positive outlook on life. I don't have a story, or anything extraordinary that I've achieved, or a big adversity I've had to overcome, but I am me and I'm proud of that. I have grown up to believe that anything is possible, and as long as we are treating people right along the way the world is going to have so much to offer us. I thank my parents for that.

Southern California - Clara Murphy My name is Clara Marie Murphy, and I am 23 years old. My family originates from Enniskean and Rosscarbery, County Cork. I grew up traveling around the world with my mom, my three sisters, and my dad when he was an active duty Army Officer. His tours took us to live in Italy, Kansas, and Hawaii. Last year I graduated with honors from the University of California, Riverside with a Bachelor of Science degree in Business Administration with a focus on management. At my university started planning live events such as Homecoming, comedy shows, and concerts. had entertainment operations internships with companies including Live Nation and NBC Universal at Universal Studios Hollywood. I currently work I currently work as an Associate Producer with Superjacket Productions. I am also producing a music festival called JUICE! FEST with several friends from college. I love to stay active, and on the morning of our Rose Selection Ball, I completed my second 10-12 mile (18-20 km) Tough Mudder obstacle course race. Within six hours, I went from being covered in mud, to a ball gown and heels. Later in the year, I will volunteer at another Tough Mudder race. My other favorite activities include hiking, yoga, paddle boarding, rock climbing, and swimming. During my last year of college, I received the 2014-2015 Lifeguard Swim Instructor of the Year award. In my free time I enjoy hosting pub trivia nights at my local brewery and acting in student films. As a creative outlet, I run a blog documenting puns, comedy, and funny beer names. I am active in my Delta Gamma sorority alumni chapter. I am very proud to My name is Erin Moran, and I am honored to be your 2016 South Carolina Rose. I am 26 years old and love living along the Atlantic Ocean coastline in Myrtle Beach, South Carolina. A native of the Boston area, I earned my first university degree in Communication from Westfield State University in Massachusetts, and I am currently pursuing my second university degree in Atmospheric Sciences through Mississippi State University. I have been working in television for more than five years, and currently enjoy my job as the Morning Weather Anchor for the local news affiliate of a major television network in the U.S. My very early-morning alarm clock means I am lucky to see many of our picture-perfect South Carolina sunrises! When I'm not reporting the weather for golfers and beachgoers, I delight in volunteering as a mentor to school-age children at the Boys and Girls Club of the Grand Strand. My love of science and children also collide during my frequent visits to local schools to speak with children about my job as a forecaster and how meteorologists use technology to predict the weather. I hope that I can inspire more children, especially young girls, to explore careers in science and technology. My Irish-American family includes my loving parents, four siblings and my adorable niece, Fiona. My two-year old lab-retriever mix pup, Nala, keeps me company while living so far from my family and has made South Carolina feel more like home. I am proud of my family's Irish roots in County Kildare. My great-great grandfather, Patrick Hannigan, was born in Harristown, Kildare, Ireland in 1852, and lived there until he emigrated to the United States in 1870.

Sydney - Brianna Parkins I'm a 25 year old journalist who found herself unexpectedly wearing a sash and crown at the Sydney Rose Selection ball back in May. I entered the Rose of Tralee as an outside chance to spend more time with my family and to give my Irish grandmother something to brag about to her [*www.sisters.No*](http://www.sisters.No) one thought I would make it to Tralee, least of all me, but I'm beyond proud to represent the city which has accepted immigrant families like my own. I grew up in working class Western Sydney to an Irish mother and an Australian father. My mother's family come from Dublin's Liberties and my father's great grandmother hails from Armagh. My intimidating height (177cm) means I've never missed a season of netball once in 19 years. I graduated with distinction from the University of Wollongong with two degrees in politics and journalism. I was nominated for NSW Regional Young Journalist of the Year for my investigative pieces into sex work and the online drug trade. I'm lucky enough to be a researcher for the Australia's national broadcaster, the ABC. I work on the TV show Media Watch, which for 26 seasons has been holding the media to account and I'm lucky enough to share an office with some of the best in the game. In my spare time I'm a passionate women's rights campaigner and union member. I am, at best, a very average surfer. My mother and her family immigrated to Australia 50 years ago. Their grit and hard work meant that in two short generations we have come from factory workers with limited education to me, the first university graduate in the family. I did the Rose as a way of saying thank you to them for the sacrifices they made for us.

Texas - Katherine O'Sullivan Hey y'all, my name is Katherine O'Sullivan and I am so thrilled to be the 2016 Texas Rose, representing the Irish from the Lone Star State! I am 25 years old and live in Austin,Texas. I am also proud to represent my extensive Irish family as my paternal grandparents are from Tralee and Ballyduff, Co. Kerry. My Irish heritage on my mother's side is from Macroom, Co. Cork with my Corcoran family ancestors having emigrated to the U.S in the 1850s. I graduated from Texas State University 2013 with a degree in International Studies with a Business Focus. Outside of my studies, I was in the Alpha Xi Delta sorority, served as an Orientation Leader assisting incoming students and parents, and loved attending football games, going to concerts, country dancing and floating the river! Upon graduation, I immediately got a job in the recruiting field and have a deep passion for building relationships and bringing employees and employers together.Through my recruiting experience, I had the privilege to assist in staffing for the Irish Consulate and Enterprise Ireland in Austin. I recently started working for Community Impact Newspaper as the lead Recruiter, the most widely distributed newspaper in Texas.As a member of the Celtic Cowboys Sports & Social Club, I play on the Ladies GAA team, was recently appointed the Social and Fundraising Chair and help facilitate Rose events in Austin. The Celtic Cowboys was honored to host the 2015 GAA Hurling All Stars which was truly amazing! I volunteer as a mentor with the Big Brother Big Sister organization and for fun, I enjoy spending time with friends and family, taking fitness classes, and doing fun things in Austin such as music events, going dancing, and festivals.

Washington DC - Western Canada - Molly Fogarty Sarah Olsen Hello, my name is Sarah Olsen - your 2016 Washington, D.C. Rose! At 23 years old, I am the youngest in a family of three girls. A native "Washingtonian", I studied ***Finance*** with a concentration in Global Commerce at The University of Virginia. I work as a ***Financial*** Litigation Consultant in D.C. I am a keen Irish Dancer and flautist, and have a passion for playing, watching, and refereeing soccer. In my free time, I enjoy hiking, long distance running, discovering new music, spending time with family, and travelling. I have wonderful memories of travelling around Ireland by bus with my extended Olsen family (20+ relatives). I am honored to travel back to Tralee as a representative of the Irish community in Washington, D.C.

Hello there! My name is Molly Fogarty, and I am honoured and so grateful that to represent Western Canada at the Rose of Tralee International Festival. I am 20 years old, and am from North Portal, Saskatchewan which is a small border town to the United States. My granddad, a Fogarty, is from just outside of Roscrea, Co. Tipperary, while my grandma grew up in Kantoher, Co. Limerick. May 15, 1957 was a big day for my grandparents; not only did they marry each other that day, but it is also the same day they said farewell to Ireland and headed to Canada! Words cannot express the excitement I feel for being chosen as the Western Canada Rose. I am looking forward to making memories and friendships that will last a lifetime!

Hi there! My name is Petra O'Toole and at the ripe age of 27, I am your 2016 Toronto Centre Rose. I am so honoured to be representing my city in Tralee and to have the opportunity to explore Ireland in this wonderfully unique way. Raised for the most part in Toronto, I called Halifax, Nova Scotia home for a few years while I completed two degrees: my BA (Hons) in Theatre and German and a MA in German Literature at Dalhousie University. There I worked as a residence assistant, an aquatic supervisor, and taught first year German at the university. Throughout my degrees I volunteered teaching First Aid, Theatre, and the Swim to Survive program. After a successful academic career, I packed my bags and moved to France for a year to study theatre, and, of all things, clown. It was the perfect way to work on my craft as a performer, to travel, as well as have the opportunity to practice French and German at the same time. Now back in the Great White North, I work as a performer, producer, and production coordinator in film and theatre. This winter I played a grandfather in a fantastic touring physical theatre production. I love keeping busy with many creative projects, spending time with family, and I always look forward to a good theatre/music jam session with friends. Most of all, I am looking forward to getting to know my Irish roots by meeting my dad's family in Wicklow, for the first time, right before Tralee.

Yorkshire - Anne-MarieO'Donnell Hello! My name is Anne-Marie O'Donnell and I am delighted and honoured to be your 2016 Yorkshire Rose. I am 27 years old and am lucky enough to live on the border of the North Yorkshire Moors and the coast, therefore having the best of both worlds! I am also proud to be involved in the Irish community and local Catholic Church in my hometown.I am a 2010 graduate of Media Studies at Sheffield Hallam University. I am currently working as a Marketing Officer for a local arts and entertainment venue, where I promote a wide range of cultural events, which include theatre, dance, community classes and large scale comedy and music shows. I am wholeheartedly looking forward to all the new experiences this may bring!

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[***Civil Society Organizations and Local-Level Peacebuilding in Northern Uganda***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BM3-50R1-JBMY-H0BS-00000-00&context=1516831)

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**Body**

**ABSTRACT**

This paper examines the contribution of civil society, notably religious and faith-based groups, traditional institutions, non-governmental organizations (NGOs), human rights groups, and community-based self-help groups, in promoting local-level peacebuilding in northern Uganda. Civil society groups in northern Uganda provided alternative narratives of the conflict, exposed brutalities against civilians, and ideas of peacebuilding. They lobbied, facilitated negotiations, engaged in building cultures of peace, promoted reconciliation, sustained livelihoods at the local level, and influenced outside peacebuilding interventions. However, the national context constrained their activities. This article is based on research and consultancy materials, personal observation, official and unofficial documents from the government, international organizations, intergovernmental agencies, and NGOs, newspaper reports, and scholarly publications.

**FULL TEXT**

**Introduction**

The aim of this paper is to examine the nature and contribution of civil society organizations (CSOs) in promoting local level peacebuilding in northern Uganda. The experience of northern Uganda highlights the challenge of peacebuilding in a situation of multiple conflicts at various levels, national and local. Civil society peacebuilding activities at the local level highlight Boulding’s assertion that cultures of peace survive in small pockets and spaces even in the most violent of conflicts (Ramsbotham et al., 2005: 217). CSOs in northern Uganda provided a link between the local, national, and international actors and ideas. They provided alternative local narratives of the conflict, emphasizing brutalities against civilians and community demands for peace. CSOs provided leadership, championed popular mobilization for peace, and influenced outside peacebuilding intervention in northern Uganda. However, national context constrained civil society peacebuilding activities.

The conflict in northern Uganda involved successive insurgent groups who fought against the government of Uganda from 1986 to 2006. The insurgents comprised soldiers and supporters of the previous regimes the National Resistance Army (NRA) led by Yoweri Museveni, had fought against and defeated during the five years of insurgency before coming to power. At the time the NRA came to power, the Ugandan state had collapsed. State-inspired violence, human rights abuses, and lawlessness were endemic, especially in southern Uganda, where the NRA derived its support. The legitimacy of the NRA government therefore rested on its promise and commitment to restore peace and provide security of life and property, the rule of law, and democratic governance (National Resistance Movement, 1986).

The leadership of the NRA constructed a narrative of the conflict in northern Uganda to suit the interests of legitimizing its rule and military approach to conflicts. It presented the conflict in northern Uganda as an attempt by ‘criminals’ and people responsible for human rights abuses, and collapse of the Ugandan state, to regain power. These ‘criminals’ must be defeated using military means, the narrative ran. In contrast, the leadership presented the NRA as a ‘disciplined’, ‘pro-people army’, which has restored security, rule of law, and respect for human rights, has reversed state collapse, and has made Uganda an attractive haven for foreign investment (Museveni, 1987a). Western donor states, multilateral agencies, and scholarly works recycled this narrative, and supported the military approach adopted by the government (Dolan, 2006: 28). They were content on treating the conflict as an ‘isolated situation of political instability’ (United Nations Office for the Coordination of Humanitarian Affairs, 2000, para. 10). International NGOs also accepted the government’s narrative and were careful not to ‘overstep their boundary’ by engaging in Uganda’s domestic politics (Dolan and Hovil, 2006: 6). International NGOs, such as *Associzione Voluntary per il Servizio International* (AVSI), the Norwegian Refugee Council, Oxfam, CARE, and World Vision, which intervened in northern Uganda, restricted their activities to ‘working in conflict’ delivering humanitarian assistance. They supported local civil society groups in sustaining livelihoods and rebuilding local economies.

National CSOs were polarized, reflecting the regional north–south and ethnic divides and lack of national integration that are at the root of the conflict. The national media for instance recycled the argument that insurgent groups in northern Uganda lack a political agenda, while religious and faith-based organizations, NGOs, human rights organizations outside northern Uganda maintained a conspicuous silence and in some cases openly supported the government’s military approach. Alternative narratives emphasizing humanitarian consequences of the military approaches and popular demands for a peaceful approach were ignored, or suppressed.

Civil society groups in northern Uganda comprising religious organizations such as the Justice and Peace Commission of the Catholic Church, the Anglican Church of Uganda, the Acholi Religious Leaders Peace Initiative (ARLPI), traditional authorities, especially through the institution of *Ker Kal Kwaro Acholi*, and community based organizations courageously advanced the cause of peacebuilding. They turned around the perceptions of the conflict towards peace, leading to increased engagement in peacebuilding in northern Uganda by multilateral agencies, international and national NGOs (Dolan and Hovil, 2006). In May 2002, the Civil Society Organization for Peace in Northern Uganda (CSOPNU), a ‘loose’ coalition of national and international civil society advocating for ‘just and lasting peace’ in northern Uganda, was established.

This article is an analysis of the role of civil society in local-level peacebuilding in northern Uganda. It offers an in-depth study on civil society peacebuilding activities in the Acholi sub-region, the epicenter of the conflict and civil society peacebuilding activities. The article relies on official reports and newsletters from CSOs, the district local government, government of Uganda, and intergovernmental agencies. These reports offer information on the conflict situation and peacebuilding interventions. The author has also used information on various aspects of the conflict in northern Uganda, which was personally collected during earlier research as well as personal observation of the conflict over the years. The study has also relied on secondary material from scholarly articles in journals and books.

**CSOs and peacebuilding**

Civil society is a historically variable concept whose appeal Kumar (1993) observes, is its many levels and layers of meaning. In classical usage, civil society was synonymous with the state. The modern idea of civil society is of a sphere distinct from the state (Carothers, 1999–2000; Kaldor, 2003; Kumar, 1993). For the purpose of this study, civil society constitutes the arena or sphere of un-coerced collective action around shared interests, purposes, and values. It is an intermediate arena between the state, private sector, or market and the family (Paffenholf and Spurk 2006). Civil society is an arena that provides space for diverse societal values and interests to interact, debate, and seek to influence society and the political process. CSOs consist of the wide array of non-governmental and not for profit organizations and groups that exist within the civil society arena. They include non-governmental organizations (NGOs), faith-based groups, human rights groups, trade unions, and ethnic based associations, among others. CSOs and groups express the interests and values of their members and respect for some ethical considerations. They recognize the importance of respecting human rights and promoting compromise, dialogue, and economic and social integration. They promote social and political spaces for dialogue and constrain arbitrary exercise of state power. They interact with and the environment defined by the state shapes them.

As Paris (2004) observes, from Alexis de Tocqueville to the present, scholars have emphasized the role of civil society in consolidating democracy. The legacy of democratic struggles in Eastern Europe and Latin America in the 1970s and 1980s enhanced this benign view of civil society. Civil society nurtures trust and reciprocity and fosters tolerance for diversity (Diamond, 1999; Putman, 1993). These are important for preventing conflict. Civil society monitors and checks the state in the exercise of power, promotes political participation, creates alternative channels for the articulation of and representation of interests, and promotes favorable conditions for market economic reforms. Harberson (1994: 2) and colleagues, in the edited volume *Civil Society and the State in Africa*, reflect /this thinking: ‘We consider the possibility that civil society holds a key to understanding and addressing effectively the political and socio-economic crises in Africa and elsewhere’, they wrote. Lewis (2002), however, questioned the usefulness of the concept civil society to Africa. Lewis argued that civil society is a western concept bounded by cultural and political setting.

In the 1990s, scholarly and policy works have emphasized the positive contribution of civil society in democratization and peacebuilding (Paffenholf and Spurk, 2006; World Bank, 2006). Civil societies increase trust and social cohesion, fill the void left by the state, and carry out functions such as providing services, protection of citizens, reintegration of ex-combatants and displaced persons, advocacy, and creating awareness and promoting reconciliation. Much of the interest in civil society is a result of the dominance of the neo-liberal paradigm and its emphasis on limited role for the state, and privatized delivery of social services (Lewis, 2002).

Other scholarly works caution against an overly positive view of the role of civil society in promoting democracy and peacebuilding (Bayart, 1986). Carothers (1999–2000) dismisses the notion that civil society ‘consists only of noble causes and earnest, well-intentioned actors.’ Carothers observes that ‘civil society everywhere is a bewildering array of the good, the bad, and the outright bizarre’. Carothers therefore dismisses the views that a strong civil society ensures democracy and that democracy ensures a strong civil society, as well as the notion that civil society is crucial for economic success. Similarly, Chambers and Kopstein (2001) raise the need to ask the question, what type of civil society promotes democracy. They argue that there are both ‘good and bad civil society’. Bad civil society is particularistic. It contains the elements of good civil society but only between members of a particular group. Bad civil society spreads the opposite of the virtues of good civil society, prejudice, hatred and extremism to members of outside group. Belloni (2008: 186–187) argues that even in consolidated democracies, ‘civil society is a vague and general concept, which can be filled with different contents – ranging from democratic to undemocratic actors and from peaceful to violent agents’.

Paris (2004), drawing on Chambers and Kopstein, decries the focus of liberal peace approach to peacebuilding on ‘quantity’ rather than the ‘specific qualities of civil society’. Paris (2004: 151–178) argues that the liberal approach to peacebuilding under looks the ‘pathologies of liberalization’: the problem of ‘bad’ civil society, the ‘behavior of opportunistic “conflict entrepreneurs”’, the ‘destructive societal competitions’ elections might generate, the role of saboteurs disguised as democrats, and ‘the disruptive and conflict-inducing effects of economic liberalization’. In neo-patrimonial and ethnically fragmented societies with strong national and group identities, some groups may condone human rights violations, and even accept neo-patrimonial relations. Conflict-torn societies are often highly polarized. CSOs are likely to reflect such polarization. They may differ in response to conflict. Some are likely to be sectarian, ignore human rights violations, support violent pursuit of conflict or be complicit in maintaining silence. Orjuela (2005) presented the case of a struggle by geographically and ethnically divided civil society in Sri Lanka, in favor of and against negotiated settlement to the violent conflict.

Donais (2009) criticizes the liberal peacebuilding approach for requiring local actors to ‘take ownership over a largely predetermined vision’. The liberal peace approach, Donais argues, is full of tension between external imposition and local ownership. Donais contrasts this with the ‘communitarian’ approaches in which local actors design, manage and implement peacebuilding processes. The communitarian approach emphasizes the roles of tradition and social context in determining particular visions of peacebuilding. It favors peacebuilding from below based on the conflict transformation approach that takes a positive view on the role of civil society in peacebuilding (Lederach, 1995).

Peacebuilding from below is linked to Lederach’s idea of indigenous empowerment, which suggests that conflict transformation must include respect for and promotion of cultural resources in a given setting, and seeing the setting and people not as the ‘problem’ but as the ‘answer’ (Lederach, 1995: 212). The idea ‘echoes Elise Boulding’s insight that cultures of peace can survive in small pockets and spaces even in the most violent of conflicts’(Ramsbotham et al., 2005: 217).

The conflict transformation approach to peacebuilding views states as multidimensional, comprising multiple political arenas at different levels, local, regional, and central (Manning, 2003: 26). The approach describes conflict-affected societies as a triangle with three levels. At the apex is the top military and political leadership, the middle leadership comprising political, religious, business sectors; the third level is the grassroots. At this level are the majority of the population, internally displaced persons, local leaders, community-based organizations, and local NGOs. The conflict transformation approach requires coordination of peacebuilding at all levels. Most intra-state conflicts have roots in local issues and play out in local settings. Embedded cultures and economies of violence at the local level often provide serious challenges to settlements reached at the national level. Most often, local conflicts and issues are left unresolved by settlements arrived at the center, requiring a reworking of the settlements at the local level. Neglect of the local level undermines consolidation of peace (Manning, 2003). Understanding of structures, attitudes, relationships, and behaviors that will erode cultures of violence and promote peace at the local level needs to underpin settlements reached at national level. This requires involvement of local actors and identifying and cultivating knowledge, cultures, and resources that promote peace. Put differently, effective and sustainable peace entails empowering communities torn by conflict. While acknowledging the importance of local understandings and cultural practices in peacebuilding, Schaefer (2010) cautions that local practices are heterogeneous and some local practices are not ‘necessarily compatible with the aims of working towards a less violent society’.

The conflict transformation approach to peacebuilding has opened the space for CSOs in peacebuilding. CSOs have emerged to fill the gap left by weak and collapsed states. Multilateral and bilateral agencies have turned to CSOs in supporting peacebuilding. The Carnegie Commission on Preventing Deadly Conflicts (1997) underlined the importance of CSOs. Likewise, in 2005, the United Nations outlined the political contribution of a vibrant civil society in conflict prevention as well as in peaceful settlement of disputes. The local level approach to peacebuilding has however gone beyond looking at the role of CSOs as merely filling gaps left by weak states by implementing externally designed peacebuilding programs. It emphasizes respect for local norms and practices of which local CSOs represent.

**The nature of CSOs in Uganda**

CSOs in Uganda are a diverse category. The Development Network of Indigenous Associations (DENIVA), a national apex organization for CSOs in Uganda, defines CSOs in the Ugandan context as ‘organizations, organized groups, and individuals that come together voluntarily to pursue those interests, values, and purposes usually termed the “common group”’. These include NGOs, community groups, labor unions, professional associations, faith-based organizations, parts of the academia, and the media (DENIVA, 2006: 22). There is a long tradition of associational life in rural communities in Uganda. Grassroots organizations, mostly rural or village community-based mutual self-help groups, have historically been involved in livelihood-promoting activities such as improving ***agricultural*** production, operating rotating credit and loan schemes facilities, and offering funeral services. However, most grassroots groups emerged in the 1970s and 1980s as a response to the economic crises and state failure. They emerged to fill the void left by the state in the provision of social services. Grassroots associations include ethnic associations and faith-based groups, which were already in place during colonial rule. These categories of civil society are mainly involved in social services delivery. Their non-engagement in political advocacy is partly due to the country’s history of authoritarianism and repressive rule (DENIVA, 2006). Another category comprising trade unions and cooperative associations were weakened through cooptation by the state and subsequently liberalization of the economy under structural adjustment programs of the 1980s and 1990s (Bazaara, 2004).

The more formal and recent category of CSOs are NGOs, network organizations, and professional associations. These have proliferated since the late 1980s and 1990s with structural adjustment and good governance programs. Through a process of social engineering, international donors have sought to create NGOs as part of civil society development (Dicklitch, 2001: 31; Hearn, 1999). International donors viewed NGOs as alternatives to the state to fill the void in the delivery of social services. From the 1990s, donors and governments assigned NGOs the role of ensuring accountability in implementation of poverty reduction policies and programs. The role of CSOs became that of ‘partnership’ with the state (Hearn, 2001; Muhumuza, 2010).

The context of authoritarian rule and economic crisis has had a bearing on the functioning of CSOs in Uganda. It has resulted in a situation whereby most CSOs focus on service delivery and limit their activities to specific geographical areas. This is the case with self-help and community-based associations that were in existence before independence and the various civil society groups that emerged in response to the economic crisis of the 1970s and 1980s, and those of the 1990s. CSOs which emerged in the 1990s ‘are urban-based’, with headquarters in the capital Kampala (Dicklitch, 2001). They were formed by elites who discovered CSOs as a lucrative source of income from donors. These CSOs are influenced by donor agenda and ideology. This partly explains why civil society groups in Uganda began to change their orientation towards peace toward the end of the 1990s, when donor policy on the conflict was changing towards peaceful approaches. In addition, Ugandan elite tend to be influenced by ethnic and political divisions that are endemic in Uganda. Activities of organizations run by elite are susceptible to effects of political and ethnic divisions. Such a factor cannot be ruled-out in explaining initial responses of national CSOs to the conflict in northern Uganda. Comparisons exist in Sri Lanka (Orjuela, 2005)

In addition, few CSOs in Uganda engage in political activism and advocacy because the government of Uganda is intolerant of involvement of CSOs in ‘political’ activities. CSOs perceived to be engaging in political activities are often threatened with de-registration (Bazaara, 2004; Dicklitch, 1998: 4; Muhumuza, 2010: 11). Most CSOs in Uganda are regulated by the NGO Act. Since 1989, it has been a legal requirement for all NGOs operating in Uganda to register with the NGO Registration Board in the Ministry of Internal Affairs. The initial registration is renewable after one year (NGO Registration Act 1989; NGO Registration (Amendment Act, 2006). The law is authoritarian and aims to control CSOs. Intolerance by the government of involvement of CSOs in ‘political’ activities has constrained advocacy work of human rights organizations. CSOs which have civic orientation prefer to play safe, through self-censorship or toeing the government line. This political context has influenced the role of civil society in peacebuilding.

**The context and NRA government narrative of the conflict**

The conflict in northern Uganda erupted in 1986, a few months after the National Resistance Army (NRA) led by Yoweri Museveni came to power after five years of guerrilla war against the government of Uganda. At the heart of the conflict is ‘lack of sufficient national integration’ between the constituent ethnic, religious, and regional elements of the country (Omara-Otunnu, 1995). Since independence, continual struggles for political control and violent conflicts have bedeviled Uganda. State violence, coercion, and use security forces have been a dominant means of political control and retaining power. This was manifested in 1966 when Prime Minister Milton Obote suspended the constitution and replaced it with an interim one that centralized power in the presidency, which he ascended to, after deposing and exiling his predecessor Edward Mutesa. Obote’s reliance on the military gave the army a taste of power. In 1971, the army under the leadership of Idi Amin assumed direct political power. Amin’s rule was characterized by state violence, intimidation, and coercion. It resulted in social dislocation, institutional decay, and collapse.

When Amin was overthrown in April 1979, by a combined force of Tanzanian Peoples Defense Force and Ugandan guerrillas, violence and disorder escalated, as different groups struggled for political control (Decalo, 1990). The controversial elections of December 1980 that returned Milton Obote to power and the decision by Yoweri Museveni to launch a guerrilla war against the government compounded the situation. In July 1985, Milton Obote was ousted in a military coup led by General Tito Okello. Six months later in January 1986, NRA guerrillas led by Yoweri Museveni ousted the military government of Tito Okello. At the time, violence, lawlessness, banditry, and insecurity were rampant. The military government had lost control and rival armed groups controlled the capital city and other spaces.

To legitimize its insurgency and rule, the leadership of the NRA constructed a narrative of Uganda’s political history portraying Ugandans as victims of the state. The leadership of the NRA argued that it is legitimate for Ugandans to use armed force to resist and overthrow the state. They presented the NRA as an ally of the people of Uganda in their struggle against the state, and the NRA insurgency as a ‘second liberation’ aimed at dismantling the state and reconstructing it along democratic and national framework’. President Yoweri Museveni referred to capture of power by the NRA as a ‘fundamental change’ in the politics of the country (Museveni, 1992: 21; National Resistance Movement, 1986).

However, the NRA narrative did not find resonance throughout the country. The NRA insurgency had polarized the country along the regional and ethnic north–south or Nilotic–Bantu divide (Low, 1988; Omara-Otunnu, 1995). The NRA and the other rebel armies allied to it drew their support from among Bantu ethnic groups from the south, while people from northern Uganda dominated the government army the NRA deposed from power. The capture of state power by the NRA in January 1986 generated fear in northern Uganda.

When the NRA reached northern Uganda, the behavior of NRA soldiers, who acted more like conquerors than the liberators they claimed to be, compounded existing fear and mistrust of intentions of the NRA. Units within the NRA engaged in harassment, robberies, and cold-blooded murders. The NRA rounded up former soldiers and took them to ‘politicization camps’. They tortured and tied those they arrested during operations to round-up former soldiers in the notorious ‘three piece’ or *Kandoya* fashion (ACORD-Gulu, 1997; Legum, 1986–1987; Pirouet, 1991; Republic of Uganda, 1997). The *Kandoya* fashion entails tying a person’s arms tightly at the elbows behind the back. The method paralyses the limbs and damages internal organs. The government blamed this on undisciplined elements integrated into the NRA from UFM and FEDEMO (Amaza, 1998: 150; Behrend, 1998: 108–109; Republic of Uganda, 1997).

Relations between the army and the population deteriorated, as did security. People began to take up arms and to attack NRA soldiers. When in August 1986 former government soldiers who had reorganized under the banner of the Uganda Peoples Democratic Army (UPDA) attacked NRA positions in Gulu and Kitgum districts in Acholi, they found a receptive environment in which to operate. The attack provided organizational coherence to a hitherto uncoordinated resistance. Within a few months, the conflict spread to Lango and Teso. The conflict has gone through different phases, involving various rebel groups. The most devastating phase of the conflict was between 1988 and 2006, when the Lord’s Resistance Army (LRA) emerged as the main rebel group (Behrend, 1998; Gersony, 1997).

Given the factionalism in the country, narrative of the conflict in northern Uganda became a major political tool. The leadership of the NRA portrayed the conflict as the result of ‘rear-guard actions of the defeated, moribund, sectarian, and neo-colonial elements’ (Museveni, 1987a). NRA leader Yoweri Museveni criminalized insurgents, presenting them as ‘elements that have caused untold suffering to the people of Uganda, violated human rights, murdered people, destroyed the economy, and violated the sovereignty of the people of Uganda’ (Museveni, 1987a). He argued that insurgents were fighting due to the fear of prosecution for crimes they committed during the tenure of past regimes, and the desire to regain power in order to enjoy the concomitant benefits that go with it. He declared: ‘Fighting and annihilating these elements is a justified cause’. The government variously portrayed the conflict in northern Uganda as the manifestation of ‘primitivism’, ‘backwardness’, and inability to cope with ‘modern times’ (Gingyera-Pinycwa, 1993: 130–131).

The NRA dismissed criticism of human rights abuses arising from the military approach. It labeled advocates for peaceful approaches to the conflict as ‘proponents of Uganda’s backwardness and misery’ (Museveni, 1987b). President Yoweri Museveni referred to exiled Bishop Benoni Ogwal of the Anglican Diocese of northern Uganda who had criticized the NRA of committing atrocities against civilians, as a liar ‘before man and God’; a person ‘whose past are tainted with crime or with collaboration with crime’ (Legum, 1986-87; B468–469). Critics of the government’s military approach and human rights violations were threatened and intimidated.

In the 1990s, the conduct of the LRA, which had emerged as the main rebel group, gave some credence to the official narrative of the NRA government of portraying rebels as criminals and terrorists who lack a political agenda, and should be defeated using a military approach. By the time the LRA emerged as the main rebel group, support among the civilian population had diminished (Branch, 2007). The LRA interpreted this to mean the civilian population in Acholi had switched support to the government. It turned its violence against suspected collaborators and supporters of the government, attacking communities, destroying homes, abduction, murders, mutilation, and rape and looting. The organization relied on abduction and forcibly recruitment especially of children and the youth to fill its rank. UNICEF (2004) put the number of children abducted at 25,000. The LRA initiated abductees into its ranks by forcing them to kill their own relatives, family members and other abductees, especially those it caught trying to escape. LRA commanders forced abducted girls into sexual slavery, turning them into ‘wives’ (Human Rights Watch, 2003). Besides, violence targeted against civilians, the LRA did not present a credible political agenda.

The government further portrayed the LRA as a proxy of the Islamist fundamentalist regime in Sudan, and presented itself as a victim of Islamic fundamentalism and international terrorism. By 1994, the LRA was receiving support from Sudan, in retaliation for Uganda’s support for the Sudan Peoples’ Liberation Army (SPLA), which had been fighting against Sudan since 1983. By presenting itself as a victim of Islamic fundamentalism, Uganda sought to count on support of the United States, which considered Sudan a ‘rogue’ state and the Islamist regime in Sudan an international threat. The United States provided military support to Uganda and in December 2001 branded the LRA a terrorist group (US Department of State, 2001). Western academics such as Gersony (1997), Van Acker (2004), and Prunier (2004), among others, recycled the narrative of the LRA as a proxy, lacking a political agenda.

Civil society response differed, reflecting polarization of Ugandan society, geographic, regional, and ethnic. Other than local CSOs in northern Uganda who championed the cause of peace, others ignored, were indifferent, or openly supported the government’s military approaches. The minister for pacification of northern Uganda observed that a ‘let them suffer’ attitude prevailed amongst those who viewed the conflict as a ‘God-given opportunity to repay the devil its due’ (Bigombe, 1994). The national media, for instance, recycled the narrative that rebels had no political agenda.

The dubious moral standing of the LRA aside, criminalization of the group delegitimized and painted them as a group without any merit, and not worthy to engage in dialogue with, and contributed to militarizing the conflict. Criminalization of rebel groups is based on the dubious distinction between ‘old’ and ‘new civil wars’, where new wars are viewed as criminal, depoliticized, and predatory, while old civil wars are political, even noble (Kalyvas, 2001).

**CSOs and peacebuilding in northern Uganda**

Civil society groups in northern Uganda played an important role in turning the perceptions of the conflict in northern Uganda towards peace. They championed the cause of human rights, provided leadership, and mobilized local constituency around demands for peaceful resolution of the conflict. They engaged in advocacy for peaceful resolution of the conflict, facilitated contacts between rebel fighters and the government, and promoted reconciliation between rebels and the community. They organized workshops, issued statements, and facilitated formation of peace clubs to change community attitudes, build a culture of peace, and foster reconciliation.

The most notable civil society groups involved in peacebuilding in the Acholi sub-region were the ARLPI, an interdenominational peace initiative comprising the Anglican Church of Uganda, Catholic Church, and Moslems, and Justice and Peace Commission of the Catholic Church. *Ker Kal Kwaro Acholi*, the cultural institution of traditional leaders and Human Rights Focus, a local NGO based in Gulu district. Others included local NGOs such as Gulu Save the Children Organization (GUSCO), Kitgum Concerned Women’s Association (KICWA), and Gulu Hope for Peace, which carried out counseling and facilitated reintegration of abducted persons who escaped from rebel captivity. Community-based and self-help associations engaged in socio-economic activities to alleviate human suffering and rebuild local economies and livelihoods. International NGOs, including those that were not present in the north, provided support to the local civil society groups.

**Political advocacy and mobilization**

As early as 1987, Acholi elders, chiefs, and civil and religious leaders had begun to make efforts to promote negotiated end to the conflict. At the time, Acholi elders, chiefs, and civil leaders operated under a loosely organized association known as ‘Council of Elders’. Religious leaders engaged in peacebuilding through the dioceses and organizations of the different denominations: Gulu diocese in the case of the Catholic Church and the diocese of Northern Uganda in the case of the Anglican Church of Uganda. These groups acted as intermediaries, facilitating negotiations and surrender of rebels. By then, disenchantment with disruption caused by the conflict had begun to develop, leading to the emergence of a peace constituency. Between 1987 and 1988, Acholi elders and civil and religious leaders appealed to and facilitated surrender of rebels. A council of elders established a reception and transit center at the presidential lodge in Gulu town and received rebels who surrendered (Simonse, 1998). The role of elders was vital in instilling confidence in rebels who were distrustful of the NRA. At the time, the government had put in place a presidential pardon to encourage rebels to surrender and an amnesty offering immunity from prosecution for treason, theft, and torture to rebels who surrendered and renounced insurgency. Acholi elders and civil leaders facilitated negotiations between the fighting forces by acting as intermediaries. The negotiations resulted in the 1988 UPDA–NRA peace agreement that Lieutenant Colonel Angelo Okello of the UPDA and President Museveni signed and the Catholic bishop of Gulu diocese, Cypriano Kihangire, witnessed (Lamwaka, 1996; Omach, 2011: 284–285). A section of the UPDA, about 3000 soldiers with 80 percent of the leadership, surrendered and the government integrated them into the army and resettled others into civilian life. A section loyal to the overall leader of the group, Brigadier Odong Latek, refused to surrender (Woodward, 1991: 182–183). The group loyal to Brigadier Odong Latek joined Joseph Kony’s rebel group and formed the Uganda Christian Democratic Army, later renamed the Lord’s Resistance Army (LRA) (Lamwaka, 1996; Omach, 2011).

Despite the setback, Acholi elders did not give up efforts at facilitating contacts between rebels of the LRA and the government. In 1993, they were instrumental in facilitating contacts between the minister of state in charge of the ‘pacification of the north’, Betty Bigombe and LRA commanders. The military command in the northern town of Gulu offered safe passage for peace emissaries to deliver messages to and from the LRA. A ceasefire was agreed upon, and negotiations were held between LRA representatives and a delegation from Uganda government comprising Betty Bigombe and commanders from the army’s 4th division in Gulu. Clan elder and religious leaders from Acholi attended the negotiations. The negotiations raised hopes for a peaceful end to the conflict. The hope for peace was shattered when President Museveni gave an ultimatum to the LRA to surrender within seven days or face military action. The president accused the LRA of dishonesty and lack of good faith. He argued that the LRA was using the negotiations to replenish its fighters through recruitment and that it was negotiating with the government of Sudan for military assistance. The president ruled out further talks with the LRA (Omach, 2011; Pain, 1997: 20–21). In April 1995, Uganda broke off diplomatic relations with Sudan, alleging that Sudan was supporting dissident groups in Uganda including the LRA (Prunier, 2004).

The Ugandan army renewed military operations against the LRA. The LRA retaliated by attacking, abducting, mutilating, and killing civilians. The LRA massacred civilians in Atiak in April 1995, Sudanese refugees in Acol-pii camp in 1996, and civilians in Palabek in January 1997 (Amnesty International, 1997; Gersony, 1997; Republic of Uganda, 1997). The government army responded by forcing the population into camps, ostensibly to protect them (Amnesty International, 1999; Gersony, 1997). The United States, which had declared Sudan a rogue state and a threat to security by sponsoring Islamist fundamentalism, provided military assistance to the Ugandan government (*Africa Confidential* 1996: 1).

The government’s inclination towards military approaches to the conflict did not destroy the resolve of CSOs to change perceptions towards peace. In February 1996, Acholi elders and chiefs constituted a cultural institution, *Ker Kal Kwaro Acholi*, to offer leadership in Acholi and effect popular mobilization. This was aimed at reversing the destruction of political organization and leadership in Acholi, which had been brought about by LRA violence and the government’s repression, intimidation, and arrests. Lack of political organization and destruction of leadership has been a contributory factor in prolonging the conflict (Branch, 2005: 5). *Ker Kal Kwaro Acholi* worked closely with religious leaders in Acholi, who in February 1998 formally inaugurated the ARLPI, an interdenominational peace initiative comprising the Anglican Church, Catholic Church, and Moslems. The formal inauguration of ARLPI was a significant development, which manifested inter-religious coexistence in a country where religion has been politically divisive and a source of conflict. The ARLPI is an example of what Carothers (1999–2000) and Chambers and Kopstein (2001) refer to as ‘good civil society’. The inauguration of ARLPI was equally significant because religious groups have influence within Ugandan society. They are trusted and confided in, especially in times of crisis, when trust in the state has eroded. Religious groups operate as a ‘trust’. Unlike NGOs, religious organizations are not controlled by the authoritarian NGO Act, which affords them greater freedom of action, without fear of threats of deregistration. They are in a better position to act as the voice of the voiceless.

Together with NGOs such as Human Rights Focus, the ARLPI and *Ker Kal Kwaro Acholi* carried out mobilization to build consensus for peace at the local, national, and international levels. They organized peace rallies and training workshops, and produced newsletters and research publications highlighting the plight of civilians in the conflict zones. In 1996, an interfaith group of the Anglican Church of Uganda, the Catholic Church, and Moslems in Gulu organized peace-training workshops and the first public prayer for peace. In August 1997, an interdenominational group comprising officials of the Anglican Church of Uganda, Catholics, and Muslim leaders organized a peace rally in Kitgum during which they asked the LRA to stop violence against civilians and called on the government to seek a peaceful end to the conflict (Rodriguez, 2002: 58–59).

By 1997, the call by civil society groups in northern Uganda for peaceful resolution of the conflict began to have resonance among groups in other parts of Uganda. A national consensus for peaceful resolution of conflicts began to emerge. Civil society groups and individuals outside northern Uganda began calling on the government to initiate dialogue to resolve conflicts in the country. In October 1997, religious leaders organized a peace rally in Kampala, while the president of the Uganda Law Society, when addressing judicial officials at the opening of the 1998 law year, reiterated the call for a peaceful end to conflicts in Uganda (Kimuli, 1998: 8).

More significant, in 1997 the parliament of Uganda extracted a concession from the government to discuss the conflict in northern Uganda. A new parliament had been elected in 1996. During the campaign preceding the election, voters in conflict-riddled north expressed their frustration with the continuing conflict. Paul Ssemegerere, the presidential candidate who expressed intention to end the conflict through peaceful means, received massive endorsement from voters in the region (Gingyera-Pinycwa and Obong-Oula, 2003). Although Museveni, who favored a military approach to the conflict, won the elections and was sworn in as president, the election generated optimism of transition to democracy. A progressive and democratic constitution had come into force in 1995. The constitution ***granted*** greater autonomy for the legislature. Among others, the new constitution ***granted*** the legislature power, with a two-thirds majority, to override the president’s refusal to assent to legislation. The constitution also entrenched standing committees, and gave the committees powers to discuss bills, oversee government activities and to compel testimony from the government and the public. Committees and individuals were given powers to introduce legislation. Of particular interests, the constitution ***granted*** parliament power to appoint select committees to investigate specific problems. The sixth parliament exploited this provision to set-up a committee to investigate the conflict in northern Uganda. The provision that the president could only dissolve parliament when its five- year term is complete provided parliament the autonomy and protection to act (Constitution of Republic of Uganda 1995, Chapter 6). There was thus euphoria of the dawn of a new and democratic era. However, the Parliamentary Sessional Committee on Defense and Internal Affairs charged with looking into the insurgency ruled out peace talks with the rebels, and instead recommended a military solution. A minority report of two members recommended peace talks. The report was a bluff to the emerging peace movement (Republic of Uganda, 1997).

CSOs refocused their activities towards the international arena. The ARLPI lobbied the international community to put pressure on the government to negotiate with the LRA and to make concessions for peace. This was important because of the influence of western donors on the political leadership in Uganda. In April 1997, representatives of NGOs operating in northern Uganda, civil leaders, *Ker Kal Kwaro Acholi*, and religious leaders attended a civic forum, *Kacoke Madit* in London. The forum called on the government to initiate dialogue with all parties concerned to produce a lasting and durable peace (Pain, 1997). Civil society lobbied the United Nations, governments, and civil society groups in the United States, United Kingdom, the European Union, and Scandinavian countries. They highlighted the plight of children in northern Uganda such as those who walk long distances in search of safety and spend the night in the streets of Gulu town. In July 2003, religious leaders and other members of CSOs held overnight prayers and slept in the streets with the children.

In 2001, the ARLPI released a report, *Let My People Go: The Forgotten Plight of People in the Displaced Camps in Acholi*, and in 2002 Human Rights Focus published *Between Two Fires: The Plight of Internally Displaced Persons in northern Uganda*. In 2003, ARLPI published, *War of Words* (ARLPI, 2003), which criticized the role of the national media in the conflict. The ARLPI criticized the national media for presenting the LRA as an organization not worth talking to and thereby supporting a military solution. The ARLPI argued that the national media, like the military were engaged in the war in northern Uganda.

The emerging consensus towards peace was manifested in the formation in May 2002, of a ‘loose’ alliance of Civil Society Organization for Peace in Northern Uganda (COSPNU). The alliance was instrumental in drawing international attention to the conflict and humanitarian crisis in northern Uganda and in convincing the government of Uganda to pass the Amnesty Act (2000) and developing a policy on internal displacement. In April 2004, the UN Under-secretary General for Humanitarian Affairs and Emergency Relief Coordinator Jan Egeland briefed the Security Council on the humanitarian situation in northern Uganda. Among other things, the Security Council stressed the importance of ‘exploring all peaceful avenues to resolve the conflict, including through creating a climate in which solutions based on dialogue might be found’ (United Nations Security Council, 2004). Protection activities by international NGOs increased dramatically thereafter (Dolan, 2008). The lobbying by civil society also contributed to peace talks in Juba between the government of Uganda and the LRA in July 2006. In August 2008, the two sides signed a landmark Cessation of Hostilities Agreement. Since then, there has been stability in northern Uganda.

By insisting on the government to negotiate with and offer an amnesty for the LRA, civil society in northern Uganda, especially community groups, elders, chiefs, clan leaders, and religious groups in effect rejected the official narratives of the conflict. The official narrative portrays the LRA as a group without merit and makes it immoral to engage with them in any way. Civil society understood the complexity of the conflict. They viewed LRA combatants as victims and perpetrators, or ‘complex political perpetrators’ (Baines, 2009), who society failed to protect from abduction and conscription into the rebel group. Even those who joined ‘voluntarily’ might have done so because of lack of alternatives because of the socio-economic situation they found themselves living under. The ARLPI and elders made it clear that ‘no one went to the bush willingly’. This is a view one develops after ‘seeing the suffering’, and transcending government propaganda on the reality in northern Uganda (Armstrong, 2008).

**Peace education and mediation**

Even as ARLPI, *Ker Kal Kwaro Acholi*, and COSPNU lobbied government to offer amnesty for rebels and negotiate a peaceful end to the conflict, these civil society groups were also aware of the challenges of implementing amnesty and peace settlement at the local level. The conflict was so violent and was waged largely at the local level. Civilians suffered massive injuries at the hands of the LRA. The LRA mutilated, abducted, raped, and tortured (Branch, 2005; Human Rights Watch, 2005). This generated bitterness, tensions, and multiple conflicts at the local level. This is reflected in abuses using such labels as ‘*dwog paco’* meaning ‘returnees’, and ‘killers’ that formerly abducted persons are called and refusal to associate with them (Justice and Reconciliation Project, 2008: 5–6). This posed real dangers that any peace reached at the national level would falter when it came to implementation at the local level.

To address these challenges, the ARLPI, Justice and Peace Commission, Human Rights Focus, and *Ker Kal Kwaro Acholi* carried out peace education and conflict mediation activities. Human Rights Focus particularly carries out peacebuilding through promoting a culture of respect for human rights. It carries out human rights awareness to change the culture of violence. The organization established human rights clubs and programs in post primary schools in the Acholi sub-region. Likewise, ARPLI together with Justice and Peace Commission recruited and trained volunteer peace animators. The volunteer peace animators are based at the sub-counties where they work with local religious leaders, council leader, NGOs and other civil groups to promote and facilitate participatory dialogue and promote the culture of non-violence (Justice and Peace Commission of Archdiocese of Gulu, July 2007). *Ker Kal Kwaro Acholi* and the Acholi Religious Leaders Peace Initiative have been involved in mediating conflicts within communities, between ex-combatants and the community, formerly abducted persons, and clans. With increasing cases on land conflicts since the beginning of return of displaced persons to the villages, clan leaders and chiefs have been playing vital role in resolving land conflicts.

**Psychosocial support/counseling**

To promote reintegration of former combatants and abducted persons, CSOs such as GUSCO, the Kitgum Concerned Women’s Association (KICWA), Caritas Gulu, and World Vision International offered psychosocial support. The conflict in northern Uganda traumatized both victims and perpetrators of violence. Those abducted by LRA rebels either participated in killings or witnessed it. According to Acholi tradition, the vengeful spirits of the dead or *cen* are likely to possess people who participate in killings, witness it, or encounter murder scenes. Those possessed by vengeful spirits of the dead are likely to be disturbed. They may be aggressive or show signs of withdrawal. Society shuns contact with such persons. Thus, they need cleansing to free them from evil spell and facilitate their acceptance into the community (Harlacher et al., 2006).

The CSOs mentioned above undertook measures to offer counselling services to people who escaped from captivity and LRA combatants who surrendered. In 1996, GUSCO, an initiative of civil leaders started to counsel and give psychosocial care to abducted children who escaped from the LRA or are rescued by the army. The children were kept in a reception center for a period of between one and three months depending on their trauma experience. Caritas initiated similar program to provide psychological support in 1999. Other NGOs like World Vision International, Kitgum Concerned Women’s Association (KICWA) operated reception centers providing counselling from trauma. In 2002, it created a reception center for formerly abducted persons in Pajule, Pader district, to promote rehabilitation and reintegration into community.

Those the community received direct from captivity underwent elaborate traditional rituals to address psychological effects of killing and facilitate reintegration into the community. To promote individual and community healing and to facilitate reintegration, Caritas provided support to local communities to carry out traditional cleansing rituals. Caritas conducted research to get a better understanding of cultural processes and documented its findings: *Traditional Ways of Coping in Acholi* (2006).

**Demobilization and reintegration**

In the absence of formal demobilization and reintegration process, traditional leaders, chiefs, elders and clan leaders under their umbrella group *Ker Kal Kwaro* and the Acholi Religious Leaders Peace Initiative promoted the reintegration of former LRA combatants. They made sustained efforts to fight stigmatization of former LRA and facilitate their reintegration into society by promoting traditional and religious reconciliation processes at the grassroots and community levels. They discouraged society from using terms like ‘returnees’, ‘formerly abducted children’, and ‘child mothers’ because of the negative connotation and because it traumatizes. They encouraged the community to forgive and reconcile with those who have returned from the LRA and now live amongst them. On their part, former LRA combatants were encouraged to confess to their clan elders whatever crimes they might have committed while they were engaged in the LRA insurgency, ask for forgiveness and undergo traditional cleansing rituals (Baines, 2009). They considered this as vital for encouraging other members of the LRA to surrender, thereby contributing to ending the conflict.

Clan and family heads also initiated traditional reintegration and reconciliation processes on their own accord. These ceremonies are initiated within clans after processes of counselling, truth telling, acknowledgement and symbolic compensation and rituals. *Ker Kal Kwaro Acholi* has also performed reconciliation and reintegration rites on a larger scale. International donors such as United States Agency for International Development (USAID) facilitated some of these processes. The rituals include the ceremony of welcoming and cleansing returnees, which entail stepping on egg (‘*nyono tong gweno*’), washing away tears (‘*lwoko pig wang*’) and cleansing (‘*moyo kum*’). The ritual of re-establishing relations and reconciliation is ‘*mato oput’.* The ritual of cleansing areas where killing took place is ‘*moyo piny*’. The ritual involves burial of the bones and remains of those dead left unburied. The aim of this is to make peace with the dead and to facilitate reintegration of communities back to the villages after many years of displacement in camps.

**Socio-economic and livelihood support**

To address socio-economic problems and poverty, NGOs, community-based organizations, and self-help groups stepped in to fill the gaps created by weak state capacity and neglect. Some community-based organizations and self-help groups emerged spontaneously in response to the dire socio-economic situation while others were established at the instigation of NGOs, the local and civil leadership to serve as implementing partners for donor, NGOs and government programs. As Omona (2008) observed, the names of these grassroots organizations are so much value laden reflecting the socio-economic contexts. Example includes among others names such as *Lacan makwo twero toko lalonyo*, meaning a poor person who is alive has the potential to become rich; *Can deg nyap*, meaning poverty does not entertain laziness; and *Bedo dano tek*, meaning it is difficult to be a human being. These civil society groups engaged in promoting economic empowerment, income generation and food security. For example, ACORD in partnership with a local NGO, Peoples Voices for Peace set-up micro-***finance*** projects, to support adults who escaped from LRA captivity, female victims of rape, widows and single mothers (Oywa, 1998). Another local NGO, Gulu Hope for Peace with the assistance of *Jamii Ya Kupatanisha (JYAK)*, a Kampala-based NGO, provided vocational training for formerly abducted persons. The ARLPI lobbied and mobilized ***funding*** to establish the Acholi Education Initiative (AEI) to cater for education needs of children (Ochola, 2004).

Civil society groups also supported the district health services in responding to health issues such as the problem of HIV/AIDS. Gulu Catholic diocese, the protestant church, ACORD, Gulu Community Based Health Care Association, and youth groups, among others, supported in providing testing and counseling services, support, and care services for persons living with HIV/AIDS and health education (Republic of Uganda, 2002: 25).

District local governments coordinated peacebuilding activities carried out by civil society actors, international donor and humanitarian agencies. This is vital to streamline civil society activities within district plans. The Joint Forum for Peace (JFP) in Kitgum district and the District Reconciliation and Peace Team (DRPT) in Gulu district were a result of such coordination efforts. These bodies provided opportunity for peacebuilding actors to share experience and coordinate their efforts at a higher level. They have been vital in coordination of local reconciliation and rehabilitation as well as mediation efforts to resolve land conflicts, which have become endemic with resettlement into villages since the closure of camps (Interview with Clerk to Council Gulu, 2011).

**Criticism of CSO intervention**

Despite the noble intentions, CSOs had shortcomings. Their psychosocial support programs raised ethical concerns. Keeping those who returned from LRA captivity at reception centers for some months was a traumatic experience. At the centers, counsellors, some with questionable skills, added injury to traumatized children by asking questions like ‘while you were in the bush, did you kill anybody’ (Interview with Community Development Officer Gulu, 2011). The centers were akin to a zoo, visited by researchers and humanitarian workers interested in learning about the LRA. Ironically, the centers not only served to draw international attention to the humanitarian crisis in the north, the government of Uganda found them useful for demonizing the LRA (Dolan, 2002). In this way, civil society was complicit in the use of children as pawns in the politics of the conflict.

The counseling centers treated former LRA rebels as if they were a group of people with uniform ‘bush experience’ (Justice and Reconciliation Project, 2008). The centers overlooked the fact that former LRA returnees occupied different roles and ranks, and that some joined ‘voluntarily’ while LRA rebels abducted others. The centers also did not address the unique needs of boys and girls. The centers provided western or ‘modern’ methods of counseling, which are inadequate in a situation where children who receive counseling later settle in a dislocated and traumatized society. Thus, on leaving counseling centers former LRA combatants and abductees undergo traditional cleansing once they returned to their families. The centers did not cater for the large number of formerly abducted persons and former LRA combatants returned direct to the community without going through trauma centers.

There have also been concerns about commercialization of traditional rituals by NGOs and donors. The reconciliation program of *Mato oput* for instance, was in a number of cases conducted with ***funding*** from donors and western media widely covered it. It was more or less like acting ‘traditional’ justice rituals for the western media. It is questionable whether members of the community attached meaning to processes carried out by NGOs. Additionally, traditional institutions are weak. They were re-established with the support of the government and donors during the 1990s to provide leadership, but also as an ***instrument*** to control the population. The youth especially do not take them seriously. Their dependence on the government for assistance such as the role of the government in constructing houses for them as part of the resettlement program under the Peace, Recovery and Development Plan for northern Uganda (PRDP) has raised concern over their independence. Some people in Acholi cynically refer to them as ‘the government’s chiefs’ (Interview with an Administrative Officer Gulu, 2011).

Promotion of reconciliation at the local level has also been done in isolation of national processes. This is not in conformity with the conflict transformation approach, which emphasizes coordination of national and local level peacebuilding. The conflict in northern Uganda is rooted in national politics. It is not a ‘northern’ or ‘Acholi’ problem as it has sometimes been presented in ‘official discourse’.

Socio-economic and livelihood support intervention, have also been localized and micro in nature. These interventions only focused on symptoms not structural roots of socio-economic problems of poverty. They do not address the broad issue of governance and the situation that creates poverty, deprivation and conflicts in Uganda. Local level peacebuilding activities by CSOs need to complement rather than substitute national processes.

**Challenges faced by CSOs**

The national context provided the most immediate and formidable challenge to civil society involvement in peacebuilding. Civil society groups have had to contend with the government’s intolerance of their involvement in political activism and advocacy. Government officials regarded groups advocating for negotiated solution to conflict with intense suspicion (Rodriguez, 2002: 58–59). It accused CSOs of engaging in activism and advocacy of overstepping their boundary by involving in politics and threatened to ban their activities. The brutal nature of the LRA rebels and inability to present a coherent political agenda worsened the situation. It made it very difficult to advocate for negotiation with then. According to Carlos Rodriguez, a renowned peace activist in northern Uganda, the government nearly banned the first interfaith public prayer for peace which was held in Gulu town in 1996. Political activism and advocacy for peace was risky and at times the consequences were tragic. In June 1996, two elders Okot Ogony and Olanya Lagony were killed while on a mission to meet LRA leaders (Gersony, 1997: 53–54). In August 2002 the Ugandan army attacked and held captive three priests, Fr. Carlos Rodriguez Locormoi of the Justice Peace Commission/Acholi Religious Leaders Peace Initiative, Fr. Tarcisio Pazzaglia and Fr. Julius Albanese of the Missionary News agency, who was on a visit to the north. The priests were meeting LRA rebels (Justice and Peace Commission of Archdiocese of Gulu, 5 August 2002). The army accused the priests of not obtaining permission from the relevant authorities. A charge the chairperson of the Acholi Religious Leaders Peace Initiative Archbishop John Baptist Odama denied (Justice and Peace Commission of Archdiocese of Gulu, 5 August 2002; ARLPI *Monitor* (Kampala), 3 September 2002:4). These incidences highlight the challenges civil society actors operating in a repressive environment face.

Inclination towards a military approach to the conflict, on the part of the government and rebel groups, especially the LRA, provided an obstacle to peaceful resolution of the conflict. There was little trust between the government and rebels. Each side wanted the other to surrender at the negotiating table. Consequently, peace negotiations tended to be accompanied by intense military campaigns and inflammatory statements. Peace processes tended to falter, and where agreements have been signed, there was little effort at implementation. Unfortunately, CSOs often lacked capacity to guarantee implementation, as was evidenced in 1988 with the agreement between government and UPDA rebels, which the Catholic diocese of Gulu had mediated.

**Conclusion**

Civil society actors have contributed to peacebuilding at the local level though a number of inter-related measures. Civil society actors have carried out advocacy and lobbying of fighting forces to negotiate and the international community to put pressure on fighting forces to negotiate. They carried out activities aimed at creating awareness about the plight of civilians, changing public opinion and building culture of peace, promoting reconciliation, sustaining livelihoods and rebuilding local economies. These measures target peacebuilding at the both upper or national level, and local level. This is because the national and local levels are interlinked. Peace at either level has effects on the other.

They engaged in peacebuilding in a challenging context of a state that does not accept alternative political views. The Ugandan state favors a military approach to conflict and is intolerant of any opinion to the contrary. The violent and brutal nature of the LRA and its failure to present a coherent political agenda led to their criminalization by the governments of Uganda and the United States and labelling them a ‘terrorist’ organization. This made it morally repugnant and politically unacceptable to engage them through peacebuilding activities. Civil society in northern Uganda defied this label and pursued the cause of peace. Their decision was based on the realization that conflicts are complex and even the worst perpetrators of violence may at the same time be victims. To criminalize and preclude any peaceful engagement with them is not a useful option. Engagement with the LRA has contributed to a measure of peace since 2006, something a military option has failed to bring.

Civil society contribution to peace is important, but is not a substitute for the role of the state. The two must complement each other. Civil society peacebuilding activities such as those aimed at building local economies and improving livelihoods are merely sedative, unless efforts are made to redress the structural roots. Engagement by the state is therefore vital. Lack of commitment and repression by the state constrains and undermines civil society activities. To counter repressive environment, civil society actors must employ collective advocacy to mobilize consensus for peacebuilding. Lobbying international actors contributes to putting pressure on the state to negotiate and compromise to build peace. Civil society activities require popular support and legitimacy from the grassroots. By its nature, many civil society groups in Uganda are organizations of the urban and educated elite.

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[***Cameron mocks Boris Johnson's second referendum strategy - Politics live; Rolling coverage of all the day's political developments as they happen, including David Cameron's statement to the Commons about his EU renegotiation dealLiam Fox hints he might run for Tory leadership againNo 10 rules out 2nd referendum after possible Brexit votePound falls in value after Johnson backs BrexitCost of Brexit would outweigh benefits, says Moody'sLunchtime summaryAfternoon summary***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5J4W-GSB1-JCJY-G2BD-00000-00&context=1516831)

The Guardian

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**Section:** POLITICS

**Length:** 13356 words

**Byline:** Andrew Sparrow

**Body**

block-time published-time 6.49pm GMT

Afternoon summary

* David Cameron has delivered a strong putdown to Boris Johnson's suggestion that he would campaign to leave the EU in the hope of subsequently negotiating a better deal with Brussels. As Rowena Mason reports, the prime minister made a series of pointed comments aimed at Johnson as he gave a statement to the House of Commons on the EU referendum. A few minutes later Johnson used a question to accuse Cameron of not doing enough to assert the sovereignty of parliament. He asked Cameron.

Can I ask the prime minister to explain to the House and to the country in exactly what way this deal returns sovereignty over any field of law-making to these Houses of Parliament?

Cameron replied:

This deal brings back some welfare powers, it brings back some immigration powers, it brings back some bailout powers, but more than that, because it carves us forever out of ever closer union, it means that the ratchet of the European court taking power away from this country cannot happen in future.

Later Vote Leave said Cameron was wrong to say powers would be returned to the UK under the agreement. It said:

No powers will be brought back by this agreement. The decision states that 'The competences conferred by the Member States on the Union can be modified, whether to increase or reduce them, only through a revision of the Treaties with the agreement of all Member States.' Since there will be no Treaty, no powers will be returned to the UK. Before the agreement, the EU had 28 legislative competences over the UK. Today, it still possesses 28.

* Priti Patel, the employment minister and one of the "gang of six" ministers who attend cabinet and who are voting to leave the EU, has put out a statement effectively criticising what Cameron said in the Commons. (See 5.27pm.) The remarkable move illustrates how divided the Tories are over the EU. The BBC says more than 100 Tory MPs will vote to leave the EU, and in the Commons at times Cameron got a noticeably better reception from Labour MPs than from his own side. This is from the Sun's political editor, Tom Newton Dunn.

enltrCannot remember a more surreal statement by a PM at a Despatch Box. Cheered on by opposition MPs, his own benches silent.

- Tom Newton Dunn (@tnewtondunn) February 22, 2016

But the Tory MPs who did criticise Cameron did not get personal, and by and large the most blatant display of animosity (concealed under humour) came when Cameron was criticising Johnson. It was also noticeable that at least two Tories generally seen as strongly Eurosceptic, Sir Roger Gale and David Morris, announced they would be supporting Britain remaining in the EU.

* Recent European migrants claim 10% of in-work benefits for low-paid workers, even though they only make up 6% of the workforce, a government white paper has claimed. As the Press Association reports, of the £25bn spent on in-work benefits for low-paid workers in 2013/14, about £2.5bn went to migrants from the European Economic Area - the EU plus Norway, Switzerland, Iceland and Liechtenstein. The figures came in a white paper on Britain's proposed "special status" in the EU resulting from Cameron's renegotiation.

1. Cameron has defended using a Downing Street civil servant to lobby businesses to support the campaign for Britain to stay in the EU. MPs heard a letter signed by organisations supporting Remain is due to appear in a national newspaper on Tuesday, with No 10's business relations adviser Chris Hopkins co-ordinating the project. As the Press Association reports, political blog Guido Fawkes reported it had obtained a draft of the letter sent to FTSE 100 bosses by Hopkins. Questioned about the letter, Cameron said the government has a "full-throated view" to support Britain staying within a reformed EU - and it can use the civil service to put this before voters.

That's all from me for today.

Thanks for the comments.

block-time published-time 6.22pm GMT

According to a fascinating blog by Channel 4 News's Gary Gibbon, Liz Hurley was also due at the Boris Johnson dinner party where Johnson discussed Brexit with Michael Gove. Here's an extract.

I understand that even when he left Boris Johnson's house on Tuesday evening, Michael Gove told friends he wasn't convinced that the Mayor of London had decided to back Leave. One man who might know the state of Boris Johnson's mind is the Russian businessman, Evgeny Lebedev, who I hear was the fifth guest around the table that evening with the Goves and the Johnsons. Liz Hurley had been expected but didn't end up there and missed out on a date with history...

Quite how historic the Johnson/Gove intervention in this debate is will only become clear over time. One minister who is backing Remain believes it injects life into the coverage but doesn't change the result. "It makes it more of a real debate but the fundamentals are the fundamentals."

"Boris and Michael," the minister says, "don't buy the economic arguments (of the Outers), that we'd be freer to trade outside. They don't buy the immigration arguments. They've been the two biggest voices against Theresa (May)." So they both, the minister says, end up focusing on "sovereignty, which literally means nothing to anybody".

block-time published-time 6.16pm GMT

EU summits seldom go according to plan, even on the crucial issue of what and when the prime ministers, chancellors and presidents are eating.

The meticulous preparations for David Cameron's 30-hour Brexit drama on Thursday and Friday included an unusual treat - a full English breakfast on Friday morning to seal the deal of Britain's proposed new settlement with Europe.

The breakfast never took place because there was no agrement at the time. Brunch was scheduled and missed, as was lunch. It was a Friday evening dinner before the leaders could toast agreement between Cameron and the other 27.

But the full English was never on the menu anyway, it emerged yesterday. Whether scrambled, poached, or sunny-side-up, eggs are banned for the five-star caterers who serve the summit meals.

There would have been very serious difficulties over whether to serve eggs, it was disclosed in diplomatic-speak, because of fears that any of the leaders could have contracted salmonella poisoning. Some were said to be disappointed and are starting a campaign to bring back eggs.

block-time published-time 6.12pm GMT

The Conservative David Morris, MP for Morecambe and Lunesdale, told Cameron a few minutes ago that he was suppoting him over the EU referendum, even though he was an arch Eurosceptic. He told the prime minister.

There's nobody in this House more Eurosceptic than myself. But I'm standing at the side of the prime minister on this one. I'll tell you why. Because the prime minister has always stood by me and my people in Morecombe.

The statement is now over. It lasted for about two hours and 40 minutes, and 103 backbenchers contributed, according to John Bercow, the Speaker.

I will post a summary soon.

block-time published-time 6.04pm GMT

Vote Leave has sent out a briefing note challenging 12 points that Cameron made in his statement. The whole thing is too long to publish in full, but it may get posted on the Vote Leave website later.

In one of the key points, Vote Leave says Cameron was wrong to say that a country would have to accept free movement to get access to the single market. Here is an extract from the briefing.

There is no requirement for European countries to accept the free movement of persons in order to trade freely with the EU:

* As the European Commission itself states, 'the EU also has free trade deals in force with a number of countries and territories in Europe'. These include 'the former Yugoslav Republic of Macedonia, Albania, Montenegro, Bosnia and Herzegovina, [and] Serbia' (European Commission, 3 December 2013). Free movement does not form part of these free trade deals.

1. The EU recently concluded the Deep and Comprehensive Free Trade Area Agreement with Ukraine, which is awaiting ratification. The Commission states 'Ukraine and the EU will eliminate respectively 99.1% and 98.1% of duties in trade value' (European Commission, 2014). The agreement makes some provision for liberalisation of visas but does not include the free movement of labour (Association Agreement, 29 May 2015, art. 19).

This pattern is even clearer among non-European countries which have free trade agreements with the EU.

* On 18 October 2013, the EU concluded the Comprehensive Economic and Trade Agreement (CETA) with Canada. The text, published on 26 September 2014, runs to 1,634 pages, and covers goods, non-tariff barriers, investment, services, including ***financial*** services, transport, telecommunications and procurement among others things. The European Commission states that 'CETA is going to eliminate all industrial duties' and 92% of ***agricultural*** duties. Save for some minor provisions on temporary visas, the agreement does not include the free movement of persons.

1. Other non-European countries with free trade agreements with the EU which do not accept free movement include Chile, Peru and Colombia (European Commission, 3 December 2013).

block-time published-time 5.54pm GMT

Cameron has just told MPs that he thinks he had demonstrated there is "plenty of punch" in the EU referendum campaign. But he wants to run a positive campaign too, he said.

block-time published-time 5.52pm GMT

A "source close to Boris Johnson" has told the Times's Matt Chorley that the mayor of London did not even notice David Cameron having a go at him in the Commons today.

enltrSource close to Boris say he is "not remotely angry" about Cameron's attack and "didn't even notice" the jibe on marriage and elections

- Matt Chorley (@MattChorley) February 22, 2016

enltrBoris still "feels what matters is that the country hears the arguments on both sides, no side will win by attacking the other"

- Matt Chorley (@MattChorley) February 22, 2016

You can make of that what you will...

block-time published-time 5.45pm GMT

In the Commons, in response to a question from a Labour MP, Cameron has just returned to his joke about instigating divorce proceedings not being a good way of staying together. He made it clear that he was talking about the mayor of London when he referred earlier to those who thought there could be a second referendum. And he said in the case of Brexit Britain would not be divorcing one partner, but "27 potentially unhappy partners". He said he had witnessed multiple weddings. But he could think any examples of multiple divorces resulting in subsequent multiple weddings.

block-time published-time 5.39pm GMT

Robert Halfon, the Conservative party deputy chairman, has written an article for the Daily Telegraph explaining why he is voting to remain in the EU. He focuses on security issues, saying he wants Britain to be part of a strong alliance of nations.

Here's an extract.

None of us know how the deal negotiated by the Prime Minister will play out - as only time will tell - although I suspect there will be some real changes. I also believe that at the very least, the deal may have stopped the direction of federalist travel.

But the truth is, whether the deal is brilliant or not, it makes no difference to my decision. I am voting to stay in the EU because I am frightened. Frightened of the rise of Islamism across the world and what it means in terms of the battle of civilisations. Frightened of events in Syria, the use of chemical weapons, the weakness of the response of the West - until very recently. Frightened of a strong Iran, whose wings may have been clipped in terms of nuclear weapons - for the time being, but still acts as a major oppressor across the Middle East ***funding*** Hezbollah and Hamas. Frightened of a re-emergent Russia, recreating colonial outposts in Syria, her actions in the Ukraine and poisoning her own citizens on British soil. Frightened of the future of an existential threat to Israel facing the arrival of ISIS in Gaza, a hostile Iran and the spill-over of the Syrian conflict. Frightened of the return of major terrorist atrocities to Western Europe. Frightened of the revival of anti-semitism. Frightened of the weakening of the Chinese economy and what effect it will have on the world.

Robert Halfon Photograph: Geoff Pugh/REX

block-time published-time 5.29pm GMT

This is from Tim Montgomerie, the Times columnist and ConservativeHome founder.

enltrInsider describes PM-Boris relationship as "irrecoverable". Of course it's recoverable but the fury in Number 10 is currently off the scale.

- Tim Montgomerie ? (@montie) February 22, 2016

block-time published-time 5.27pm GMT

Vote Leave has issued a statement from Priti Patel, the employment minister, responding to David Cameron's statement and criticising his deal for not going far enough.

The prime minister has tried hard but the EU refused to give the British people what they want.

EU courts and politicians will still be in charge of our borders, our courts and our economy. The deal is not legally binding and can be ripped up by EU judges after our vote. Even if it did come into force it would change just 1% of the EU Treaties.

The only way to take back control over our economy to free up our businesses to create more jobs and growth is to Vote Leave.

block-time published-time 5.08pm GMT

Cameron is still responding to questions. Labour's Kelvin Hopkins asked him why he thought the EU would not be willing to agree a trade deal with an independent UK, given that EU countries sell more to the UK than the UK sells to them. Cameron said there was indeed a trade deficit in goods. But in services, where British firms were looking to expand, there was a trade surplus. EU countries might not be so willing to agree a trade deal covering services, he said.

block-time updated-timeUpdated at 5.10pm GMT

block-time published-time 5.05pm GMT

Earlier the statement brought back memories of the 2010-2015 parliament because Nick Clegg, the former Lib Dem leader, and Ed Miliband, the former Labour leader, were both called to ask questions. Now Clegg and Miliband speak very rarely in the chamber.

Clegg said the referendum should be about the future of the UK, not about the "divided" Conservative party.

enltrSpeaker calls @nick\_clegg "Obama crystal clear that it would weaken the special relationship.. the chinese and indians mystified"

- Faisal Islam (@faisalislam) February 22, 2016

enltrNick Clegg jeered esp from govt benches when he says referendum is about the future of the country not the Tory party

- iain watson (@iainjwatson) February 22, 2016

enltrI think I spotted Boris just say "Bollocks!" as Nick Clegg said UK wd be diminished in foreign capitals

- Paul Waugh (@paulwaugh) February 22, 2016

And Miliband said he was also in favour of staying in the EU. He said that although Britain did not always get its own way, it exerts real influence "on all major issues".

enltrEd Miliband thanks the PM for implementing 'part' of Labour's manifesto and says he passionately agrees we have to stay in #eu

- iain watson (@iainjwatson) February 22, 2016

enltr. @Ed\_Miliband and @David\_Cameron on #EUref : we get more because we're in the EU, whether it's climate change or Iran [*https://t.co/L4fdLEjlai*](https://t.co/L4fdLEjlai)

- Sky News (@SkyNews) February 22, 2016

block-time published-time 4.52pm GMT

Downing Street has laid the statutory ***instrument*** setting 23 June as the date for the EU referendum. It is here (pdf).

EU referendum regulations Photograph: Government

block-time published-time 4.48pm GMT

Corbyn's speech - Extracts

Here is more from Jeremy Corbyn 's response to Cameron. Corbyn said:

We welcome the fact that it is now in the hands of the people of this country to decide that issue. The Labour party and the trade union movement are overwhelmingly for staying in because we believe that the European Union has brought investment, jobs and protection for workers, consumers and environment and we are convinced that a vote to remain is in the best interests of the people...

In the 21st Century as a country and as a continent and indeed as a human race we face some challenging issues - how to tackle climate change, how to address the power of global corporations, how to ensure they pay fair taxes, how to tackle cyber crime and terrorism, how we trade fairly and protect jobs and pay in an era of globalisation, how we address the causes of the huge refugee movements across the world, how we adapt to a world where people of all countries move more frequently to live, work and retire.

All of these issues are serious, pressing and self evidently can only be solved by international cooperation.

The European Union will be a vital part of how we as a country meet those challenges, therefore it's more than disappointing that the prime minister's deal has failed to address a single one of those issues.

The reality is that this entire negotiation has not been about the challenges facing our continent, neither has it been about the issues facing the people of Britain, indeed it's been a theatrical sideshow about trying to appease, or failing to appease, half of the prime minister's own Conservative party.

block-time published-time 4.43pm GMT

Here is more on Boris Johnson's question to David Cameron.

enltrBoris is called, asks the PM: "Can I ask my hon friend in what way does this deal return any sovereignty to this House of Commons?" #euref

- Tom Newton Dunn (@tnewtondunn) February 22, 2016

enltrBoris asks PM to explain "in exactly what way this deal returns sovereignty" to this country.Then looks contemptuous at the answer

- Nick Robinson (@bbcnickrobinson) February 22, 2016

enltrBoris Johnson's question may not have packed much punch but his reaction to Cameron's response did: 'Rubbish, rubbish' #EUreferendum

- Steven Swinford (@Steven\_Swinford) February 22, 2016

enltr'Rubbish' mutters Boris repeatedly as Cameron sets out how he's brought sovereignty back to the uk parliament from the European

- Owen Bennett (@owenjbennett) February 22, 2016

block-time published-time 4.38pm GMT

Cameron's attack on Boris Johnson - Full text

Here is the key extract from David Cameron's statement aimed at Boris Johnson.

Mr Speaker, this is a vital decision for the future of our country. And we should also be clear that it is a final decision.

An idea has been put forward that if the country votes to leave we could have a second renegotiation and perhaps another referendum.

Mr Speaker I won't dwell on the irony that some people who want to vote to leave - apparently want to use a leave vote to remain. But such an approach also ignores more profound points about democracy, diplomacy and legality. This is a straight democratic decision - staying in or leaving - and no government can ignore that. Having a second renegotiation followed by a second referendum is not on the ballot paper.

And for a Prime Minister to ignore the express will of the British people to leave the EU would not just be wrong, it would be undemocratic.

On the diplomacy, the idea that other European countries would be ready to start a second negotiation is for the birds. Many are under pressure for what they have already agreed.

Then there is the legality. I want to spell out this point very carefully. If the British people vote to leave there is only one way to bring that about - and that is to trigger Article 50 of the Treaties and begin the process of exit. And the British people would rightly expect that to start straight away.

Let me be absolutely clear how this works. It triggers a two year time period to negotiate the arrangements for exit. At the end of this period, if no agreement is in place then exit is automatic unless every one of the 27 other EU Member States agrees to a delay. And we should be clear that this process is not an invitation to re-join, it is a process for leaving.

Sadly, Mr Speaker, I have known a number of couples who have begun divorce proceedings. But I do not know any who have begun divorce proceedings in order to renew their marriage vows.

We should also be clear about what would happen if that deal to leave wasn't done within two years. Our current access to the single market would cease immediately after two years were up. And our current trade agreements with 53 countries around the world would lapse. This cannot be described as anything other than risk, uncertainty and a leap in the dark that could hurt working people in our country for years to come.

And this is not some theoretical question, this is a real decision about people's lives. When it comes to people's jobs, it is simply not enough to say that it will be all right on the night and we will work it out.

And here is Cameron's peroration.

And Mr Speaker, let me end by saying this. I am not standing for re-election. I have no other agenda than what is best for our country. I am standing here today telling you what I think. My responsibility as Prime Minister is to speak plainly about what I believe is right for our country.And that is what I will do every day for the next four months.

block-time published-time 4.26pm GMT

Cameron's opening statement - Snap summary

Cameron's opening statement - Snap summary: David Cameron gives a Commons statement after every EU summit and normally they follow a predictable pattern; he says that he set out with X number of aims, and then he explains he has achieved all X of them (even if he hasn't). The most interesting comments normally come in the exchanges with MPs.

But this was different. Cameron gave a combative defence of his deal, but then he devoted the final two minutes or so of his statement to what every MP in the chamber will have recognised as a withering, uncompromising and near-contemptuous attack on Boris Johnson. Observers not familiar with EU referendum arcana may not have noticed, because Cameron did not refer to Johnson directly and he focused instead on those arguing that an Out vote could be followed by a second referendum. This is an idea first championed by Dominic Cummings (the former Michael Gove adviser who is even more unpopular with Cameron than Johnson is right now), but Johnson has flirted with it and in his Telegraph article today Johnson implies that voting Out could force Brussels to think again. The highlight of the attack was a joke (which Cameron delivered with good timing) about how he has never known anyone initiate divorce proceedings in the hope of that they can stay together. The joke had the advantage of making a very faint reference to Johnson's less-than-perfect marital record ("advantage" if antagonising Johnson was the intention, which it almost certainly was). Cameron also said he had no agenda other than what was best for the UK, which was an obvious reference to Johnson's naked opportunism.

(Johnson's father Stanley made a brave attempt this morning to claim that careerism was not part of Johnson's thinking, but if you can find a single MP in the Commons who believes that, I'll buy you a copy of his next book.)

Downing Street has made a deliberate effort not to antagonise the ministers who have come out in favour of leaving the EU, and Cameron has been very conciliatory towards Michael Gove, claiming (not entirely accurately) that he has favoured Brexit for years and years. But Johnson has been mocked, openly and effectively. This is personal, and a bit nasty, and Johnson is unlikely to let it rest.

Here is the key exchange.

Cameron takes a swipe at Boris Johnson

block-time updated-timeUpdated at 4.35pm GMT

block-time published-time 4.12pm GMT

Boris Johnson rises. There is lots of jeering, and someone shouts "Tuck your shirt in". He asks how the deal returns sovereignty to parliament.

Cameron says the deal brings back some welfare powers and some immigration powers. But, more than that, it introduces a ratchet that brings back power to nation states. And the government has legislated to ensure there will be a referendum if any government wants to hand over further powers to Brussels.

block-time updated-timeUpdated at 4.43pm GMT

block-time published-time 4.01pm GMT

Cameron is replying to Corbyn.

He says many of the things he negotiated were in Labour's manifesto.

He jokes that, by campaigning for Britain to stay in the EU, Corbyn risks being seen as a member of the establishment.

And he says he does not share Corbyn's suspicion of trade deals.

block-time published-time 4.00pm GMT

Jeremy Corbyn, the Labour leader, is responding to Cameron.

He says he went to Brussels himself to meet socialist colleagues. One told him an English Tory (Cameron) had reduced the renegotiation to an argument about cutting benefits for migrants.

He says Cameron was protecting the interests of the City of London. He was acting for Tory donors, he says. It was the same principle that saw George Osborne go to Brussels to oppose plans to curb City bonuses.

He says Labour oppose the secretive parts of the transatlantic trade and investment partnership.

Human rights should be part of TTIP, he says.

He says Cameron should have used the summit to discuss measures that could stop workers being undercut by exploited migrants.

He says now the "sideshow" of the renegotiation is over, we can get on with focusing on the main issue. Labour will make the case for Britain to stay in the EU, he says. He says the party's campaign will be led by Alan Johnson.

block-time published-time 3.57pm GMT

This is from the Evening Standard's Pippa Crerar.

enltrKnowing how angry Boris was at his "humiliation" in Commons last yr by May & Osborne, he will be utterly livid about PM's lengthy put down.

- Pippa Crerar (@PippaCrerar) February 22, 2016

And this is from the New Statesman's George Eaton.

enltrAs with Blair and Brown, real battle is now within the governing party (Cameron and Boris).

- George Eaton (@georgeeaton) February 22, 2016

block-time published-time 3.55pm GMT

This is from the BBC's James Landale.

enltrBlistering assault on Boris Johnson's motives from @David\_Cameron, saying he has no other agenda apart what is best for our country

- James Landale (@BBCJLandale) February 22, 2016

block-time published-time 3.51pm GMT

This is from the Telegraph's Steven Swinford.

enltrExtraordinary stuff in the Commons. Labour MPs cheer on Cameron and shout 'more, more' as he demolishes Boris Johnson. Strange times #Brexit

- Steven Swinford (@Steven\_Swinford) February 22, 2016

block-time updated-timeUpdated at 3.51pm GMT

block-time published-time 3.50pm GMT

Cameron mocks the idea floated by Boris Johnson that an Out vote could lead to a second referendum

Cameron says he is starting the process that will lead to a referendum on 23 June.

The Foreign Office is today publishing a report on the EU renegotiation. That is a requirement under the Referendum Act, he says.

And he says a referendum vote will be final.

Some people have suggested there could be a second referendum, he says. He says he will not comment on the irony of people wanting to use a leave vote to remain.

(This is aimed at Boris Johnson, and generates lots of jeering.)

Camneron says the idea of there being a second referendum is "for the birds".

If Britain votes to leave, he will use the article 50 procedure under the Lisbon treaty to initiate exit.

He says that once this starts, after two years Britain leaves automatically unless all member states agree to extend the time period.

He says that, sadly, he has none some couples who have divorced. But he has never known any that have initiated divorce proceedings so that they can stay together.

And he says that, after the two-year period set out in article 50, Britain's trade arrangements with the EU would automatically lapse.

So there would be a period of uncertaintly as new trade deals were negotiated, he says.

He says leaving the EU would not give Britain more influence.

* Cameron mocks the idea floated by Boris Johnson that an Out vote could lead to a second referendum.

block-time published-time 3.42pm GMT

Cameron says Britain will have a special status in the EU following his renegotiation.

enltrBoris gently puffs out his cheeks as PM says deal is the 'best of both worlds'

- Owen Bennett (@owenjbennett) February 22, 2016

block-time published-time 3.41pm GMT

Cameron says Britain will be exempt from "ever closer union".

And he says that Europe is no longer just a multi-speed Europe. Now, following his renegotiation, countries are heading to different destinations.

enltrCameron promises that Britain is excluded from "ever-closer union". Boris shakes his head infinitesimally #facewatch

- Michael Deacon (@MichaelPDeacon) February 22, 2016

block-time published-time 3.39pm GMT

Cameron says people said he would never get a four-year restriction on EU migrants claiming benefits. But he did get this, he says.

He says that the "emergency brake" could still be applying to some claimants by 2028.

If Britain leaves the EU, but wants access to the single market, it will have to accept free movement, he says. But the benefit exemptions he negotiated would not apply, he says.

block-time published-time 3.37pm GMT

enltrTory Eurosceptics shaking their heads behind Cameron as he warns against the "Norway model" for UK if it leaves EU #awkward

- Arj Singh (@singharj) February 22, 2016

block-time published-time 3.36pm GMT

Cameron says it would take "years and years" if Britain tried to negotiate new trade deals outside the EU.

block-time published-time 3.35pm GMT

enltrTheresa May sitting next to @David\_Cameron for @EUCouncil statement. No sign of Michael Gove. Perhaps PM thinks TM not that bad after all

- Nicholas Watt (@nicholaswatt) February 22, 2016

enltrGrayling--an Outer--sitting directly to Cameron's right for the statement, and so presumably in the television shot

- James Forsyth (@JGForsyth) February 22, 2016

enltrBoris in the Commons for Cameron's statement. As non-cabinet member, he can oppose EU from the backbenches.

- George Eaton (@georgeeaton) February 22, 2016

block-time published-time 3.34pm GMT

Cameron says he wanted reforms to make the EU more competitive. He achieved these, he says.

There are commitments to complete trade and investment agreements with the US, Japan, China, India and Australia.

block-time published-time 3.33pm GMT

David Cameron is making his statement now.

He says he has spent the last nine months working on EU reforms in four areas.

He says he has permanently protected the pound, and ensured that Britain cannot be discriminated against.

British taxpayers will not have to pay to bail out the eurozone, he says.

The eurozone will not be able to act as a bloc against British interests, he says.

For example, banks cannot be forced to located to eurozone countries.

block-time published-time 3.30pm GMT

Cameron's statement to MPs on the EU renegotiation

David Cameron will be giving his statement to MPs on the EU renegotiation shortly.

He is likely to echo what he said in his press conference after the EU summit finished on Friday night and in his statement in Downing Street on Saturday.

What will be particularly interesting will be what MPs, particularly Tories, have to say about the deal.

This is what happened last time he gave a Commons statement on Europe, just under three weeks ago.

block-time published-time 3.26pm GMT

Andrew Tyrie, the Conservative MP who chairs the Commons Treasury committee and the liaison committee (the one made up of all committee chairs which questions the prime minister regularly), has written to David Cameron asking the government to produce an analysis of the costs and benefits of EU membership.

He is also telling Cameron that the liaison committee will expect him to give evidence about the EU referendum.

Tyrie said:

The debate on the Scottish referendum was informed by a detailed, written analysis of what, in the government's view, was at stake. The government should produce a similar analysis for the EU referendum, and the sooner the better.

The liaison committee - the committee of committee chairmen - will want to cross examine the prime minister on the referendum and the deal which, on behalf of Britain, he has just negotiated. The committee are looking forward to him agreeing a date soon.

block-time published-time 3.20pm GMT

Here's the Guardian story about Moody's warning that Brexit could lead to higher government borrowing costs.

Related: Moody's warns Brexit would risk UK's credit rating

And here's a response to Moody's from David Davis, the Conservative backbencher and leading Out campaigner.

Moody's appears to have an adolescent unwillingness to confront conventional wisdom.

This is the company that failed to predict the biggest banking crisis of modern times, and that downgraded the UK's credit rating in the face of sensible fiscal consolidation.

Moody's has given us a litany of bad predictions in recent times, and has just provided us with another.

They are concerned that in the event of Brexit, the UK's exports would suffer unless, "the UK managed to negotiate a new trade arrangement with the EU that preserves at least some of the trade benefits of EU membership."

The fact is that we currently import £59bn more from Europe than we export. After Brexit we would be Europe's largest export market, worth £289bn in 2014, larger than China.

We are too valuable a market for Europe to shut off. Within minutes of a vote for Brexit the CEO's of Mercedes, BMW, VW and Audi will be knocking down Chancellor Merkel's door, together with the leaders of Europe's other key industries, demanding that there be no barriers to European access to the British market...

And if it is trade deals Moody's are looking for then we can negotiate such deals far more quickly outside of the EU, and far more in our interest than the EU currently does on our behalf.

So Moody's prediction that the economic costs of Britain leaving the EU would outweigh the benefits looks to be as inaccurate as we have come to expect from the ratings agencies.

David Davis Photograph: Niklas Halle'N/AFP/Getty Images

block-time published-time 2.51pm GMT

This is from the BBC's Norman Smith.

enltrSajid Javid getting a lot of flak from Tory "Leave" MPs - over decision to back PM. "His career is over," says one.

- norman smith (@BBCNormanS) February 22, 2016

block-time published-time 2.45pm GMT

Craig09 posted this below the line.

Andrew: The obsession with the greatness and popularity of Boris Johnson is simply wrong. Let's have a look at his recent election results. In 2012 Johnson could not even get 50% of Londoners out to vote and only 50% of Londoners who voted voted for him- only a few percentage points ahead of Ken. In 2015 only 60% of people turned out and of those who turned out again only 50% of people voted for him.

Here's my reply.

1) He was up against Ken Livingstone, who had a good record as mayor and was no slouch when it came to winning elections.

2) The polls suggest you're wrong. For example, in a ComRes favourability poll published earlier this month he was the only one of eight politicians named to get a favourable rating.

ComRes poll Photograph: ComRes

3) And campaigners say you're wrong too. A source in the Sadiq Khan camp told me recently why Khan doesn't attack Johnson's record. Their focus group research suggests that, if you criticise Johnson, people don't accept it. That's very unusual for a figure who's been in office for eight years.

block-time published-time 2.31pm GMT

Lunchtime summary

* Downing Street has quashed a suggestion by Boris Johnson that a second referendum could be held on Britain's relationship with the EU even if the UK votes to leave in the poll on 23 June. As Nicholas Watt reports, David Cameron prepared to outline his plans to change Britain's relationship with the EU, No 10 said the prime minister would invoke article 50 of the Lisbon treaty - the mechanism for leaving the EU - in the event of a vote to leave. This would trigger two years of negotiations after which the UK would be presented with a take-it-or-leave-it package by the EU. Leave.EU has challenged Boris Johnson to accept that a vote to leave the EU would not trigger a second referendum because in his Telegraph column today Johnson suggests that he does consider this a possibility. (See 1.24pm.)

1. The pound has reached its lowest point against the dollar for almost seven years following news that Boris Johnson is campaigning for Britain to leave the EU, making Brexit more likely. (See 1.28pm.)
2. Moody's, the credit rating agency, has said the costs of Brexit would outweigh the benefits. (See 12.21pm.)
3. The GMB union has said it will campaign for Britain to stay in the EU. But it will not ally itself with any other In campaign. This is from its new general secretary, Tim Roache.

The exploitation of people desperate for a better life has been growing in recent years. Undercutting wage rates and denying local people jobs has become the visible signs of this corporate exploitation. It's wrong, it's outrageous and it is completely stoppable. Not by voting to leave the EU, but by demanding a return to that vision of a social Europe.

Does anybody actually believe that the European laws on things like maternity and parental leave, health and safety protections, equal rights for part time workers, TUPE ,paid holidays and so much more would be protected by the Conservatives, UKIP or any of their fellow travellers? Dream on if you do...

The closeness of the polls must be the wakeup call for those in Westminster and Brussels that the British people are serious about change and change for the better but the harsh straight fact is that we cannot get that change by voting to leave the EU.

* Some MPs are claiming that more than half of Conservative MPs will vote to leave the EU.

enltrLot of bullish chit chat among Tory MPs who want "out" that that more than half of Tory Parliamentary Party will campaign to Leave

- norman smith (@BBCNormanS) February 22, 2016

* Boris Johnson has accused those worried about the impact of Brexit of "Anglo-scepticism" (ie, being hostile to the idea of an independent UK). (See 12.58pm.)

1. Stanley Johnson, Boris's father, has claimed that his son's decision to campaign for Britain to leave the EU is more likely to be "career-ending" than career-enhancing. (See 9.06am.)
2. Eurosceptic ministers, liberated from collective ministerial responsibility for the first time over the weekend, have started to set out the case they will make in the months ahead for Britain taking back control of its destiny outside the European Union.
3. Liam Fox, the Conservative former defence secretary, has hinted that he might run again for the Tory leadership. (See 11.37am.)

block-time published-time 2.08pm GMT

George Galloway, the former Respect MP, had very testy interview with the BBC's Jo Coburn on the Daily Politics earlier. He objected to being asked about his controversial appearance at the Grassroots Out (GO) rally on Friday night that prompted some in the audience to walk out. Galloway said he had not been told this subject would come up.

He told Coburn:

If you had told me that I was coming in to discuss me I would have said there are much bigger issues that the British people are occupied by. I don't want to defend me at all. You are not my judge. You are not fit to be my judge...

Please stop this. You misled me into coming today, and every question you have asked has been about me. It is so childish. It is so tabloid.

You can watch the exchange here.

block-time published-time 1.58pm GMT

My colleague Michael White has written a withering blog about Boris Johnson. Here's an extract.

No, Boris thinks he can have his Brexit cake and eat it, that Angela Merkel (if she survives that long in Germany's refugee crisis ) will say "just kidding, here's the deal I know you really want". It is cloud cuckoo land in a Europe which is slipping dangerously close to fragmentation as opportunistic rascals less charming than Boris copy his example. "Contagion" is the word to fear, and "Frexit". Marine le Pen didn't go to Eton. It won't be nice if it happens, certainly not at Dover.

So dithery Boris has half bottled it. He stands before us with his trousers down and says: "Vote for me, I don't really mean it, it's all a laugh."

No it isn't. It's very serious, as Boris knows very well.

And here's the whole thing.

Related: No Boris, you can't have your Brexit cake and eat it too

block-time published-time 1.45pm GMT

This is from Matthew Holehouse, the Telegraph's Brussels correspondent.

enltrEU sources confirm that Cameron's EU benefits indexation win will mean higher payouts to small number of children in rich countries.

- Matthew Holehouse (@mattholehouse) February 22, 2016

block-time published-time 1.44pm GMT

enltrDamian Hinds @Damian57 Exchequer Secretary to the Treasury will vote to REMAIN in EU.

- Darren McCaffrey (@DMcCaffreySKY) February 22, 2016

block-time published-time 1.40pm GMT

This is from ITV's Tom Bradby.

enltrPreparing for the @agendaitv tonight, encountered this; When Greenland left in 1982, it spent 3 years negotiating a trade deal with the EEC.

- tom bradby (@tombradby) February 22, 2016

enltrThe country had a population of 50,000 - a quarter of the size of the London Borough of Camden. And the deal was over 1 industry; fishing.

- tom bradby (@tombradby) February 22, 2016

enltrArticle 50 of the Lisbon Treaty stipulates that, after pulling the exit chord, a membership ceases after 2 years.

- tom bradby (@tombradby) February 22, 2016

block-time published-time 1.33pm GMT

German broadsheet Die Welt describes Boris Johnson's back of the Leave campaign as "a real blow to [David] Cameron".

"Johnson campaigning for Brexit makes a future European Union without Great Britain seem a little bit more likely. The eloquent conversative, whose wit and eccentric makes him popular across the social divide, could mobilise the crucial third of the public who are still undecided about leaving the EU", writes the paper's London correspondent Stefanie Bolzen.

"Whatever domestic calculations may be motivating the British political elite - by having Boris Johnson's unmistakable visage as the face of the 'Out' campaign, the UK has made another step towards the exit door. And with that, the future of the EU has become that bit less secure too."

But not everyone in the German press is convinced that Boris' intervention is a game-changer.

"It's far from certain," Jochen Buchsteiner writes in Frankfurter Allgemeine Zeitung, "that Cameron is heading for the defeat that some are predicting after Johnson's battle cry".

The argument presentend in Johnson's Telegraph article, Buchsteiner writes, is "more complicated than that of his enemies, but not without force".

block-time published-time 1.28pm GMT

Sterling hits lowest level for almost seven years

The sterling selloff has accelerated, driving Britain's currency down to its lowest level in almost seven years.

The pound just traded as low as $1.406, a fall of more than three cents (or 2.3%) since Friday night.

It's not been this low since March 2009, when the global economy was mired in recession following the collapse of Lehman Brothers.

Traders are expecting more volatility following Boris's decision to back the Out campaign, and Moody's warning that Brexit would be bad for the UK economy.

block-time updated-timeUpdated at 1.33pm GMT

block-time published-time 1.27pm GMT

Earlier I posted links to the Guido Fawkes and Coffee House lists of how Tory MPs intend to vote in the EU referendum. See 12.44pm. Their figures are not the same.

On the World at One Martha Kearney has just said that, according to the BBC's numbers, 111 Tory MPs are currently in the Remain camp, and 97 are backing Leave.

block-time published-time 1.24pm GMT

Leave.EU, the Ukip-linked Out campaign which supports Grassroots Out (GO) and wants GO to be designated as the lead Leave group (see 10.44am), is challenging Boris Johnson to accept that there would be no second referendum (see 11.58am) after an Out vote. This is from Richard Tice, the Leave.EU co-founder.

Leave.EU is delighted to welcome Boris Johnson to the campaign for the UK to leave the European Union. Following, however, his latest Daily Telegraph column where he stated the EU "only really listen to a population when it says no" we are concerned that he still harbours a belief that the EU can be reformed and that the best way to achieve this is to vote Leave and then open up fresh negotiations.

If there is anything the past six months of shuttle diplomacy and last week's choreographed negotiations showed it is that the EU will not reform. Even the heavily diluted deal has been confirmed as worthless in the space of a few days. Only on Saturday Francois Hollande stated "there was no exception to the rules of the single market, there are no planned revision of the treaties and no veto on eurozone".

It cannot be made any plainer that the EU will continue down its road of ever greater union through centralisation and reams of expensive regulations. We call on Boris Johnson to accept this and agree that there is a need for only one referendum, not as many as it takes to keep us inside the EU.

block-time published-time 1.17pm GMT

This, from the Times's Michael Savage, is perceptive.

enltrThe best up-sum of the Cameron/ #Boris relationship I have heard from one close observer: "Neither can understand the other's success."

- Michael Savage (@michaelsavage) February 22, 2016

block-time published-time 1.14pm GMT

Here's Susan Kramer, the Lib Dem economic spokesman, on the fall in the value of the pound.

If those calling for us to leave are serious about wanting to keep Britain great, they should be worrying about what is happening to the great British pound.

The dramatic fall in sterling today is driven by fear of Brexit and means that the threat of leaving is already costing British business. Imagine how much worse it will for British exporters if we withdraw from the world's biggest single market.

block-time published-time 1.12pm GMT

This is from my colleague Stephanie Kirchgaessner i n Rome.

Italian prime minister Matteo Renzi gave his "sincere and brutal" assessment of the debate over Brexit, and it doesn't look good for Brits.

"The consequences will be worse for English citizens than for European citizens in the sense that if the UK leaves Europe the main problem will be for the UK, for its companies and entrepreneurs, for its citizens," Renzi said at a press conference at the foreign press centre.

"That's why I am convinced that in the end common sense will prevail, because it's not just right for the UK to remain in Europe, it's useful especially for them."

But Renzi is under no illusion that the campaign will be an easy one for David Cameron.

"The referendum won't be a "passeggiata' [walk in the park] for anyone," Renzi said.

While Renzi insisted that the deal reached late on Friday was a "good compromise for all", he said citizens were not about to vote on technical matters. Rather, it was a philosophical question about whether "Europe is still attractive or not".

"We know that this element of appeal in the UK has always been challenged there more than elsewhere... it will be a very difficult campaign," Renzi said.

"David is a great organiser of electoral campaigns so I send him a gigantic wish of good luck - but it's natural and logical that the [game] will be played within English public opinion. I don't think I am in condition to make a forecast but I hope [Cameron] wins," he said.

Matteo Renzi, the Italian prime minister, speaking at a press conference at Rome's foreign press association Photograph: Domenico Stinellis/AP

block-time updated-timeUpdated at 1.29pm GMT

block-time published-time 12.58pm GMT

Johnson accuses those worried about Brexit of 'Ango-scepticism'

Boris Johnson was presenting his final budget at mayor at City Hall this morning. During the session Len Duvall, Labour's leader in the London assembly, told him he was "sacrificing London's future economic security on the basis of [his] personal ambition" because he was backing Brexit.

Johnson said he did not accept that.

There would be arguments both ways about the impact of Brexit on the City, he said.

You will certainly hear in the next few months all sorts of people scaremongering and you will hear people saying that we can't survive outside [the EU]. You will hear quite a lot of Anglo-scepticism - I saw somebody use that word yesterday in the Sunday Times; there are people who don't think that Britain could stand on her own two feet and all the rest of it. I have to say I think that is profoundly wrong.

I think that the people who make these arguments are the same as the people who warned that we shouldn't leave the ERM, which turned out to be the salvation of the UK economy; and they are the same as the people who said that we had to join the euro, which turned out to be a catastrophic mistake and a very unfortunate enterprise.

Boris Johnson presents his final budget at City Hall. Photograph: Nils Jorgensen/REX/Shutterstock

block-time published-time 12.47pm GMT

Sadiq Khan, the Labour candidate for London mayor, has criticised Zac Goldsmith, his Tory rival, for coming out in favour of Brexit. Khan said:

Zac Goldsmith's desire to leave Europe poses a serious threat to Londoners' jobs, livelihoods and security. By placing dogma ahead of Londoners' interests, he has chosen to jeopardise our place as a global city, put our safety at greater risk and sacrifice our ability to build a better future for all Londoners. Zac Goldsmith is advocating a position that is clearly damaging to the people he is seeking to represent.

block-time published-time 12.44pm GMT

More junior ministers have been announcing how they will vote in the EU referendum.

Julian Brazier, a defence minister, will vote to leave the EU.

enltrCanterbury MP Julian Brazier reveals his voting intention on the EU [*https://t.co/Z7ySqsM2aIpic.twitter.com/BEWjXlucrm*](https://t.co/Z7ySqsM2aIpic.twitter.com/BEWjXlucrm)

- Canterbury Times (@TimesSeries) February 22, 2016

And James Wharton, the communities minister, will be voting for Brexit too.

enltrI will be voting leave for #brexit and supporting the excellent @vote\_leave campaign. We should look to the world, not just the EU.

- James Wharton MP (@jameswhartonuk) February 22, 2016

But James Brokenshire, the Home Office minister, will be voting to remain in the EU.

enltrIn UK's economic & security interests to remain an active player in a reformed EU. A vote to leave would simply be a shot in the dark #euref

- James Brokenshire (@JBrokenshire) February 22, 2016

The Guido Fawkes has a spreadsheet showing how MPs intend to vote. According to their figures, 142 Tories currently are saying they will vote Out, and 134 are saying they will vote In.

Coffee House is also keeping a tally, but their figures are slightly different. They have 76 Tories declared Out, and 93 backing In.

One minister, Tracey Crouch, has a reasonably good excuse for not having given the matter much thought over the weekend.

enltr1/2 Dear journos, I gave birth 4 days ago. With respect only decision I'll make today is which breast pump to buy not how I'll vote in June!

- Tracey Crouch (@tracey\_crouch) February 22, 2016

enltr2/2 I know you have job to do but my priorities are elsewhere. Sorry.

- Tracey Crouch (@tracey\_crouch) February 22, 2016

block-time published-time 12.25pm GMT

This is from my colleague Stephanie Kirchgaessner i n Rome.

Boris Johnson's break with Cameron garnered headlines in Italy, where the London mayor and "consummate politician" was dubbed "Mr No" by La Stampa, with one columnist suggesting Johnson's move was a personal political calculation. The move was described as a "stab in the back" against Cameron.

The front of Italy's main daily, Corriere della Sera, included a big photograph of Johnson pulling on a rope in a tug-of-war stance. The paper interviewed one Italian businessman and former longtime resident of London, Flavio Briatore, who said it was clear that Brits would vote to leave the EU and that London had an international, but not a "European dimension".

"Londoners do not live European, neither in their ***finances*** nor in their culture. And the politics of David Cameron demonstrates this," he said.

block-time updated-timeUpdated at 1.29pm GMT

block-time published-time 12.21pm GMT

Cost of Brexit would outweigh the benefits, says credit ratings agency Moody's

The cost of Brexit would outweigh the benefits, the credit ratings agency Moody's has warned. And it says Britain could have its credit rating lowered, leading to higher borrowing costs for the government, if it votes to leave the EU. Here is the Press Association story.

The economic costs of a decision to quit the European Union would outweigh the benefits, credit ratings agency Moody's has warned.

A Brexit could have a negative effect on the UK's credit rating, potentially pushing up the cost of Government borrowing, and may lead to a "prolonged period of uncertainty", Moody's said.

The agency welcomed the announcement of the June 23 vote as a way of addressing the issue quickly but said the result was "too close to call".

"We consider it positive that the referendum will take place as soon as June, as a lengthy period of uncertainty on the part of firms and investors would damage the UK's economic growth prospects," senior vice president Kathrin Muehlbronner said.

"That said, the outcome of the referendum remains wide open. In our view, a decision to leave the EU would be credit negative for the UK economy."

The firm said "the economic costs of a decision to leave the EU would outweigh the economic benefits" and "unless the UK managed to negotiate a new trade arrangement with the EU that preserves at least some of the trade benefits of EU membership, the UK's exports would suffer".

A vote to leave "would likely lead to a prolonged period of uncertainty, which would negatively affect investment", Moody's warned.

The firm said it would assign a "negative outlook" to the UK's current Aa1 rating following a vote to exit.

Asked for the PM's response to the warning from Moody's, David Cameron's official spokeswoman said: "The prime minister has been very clear of the risks of uncertainty of a vote to leave, and that a vote to remain is in the interests of both our economic and national security."

block-time published-time 11.58am GMT

No 10 rules out second referendum after possible Brexit vote

The Number 10 lobby briefing is over. The prime minister's spokeswoman used it to confirm that, if Britain votes to leave the EU, David Cameron will start the process that leads to Britain leaving the union. This involves invoking article 50 of the Lisbon treaty.

enltrNo 10 dismisses @odysseanproject call for 2nd #euref : PM will trigger article 50 exit clause in Lisbon Treaty after Leave vote 1/2

- Nicholas Watt (@nicholaswatt) February 22, 2016

enltrEarliest opportunity for PM to trigger article 50 is day after #EUref at scheduled @EUCouncil on 24 June

- Nicholas Watt (@nicholaswatt) February 22, 2016

This might seem obvious, but it is significant because it quashes the prospect of an Out vote leading to a further renegotiation and a second referendum.

This is an idea that has been floated by Dominic Cummings, Vote Leave's campaign director, Michael Gove's former special adviser, and @odysseanproject on Twitter. Boris Johnson has expressed interest in it in the past, and in his Telegraph article explaining his decision to back Brexit Johnson implies that he is still hoping an Out vote could lead to a second renegotiation. He writes.

There is only one way to get the change we need, and that is to vote to go, because all EU history shows that they only really listen to a population when it says No...

The people who run the various EU institutions - whom we like to ply with crass abuse - are, in my experience, principled and thoughtful officials. They have done some very good things: I think of the work of Sir Leon Brittan, for instance, as Competition Commissioner, and his fight against state aid.

They just have a different view of the way Europe should be constructed. I would hope they would see a vote to leave as a challenge, not just to strike a new and harmonious relationship with Britain (in which those benefits could be retained) but to recover some of the competitiveness that the continent has lost in the last decades.

Even before this morning's Number 10 statement the "second referendum" strategy seemed fairly implausible. At the EU summit last week Charles Michel, the Belgian prime minister, took the lead in firming up the text to try to close down the chance of Britain getting a second chance at renegotiation.

block-time published-time 11.37am GMT

Liam Fox hints that that he might run for the Tory leadership again

Boris Johnson's decision to back Brexit is widely assumed to be motivated in part by his own leadership ambitions. But he is not the only figure eyeing up a possible vacancy at the top of the Conservative party. Liam Fox, the former defence secretary and a leading figure in the Out campaign, was on the BBC's Victoria Derbyshire show earlier and he strongly implied that he fancied another run at the leadership.

Here are the main points from the interview.

* Fox hinted that he might run for the Conservative leadership again.He stood in 2005 and came third. Asked if he would try again, he replied:

Well, we'd have to wait and see. At my age, at 54, nowadays in British politics that's almost geriatric. According to the media you've got to be in your 30s or 40s. There's a big debate to be had in this country about age but this is not the point to have it.

When pressed if that was a no, he replied: "Never say never again." To fully appreciate quite how eager he seemed, you have to watch the interview. At this point Fox was smiling broadly, and there seemed to be a twinke of anticipation in his eye.

The question was prompted by this ConservativeHome survey of party members from January showing Fox as the favourite to succeed David Cameron as party leader.

Poll of Tory members Photograph: ConservativeHome

* Fox said that he thought Cameron could remain as prime minister if Britain voted to leave the EU - although he also said it would be "very difficult" to predict what would happen. He said:

Constitutionally of course he perfectly can remain as prime minister to negotiate that. I think it's very difficult to determine the political dynamics that will exist after the rough and tumble of a referendum. But I think there's no reason why he couldn't stay on and I know that a lot of my colleagues think that he should stay on. Exactly what the position will be politically, once we've been through the whole process of the referendum where ... we'll have to wait and see.

Yesterday Chris Grayling, the leader of the Commons, and Priti Patel, the employment minister - two of the "gang of six" cabinet ministers backing Brexit - said they expected Cameron to remain as prime minister if Britain voted to leave. But Owen Paterson, the former environment secretary and another Outer, last night refused four times to say that he thought Cameron should stay in those circumstances in a BBC interview.

* Fox said leaving the EU would make Britain less vulnerable to terrorist attack, backing the argument Iain Duncan Smith made yesterday. (See 10.06pm.) Fox said:

The Europol says 5,000 EU citizens have been trained in terror camps and come back to Europe. We know that there's been a lot of people coming into the European Union from places as far as Afghanistan or Iran. It's impossible to know whether they're genuine refugees or economic migrants or whether they're sympathetic to some of these extremist movements or whether in fact IS and other groups have been able to infiltrate them. Now, if we are unable to control our borders, we don't know who these people [are who] will be coming into the UK.

* He rejected the suggestion that voting to leave the EU would increase the chances of Scotland voting to leave the UK. This should not be a factor in the campaign, he said.

Scotland decided to remain part of the United Kingdom. That's something that I welcome. And of course if Britain decided to remain in the European Union there's no guarantee that Scotland at some point wouldn't have another referendum. So it shouldn't be a consideration that forces us to abandon the merits or demerits of European Union membership.

I've taken the quotes from PoliticsHome.

Liam Fox Photograph: BBC

block-time published-time 11.23am GMT

Johnson says EU referendum should not be reduced to 'a debate about personalities'

Boris Johnson has arrived at the House of Commons. A spin doctor would probably advise that it is best not to give interviews while pushing a bike and wearing a silly hat in the drizzle, but Johnson has never been one for convention. As he was doorstepped by reporters, he dismissed claims that his decision to back Brexit was motivated by his own ambition to be prime minister.

I would say what [people] need to do is focus on what is actually happening in Europe, rather than endlessly trying to reduce everything to a debate about personalities.

Boris Johnson arriving at the House of Commons Photograph: BBC

block-time published-time 11.05am GMT

Back in the City, the pound has suffered its biggest one-day fall since May 2010, reports my colleague Graeme Wearden.

Boris Johnson's decision to back the Out campaign sparked a rush to sell sterling as soon as the Asian markets opened, and London traders have now followed suit.

The pound has tumbled by 1.7% to $1.417 against the US dollar, a move not seen since the 2010 general election. That has driven sterling down to a 15-month low against a basket of currencies, and the cost of insuring against further volatility has jumped this morning too.

It's an old cliche, but the City really doesn't like uncertainty. And the news that such a heavy hitting politician has backed the Brexit side has spooked investors.

Analysts are predicting months of turbulence ahead of the referendum.

Rating agency Moody's has weighed in too, warning that "the economic costs of a decision to leave the EU would outweigh the economic benefit".

Shares aren't suffering a Boris effect, though. The FTSE 100 has gained around 1.1%, as recent fears of a global recession fade.

Our Business Liveblog has more details and reaction from the City.

Related: Pound suffers biggest one-day fall since 2010 after Boris Johnson's Brexit decision - business live

block-time published-time 11.02am GMT

Here's a comment from Ranko Berich, head of market analysis at Monex Europe, a foreign exchange company, on the fall in the value of the pound.

Sterling seems to have fallen off the Boris cliff this morning. Just as things were beginning to look up last week, with strong retail sales data and a bit of jawboning from Jon Cunliffe of the MPC, the weekend's political events have once again sent the pound reeling.

Boris Johnson's cleverly staged endorsement of the campaign to leave the United Kingdom grabbed headlines, and regardless of the London mayor's political motivations, this has had a sharp effect on sterling exchange rates. The implication is clear: while the Brexit referendum remains a live prospect, sterling is likely to be susceptible to these types of shocks, especially as the referendum date approaches.

This could just be the start of the great Brexit Selloff of 2016. As June 23rd approaches, polling is likely to narrow between the yes and no camps. In the run-up to the Scottish referendum some polls were even showing the independence vote on top. The prospect of such an event is pretty sobering for sterling, which would likely fall through even the multi-year lows seen earlier this year if this weekend's reaction is anything to go by.

Or, to put in another way, your summer holiday may be getting considerably more expensive...

block-time published-time 10.44am GMT

There has been some speculation that having Boris Johnson backing the Vote Leave campaign (as he did yesterday, although he claimed he could not remember its name) will increase it chances of being designated the official Out campaign by the Electoral Commission.

There are two organisations seeking the Out designation: Vote Leave, which is Westminster-focused and Tory-dominated, and Grassroots Out (GO), which is grassroots-focused and arguably more cross-party, but also strongly Ukip-backed. On the In side there is only one main organisation, Britain Stronger in Europe, which seems certain to get lead campaign status.

When the Electoral Commission does designate, the two lead groups on each side will get a ***grant*** worth up to £600,000, campaign broadcasts and free mailing. They will also be allowed to spend up to £7m, instead of £700,000, the limit that applies to other registered campaign groups. So the outcome of the Vote Leave/GO designation battle is actually very significant.

And Johnson's decision to support Vote Leave may not make much difference. A former Electoral Commissioner insider (who does not want to be identified because of his current job) has written to me this morning to say that journalists don't all fully understand how the designation process works. He says:

The EC's guidance on designation says that where there's more than one campaign that "adequately" represents those campaigning for a referendum outcome, it has to designate the campaign that represents those campaigning for the outcome "to the greatest extent". That test is in the legislation (Political Parties, Elections and Referendums Act 2000) so the EC doesn't have any discretion to over-ride it - and if it tried, it would be judicially reviewed and lose.

(This in turn would probably lead to the referendum being postponed, because it would have to re-take the designation decision and there wouldn't be time for the winner to use the free mailing etc before 23 June).

So the EC will have to look very carefully at what the campaigns can show about how broad a church they are.

The weekend means Vote Leave have some heavier hitters than before, but they're all essentially from the same place - the relatively non-loony end of the Conservatives (plus the Ukip MP Douglas Carswell).

And although the GO rally looked ludicrous, it underlined that they have a broader base of support from high-profile politicians at the moment (albeit all eccentrics). As well as Galloway and UKIP they have Kate Hoey and the old-style Tory Eurosceptics.

The thing that's probably really worrying Vote Leave is that they've lost Hoey and co. At the moment their main "Labour" affiliate seems to be John Mills, who's a donor not a politician. [Vote Leave chief executive] Matthew Elliott's strategy for getting the designation would have relied heavily on having "Labour Leave" signed up to Vote Leave, but at the moment the Labour campaign it seems to be in limbo, which is a major problem for him. He's also lost Jenny Jones from the Greens and Ruth Lea from the amusingly-named Economists for Britain, both more minor losses but still symptoms of things going wrong somewhere.

George Galloway addressing a Grassroots Out rally in London on Friday Photograph: Ben Pruchnie/Getty Images

block-time published-time 10.18am GMT

Does having Boris Johnson on board increase the chances of the Out camp winning the EU referendum (as the currency markets seem to think)? Yes, according to Prof John Curtice, the psephologist. This is what he told the Today programme.

As always in politics personalities matter because they are the vehicles for the communication of messages. I'm not sure at the end of the day many people in the referendum are going to vote on the basis of whether they like David Cameron or Boris Johnson or Nigel Farage or Philip Hammond as individuals. But the point is that they are the people who above all will be trying to persuade us which way to vote. And the effectiveness with which they do so will matter.

Curtice said that personalities were important in the Scottish independence referendum.

There is no doubt that one of the advantages that the Yes campaign had in Scotland was that it was led by Alex Salmond, a very charismatic figure, supported by Nicola Sturgeon, another charismatic figure.

Curtice said that, although Yes lost the referendum in Scotland, arguably they won the campaign, because when it started only 37% of Scots were in favour of independence, but by polling day that was up to 45%.

At least in part that probably is down to the fact that the SNP did have effective communicators.

These Ipsos MORI polling figures show confirm that Johnson could be an influential figure in the campaign.

Ipsos MORI polling figures Ipsos MORI polling figures

In his Today interview Curtice was also asked who would win the EU referendum. At first he dodged the question.

The answer to that is that we don't know. The opinion polls are giving us two different messages. One set are saying it's even stevens. The other say remain are well ahead. But in any event Europe is an issue on which we have changed our mind quite radically during the course of the last 40 years and maybe we will do so again during the course of the next four months.

But, when pressed, he said this.

On balance Remain start this campaign as favourites but I would not yet want to put too much money on assuming that they are going to win.

John Curtice Photograph: Frank Baron for the Guardian

block-time published-time 10.06am GMT

Yesterday Iain Duncan Smith, the work and pensions secretary who is campaigning for Britain to leave the EU, suggested that staying in could make Britain more vulnerable to a Paris-style terror attack.

Related: Iain Duncan Smith: UK risks Paris-style attacks by staying in the EU

In his Today programme interview this morning Michael Fallon, the defence secretary who is in favour of staying in the EU, rejected the claim that free movement within the EU was undermining security. He told the programme:

At the moment our security, our defence, rests on Nato, not on the EU. But the EU adds to that security. I don't know any member of Nato that wants us to leave the EU because the EU can do things that Nato cannot.

For example we were able to persuade the rest of Europe to apply sanctions against Russia after the annexation of the Crimea and its interference in Ukraine...

It is through the EU you exchange criminal records and passenger information and work together as counter-terrorism.

Sean O'Neill, a Times journalist who often writes about security issues, offered a blunter response to Duncan Smith on Twitter.

enltrAll this EU security tosh - last time I looked the UK was a net exporter of jihadist loons

- Sean O'Neill (@TimesONeill) February 22, 2016 Michael Fallon Photograph: Andy Rain/EPA

block-time published-time 9.54am GMT

Boris Johnson will be in the Commons this afternoon for David Cameron's statement on his EU renegotiation, and he will try to ask a question, the Press Association reports.

block-time published-time 9.39am GMT

This is from the Press Association on the fall in the value of sterling.

The value of the pound has plunged to a three-week low against the dollar, as the campaign for Britain to leave the European Union intensified.

Sterling was down 1.7% - or more than two cents - following a weekend which saw London mayor Boris Johnson, five cabinet ministers and a large swathe of Conservative backbenchers declare their support for Brexit.

The pound also dropped to a two-year low against the yen and fell slightly against the euro.

Currency markets were digesting the EU reform package secured by David Cameron ahead of an In/Out referendum on June 23.

Michael Hewson, chief market analyst at CMC Markets UK, said the forthcoming EU referendum was adding to the many concerns "troubling" investors, which included the impact of an economic slowdown in China.

block-time published-time 9.32am GMT

After Nicola Sturgeon warned on Andrew Marr that a no vote would "almost certainly" trigger demands for a second Scottish independence vote, Scottish Labour hits back, as the Venn diagram of referenda past and future becomes ever more overlapping.

In a speech in Brussels later today, Ian Murray, shadow Scottish secretary and the last remaining Labour MP in Scotland, will pledge to make "a distinctly Labour case for why Scots should vote to remain in the EU".

"Labour supporters in Scotland and across the UK will be crucial to winning this referendum. With the Tories hopelessly divided and the SNP tying themselves in knots about why we should share sovereignty with our neighbours across the Channel, but not across the Tweed, it will fall to the Labour Party to make the case for why being a part of Europe is best for working people the length and breadth of our country."

block-time published-time 9.28am GMT

Here are two more charts showing what has been happening to sterling.

enltrLet the roller coaster commence! Pound hits lowest level vs $ since 2009 post-Boris. It rose Fri night upon EU deal pic.twitter.com/Ng9r0s8JGn

- Ed Conway (@EdConwaySky) February 22, 2016

enltrPound is plunging [*https://t.co/7RXaanxklupic.twitter.com/Af1fZeIyfe*](https://t.co/7RXaanxklupic.twitter.com/Af1fZeIyfe)

- Bloomberg Markets (@markets) February 22, 2016

block-time published-time 9.26am GMT

Sterling falls in value following Boris Johnson's decision to back Brexit

As my colleague Graeme Wearden reports on his business blog, the pound is falling following the news that Boris Johnson will campaign for Brexit (making a vote to leave the EU more likely than it was, although still not probable). Graeme writes.

Sterling is plumbing new depths, as Boris Johnson's decision to defy David Cameron continues to reverberate around the trading floors.

The pound has now dropped to $1.416 against the US dollar, a fall of 1.7% or 2.5 cents.

This chart shows how sterling took an immediate dive last night when trading began in Asia, and then weakened further once European traders got to their desks:

Pound v Dollar since Friday afternoon Photograph: Guardian

There is more on his live blog here.

Related: Boris Johnson's Brexit decision leads to biggest fall for pound in 11 months - business live

block-time published-time 9.06am GMT

David Cameron has been making the case for Britain to remain in the EU for almost three days now, ever since the EU summit approved his renegotiation deal on Friday night, but today he will face what is often the most challenging audience for any politician - the House of Commons. He won't worry too much about what Labour MPs have to say, because most of them support his campaign for Britain to remain in the EU, but many Conservative MPs will oppose him passionately and this afternoon we will witness the full extent of the feuding.

Three weeks ago, when he delivered his last EU statement to MPs, Cameron had a relatively easy ride. But since then the dynamics have shifted, not least because of Boris Johnson's dramatic decision come out in favour of leaving the EU. As Gary Gibbon wrote in a good blog on this last night, "the centre of gravity in the Tory Party isn't quite where [Cameron] thought it was and residual deference isn't as strong as he might've guessed."

Here are the latest overnight/morning developments.

* Stanley Johnson, Boris's father, has said it is a "travesty" to say his son his backing Brexit to increase his chances of becoming prime minister. This is what he told the Today programme:

I think he has done a really well-thought-out move. When I say move, it is a move in the sense it represents his deep conviction that at this moment this is what he needed to do. Honestly, I think to say this is a careerist sort of move would be a total travesty. I cannot think of any more career-ending move than to do what he did yesterday, in the sense that he is leaving the mayoralty in May. If he wanted to get a nice job in the cabinet on May 8 this is not the way to do it.

You can decide for yourself whether you think Johnson Snr's argument is convincing, although the line about Boris's "deep conviction that at this moment this is what he needed to do" may be a bit of a giveaway. There was another telling answer at the end of the interview when Johnson was asked if in a year's time people would be saying this was the moment his son put himself on course to become prime minister. Johnson replied: "Who can say?" If he really believed his son's latest move was career-ending, he would have said no. Instead his reply sounded a bit more like "Hope so".

* The pound is falling in value, with analysts saying this is a response to Johnson's declaration. My colleague Graeme Wearden has more details on his business live blog.

Related: Pound suffers biggest loss in 11 months after Boris backs Brexit - business live

* John Whittingdale, the culture secretary who is campaigning for Britain to leave the EU, has bet £1,000 that Cameron will stay as prime minister if Britain votes for Brexit. He told ITV's Good Morning Britain:

If we win the campaign, then I am confident the prime minister will continue in office.

Piers Morgan, the presenter, refused to believe this and challenged him to a bet. Eventually Whittingdale accepted.

enltrJust bet @JWhittingdale £1000 on air that Cameron won't be PM if he loses EU referendum. He accepted... eventually.

- Piers Morgan (@piersmorgan) February 22, 2016

enltrCulture Secretary accepts £1,000 bet with @piersmorgan on PM's future if Britain exits EU [*https://t.co/G0SVItjSr6pic.twitter.com/YIj3nCLk2G*](https://t.co/G0SVItjSr6pic.twitter.com/YIj3nCLk2G)

- ITV News (@itvnews) February 22, 2016

* Michael Fallon, the defence secretary who is in favour of staying in the EU, has told the Today programme that he was not suprised by Johnson's decision to back Brexit.

1. Lord Lawson, chair of the Vote Leave campaign, has welcomed Johnson's backing. He told the Today programme:

I am delighted that he has come out for leaving the EU... He is a superb campaigner and he is a great asset to the cause.

* Zac Goldsmith, the Conservative candidate for London mayor, has used an article in City AM to explain why he wants Britain to leave the EU. He wrote:

The most important characteristic of any democracy is that it should be possible for voters to evict those who act in their name. The EU fails on that test...

The deal on the table does not go far enough. And given that even in the face of the UK voting to leave, the EU is unwilling to entertain meaningful reform, it is unlikely we will see anything more in the years to come. So I believe we would be better off out of the EU, and I will be voting to leave.

* The ***Financial*** Times has said the bosses of around half of Britain's 100 biggest companies are preparing to back Cameron's campaign to keep Britain in the EU. The chairmen and chief executives from around 50 FTSE companies are prepared to sign a letter in support of Cameron's renegotiation package, the FT says. Supporters are said to include senior figures from Shell, BAE Systems, BT and Rio Tinto.

enltrMonday's FT: Big business backs Cameron's push to keep Britain in the EU #tomorrowspaperstoday#bbcpapers#eurefpic.twitter.com/xRrzyUZBY5

- Nick Sutton (@suttonnick) February 21, 2016

Here is the timetable for the day.

11am: Number 10 lobby briefing.

1pm: Emily Thornberry, the shadow defence secretary, gives a speech to the Royal United Services Institute.

3.30pm: David Cameron gives his statement to MPs on the EU referendum.

I will mostly be focusing on Europe today, but I will covering other breaking political news as it happens, as well as bringing you the best reaction, comment and analysis from the web. I will post a summary at lunchtime and another after Cameron's statement.

If you want to follow me or contact me on Twitter, I'm on @AndrewSparrow.

I try to monitor the comments BTL but normally I find it impossible to read them all. If you have a direct question, do include "Andrew" in it somewhere and I'm more likely to find it. I do try to answer direct questions, although sometimes I miss them or don't have time. Alternatively you could post a question to me on Twitter.

If you think there are any voices that I'm leaving out, particularly political figures or organisations giving alternative views of the stories I'm covering, do please flag them up below the line (include "Andrew" in the post). I can't promise to include everything, but I do try to be open to as wide a range of perspectives as possible.

block-time updated-timeUpdated at 9.13am GMT

**Load-Date:** February 22, 2016

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North Devon Journal

May 19, 2016 Thursday

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**Section:** AGENCY:OTHER; Pg. 60-61

**Length:** 9652 words

**Body**

Alwington, Fairy Cross, Ford and Woodtown

David Williamson, The Old Stables, Alwington, 01237 451835, [*braynosma@yahoo.co.uk*](mailto:braynosma@yahoo.co.uk)

QUEEN'S 90TH Our Queen's 90th birthday was celebrated on April 23 in great nostalgic style in Alwington parish.

The residents of Fairy Cross, Ford and Woodtown gathered at Alwington Village Hall for a day of Family Fun filled with events.

The day started with morning coffee time then a bring and share lunch followed by children's activities, quizzes, competitions and skittles. Later in the day and evening, dancing led by the Sequence Dancing Group to music supplied and played by Adrian Blight rounded off a very special day.

Julie Harper, chairman of the village hall committee thanked all who contributed to this memorable day for which no charge was made.

Appledore

FILM NIGHT Bridge Of Spies, bar 6.45pm for 7.30pm screening at St Mary's Church Hall hosted by West Quay Fundraisers. Tickets £4 at Appledore Newsagents or £4.50 on the door.

Appledore WI met on Friday May 6. It was a meeting tinged with sadness as we remembered a much loved and respected member Barbara Tatum. We said a final goodbye to Phyllis, her sister, only two months ago. In such a short time we have lost a wealth of local and WI history.

It was our annual meeting and the current president and committee were re-elected. The business side of the meeting was dealt with and we voted to support the resolution to be taken to the national annual meeting in June.

We don't have a guest speaker at this meeting but we do try to make it interesting for members after the business has been dealt with, so it was with excitement that we played one of our favourite games, card bingo. The silence during the game, well you have to be there to believe it, probably one of the few times ladies of the WI are quiet during a social time.

The regular activities are, lunch at SQ in Braunton on the May 19, Scrabble on May 20, and readers' group on June 7. The planned outing to Darts Farm and Topsham is June 22. For more information contact Brenda on 01237 471457 or Jane on 01237 473846.

Barnstaple area

Shirley Punt, 01271 343716, [*shirleypunt@btinternet.com*](mailto:shirleypunt@btinternet.com)

BE BRAVE BEARS! A branch of Be Brave Bears has been set up in Barnstaple. South West Be Brave Bears, formerly Embroider That UK, is based in Barnstaple and sends personalised teddy bears to sick and terminally ill children.

Each bear is stitched with a courage circle which features encouraging words, in addition, the nominated child receives a certificate saying who sponsored the bear and a Be Brave Bears drawstring bag.

The sponsor also receives a certificate and a photo of the personalised bear.

Michelle Hindes is one of the Be Brave Bears co-ordinators for the South West area; her company embroider That UK has been running for three years. Through her work she met Sarah Bridge, the brains behind Be Brave Bears.

Each bear costs £30 and the firm is looking for local businesses, schools, youth groups and families to get involved in helping raise the ***funds*** they need to provide these bears.

With a target of 100 bears in a year they have already surpassed this by reaching 176 in 11 weeks. If you can help get in touch.

Events at Christ Church: **Friday, May 20**, 10am-noon, Hob Nob. Tea, coffee and cakes. **Saturday, May 21**, 7.30pm, Songs from the Shows. Performance by Encore in aid of Families in Grief. **Sunday, May 22**, 10.30am, Ladies Fellowship anniversary service led by Deacon Joan Cole. Tea and coffee served after the service. Sunday Club for children and young people starts at 10.20am. 6.30pm, Evening Service led by the Rev Bill Perry. **Tuesday, May 24**, coffee morning, 10am-noon. **Wednesday, May 25**, 9.30-11.30am Child Health Drop-in. Have your baby weighed, ask for advice, and socialise with other parents. 1pm, Toddler Praise. This is a new venture where toddlers and their carers are invited to come along and have the opportunity to get to know about God. 1.30-3pm, Carers and Toddlers. A lively interactive session with toys, crafts and music. 4.15-5pm, Bear Street Drumming Group.

St John the Baptist, Newport: Friday, May 20, 7.30pm, concert by the Jubilee Singers for Christian Aid. Admission £5, including refreshments.

Quiz Night at The Fox, Fremington, Thursday, May 19, 7.15pm.

Parish Church Rooms for hire on various days and evenings. Very moderate charges. For further details please contact Catherine 07980 043305.

QUILLING WORKSHOP, Saturday, May 21, 1.30-3.30pm, at Barnstaple Library. You can try your hand at the art of quilling and make unique greeting cards to take home. Tickets £5 to include materials and refreshments.

IT and Coffee mornings: Every second and fourth Saturday of the month we will be hosting IT and coffee mornings in the foyer of Barnstaple Library. This will be an informal, free, drop-in peer-to-peer support opportunity for people to get to grips with their gadgets. Customers can bring in their own tablets/smartphones and share tips over a cuppa.

Memory Group meets every Tuesday between 10.30am and noon at Barnstaple Library. For people with memory loss and their carers. Relax and listen to great stories and poems read aloud to you and then join in discussions and reminiscence. A small, very friendly group who will make you very welcome. Just turn up or contact Sandra Goldsack at the library if you want more information. Call 01271 318780.

FRIENDS GROUP: Your library service is growing and evolving and we need friends to help. Barnstaple Library Friends Group (known as the BFGs) is a welcoming group of people who act as ambassadors for the library, telling the local community about the library and helping the library to provide the services the community needs. It is free to join and fun to belong. Call in at the library or phone 01271 318780 or attend a BFG meeting on the first Wednesday of the month at 6pm at Barnstaple Library.

Barnstaple Quaker Meeting: 10.30am every Sunday at Pilton Bluecoat Academy, Abbey Road, Barnstaple EX31 1JU

Barnstaple Football Club: The BIG Quiz Night, Thursday, June 2, 7.15pm at Barnstaple Town FC Social Club, Mill Road. £20 for team of 4 to include light supper. To book call John Clarke on 01271 374055 or Andrew Clarke on 07816 662248.

Read Easy: The Read Easy Charity is hosting an event to help North Devon businesses identify and help employers who struggle to read, at Barnstaple Rugby Club on Thursday, May 19 at 6pm. The event is a free event and welcomes all North Devon businesses to come along. For more information contact Nigel Wright on [*nigel@readeasy.org.uk*](mailto:nigel@readeasy.org.uk) or call 0844 472 2983 or 07974 998032.

LATER LIFE EVENT: An event which aims to celebrate later life and highlight services for older people in the local area is taking place in Barnstaple this week. Local older people will have the opportunity to find out about the services and support that are available to them at the event, which is being held at Medard House in Barnstaple and hosted by Support Advisors from North Devon Homes. The event, called Independence Day, is being held on Wednesday, May 25 between 10am and 3pm at Medard House. Organisations attending include the See Hear Centre, 361 Energy, Age UK, Devon Senior Voice, North Devon Homes Independent Living, Think Jessica Campaign, Go Bus, Devon Homelink, Alexander Social Club and the Memory Cafe.

Newport

Nicola Kennaugh, 01271 549248, [*nnkennaugh@yahoo.co.uk*](mailto:nnkennaugh@yahoo.co.uk)

MINI MUSIC for babies and toddlers every Monday, 2pm-3pm, at St John the Baptist Church, South Street, Newport. Children and parents/carers welcome. Term time only.

COFFEE MORNING every Wednesday from 10am till noon at St John the Baptist Church, South Street, Newport. Everyone is most welcome.

KNIT & NATTER at Newport Methodist Church every Wednesday from 2pm-4pm. If you enjoy Knitting and Nattering do join with us, plenty of both goes on!

HALL VACANCIES at St John the Baptist Church Hall, South Street, Newport. We have two rooms to let, the main hall being suitable for larger events and the lower room for meetings. There are various days and times currently available to hire including some weekends. Suitable for children's' birthday parties (no bouncy castles currently allowed), exercise groups, slimming groups, clubs or for meetings. If interested, please contact Hall Manager Nicola Kennaugh on 01271 549248.

1ST NORTH DEVON SCOUT GROUP is looking for new members and meets at Trinity Church Hall, Barbican Road, Barnstaple. Beavers (six-eight years) on Mondays 5.30pm-6.30pm, Cubs (eight-10 years) on Mondays 6.45pm-8.15pm, Scouts (10-14 years) on Wednesdays 7.15pm-9.15pm. For more information contact Mark Etheridge by coming along to any of the above groups. Term time only.

Pilton

SUMMER FAYRE Pilton Community College will be holding its summer fayre on Saturday, June 25 from 10am till 4pm.

Linking in with Armed Forces Day, it promises to be an action-packed event with craft stalls, a wide range of refreshments and plenty to entertain the whole family.

If you are interested in having a stall at the Fayre please either email admin@piltoncol lege.org.uk or phone 01271 374381 to book your space.

Roundswell

COMMUNITY CENTRE, adjacent to Sainsbury's, is run as a charity (charity no. 1063837) and provides facilities for hire. These include a large main hall suitable for a larger event and a small room for meetings. It has a large modern kitchen available for use by hirers of either room. Ample car parking space is provided next to the centre. For further information call Helen, the booking secretary, on 07918 729201.

ROUNDSWELL CHURCH will hold its Sunday service at Roundswell Community Centre on May 22 at 10am, led by the Rev Dave Eadie. The preacher will be Bob Hookins. Everyone of any denomination is welcome.

THE MONDAY CLUB is holding its meeting at Roundswell Community Centre on Monday, May 23 at 2pm at which there will be a talk by a representative of Wiltshire Farm Foods. Everyone is welcome. Refreshments are provided.

Roundswell Church will hold its Sunday Service led by Bob Hookins at the Roundswell Community Centre at 10am on Sunday, May 29. The preacher is the Rev Robert Hurley and everyone is welcome to attend this friendly family service.

Bishops Nympton

Cheryl Woollacott, Capitol Farm, Bishops Nympton EX36 4PH, 01769 550435

Revel afternoon enjoyed sunny weather, cream teas in the church and some treasured collectables to see. The children were shown by Pat Earthrowl how to make paper doves and then to write their own prayers on each one. Some children and adults also had "fun" tattoos (easy to remove ones!).

Thank you to everyone who helped make it a fun afternoon and participated in any way.

THANK YOU to the bell ringers who rang out for Whit Sunday morning celebrating Pentecost. The service was well attended, along with a newcomer in the form of Cyril the Puppet who was introduced to the children and congregation and will be making guest appearances at future services.

The Rev Alastair Forman celebrated the affirmation of the Ministry of the two churchwardens, Frances Gunn and Cheryl Woollacott.

Sunday Service on May 22, at 10am, Holy Communion. The following Sunday, May 29, will be a group service at 10.30am.

Bishops Tawton

Norman and Gwen Rider, 01271 322109, [*norman@riderfamily.co.uk*](mailto:norman@riderfamily.co.uk)

LITTLE VILLAGE CRAFT WORKSHOPS: Book up for one or more of these creative workshops presented and taught by two very passionate ladies from our village with; a beginners rug ragging this Saturday, May 21, 10am-4pm, £15, this is an old craft born out of necessity, but today it is very popular and some even say, trendy! A repeat of the beginners class in crochet, back by popular demand, May 28, 10am-12.30pm, £15. These prices include all materials. The workshop has many other crafts to enjoy, so check their website [*www.learnacraftpp.co.uk*](http://www.learnacraftpp.co.uk) or telephone: 07510 335120.

CHURCH BREAKFAST: Being held by St John the Baptist Church to raise ***funds*** for Christian Aid this Saturday, May 21, 9am-noon in the village hall. £3.50 for either a bacon or sausage bap and a mug of tea or coffee.

QUIZ AND RAFFLE: For ChemoHero on June 10 at 7.30pm in the village hall. Everyone welcome and all raffle prizes gratefully received. For more information contact Brian Hogg on 377643.

JAMBOREE-ON-THE-TRAIL BADGE: Children from our local Scout group completed their special annual badge with the Scouts completing a bike ride along the Tarka Trail, the Cubs a hike around Wistlandpound Reservoir and the Beavers a hike from Fremington Quay to Barnstaple Train Station. Well done to them all... and the leaders, of course!

BUCKET OF FUN: Following the huge success of wellie week last year, it has been decided this year to have a Bucket of Fun. Along with our bunting there will be some buckets on show in time for the Queen's birthday celebrations culminating in buckets of fun on Fun Day, Saturday, August 27.

Black Torrington

Vera Bryant, Tresina, Black Torrington ES21 5PX, 01409 231373, [*Bryantvera2@btinternet.com*](mailto:Bryantvera2@btinternet.com)

PARISH CHURCH: Last Sunday the service was taken by the Worship Leaders and the theme was chains, following up on the story when St Paul and his colleague Silas were put in prison for telling people about Jesus. The prayers were said by Flo Kent and Isobel Mihai.

Next Sunday our service of Holy Communion will be led by Revd Robert Manning.

In the afternoon, it is Messy Church Cafe at 3.45pm to which all are welcome.

Our Vicar, the Rev Rosie is starting her Prayer Pilgrimage this week. On Friday she is walking from Stoke Rivers to Bratton Fleming and Saturday from Bratton Fleming to Challacombe. People are welcome to join her or to join in prayer at the start and end of the walk. Details are on the table in church. There will also be a Prayer trail if you can't join any of the walks.

FOODBANK: The latest delivery of tinned and packet food weighed in at 56.85kg. What a fantastic amount. Thank you to all who continue to be so generous.

SCHOOL: We are hoping to have another mural painted on the wall of the top playground soon. If anyone has any bits of outdoor paint they would be willing to donate we would be very grateful. Certificates were awarded to: Shaun MacBryde, Alisha Daniel, Corey Shattock, Zaynah Singh, Tom Nolan, Alfie Buckton, Jaydon Lindo, Jacob Leonard and Finley Kane.

PRE- SCHOOL: Our book of the week was The Hungry Caterpillar and the children cut their own pieces of fruit to correspond with the days and numbers from the story. They created their own caterpillar counting circles and discovered the life cycle of a caterpillar. The rising fives had another visit to the reception class. Pre-School is open between 8am and 5pm Monday-Friday. Contact 710019 or email [*preschoolbf@gmail.com*](mailto:preschoolbf@gmail.com)

BABY AND TODDLER GROUP: Thank you for all the cake donations, they were very yummy! We are now starting our jungle theme with egg box crocodiles. We meet every Wednesday in the village hall between 9.30am and 11.30am and cater for babies and toddlers from birth to five years. Contact 710019.

CUB SCOUTS: Every Wednesday, 6-7.30pm (term time). Contact Andrew Gibbs on 763304.

PILATES: Mondays at 7pm at the village hall. All welcome. Call 01271 343944.

FRIDAY KLUB: Youth Group for ages nine to 15, near the sports club. Fridays, 6-8pm.

FOOTBALL at the sports club every Monday, 6-7pm, for ages six to 11. Contact Paul Nolan on 07468 711239 or Annie Jones on 07855 878166.

VILLAGE HALL COMMITTEE at 7pm on Thursday, May 19, we are holding our annual meeting. All welcome.

Braunton

FRIENDS OF BRAUNTON LIBRARY is holding a Nature's Secrets event with added pond-dipping on Wednesday, June 1 from 2.30pm-4.30pm, suitable for ages 5-12. Tickets £2 from the library. Numbers limited.

Cancer Research bingo at Braunton Parish Hall on Friday, May 20 organised by the Braunton Fundraising Group for Cancer Research UK. Doors open at 6.30pm and eyes down at 7.45pm . Don't forget to look for us at the Village Fair on Bank Holiday Monday and try your luck on our Hook A Bag Stall. We value your support.

Braunton Museum and Information will be open as usual on Bank Holiday Monday. We regret we are unable to have our stand at the Village Fair but why not call in and see us instead?

The working model of the railway is a popular hit with both children and adults and you can set it off by way of a 20p piece.

There is also a quiz allied to the railway which could attract your interest.

We have many brochures about places to visit, the Tarka Trail and bike hire, gardens, National Trust properties, and outdoor pursuits including surf schools and fishing and boat trips. Tide tables, bus timetables and information about day sailings to Lundy are also available. If you would like to join us please pop in or call 01271 816688, Monday to Friday from 10am to 3pm or Saturday 10am to 1pm.

Brayford

Madeleine Brownell, [*brownell19361949@btinternet.com*](mailto:brownell19361949@btinternet.com)

A LIGHT HEARTED CONCERT will take place at Charles Church on Saturday, June 11 at 7.30pm by the Jubilate Singers. Tickets £5 on the door to include refreshments.

FLOWER FESTIVAL: The three churches in Brayford have arranged a Flower Festival on Saturday, June 18 and Sunday, June 19. On Saturday it is open from 10am-6pm with coffee and teas from 10am and strawberry teas from 2pm. On Sunday there is a Family Service at 11.15pm followed by wedding cake and coffee, with the festival open from 1pm and cream teas from 2pm.

Buckland Brewer

Brenda Mills

PARISH COUNCIL: At a meeting held in the school on April 13 a letter of thanks was received from the Playing Field Association for the ***grant*** for repairs to equipment.

The survey of the field for the Air Ambulance has reported that the amenity field is the best option for various reasons, including easy access, a clear area and central location for the village. A flood light would be required. There is to be an open meeting in June to discuss a community group being set up to raise ***funds*** and maintain things as required which will be supported by the Parish Council.

Members Reports: Andrew Hewitt - attended a County meeting and reported that devolution has reached a stage of establishing what the Parishes want from it. The Road Warden Scheme is being looked at and ways of changing training. A complaint has been received regarding lack of maintenance on hedges and stock breaking out on one of the Parish fields.

Jim Lowe - reported severe disadvantage to the non drivers of the village because of the Bank Holidays the buses are reduced to one a week. An extra service was offered on the Tuesday but failed to materialise, it is not satisfactory; it is leaving these people stranded. Councillor Julian had raised this issue at a Bideford Town Council meeting in that some of the profits of other routes could be used to support some of the outlying villages. Another comment was that a bus runs every ten minutes from Westward Ho! To Barnstaple, it is never full and surely not viable, could this not be looked at and rearranged to better suit other outlying routes.

George Heywood - Craneham Mill pits/potholes are still unrepaired. Monkleigh Mill Lane has a blocked gutter. He asked that gritting for another year is put on the agenda for discussion and review of future year's arrangements.

Marie Douglas - A road nearby has decayed badly on both sides for a fair stretch and has reported it on the Devon County website.

Barbara Babb - reported that there have been a couple of vehicular incidents around the Post Office van. They have moved parking spot because of a shorter cable and are waiting a longer one. It is becoming increasingly dangerous for the community. The village shop has contributed a further £60 towards the costs of the defibrillator.

George Heywood confirmed that the Charitable Trust from the wind turbine, propose to give £15k to the Playing Field Association and £5k to the amenity field improvements to facilitate a sports field for the community. 540389, anne@fhsinternet. com

Chulmleigh

Jeannette Darch, 01769 581010

MEETING: There will be a meeting on Thursday, June 2 at the Pavilion, Leigh Road to discuss the sale of the Bramble patch. Starts at 7.30pm.

film: The next film showing at the rural cinema in the Pavilion will be Bridge Of Spies on June 12. doors and bar open at 6.45pm film starts at 7.30pm. Ice creams available during the interval.

Combe Martin

Sioux, combemartinmuseum@google mail.com

BACON BAPS AND COFFEE will be served every Thursday morning during term time between 8.45am and 10am in the Baptist Church. The Coffee 'n' Chat session will follow between 10.30am and midday. Both of these events are free.

MUSEUM NEWS: The museum summer hours are Mondays to Saturdays, 10.30am to 5pm, Sundays, 11.30am to 2pm.

A SEASHORE SAFARI will meet at the museum on Monday, May 23 starting at 12.30pm to 2.30pm. The entry fee is £2 per accompanied child or adult without children. All children must be accompanied by a responsible adult, and sensible footwear must be worn, suitable for scrambling over rocks. Families with children only pay for the children, as the adults will have to supervise them. Adults without children are also welcome, and will be charged £2 each. One shore guide will be given to each group, or family.

COFFEE MORNING will be held on Tuesday, May 24, 11am to 1pm. Entry to the museum is free during this time.

TICKETS for the weekly meat raffle are available from the Museum or from the Dolphin Inn where the draw is made every Sunday lunchtime at 2.00pm. There are three prizes.

SHAMMICK MARKET will be held on Saturday, May 21, 9.30am to noon at the village hall.

SHAMWICK ART GROUP: Combe Martin Church Parish Hall, Every Thursday 2:00pm to 4:00pm, every third Thursday of the month. Frank Adey will be resuming workshops September/October, £5 per person, 1.30pm-4.30pm. For more information call Judy Jones on 01271 883863 or Linda Thomas on 01271 883345.

Dolton

Paul Donovan, Courtiford, Dolton, EX19 8RE, 01805 804425, [*pauldon@scribbler.freeserve.co.uk*](mailto:pauldon@scribbler.freeserve.co.uk)

GARDEN PARTY: The big garden party at Stafford Barton is this Saturday, May 21, from noon to 5.30pm. There will be archery; classic and vintage cars; croquet; barbecue, sandwiches and teas; Pimm's; ice creams; jazz, ukulele, folk and wind music; two artists selling their pictures; rides through the grounds; an opportunity to see inside the Grade II\* house; and stalls ranging from plants (Janet Bradshaw) to produce and flowers (St Edmund's), and also including cakes, books, willow products, hand-made soap and bric-a-brac. Entry is £5 per person, with children going free, and there is no additional charge for car parking. The event will benefit two good causes, Children's Hospice South West and St Peter's, Dowland, and has been made possible by the kindness of Pat and Lindsay Doran in opening their property.

East Down

Peter Bunch, Arlington Old School EX31 4LW, 01271 850215, [*peter.bunch562@btinternet.com*](mailto:peter.bunch562@btinternet.com)

Queen's Birthday Safari Lunch: Early notice that the lunch commencing from the village hall from 12.30pm on Sunday, June 12 has now been extended to three courses plus coffee at a bargain £12.50, £6 for children. Bookings with Linda on 882376 or Pat on 850215.

East Worlington

Sue Squire, 2 Threeways, Bratton Fleming, 01598 710526, [*susan.squire@virgin.net*](mailto:susan.squire@virgin.net)

DUCK RACE AND DOG SHOW: East Worlington Primary School and Pre-school duck race and dog show, Saturday June 18, East Worlington War Memorial. Gates open 11.30am, duck race 3.30pm.

Exbourne

Margaret Weeks, [*dmweeks@tiscali.co.uk*](mailto:dmweeks@tiscali.co.uk)

GARDEN CLUB: The latest meeting of Exbourne Garden Club took place on Tuesday May 10. The speaker was Howard Wills from the Fernwood Nursery, Peters Marland, who holds the national collection of Sempervivum, Jovibara and Rosularia. He talked about The Beauty of Leaves, showing some amazing pictures of a variety of leaves and close-ups of their make up. He was thanked by Sheila White and there was a sale of plants in aid of club ***funds***. Next month club members are visiting Hayne Garden, Zeal Monachorum. The cost per person will be £3.50 plus tea. Please contact Sheila White if you would like to go, on 01837 851306.

VILLAGE HALL MEETING: The village hall annual meeting was held in the hall on Wednesday, May 11. The retiring chairman's (Graham Hollis) report was read out and the ***financial*** report given. The new chairman is Lorraine Aagaard, secretary and treasurer is Sheila White. The committee is made up of Steve Blakeman, Daryll Chapman, Rosie Dunn, Sally Kenealy, Margaret Weeks and Rose Williams. Several improvements have been made during the last year, including new heaters, insulation of the kitchen ceiling, the front of the hall decorated and the rotten floorboards in the hall replaced.

EXETER VISIT: On Thursday May 12, Exbourne Local History Group visited Exeter for a Red Coat Guided Tour of the city. Twenty members attended and although the rain was falling when they set off, a very interesting tour was had. The tour started from the cathedral and the Guildhall, the earliest reference being in 1160, was visited. Then, after seeing various interesting sights on the way, they arrived on the Quay. The tour finished at Tuckers Hall in South Street, the magnificent medieval Guildhall of the weavers, fullers and shearmen. A very informative tour which ended in dry weather. The next meeting is on Tuesday June 21 in the village hall at 7.30pm, and will be a talk on the Bible Christian Church by Ted Lott. The movement started in Shebbear and quickly spread in the West Devon and North Cornwall areas, including a Bible Christian Chapel being built in Exbourne.

WI MEETING: The latest meeting of Exbourne, Sampford Courtenay and Jacobstowe WIwas held on Thursday, May 5 in Sampford Courtenay Village Hall and was the annual meeting. The president welcomed everyone, including adviser Sylvia West, and Jerusalem was sung.

The ***financial*** report and the president's annual reports were adopted. Bonnie Stenning was re-elected as president and the committee for the coming year is Sally Kenealy, Margaret Hawkins, Rosemary Lowe, Anne Leaman and Pili Garvey.

The ordinary meeting followed. The resolutions for the annual meeting at Brighton were discussed, dealing with food waste and care of dementia patients in hospital, and both were put forward.

Formats of meetings was discussed, to try and shorten the time spent on the business side.

Margaret Cleveland and Ethel Nancekivell are to organise the entry for the Okehampton Show. Margaret Weeks gave a report on the council meeting she attended with two other members at Torquay. Due to ill health the visit to Broomford Manor has had to be cancelled. The group meeting was at Iddesleigh and we came second with our craft entry.

It was suggested that the outing this year be to the Tiverton Canal. The next ladies lunch is at the New Inn, Coleford on May 19 and the next walking group meeting is on May 27.

Competition winner for a flower picture was Sally Kenealy and FOM winner was Kath Neno.

The next meeting will be in Exbourne village hall on Thursday June 7 at 7.30pm The speaker will be Sue Enderson talking about sewing.

Filleigh

Veronica Cook, 01598 760324, [*westheddon@btinternet.com*](mailto:westheddon@btinternet.com)

PARISH COUNCIL: At the recent annual meeting Roger Watts gave in his resignation due to his recent illness. He had been on the parish council for nearly 16 years, most of which as chairman. A vote of thanks was given for all his hard work and he will be sorely missed. Gordon Hewitt was voted on as the new chairman with Paul Smalley continuing as vice-chairman.

Frithelstock

Maureen Poole, Wyndene, Hele Lane, Frithelstock Stone, 01805 622834, [*maureenpoole@talktalk.net*](mailto:maureenpoole@talktalk.net)

50 CLUB: May winners were Hazel Raymont £25, June Baker £15, and Gale Riddell £10.

Frithelstock WI: President Maureen Poole welcomed everyone to the May annual meeting including a visitor Barbara Hall. Jerusalem was sung accompanied at the piano by Gwen Barrow.

Maureen Poole was re-elected as president. The committee is staying the same: Sheila Weeks, Gill D`Maurney-Gibbons, Jenny Brydges, Eileen Brown, Ruth Blake, Ruth Ward, and Marcelle Paton-Smith.

Secretary Gill D'Maurney-Gibbons gave her report and treasurer Ruth Blake read the ***financial*** report. Maureen thanked everyone for their support during the last 12 months, she in turn was thanked by Gill.

Everyone who went to the group meeting hosted by Langtree WI had a very enjoyable evening. And it was with great pride that the Institute came second in the Group Meeting Competition and winning the rose bowl. Thanks to Jenny Brydges, Eileen Brown, Ann Carrington and Jenny Hearn for making it possible. The 2016 Campaigns. 1 Appropriate Care in Hospitals for People with Dementia and 2 Avoid Food Waste, Address Poverty. The voting for this produced 18 votes for No1 and 11 for No 2. These results will be forwarded to the NFWI. And will be voted on at the annual meeting at Brighton in June.

The speaker was Adrian Oliver of Holsworthy his talk Experiences of a Vet. He gave interesting talk on his life as a vet from college to the present day. He brought along some very old ***instruments*** that was used on animals and showed some interesting X-ray pictures. Adrian was thanked by Marcelle Paton-Smith.

Competition: Pets Toy: 1 Ruth Ward, 2 Maureen Poole, 3 Sheila Cowill. FOM 1Ann Carrington, 2 Carol Freemantle, 3 Sylvia Debnam. Flowers for the table Maureen Poole, teas Gill D`Maurney- Gibbons.

Next month's meeting is on Wednesday, June 1 at 7.30pm. The speaker Phil Pugsley from Amigos. Visitors welcome.

Goodleigh

Mary Tonkin, 01271 378910, [*goodleighnews@lundybay.net*](mailto:goodleighnews@lundybay.net)

Summer Skittles continues, matches on Monday 24 May are Ayreo's Lads v Rockets at 7.45pm and All Stars v The Young Guns at 8.45pm.

Sympathy and condolences to the family and friends of Sarah Fry, who was raised in the village and played for the Rockets skittle team and died last week.

Goodleigh School: Sports Day was held on May 18. Half Term starts on Friday, May 27, back to school Monday, June 6. On June 17 the children will be going to Oceanfest, and June 20 is Bags to School Day. On July 11, Midsummer Night's Dream on the Willow Bank.

Goodleigh United Church welcomes you to its Sunday morning worship service at St Gregory's Church at 9.30-10.30am.

Art Classes with Avice Yeo run fortnightly at Goodleigh Village Hall on Monday mornings from 10.30am to 12.30pm and cater for all abilities, including absolute beginners. Cost £10 per session. For more information phone Avice on 01271 870849.

Ladies Keep Fit in Goodleigh Village Hall on Tuesdays, 10.30am to 11.30am. Cost £3 per session. If you have not joined us before and would like to see what we are about, please come along and enjoy a free session. Wear comfortable clothing and trainers. Fully qualified instructor, music and laughter guaranteed. For more information call Bridget on 01271 375631.

Pilates in the Village Hall: Next session May 24. Places are limited so booking essential, contact Louise Lyne on 01271 343151.

Bratton Fleming Dance Club charity dance night is Saturday, May 21, 7.30 to 11.30pm, bring and share supper. Next club night is May 24, members only, 7.30 to 10pm.

Mobile Library: Next visit Monday, May 23, 11.50am to 12.20pm.

Hartland

Tricia Oakley, 01237 441690, [*barnpark@live.co.uk*](mailto:barnpark@live.co.uk)

CHURCH SERVICES for Sunday, May 22. Morning Worship at the Methodist church, 11am. Sung Eucharist at St Nectan's, 11am.

FUN EVENING: The Friends of St Nectan's invite you to a fun evening with beetle drive in the Methodist Church Hall on Friday, May 20 at 7pm.

The Big Bookshop and Coffee Morning is back at the Methodist Church Hartland from 10am on Saturday, May 21.

Hartland Town Band will be playing at Clovelly harbour on Sunday May 22, from 2.30pm, weather permitting, or in the Complex if wet.

CHURCH INQUIIES: All inquiries about church weddings and baptisms at Stoke, Welcombe, Clovelly, Bucks Mills and Lundy may be directed to the Parish Office, which is situated in the Church Rooms in the car park. Someone is in the office on Mondays, Tuesdays, Thursdays and Fridays between 10am and midday, so do drop in. The phone number is 01237 441142 and an answerphone will record a message if nobody is there to speak to you.

COMMUNITY MINIBUS: We are delighted to have received a donation from The Albert Hunt Trust towards the cost of running our Friday Going Out and About minibus group in the Torridge area. If you know anyone who would benefit from a time out from their four walls in friendly company, contact driver Karl on 01271 549680.

The Circuit Singers present Thank You For The Music in St Nectan's Church Stoke, Hartland on Friday, June 3 at 7.30pm. Admission free with retiring collection in aid of Harbour, Bideford.

Hartland Town Band Ploughman's and Pudding Evening on June 4, 6pm to 8pm. Admission £6 by ticket only, available from Sheila Jeffery 01237 441543 or Ann Pillman 01237 441434.

Hatherleigh

Celebrity chef visit: Tim Maddams is coming to Hatherleigh Community Primary School on Friday, July 8. The school's PTFA, which is hosting this event, will be transforming the school into a fine dining restaurant for the evening.

Tim, former River Cottage head chef, has created Hall and Hearty, an ethical supper club that brings the best of local, seasonal produce to communities across the UK.

PTFA representative Jason Collins said: "We are delighted to be working with Tim and Rangemoors again, they have been so generous in donating an outdoor Esse pizza oven for our school woodland area.

"The fine dining evening is going to be a lot of fun and a great way to raise ***funds*** to further develop our woodland area which we will be formally opening the week after, at the School's Community Family Fun Day."

Places are limited and bookings will close on June 8. Email [*fundraisingcommittee15@gmail.com*](mailto:fundraisingcommittee15@gmail.com)

Horwood, Lovacott, Newton Tracey and Alverdiscott

Louise Williams, [*allsmiles1063@btinternet.com*](mailto:allsmiles1063@btinternet.com)

CHURCH NEWS: On Sunday, May 22, come along to St Michaels Church, Horwood at 9.30am for Holy Communion.

GARDENING CLUB: Talks and visits on the last Monday of each month except Bank Holidays, from 2.30pm. Alverdiscott Methodist Chapel. Call Cynthia on 01271 858237 for more information.

BIG BREAKFAST: Alverdiscott Community Hall Big Breakfast, Sunday, May 22 from 9am to 1pm. Adults £6, under 16s £4.

QUIZ NIGHT: Alverdiscott Community Hall Quiz Night, Friday, May 27, 7pm for 7.30pm. Teams of up to 6, £3.50 per person to include a light supper. To book your place please contact Graham or Liz White on 01271 858441.

HORWOOD WEBSITE: Visit [*www.horwooddevon.co.uk*](http://www.horwooddevon.co.uk) for interesting village information and details of all events in and around Horwood.

MOTHER AND TODDLER GROUP: Every Thursday during term time only from 9.30-11.30am at Lovacott Village Hall. All welcome, suitable for birth to preschool age, come and make new friends and let your little ones have a play. £2 for first child, £1 for additional children which includes a snack. Lots of lovely toys plus arts and craft.

EXPLORE: Come along on the last Sunday of each month to Alverdiscott Methodist Chapel for Interactive Bible Study. Light refreshments served. More details from Stuart on 01271 858258.

Ilfracombe

Shirley Jones, Sunnydale, 4 Avenue Road, Ilfracombe. EX34 9AT, 01271 863630, [*shirleyjns311@gmail.com*](mailto:shirleyjns311@gmail.com)

ILFRACOMBE PENSIONERS' SOCIAL CLUB met at The Osborne Hotel on Wednesday, May 11. As the speaker had to postpone, a picture quiz entitled Scenes of England took place which provoked much discussion. Afterwards a few minutes were spent on the new recreation of colouring in a picture. Next meeting is on Wednesday, May 25 when Bill Butcher will entertain. We meet from around 2pm to 4pm. Entrance is £2 to include refreshments and a raffle. The community minibus is available door to door for those with mobility difficulties, Contact Shirley Jones on 01271 863630.

SEVENTH FORCES MARCH will leave Ilfracombe on Wednesday, May 25 at 10am on a 135+ mile journey finishing in Bulford, Wiltshire, five days later. This is a charity walk/run/cycle event in aid of The Veterans Charity. Please support by coming along just before 10 am to give the participants a good send off.

VICTORIAN CELEBRATIONS - June 11 to 19 : not long now. Are you ready to take part/support this in its 29th year? Programmes are around the town, events for everybody.

Instow and Westleigh

Pearl Hackett, 01271 861458.

INSTOW PARISH COUNCIL meets tonight, Thursday, May 19 at 7.30pm in Instow Parish Hall. Time is allocated for parishioners questions.

CHURCH SERVICES for Sunday, May 22. Holy Communion (BCP) at 9.30am at St Peter's, Westleigh then at St John's, Instow Holy Communion Common Worship is at 11am.

Westleigh Village Hall is the venue for Film Night on Saturday 21st May at 6.30pm for 7pm start.

Open Garden and Afternoon Tea on Thursday June 2, 2-5pm, in aid of the North Devon Hospice by Riverside Support Group at 24 Bude Street, Appledore, courtesy of Val Robbins.

Walk and Talk from Instow next meet on Wednesday, May 25 at the Sandhills Car Park at 11am.

Kentisbury

Dena Denham, 01598 763491, [*denham123@btinternet.com*](mailto:denham123@btinternet.com)

LITTLE BERRIES Pre-school, based at Kentisbury Primary School, has been saved from significant expense, that may have resulted in its closure, thanks to roofing company Progressive Systems and roofing supplier Sika Sarnafil.

The companies partnered up to gift the school a new roof after the previous company that built the pre-school was dissolved.

Over three days during half term the old roof was completely stripped back and a new waterproof covering fitted.

Little Berries caters for children up to four years of age and is run by the governing body of the West Exmoor Federation.

Executive head teacher Jayne Peacock, from West Exmoor Federation, said: "We are so thankful for the kindness shown by Sika Sarnafil and the team at Progressive Systems. Without their generosity, it is possible we would have had to shut the pre-school, which would have had a terrible impact on the children there."

Charles Pierce, national sales manager at Sika Sarnafil, said: "After hearing the plight of Little Berries from my wife who works there I knew we had to step in and help out."

Andy Bassett, managing director at Progressive Systems, said: "As a local business we wanted to help as we think it's very important to support local communities."

Kings Nympton

Robert Smallbone, The Grove Inn, Kings Nympton EX37 9ST, 01769 580406, [*drinkingtheprofits@hotmail.com*](mailto:drinkingtheprofits@hotmail.com)

CHOIR CONCERT: Exeter Male Voice Praise Choir will be giving a Concert at the Methodist Church on Friday, May 27, 7.30pm. Supper to follow. All welcome.

Queen's 90th Birthday Celebration: We need your support in advance if you are hoping to join this community event to celebrate Her Majesty's birthday so please RSVP by May 22. The planned celebration will be on Sunday June 12 from noon and will consist of a hamper lunch street party outside Kings Nympton Parish Hall.

Bring your own food, crockery and linen so we can all eat and be merry! There will be a bar, bouncy castle, Great Raymondo the magician and Music by Helen Rimmer.

A £2 booking charge is asked for per person and will all be donated to one of the Queen's charities. Everyone is very welcome so brings family, friends and neighbours but please book ASAP and help us all celebrate this great occasion.

Ferret RacinG: Please come along and support the Friends of Kings Nympton School ferret racing night on Friday, July 1. Doors open at 6.30pm and the races start at 7pm. Entry is just £3.50 and includes a hot dog. Great fun for the whole family with snacks, draw, and bar.

Landkey

Janet Dymond, Apple Tree Cottage, Blakes Hill, Landkey, 01271 830077, [*janetdymond@gmail.com*](mailto:janetdymond@gmail.com)

MOTHERS UNION on Wednesday May 25 at 2.30pm in the Village Hall.

THE SEE HEAR van will be in the car park behind the Castle Inn on Thursday, May 25 between 3pm and 4pm.

HORTICULTURAL SOCIETY garden visit will be on Tuesday, May 31. See posters for details.

Lee and Lincombe

Edna Thompson, [*edna44@tiscali.co.uk*](mailto:edna44@tiscali.co.uk)

GARDENING TIME: Calling all those gardeners out there - on Saturday, May 21 from 10am we would appreciate an hour of your time to help us tidy up the garden area around our beautiful Memorial Hall in Lee. Please bring secateurs, gardening gloves and any hand tools with you and encourage friends and family to come along as well. The more the merrier, it will help us to get the job done in no time.

LEE SPRING FAIR: Monday May 30. Once again we are holding our annual spring fair in the Memorial Hall and meadow. The theme this year is the royal birthday celebration and the fair will open in the meadow at 2pm with light lunches and refreshments served in the Memorial Hall from noon. Stalls and games, Ilfracombe Town Crier, guitar and ukulele performances, welly wanging, raffle, tombola and lots more. Come rain or shine it will be great fun. Parking in the village and at the seafront. See Facebook.com/LeeMemorialHall for details. Everyone welcome.

Loxhore

Chris Harrington, 01271 850200, [*2012LoxhoreNews@gmail.com*](mailto:2012LoxhoreNews@gmail.com)

COFFEE MORNING this morning, Thursday, May 19, at 10am at the village hall. This is a community get-together for those able to attend and everyone is welcome.

VILLAGE HALL COMMITTEE meeting on Tuesday May 31, at 7.30pm at Loxhore Village Hall. All Loxhore residents welcome to attend.

QUEEN'S BIRTHDAY PARTY: Celebrations on Saturday, June 11, starting at 3pm at our village hall. To get you active there will be croquet, boules and skittles on the lawn. Pimms, bitter and lager will be on sale. In the evening at about 7pm there will be a barbecue and rounders.

Lynton and Lynmouth

Mervyn Mugford, Tranquillity, Parracombe, 01598 763261, [*news@bodley.demon.co.uk*](mailto:news@bodley.demon.co.uk)

Lynton Cinema: The Huntsman: Winter's War (12A) is the film at 8pm this evening. Starting tomorrow for seven days, Meryl Streep, Hugh ***Grant***, Simon Helberg, Rebecca Ferguson star in Florence Foster Jenkins (12A). The story of Florence Foster Jenkins, a New York heiress who dreamed of becoming an opera singer, despite having a terrible singing voice. Screenings each evening at 8pm with matinee Monday, May 23 at 2.30pm. Coming next: Jungle Book and Eddie The Eagle.

All Day Fundraiser: Friends of St Mary's hold their All Day ***Fund*** Raiser with Teddy Bears Parachute Jump, Bank Holiday Monday, May 30 between 11am and 4.30pm. Coffee served from 11 with light lunches at 12 noon and cream teas from 2.30pm. Teddy Bears jump from the bell tower from 2pm. Book sales and various stalls throughout the day. Come along for a fun day.

Morwenstow

John Cleave, Middlefields, Morwenstow EX23 9HY, 01288 331396, [*cccleaveandson@farming.co.uk*](mailto:cccleaveandson@farming.co.uk)

THE 2016 SUNDAY CLUB anniversary service was held on Whit Sunday at 11am at Morwenstow Methodist Chapel. The theme of the service was "everyone's invited". The welcomers on the door this year were Edward Hobbs and Jaik Payne. The beautiful window decorations were arranged by Jill Johns. The service was led by Jo McMillan. The collection for Sunday Club ***funds*** (excluding envelopes) was taken by Jaik Payne and Edward Hobbs. Organist and pianist was Edith Cleave (Northway).

The Sunday Club sang three songs and Elizabeth Hobbs sang a solo. Ellie Letheren and Jaik Payne said the prayers and Edward Hobbs gave the reading. All the Sunday Club children were presented with their reward books. The visual projector was operated by Bill Cleave and Dawn Leighfield.

Sunday Club children taking part were: Elizabeth and Edward Hobbs, Jaik and Logan Payne, Meg Axworthy, Ellie Letheren, Kaitlyn and Willow Savage, Ella De Rosa, Lola and Evie Jollow and Lucy O'Reilly. Thanks are expressed to the Sunday Club leaders and their staff for all their work with the Sunday Club, not just in the run-up to key events such as Sunday Club anniversary, but throughout the whole year.

North Molton

Ruth Govier, 01598 740661, [*ruth.govier@btinternet.com*](mailto:ruth.govier@btinternet.com)

YOUTH CLUB meets this evening, Thursday, May 19, in the Methodist Church rooms, from 7.15pm to 9.15pm, for a club night.

FRIDAY CLUB meets in the Methodist Church rooms, tomorrow, Friday, May 20, from 7pm to 9pm, for an introduction to youth work in the area and life after Friday Club.

SPRING PLANT SALE in the Victory Hall, on Saturday, May 21, from 10.30am to noon.

QUEEN'S 90TH BIRTHDAY CELEBRATION on Sunday, June 12, starting at 11am with a special service at All Saints. The square will be closed for the day, and during the afternoon there will be a village tea party, an exhibition of photographs of North Molton and an open art exhibition, a balloon release, flower arrangements and children's picture exhibition, and a special Messy Church where the children will be able to make themselves crowns to wear to the tea party. The Nomads will also be entertaining everyone with poetry and readings. Everyone is invited and will soon be receiving party invitations.

Parkham

Linda Bird, 01237 451579, [*lester.bird@tesco.net*](mailto:lester.bird@tesco.net)

BINGO, Allardice Hall, Parkham, Monday, May 23. Lots of good prizes including fresh meat and groceries Raffle and lucky entry ticket. Complimentary tea and biscuits at half time. Main draw and open the box to win cash. Eyes down at 7.30pm. All welcome.

PARKHAM WI held its annual meeting at the Allardice Hall on Thursday, May 12. Steph George President welcomed Members to the meeting. The secretary and treasurer gave their annual reports for the WI. Officers elected for the coming year were: President - Steph George; Secretary - Marilyn Slee; Treasurer - Glenys Duggan. A business meeting followed, WI resolutions for National annual meeting were discussed. Forthcoming trips to RNLI Appledore, Theatre trip in July, and Archery at Littleham in August. Following the meeting members enjoyed an Italian themed supper. For further information on Parkham WI contact Steph George 01237 451272.

STREET PARTY to commemorate HM Queen Elizabeth's birthday. Saturday, June 11 in Chapel Road from noon. A 1920s themed fancy dress competition (optional), bring and share lunch, complimentary drinks and snacks, competitions and games, ice-creams. Music from The Gershwin Band. Plus free Parkham commemorative mug for every child in the parish of Parkham and district (under 11) plus those attending Parkham Primary School. Please register for a mug and to let us know what you will be bringing foodwise. Rachel at the Bell Inn 451201, Pauline 451281 or Linda (School 451334) or 451579. We are looking for helpers on the day too. Please contact above people for further details.

Petrockstowe

David Kelsey, Wooletts, Rectory Rise EX20 3HQ, 01837 810796, [*davidindevon@btinternet.com*](mailto:davidindevon@btinternet.com)

St PETROCS CHURCH: A 30 strong congregation met in the medieval barn at Hallwood Farm for a farm service at 6pm on Sunday, May 15. The service was taken by the Rev Susannah Metz accompanied by the Rev Martin Warren. Following the service the congregation moved out to the fields where the crops of 2016 were blessed. Following the blessing everyone partook of a cream tea back in the barn. Richard and Ruth Kelsey were thanked for hosting this very pleasant service.

PETROCKSTOWE BEER FESTIVAL: The Baxter Hall committee is hosting the first village beer festival in the hall this Saturday, May 21, from 2pm to 8pm. There will be a good selection of beers on offer, including a special festival ale from Petrockstowe's own microbrewery, Stargazer Brewing. There will be free tours of the brewery available during the event. Also on offer will be wine tasting and appreciation sessions at 5pm and 6pm at £5 per head. Entry to the festival is £2 per head.

HISTORY GROUP: The combined Pertrockstowe and Merton groups enjoyed a very interesting illustrated talk by Mr Noon on the subject of the life of Parson Jack Russell. He was vicar at Black Torrington and responsible for starting the Jack Russell breed of terriers. His popularity as vicar was especially shown with a congregation of 3,000 attending his funeral. The group's next meeting will be on Wednesday, June 15, with a visit by the Buckland Brewer Group.

METHODIST CHAPEL held its annual cream tea in the chapel meeting room on Saturday, May 14. All helpers are to be congratulated on running a successful fundraising event.

CRICKET: The village side lost to Dulverton CC away on Sunday May 15. The next League game away will be v Linton on Sunday May 22, starting at 1.30pm.

South Molton

Debbie Quick, 01769 573103, [*debbie.quick65@btinternet.com*](mailto:debbie.quick65@btinternet.com)

CHARITY SECRETARY RETIRES: South Molton's Cancer Research UK secretary has retired after 40 years' service. During her time, Chelle Hancock was instrumental in helping to raise hundreds of thousands of pounds for the charity.

Jean Wallace, a spokesman for the branch, said the committee was thankful for all of Chelle's hard work over the years. Jean said: "The committee will greatly miss her hard work, enthusiasm and ideas which have been a huge part of our success over the years."

Lego and Art Club: Every Saturday, South Molton Library, 10am-noon.

South Molton Bowling Club: Try something new, something that's enjoyable, social, rewarding, healthy and satisfying. Interested? Then try playing Bowls. Come along to South Molton Bowling Club on a Monday evening at 6.30pm during May and June or call 01598 740457.

Devon County Show Tickets: Tickets are now available to purchase from the South Molton Tourist Office and Mole Valley Farmers for the Devon County Show on May 19, 20, 21 May at Westpoint, Exeter. Or visit [*www.devon*](http://www.devon) countyshow.co.uk for details. Children aged 5-15 are free on Saturday with paying adults.

Food Festival: South Molton Pannier Market on Sunday May 22.

Antiques Market: The South Molton Antiques Markets takes place throughout 2016 in the South Molton Pannier Market, 10am - 3pm on the following Sunday dates: June 19, July 17, Aug 21, Sept 18, Oct 16, Nov 20 and Dec 18. For more information please call 07973 803740 or visit [*www.pannierantiques.com*](http://www.pannierantiques.com) to buy and sell antiques.

See Hear on Wheels have published their dates for 2016, they will take place in South Molton Lorry Park from 2pm to 4pm on: May 19, June 16, July 21, August 18, September 15, October 20, November 17 and December 15.

Swimming Pool's 20th Anniversary: South Molton Swimming Pool invites everyone to our open day on Sunday May 22, 10am-noon or 1.30pm-3.30pm. Come and have a cup of tea and a piece of cake, as we celebrate our 20th birthday. And to celebrate the Queen's 90th birthday we are planning a 90-length sponsored swim in June. Any age can join in; just pick up a sponsor form from the pool and find family and friends to sponsor you. The money we raise will go towards renovating the pool.

Friends of SMCC Reunion Evenings: The Friends of South Molton Community College are pleased to announce a series of reunion evenings as a last chance to say goodbye to the iconic old building before it vanishes forever. The friends invite all those who attended the school during the 1980s to join us on Friday, May 27 at 7.30pm in the old school hall. Tickets cost £7.50 which includes a ploughman's supper (a donation for corkage will be sought if you wish to bring your own alcohol). Tickets can be purchased direct from the school office, or you can send them a cheque and tickets can be held on the door for you. Please call 01769 572129 for more information.

We shall be offering the opportunity to record your memories (audio) and have any images/memorabilia photographed or scanned to be added to the total archive for future generations. The opportunity will be available on each of the evenings we plan on hosting and will tie in with the work our current students are doing to record the daily life of the school as it is today.

If you are not a child of the 80s then the following date may be of interest to you: Friday July 8 - 70s reunion. Reunions are planned for the students of the 1950s and 1960s in September and students of the 2000s in October, watch this space.

If you would like to become involved with the Friends of SMCC or need any further information about these forthcoming events please see the Friends page on the school website or email friends@sm cc.devon.sch.uk. All monies raised will go towards a school minibus; so we are, literally, remembering the past to drive us towards a brighter future!

South Molton Vintage Rally: The 2016 rally will be held on June 4 and 5 at Combesland Cross, South Molton, EX36 3NW. The planning and preparations are progressing and entry forms inviting exhibitors have been circulated. Do you own a vintage machine or vehicle and would like to exhibit at the rally but have not received an entry form? Then ring 01271 378019 or visit smoltonvintagerally.co.uk to download an entry form.

Swing & Dance at the Fayre: On Friday, June 10, 6pm, in South Molton Pannier Market. Free Entry. Come along for an evening of jazz and hits from the musicals. There will be refreshments available, including a bar.

Weekend Events: Riverside Caravan and Camping Park, South Molton. On Friday July 8, Jason Toft, tickets are £5 per person. On Saturday July 9, Toyah Wilcox and her band , with Elles Bailey (a blues artist from Bristol) being the supporting act. Tickets are £30 per person. Or you can do weekend camping with all the entertainment for just £50 per person. Entry will be by ticket only. Hosted entertainment is between 7pm and 11pm. For more details please phone 01769 579269 or email relax@ex moorriverside.co.uk.

North Devon Show: This years event is being held on Wednesday August 3 at Umberleigh Barton Farm. But have you ever thought about supporting your local ***agricultural*** show by becoming a member of the North Devon ***Agricultural*** Society? If you would like more information, please call in at the show office in the George Arcade, South Molton or ring 01769 573852.

messy church at South Molton Methodist Church, Sunday, May 22, 4pm-6pm. Everyone welcome for crafts, games and fun followed by a bring and share buffet tea. The theme is stories that Jesus told, focussing on the good shepherd. Everyone welcome whether you regularly attend church or not.

Tawstock

Pauline Barrow, Short Cottage, Tawstock EX31 3HZ, [*pbarrow@btinternet.com*](mailto:pbarrow@btinternet.com)

TAWSTOCK WI: This month we celebrated our 36th birthday, and the Queen's 90th, with a bring and share supper. Entertainment came from the AngleTwich border Morris dancers, a group of lady Morris dancers who explained the history of Morris dancing, and some of our members joined in. St Giles WI hosted our spring group meeting with the theme of Rio Carnival, a very happy and colourful evening. We also came away with the winner's shield in the group competition. Our charity coffee morning and plant sale raised more than £500 which will be donated to Devon Freewheelers. Many thanks to everyone who supported us.

Members enjoyed their beauty days at the Petroc Sanctuary Spa this spring.

Our next walk is in Appledore with lunch at the Seagate, and our monthly craft mornings continue.

For our June meeting, we are visiting Forde Abbey, and plans are being made for a soups and puds safari supper in July.

If anyone would like to join us at any of our meetings or events, please contact our secretary, Pat Andrewartha, on 01271-373417 for more details.

West Buckland

VILLAGE HALL EVENTS: The Random Melody show was a superb evening's entertainment. The singing, music, and projected pictures from the James Ravillious Collection all blended perfectly. Bad Guys are at the hall on June 18 from 6pm, Children's entertainment at its best for age 5+. Call 01598 760437 to buy tickets

West Down

Margaret Thomas, 01271 862720

WEST DOWN WI May meeting commenced with pupils from West Down Primary School performing some of their "Wake up. Shake up" routines. This was led by teacher Fay Pointer. They start every school day with a session of exercise/performance and it has become so popular that it is being demonstrated to other schools in the area.

Our annual meeting then took place. Catherine Williams was re-elected as president and the committee members are Jane Devlin, Anne Mellor, Di Pine, Pat Seymour and Ruth Verne. We discussed the time of our meetings. A final decision will be made when absent members have given their vote between all afternoons or a winter/summer split.

The two resolutions to be voted on at the National annual meeting were outlined. Food waste by Jane Devlin and dementia care by Anne Mellor.

The annual competition awards: Highest points 1. Ruth Verney, 2. Pat Seymour, 3. Violet Graham, Flower of the Month troph - Ruth Verney.

We then had refreshments with some lovely cakes to enjoy. There was a plant stall with a wide choice given by members in aid of WI ***funds***. This Flower of the Month winner was Jane Devlin.

Yarnscombe

Louise Williams, [*allsmiles1063@btinternet.com*](mailto:allsmiles1063@btinternet.com)

YOUTH CLUB: Friday, May 20, and every alternate Friday during term time, 7pm to 9pm in the village hall. £1.50 per child, £1 siblings. Under eights accompanied by a parent/carer.

CHURCH NEWS: Come along to St Andrews Church on Sunday, May 22 at 9.30pm for Morning Prayer.

BINGO: The next Bingo is on Friday, May 27. Doors open 6.30pm, eyes down at 7.45pm. Meat and fruit prizes. Raffle. Free tea or coffee in the interval. Other refreshments available. Everyone welcome.

MOBILE LIBRARY will visit the Victory Hall car park on Monday, May 23 at 11am until 11.40pm.

COMMUNITY MINIBUS: We are delighted to have received a donation from The Albert Hunt Trust towards the cost of running our Friday Going Out and About minibus group in the Torridge area. If you know anyone who would benefit from a time out from their four walls in friendly company, contact driver Karl on 01271 549680.

VICTORY HALL: Just a reminder that the bar in the village hall is open every Saturday and Monday evenings from 8pm till 11pm. We have men's Skittles, ladies' skittles, badminton and short mat bowls. Anyone requiring more information on these activities or wishing to book the hall, please contact Karen Avery on 01805 624834.

**Load-Date:** May 18, 2016

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North Devon Journal

July 28, 2016 Thursday

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**Section:** AGENCY:OTHER; Pg. 38-39

**Length:** 9618 words

**Body**

Barnstaple area

Shirley Punt, 01271 343716, [*shirleypunt@btinternet.com*](mailto:shirleypunt@btinternet.com)

CHRIST CHURCH: Sunday, July 31, 10.30am is morning service led by the Reverend Tony Coates; 6.30pm is evening service led by the Reverend Robert Hurley. The Holiday Club is on Thursday, July 28. Details: Jo ***Grant*** 07450 582414 The church picnic is on Sunday, August 14, 3pm to 5.30pm at Barnstaple Rugby Club.

STREET FOOD on The Square in Barnstaple, every Thursday from 5pm. Try delicious international food, cooked with care, created with passion. Available on The Square, Barnstaple (by the museum) you will find a selection of sellers using local produce in worldwide recipes. Different sellers every week.

There is plenty of choice to suit all tastes with wood oven-fired pizza, pulled pork and chicken wings and Caribbean and Mexican food. Available 5pm to 9pm every Thursday.

PROJECT DANCE: On Saturday, September 24, 3.30pm to 6. 30pm, Project: Dance! Devon are throwing an afternoon of fun and dance as they wanted to do something to show their support for a wonderful little boy called Noah and his family. They would like to raise ***funds*** to enable his family to make more memories together.

The afternoon will go as follows: Part 1: A Tea Party with bring and share food and drinks. Join in with some party dances for young and not so young. Part 2: The Moon, The Stars and The Little Wooden Shack - watch the latest production from Project: Dance! Devon - as seen at the Queen's Theatre as part of Fringe Theatrefest 2016. Join in with the actions. Part 3: If you have some energy left...try some different styles of dance you choose on the day. You may have seen something on the telly. Just ask and we will spend some time doing some fun things. To take part in any of these events is simple. Just donate what you can afford to take part. Get some sponsors to encourage you to join in all of it. Venue: Lampard School Hall, St John's Lane, Newport, Barnstaple.

SUMMER WALKS: Devon Wildlife Trust is organising summer walks every Tuesday evening until August, plus some daytime walks too. Explore North Devon, from cliffs to Culm grasslands, from moorland to sand dunes. These sociable walks are an opportunity to learn about our wonderful wildlife in the company of like-minded people. All welcome.

Ring for full details and to book. Call and speak to Paul on 01271 812617 or email [*madgett@hotmail.com*](mailto:madgett@hotmail.com) They are from 6pm to 9pm on August 2, 9 and 18.

BARNSTAPLE LIBRARY: The Friends Group is holding a quiz night at the library on Wednesday, August 10 between 7pm and 9pm. Teams of up to 4. £5 per person (payable at time of booking) to include wine and cheese.

Book at the library. ***Funds*** raised will support future library events.

BARNUM: Join the circus as we follow Barnum's quest to create The Greatest Show on Earth with lots of very talented local youngsters from North Devon AllStarz. Age recommendation: 3+, from July 28 to 30, at the Queen's Theatre, Barnstaple. Prices: £11.50 to £13.50 + £1 fee per ticket.

FUNDERZONE: Party on Saturday August 20, 6.45pm to 9pm is open to everyone. In aid of Honey's Bravery Bags. Lots of soft play, games, stalls, facepainting, sweet stall and more.

So get the kids ready and all head to Funderzone, Barnstaple. Pre-booking not necessary but the event is limited to 160 guests - first come basis. Honey's Bravery Bags provides children with life-threatening illnesses and their siblings with a bag of goodies as a mark of bravery. If you are a business and would like a stall please contact [*grace.honeysbraverybags@gmail.com*](mailto:grace.honeysbraverybags@gmail.com)

COFFEE MORNINGS: North Devon is playing host to several Macmillan Biggest Ever Coffee Mornings on September 30. To get your coffee morning listed call 01271 308082

Roundswell

ROUNDSWELL COMMUNITY CENTRE, adjacent to Sainsbury's, is run as a charity (charity no. 1063837) and provides facilities for hire. These include a large main hall suitable for a larger event and a small room for meetings. It has a large modern kitchen available for use by hirers of either room. Ample car parking space is provided next to the centre. For further information call Helen, the booking secretary, on 07918 729201.

ROUNDSWELL CHURCH: The church will hold its Sunday service to be led by Sally Burton at the Roundswell Community Centre at 10 am on Sunday, July 31. The preacher will be David Phillips and everyone of any denomination is welcome to attend this friendly family service.

MONDAY CLUB: Roundswell Monday Club is holding its regular meeting - the last until September at the Roundswell Community Centre on Monday, August 1. The meeting starts at 2pm at which there will be a film show. Everyone is welcome to come and enjoy this interesting afternoon - refreshments are provided.

Bishops Nympton

Cheryl Woollacott, Capitol Farm, Bishops Nympton EX36 4PH, 01769 550435

FLOWER SHOW: The flower and vegetable show, now in its 73rd year, is this Saturday, July 30, in the parish hall, to be opened by the Reverend Alastair Forman at 3pm, when the winning cups and trophies will be presented. There will be lots of exhibits and classes to see with teas being provided from 3.30pm, with sideshows, stalls and children's games, plus a draw at approximately 5pm.

DEANERY EVENT: During this week end when Bishop Sarah will be visiting the area, there will be a full Deanery Holy Communion Service on Sunday, July 31, at Bishops Nympton Village Hall at 2pm, following on from a bring and share lunch at 12.30pm.

SUMMER CLUB commences in the parish hall on Friday August 5, Saturday 6 and Sunday 7, 11am to 3.30pm each day. This is for all primary school age children within The Edgemoor Group of Parishes and booking is essential. Contact David Baker 01598 740325 for further details.

Bishops Tawton

Norman and Gwen Rider, 01271 322109, [*norman@riderfamily.co.uk*](mailto:norman@riderfamily.co.uk)

LITTLE VILLAGE craft workshops: Book up for a creative workshop experience with a Mandala Workshop for Children 11 to 14 years old, today Thursday, July 28 at 12pm to 3pm, £8; embroidery on Saturday, 30 at 11am-4pm, £13; and Knitting Socks on Saturday, August 6, at 10am to 4pm, £17. Prices include all materials. The workshop has many other crafts to enjoy so take a peek at their website: [*www.learnacraftpp.co.uk*](http://www.learnacraftpp.co.uk) or telephone: 07510 335120.

CHURCH SERVICES: Family church services at St John the Baptist - Go along to this more informal service fortnightly for families at Bishop's Tawton, with children's activities during the service on the last Sunday of each month, being this Sunday, July 31. If families were interested in coming more frequently, they'd ensure there were children's activities every week. A warm welcome awaits everyone.

CRAFT CLUB: Come and learn how to make large paper flowers in the village hall this Monday, August 1, 7pm to 9pm, cost £2, or bring your own project and meet with like-minded people in a friendly atmosphere. Everyone welcome, for more details please call: 01271 377778.

ALLOTMENT: Bishops Tawton Allotment Association currently has several vacancies. Some have been in cultivation and are in a good condition for anyone interested in them. Please contact Steve Edmonds on: 01271 326097 or at [*steve.eds13@btinternet.com*](mailto:steve.eds13@btinternet.com) for more information.

BUCKET OF FUN: Following the huge success of welly week last year, this year will be a Bucket of Fun. Last year raised awareness of the village show and playing field fun day with the wellies and everyone joined in with some fabulous ideas.

This year is proving just as exciting and successful with buckets popping-up throughout the village which will be culminating through the summer leading up to our Fun Day on Saturday, August 27. So let's keep on livening up the village.

Bratton Fleming

Lesley Mclean, 13, Church Close, Bratton Fleming EX31 4TB, 01598 710115, [*lesmclean1@hotmail.co.uk*](mailto:lesmclean1@hotmail.co.uk)

PARISH CHURCH The service of morning worship last Sunday was led by Gail Ward who spoke on the theme of prayer. She said she had a mug at home which said "prayer is the greatest wireless connection" and went on to give a very moving and thought-provoking talk.

Next Sunday, being a fifth Sunday, there is a team service at Kentisbury Church led by the Reverend Chris Tull and the Venerable Dr Mark Butchers, Archdeacon of Barnstaple at 11am. The service will be followed by a bring and share lunch in the village hall.

BAPTIST CHURCH: There is a service on Sunday, July 31, 11am, with Gwyn Thatcher, and a DIY service at 6.30pm. Monday August 1, Bright Sparks 6pm to 7 pm; Tuesday August 2, prayer and bible study; Thursday, August 4, Deacons Prayer.

SCHOOL; Thanks to our governing body chaired by Linda Watt, and the PTA, chaired by Melissa Sloman for all their work. We say goodbye to Mr Crooks, Mrs Evans , Mrs Ashcroft and Mrs Turner. We have to say goodbye to our Year 6 - Will, Tom, Charlie, Kian, Hannah, Jess, Megan, Tommy, Georgie, Casey, Alfie, Jenson, Reef, Juliet, Jason, Emy, Naomi and Nick and also Bradley and Finley Kane, moving to new schools. Cups and badges were awarded to: Class Bray Cup, Lily Gibson; Class Lyn Cup, Frank Gridley; Class Caen Cup, Max Mundell; Class Taw Cup, Joe Hughes and Reuben Mihai; Class Torridge Cup, Casey Dallyn; Seal Cup, Emma-Grace Shapland; Janet Coates Cup, Willow Corriveau; Sporting achievement awards Kian Sloman and Megan Davie; County achievement award, Emy Surman; Governor Badges, Kayla MacBryde, Tichy Sanders, Alfie Smith, Ziggy Robinson and Tommy Bament.

PRE SCHOOL: Last Wednesday, Pre-School and the Toddler Group enjoyed their trip to The Big Sheep - all the children and their families had a fantastic day with some daring enough to ride the new roller coaster!

It was party day on Friday and we sadly said farewell to 11 of our children and their families. Quite a few tissues were used at our presentation ceremony of the children's graduation certificates and leaving gift from the pre-school. We would like to thank all the children and their families for the lovely cards, messages and gifts. They are really appreciated. Have an enjoyable summer holiday, see you on September 5.

BABY AND Toddler Group meets every Wednesday in the village hall between 9.30am and 11.30am. For further information, please contact Bratton Fleming Pre-School on 01598 710019.

CUB SCOUTS: Wednesdays 6pm to 7.30 pm (term time). Contact: Andrew Gibbs 763304 [*andrew@mansardbuilders.co.uk*](mailto:andrew@mansardbuilders.co.uk)

PILATES: Mondays at 7pm at the village hall. All welcome. 01271 343944.

FRIDAY KLUB: Friday Klub opens in September.

FOOTBALL: At the Sports Club every Monday 6pm to 7pm for children six to 11 years old. Contact Paul Nolan 07468 711239 or Annie Jones 07855 878166. No football on August 1 or 8.

Braunton

BINGO EVENING: Come and join us for the bingo evening organised by the Braunton Fundraising Group for Cancer Research UK which will be held next Friday, July 29 at the parish hall Braunton. Doors Open at 6.30pm and eyes down at 7.45pm.

The usual good raffle including veg box with a fiver, cake, wine and a fruit basket etc.

Let's make this a good night to round off our recent successes until we regroup in September when we plan to hold a fashion show. Watch out for details nearer the time.

COUNTRYSIDE CENTRE: Braunton Countryside Centre will soon be hosting its very popular annual series of illustrated talks and film shows. This year's programme starts on August 3 with a return visit from Samantha Pickering, of North Devon Bat Care, who will give another fascinating talk about the lives, care and protection of bats in North Devon.

Other subjects in this year's programme will include talks on North Devon sea mammals, the special mazzard tree, how to do permaculture, the wildlife of Braunton Burrows and much more about the unique natural environment of North Devon.

We hope our fascinating talks will help local people and visitors discover and understand more about the special countryside, coastline and history that surrounds us here in North Devon.

The talk series is also vital to help us raise ***funds*** for the Countryside Centre which plays an integral role in interpreting the internationally acclaimed Biosphere Reserve which is visited by thousands of people each year. The Centre is run entirely by local volunteers and is ***funded*** solely by small voluntary donations.

It has been operating as a community run visitor centre since 1988 when it was built as one of the local projects undertaken by the Manpower Services Commission.

The talks will take place every Wednesday from August 3 until September 21 and begin at 7.45pm, costing £3 including refreshments. The full programme of talks can be obtained from the centre or by emailing Mary Breeds mary\_breeds@ hotmail.com or by visiting the website [*www.brauntoncountrysidecentre.org*](http://www.brauntoncountrysidecentre.org)

TEATIME: Braunton Museum and Information would like to tell readers that tickets for Tea in the Garden at St Merryn in Higher Park Road Braunton are now available at the Museum at £5 each. This includes tea, scone and cake.You are invited to look round the garden which opens on several weekends of the year as part of the National Gardens Scheme. The garden will be open from 2.30 to 4.30 pm on Friday, August 3. There is some parking available in Higher Park Road. You may also pay on entry. Summer Raffle and plants to purchase. Why not bring your visitors along to the Museum for a look at our local history. We have a very authentic model railway depicting Braunton Station in its heyday, just 20p will make it run for you. Admission is free but we do welcome a small donation. We are situated by the Caen Street car park.

BRAUNTON LIBRARY: The Big Friendly Read, summer children's events at Braunton Library - Caen Creatures, Wednesday, August 3, 2pm to 3.30 pm, for ages five to 12 years. Tickets available at the library £2.

Meet on day outside the library, bring wellies.

Hunt round the Library and drop-in crafts all summer for kids all ages. For adults there is Knit and Natter, Thursdays 10am to 11am. We still need volunteers to help with extended library hours, two hours a week could make a difference.

DUCK RACE: St Brannock's Church is preparing for the annual duck race on August Bank Holiday Monday. To make sure that everyone has a chance to buy a duck, sales will begin on Friday, July 29. Why not come down to the Green between 10am and noon and buy your ducks now? The ducks' helpers will be delighted to see you If you do miss this week then ducks will be sold every Friday morning on the Village Green until the great day. The duck race is on August Bank Holiday Monday, from noon, when in addition to the many races there will be pony rides, cream teas, a barbecue, lots of stalls and games, bouncy castle and much more.

Brayford

Madeleine Brownell, [*brownell19361949@btinternet.com*](mailto:brownell19361949@btinternet.com)

QUIZ NIGHT: Advance notice that Anthony's quiz night, "the best quiz night in the area" is on Friday, September 2, 7pm for a 7.30pm start. A little neighbourly competition keeps us all on our toes. In order to cram for the night's questions, here are the categories: gardening and plants, famous people, the Bible, quotes, film, food, musical ***instruments***, churches and cathedrals.

Adults £3; 11 to 16 year-olds £1 and 10 and under free. Super draw prizes, as always. First prize, second prize, and booby. Teams of 6. Bring your own drinks. Tea, coffee and biscuits available on the night.

SONGS OF PRAISE: Songs of praise and barbecue on August 14 at Brayford Bridge, 11.15am. Singing by everyone, something by the children, the Lord's Prayer and Psalm 23 (The Lord Is My shepherd) all followed by a barbecue and games for all. If raining the event will be held in the Methodist Chapel.

FLOWER FESTIVAL: A very successful community flower festival with strawberry and cream teas was held in June at Brayford Methodist Church, arranged by members of the three churches of Charles, High Bray, and the Methodist Chapel.

All the lovely arrangements were arranged by members of the different organisations and pupils of the school in the parish. A lot of people visited the festival and community service, when favourite wedding hymns were sung and wedding cake was served. Lovely comments were received, and it was a most enjoyable week end, when more than £1,100 was raised for the churches. A very big thank you to everyone who supported the festival in any way.

Bridgerule

QUEEN CROWNING: Bridgerule Revel Week has begun with a very successful and enjoyable Queen crowning celebration at the village hall with Holly Trayford looking amazing in her lovely holly-green dress and with attendants Ella-Hillier Cholwell, Phoebe Lucas and page boy Kalem Gliddon. Didn't they look a picture.

This was followed by a church service to bless our new Village Queen held at St Bridget's Church where the four young people were asked to help explain to us all what "revel" really means by decorating the church with bunting etc. A really enjoyable and fun service.

SCARECROWS: We have brought back, after a few year's break, our Revel Scarecrow competition with a very pleasing and popular response. Around the village 18 scarecrows can be viewed and all so very different.

Many thanks to everyone who has taken part as it is no easy task thinking up an idea and then setting about making it. There is a huge teddy bear called Bertie made out of massive straw bales sitting in a field to smaller scarecrows attached to fences etc. such as a John Lennon, Fireman Sam and even a Harry Potter - all worthwhile taking a look at.

To do the Scarecrow trail you can get a list from Rose at Meadows Barn. Judging takes place during this week and fairly soon before the weather helps to spoil them. The results will be announced at the Ham on Saturday (August 30) at the start of the carnival.

Buckland Brewer

Brenda Mills

PARISH COUNCIL: June Snippets. The clerk reported on a letter from Jane Lowe regarding complaints about the bus, health and safety issues, due diligence etc. The council agreed to invite her to a future meeting after gathering further information to report back to us to see if we can indeed do anything to help the situation.

There was a North Devon Health Care Trust meeting in June. Jim Lowe asked if the council could write to express its view and complain about meetings at such times when people were working. He also reminded us about the petition against closing our hospital services.

The government has to respond if there are more than 10,000 signatures. There are currently 10,463. The website needs reviewing to ensure that we are still meeting regulatory requirements. The flood resilience ***grant*** claim was refused.

The parish council and village hall are frustrated with the planning office about the planning application for the new village hall. Councillor Alison Boyle said she was happy to arrange a meeting for ALL parties concerned in her offices with a view to finally resolve the matter. Shirley Tilley attended a meeting in the planning offices and learned that a neighbour to any planned application knows before the public do and that the 21 days notice starts from when the notice goes up. This may be helpful to know for our future planning meetings.

Now that the Post Office van space is clearly marked out, some people have been asking about times: Monday, Wednesday and Friday, 1.55pm to 3.20pm; Tuesday, 1.55pm to 3.05pm and Thursday, 3.05pm to 4.30pm. We will ensure that they are displayed on appropriate noticeboards and on the website.

The amenity field fencing works need to be finalised with some of it being done now and some later depending on when the new village hall is built. Two allotments have become vacant should anyone be interested. There is a waiting list is you wish to put your name down. Thornhillhead mast - George Heywood reported that negotiations were taking place.

Chilsworthy

Sandra Shepherd, Pooh Corner, Holsworthy, 01409 254179

RED CROSS: Joan Sussex would like to thank the residents of Chilsworthy who contributed to the Red Cross Week collection, which raised £92.98

MESSY CHURCH July's Messy Church couldn't have been messier! Before having a lot of fun exploring the workings of a trebuchet (a siege catapult, and don't ask why), Messy Church made a grand mess baking flat breads as they considered the faith put in to action of two Old Testament widows who sought help from the prophets Elijah and Elisha. "We did clean up after, honest!" There will be no Messy Church in August, but this will resume in September.

HOLIDAY CLUB: Chilsworthy Chapel invites you to Guardians of Ancora Holiday Club, August 8 to 10, 10am to 12.30pm at The Stable, Chilsworthy for children who are currently in reception to Year 6, and the village hall for young people who are currently in Years 7 to 9. For more information, please contact Mary Care: 01409 254546/07724153965

TEARFUND: Tearfund has just launched an emergency appeal for the Democratic Republic of Congo where "2.7 million people are fleeing their homes due to brutal violence. No woman or girl is safe." As immediate ***funds*** are needed, a bread sale (with thanks to Penny and Andrew Smith), was held after the morning service at Chilsworthy Chapel. Donations totalling £231.55 were received and have been sent to Tearfund. Following on from this there will be a coffee and cake morning in the Stable on Saturday August 6, 10-30 until 1pm. Donation of cakes would be appreciated.

Chittlehamholt, Warkleigh and Satterleigh

SONGS OF PRAISE will be held in Warkleigh Church this Sunday, July 31, when the Archdeacon will join us. This annual service has proved very popular over the years since its inception by the then Churchwarden, Reg Pincombe in 2001. We invite you to come along and share in this happy occasion. The service starts at 6.30pm and light refreshments will be served afterwards.

SUMMER SHOW The 92nd open summer show will be held in the village hall, Chittlehamholt on Saturday, July 30. Doors open at 2pm. There will be sports for the children on Launds Ground Playing Field during the afternoon. Teas and refreshments will be available in the hall.

Chittlehampton and Umberleigh

Trevor Kirby, 01759 540680, [*trevor@cleavefarm.com*](mailto:trevor@cleavefarm.com)

GARDEN SHOW: The ninety-fifth Umberleigh Garden Show will be held at the village hall on Saturday, August 6, at 2.30pm. Admission is £1, children free. Show secretary David Hawkings said: "We're looking forward to a great show this year; our competitions include fruit and vegetables, flowers, crafts and photography.

There is a children's competition which is being organised by Umberleigh Primary Academy. Visitors can enter their pets in our family dog show and enjoy a home-made cream tea or real ale at the bar. There will be a rural run, plant sales and trade stands and, of course, our famous Human Fruit Machine, so there really is something for everyone. We can't guarantee the weather, but we can promise our visitors a great time at the 2016 Umberleigh Garden Show."

Details of how to enter the competitions are in the show schedule, available from local shops, pubs and post offices, Murch's Antiques Emporium, Umberleigh, and can also be downloaded from the village hall website: [*www.umberleighvillagehall*](http://www.umberleighvillagehall). co.uk

Clovelly

ROUTE 39 ACADEMY: The community of Route 39 Academy came together last Friday to raise money for North Devon Hospice and Shelterbox. A promise auction was held which raised £2,184 for the two charities. Director of curriculum Chris Fuller was delighted with the result.

He said: "Our community of students, staff, parents and governors well and truly kicked into action for the Promise Auction. We had a huge range of people generously offering promises and spreading the word. Our original goal was to raise at least £900, and it is absolutely fantastic that we have raised over double that amount."

Promises ranged from beauty treatments and hampers, to guided walks on Dartmoor and a week in a holiday cottage. Unfortunately ITV's Westcountry's Seth Conway, who was due to run the auction, had to cancel at the last minute, but Mac King, a student at the academy, bravely stood in and ran the auction. "He did a great job," said parent governor Jane Pollock. "He was really organised, funny and engaging and a real asset."

The money will be split between the two charities, allowing the Academy to supply three Shelter Boxes providing emergency shelters and tools for families made homeless by conflict and natural disasters.

CLOVELLY LECTURES: Clovelly welcomes Lord Hennessey of Nympsfield FBA, the 12th political speaker at Clovelly's Forum on World Affairs, International Relations, Security and Defence and Science and Technology, a platform for providing information for informed choices.

Now in its 5th year, Clovelly Lectures has found in Devon a responsive audience, a curiosity and interest in listening and discussing matters that affects our lives in a fast changing and confusing economic and political world. On October 1, Lord Hennessey will be tackling the subject of: Britain's place in the world and in the aftermath of a historic European referendum"

Lord Hennessy has been a regular contributor to press, radio and television since 1987 including a regular presenter of Analysis' on BBC Radio 4 and guest editor of the Today programme.

In 2010 Lord Hennessy became a life peer taking the title Baron Hennessy of Nympsfield and sits as a cross bencher in the House of Lords. Lord Peter Hennessy started his career in journalism, writing for The Times, The ***Financial*** Times and the Economist, where he found a love of the constitution and specialised in the history of the British Government.

Lord Hennessy moved into academia in 1992. He became Professor of contemporary history at Queen Mary and Westfield College, London. From 1994 - 1997 he gave public lectures as Professor of Rhetoric at Gresham College, London. In 1986 he co-founded the Institute of Contemporary British History. Since 2001, Lord Hennessy has been Attlee Professor of Contemporary British History at Queen Mary. The themes of the constitution and the power of the machinery of Government in Britain have stayed at the heart of Lord Hennessey's research. Lord Hennessy has written several contemporary history books most notably Never Again: Britain 1945 - 1951 which won the Duff Cooper Prize and the NCR Book Award and 'Having it so Good: Britain in the 1950's which won the Orwell Prize.

For tickets and further information please contact: [*Clovellylectures11@gmail.com*](mailto:Clovellylectures11@gmail.com) or Tel: 01237 431200. Website: [*www.clovelly.co.uk/clovelly-events/clovelly-lectures-0*](http://www.clovelly.co.uk/clovelly-events/clovelly-lectures-0)

Combe Martin

Sioux, combemartinmuseum@google mail.com

BACON BAPS AND COFFEE will be served every Thursday morning during term time between 8.45am and 10am in the Baptist Church. The Coffee 'n' Chat session will follow between 10.30am and midday. Both of these events are free.

MUSEUM NEWS The museum summer hours are Mondays to Saturdays 10am to 5pm, Sundays 11.30am to 2pm

COFFEE MORNING will be held on Tuesday, August 2, 11am to 1pm. Entry to the museum is free during this time.

TICKETS for the weekly meat raffle are available from the Museum or from the Dolphin Inn where the draw is made every Sunday lunchtime at 2pm. There are three prizes.

SEASHORE SAFARI will meet at the museum on Friday, August 5, starting from 1.15pm to 3.15pm. The entry fee is £2 per accompanied child or adult without children. All children must be accompanied by a responsible adult, and sensible footwear must be worn, suitable for scrambling over rocks. NB: Families with children only pay for the children, as the adults will have to supervise them. Adults without children are also welcome, £2.00 each. One Shore guide will be given to each group, or family.

GETTING CRAFTY: Children's craft carnival workshop, Monday, August 1, 1.30pm to 3.30pm, £2 each accompanied child, includes materials. They will be making something to wear/shake/rattle for the carnival procession on Wednesday, August 10. Booking is advisable.

IMPORTANT OCCASION: On Saturday, July 30, you are all invited to a 10th birthday with cream teas in Margaret Eames' beautiful garden at Middleton House, Church Street, Combe Martin. Teas will be served between 3pm and 5.30pm. Please help us celebrate 10 years of Friends of St Peter ad Vincula on Saturday, July 30. Tickets £6 available from Linda 01271 883578 and Shirley 01271 883554. If weather is unkind we will be in the church hall and, yes, there will be a raffle.

TABLE TOP SALE: Saturday, August 6, at the Community Centre. Sellers from 8.30am, £5 per table/pitch. Buyers 9.30am to noon. Teas and coffees available. Books, bric-a-brac, local produce ... plus lots more. To book a table and/or any queries, please contact Gwen Eastman on 01271 883031.

SHAMWICK ART GROUP: Combe Martin Church Parish Hall, every Thursday 2pm to 4pm, every third Thursday each month. Frank Adey art tutor will be resuming workshops September/October, £5 per person, 1.30pm to 4.30pm. For more information, please call Judy Jones: 01271 883863 or Linda Thomas: 01271 883345.

East Down

Peter Bunch, Arlington Old School EX31 4LW, 01271 850215, [*peter.bunch562@btinternet.com*](mailto:peter.bunch562@btinternet.com)

100 CLUB: This major fundraiser for the village hall renews in August and those who pay in cash are invited to contact treasurer Alison Green, 01271 850298, to pay the £12 per annum renewal fee to ensure a place in the first draw of the new 100 club year.

PRODUCE SHOW: Schedules are available to enter your fruit and veg, flowers, cakes, biscuits, jams, craftwork, painting, photographs, knitting...and a myriad other things, with special classes for men and children as well, in the 38th Annual East Down and District Produce Show. The show format has been overhauled and revitalised with a new date of Sunday, August 14 to avoid the bank holiday. The day will feature a produce stall to sell your donated surplus goods, cream teas, ice cream and other refreshments and a prize draw (draw prizes appreciated) in aid of Macmillan Nurses.

Entry forms can be collected from the egg box next to the village hall, the village hall itself, the church, Kentisbury Stores or email [*lerwillfamily@outlook.com*](mailto:lerwillfamily@outlook.com) on our Facebook page. The show has a lovely village atmosphere in which to meet friends and neighbours with a little competitive edge showcasing the unexpected talents of the many exhibitors. Do join in!

TRACTOR RUN: The farming community (all tractors to be roadworthy and insured), those keen on vintage machinery and locals with children and grandchildren interested in tractors and the farming life (plus steam traction engines and a bouncy castle) are invited to the countryside run around the village and to the barbecue, bar and disco in the evening on Saturday, August 6.

People from further afield can take tents and caravans to the event to make a weekend of it. The run will take place from 4pm starting at Lower Viveham, Muddiford with proceeds in aid of East Down Church. Pam/John Perrin 01271 850274 will be pleased to give anyone more details. Everybody welcome. If you haven't a tractor just come and look at them and enjoy the get-together. Stalls welcome at £5 (bring your own table).

East Worlington

Sue Squire, 2 Threeways, Bratton Fleming, 01598 710526, [*susan.squire@virgin.net*](mailto:susan.squire@virgin.net)

CHURCH FETE: East and West Worlington Churches are holding a fete on Saturday, August 6 commencing at 2pm on the lawn of East Worlington House. There will be something for all ages: teas with homemade cakes, the Worly bargain stall, superb cakes, excellent draw, an array of games and competitions, skittles, coconut shy, children's races, tug-of-war etc. Competitions and photography to be viewed in the parish hall. All proceeds in aid of the churches. Everyone will be very welcome.

Frithelstock

Maureen Poole, Wyndene, Hele Lane, Frithelstock Stone, 01805 622834, [*maureenpoole@talktalk.net*](mailto:maureenpoole@talktalk.net)

RNLI VISIT: Twelve WI members had an enjoyable evening visiting Appledore Lifeboat Station. They watched the inshore lifeboat on an exercise meeting up with the main lifeboat in the estuary. Afterwards they had a very informative talk by Martin Cox giving the history of the lifeboat station. The evening ended with a fish and chip supper in Appledore.

PARTY TIME: Stevenstone Beach Party in the Barn is taking place on Saturday, August 13, 7.30pm till late at Stretchacott Farm, Frithelstock. Live music from Phil Brock (Elvis) and One 4 The Road followed by BK Premier Entertainment. Surf Board and Bungee Run, food and bar. Over 18s only. Ticket only entrance, £10 per person. Dress code: Hawaiian/beachwear. Overnight camping available. Tickets available from the Green Dragon 01805 601342, Monkleigh Garage 01805 623157, Laura Coles 01805 601666, Maria Poole 01805 623314 and Claire Wilson 01237 459229. A donation will be made to Wallace & Gromit Children's Charity for Bristol Hospital.

Goodleigh

Mary Tonkin, 01271 378910, [*goodleighnews@lundybay.net*](mailto:goodleighnews@lundybay.net)

NOTICE: Goodleigh Parish Council notice - over the summer large ***agricultural*** vehicles such as combine harvesters need to come through the village. The parish council would ask anyone parking their car on the roadside to do so as tight as possible in order to avoid delays and inconvenience to other road users.

SUMMER SHOW: Goodleigh Horticultural Society Summer Show is on Saturday, August 13. Schedules and entry forms are available from the committee or village hall noticeboard.

SKITTLES: Goodleigh Summer Skittles continues, on Monday, August 1. The Singles will still begin at 7.30pm.

GOODLEIGH SCHOOL: New term starts Monday, September 5.

CHURCH: Goodleigh United Church welcomes you to their Sunday morning worship at St Gregory's Church from 9.30am to 10.30am.

ART CLASSES: These continue with Avice Yeo, fortnightly on Monday mornings through the summer from 10.30am to 12.30pm. Cost is £10 per session. For more information call Avice on 01271 870849.

KEEP-FIT: Ladies' Keep Fit is on Tuesdays in the village hall from 10.30am to 11.30am. Cost is £3 per session. Call Bridget on 01271 375631.

PILATES in the village hall takes place normally on Tuesdays, next class is on August 2. Call Louise Lyne on 01271 343151 for more details.

DANCE CLUB: Bratton Fleming Dance Club's next charity dance is August 20, from 7.30pm to 11.30pm, bring and share supper, and the next club night is August 9, from 7.30pm.

MOBILE LIBRARY: The next visit is Monday, August 15, 11.50am to 12.20pm.

Halwill

LOTTERY ***FUND***: The parish church of St Peter and St James Halwill has received initial support from the Heritage Lottery ***Fund*** (HLF) for its urgent repair work project. The project aims to carry out urgent repairs to the church tower and surrounding drainage. Development ***funding*** of £33,700 has also been awarded to help the church of St Peter and James progress their plans to apply for a full ***grant*** at a later date.

The project aims to carry out essential conservation work to stop the C14 church tower collapsing, allow the church bells to be rung again and to stop damp ingress to the fabric of the building. It will also improve disabled access to the building. It hopes to see the community engaging with the heritage of the building and the surrounding area by the installation of media tools to explain and encourage exploration. Improved signage and a media station inside the church are envisaged.

The church of St Peter and St James is located in the village of Halwill Town. It is a 14th century grade II\* listed building surrounded by a traditional churchyard. It was refurbished in the late 1800s. It is regularly used by the local community for baptisms, marriages and funerals. It receives many visitors to it secluded churchyard.

Commenting on the award, The Reverend Jane Lucas, vicar of Halwill church said: "We're delighted that the Heritage Lottery ***Fund*** has given us this support. The church of St Peter and St James with its surrounding churchyard is a local gem and visited by many local people and visitors. It's great to know that it will continue to be open for future generations.

Nerys Watts, Head of HLF South West, said: "Places of Worship are so often at the heart of local communities. Alongside their role in worship, they also host meetings, events and local services. Through our ***Grants*** for Places of Worship scheme we invest National Lottery money in ensuring these historic buildings are still able to fulfil this vital role well into the future and we're delighted to support the development of this project at Halwill Parish Church.

Hartland

Tricia Oakley, 01237 441690, [*barnpark@live.co.uk*](mailto:barnpark@live.co.uk)

CHURCH SERVICES: Sunday, July 31, 11am morning worship at the Methodist Church. Music Festival Sung Eucharist at St. Nectan's 11am.

WEDDINGS and baptisms: All enquiries for Stoke, Welcombe, Clovelly, Bucks Mills and Lundy may be directed to the parish office, which is situated in the church rooms in the car park. Someone is in the office on Mondays, Tuesdays, Thursdays and Fridays between 10am and midday, so do drop in. The phone number is 01237 441142 and an answerphone will record a message if nobody is there to speak to you.

COMMUNITY MINIBUS: We are delighted to have received a donation from The Albert Hunt Trust towards the cost of running our Friday Going Out and About minibus group in the Torridge area. If you know anyone who would benefit from a time-out from their four walls in friendly company, contact driver Karl on 01271 549680.

SUMMER SHOW: Hartland Garden Society's Summer Show will be held on the playing fields on Saturday, July 30. Official opening by Andrew Macwilliam at 2.15pm. Hartland Town Band will be playing in the early afternoon and there will be sports events for all ages after the prize giving at 3pm. The raffle will be drawn at 4.30pm.

HOLIDAY CLUB: The Churches Together Holiday Club, Carnival Kids, will be held in the Methodist Church Hall from 10am to 12pm from Monday, August 8 to Friday August 12. This is for children aged five to 11 years (younger children by arrangement). Please complete a registration form - available from St Nectan's Church Rooms in the car park and return to the Church Rooms (01237 441142) or email [*st.nectans@gmail.com*](mailto:st.nectans@gmail.com) with enquiries.

Horwood, Lovacott, Newton Tracey and Alverdiscott

Louise Williams, [*allsmiles1063@btinternet.com*](mailto:allsmiles1063@btinternet.com)

FLOWER AND PRODUCE SHOW: Alverdiscott Village Hall, Saturday, August 6, 2.30pm. Schedule available at [*www.alverdiscott-huntshaw-parish*](http://www.alverdiscott-huntshaw-parish). org. uk or from Dave Potter, 01271 858534. All entries welcome.

GARDENING CLUB: Talks and visits on the last Monday of each month except Bank Holidays, from 2.30pm. Alverdiscott Methodist Chapel. Please call Cynthia on 01271 858237 for more information.

AUCTION OF PROMISES: A date for your diary. Join us at Lovacott Village Hall on Friday, September 23, from 7pm. Auctioneer Andrew Jennings will start the bidding for many fantastic lots including vouchers for days out and meals, football tuition, homemade goodies, beauty treatments and much more. You can even bid for the skills of a professional tradesman for the day. The evening promises to be great fun and all in aid of Horwood and Newton Tracey Primary School. Bar and refreshments available. Lots can be viewed by visiting [*www.auctionofpromises*](http://www.auctionofpromises). com/HNTPS. Online bidding is now open but will conclude on the night. For more details or should you wish to donate your own promise, please call Caroline McFarlane on 01271 858779.

HORWOOD WEBSITE: Please visit [*www.horwooddevon.co.uk*](http://www.horwooddevon.co.uk) for interesting village information and details of all events in and around Horwood.

MOTHER AND TODDLER GROUP: Every Thursday during term time only from 9.30 to 11.30am at Lovacott Village Hall. All welcome, suitable for birth to pre-school age. Come and make new friends and let your little ones have a play. £2 for first child, £1 for additional children which includes a snack. Lots of lovely toys plus arts and craft.

EXPLORE: Come along on the last Sunday of each month to Alverdiscott Methodist Chapel for Interactive Bible Study. Light Refreshments Served. More details from Stuart on 01271 858258.

Ilfracombe

Shirley Jones, Sunnydale, 4 Avenue Road, Ilfracombe. EX34 9AT, 01271 863630, [*shirleyjns311@gmail.com*](mailto:shirleyjns311@gmail.com)

DISCO: There is a 60s Disco Night on Saturday, July 30 at Ilfracombe Town Football Club, 8pm, £5 at the door with refreshments and raffle. In aid of Ilfracombe Community Minibuses.

FARMERS' MARKET: Ilfracombe Farmers' Market is on Saturday, August 6, at Lantern Centre, High Street, 10am to 12.30pm with fresh local and organic produce and craft, refreshments, music. New producers welcome. Information 01271 864621

MUSICAL MEMORIES meet at the Vision Centre Slade on first and third Tuesdays in the month. This is a social singing group for people with Alzheimers, dementia and memory difficulties. Details from Hazel on 01271 863944 or Margaret 01271 882927.

TABLE TOP SALE Sunday, August 7, at Table Tennis Club, Fore Street, in aid of FOND (Friends of North Devon Families which supports and aids local families and their children in need). To book a table and/or information contact Ken on 01271 855699.

Instow and Westleigh

Pearl Hackett, 01271 861458.

CHURCH SERVICES: Sunday, July 31 at St John the Baptist, Instow is the joint benefice service at 10.30am so there is no service at Westleigh. The Beach Service will take place next month on August 14, which is also Community On Show day and Appledore and Instow Regatta. Beach activities include a sandcastle competition, face-painting, dog show, children's races, live music and barbecue. The Parish Hall Show includes children and adult amateur competitions in baking, crafts and garden flowers, vegetables, soft fruits, paintings, drawings, photography and poetry. Delicious teas will be provided by Instow and Yelland WI.

Kentisbury

Dena Denham, 01598 763491, [*denaandlaurie@gmail.com*](mailto:denaandlaurie@gmail.com)

CHURCH NEWS: The charity stall booked for Friday, July 15, had to be cancelled. The stall booked for August 19 has been changed to Friday, August 12. Anyone with any goodies for us to sell, please call either 01598-763491 or 01598-763207 and we will be happy to collect. Don't forget the car boot sale at Blackmoor Gate Market Place on Monday, August 29. Fingers crossed this lovely weather will last for this event. For further details call the above numbers.

BIRTHDAY TEA: What a lovely afternoon the three parishes of Arlington, East Down and Kentisbury put on for the Queen's 90th Birthday in Kentisbury and Trentishoe Village Hall. Even the weather changed from three days of thick fog to sunshine just in time. The children enjoyed a bouncy castle, which was set up in the enclosed play area behind the school. They were able to make their own crown and there was a welly-throwing competition for all ages. Inside the hall, tables were laden with wonderful food, tea and Pimms! What a shame for those who worked so hard, that more people from the three communities didn't take the opportunity to join in the fun and meet up with friends and neighbours. Well done and thank you to everyone who put so much into this event.

Landkey

Janet Dymond, Apple Tree Cottage, Blakes Hill, Landkey, 01271 830077, [*janetdymond@gmail.com*](mailto:janetdymond@gmail.com)

HORTICULTURAL SHOW The show is in Landkey School on Saturday, July 30m starting at 2pm. Free entry to the show, cream teas, raffle, tombola, cake stall and of course all the flower, vegetable and other classes to look at and admire. There is a sale of produce at 4pm.

MOBILE LIBRARY: Thursday, August 4, Meadow Close 1.35pm; car park behind Castle Inn 2.10pm; Bakery Way 3pm; and Denes Close 3.50pm

Lee and Lincombe

Edna Thompson, [*edna44@tiscali.co.uk*](mailto:edna44@tiscali.co.uk)

FLOWER SHOW: Lee annual Village Flower Show is today, Thursday July 28, in the Memorial Hall from 2pm with trophies being presented at 4.30pm. After the presentation of trophies there will be a sale of produce at 5pm. There are classes for floral art, cookery, produce, cut flowers, pot plants, handicrafts as well as children's classes so something for everyone. We are looking forward to a record-breaking show so please come along and enjoy all the lovely entries - everyone very welcome.

ARTS AND CRAFTS FAIR in the Memorial Hall will be held from Saturday' July 30 to Sunday' August 14. Open daily from 11am to 5pm. A beautiful selection of locally created art and crafts will be on sale together with delicious refreshments available throughout the fair. Raffle with first prize of a wonderful handmade patchwork quilt as well as other lovely prizes. Free admission and car parking available with disabled access if required next to the hall. Everyone will be made most welcome - we look forward to seeing you.

CRAFT GALLERY Lisa White from Art Mash will be at the Old Schoolroom Craft Gallery on Tuesday August 2 and Tuesday August 9. Lisa will show you how to create your own fused glass work of art from noon. A small fee applies to cover the cost of materials. Booking advisable. Other workshops taking place throughout the summer. Check out The Old Schoolroom Craft Gallery and ArtMash@DevonArtMash on Facebook, also the blog on [*www.wildcoast.co.uk*](http://www.wildcoast.co.uk) or phone 01271 864067.

Loxhore

Chris Harrington, 01271 850200, [*2012LoxhoreNews@gmail.com*](mailto:2012LoxhoreNews@gmail.com)

SPORTS DAY is on Saturday, July 30, at 3pm at the village hall sports ground. There will be races and fun activities for all ages, so no excuses please. Also please remember to bring some food for the bring and share tea. In addition to an afternoon of fun there will be a raffle and in the evening rounders and a barbecue.

COFFEE MORNING and the 100 Club draw is on Thursday, August 4, at 10am at the village hall. This is a community get-together for everyone able to attend. We had a wonderful crowd on July 21.

SUMMER SHOW: Just a reminder that our summer show is on Saturday, August 13, starting at 2.30pm. By now all Loxhore households should have received the Loxhore Lines with full details of the show. The show is open to Loxhore residents, their children and grandchildren. Completed entry forms need to be with Kim Seggons by 6pm on Wednesday, August 10, plus 10p per class entered for those over 16 years of age. Now is the time to contemplate and cogitate on what new class or exhibit to enter. Prizes will be awarded at about 3.45pm.

Lynton and Lynmouth

Mervyn Mugford, Tranquillity, Parracombe, 01598 763261, [*news@bodley.demon.co.uk*](mailto:news@bodley.demon.co.uk)

LYNTON CINEMA Absolutely Fabulous: The Movie (PG) showing for the final time at 8pm this evening. Starting tomorrow, Friday, July 29 for seven days, Melissa McCarthy, Kristen Wiig, Leslie Jones and Chris Hemsworth in Ghostbusters (2016) (12A). Showing each day at 2.30pm and 8pm except no 2.30pm matinÃ©e on Sunday, July 31. Coming next, Ice Age: Collision Course (U) and Jason Bourne (12A).

Morwenstow

John Cleave, Middlefields, Morwenstow EX23 9HY, 01288 331396, [*cccleaveandson@farming.co.uk*](mailto:cccleaveandson@farming.co.uk)

SPORTS EVENING: The event at Woodford Methodist Chapel was blessed with fine weather - it was dry! The evening was arranged by Jonnie, Nicola, Elizabeth and Edward Hobbs. There were a few table top games and a book stall. Most of the 15 children who attended also enjoyed having a go at the rounders and croquet played on the grass at the rear of the cemetery. The parents and other adults who were there shared in the food and drinks with the children. The Reverend John Peak gave a vote of thanks and all present shared a birthday cake, made by Elizabeth for her father's birthday.

WOMEN'S Institute Meeting was held at the WI Hall in Shop on Wednesday, July 13. Our speaker Alan Rowland gave a fascinating talk illustrated with slides about his life as A North Cornwall Naturalist. He spoke of his growing interest in wildlife when his family moved to the edge of the countryside. Naturally inquisitive he enjoyed recording his sightings. Then when he retired he did a number of courses to improve his survey skills. He now takes part in a number of initiatives recording sightings of wildlife as diverse as pond life, moths and birds. In his own garden he has seen 50 different types of birds, 15 butterflies and nine mammals. He is also involved in recording beach strandings such as the recent whale at Perranporth and leading local nature walks.

After supper provided by Jennifer Colwill and Sue Joyner, we discussed arrangements for various future events, then did a quiz organised by Judith Ingram and Christine Hartigan, which tested (in cryptic form) our knowledge of confectionery. This was won by Sue Joyner. Valerie Tape won the Flower of the Month competition and Barbara Wickett and Judith Ingram won the prize for the best painted pebble. The next meeting is a visit to Kitchen Front in Bude on September 28. We are always happy to welcome new members, so if you think you might like to join us contact Debbie Nicholls, secretary on 01288 331426 for more information.

ANNUAL BUMPER FEAST was held on the evening of Friday, July 15 at Morwenstow in the chapel at Shop and the garages and grounds provided the perfect setting for the barbecue, with potatoes, various salads and desserts served to around 100 people. There was also a prize raffle. All proceeds were in aid of the upkeep of the premises and its grounds.

CAFE SERVICE: The Reverend Neal Street led a special "CafÃ© Style" service of thanksgiving at Morwenstow Methodist Chapel at Shop on Sunday, July 17, for all those who help the chapel throughout the year. There was finger food available prior, during and after the service. The organist was Colin Tape and lessons were read by Joyce Vaughan and Robert Souch. Jaik Payne sang a solo accompanied by Edith Cleave (Northway). No collection was taken, but a plate at the rear was there for

North Molton

Ruth Govier, 01598 740661, [*ruth.govier@btinternet.com*](mailto:ruth.govier@btinternet.com)

ALL SAINTS CHURCH: A service of healing and reconciliation with Holy Communion is being held on Tuesday, August 2 at 6.30pm.

KNIT NATTER AND CRAFT is being held at the Old School on Wednesday, August 3, from 2pm to 4pm. All welcome.

OPEN GARDEN in aid of the North Devon Hospice, is at Court Hall, on Sunday, August 7 from 2pm to 5pm. Entry £3, under 16s free, plus tea available for a donation. There are book and cake stalls and a raffle. Dogs on a lead are welcome.

Parracombe

Mervyn Mugford, Tranquillity, Parracombe, 01598 763261, [*news@bodley.demon.co.uk*](mailto:news@bodley.demon.co.uk)

BONFIRE: Parracombe Beacon Quarry bonfire, Friday, July 29 opening at 6pm. Live music from Basil's Blues Band, Skylark and Over and Above. Tea, coffee and bar refreshments, burgers and hog roast. Games and competitions and rescue demonstration by Lynmouth Coastguard on the quarry rockface. Bonfire lit at dusk by Parracombe Revels Queen. Admission £1.50, children free, proceeds to Parracombe and Martinhoe good causes. Ample free parking, signed from Killington Cross on A39. Stout footwear recommended.

Petrockstowe

David Kelsey, Wooletts, Rectory Rise EX20 3HQ, 01837 810796, [*davidindevon@btinternet.com*](mailto:davidindevon@btinternet.com)

SUMMER FETE: The village fete and fun dog show was held during the afternoon of Saturday, July 23, in the Recreation Ground. A huge turnout from the village enjoyed the lovely warm, sunny weather and the selection of craft stalls, also the delicious hog roast run by Simon McCann, Fiona Croft and Kevin Bly. There was a large entry in the fun dog show run by Richard Henderson and helpers. The Hatherleigh Bashers Ukulele Band played throughout the afternoon, their music being enjoyed by all. The church community also provided lovely cream teas which were much appreciated. The newly built bar area staffed by members of the recreation ground committee was kept busy in the hot weather. The afternoon concluded with a very amusing series of scientific experiments run by the village's very own Mad Professor, Peter Wright. All in all it was a very pleasurable afternoon enjoyed by the whole village.

CIDER and PASTY WALK: A fundraising event for St Petroc's Church will be held this Sunday, July 31. The start is at Hallwood Farm, Petrockstowe, at 1.30pm for a 2pm start. The charge is £5 per person. To enter please contact Ann Luxton on 01837 810728. Dogs may be accompanied but must be kept on a lead at all times. Good footwear is recommended for this enjoyable walk through some lovely countryside. There will be cider and pasties at the completion of the walk at Hallwood Farm, with drinks halfway.

PIMMS AFTERNOON: The Ladies Group's famous Annual Pimms Afternoon will be taking place in the Baxter Hall on Thursday, August 11 from 2.30pm to 5pm.This is a fundraising event with donations gratefully received towards the Ladies Group Charities. For further information please contact Ann Tomkins on 01837 810501.

LAURELS QUIZ: The next quiz will take place on Tuesday, August 2, with the proceeds in aid of the play area.

CRICKET: Unfortunately, the League match away v Bideford on Sunday July 24 was cancelled due to rain. The next home game is a friendly match on Saturday, July 30 starting at 2pm. There will also be a home league game v Filleigh on Sunday, July 31 starting at 1.30pm.

Roborough

Caroline Petherick, [*carolinepetherick1954@outlook.com*](mailto:carolinepetherick1954@outlook.com)

COFFEE MORNING: The village hall coffee morning for July made £53.50p. 200 club winners were £15 Ros Pickard; £8 Darren Hookway; £5 Mary Peacock; £5 Michaela Moore. Next coffee morning Friday, August 12. 10 till 11.30. Village hall barbecue, Saturday, July 30, 7pm.

Shirwell

David Friend

FLOWER SHOW: Shirwell Flower and Vegetable Show.

This year's Shirwell Flower and Vegetable Show will take place on Saturday August 6 at the village hall. The show will be opened at 2.30pm by Tom Beard. Afternoon teas and children's sports will follow the opening of the show. For schedules please contact John Gooding 850240.

South Molton

Debbie Quick, 01769 573103, [*debbie.quick65@btinternet.com*](mailto:debbie.quick65@btinternet.com)

ANTIQUES MARKET: South Molton Antiques Markets takes place throughout 2016 in the South Molton Pannier Market, 10am to 3pm on the following Sunday dates: August 21, September 18, October 16, November 20 and December 18. For more information please call 07973 803740 or visit [*www.pannierantiques.com*](http://www.pannierantiques.com) to buy and sell antiques.

SEE HEAR: The See Hear on Wheels have published their dates for 2016. The events take place in South Molton Lorry Park from 2pm to 4pm on the following dates: August 18, September 15, October 20, November 17 and December 15.

MUSICAL MEMORIES: South Molton Musical Memories meet every Thursday ( except second Thursday of month ) 10.30am to noon, at Amory Centre. Friendship group and for early dementia folk. Teas, coffee, biscuits, easy sing and good fun! We would love to see more folk.

NORTH DEVON SHOW: This year's event is being held on Wednesday, August 3 at Umberleigh Barton Farm. But have you ever thought about supporting your local ***agricultural*** show by becoming a member of the North Devon ***Agricultural*** Society? If you would like more information, please call in at the show office in the George Arcade, South Molton or ring 01769 573852.

CANCER RESEARCH: The next event for Cancer Research UK, South Molton, is on Saturday, October 29 when the brilliant rock covers band The Full Motley is returning to the Coaching Inn, South Molton. Dance the night away or just come along and listen. Tickets £15 from committee members and the Honey Farm, 01769 572401

CAR BOOT SALE: A date for your diary, South Molton United Junior School will be holding their next car boot sale on the morning of Sunday October 23. More details to follow. So start putting aside now anything that you think you may like to sell, and come along and support us.

HOLIDAY CLUB: There are still some places available for a holiday club with the theme Noah's Ark on August 11 to 13, 10am to 12.30pm. There is drama, drumming, crafts and games. More information from Shirley Punt (Children and Families Worker). Please book so that we can purchase the appropriate resources. Tel: 01271 343716 or e mail [*shirleypunt@btinternet.com*](mailto:shirleypunt@btinternet.com) or check out the website: [*www.southmoltonmethodist*](http://www.southmoltonmethodist) church. org.uk. The cost is £6 for the three days with a reduction for more than one child. Bursaries are available.

Yarnscombe

Louise Williams, [*allsmiles1063@btinternet.com*](mailto:allsmiles1063@btinternet.com)

YOUTH CLUB: This will resume in September when children go back to school. Every other Friday from 7pm to 9pm in the Village Hall. £1.50 per child, £1 siblings. Fun and games, activities, tuck shop. Under 8's accompanied by a parent/carer.

SHORT MAT BOWLS: The dates for the Short Mat Bowls roll ups are Wednesday August 3rd and 17th and September 7th and 21st. We hope you can make it and look forward to meeting you.

SCARECROW COMPETITION: This year's theme for the Scarecrow Competition will be Nursery Rhymes. The date for the results (and cider walk around the village) will be Sunday 4th September. So, the challenge has been set - get your creative thinking caps on! To register your entry, please email Lesley Latter your name and address - [*lesleylatter@btinternet.com*](mailto:lesleylatter@btinternet.com) Good luck and have fun making your scarecrows.

MOBILE LIBRARY: Will visit the Victory Hall car park on Monday August 15th at 11am until 11:40pm. Please support this local service - we might lose it if we don't use it!

COMMUNITY MINIBUS: We are delighted to have received a donation from The Albert Hunt Trust towards the cost of running our Friday "Going Out and About" minibus group in the Torridge area. If you know anyone who would benefit from a time out from their four walls in friendly company, contact driver Karl on 01271 549680.

VICTORY HALL: Just a reminder that the bar in the Village Hall is open every Saturday and Monday evenings from 8pm until 11pm. We have Men's Skittles, Ladies Skittles, Badminton and Short Mat Bowls. Anyone requiring more information on these activities or wishing to book the hall, please contact Karen Avery on 01805 624834.

**Graphic**

LAST CLASS: Pupils from Yeo Valley Primary School in Barnstaple say goodbye in their last term before going on to secondary school.

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Great Yarmouth Mercury

January 22, 2016 Friday

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**Section:** ROP

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**Body**

Browston Hall Indoor Bowls Centre - At the weekend there were 32 bowlers competing in the battle between Browston men's B team and their opponents Wymondham. With the final 21st ends playing Browston were leading by one point overall, sufficient for a comfortable home victory. However, with a double whammy of two blocks each conceding consecutive four shots deficit the home team went down 80-87. One shining star in the gloom was the block of Jon Carter with a confident win by 23-9, the successful members being Mike Harvey, Mike Fathers and Geoff Bird. The Ladies A team had a similar experience going down at home to a strong Woodlands A side. Once again one block tasted victory, Maggie Spurway leading Chris Bird and Sheila Shaw to a deserved 16 shots to 11 success. There are still opportunities to enjoy playing or learning bowls at the centre. All equipment and bowls provided at no extra cost, call 01502 667591 for details.

History Society - The next meeting is on Sunday at the JGI at 2.30pm when Trevor Austin will bring some of his collection of artefacts to look at, handle and discuss, non members welcome, there will be a raffle for club ***funds***, teas, coffees will be available. Admission £3, members £2. Further information from 01493 780776.

Judo - There is a new weekly session starting at the New Road Sports Hall, Belton on Tuesday. The sessions will be run by former British champion and ex-international Judo fighter Dominic King. This is ideal for complete beginners and the first month is free. Sessions will be from 5 to 6pm. For further information contact Dominic on 07977 432756 or email [*dominic@fightingfitjudo.co.uk*](mailto:dominic@fightingfitjudo.co.uk) or search Facebook Dominic King Judo & MMA Academy.

Church - On Sunday there is a service of holy communion at 10.30am at All Saints Church.

Bingo - This week the caller was Miss Lawrence and the winners were Mrs Baker, Mrs Bishop, Mr Barber, Mrs Buckworth, Mrs J White, Mrs Scrivener, Rachel Goreham, Rebecca Goreham, Mrs Smith, Miss Scrivener, Mrs Bradley, Mrs Beech, Mrs L Goreham, Mrs Gook, Mr Plowman, Mrs Rivett, Mrs Plowman and Mrs Dyson. Bingo is played at the JGI every Monday at 7.30pm, new players welcome.

Food store - The mobile food store organised by Community Connections and Great Yarmouth and Waveney NHS visits Belton every Wednesday, parking at The Tavern car park 11.50am to 12.15pm.

Quiz evening - The next team quiz will be at the JGI today, 7.30pm, teams of up to four players welcome, £5 per team, enter on the evening, there will be prizes for the winning team and a raffle during the evening. For information call Barbara on 01493 781294.

Money and debt advice - Free, impartial and confidential advice and guidance on a range of money and/or debt issues is being offered at the village green children's centre, Belton by a representative from DIAL monthly on Thursday 1 to 3pm, the next visit is on Thursday, for more information call 01493 789562 or e-mail [*childrenscentre@moorlands.norfolk.sch.uk*](mailto:childrenscentre@moorlands.norfolk.sch.uk)

Over 50s/60s Cub - The Club meets every Tuesday at 2pm at the JGI, it has a healthy membership but new members are welcome. The afternoon starts with bingo followed by tea or coffee, then either cards, Rumikub, Scrabble, Dominoes are played or people can just socialise. Entry is £1 and there are outings, lunches and theatre visits. For further information call Norma on 01493 780447.

Yoga - Classes take place at the John Green Institute on Mondays at 10.15am £2.50 per session. Bring a floor mat and towel, everyone welcome. For information contact Wilma on 01493 780194.

Pilates - Sessions are held at the JGI every Tuesday 9 to 10am £5 per session, a class to improve posture and gain core strength, for information contact Lorrain 07747 720139.

Zumba - Sessions are held at the JGI every Tuesday at 10.15am, £4 per session, for details contact Lorrain 07747 720139.

Belton Art Group - All are welcome to try painting, drawing, art and crafts or needlework. This is a small friendly group meeting on Wednesdays 2 to 4pm at the JGI, members are always willing to help get people started and welcome new faces. For further information call 01493 488683.

Church services - On Sunday in St Nicholas Church are 8am holy communion, Book of Common Prayer; 10am holy communion; 6.30pm evening prayer. Services are conducted by the Reverend Chris Tinker and the Reverends Sue and Martin Upton. At the Methodist Church Mr S Cushion conducts the morning service, 10.30am. On Wednesday there is a service of holy communion in the parish church at 9am and the church is open for quiet and prayer from 9.30am to 1pm.

Community library - The Lords Lane library is open tomorrow 10am to 12.30pm, Monday 10amd to 12.30pm, Thursday, 2 to 5pm and next Saturday 10am to 12.30pm.

Wedding fair - On Monday in the parish church hall from 7.30pm.

Over 60s Club - The club meets every Tuesday in the community centre, 1.30pm. For more details call the secretary, Joy Codling on 01493 440314.

Methodist Church - On Tuesday there is bible study at 10am followed by a charity lunch at noon. On Thursday Friendship Club meets at 12.30pm for lunch with entertainment from 2pm.

Mill Lane Centre - Tomorrow there is an auction run by the Spiritualist Church. Sellers entrance from 4pm, 17 percent sellers premium; viewing from 5pm; sale starts 6pm. The snack bar will be open serving refreshments. For enquiries call Jane on 07754 181170 or 01502 750124.

Little Pearls - Formerly known as the Pram Club, is open to anyone who takes care of children up to school age. It meets in the parish church hall every Tuesday during term time from 1.45 to 3.30pm. The timetable is flexible. As well as time for socialising, there is a short singing and Bible story time in the church building at 2.15pm. Contact Julie Nicholls on 601736 for more information.

Whist drive - Loretta Laramy won last week's whist drive scoring 186. Other winners were Les Read, 169, and Chris Pring, 159. Robin and Loretta Laramy won the miniature drive scoring 45. Charity whist drives are held in the community centre on Wednesdays, 7.30pm. New players are welcome, for details call Mavis Scott on 651063.

Solo whist - James Esherwood won the community council's solo whist drive held in the community centre scoring 220. Malcolm Metcalf was runner-up with 180. Solo is played every Thursday in the centre cottage, 7.30pm. For further details call 667701.

Film night - The first film night of the year is on Friday, January 29, 7.30pm and features the 2015 drama Woman in Gold. There is no charge for admission. Donations towards costs are welcome.

Radio Club - The club meets tonight in the community centre, Lords Lane, 7.30pm. All who are interested in radio and electronic communications are welcome to attend.

New venture - This fortnightly activity club for children aged five to 11 meets today in the parish church hall, 4.30pm.

Parish council - The amenities and highways committee meets on Tuesday in the Leo Coles Pavilion, 7.30pm. The first meeting this year of the full parish council is on February 9.

Community centre - The trustees had their first meeting of the new year last week. Discussion mainly centred on the hiring charging structure, which is being reviewed, with proposals being considered at the next meeting on April 11.

Gardeners Club - The January meeting on Monday in the community centre is the annual pie and punch night, 7.30pm. Tickets are available from the treasurer.

Church service - On Sunday there is a service of morning prayer at 9.30am.

Craft fairs - It has been decided not to go ahead with the craft fair at the village hall in mid February, the next date expected to be sometime at Easter.

Parish council - In efforts to improve communication between the residents and parish council, the council now has a Facebook page.

St Edmund's West Caister - On Sunday, January 17 the Rector led a well attended service of holy communion. This Sunday there will be a communion service at the usual time of 9am.

Holy Trinity Parish Church - The parish welcomed the Rev'd Peter Timothy, minister of Park Baptist Church in Great Yarmouth, to preach at the parish eucharist last Sunday. This marked the start of the week of prayer for Christian unity in the parish and continued the long established tradition of welcoming the ministers of Park Baptist Church to the pulpit at Caister. This was also the first opportunity for parishioners to see and appreciate the restored monument of William Crowe, with the bust of Mr Crowe which had been stolen in 1914 fully repaired and reinstated on his monument. This Sunday the Rector will preside at the parish eucharist at 10am and the reader, Mary Taylor, will preach. In the afternoon at 3.30pm the parish church will host the annual united service of the Caister churches for the week of prayer for Christian unity. Everyone is welcome to join for this service entitled 'salt of the earth' prepared for worldwide use by the Christians of Latvia.

Whist drive - Three tables were played at the drive on Monday night. Winners were Pauline and Peter 167, Lorna and Sylvia 167 and Jean and Billy 158, booby Janet and Diane, raffle prises went to Jean, Janet, Billy, Ellen, Lorna and Diane. The next partner drive is on Monday, February 1 at 7.30pm in the village hall.

All Saints' Church - On Sunday at 9.30am there will be a service of holy communion with the Reverend John Stride.

Stitching Group - This is a friendly group of like-minded people all at different levels of experience. If anyone enjoys stitching and sharing creative ideas they are welcome to join. Bring a own project, embroidery, knitting, crochet, patchwork, or creative sewing. For further information call Elisabeth on 01692 582913 or Pat on 01692 582978, £4 per session including tea, coffee and biscuits. The next meeting will be on Tuesday in the village hall between 1.30 and 3.30pm.

Paper crafters - The group met on December 9 and made one project followed by refreshments. The group will return in the new year for one meeting only in January, February and March and will hopefully return to twice-monthly meetings in April. The next meeting will take place on Wednesday from 1 to 4pm in the village hall. For further information contact Gill on 01692 631592.

Shopper bus - The next bus will be going to Norwich today. For details of pick-up points and ticket prices call 01692 580940.

Fitness classes - For seniors take place on Wednesdays in term times, between 9.30 and 10.30am. Cost is £4 per session. Call Sheryl on 07917 544388 for more information.

Church - There will be no service at the church this week but there is a 10.30am joint Sunday holy communion at Fleggburgh, all welcome.

Broadlands Theatre Group - Tomorrow the group will be performing for the first time in the village hall, putting on a play entitled 'Afternoon at the Seaside' by Agatha Christie. This will be the first use of the hall's recently equipped stage. Performances at 2pm or 7pm. Tickets are £6 from the post office or at the door. Proceeds to the group and playing field.

Jumble sale - The year's first sale in the new hall will be held on Saturday, January 30 at 2pm. Any items which can be sold, clothing, bric-a-brac, literally anything, contact Jenny for collection on 01493 369250. Now the new hall is up and running and equipped with large rectangular tables, it is hoped to have regular sales to raise money for the new hall and other village organisations.

Craft fairs - Will be held in the village hall on the first Sunday of every month, 10am to 4pm. The first event on February 7 will be opened by the mayor.

Coffee morning - Thursday, February 11, 10am to noon in the new hall, all welcome to enjoy tea and coffee, homemade cakes, bring and buy and good company.

Bingo - The next session will be on Friday, February 12 at 7.30pm in the clubroom.

Village cinema - Largest audiences, so far, for 'Suffragette', shown last Tuesday. The next performances will be at 2.30pm on Tuesday, February 16 followed by an evening show, that day, at 7pm. These will feature '45 Years'.

Quiz - The raffle at this month's Bridge Restaurant quiz raised £123 for In Bloom to which was added a further £100 by restaurant management. Next month's quiz will be held on Thursday, February 25.

Sale - Sue and Lesley's next jumble sale will be held at Fleggburgh Village Hall on Saturday, March 12 at 2pm. Proceeds will go to PACT Animal Welfare Sanctuary. For more information or collection call Lesley 369536 or Sue 369921.

Fitness - After the Christmas break, classes at the hall have resumed with new sessions of pilates and barre/sculpt on Mondays.

Short mat bowls - On Wednesdays 2 to 6pm in the new village hall, two sessions each afternoon, between 2 and 4pm, £2 per session. No experience necessary, just flat shoes needed and bowls can be provided. Contact John Baldry on 01493 369375 or [*jb.conifers@gmail.com*](mailto:jb.conifers@gmail.com)

Computer Group - The group has resumed after a short break over the festive season and meet every Tuesday from 10am to noon in the village club room, all welcome.

Filby in Bloom - In Bloom goes on despite the incapacity of the leader who is wished a speedy recovery. Work continues every Saturday from 9am. Check the activities at the website [*www.filbyinbloom.org.uk*](http://www.filbyinbloom.org.uk). The group is now on Facebook and Twitter, see website for more details. Answers to the Christmas picture quiz can be downloaded via the website. Year planners are now available free of charge at the post office. If anyone would like to help or get involved at any time call Adrian on 01493 369250.

Recycling - All are asked to continue to leave all clothes, shoes and handbags, paper and especially all glass in the recycling banks at the post office. This is a valuable source of income for the new hall. If people put these items in the green bin, then the village gets nothing. The paper bank has at long last been emptied, so all are asked to leave as much paper as possible, or call 01493 369250 for collection at any time.

Darts league - The league held its veterans and youth singles competitions at the Greengate on Wednesday, January 13. An encouraging turn out with 16 contesting the veterans and 12 for the youth. In the veterans Andy Bass of the Caister Kings Arms upset the form book by knocking out the firm favourite Paul Woolston (Caister Com Centre) in the first round and then Barry Wortley (Caister CC) the current holder, in the second. Andy rode his luck in the semi-final and at one leg each was staring at defeat in the deciding leg to Gordon Davidson (Eastern Beach). Gordon scored well in the leg and built up quite a lead on Andy, however Gordon was cursing his luck as he failed to hit the all important double for the match and Andy took full advantage and booked his place in the final. His opponent in the final will be Chrissy Woolston, who threw consistently throughout the tournament, knocking out the likes of John Clayton, Brucie And Bobby Smith on the way. In the youth Jack Clarke of the Centurion was in fine form. Jack never lost a leg in his three matches and rounded it off with an excellent 18 dart leg to book his place in the final. Jack's opponent will be Kane Read (Caister CC C). This is Kane's debut season in the Flegg, so he will be feeling quite happy to have reached the final. The secretary thanked all who turned up for the event, the chalkers and to Iris and Sandy for organising the raffle. Thanks were also give to the Greengate for hosting the event.

Methodist Church - All age family worship at the village hall on Sunday at 9.45am.

St Margaret's Church - A service of holy communion will be held on Sunday at 10.30am.

Whist drive - Thirteen people attended last Thursday's drive. Winners were Pam and Jim 163, second Ann and Dennis 161, last were Lorna and Sylvia. Next drive is on January 28 at 7.30pm at the village hall, for more information call Pauline on 01493 369176.

Funeral - The funeral service for Roy London, held at the Methodist Church on January 14 was conducted by the Revd Stephen Cullis and the organist was Geoffrey Moll.â ¨Roy, who died suddenly on Boxing Day, was born in the village in 1933 to Joyce and Percy London and had one sister and two brothers. He attended the local school and was a member of the Methodist Church Sunday school and classrooms. On leaving school, Roy did ***agricultural*** work until his National Service with Royal Norfolk Regiment serving in Korea and Hong Kong, where he met up with his brother Peter who was serving in the Royal Navy. On demob from the Army, Roy worked at Cantley Sugar Factory and then with his brother, Derek, in the building trade. He married Evelyn, his next-door neighbour, in 1962. Sadly she died four years ago. They had two children, Glenn and Linda, and four grandchildren. Roy was fond of sport playing bowls, cricket and football. He was a staunch supporter of Norwich City FC. He love gardening and he was tireless in his work for the community spending many hours helping at the village hall and playing field. He will be sadly missed.â ¨Family mourners were: Linda and Alan Hill (daughter and son-in-law), Jackie London (daughter-in-law), grandchildren Mathew and Adam Hill, Kerry Alderton, Danielle London, Lavon Mills (sister), Frank Fransham, Amy Bygrave, Carl Alderton, Luke Wymer, Carol and Keith Patterson (Christopher Dack), Jill London.â ¨Others present included: Paul Bacon (also representing Ruth Bacon), Joy Brock, Corinne Hill, Pauline, Gordon and Stephen Goodson, Marilyn and Tony Woodward, Adrian Barber, Tina Pegrim, Julie and Alex Patterson, Clare and Sarah High, Gylda Riddell, Ivan and Teresa Cator, Yvonne and Jeffrey Forder, Mick Patterson, Malcolm Forder (Jennifer Forder, Rita Wilson, Tony Baxter), Derek High, Janet and Richard Church (Norfolk EBA, Peter Church), Mandy and Graham Morris, Stephen and Jane Smith (Freethorpe Football Club), Terry Smith, Pat Howard, Greta and Arnold Brown, Roger Carr, Tony Burton, Norma Roe, Roger Ditcham, Marion Brett, Alan London, Christine Tubby, Stan Warner, Angela and Gary Tropman, Heather Wright, Glenda Spooner, Peter Travis, Freda and Roger Pipes, Edna Springall, Becky Mallett (Ben and Hazel Horsley), Brian Taylor (Patricia Clarke), Hayley and Paul Howes, Peter Wymer (Caister), Rodney Alexander, Denise and David Goodwin, Brian Yaxley, Joy and Alec Brown, David Pentney (Janet Pentney), Michael Wymer, Pat and Clifford Weavers, Ken and Anne Adey, Roger Carr, Trevor Gowing, Pam and Peter Mayes, Lynn and Richard Burton, Steve and Joanna Simpson, John Harris, Brenda Pawsey (Patricia and John Cater), Eileen and Brian Brister, Micky Butler, Michael Harris, Marion Pentney (Len Pentney), Jim Morris, Eric Brooks, Keith Youngs, Trevor Gowan, Paul and Alison Mills, Jill Pipe (Steve Pipe, Freethorpe Sports and Social Club), Linda and Crew Turner, Sue Linley (Fay Moll, Joy Pearson), Paul Moll, Chris Rose, Ernie Brooks, Mr and Mrs Dunton, Helen Utting (Stephen Utting), Stuart Bullard (Heather Bullard), Jill Patterson (Stephen, Nick, Nikki and Tony), Wynford Willimott, Bernard Willimott, David and Sian Mills (Rodney Jones), Mervyn and Pamela London, Aubrey Hewitt, Keith and Sally Yaxley, Hazel Grunsell, Edith Moll.

Methodist Church - On Sunday, the Sunday school session is from 10 to 10.45am. At 11am the service will be conducted by Wendy Parker. At 6.30pm the Revd Stephen Cullis will conduct evening worship. All welcome.

Parish council - The first meeting of the year took place on Monday, January 18. There were no new planning issues.â ¨Parish tree warden John Fleetwood expressed concern over a tree whose branches were dangerously hanging over the school entrance and John will be dealing with making this safe as soon as possible.â ¨On ***finance*** matters council reviewed budget figures for the next council year which commences on April 1. Although it was felt not necessary to raise the parish precept, the parish council's small portion of the council tax, for general matters, council did feel that additional monies should be made available for a possible speed awareness machine for various locations in the village. This will depend on a ***grant*** application made to the county council and the parish will know in March if this has been successful, if it is then NCC will ***fund*** half of the estimated £3,000 cost. As for residents it is important to put council tax increase in monetary terms rather than percentage which can be misleading. The highest banded properties will be paying approximately an extra £7 a year, 70p a month if anyone pays over 10 months, the lowest banded properties will be paying approximately £2.30 extra a year, 23p a month. The parish council are sure that residents will see the benefits of having such a machine, many other Norfolk parishes have seen a marked reduction in speeding once the machine is installed.â ¨The parish council will continue to meet at the village hall on the third Monday of each month during the rest of the year except for August and December when no meetings are planned. Meetings start at 7.45pm, members of the public are welcome and there will be time to make any points to the parish council should anyone wish.â ¨A new parish councillor will be required shortly, if anyone is interested in helping to keep the village a nice place to live then they are free to apply. If anyone is unsure and would like an 'off the record' brief chat with the parish clerk call 01493 789422 or e-mail [*freethorpe.pc@gmail.com*](mailto:freethorpe.pc@gmail.com) In order to be a councillor the person must be at least 18 years old, no upper age limit, a British or EU citizen and reside in the village or within three miles of the boundary, they cannot have a criminal record or have been bankrupt within the last five years.

Parish Church - The service on Sunday is morning prayer at 9.30am.

Playing field - The next cash bingo to be held at the club will be on Friday, February 5 when the jackpot will be £105. Forthcoming events arranged for the club are cash darts tournament on Saturday, February 27; spring prize bingo on Saturday, March 12; live music event on Saturday, April 2 and Cricket Club quiz and supper night on Saturday, April 9. For more details of these and other future events visit the website at   [*www.halvergateplayingfield.co.uk*](http://www.halvergateplayingfield.co.uk).

Pantomime - Tonight at 7.30pm Hemsby Harlequins present Dick Whittington at the village hall. Tomorrow 2pm matinee and evening 7.30pm and Sunday 2pm matinee. Tickets £4 each from the post office also available on the door.

Acorn Country Music Club - Sunday at the village hall, Jim Worton, starts 7.30 to 10.30pm. Entrance is £7. For further information call Jack or Sheryl 01493 781007, 07719 709828.

St Mary the Virgin Church - Sunday 11am parish communion. Monday morning prayer at 9am. Tuesday and Friday evening prayer at 5.30pm. Wednesday 10am said communion.

Methodist Chapel - Sunday service 11am shared worship.

Prize bingo - Friday, January 29 at the village hall. Doors open 6.30pm for a 7.30pm start. Lovely prizes, twizzles, raffle, refreshments, licensed bar. Everyone welcome. Proceeds to bingo expenses, books etc.

Lunch Club - At St Mary's Close every Monday at noon, lunch is £5. Come along to enjoy a nutritious meal with pleasant company. Contact Beccy on 07473 750215 or Moira 07760 166412 for further details. Transport can be arranged if needed.

Parish council - Contact the chairman Keith Kyriacou on 07932 752353 or the vice chairman Mike Peake on 07510 896271 with any concerns or information concerning the village. Meetings are held on the third Monday of each month in the Parish Offices, Kingsway.

Keep fit - Tuesdays 10 to 11.30am at the village hall, contact Jeanie Shiers 01493 384097.

Sequence Dance Club - Every Tuesday 7.30 to 10pm at the village hall. Friendly atmosphere, all welcome. Contact Richard or Pat 01603 270709.

Zumba - Every Monday at the village hall; 7pm, entry £4. For more information contact Corinne on 01493 730857 or 07841 868091. Everyone welcome.

Fitness - At the village hall Monday 9.30 to 10.30am legs, bums and tums; Wednesday 6 to 7pm ladies circuit training class is £4 per person and two classes are £6.50 per week, the first class for newcomers is free. Contact Emma 07795 634487 for further details.

Village life correspondent - Peggy 731378 or email [*pelisu@mypostoffice.co.uk*](mailto:pelisu@mypostoffice.co.uk)

St Margaret's Church - On Sunday there will be holy communion at 8am and sung eucharist at 11am. On Thursday there will be holy communion at Ritson Lodge. There is a drop-in from 10am to noon every Monday in the vestry. Morning prayer is said at 9.30am every Wednesday.

Parish council - The next meeting is on Monday, February 8, 7pm in the village hall. All welcome.

Blood donors session - On January 29 in the village hall, visit   [*www.blood.co.uk*](http://www.blood.co.uk).

Village hall activities - Monday main hall one Bowls Club 1.30 to 4pm, 01502 733232; belly dancing 7.30 to 8.30pm, 01502 581499. Monday smaller hall two pilates 10 to 11am, book on 07767 864568; whole body toning exercise class 7 to 8pm, 01502 732488. Tuesday hall one zumba 9.15 to 10.15am, 07584 244154; Slimming World 5.30pm and 7.30pm, 01493 441180. Tuesday hall two pilates 10.20 to 11.20am, 07584 244154; bridge to music for under fives 1.30 to 2pm, 01493 660090 term time only; academy of dance six years plus, term time only, 01502 732048, grade one tap 4 to 4.45pm, primary tap 5 to 5.45pm; Spiritualist Church and healing centre 6.45 to 7.45pm healing, 8 to 9.30pm class. Wednesday hall one karate, 01502 730171, 5 to 6pm beginners term time only, 6 to 7pm juniors five plus, 7 to 8pm seniors. Wednesday hall two adult tap 7 to 8pm, 01502 732048. Thursday hall one tea dance, weekly, 2.30 to 4.30pm, 01502 731222; power yoga 6 to 7pm, 07875 331139; zumba 7.15 to 8pm, 01502 732048. Thursday hall two playbase for under fives 9.30 to 11am, term time only, 01493 688940 or 01493 660090; tap and jazz academy of dance, 01502 732048, 3.15 to 4pm tiny tappers four to five years, 4 to 4.45pm primary tap six years plus, 5 to 5.45pm street dance 11 years plus, 6 to 7pm adult tap. Friday hall one fit steps 9.15 to 10.15am, 07584 244154; zumba gold 10.20 to 11.20am, 07584 244154; Youth Club 7 to 9pm, term time only, 07741 464781 or 07729 093748. Saturday hall one Bowls Club 1.30 to 4pm, 015023 733232. Saturday hall two academy of dance, term time only, 01502 732048, 9 to 10am ballet, 10 to 10.45am toddlers ballet three to five years, 11 to 11.45am primary ballet six years plus. Sunday hall two Spiritualist Church and healing centre 7 to 9pm divine service.

Church services - On Sunday there will be a service of morning prayer at 9.30am in St Catherine's Church. The 11am service in High Street Methodist Chapel will be led by the Andrew Doll.

ScreenLudham - The next showing in the Church Room, Norwich Road will be on Friday, January 29. The film will be '45 Years'. Doors open at 7pm for a 7.30pm start and tickets, £5, include refreshments in the interval.

Forget-me-not Club - The first meeting of the year is Thursday, February 4. The club meets once a fortnight in the Church Room at 2.30pm. New members welcome. For more information contact Mrs Brooks 01692 678674.

Winter walks - The next community archive walk is on Sunday, February 14. There is a village walk every second Sunday of the month from October through to March. The walks are free for anyone of any age to join. Young people should be accompanied by a parent and dogs must be kept under strict control. Walks start from Throwers in the centre of the village at 2pm sharp and are about four miles in length, finishing at 4pm. Sensible outdoor gear and stout shoes should be worn on all walks as good weather or dry paths cannot be guaranteed. Contact Bron on 01692 678959 or 07818 445308 for further information.

Lenten course - The course will be held in the Sloper Room at High Street Methodist Church on Mondays in Lent, starting on Monday, February 15 and finishing on Monday, March 14. This will be a York course with the subject 'rediscovering Jesus'.

Charity bingo - The next bingo will be in February, sessions start at 7.30pm in the Church Room. Call Blanche on 01692 678618 for further details.

Jumble sale - Will take place in the Church Room on Saturday, February 27 from 2.30pm.

Play - Entitled 'Can You Dig It?', an acclaimed and entertaining play full of comedy songs about growing vegetables is to be performed in the village hall on Saturday, March 12 at 7.30pm. This play will appeal to gardeners and non-gardeners alike and stars musical comedians and real-life allotment holders, Jo Stephenson and Dan Woods. Tickets, £8, may be obtained from Ken Grapes,01692 678437 or Ludham Butchers.

Allotment available - There is an allotment available at the Catfield Road allotments. Anyone interested should contact the clerk to the parish council, [*ludhamparishclerk@hotmail.co.uk*](mailto:ludhamparishclerk@hotmail.co.uk)

Flower arrangers - St Catherine's flower arrangers are a group of ladies who decorate the church for the main festivals. They range in experience from complete novice to those who are experienced and confident in producing large pedestal arrangements. They recently decorated the church for Christmas. New flower arrangers are always welcome, anyone who thinks they would like to join should contact Helen Middleton on 01692 678072 or email [*helenmiddleton315@btinternet.com*](mailto:helenmiddleton315@btinternet.com)

Scratch band - The band is now well over a year old and continues to increase in size and plays at church and village events in the four parishes of Catfield, Hickling, Ludham and Potter Heigham. The band meets for practice, fellowship and fun every Thursday at 7.30 to around 9.30pm in the Church Room. Singers and players of all sorts of ***instruments***, and all levels of expertise are welcome to join. For more information contact Mo Stride on 01692 678282 or David Frost on 07981 002144 or just turn up.

Family research - In exchange for a donation to St Catherine's Church, Christina Pope, 01692 678079, [*christina.pope@talk21.com*](mailto:christina.pope@talk21.com), will research family trees.

Tools With A Mission - Unwanted tools can be recycled for this charity, leave them in the church porch or at the Methodist Chapel paper store or call Ivor 01692 631556.

Easter egg drop - The now popular Easter Sunday afternoon activities at St Catherine's Church, including the egg drop from the church tower, will take place again this Easter. Much help will be needed both in the preparation and on the day. Anyone who would like to be involved in this fun activity should contact Alex Cordiner 01692 678682.

School Close housing - The new development is nearly completed. This is a mixture of affordable housing including six one bed bungalows, one two-bed bungalow, one two-bed wheelchair adapted bungalow, four one-bed flats and five two bed houses. The properties have been advertised on the 'your choice your home' scheme. To apply for one of the properties applicants must contact NNDC to register on the waiting list. There has been good interest in the properties and there is expected to be a high demand. Further information maybe obtained by contacting Karen Carolan, resident liaison officer, or Hayley Winnett, housing policy and projects manager on 0800 3711860.

Tour de Broads - This bike ride is planned for Sunday, August 21 and there are plans to send the tour through the village again.

How Hill - New fencing is to be constructed beside How Hill Staithe. The Norfolk paddleboat race is scheduled for July 16 and will again start from the staithe.

Parish News - The news, which is delivered to every home in the village, has grown considerably under the current editor, Jon Simpson and is much appreciated. It now contains a small ads section where, for £1 per line, adverts may be placed. Contact Jon on 01692 678959 or 07818 445308, [*jonandbron@googlemail.com*](mailto:jonandbron@googlemail.com)

Thanks - Local residents have been thanked for the gifts which they sent to the St Martins Housing Trust at Christmas and for their continuing support of the local food bank. In both cases the number needing help continues to rise. There are collection points for the food bank in the church and in Throwers, the village store.

Methodist Church - On Sunday there will be a churches together united service led by the Rev Nigel Clements at 11am. A coffee morning will be held in the school room on Monday from 10 to 11am.

St Mary's Parish Church - There will be no service at St Mary's on Sunday but the congregation will be joining Martham Churches Together at the Methodist Church, for their 11am service as part of the world week of prayer for Christian unity. This year's benefice Lent course will take place every Wednesday at 7.30pm from February 17. The venue will be The Rectory, 3, Bowman Close, Playing Field Lane.

Church service - There is no service at Mautby on Sunday, holy communion will be at Stokesby at 9am and Fleggburgh at 10.30am.

Sunshine Club - There will be a club day on Monday, 2 to 4pm at Bracecamp Hall, for more information call Audrey 730429 or Josie 720087.

Chapel coffee house - At the Baptist Church, North Road. Enjoy light lunches, cakes, coffee, reasonable prices. Opening hours Thursday and Friday 10.30am to 2pm and Saturday 9am to 1pm.

Church services - St Margaret's Church Sunday 8am and 10.45am.

Garden Club - The next meeting is on Monday when the speaker will be Barry Gayton on cacti and succulents. Subs payable this month will be £8 for the year. New members and guests welcome. Contact Gillian 01493 733801 or Hazel on 01493 731570 or visit   [*www.greatormesbygardenclub.co.uk*](http://www.greatormesbygardenclub.co.uk).

Brownies - Meet on Mondays between 5.30 to 7pm at the Bracecamp Hall, for more information contact Brown Owl on 01493 732288.

Bowls Club - Nomination forms for next year's competitions have been distributed, members are asked to return them to the secretary as soon as possible, the absolute deadline is February 6. There will be a members meeting on Monday, March 1 at 7.30pm at the Village Centre, Station Road. New members welcome to join this friendly club. For further information call the secretary on 730112.

Tigger time - For 0 to four year olds at the Village Centre on Wednesdays from 9am, free of charge.

Women's Institute - On Wednesday the bring and share new year lunch started with members singing Jerusalem. It was a success with a table of food to share. All enjoyed the food which had been brought by members. The president went through the business and presented posies to the January birthday girls. The craft club, book club, swimming club are all going ahead with their activities and tickets were handed out for the performance of Sunset Boulevard at the end of the month. The swimming club will be holding their Christmas lunch today. The many prizes in the raffle were drawn and the ***funds*** will be given to the mental health charity.

Merry Michaels - The postponed annual meeting will be the main feature at Tuesday's meeting.

Mobile library - Will be on the village hall car park from 11 to 11.15am on Monday.

Bingo - Will be held on Monday at 7.30pm in the village hall.

Guest speaker - Dr Arnold Browne in St Michael's Church at 7pm on Wednesday. For Details contact Margaret Parish on 01493 731557.

Benefice dinner - On Saturday, February 6 at California Tavern 6.30 for 7pm, £16 per head three course meal. Contact Linda Shulver 01493 730218, Betty Gidney 01493 730953, or Linda Myhill.

Jeff Gallant Duo - An evening with the duo is being held in St Michael's Church on Saturday, February 13 at 7.30pm. Tickets £8 to include light refreshments, available from Betty Gidney 01493 730953 or Beryl Nudd 01493 733754.

Church service - No service in St Michael's on Sunday, joint holy communion at St George's at 9.15am.

Parish Church - The service on Sunday is holy communion at 11am.

Methodist Church - Mr A Turner will be conducting the all ages service on Sunday at 10am.

Charity bingo - In the village hall at 7.30pm.

Film night - Showing at the village hall on Wednesday, February 3 is Suffragette, entry is £4, the film starts at 7pm and kitchen and bar will be open during the interval.

Vouchers - If anyone takes the Eastern Daily Press the church would be very grateful if they could save the Community Chest vouchers and hand them to either Kati Cowen or the post office. This will enable the PCC to use them to apply for a ***grant*** to help them improve access to family graves in the churchyard.

Surgery closure - Advance notice to parishioners, the doctors surgery will be closed on February 3, 17 and 19.

Whist drive - This is being played in the village hall on Wednesday at 2pm, new players welcome.

Church service - The service at the church on Sunday is holy communion at 11am.

Gospel Hall - Meetings on Sundays are breaking of bread at 11am and 6.30pm.

Gardening Club - The annual meeting of the club is taking place at the village hall on Saturday, February 6 at 10am, new members are welcome.

Food and craft market - Will be held tomorrow from 9am to noon in the village hall. Bacon rolls will be served. All the regular stalls.

St Peter's Church - Benefice holy communion on Sunday at 10.30am.

St Peter's outreach productions - Will be showing the film of The Sound of Music on Friday, January 29 at 7.30pm in the village hall. Tickets £7.50 from Sally 01692 670521 or Alison and Sandy 01692 670439. Themed food provided and the village hall bar will be open.

Happy Rollers - At the annual meeting Glenda was re-elected as chairman along with the rest of the committee. The 43 members present were pleased to find once again the club was in a sound position. The first event of the year was lunch at Filby Bridge, over 40 members enjoyed their meal and the good company. The next club meeting is on Tuesday, February 2, 2pm, at the village hall. A sales table providing an opportunity for members to sell their items with 50 percent of proceeds going towards club ***funds***. Saturday, March 19, the Jeff Gallant Band will be preforming at the village hall, tickets £7 including finger buffet on sale now. The December evening was sold out with some disappointed fans. Call Glenda on 01493 740755 for tickets.

St George's Church - The service on Sunday is holy communion at 9.15am, the congregation from St Michael's Church, Little Ormesby will be joining in, tea, coffee, biscuits and socialising afterwards. Everyone welcome.

Women's Institute - The speaker at the January 11 meeting was Peter Lawrence and after members had signed in and paid their subscription money he was introduced by the president, Ann Johnson. His talk on London with slides covered a range of years from the 60s on and covered a vast scope from the Krays'in East London to the city itself, the embassies, security, pageantry and royalty. Refreshments were taken and then the business started with the minutes from Lisa Lloyd which were accepted and signed by the president, correspondence from Kristina Seabert and the ***financial*** report by Janet Hodds. President Ann Johnson announced the winner of the competition, Yvonne Archer and the raffle was done. At the start of the evening members had been asked to vote, on prepared slips, which resolution, as printed in Novembers issue of Life, they wished to put forward for the annual meeting this year. The president announced that the majority had voted for 'avoid food waste, address food poverty. This result will be forwarded to Norfolk Federation Office. The next meeting will be on Monday, February 8 in the village hall at 7.30pm. The speaker is Kathy Wilson talking about a visit to India. The competition is for a holiday photo of a view.

Parish council - A meeting of the council was held on Monday, January 18. Borough councillors B and M Coleman and two members of the public were also present.â ¨Reply received from head of planning at the borough council explaining that the planning permission notice has not been issued for 10 dwellings on land off Meadow Way because they are still dealing with the section 106 legal agreement which is yet to be signed. Once this is completed the planning permission notice will be issued and the parish council will be notified.â ¨Borough councillors Barry and Mary Coleman reported that they had made a joint donation of £1,000 from their ward budgets to pay for extra night time warden patrols in an effort to stop members of the public allowing their dogs to foul the pavements and grass verges in the four villages they represent.â ¨Community led plan/neighbourhood plan: It was reported that 10 percent of households in the village had replied to the recent questionnaire and that there was a positive outlook that Rollesby Neighbours want this to happen and with more residents attending each meeting.â ¨It was agreed that the parish council should register an interest in a neighbourhood plan with the borough council.â ¨Playing field: All the work on the fencing and height barrier has been completed.â ¨Footpath and highway repairs: The request made for the drains to be cleared in Fleggburgh Road and Rectory Close last month will be reported again. Flooding at the entrance to Back Lane form the Main Road will be reported to the highway engineer.â ¨Bus shelter damage: The end panel of the bus shelter near the Horse and Groom was completely smashed sometime over the new year and arrangements have been made for repairs. It is not known how the damage was caused.â ¨The next meeting of the parish council will be held on Monday, February 15 at 7.30pm in the village hall. Members of the public are welcome to attend.

Dog fouling - The parish council have received complaints that dog owners are still not clearing up after their pets when taking them for walks in the village. Three extra waste bins were purchased last year, one in Back Lane, one at the entrance to the footpath behind School Close and one at the junction of Low Road and Wick Lane. With the waste bins that were already in the village there is no excuse for the mess to be left on pavements, public footpaths and grass verges especially where children are walking to school. All are asked to keep the village tidy by not dropping litter.

Fuel - Details of the Repps and Rollesby bulk fuel buying scheme can be obtained from councillor Shaun Day on 01493 740651.

Vouchers - The EDP Community Chest vouchers are being collected by Glenda Tooke, Holly Farm, Low Road, 01493 740755. Any money received will be used for the village hall. All are asked to help to collect as many vouchers as possible.

Church service - On Sunday will be family service at 10.30am.

Bowls - The annual meeting of the club will take place on Tuesday at 7.30pm in the village hall.

Quiz 'n' chips - On Saturday, March 5, 7.30pm at the village hall. Teams of five or six, £7 per head including fish; cod, haddock, plaice or scampi and chip supper. Bar available. Book team tables and order menu selection from Julia on 01493 369789.

Violin lessons - Group lessons for beginners plus, one hour session 4 to 5pm on Tuesdays this includes small orchestra practice session. Cost £4, contact John or Jean 01493 369556.

Parish council - The next meeting of Ormesby St Margaret with Scratby Parish Council will be held on Monday, February 8 at 7pm at the Village Centre, Station Road, Ormesby St Margaret. The press and public are welcome.

Scratby and California Club - The History of Scratby and California book is still available from the club. It has a wealth of information in it with over 100 pages including many personal accounts of life in the village in days gone by as well as old photographs and historic maps. To order a copy call 01493 730456. The price is £10.99. The group are also collecting more information for future inclusion so if anyone has more to add call 731014.

Scratby Coastal and Environment Group - The next meeting will be at 7.30pm at All Saints Parish Hall, Scratby on Monday, February 15. Guests are welcome to attend. Members are also still collecting scrap metal as part of the fundraising activities. For more information or for scrap collection call Jim on 731014.

Table top - At All Saints Parish Hall, Scratby today at noon. Cafe opens 11am.

Memory Club - Great Yarmouth and Gorleston Memory Club, formerly the Methodist Memory Club, meets every Monday at 10am at All Saints Parish Hall in Scratby. The club is for those in the early stages of dementia and those who due to bereavement or other circumstances find themselves socially isolated. Referrals are accepted from doctors, social services, housing associations or relatives. Volunteers and members would welcome. For further information call Sandra Edmonds on 01493 285438 or Ann Basey on 01493 656464 or go to the website gygmemoryclub.co.uk.

Body highlights - On Thursdays at the All Saints Parish Hall, Beach Road, Scratby 6.30 to 7.30pm an energetic blend of dance and body toning exercises for all ages and fitness levels. Wednesdays 10.30 to 11.30am legs, bums and tums. First class for new members free, £4.50/session or £6.50 for two classes in different groups. Tuesdays 6.30 to 7.30pm boxercise aerobics. Emma 07795 634487.

Wednesday Club - Every week 11am to 3pm at Scratby Parish Hall, for people with dementia and their carers. The club is aimed at providing four hours of relaxation and activities in a friendly social setting. Hot lunch cooked on the premises and a variety of activities catering for all interests. For further details contact Claire Allan on 07725 328125 or 01603 340063, [*claire.allan@carerstrustnorfolk.org*](mailto:claire.allan@carerstrustnorfolk.org),   [*www.carerstrustnorfolk.org*](http://www.carerstrustnorfolk.org).

Probus Club - The next meeting will be on Thursday with a talk by Pip Cannel about the 'life in the workhouse'. For further information contact Mike Rumbelow on 01493 730908. Flegg Probus meet every Thursday at 10 to 11.30am at the California Tavern, near Scratby from September to July.

Ormesby Bowls Club - Nomination forms for next year's competitions have been distributed, could members return them to the secretary as soon as possible. The absolute deadline is February 6. There will be a members meeting on Monday, March 1 at 7.30pm at Ormesby Village Centre, Station Road, Ormesby St Margaret. New members are welcome to join this friendly club. For further information call the secretary on 730112.

St Margaret's Parish Church - Sunday 8am holy communion (BCP); 10.45am holy communion (CW).

Flegg Group - Tigger time for 0 years to school age children and their grown-ups at Ormesby Village Centre from 9am, during term time. No charges, no registration forms, no waiting lists. All welcome.

Light of Life Baptist Church - On Sunday 10.30am teaching, communion and Sunday school at All Saints Parish Hall, Scratby. All welcome. Call Anne for more details on 01493 394925.

Caister Photography Club - Meet on Wednesdays in the Function Room at All Saints Parish Hall, Scratby between 8 and 10pm. For further information contact Joan Fletcher on 01493 730496 or follow the link at   [*www.caistercameraclub.org.uk*](http://www.caistercameraclub.org.uk).

Pilates - New beginners classes at All Saints Parish Hall, Beach Road, Scratby Tuesdays 10 to 11am. Taster sessions £6. All ages, ladies and men, mats and equipment supplied. For booking and information call Hayley on 07767 864568 or email [*hayley@hayleyallen.co.uk*](mailto:hayley@hayleyallen.co.uk)

1st Ormesby Brownies - The age group is seven to 11 years old. They meet on Mondays from 5.30 to 7pm at Bracecamp Hall in Ormesby St Margaret. Anyone interested in joining should contact Brown Owl on 01493 732288. Kathleen, Brown Owl, is looking for help with running the group.

Scratby prescriptions - Medicines ordered from Hemsby Surgery can be collected by arrangement with the pharmacy from Country Styles Hairdressers in Beach Road, Scratby between 11.30am and noon on Thursdays. Medicines must be ordered at least 48 hours before that time and can only be collected at the times above. Any uncollected medicine will be returned to the surgery. This is purely a voluntary arrangement with Kim at Country Styles for the benefit of the community.

Mobile library - The date of the next visit of the library is Monday, February 15. Times: Beach Road 2.30 to 2.50pm, Beach Drive 2.55pm to 3.10pm, California Avenue 3.15 to 3.30pm, Beach Road Pages Stores 3.35 to 3.50pm, California, Rottenstone Lane Bus Stop 3.55 to 4.10pm.

Bus service - Konect Bus Service 71 picks up from California Avenue at 9.04am, 11.34am and returns from Great Yarmouth Market Gates at 10.35am and 1.35pm arriving back in Scratby at 11.01am and 2.01pm respectively Monday to Friday (except bank holidays ). For more services and times see full timetable. The services to Norwich and Wroxham have changed. OurHire service 294 runs every Friday picking up at Beach Drive, Scratby at 9.30am and arriving at John Lewis in Norwich at 10.45am. The return pick up from John Lewis will be 1.15pm arriving back in Scratby at 2.28pm. The 293 service runs every Monday leaving Beach Drive, Scratby at 9.45am and calling at Lathams, Potter Heigham at 10.20am and arriving at Roys, Wroxham at 10.44am. It will return picking up from Roys Food Hall at 12.50pm, calling at Lathams at 1.15pm arriving back in Scratby at 1.50pm. More details from 752223.

Correspondent - Items for publication to Jim Bratton 01493 731014.

Church service - On Sunday at 6pm there will be evensong at Horsey.

Defibrillator - Is situated outside the Ferry Inn on the wall. If there is a medical emergency requiring this apparatus call 999.

St Andrew's Church - Morning prayer is said each Wednesday at 8.30am, all welcome.

Luncheon Club - This club is open to everyone in the village and the Trinity Broads benefice area. There is no age limit, all welcome. The next lunch will be on Thursday at noon. If anyone needs a lift call 01493 369533, 368132 or 369347.

Parish council - The next meeting is on Wednesday, February 10 at 7.30pm in the village hall.

Pantomime - Cinderella, performed by local residents will be held in the village hall on Saturday, February 13 at 7.30pm and Sunday, February 14 at 2pm. Tickets priced £6 for adults and £3 for children are on sale now and are selling fast. Refreshments will be available in the interval. Book early by calling 01493 754136 to avoid disappointment.

Sports and Social Club - Open every Friday for members and guests from 7.30pm. Enjoy good company, a game of table tennis or darts and drinks at reasonable prices. The village hall and Social Club can be hired for parties, discos, meetings etc, to book call Mel on 01493 750013.

Bottle bank - Situated opposite the Riverside Stores, on the village green has now been taken over by the village hall management committee and all residents are encouraged to use it. When the container is full it is taken away and the bottles are weighed. The village hall will then get an annual payment for the weight of bottles donated.

Community centre - The centre still needs help. As can be seen, the roof has now been finished and is at last watertight. Organisers have raised enough money for the first part of the plans for the whole building. The village hall has now been connected to the new mains drainage system which cost over £4,000. Inside parts of the floor still needs renewing as woodworm have been working overtime. Where the rain has been coming through the roof plaster has now been replaced and it has been repainted. Help is still needed to save what is an historic and essential focal point for the village. Call 01493 750333 if anyone has any ideas on how to raise ***funds***. Also any donations are very welcome.

Mobile library - This will come to the village green on Wednesday, February 10 between 2.15 to 2.30pm.

Website - All of the village news can be found at   [*www.stokesby.org.uk*](http://www.stokesby.org.uk).

EACH - The children who are unfortunate to have to spend time in the East Anglia Children's Hospice are always requiring toys and gifts. At this time of year give a thought to those children and donate any new toys either unwanted or a gift to the hospice through Bob Atyeo, the village Mercury correspondent, by delivering to his address at 10 Hillview Drive or Bob will collect. Contact Bob on 01493 394902. EACH are planning a new hospice in Framingham Earl and are grateful for any donations. Visit   [*http://www.each.org.uk/*](http://www.each.org.uk/).

Lunch Club - No lunch in January as California Tavern is closed for two weeks holiday so the next lunch is February 4. Any new people are welcome call Di on 01493 393656.

Friendship Club - The next club meeting is January 28. The club meets alternate Thursdays at 2pm in the village hall, all welcome, contact Di on 01493 393656.

Blocked footpath - An application has been made to Norfolk County Council to re-open link between Winterton and Hemsby which has been used for many years by residents, holidaymakers, families with push chairs, wheelchairs and mobility scooters as a safe passage between the two villages. This route has been blocked since the end of April. If anybody has ever used this route or knows someone who does they are asked to contact Helen Mann at [*helenlmann@hotmail.com*](mailto:helenlmann@hotmail.com) or Richard Verschoyle on 01493 730180 who are looking to gather as much evidence as possible that this route has been used for a number of years as it will help to strengthen the application.

Carers - The group meets on the last Wednesday of the month in the Church Rooms Beach Road, 2 to 4pm. It is suggested new members call prior to attending as times are subject to occasional changes. For details call Brian on 01493 394054 or Pam on 01493 394365.

Church 100 Club lottery - The group are looking for new members. All proceeds go towards maintaining the church and Church Room. Non-church members are welcome. It cost £1 a month or pay yearly £12. The lottery is drawn at the end of each month. Contact Margaret in the evening on 01493 393755 for details.

TS Fearless 901 Troop - Open to boys and girls aged 11 upwards. They meet on Mondays at Caister High School and Fridays at Winterton Village Hall between 6.45 and 9.30pm. Contact 01493 748395 for more information.

Community transport service - Centre 81 provides community transport, for more information contact the booking service on 01493 332253. Visit   [*http://www.centre81.co.uk*](http://www.centre81.co.uk).

Lifeboat Restoration Group - Hoping very soon to finish clearing and levelling site at the Old Rectory, once ground is firm enough to take mini-digger. Then it will be covered with weed membrane and some 'flooring' to get the Edward Birkbeck moved in, followed by constructing a temporary 'building' around her with tarpaulin so that the restoration work can resume as soon as possible. There is a big job ahead; removing and replacing the broken, missing, rotten planking. The group also desperately need to fill the office of secretary for the group as help is needed with admin, particularly charity registration application, somebody local, interested in the project, good computer skills, free time available. Call 01493 394954 if interested.

Mobile library - A visit on Thursday, February 18 and every four weeks. The library arrives at the following points at the times shown: Bush Road 11.45am to noon, George Beck Road 12.05 to 12.20pm, Hill View Drive 12.25 to 12.45pm, Market Place 1.55 to 3.20pm, Parish Church 3.25 to 4.10pm.

Women's Institute - The next meeting will be 'hats and how to wear them' with speaker Margaret Sims. Theatre Royal Sunset Boulevard trip on Monday. Future plans, town hall visit February 18, 2.30pm, bus leaves 1.30pm, bring bus pass. Federation meeting March 22. Christmas card donation £23.40 given to Winterton Norfolk Trust ***Fund***.

Village website - Recently it was reported that the website maybe replaced by the parish council to a free website available from the association of parish councils organisation. This is incorrect as the clerk indicates that the parish council have not made any decision about using any websites at present. The parish clerk has been gathering information for the councillors to make an informed choice at the parish council meeting of January 20.

**Load-Date:** January 22, 2016

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Great Yarmouth Mercury

February 12, 2016 Friday

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**Section:** ROP

**Length:** 11324 words

**Byline:** PR Script Managers

**Body**

Rainfall - John Wilson reports a wet January with 111.2mm of rain.

Fire Brigade - On February 16, 1966 they attended a fire in a bunker at RAF Neatishead, wearing breathing apparatus. Two members of the Acle Brigade entered the bunker, their air was for 30 minutes and despite sending search teams could not be found. The bodies of Leading Fireman H J Durrant and Fireman J S Holman were found later, a further fireman died in hospital, Divisional Officer G R Dix.

Coffee and cake stall - On Saturday in the Methodist Rooms from 10am to 12 noon in aid of multiple sclerosis and Archive Open Day in the library from 10am to 12.30pm.

New path - Acle Lands Trust members spent last Sunday putting chippings on the new path in Damgate Wood. It is now complete and can be used by the public, some areas are soft after the heavy rain but passable.

Line dancing - A new weekly group for beginners is now running at the John Green Institute on Friday mornings from 10.30am to 12 noon. The cost is £5 per session. For more information contact Jane on 07788 408801. Age is not a factor, no special clothes or partner needed (high heels or sandals are not suitable).

Entertainment evening - Tickets are now on sale for an entertainment evening at the JGI on Saturday, March 19 at 7.30pm when for £10 there will be a fish and chip supper with entertainment from all-round entertainer Garry Page. Tickets or further information from Barbara on 01493 781294 or Nora on 01493 780182.

Wednesday drop-in - The Wednesday morning drop-in coffee mornings continue at the JGI each week from 10.30am to 12 noon. Call in for as long as is required for a coffee and to meet friends, open to all young and old. For information contact Sue on 01493 780822.

All Saints' Church - This Sunday there is holy communion at 10.30am and at 6.30pm for evening celebration.

Bingo - This week the caller at the JGI was Miss Lawrence and the winners were Mr Fountain, Mr Cropley, Mrs Brind, Mrs L Goreham, Mrs Gook, Miss Rebecca Goreham, Mrs Gook, Mrs L Edwards, Mrs Underwood, Mrs S Edwards, Mrs Beech, Ms Harding, Mrs Rivett, Mrs McShane, Mrs Scrivener, Mrs Patrick and Miss Dickson. Bingo is played at the JGI every Monday evening at 7.30pm, new players are always welcome.

Mercury notices - The local correspondent, Brian Swan, can accept notices, births, deaths, marriages, etc for the Mercury and lineage adverts for other Archant papers. Contact 01493 780776 or e-mail: [*bcswan50@gmail.com*](mailto:bcswan50@gmail.com)

Parish council - The next meeting will take place at the New Road Sport and Leisure Centre on Tuesday at 7.30pm. The meeting will be open to the public and questions can be raised at the start of the meeting.

Coffee morning - The monthly coffee morning will be held at the JGI tomorrow from 10am to 12 noon, admission is free, tea or coffee available, there will be usual bargain stall, raffle and the chance for a chat with your friends, all welcome.

Monthly quiz sheets - The next fundraising quiz sheets will be available at tomorrow's coffee morning at the JGI, they will also be on sale from Skelmorlie, Butt Lane, Burgh Castle or Belton Pet & Hardware at the Bell Lane Precinct from Monday.

Yoga - Classes take place at the JGI on Mondays at 10.15am, £2.50 per session. Bring a floor mat and towel, everyone welcome. For information contact Wilma on 01493 780194.

Pilates - Sessions are held at the JGI every Tuesday morning from 9 to 10am, a class to improve posture and gain core strength. For information contact Lorrain on 07747 720139.

Zumba dancing - Sessions are held at the JGI every Tuesday morning at 10.15am. For details contact Lorrain on 07747 720139.

JGI - The JGI is available for hire for regular events or special events such as parties or functions, the two rooms can be booked together or separately. For information contact 01493 781140 or 780822.

Monday activity mornings - These exercise sessions run at the New Road Sport and Leisure Centre on Monday mornings. Chair-based exercise sessions run from 9.30 to 10.15am, these aim to improve daily functional actions; by strengthening important muscles groups though gentle movement. Regular exercise improves circulation and increases daily activity levels. Seated exercise can increase confidence and improve posture, balance and coordination for performing daily activities essential to living. Fees are £2.50 a session. Contact Sallyann to find out how the sessions can improve health and fitness. Call Sallyann on 07599 044 806, e-mail: [*up4fitness@gmail.com*](mailto:up4fitness@gmail.com)

Quiz evening - The next team quiz will be at the JGI next Friday, February 19 at 7.30pm. Teams of up to four players welcome, £5 per team. Enter on the evening, there will be prizes for the winning team and a raffle during the evening. For information contact Barbara on 01493 781294.

History Society - The next meeting will be at the JGI on Sunday, February 21 at 2.30pm when Philip Bray will be giving an illustrated talk on Percy Hunter's Lovely Ladies, the story of one of the Norfolk Broads fleets. Non-members welcome admission, £3, members £2.

Village Voice - The closing date for items for the next edition is 12 noon this Sunday. Contributions should be sent to Debra Hewett, 103 Rosedale Gardens, Belton NR31 9PL or e-mail: [*beltonvveditor@gmail.com*](mailto:beltonvveditor@gmail.com) Contact 07826 575451.

Browston Indoor Bowling Centre - With the end of the present winter campaign in sight it was a much quieter weekend for the club. The Ladies' A team had an early start at 10 am in North Walsham and came away with one point, earned by Sally Moon's girls Irene Munro and Julie Hodds. There is always the opportunity to learn or play bowls on a Tuesday or Wednesday, with qualified instruction. If interested contact 01493 667591 for full details.

Church services - On Sunday in St Nicholas' Church: 8am, holy communion (book of common prayer); 10am, holy communion; 6.30pm, evening prayer. Services are conducted by the Rev Chris Tinker and the Revs Sue and Martin Upton. At the Methodist Church a service of holy communion conducted by the Rev V Fielding is at 10.30am. On Wednesday there is a service of holy communion in the parish church at 9am and the church is open for quiet and prayer from 9.30 to 1pm.

Lent course - The Lent bible study course is on Wednesdays in the parish church hall at 2pm. Home groups study under the Lent course on Thursdays at 7.30pm.

Community library - The Lords Lane library is open tomorrow from 10am to 12.30pm, Monday 10am to 12.30pm, Thursday 2 to 5pm, and next Saturday from 10am to 12.30pm.

Methodist Church - On Thursday a coffee morning starts at 10am.

Whist drive - Lily Pearce won last week's whist drive scoring 170. Ralph Cockrill was runner-up with 166. Ken Gook and Daphne Storey won the miniature drive scoring 43. Charity whist drives are held in the community centre on Wednesdays at 7.30pm. New players are always welcome. For details contact Mavis Scott on 01493 651063.

Solo whist - Martin Hutson won scoring 480 with Pearl Esherwood runner-up on 245. The accumulator prize went to Mr Hutson. Solo is played every Thursday in the community centre cottage at 7.30pm. For further details contact 01493 667701.

Radio Club - The club meets tonight in the community centre, Lords Lane at 7.30pm. All who are interested in radio and electronic communications are welcome to attend.

New venture - This fortnightly activity club for children aged five to 11 meets today in the parish church hall at 4.30pm.

Scouts - 1st Bradwell Scout Group is open to boys and girls aged six to 14 and always welcomes new members. All leaders are DBS checked and trained to Scout Association standards. For inquiries contact the Scout Group leader on 01493 652660.

Little Pearls - The group, formerly known as Bradwell Pram Club, is open to anyone who takes care of children up to school age. It meets in the parish church hall every Tuesday during term time from 1.45 to 3.30pm. The timetable is flexible so come along and leave when suitable. As well as plenty of time for chatting, there is a short singing and bible story time in the church building at 2.15pm. Contact Julie Nicholls on 01493 601736 for more information.

Women's Institute - The February meeting is on Thursday in the community centre main hall at 7.30pm. The sales table is for miscellaneous items.

Mother's Union - The February meeting in the parish church hall was attended by 30 members and friends. Doreen Hall led the opening worship, following which the treasurer, Pam Angel, presented the annual accounts. The rest of the afternoon was taken up by a talk and slide show of John and Caroline Kinchin Smith's visit to Ibiza last year, where they worked as holiday chaplains for a month. Caroline began by reading a prayer written by Sir Francis Drake, " Disturb us, Lord, to dare more boldly, to venture on wider seas where storms will show your mastery ". She was drawing attention to the fact that, although they were staying on a lovely island with lots of sunshine, it was quite scary to be sent to an unknown place and an unknown job. However, the slides and talk by John showed what a beautiful place Ibiza is and the importance of the English-speaking church there. On a gloomy winter afternoon it was good to see pictures of sunny beaches, blue seas and tropical flowers. Next month's meeting is on Thursday, March 3 when the guest speaker is Mrs Jean Cunnington talking about Goats of the Bible. Visitors are most welcome.

Parish Church - This Sunday there is morning prayer at 9.30am.

Parish council - There were five parish councillors, County Councillor Alan Grey, Borough Councillor Brian Lawn and 10 members of the public at Monday's meeting, Trevor Greenacre was in the chair. Councillor Eric Foster was elected to replace councillor Dacruz as vice-chair as she had decided to stand down from that position but remains on the council.â ¨Debris clearance: The chairman reported that Anglian Water had cleared debris in the area round one of the Mill Road pumping stations which should prevent flooding on the road surface in heavy rain, representatives of Burgh Castle, Belton and Bradwell councils will be meeting a representative from Anglian Water at a meeting in Bradwell to discuss general sewage concerns throughout the three parishes. County Councillor Grey questioned how a sewage system that was designed as adequate some 40 years ago could still be able to cope today with all the additional properties but no further investment taking place. Councillor Grey agreed to contact the county council again over the request to clear a build up of debris on the footpath that runs round the Cherry Tree corner on Mill Road. The chairman reported that the property owner on High Road where hedge trimmings had been left on the highway had agreed that they would be removed the day following the councils meeting.â ¨Planning applications: There were three planning applications for discussion, no objections, subject to neighbours views for a two-story side extension at 6 Coronation Terrace on Butt Lane. There were no objections to a chalet bungalow on Porters Loke although some members did raise concerns over extra traffic on the private loke and the possibility of flooding from the neighbouring sewage pumping station. An application for conversion of a detached outbuilding into short-term holiday use at Windale, Back Lane brought a split response from members, two were against and two were in favour provided it was only for short-term holiday use, a member of the public raised concerns that it was more than a change of use as he believed the existing building to only be of corrugated iron sheeting construction. The next meeting is on Monday, March 14 at the village hall at 7.30pm.

Flower Club - For the next meeting bring a friend for free on Wednesday, February 17 at 7.30pm at the church hall, High Street. Membership fees due this month at £21. The demonstrator is Mrs Adele Kent with a talk entitled I've Got a Little List. Refreshments available and a warm welcome to all.

St Edmund's Church, West Caister - There was a service of holy communion February 7 and the congregation was pleased to welcome Mr Julian Bryant of Christian Aid to say a few words. On Sunday, Valentine's Day there will be the usual service at 9am.

Holy Trinity Church - The rector presided at the parish eucharist last Sunday and welcome the regional organiser of Christian Aid to speak about the ***agricultural*** development project in Burkina Faso the church is supporting as its Lent Project for this year. Last Wednesday was Ash Wednesday, the start of Lent, and there was a eucharist, with imposition of ashes, at 9.30am. Today there is a coffee morning and bring and buy sale "Handbags and Glad Rags" from 10am until noon in the church hall in High Street. It will include a cake stall and raffle for those not needing handbags. On Saturday the Lent Lunches begin for 2016. A simple lunch of soup, bread and cheese in the church hall from noon until 1.30pm, all welcome. This Sunday the parish church welcomes the Dean of Norwich, the Very Rev Jane Hedges to preach at the 10am parish eucharist. On Wednesday, as on each Wednesday during Lent, there will be a service of holy communion with hymns and short address at 9.30am.

Happy Day Gospel Choir - Why not give gospel singing a try? The choir sings lively, uplifting gospel music in various styles from traditional gospel to blues to reggae, Latin, funk and disco, accompanied by a small band. The choir has helped raise around £9,000 for charity since forming in 2011, through concerts and various community events. Rehearsals are fun and friendly; all are welcome, no auditions. Cost £1 per session. The choir meets on Fridays at 7.30pm at the Methodist Church, Beach Road and some Sundays 6.30pm at the church hall on High Street. The choir is also looking for a conductor. If anyone is interested, get in touch. See the choir on Youtube: [*www.youtube.com/rockingospelchoir*](http://www.youtube.com/rockingospelchoir). Search Facebook: The Happy Day Gospel Choir. Contact Andy on 07982 232735 or [*lomail@ntlworld.com*](mailto:lomail@ntlworld.com)

All Saints' Church - On Sunday at 9.30am there will be a service of holy communion morning service with the Rev John Stride.

Stitching Group - The group is friendly of like-minded people, all at different levels of experience. If anyone enjoys stitching and sharing creative ideas, come along and join the group. Bring own project (embroidery, knitting, crochet, patchwork or creative sewing). The group meets on the second and fourth Tuesday of the month between 1.30 and 3.30pm in the village hall. For more information contact Elisabeth Beckley on 01692 582913 or Pat Reid on 01692 582978. The cost is £4 per session with tea, coffee and biscuits included.

Paper Crafters - The group will be meeting only once a month until April when it will return to twice-monthly meetings in the village hall. The next meeting will be on Wednesday, February 24 from 1 until 4pm. From April the club will be meeting on the second and fourth Wednesday each month in the village hall between the same times. New members are always welcome and a warm welcome is guaranteed. At each session members make two projects, usually cards for all occasions. All materials and tools are supplied though if anyone has a favourite pair of tweezers/scissors feel free to bring them along. It is advisable to mark them in some way to avoid mislaying them. Each session members pay £3, which includes tea and biscuits. If anyone has any questions contact Gill on 01692 631592 and she will be only too pleased to answer them for you, if she can.

C of E Primary School - The school was delighted to get the final report from the long-awaited Ofsted visit in December. The school has been judged as Good in all areas. The report says: "Catfield is a caring community. Pupils feel safe. Parents agree their children are safe and nurtured. Pupils' interest and curiosity to learn is fuelled by the stimulating curriculum activities. Pupils' spiritual, moral, social and cultural development is strong. Teaching is good and pupils do well. Teachers plan activities that draw pupils into the learning. Staff form a very effective team, sharing expertise and ideas to the benefit of all pupils." Spread the word that the school is much improved and going from strength to strength, the school has such a talented team of staff and gorgeous children.

May's shopper bus - The next bus is off to Great Yarmouth on Friday, February 19. Contact May on 01692 580940 for details of fares and pick-up points.

Fitness classes for seniors - These classes take place on Wednesday mornings in term times, between 9.30 and 10.30am. The cost is £4 per session. Contact Sheryl on 07917 544388 for more information.

St Peter's Church - On Saturday between 9am and 4pm and Sunday between 9am and 3pm the church will be holding a How We Used to Live exhibition and flower festival. Free entry and refreshments but donations for the upkeep of the church would be appreciated. There will be competitions, raffle and tombola. On Saturday afternoon at 2pm Ann Meakin will give a short talk on the book she has written called "Anna Hinderer Pioneer Missionary". Money from the sale of her book to the Church Mission Society. Come along and have a look around the exhibition and see what a beautiful little church there is in the village. Everyone will be made very welcome and the church would love to hear stories from the past to write down and keep in the archive.

Recycling - Continue to leave all clothes, shoes and handbags, paper and especially all glass in the recycling banks at the Post Office. This is a valuable source of income for the new hall. If items are put in the green bin nothing can be spent locally. The paper bank has at long last been emptied, so leave as much paper as possible or call 01493 369250 for collection at any time. From April to November, 2015 15.8 tonnes of paper and 16.5 tonnes of glass were collected. Thanks to everyone for supporting local recycling.

Filby in Bloom - Work continues every Saturday morning from 9am. The Pound has been planted up with pansy and polyanthus. If anyone would like to help or get involved at any other time call Adrian on 01493 369250. Shrubs have been purchased giving colour all year round, and a bed of exotic plants is starting at the playing field. A new website for Filby in Bloom is up and running at   [*www.filbyinbloom.org.uk*](http://www.filbyinbloom.org.uk). Filby in Bloom is now on Facebook and Twitter, see website for more details. The year planners are now available free of charge at the Post Office. Work has now started at the school clearing the pond area and preparing the vegetable patch. Any spare vegetable plants would be appreciated.

Jumble - Any items which can be sold, clothing, bric-a-brac, literally anything, contact Jenny for collection on 01493 369250. The first jumble sale last Saturday raised £404.30 for the new hall. Thanks to everyone who donated, helped and attended. The date for the next jumble to follow.

Short mat bowls - On Wednesdays from 2 to 6pm in the new village hall. Tea and biscuits, £2 per session. No experience necessary, just flat shoes needed and bowls can be provided.

New hall - Check out what is happening on the website   [*www.filbyvillagehall.org.uk*](http://www.filbyvillagehall.org.uk). The hall is now on Facebook and Twitter. Ten extra sockets have been installed in the clubroom helping the Craft Club and Computer Club. At a recent playing field meeting, it was decided to have the porch on the clubroom re-thatched and the toilets and clubroom redecorated. Advice is being sought to improve the football pitches, and a booty barre is being installed in the new hall for the exercise classes. A date for the diary is Saturday, June 11, a party with a 40's theme to celebrate the Queen's 90th birthday. Details to follow.

Bingo - The next session of the new year is tonight at 7.30pm in the clubroom. Great prizes and free refreshments.

Community Chest ***Fund*** - Save the tokens out of the EDP and leave them in the chest on the Post Office counter. Once 500 tokens have been collected money from £250 to £2,500 can be applied for to use for local community projects. Thanks to everyone who left tokens last month. Applications went in for Filby Film Club, Thurne Church, Filby School and Clippesby Church and Filby Craft Club. Continue to collect tokens this month and suggestions of projects would be welcomed in the area to collect for. Contact Adrian Thompson on 01493 369250 or leave the suggestions at the Post Office.

Film Club - The next film is on Tuesday at 2 and 6.30pm in the new hall. The film is "45 Years" with Tom Courtenay and Charlotte Rampling (Geoff and Kate) whose celebration of 45 years of marriage is wrecked by the discovery of a body of Geoff's previous lover in an Alpine glacier 50 years after her accidental death. A close relationship is revealed to be not what it seemed. Refreshments available.

Gardening Club - An inaugural meeting for the proposed club is on Tuesday, April 5 at 7pm in the new hall. All are invited to come along and contribute to agreeing how the club should run and what they want out of it.

Church - On Sunday at 10.30am there is a benefice holy communion with preacher Archdeacon of Norfolk, all welcome.

Women's Institute - The next meeting is on February 18 at 2pm in the village hall. Note the WI has informed that the electricity will be off that day. Come with extra clothing and bring own drink. There is a change of speaker with Helen Farman talking about Fairtrade and 21st Century Slavery. Money required for payment of meal at Ambitions on March 11 if not already paid. All tickets have been received for the annual meeting in Norwich. Pay Lyn £10 for ticket.

Sue and Lesley's jumble sale - Sue and Lesley's next jumble sale will be held on Saturday, March 12 at the village hall. Proceeds will go to PACT Animal Sanctuary. For more information or collection contact Lesley on 01493 369536 or Sue on 01493 369291.

Methodist Church - All age family worship at the village hall on Sunday at 10.30am will be led by Peter Whitwood of Catfield.

St Margaret's Church - No service on Sunday, a holy communion benefice will be held at Filby at 10.30am when the preacher will be the Archdeacon of Norfolk and includes the swearing in of churchwardens to their new offices.

All Saints' Church - On Sunday there will be a service of morning prayer commencing at 11am. This is the first Sunday of Lent.

Methodist Church - On Sunday there is no Sunday School session. At 11am Andrew Moll will lead Valentine's Day Messy Church and at 6.30pm Deacon Mark Attwood will conduct evening worship, all welcome.

Parish council - There will be a meeting at the village hall on Monday commencing at 7.45pm. As usual the first part of the meeting will be given over to council reports and comments/questions from members of the public. For information, the third Monday of each month (excepting August and December, 2016) remains the favoured meeting day until at least March next year (2017), any unavoidable changes will be notified. The annual parish meeting is scheduled to take place on Monday, May 16. As soon as confirmation is received from Broadland District Council, it is very likely that a vacancy will exist on the parish council, if anyone feels that they may be interested in having a say in affairs of the village, why not ring the clerk, Stephen Williamson on 01493 789422 for a chat, completely without any obligation.

Parish council - A meeting will take place on Thursday at the village hall commencing at 7pm. Any items for the public forum should be directed to the parish clerk well in advance of the meeting.

Parish Church - There will not be a service on Sunday but there is a benefice service to celebrate Marriage at Limpenhoe Church commencing at 3pm. More details are on the church notice board and the notice board in the bus shelter.

Forthcoming events - Dates of forthcoming events at the Playing Field Club are: Saturday, February 27 an Open Darts Tournament with cash prizes commencing at 7.30pm. On Saturday, March 12 a spring prize bingo with lots of Easter fayre to be won and on Saturday, April 2 a live music event featuring for the first time at the club Phoenix Rising. The cricket club will be holding one of their popular quiz and supper Nights on Saturday, April 9. More details of all these events can be found on the association's website:   [*www.halvergateplayingfield.co.uk*](http://www.halvergateplayingfield.co.uk)

Acorn Country Music Club - On Sunday at the village hall, Dave Whitmore starts at 7.30 to 10.30pm, entrance is £7. For further information contact Jack or Sheryl on 01493 781007 or 07719 709828.

St Mary the Virgin Church - On Sunday at 11am parish communion and dedication of Stations of the Cross. On Monday morning prayer at 9am. On Tuesday and Friday evening prayer at 5.30pm. On Wednesday 10am said communion. Easter Lilies: Donations would be much appreciated towards the beautiful lilies displayed in the church at Easter in commemoration of loved ones. If anyone would like to donate contact Maureen on 01493 732493.

Methodist Chapel - Sunday service at 11am with Mr P Juby.

Prize bingo - Tonight at the village hall at 7.30pm. Lovely prizes, twizzles, raffle, tombola, refreshments, licensed bar, all welcome. Proceeds to Anglian Air Ambulance and British Heart Foundation. In memory of Stan, a very valued supporter of the bingo, who has sadly died.

St Mary's Lunch Club - At St Mary's Close every Monday at 12 noon, lunch is £5. Come along to enjoy a nutritious meal with pleasant company. Contact Beccy on 07473 750215 or Moira on 07760 166412 for further details. Transport can be arranged if needed.

Parish council - The next meeting is on Monday. Contact the chairman Keith Kyriacou on 07932 752353 or the vice-chairman Mike Peake on 07510 896271 with any concerns or information concerning the village. PC meetings are held on the third Monday of each month in the Parish Offices, Kingsway.

Movement/dance and keep fit - Tuesdays mornings from 10 to 11.30am in the village hall. Contact Jeanie Shiers on 01493 384097.

Sequence Dance Club - Every Tuesday evening from 7.30 to 10pm at the village hall. Friendly atmosphere, all welcome. Contact Richard or Pat on 01603 270709.

Zumba classes - Every Monday at the village hall at 7pm, entry £4. For more information contact Corinne on 01493 730857 or 07841 868091, all welcome.

Fitness - At the village hall on Monday from 9.30 to 10.30am, legs, bums and tums. On Wednesday from 6 to 7pm ladies' circuit training class is £4 per person and two classes are £6.50 per week, the first class for newcomers is free. Contact Emma on 07795 634487 for further details.

Village Life correspondent - Contact Peggy on 01493 731378 or e-mail: [*pelisu@mypostoffice.co.uk*](mailto:pelisu@mypostoffice.co.uk)

St Margaret's Church - This coming Sunday, there is holy communion at 8am. There will be sung eucharist at 11am. There is morning prayer on Wednesday morning at 9.30am.

Lent course - The second of the Lent course, will be this coming Thursday at 7.30pm in St Margaret's Church vestry.

Drop-in - Every Monday from 10am to 12 noon in the vestry.

Parish council - The next meeting is on Monday, March 14 at 7pm in the village hall, all welcome.

Clean for the Queen - As part of the Queen's birthday celebration a village litter pick on Sunday, March 6 will take place at 10am outside the village hall. Special Clean for the Queen sacks available. Families welcome, wear suitable clothing and bring gloves and litter picks if available.

Village hall - Monday in main hall: Indoor short mat bowls from 1.30 to 4pm. Contact Frances on 01502 733232. Belly dancing class from 7.30 to 8.30pm (not the second Monday each month). Contact Carol on 01502 581499. Monday in smaller hall: Pilates from 10 to 11am. Contact Hayley on 07767 864568. Whole body toning exercise class from 7 to 8pm. Contact Gillian on 01502 732488. Tuesday in main hall: Zumba Classes 9.15 to 10.15am Contact George on 07584 244154. Slimming World Classes at 5.30pm and 7.30pm. Contact Debbie on 01493 441180. Tuesday in smaller hall: Pilates from 10.20 to 11.20am. Contact George on 07584 244154. Bridge to Music for under-fives from 1.30 to 2pm. Contact Great Yarmouth Community Trust on 01493 660090 (term time only). Grade 1 and primary tap age six plus from 4 to 5.45pm with Charlotte Wood Academy of Dance. Contact 01502 732048 (term time only). Spiritualist Church and healing from 6.45 to 7.45pm, healing class from 8 to 9.30pm. Wednesday in main hall: Phoenix Karate School. From 5 to 6pm beginners (term time only), 6 to 7pm juniors five plus and 7 to 8pm seniors. Contact Vivianne 01502 730171. Wednesday in smaller hall: Adult tap from 7 to 8pm with Charlotte Wood Academy of Dance. Contact 01502 732048. Thursday in main hall: Tea dance (weekly) from 2.30 to 4.30pm. Contact John and Liz on 01502 731222. Power Yoga from 6 to 7pm. Contact Suzi on 07875 331139. Zumba fitness from 7.15 to 8.15pm. Contact Charlotte on 01502 732048. Thursday in smaller hall: Playbase for under-fives from 9.30 to 11am. Contact Great Yarmouth Community Trust on 01493 688940 or 01493 660090 (term time only). Tap and Jazz Academy of Dance (term time only). Contact Charlotte on 01502 732048. Tiny tappers for four to five years from 3.15 to 4pm, primary tap for six years plus from 4 to 4.45pm, street dance for 11 years plus from 5 to 5.45pm, adult tap from 6 to 7pm. Friday in main hall: Fit Steps from 9.15 to 10.15am. Contact George on 07584 244154. Zumba Gold from 10.20 to 11.20. Contact George on 07584 244154. Youth Club from 7 to 9pm (term time only). Contact Karen on 07741 646781 or Liz on 07729 093748. Friday in smaller hall: Youth Club from 7 to 9pm (term time only). Contact Karen on 07741 464781 or Liz on 07729 093748. Saturday in main hall: Indoor short mat bowls club from 1.30 to 4pm. Contact Frances on 01502 733232. Saturday in smaller hall: Academy of Dance. Contact Charlotte on 01502 732048 (term time only), ballet from 9 to 10am, toddlers' ballet for three to five year olds from 10 to 10.45am, primary ballet for six years plus from 11 to 11.45am. Sunday main hall: Available for party hire on 01502 730768. Sunday in smaller hall: Spiritualist church and healing centre, divine service from 7 to 9pm.

Church services - On Sunday there will be a morning service at 9.30pm in St Catherine's Church. The 11am service in High Street Methodist Chapel will be led by Mr B Munnings.

Community Archive winter walks - The next walk is this Sunday and will be How Hill via the Lokes. There will also be a village walk on Sunday, March 13. The walks are free for anyone of any age to join. Young people should be accompanied by a parent and dogs must be kept under strict control. Walks start from Throwers in the centre of the village at 2pm sharp and are about four miles in length, finishing at 4pm. Sensible outdoor gear and stout shoes should be worn on all walks as good weather or dry paths cannot be guaranteed. Contact Bron on 01692 678959 or 07818 445308 for further information.

Lenten Course - The Lenten course will be held in the Sloper Room at High Street Methodist Church on Monday evenings in Lent, starting next Monday and finishing on Monday, March 14. This will be a York course with the subject "Rediscovering Jesus".

Weekday services - Everyone is invited to attend holy communion in St Catherine's Church on Tuesday, February 23 at 9.30am.

Screen Ludham - The next showing in the church room will be on Friday, February 26. The film will be "The Martian", a space adventure about an astronaut accidently left on Mars and the attempts to rescue him. Doors open at 7 for a 7.30pm start and tickets, £5, include refreshments in the interval.

Jumble sale - A super jumble sale will take place in the church room on Saturday, February 27 from 2.30pm. Many stalls, great bargains, cakes, refreshments.

Blanche's charity bingo - The next bingo will be in March. The bingo sessions start at 7.30pm in the church room. Contact Blanche on 01692 678618 for further details.

Esther's Plants - Once again Esther Nunn will be growing up and selling garden plants for the spring. To obtain an order form contact Esther on 01692 678143.

Forget-Me-Not Club - The club meets once a fortnight in the church room at 2.30pm. New members always welcome. For more information contact Mrs Brooks on 01692 678674.

Voices Choir - This talented young choir, which is part of the Norwich Young People's Theatre Group, run by former Ludham resident, Laura Cordiner, will be performing again in St Catherine's Church on Friday, March 4 at 7.30pm. This year's performance will be by 20 of the older members of the group and will be "A Night at the Musicals". An evening of musical theatre favourites performed by some of the finest musical students in the region. It will, as always, be a great evening of lively music performed by these talented youngsters. Tickets, £5 may be obtained on the door on the night.

Can You Dig It? - A highly-acclaimed and entertaining play suitable for all the family, full of comedy songs about growing your own vegetables (including a powerful love song to Alan Titchmarsh) and a virtuoso performance on a cucumber trumpet, as heard on BBC Radio 4's Gardeners' Question Time, is to be performed in the village hall on Saturday, March 12 at 7.30pm. This play will appeal to gardeners and non-gardeners alike and stars musical comedians (and real-life allotment holders), Jo Stephenson and Dan Woods. The audience will delve into the mysterious and competitive world of vegetable shows, hear the story of an evil pigeon called Derrick (who takes over the world) and ask: John Innes: Who is he? There's even a song for people who don't like vegetables, poor things. The Daily Telegraph critic commented that it was difficult not to laugh at this highly entertaining show. Tickets, £8 may be obtained from Ken Grapes on 01692 678437, Ludham Butchers or on the door on the night.

Allotment available - There is an allotment available at the Catfield Road allotments. Anyone interested should contact the clerk to the parish council: [*ludhamparishclerk@hotmail.co.uk*](mailto:ludhamparishclerk@hotmail.co.uk) or 01692 670787.

St Catherine's Flower Arrangers - The flower arrangers are a group of ladies who decorate the church for the main festivals. They range in experience from complete novice to those who are experienced and confident in producing large pedestal arrangements. They decorated the church for Christmas with a beautiful selection of arrangements which received many favourable comments,and it will not be long before they are decorating the church for Easter. New flower arrangers are always welcome. Anyone who thinks they would like to join should contact Helen Middleton on 01692 678072 or e-mail: [*helenmiddleton315@btinternet.com*](mailto:helenmiddleton315@btinternet.com)

Waterside Scratch Band - The band is now well over a year old and continues to increase in size. It plays at church and village events in the four parishes of Catfield, Hickling, Ludham and Potter Heigham. The band meets for practice, fellowship and fun every Thursday evening at 7.30 to around 9.30pm in the church room. Singers and players of all sorts of ***instruments***, and all levels of expertise are more than welcome to join. For more information contact Mo Stride on 01692 678282 or David Frost on 07981 002144 or just come along.

Who Do You Think You Are? - In exchange for a donation to St Catherine's Church, Christina Pope (01692 678079, [*christina.pope@talk21.com*](mailto:christina.pope@talk21.com)) will research family trees. In the past few weeks Christina has been working on a famous Canadian scientist and her connection with How Hill, a letter from Captain Scott, a lady told 'no such person' when she filled in her pension forms and a grandfather who was a doctor on the Klondike Gold Rush. Christina never knows what is coming next.

Tools with a Mission - Tools no longer required can be recycled for this charity. Leave them in the church porch or at the Methodist Chapel paper store or ring Ivor on 01692 631556.

Easter egg drop - The now extremely popular Easter Sunday afternoon activities at St Catherine's Church, including the Easter egg drop from the church tower, will take place again this Easter. Much help will be needed both in the preparation and on the day. Anyone who would like to be involved in this fun activity should contact Alex Cordiner on 01692 678682.

St Catherine's 400 Club - The club raised a good sum of money for the church last year. Half the income is paid out in prizes and the rest helps to maintain the fine medieval church. Renewals are now due; new members are also wanted. Subscription is £12 for a one-year membership. Contact Alex Cordiner on 01692 678682 for a membership form.

St Catherine's Church - Trees have been removed from by the side of the wall adjoining Norwich Road, giving a fine view of the church. The removed trees have been chipped and the chippings taken to Thetford Power Station. It has not yet been decided whether the trees will be replaced, if they are the trees will deciduous and of a suitable size and relevance to the churchyard. The chancel roof is to be replaced this summer. The cost, £57,617 will be borne by the church commissioners with just 1.35pc being paid the church. The church was unsuccessful in its application to the Heritage Lottery ***Fund*** for money to repair the clerestory windows.

Parish council - The council heard at their last meeting that there had been five calls to the police since their previous meeting which included two crimes, a theft and a burglary as well as a road traffic collision. It was reported that North Norfolk District Council are looking for sites for future development which they have not previously looked at. The repair to the seesaw in the children playground which was to have cost £480, if carried out by Wicksteed is now to be done by Councillor Matt Monk. There is to be a litter pick in the village in advance of HM the Queen's Jubilee. This will take place at 10am on Saturday, March 5.

Ludham village staithes - Local MP Norman Lamb has written to the villagers of Ludham about a matter of great concern to himself and the village. NNDC wants to stop paying for 13 of the 16 waste facilities for boats in the Broads villages and if no other organisation is interested in taking over these facilities the bins will be removed. This penny pinching measure threatens to leave boating visitors with nowhere to dispose of their rubbish in villages that are popular tourist destinations. Residents will suffer more mess and local businesses and the whole area will suffer if tourists are deterred from visiting. Norman Lamb would be very interested in hearing any comments which people have.

Annual arts and crafts event - This will take place in St Catherine's Church over the May Bank Holiday weekend, Saturday, April 30 to Monday, May 2. Over 1,000 visitors attend the event each year, this year there will be returning crafts-persons as well as new ones. Once again there will be full programme of entertainment running at the same time, both inside and outside the church, including May Day Morris dancing and sheep shearing. Anyone who would like to join the event in any capacity, as stall holder, entertainer or as a helper should get in touch with Christine Wall 01692 678060.

Bingo - On Monday at the village hall at 7.30pm.

Youth Club - On Friday nights at the community centre on Playingfield Lane from 5 to 7pm for ages six to 11 years.

Community gym - At the community centre on Mondays, Tuesdays, Thursdays and Friday. Instructor-led exercise open to all, GP referral and community users welcome. Contact 01493 749938.

Pilates - Monday afternoons at 4.30pm at the community centre, beginners very welcome. Contact Julian on 07786 553027 or 01692 598114 for details.

Parish council - The next meeting is on Wednesday at 7.30pm at the community centre. Members of the public welcome.

St Mary's Parish Church - There will be holy communion on Sunday at 10.30am. This year's benefice Lent course will take place every Wednesday evening at 7.30pm from February 17. The venue will be The Rectory, 3, Bowman Close, Playing Field Lane. The topic will be The Acts of the Apostles.

Martham Churches Together - The group will be holding Lent lunches for six weeks commencing on Monday. These will be held in the Methodist Church Room at 12 noon. Proceeds to charity.

Methodist Church - The service this Sunday will be led by Sheila Farnsworth at 11am. A coffee morning will be held in the school room on Monday from 10 to 11am.

Martham Scarecrow Festival and garden/garage sale - This event takes place on Sunday and Monday, May 1 and 2 from 10am to 5pm on both days. Bookings for stalls, etc are coming in. If anyone would like to have a craft or charity stall (no food stalls required) contact the organisers for a booking form. As in previous years residents of the village are welcomed to make scarecrows to be displayed on their properties or on the village green. Yarn bombing displays are also welcomed on their properties. If anyone has got items they no longer require why not have a garden/garage sale. New for this year: The organisers are welcoming everyone to make pompoms which can be placed on their property or they will be welcomed at their marquee on the Saturday to be placed in trees around the green. A Miniature Garden competition will also be held (up to 12 inches round or square). Scarecrows are also being welcomed from individuals and organisations outside of the village, so if anyone would like to bring a scarecrow for the weekend contact the organisers for a booking form. With the half-term holiday now here this is a good time to start planning, the organisers are sure that the children will enjoy making pompoms. For more information contact Julie and Steven on 01493 748547 or Peter and Liz on 01493 740086. Follow on Facebook at Martham Scarecrow Festival.

Church service - This Sunday will be a benefice holy communion at Filby at 10.30am. The Archdeacon of Norfolk will be preaching.

Garden Club - The next meeting is on Monday, February 29 when the speaker will be Tim Fuller on Ornamental Grasses. New members and guests are always welcome. Contact Gillian on 01493 733801 or Hazel on 01493 731570 or visit   [*www.greatormesbygardenclub.co.uk*](http://www.greatormesbygardenclub.co.uk)

Mobile library - The library will next be in the village on Monday starting at Rackhams Shop at 10.25am, Firs Avenue at 11.20am and finally to Beck Avenue at 11.45am

Bridge Club - The club meets every Friday at Bracecamp Parish Hall. The arrival time is 6.45pm with play usually starting by 7pm and finishes around 10pm. If anyone is new to bridge it is recommended that a few lessons are taken before coming along to the club. Contact John Barker on 01493 309033 for advice on lessons. If experienced but do not have a partner, contact Joan Barker on 01493 844657.

Chapel Coffee House - At the Baptist Church, North Road. Enjoy light lunches, cakes, superb coffee, reasonable prices. Opening hours on Thursday/Friday from 10.30am to 2pm and Saturday from 9am to 1pm.

Bingo - Royal British Legion bingo will be held at the Bracecamp Parish Hall on Saturday, February 20 at 2pm plus branch raffle and Jean and Ronnie's tombola table. Non-members most welcome, free refreshments.

Bowls Club - There will be a members' meeting on Monday, March 1 at 7.30pm at Ormesby Village Centre, Station Road. New members are welcome to join this friendly club. For further information call the secretary on 01493 730112.

St Margaret's Church - Services on Sunday at 8 and 10.45am.

Merry Michaels - On Tuesday members racked their brains to answer the questions of a quiz. The winner was Peggy Price. At the next meeting, on February 23, the group will either have a speaker or play prize bingo.

Jeff Gallant Duo - The duo will be performing in St Michael's Church tomorrow evening at 7.30pm. Tickets (£8), including light refreshments, are available from Betty Gidney on 01493 731953 or Beryl Nudd on 01493 733754.

Friendship Café - For those with dementia, their friends and carers, open again from 2 until 4pm on Tuesday. The Friendship Club has recently received a most generous donation from Caister WI, which will allow it to expand its activities.

St Michael's Church - On Sunday at 9.15am there is morning prayer.

Parish Church - The service on Sunday is one of holy communion and it starts at 11am.

Methodist Church - Mrs G Tooke will be conducting the service on Sunday which starts at 10am.

Drop-in for coffee - Got some spare time on Monday morning? Why not drop in for coffee or tea in the Methodist Church from 10am and be sure of a very warm welcome.

Parish council - This month's meeting is being held in the village hall at 7.30pm on Wednesday. Villagers are very welcome to attend and find out what is being done on everyone's behalf in the village.

Death of Mrs Audrey Barker - Residents in the village of Reedham who knew Mrs Audrey Barker were saddened to learn of her very sudden death. At 93 years old she was the oldest living Reedham born person, all her life was spent living in the village. She attended the village school and the Chapel Sunday School during her childhood. On leaving school she went to work at Pettitts of Reedham in the poultry section, it was there she met her late husband, Stanley, in 1942 they married and spent 63 happy years together before his death in 2005. Over the years Audrey had other jobs which included Suttons and Purdys in Great Yarmouth before becoming the village post mistress in the village, a job she enjoyed for 17 years before she retired in 1983. A very active member of the community up until her death Audrey was a member of the Senior Residents' Club and RBL Women's Section and she loved her whist drives, a very smiley and cheerful much-respected lady who will be greatly missed by family and friends. The funeral service took place at Gorleston Crematorium, this was taken by the Rev Lorna Allies. Family mourners were: Pauline and Eric Shingles, Suzanne and Mark Burgess (also representing Jessica, Chloe and Aimee), Karen and Barrie Sills (Hope). Other mourners were: Senior Residents' Club members Mrs Jeanne Gervais-Vernaux, Mrs Angie Woolsey (Mr Raymond Woolsey), Mrs Jane Ryan (Mr Mick Ryan), Mrs Elsie Mace, Mr and Mrs Harvey Bondon, Mrs Pat Bloom, Mrs Audrey Harris, Mrs David Chettleburgh and Mrs Monica Marsden, RBL Women's Section members Mrs Liz Welin, Mrs Ann Thompson, Mrs Jean Robson, Mrs Penny McQuillan, Mrs Josie Edwards and Mrs Margaret Allcock, Mr Tommy Ryan, Mr Paul Bilverstone, Mr and Mrs Keith Sales, Mr Julian Sales, Mrs Alison Smith, Mrs June Haines, Miss Lesley Haines, Mr and Mrs E Brister, Mr Tony Baxter, Mrs Wendy Gitsham, Mr and Mrs Keith Hurren, Mrs Jackie Steed, Mr Christopher Woollands, Mrs Mary Blanche, Mrs Jackie Benjafield and Mr and Mrs W George. Unable to attend were: Mrs Phyllis Everett, Jackie Foreman, Mrs Maureen Hewitt, Mrs Diane Rushbrook and Mrs Janet Webster.

RBL Women's Section - Members meet at the village hall on Monday afternoon in the Glover Lounge of the village hall at 2pm. The speaker is the Rev Peter Glenville who will give a talk on Microphone to Ministry.

Oliver the Musical - This will be performed at the village hall by the Nomads Theatre Company, their first showing is on Thursday at 7.30pm and then on Friday and Saturday, February 19 and 20 at 7.30pm and Saturday matinee at 2.30pm. Tickets cost £6 adults and £4 concessions and children, these can be obtained from the Post Office or calling Julia on 01493 700904.

Surgery closure - The village doctors surgery will be closed on Wednesday and Friday, February 17 and 19. If anyone has any problems contact Acle Medical Centre on 01494 717796.

Darts tournament - There is a darts tournament at the Vikings Social Club on Saturday, February 20 at 8pm, entry £3, there is a cash prize for the winner.

Forthcoming events - Nice 'n' Easy Dance on February 26 at 7pm, jumble sale on March 12, Easter egg hunt on March 20, Wednesday, March 30 Film night "The Lady in the Van" (U), Murder Mystery on April 1, tickets for the latter can be booked now by calling Chris on 01493 701107 or e-mail: [*reedhamvillagehall@yahoo.co.uk*](mailto:reedhamvillagehall@yahoo.co.uk), cost £5 including food. All these events take place in the village hall, the hall can be booked for private hire by contacting the booking secretary Angie on 07585 504199.

Parish council - At a meeting held on Monday, February 1 there were 10 councillors, District Councillor ***Grant*** Nurden, County Councillor Brian Iles, five members of the public and the clerk in attendance, this was chaired by Mr David Hale.â ¨Budget discussions: Mr Iles reported that budget discussions were still on going, he had received many e-mails from residents regarding concerns over lack of walks available. Mr Nurden informed the meeting that the medium term ***financial*** plan for the next five years was presented to committee and has been approved by cabinet, he also gave two highlights from the budget, the chair of the Community Association reported on past and forthcoming events.â ¨Dwellings layout: There were no further comments to the amended layout to dwellings on Station Road, the original objections had not been addressed.â ¨Station bridge: Four councillors had attended a meeting with the engineer of Network Rail to discuss the station bridge who will give feedback in due course.â ¨Village sign: After discussion relating to this it was resolved to accept the quote given by Broadland Glass Fibre to manufacture and install a new village sign to replace the old one.â ¨Litter pick: Thanks are expressed to the many people in the village who litter pick and other odd jobs in the village, it is very much appreciated.â ¨Allotment plots: There are still two allotment plots available to rent, if interested contact the clerk on 01403 440731, e-mail: [*bhoskins@btinternet.com*](mailto:bhoskins@btinternet.com)

Automatic External Defibrillator (AED) training - Now that a second public AED has been installed in Reedham, this time at the village hall, there is the opportunity for residents and users of the village hall to receive training to use the AED together with basic life support skills. The training, for which there will be no fee, will be arranged locally and will last for about one hour. Courses will be day or evening but not at weekends, and are suitable for all age groups and physical abilities. Anyone interested should contact the clerk of the parish council on 01493 440731 or e-mail: [*bhoskins@btinternet.com*](mailto:bhoskins@btinternet.com)

Rainfall - Mr T Sparkes records the monthly rainfall in the village, last month there was 72mm.

Church service - The service at the church this Sunday is holy communion at 11am.

Bingo - It's eyes down on Monday night for the monthly bingo, the jackpot stands at £160 in 46 numbers or less, this starts at 7.30pm, the kitchen and bar are open during the interval.

Mobile library - This comes into the village on Tuesday stopping on Riverside 9.55 to 10.15am, Vikings car park 10.20 to 10.35am, Station forecourt 10.40 to 10.50am and Church Road 10.55 to 11.05am.

Vouchers - The school and the village hall would like to thank everyone for saving the EDP vouchers. Organisers were both able to send off an application for January as well as helping four nearby village schemes. All are asked to continue to collect, letting Glenda or the school have the vouchers.

Bowls Club - Winners of 100 Club were: £30 Jane Avery, £20 Gill Baldry, £10 Stephanie Gallant.

St George's Church - There is a service this Sunday, morning worship at 9.15am. Coffee/tea and biscuits afterwards as usual, all welcome. Holy communion is at St Margaret's Church at the usual times of 8 and 10.45am.

Happy Rollers - Spring sale on Saturday, February 20 at 2pm in the village hall. Stalls include jumble, books, bric-a-brac, cakes, nearly new, white elephant, win a hamper, tombola and teas. Free entry. Jeff Gallant and his band are making a return visit to the village hall on Saturday, March 19 at 8pm, tickets £7, including finger buffet. Don't miss out this time, call Janet on 01493 740675 or Glenda on 01493 740755 for tickets.

Quiz 'n' chips - On Saturday, March 5 at 7.30pm at the village hall. Teams of five or six, £7 per head including fish (cod, haddock, plaice or scampi) and chip supper. Bar available. Book team tables and order menu selection from Julia on 01493 369789.

Church service - On Sunday will be a benefice holy communion at Filby at 10.30am. The Archdeacon of Norfolk will be preaching; also swearing in the churchwardens to their new offices.

Defibrillator - There is a defibrillator situated outside the village hall on the wall. If there is a medical emergency requiring this apparatus call 999. If anyone would like instruction in its use contact Hilary Searle on 01493 368154.

Rottenstone Lane - Note that the ramp and wooden steps leading to the beach will be closed for maintenance from February 1 to approximately February 12.

Parish council - The next meeting will be held on Monday, March 14 at 7pm at All Saints' Parish Hall, Beach Road. The press and public are always welcome.

Scratby and California Club - The History of Scratby and California book is still available from the club. It has a wealth of information in it with over 100 pages including many personal accounts of life in the village in days gone by as well as old photographs and historic maps. To order a copy call 01493 730456. The price is £10.99. The club is also collecting more information for future inclusion so if anyone has more to add call 01493 731014.

Scratby Coastal and Environment Group - The next SCEG meeting will be at 7.30pm at All Saints' Parish Hall on Monday. Guests are welcome to attend. See the website   [*www.sc-environment-group.org*](http://www.sc-environment-group.org). The group is also still collecting scrap metal as part of fundraising activities. For more information or for scrap collection contact Jim on 01493 731014.

Great Yarmouth and Gorleston Memory Club - Formerly the Methodist Memory Club meets every Monday morning at 10am at All Saints' Parish Hall. The club is for those in the early stages of dementia and those who due to bereavement or other circumstances find themselves socially isolated. Referrals are accepted from doctors, social services, housing associations or relatives. Volunteers and members would be most welcome. For further information contact Sandra Edmonds on 01493 285438 or Ann Basey on 01493 656464 or go to the website gygmemoryclub.co.uk

Welcome-in Group - At All Saints' Parish Hall every Thursday from 10.30am to 12.30pm. A new club has just started for people living within the villages who would like to meet up for a cup of tea/coffee and a chat. The group plans to have craft mornings with demonstrations, guest speakers, quizzes and board games. Come along and join in. For more information contact 07815 132808.

Table Top Friday - At All Saints' Parish Hall every Friday until March 4. Refreshments from 11am. Contact 07594 965047 or 07538 463509.

Farmers' Market/Craft Fair - On the third Friday/Saturday each month at All Saints' Parish Hall, £10 per table each day. Pay for five months, get one free. For more information contact 07594 965047 or 07538 463509.

Body highlights - On Thursdays at the All Saints' Parish Hall from 6.30 to 7.30pm, an energetic blend of dance and body toning exercises for all ages and fitness levels. Wednesdays from 10.30 to 11.30am legs, bums and tums. First class for new members free, £4.50/session or £6.50 for two classes in different groups. Tuesdays from 6.30 to 7.30pm boxercise aerobics. Contact Emma on 07795 634487.

Wednesday Club - Every week 11am to 3pm at the parish hall for people with dementia and their carers. The club is aimed at providing four hours of relaxation and activities in a friendly social setting. Hot lunch cooked on the premises and a variety of activities catering for all interests. For further details contact Claire Allan at Carers' Trust Norfolk on 07725 328125 or 01603 340063, [*claire.allan@carerstrustnorfolk.org*](mailto:claire.allan@carerstrustnorfolk.org),   [*www.carerstrustnorfolk.org*](http://www.carerstrustnorfolk.org)

Probus Club for Retired Businessmen - The next meeting will be on Thursday. There will be a talk by Ken Kirby about Ravensbrook War Crimes. All inquiries to Mike Rumbelow on 01493 730908. Flegg Probus meets every Thursday at 10 to 11.30am at the California Tavern from September to July.

Bowls Club - There will be a members' meeting on Monday, March 1 at 7.30pm at Ormesby Village Centre, Station Road. New members are welcome to join this friendly club. For further information call the secretary on 01493 730112.

St Margaret's Church - On Sunday at 8am holy communion (BCP), 10.45am holy communion (CW).

Flegg Group, Ormesby Benefice - Tigger Time with Tigger Time for zero years to school age children and their grown-ups at Ormesby Village Centre from 9am (during term time). No charges, no registration forms, no waiting lists. Anyone can either come or leave when they want. Easy parking, nice warm room, all welcome.

Light of Life Baptist Church - On Sunday at 10.30am teaching morning and Sunday School at All Saints' Parish Hall, all welcome. Call Anne for more details on 01493 394925.

Caister Photography Club - Wednesday evenings in the Function Room at All Saints' Parish Hall between 8 and 10pm. For further information about joining contact Joan Fletcher on 01493 730496 or follow the link,   [*www.caistercameraclub.co.uk*](http://www.caistercameraclub.co.uk).

Pilates - New beginners' classes at All Saints' Parish Hall on Tuesdays from 10 to 11am. Mobilise joints, relief from back pain and stress, improve posture and much more. Pilates Instructor Level 3. Taster sessions £6. All ages, ladies and men. Mats and equipment supplied. For booking and information call Hayley on 07767 864568 or e-mail: [*hayley@hayleyallen.co.uk*](mailto:hayley@hayleyallen.co.uk)

Garden Club - The next meeting is on Monday, February 29 at 7.30pm at Bracecamp Hall. Tim Fuller from Plantsman's Preference will be talking about Ornamental Grasses. For further information contact Gillian Saker on 01493 733801 or Hazel Stenning on 01493 731570. Refreshments provided free at all meetings. New members always welcome, wwwgreatormesby gardenclub.co.uk

1st Ormesby Brownies - The age group for Brownies is seven to 11 years old. They meet on Mondays from 5.30 to 7pm at Bracecamp Hall in Ormesby St Margaret. Anyone interested in joining should contact Brown Owl on 01493 732288. Kathleen, Brown Owl, is looking for help with running Brownies, if anyone could help contact her.

Scratby prescriptions - Medicines ordered from Hemsby Surgery can be collected by arrangement with the pharmacy from Country Styles Hairdressers in Beach Road, Scratby between 11.30am and 12 noon on Thursdays. Medicines must be ordered at least 48 hours before that time and can only be collected at the times above. Any uncollected medicine will be returned to the surgery. This is purely a voluntary arrangement with Kim at Country Styles for the benefit of the community.

Mobile library - The date of the next visit of the library is on Monday, February 15. Times: Beach Road 2.30 to 2.50pm, Beach Drive 2.55 to 3.10pm, California Avenue 3.15 to 3.30pm, Beach Road Pages Stores 3.35 to 3.50pm, California, Rottenstone Lane Bus Stop 3.55 to 4.10pm.

Bus service - Konect Bus service 71 picks up from California Avenue at 9.04am, 11.34am, and returns from Great Yarmouth Market Gates at 10.35am, and 1.35pm arriving back in Scratby at 11.01am and 2.01pm respectively. Monday to Friday (except Bank Holidays). For more services and times see full timetable. The services to Norwich and Wroxham have changed. OurHire service 294 will run every Friday picking up at Beach Drive, Scratby at 9.30am and arriving at John Lewis in Norwich at 10.45am. The return pick-up from John Lewis will be 1.15pm arriving back in Scratby at 2.28pm. The 293 service will run every Monday from September 7 leaving Beach Drive, Scratby at 9.45am and calling at Lathams, Potter Heigham at 10.20am and arriving at Roys,Wroxham at 10.44am. It will return picking up from Roys Food Hall at 12.50pm, calling at Lathams at 1.15pm arriving back in Scratby at 1.50pm. More details contact 01493 752223.

Correspondent - Items for publication to Jim Bratton on 01493 731014.

Church service - Holy communion at Horsey Church at 9.30am on Sunday.

Village Hall Committee - There will be a meeting on Tuesday at 7.30pm in the village hall, Cottage Road, all welcome.

Sing Your Heart Out Norfolk - Amateur singers from the area had the chance to take part in the first heat of a brand new singing competition with a first prize of £2,000 at the High School. Seven acts took part in the event, organised and hosted by Allseason Productions on Friday, January 29. From classical soprano to Bruno Mars covers, the show contained an amazing variety of talent and produced the first three competitors to go through to the semi-finals in April. An audience of over 100 people watched the show, which opened with the beautiful Kyanna Sutton, who went on to be one of the semi finalists singing "I Dreamed a Dream" from Les Miserables. Head of Music for Stalham High School, Matthew Hall said: "Fantastic first heat at Stalham High School! It was a pleasure to judge such high quality vocal work and be a part of what quickly proved to be a very hotly contested, professional sounding competition. Well done to all." The competition, which was sponsored by Cawdrons Butchers, EPIC Scheduling, Capron & Helliwell, Oak Cottage Holidays and Bradford House Accountancy of Stalham, is open to anyone over 12 years old. They do not have to be resident in Norfolk and can perform any style of music they wish. Further applications are still being invited via the Sing Your Heart Out Norfolk website at   [*www.syhonorfolk.co.uk*](http://www.syhonorfolk.co.uk) where hopefuls just complete a simple online form. The three semi-finalists to go through to the next round were talented soprano Emma Nuule (28), Kyanna Sutton (23) and singer songwriter Molly Ferguson (13). Further information is available on the group's website   [*www.syhonorfolk.co.uk*](http://www.syhonorfolk.co.uk) or by e-mailing Allseason Productions at [*allseason100@aol.com*](mailto:allseason100@aol.com)

Important information - There is now a defibrillator in Stokesby. It is situated outside the Ferry Inn, on the wall. If there is a medical emergency requiring this apparatus, ring 999.

Village hall - Any bookings for the village hall? Contact Mel on 01493 750013 to get a booking form.

Pantomime - Saturday night sold out and only six tickets left for Sunday. Coming to the village hall will be the village's own version of Cinderella. This will be performed by village residents on Saturday and Sunday at 2pm. Tickets priced £6 for adults and £3 for children, are on sale now. Refreshments will be available in the interval. Book now by contacting 01493 754136 to avoid disappointment.

St Andrew's Church - Morning prayer is said each Wednesday at 8.30am. There are very few who meet each week but the invitation is open to everyone. Come along for half an hour on a Wednesday morning.

Benefice Luncheon Club - This club is open to everyone in Stokesby and the surrounding area. There is no age limit, however young or old you are, everyone will be made most welcome. The next meal will be on Thursday, March 26 at the village hall, starting at 12 noon. If anyone would like to come for the first time, or if anyone wants a lift, contact 01493 369533, 368132 or 369347.

Sports and Social Club - Open every Friday evening for members and guests from 7.30pm. Come along and enjoy good company, a game of table tennis or darts and drinks at very reasonable prices. Don't forget the village hall and social club can be hired for your parties, disco's, meetings, etc. To book contact Mel on 01493 570013.

Bottle Bank - The bottle bank situated opposite the Riverside Stores, on the Village Green has now been taken over by the Village Hall Management Committee. When the container is full it is taken away and the bottles are weighed. The village hall will then get an annual payment for the weight of bottles that have been donated.

Mobile library - This will come to the Village Green on Wednesday, March 9 between 2.15 and 2.30pm.

Website - Keep up to date with the news on the website,   [*www.stokesby.org.uk*](http://www.stokesby.org.uk)

Parish council - The next meeting is on Wednesday in the village hall at 7.30pm.

Broads Authority - "Your Broads: Your Views". Hear about plans and projects for the Broads and have a say. Consultation is from February 15 to April 8. What are the priorities for managing wildlife, heritage, navigation, and recreation? How to get involved online: See consultation documents at broads-authority.gov.uk/broadsconsultations. Drop in at Stalham Town Hall, High Street, Stalham NR12 9AH on Saturday, March 5 from 1.30 to 3.30pm; Oulton Community Centre, Meadow Road, Lowestoft NR32 3AZ on Saturday, March 19 from 10am to noon; Brundall Memorial Hall, Links Avenue, Brundall NR13 5LL on Wednesday, March 23 from 6.30 to 8.30pm.

Road closure - Somerton Road from 50 metres west with the junction of Black Street for a distance of 100 metres south-east will be closed for surfacing works on February 15 and 16. Black Street from the junction of Somerton Road eastwards to the junction of Winmer Avenue will be closed from February 16 to 19. For further information contact Adam Mayo, Norfolk County Council on 0344 800 8009.

EACH - East Anglia Children's Hospices are planning a new hospice in Framingham Earl and are grateful for any donations. If anyone would like further information contact Bob Atyeo the village Mercury correspondent on 01493 394902 or visit   [*http://www.each.org.uk/the-nook*](http://www.each.org.uk/the-nook)

Women's Institute - The next meeting is on Thursday at 7.30pm in the church rooms. The talk is entitled Hats and How to Wear Them with speaker Margaret Sims. Future plans: Town Hall visit on February 18 at 2.30pm, bus leaves 1.30pm, bring your bus pass. Federation meeting on March 22.

Bingo - British Legion bingo in the village hall on the first Saturday of each month at 2pm, all welcome.

Lunch Club - The club meet fortnightly now (was monthly but due to popular demand the visits have been doubled) at the California Tavern for a nice lunch and sweet for just £5. If anyone would like to join just ring Di on 01493 393656. The next meal is on Thursday, February 18 then fortnightly.

Friendship Club - The club meets in the village hall on Thursdays at 2pm then fortnightly. New members welcome to come and play bingo, have a cuppa and chat with new friends. For more information contact Di on 01493 393656.

Gardening Club - The club meets on the second Wednesday of each month at 7.30pm in the church room, new members always welcome. Contact Michael or Valerie on 01493 393749.

Prayer and Praise - The group meets at the village hall on the first Tuesday in the month from 7.30pm. Come and have a sing and spend time together. Just ring Di on 01493 393656.

Carers' Group - The group meets on the last Wednesday of the month in the church rooms from 2 to 4pm. It is suggested that new members phone prior to attending as times are subject to occasional changes.. For more information call Brian on 01493 394054 or Pam on 01493 394365.

Church 100 Club Lottery - The club is looking for new members. All proceeds go towards maintaining the church and church room. Non-church members are very welcome. It cost £1 a month or pay yearly for £12. The lottery is drawn at the end of each month. Contact Margaret in the evening on 01493 393755 for details.

TS Fearless: 901 Troop - Open to boys and girls aged 11 upwards. They meet on Mondays at Caister High School and Fridays at the village hall between 6.45 and 9.30pm. Contact 01493 748395 for more information,   [*www.ts-fearless.org.uk*](http://www.ts-fearless.org.uk)

Community transport service - Centre 81 provides community transport. For more information contact the community transport's booking service on 01493 332253. Look at   [*http://www.centre81.co.uk*](http://www.centre81.co.uk)

Mobile library - There will be a visit on Thursday and every four weeks. The library arrives at the following points at the times shown: Bush Road 11.45am to 12 noon, George Beck Road 12.05 to 12.20pm, Hill View Drive 12.25 to 12.45pm, Market Place 1.55 to 3.20pm, Parish Church 3.25 to 4.10pm.

**Load-Date:** February 12, 2016

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