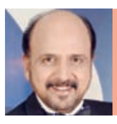
The IMF meetings — meant to find solutions to a variety of issues — is being held, ironically, in a place of indecision — Washington, DC. — *AFP*

Lot to talk about

IMF to focus on monetary easing exit, US debt



DATELINE DOHA
R. Seetharaman

THE US GOVERNMENT has begun a shutdown from the beginning of this month after the two houses of Congress failed to agree on a new budget. The Republican-led House of Representatives insisted on delaying President Barack Obama's healthcare reform as a condition for passing a bill. With Congress deadlocked, a lack of funds has halted or sharply curtailed a wide variety of government services. Financial markets are witnessing marginal swings in the hopes that the issue will be resolved.

As the US government continues with its shutdown, the concerns of the US debt ceiling also emerge as we approach mid-October. Against this backdrop, the Annual World Bank Group IMF Autumn Meeting is being held in Washington DC. The last-minute standoff over the debt ceiling led to a downgrade of the US' credit rating to AA+ from AAA by Standard & Poor's in 2011. The fiscal deficit continues to be a challenge for the US and other advanced economies, and fiscal discipline is required from advanced economies. At the current IMF meeting, they intend to discuss on "Strengthening Fiscal Transparency and Government Accounting".

Earlier this year, the US Federal Reserve had indicated it would begin the tapering of its easing measures that created panic in financial markets and a drop in emerging-market currencies. Initially, it was expected that the Fed will begin its tapering last month. However, the Fed in its recent meeting had indicated that it looks for more economic data from the US economy before planning any tapering. The rapid fall in Asian currencies in the third quarter of 2013 had once again revived the fears of a repeat of the 1997 Asian financial crisis.

On account of a shortage of capital, Asian countries suffered a shortage of credit and put them in a deeper crisis. In recent years, Asian capital markets have seen huge inflows since the sub-prime crisis and outflows are witnessed in the current year on account of a possible tapering by the Fed and further create pressure on their currencies. The Bank of England and Bank of Japan also continue to follow quantitative easing. At the current IMF meeting, leaders are also planning to discuss on "Unconventional Monetary Policies and their Cross-country Spillovers" to understand the implications of a withdrawal of quantitative easing by central banks of advanced economies.

Some of the emerging economies have continued to face challenging conditions such as slowing growth and rising inflation. Except for China's yuan, other emerging-market currencies had depreciated against the dollar in 2013. The slowdown in economic growth, China's credit squeeze in June and the possibility of the US Fed withdrawing its stimulus had resulted in a correction in capital markets. However, capital markets bounced back on hopes of government measures and a possible delay in the withdrawal of the Fed's stimulus. At the IMF meeting, they intend to discuss on "Emerging markets – Restoring Momentum".

Emerging markets have for some time played an important role on the global economic stage and are a major driver of global growth. with slowdown in emerging economies, frontier economies are receiving increased attention. Some frontier economies are on the path to become emerging markets. Some of the GCC countries come under frontier economy classification; countries such as the UAE and Qatar will be upgraded to emerging market status next year from frontier market by MSCI. At this IMF meeting, they intend to discuss on "The Frontier Economies: The Next Generation of Emerging Markets".

The world economic outlook may be revised downwards by the IMF on concerns on slowdown in emerging economies and fiscal issues in the US. The concerns of an exit from unconventional monetary policies and US political gridlock are the major challenges faced by the global economy. It will also be interesting to hear on the "CNN Debate on the Global Economy" at the IMF meeting.

Sustainable development and mitigating climate change is also an area that requires thrust at the global level and the Conference of the Parties and Rio+20 had given emphasis to this. At the current IMF meeting, they intend to discuss on "The Economic Case for Climate Action". The United Nations recently issued a report on what the sequel to the Millennium Development Goals could be. The report, entitled "A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development", articulates five fundamental transformations that, if implemented, would imply a sharp change from business as usual in every country and internationally. At this IMF meeting they intend to discuss on "Post-2015 Global Development Framework: Going from Goals to Solutions".

There is a resurgence in oil and gas production in the US. By about 2020, the US will overtake Saudi Arabia as the world's largest oil producer and put North America to a whole on track to become a net exporter of oil as soon as 2030, according to a report from the International Energy Agency. At this IMF meeting they intend to discuss on "The Energy Boom in North America: A Global game Changer".

The writer is the group chief executive officer of Doha Bank. Views expressed are his own and do not reflect the newspaper's policy.

COMMUNICATIONS LIFE
Fahad Al Hassawi

Cloud services for small and medium govt enterprises

SMALL AND MEDIUM government agencies should consider greater use of cloud services and applications to access ICT capabilities to sustainably boost innovation and cut costs.

The ICT capabilities of government agencies are under increasing pressure from fiscal constraints, ageing assets, and skills shortages. For smaller- and medium-sized government agencies, this problem is exacerbated due to limited in house technical staff to develop and manage ICT solutions. Meanwhile, cloud computing is emerging as a practical ICT sourcing alternative. Cloud services are maturing rapidly, with early adopters reporting positive experiences with cloud adoption. This provides an option for smaller government agencies to viably access leading ICT services and solutions.

Government agencies across all jurisdictions face a perpetual challenge as they seek to develop and maintain the ICT capabilities needed by governments to support policy and service delivery innovation. The opportunities for technology to drive innovation in citizen service, education, healthcare, and internal productivity are limitless, but have always been constrained by limited resources available to build and operate the new systems.

The balancing of demand and supply for services is an eternal challenge throughout the public sector, but the issue of over-stretched ICT capabilities is starting to become a critical problem. ICT has become integral to virtually all public services. The ability of governments to drive innovation in society is increasingly dependent on the ICT capabilities of their agencies. The UAE has launched numerous mobile-enabling and e-applications for various government activities.

However, the troubling observation is that the ICT capabilities of agencies are under increasing stress. For most agencies the management of ICT is like a game of Snakes and Ladders. Progress is good some years when experienced staff are present, when major projects are under way, and when new methodologies and technology assets are rolled out. In other years, however, progress is stymied by legacy complexity and the diversity and fragmentation of the agency ICT environment, and hard-won gains are lost in ageing assets, budget cuts, staff turnover, skill shortages, and project failures.

It is very difficult for individual agencies to make consistent upward progress in the development of the maturity and sophistication of all of the ICT

> “The balancing of demand and supply for services is an eternal challenge throughout the public sector, but the issue of over-stretched ICT capabilities is starting to become a critical problem

capabilities required to deliver their policy and service outcomes, and to meet the growing expectations of ministers and citizens. For smaller- and medium-sized government agencies, the delivery of ICT solutions can often be critically dependent on only a few staff and sometimes a single person.

This situation leaves many agencies caught in an innovation/efficiency dilemma. Expectations that ICT will enable policy and service delivery innovation are rising... but budget pressures constrain agency's ability to sustainably develop and maintain the required ICT capabilities. Efficiency strategies such as shared services and common systems offer a potential solution to budget constraints... but are empirically high risk and also tend to constrain agency flexibility and ability to innovate.

The innovation/efficiency dilemma means that agencies at all levels of government in the UAE, need better ways to source ICT capabilities in ways that sustainably enable flexibility and innovation, while also costing less than dedicated ICT capabilities for each agency.

The cloud provides a new way to source shared world-class ICT capabilities as a service. The primary driver for cloud adoption is to take advantage of the evolution of large-scale shared ICT service models as an alternative to sub-scale, fragmented, and duplicative agency-by-agency investments in applications and infrastructure.

The benefits of the cloud model revolve primarily around a range of attributes, which distinguish cloud providers from the internal ICT capabilities of all but the very largest and most capable agencies. This can be thought of as the cloud innovation edge. The key attributes of the cloud innovation edge are scale, focus, multi-tenancy, resilience, iterative evolution, use of SOA, social and mobile technologies, Internet age security, self service, usage-based charging, and vendor ecosystems.

Cloud-based software-as-a-service, or SaaS solutions, allow organisations to gain the ability to run applications without the burden of a significant upfront capital investment. SaaS options effectively bundle the software license, hardware and ongoing management into a complete solution provided in a cost-effective, as-a-service model. The service model allows government agencies and their suppliers to avoid capital expenditure and lower the total cost of ownership.

Agency ICT departments aspire to many of these attributes but can seldom achieve or sustain all of them due to resource and skill constraints and the challenges of supporting diverse and fragmented legacy infrastructure and applications. Cloud service providers have the advantage of being able to define a catalogue of services that are optimised to run in a standardised infrastructure to world-class best-practice levels of performance.

The figure below depicts the cloud innovation edge as an alternative to the ICT Snakes and Ladders game within agencies. The graph is for the purpose of illustrating broad trends based on practical observations, and should not be taken literally as generated from empirical data.

The cloud innovation edge
(Source: Ovum)

The large-scale and focused architectures of the leading cloud providers like du mean that they are capable of sustaining a rapid and continuous development in their capabilities. They are making the biggest investments in technology, can attract and retain the best skilled staff, can focus on optimising the functionality, security, and performance of their services, and can attract the most vibrant ecosystems of vendors to "value-add" their core services.

To summarise, government agencies can take the following five steps to prepare a path to the cloud:

- Include cloud services in the agency ICT strategy;
- Discover the cloud services available from trusted suppliers;
- Analyse application and data portfolios to identify cloud services opportunities;
- Get hand-on experience with cloud services; and
- Don't compromise on enterprise-grade compliance requirements.

The writer is the chief commercial officer of du. Views expressed are his own and do not reflect the newspaper's policy.

Education savings plan: An investment all parents must make

INSURANCE INSIGHT
Ashok Sardana

AS LIFE SHAPES and molds the minds of young children, it also helps shape their dreams. Whether your child aspires to become an artist or a doctor, a biologist or an astronaut, the power to turn their dreams into a reality is in your hands. Higher education is generally the second-largest investment you will make in your lifetime. As one of the most important gifts that you can give your child, saving for college should ideally start as early as possible, no matter how small the contribution.

Investing in an education savings plan that truly supports your commitment towards your child's future and ensures that you can say "yes" to their dreams.

Education costs are generally prone to higher inflationary rates not just in the UAE but across the globe. For expatriates, education is generally the second-highest expense for families, the highest being expenses on house rent. For a middle-income family with two kids, education expenses, which comprise of school fees, coaching class fees, transport costs and other related charges for extra-curricular activities from schools, could easily account for over 20-30 per cent of their income. This means for the first six to 10 days of the month we are working to pay off the school fees for our children. When looked at in totality, the investments that need to be made over the years to provide a quality education to our children are substantial, especially so if higher education is considered.

The cost of education around the world has steadily risen year after year. Affordability is consistently ranked as one of the top concerns among parents selecting a higher education institute for their children. In fact, affordability was cited as a major factor affecting the choice of educational institutions by parents in the UAE in a 2009 British Council survey. This, when looked at with the fact that around 84 per cent of educational expenses were funded from family funds, underscores the impact that rising costs of education have in a family's financial life. Taking into consideration that a majority of parents rely on family funds and income to provide for education costs, emphasises the need to invest early in an education savings plan.

Every parent wants their child to have the best quality of education possible. This means planning in advance and saving in a systematic manner.

That said, generally one of the primary goals for any parent is to save for their child's education, and clearly this cannot be neglected. "Inch by inch, life's a cinch; yard by yard, life's hard". Our advice to parents is to start saving early as this helps immensely in breaking down large goals and makes saving for these goals more manageable for them.

The choices you make today can impact your child's future. Considering the financial strain you already feel, adding the need to save for your child's higher education may seem difficult or even impossible. But, regardless of your financial situation, one day your children will be ready to leave home and pursue their dreams. Starting to save early can help you beat the constantly rising cost of education. When trying to understand the framework of saving for your child's higher education, there are some important factors to be taken into consideration:

Inflation: It affects living costs and continues to rise across the world. A cause of concern is that the increase in the costs of college education in many countries is much higher than inflation.

Cost of books and equipment: Aside from college fees, your child is also going to need access to the right resources and technology to support their education.

Calculating for the future: For parents or students who have a number of years until college begins, it means your savings plan needs to account for increased future college education costs. In addition, hidden costs such as the cost of parents' travel to visit their child if he or she is studying abroad, international phone calls and personal expenses, among many others, need to be accounted for during the planning stage. Preparing for the cost of college is one of the most important investments you'll ever make for your child.

The fees in Dubai's leading schools can reach up to Dh69,283 for six to nine years, Dh79,733 for 10 to 13 years and Dh96,140 for secondary fees.

The cost for education is rising every year in most markets, especially the UAE.

The average tuition fee has increased by six per cent from the last academic year in Dubai; families are spending on average around Dh25,000 a year to send a student through private school.

Investments, like your children, will grow in no time. As a parent with a vision of the future, you must start saving for your child's higher education as early as possible.

The writer is the founder and managing director of the Continental Group. Views expressed are his own and do not reflect the newspaper's policy.