

OCTOBER 2014

# OFID Quarterly

THE OPEC FUND  
FOR INTERNATIONAL  
DEVELOPMENT

Interview with IFAD President:  
Moving beyond the cliché

Egypt plots new course toward  
economic recovery

OFID and OeEB launch  
strategic partnership

Art exhibition:  
Ecuador in focus



***Family farming: Investing  
in a sustainable future***

**OFID Quarterly** is published four times a year by the OPEC Fund for International Development (OFID).

**OFID** is the development finance agency established in January 1976 by the Member States of OPEC (the Organization of the Petroleum Exporting Countries) to promote South-South cooperation by extending development assistance to other, non-OPEC developing countries.

**OFID Quarterly** is available free-of-charge. If you wish to be included on the distribution list, please send your full mailing details to the address below. Back issues of the magazine can be found on our website in PDF format.

**OFID Quarterly** welcomes articles and photos on development-related topics, but cannot guarantee publication. Manuscripts, together with a brief biographical note on the author, may be submitted to the Editor for consideration. The contents of this publication do not necessarily reflect the official views of OFID or its Member Countries. Any maps are for illustration purposes only and are not to be taken as accurate representations of borders. Editorial material may be freely reproduced, providing the *OFID Quarterly* is credited as the source. A copy to the Editor would be appreciated.



**Uniting against Poverty**

## COMMENT

Small farmers, big prospects	2
------------------------------	---

## SPECIAL FEATURE

Family farming: Investing in a sustainable future	4
Moving beyond the cliché <i>Interview with Kanayo Nwanze, IFAD President</i>	10
Great oaks from little acorns grow <i>Why microcredits promise a big future for small farmers</i>	14
OFID in the Field	18
Chain reaction: From smallholder to exporter	20
Far from the world, close to the sky	22
No surrender to the threat of nature	24

## NEWSROUND

Member Country delegates gather at OFID HQ for annual briefing	26
Climbing the next rung on the production ladder <i>Mozambique gets new aluminium plant</i>	28
OFID and OeEB launch strategic partnership	30
OFID Diary	32
Meetings attended by OFID	35
148 <sup>th</sup> Session of the Governing Board	36
Loan signature photo gallery	38

## SPOTLIGHT

Using the past to secure the future <i>Adapting traditional farming systems in Guatemala</i>	40
---	----

## CONFERENCE WATCH

AIDS 2014 steps up from tragedy	43
IAS Executive Director pays tribute to activists	45
Overcoming HIV in conservative social settings	46
OFID-sponsored delegates share their experiences	47
10 <sup>th</sup> International Energy Conference Energy access a matter of universal concern	48

## PERSPECTIVES

Egypt plots new course toward economic recovery  
*Interview with new Minister of International Cooperation* 50

Former Dominican President shares views  
on interregional cooperation 53

## MEMBER STATES FOCUS

A feast for the senses  
*OFID hosts exhibit of Ecuadorian art* 55

Indonesia, Nigeria: Newly minted 57

## OPEC

OPEC hosts first modeling applications workshop 59

### PUBLISHERS

#### THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

Parkring 8, P.O. Box 995, A-1010 Vienna, Austria

Tel: (+43-1) 515 64-0; Fax: (+43-1) 513 92-38

Email: [info@ofid.org](mailto:info@ofid.org)

[www.ofid.org](http://www.ofid.org)

EDITOR-IN-CHIEF Mauro Hoyer Romero

EDITOR Audrey Haylins

CONTRIBUTORS Reem Aljarbou, Nadia Benamara,  
Damelys Delgado, Silvia Mateyka, Michelle Palacios,  
Shirin Hashemzadeh, Arya Gunawan Usis, Justine Würtz

PHOTOGRAPHS Abdullah Alipour Jeddi (unless otherwise credited)

PRODUCTION Susanne Dillinger

DESIGN [etage.cc](http://etage.cc)/krystian.bieniek


PRINTED IN AUSTRIA Stiepan & Partner Druck GmbH

This publication is printed on paper produced  
from responsibly managed forests.



COVER PHOTO: AGSTOCK IMAGES, INC./ALAMY

# Small farmers, big prospects

 ctober is an important month in the development calendar. On consecutive days, the world marks the International Day of Rural Women (15<sup>th</sup>), World Food Day (16<sup>th</sup>) and the International Day for the Eradication of Rural Poverty (17<sup>th</sup>). This year, the three events carry more significance than usual—they are all linked by the International Year of Family Farming.

Worldwide, there are an estimated 500 million family farms, the majority of them in developing countries. Together, they represent over 90 percent of all farms and the bulk of global food production—and this despite accounting for just one-quarter of total land under cultivation. In the developing world alone, small farmers—half of whom are women—feed and support around two billion people.

The fact remains, though, that the agriculture sector in developing countries is performing far below its potential, yielding just 2,400kg per hectare. In comparison, developed country farms produce 4,000kg per ha.

With their specialized knowledge and collective might, smallholders have the capacity to help counter the food shortages that currently see some 800 million people go to bed hungry every night. They also have a significant role to play in sustainable natural resources management and poverty alleviation.

As influential as their contribution may be, however, small-scale farmers cannot unlock their potential unaided. The obstacles standing in their way are simply too great. And most of them are outside their control.

In addition to the effects of climate change on their resource base, small farmers have to contend with



insecurity of land tenure, commodity price volatility, and limited access to inputs, services and value chains.

Their productivity is further hampered by poorly developed rural infrastructure, especially roads, energy and telecommunication services.

Under these conditions, there are limited opportunities and even fewer incentives for farming families to invest in their land and try to improve their yields.

For small farmers to realize their potential, investment, support and motivation has to come from external sources, including governments, the private sector, NGOs and, of course, the development finance community.

As an institution with a long history of support to rural development, OFID wholeheartedly supports the UN's International Year of Family Farming.

Working through strategic alliances with the likes of the International Fund for Agricultural Development, the Food and Agriculture Organization and the World Food Program, among many others, we have contributed in a multitude of ways to the enhancement of smallholder farming in a large number of our 134 partner countries.

OFID's direct support to agriculture amounts to well over US\$2bn. These funds have been used to reinforce all aspects of the value chain, from crop and livestock production and artisanal fisheries, to agro-processing, marketing, trade and financial services.

We also support the sector indirectly by sponsoring agricultural research and other activities that foster

the exchange of knowledge, innovation and best practice.

Beyond that, we have invested substantial amounts in essential infrastructure: in rural roads to ease the movement of inputs and produce; in modern energy solutions to make irrigation systems and processing jobs more efficient; and in mobile phone networks to give farmers ready access to weather forecasts, commodity prices and other important information.

Our strategy includes taking a gender-sensitive approach wherever possible, in recognition of the critical role played by women in smallholder farming. Despite their important contribution, women find it much harder than men to access productive resources such as land, credit, information and extension services.

The FAO estimates that closing this gender gap could result in yield increases of up to 30 percent—a potential, by our reckoning, far too great to be ignored. Hence our efforts to empower rural women and equip them with the means and knowledge to lead more productive lives.

For OFID, fighting poverty has always meant taking the battle to those fields where the need is most acute. And here lies the paradox. It is these very fields—and the families that farm them—that hold the seeds for a sustainable future.

Nurturing these seeds means recognizing that poor farmers are an integral part of the solution—not part of the problem. What's more, they have an inherent right to our unquestioned support. Their soil is fertile. We should help them till it. ■





# Family farming: Investing in a sustainable future

The development of agriculture has played a major role in human history and socioeconomic change. At its hub is family-based farming, which has evolved into a key driver of economic growth, food supply, income generation and employment. Here, in recognition of the *International Year of Family Farming*, the *Quarterly* explores the vast potential of this vital sector and the obstacles that challenge it.

BY AUDREY HAYLINS

**F**amily farming may be defined as any agricultural activity—crop production, livestock raising, fishing, aquaculture, forestry—which depends chiefly on family labor, including both women's and men's. Globally, there are more than 500 million family farms, collectively representing over 90 percent of all farms. Despite accounting for just one-quarter of total land under cultivation, they are the leading form of food production worldwide. In the developing world alone, family farms feed and support around two billion people.



The International Year of Family Farming (IYFF) was declared by the United Nations to highlight the broad potential of the sector—for alleviating food shortages; for protecting natural resources and biodiversity; and for promoting sustainable development.

“By choosing to celebrate this year, we recognize that family farmers are leading figures in responding to the double urgency the world faces today: improving food security and preserving natural resources,” announced José Graziano da Silva, Director-General of the UN Food and Agriculture Organization (FAO), at the official launch of IYFF. He went on to point out that family farming was still the main food provider for billions of children, women and men.

## The climate challenge

Their important role notwithstanding, small farmers are up against numerous obstacles, many of which are outside their control. These range from climate change and constantly degrading natural resources to insecurity of land tenure, commodity price volatility, limited access to inputs and services, and weak value chains. Productivity is further constrained by poorly developed rural infrastructure, in particular roads, energy and telecommunication services.

Small-scale farmers are without doubt one of the most vulnerable groups when it comes to dealing with the effects of climate change. In addition to diminishing water supplies and degraded soil, weather-related influences, such as droughts and floods, wreak havoc on harvests, leaving families hungry and without the extra income usually earned by selling surplus produce. Ocean ecosystems are also affected, with serious implications for communities that rely on fishing for their livelihoods.

For centuries, poor farmers have been the custodians of Earth's natural resources, often

managing wide tracts of land and forest. Over time, and by necessity, they have become adept at adjusting both to changes in their environment and to climate variability. Nowadays, however, things are happening so rapidly that they cannot keep up.

According to the International Fund for Agricultural Development (IFAD): “There is a new global consensus that a more systemic approach to sustainable agricultural intensification is required that better preserves or restores the natural resource base and increases the resilience of farming systems to a changing climate.”

Because small farmers have such an intimate relationship with the environment, they can play a key role in this transformation. Indeed, IFAD notes that many farmers are already adopting new systems. Often based on traditional techniques, such systems combine the benefits of climate resilience and enhanced biodiversity with higher yields and, as a result, reduced poverty.

Insecure access to land is another issue that increases small farmers' vulnerability. Due to a toxic combination of population pressures, climate change, declining soil fertility and biofuels development, competition for land has never been greater. With weak or unprotected tenure rights, small-scale producers—especially women—are at the mercy of more powerful or affluent players and constantly under threat of losing their livelihoods. Under such conditions, farmers are reluctant to invest in the long-term wellbeing of their land or to adopt new technologies.

Addressing the lack of tenure security is a critical factor in the food security-poverty alleviation equation. Right of ownership is important not only for agricultural production but also as a means for farmers to diversify their livelihoods by using their land as collateral, renting it out or selling it.

## Value chains: The vital link

Environmental and land challenges aside, millions of smallholders struggle to eke out a living because of weak or poorly-integrated value chains. With restricted access to modern technologies—including inputs such as fertilizers and pesticides—as well as to financial and agricultural extension services, and, ultimately, to markets, the vast majority of poor farmers are trapped at subsistence level, producing mostly staple crops for household consumption.

A tried and tested solution to this is for an NGO or other body to bring together the various actors—smallholder farmers, input providers, processors, buyers, financial institutions and service providers—and facilitate their working together. This kind of arrangement is attractive to



all involved, as it shares the risk, maximizes output, sets up market linkages, and increases the commercialization and sustainability of the commodity chain.

With this kind of security behind them, subsistence smallholders can advance to producing a mix of staple and high-value crops and participate in local and regional spot markets as both buyers and sellers. The difference this can make in terms of income can be considerable, generating profits both for reinvestment in the farm and in the household.

In this context, belonging to a producers' organization brings many advantages to the small-scale farmer: bulk production, reduced costs through economy of scale and strengthened bargaining power with private sector actors. As part of a larger group, smallholders are more likely not only to access a more sophisticated value chain but also to move up the chain and capture margins previously dominated by other players, including wholesalers, processors and exporters.

## Energy the enabler

As a means of poverty alleviation, a tight value chain is a game changer. However, a value chain is only as effective as the infrastructure that supports it. Of paramount importance is access to a reliable and affordable energy supply. Without electricity, the productive day is shortened, irrigation systems are inefficient, processing jobs have to be done by hand, and produce spoils, either because it cannot be processed fast enough or cannot be properly stored.

Rural energy access is an issue high on the global agenda due its transformative effect on rural economies, livelihoods and living standards. Making modern energy, including electricity, universally available is one of the three key goals of the UN *Sustainable Energy for All* initiative, but possibly the most challenging. Rural areas are difficult and expensive to reach with traditional grid systems, which also take years to extend and bring on line. However, there are several other solutions that are affordable, sustainable and, most important of all, quick to implement.

Mini-grids, for example, are attracting growing interest as a means of providing decentralized energy generation and distribution. Successful models include hybrid systems, which can generate power from both sources—for example, diesel and solar—or operate using just the one source. This type of flexibility makes for a more secure supply and reduces the chance of power cuts. Questions remain, however, over the financing of such systems, which are unlikely to be supported through public funds and thus demand new approaches and business models.

## The road out of poverty

Just as important as energy is the condition of rural roads, which often constitutes a major bottleneck to economic integration and growth. An estimated one billion people—most of them agriculture-dependent—have no access to all-weather roads. During the rainy season, this can lead to farming communities being isolated ►

### GLOBAL DISTRIBUTION OF AGRICULTURAL LAND

	Agricultural land (thousands of ha)	Number of farms (thousands)	Number of small farms (thousands)	small farms as % of all farms	Agricultural land in the hands of small farmers (thousands of ha)	% of agricultural land in the hands of small farmers	Average size of small farms (ha)
Asia-Pacific	1,990,228	447,614	420,348	93.9%	689,737	34.7%	1.6
China	521,775	200,555	200,160	99.8%	370,000	70.9%	1.8
India	179,759	138,348	127,605	92.2%	71,152	39.6%	0.6
Africa	1,242,624	94,591	84,757	89.6%	182,766	14.7%	2.2
Latin America & Caribbean	894,314	22,333	17,894	80.1%	172,686	19.3%	9.7
North America	478,436	2,410	1,850	76.8%	125,102	26.1%	67.6
Europe	474,552	42,013	37,182	88.5%	82,337	17.4%	2.2
TOTAL	5,080,154	608,962	562,031	92.3%	1,252,628	24.7%	2.2

Note: All figures on agricultural land obtained from FAOSTAT.

All figures on number and size of farms obtained from national authorities, as far as possible.

SOURCE: GRAIN (MAY 2014)

◀ for weeks at a time. Inputs cannot be delivered, markets cannot be reached, and harvested crops go to waste.

This is a major blow to food security, especially when food surplus regions of a country are unable to evacuate produce to food deficit regions. It also compromises productivity and earning capacity, with the resultant negative impact on household incomes and welfare.

The main obstacle to improved transportation networks in rural areas is the very high cost of the infrastructure, as well as the need to provide services that are environmentally, socially and economically sustainable. Meeting the needs of agricultural communities, particularly those in landlocked countries, requires emphasis on projects that link producing areas with regional—and ultimately national—road networks.

This would improve competitiveness and eventually open up opportunities for cross-border trade. With better access to domestic and interna-

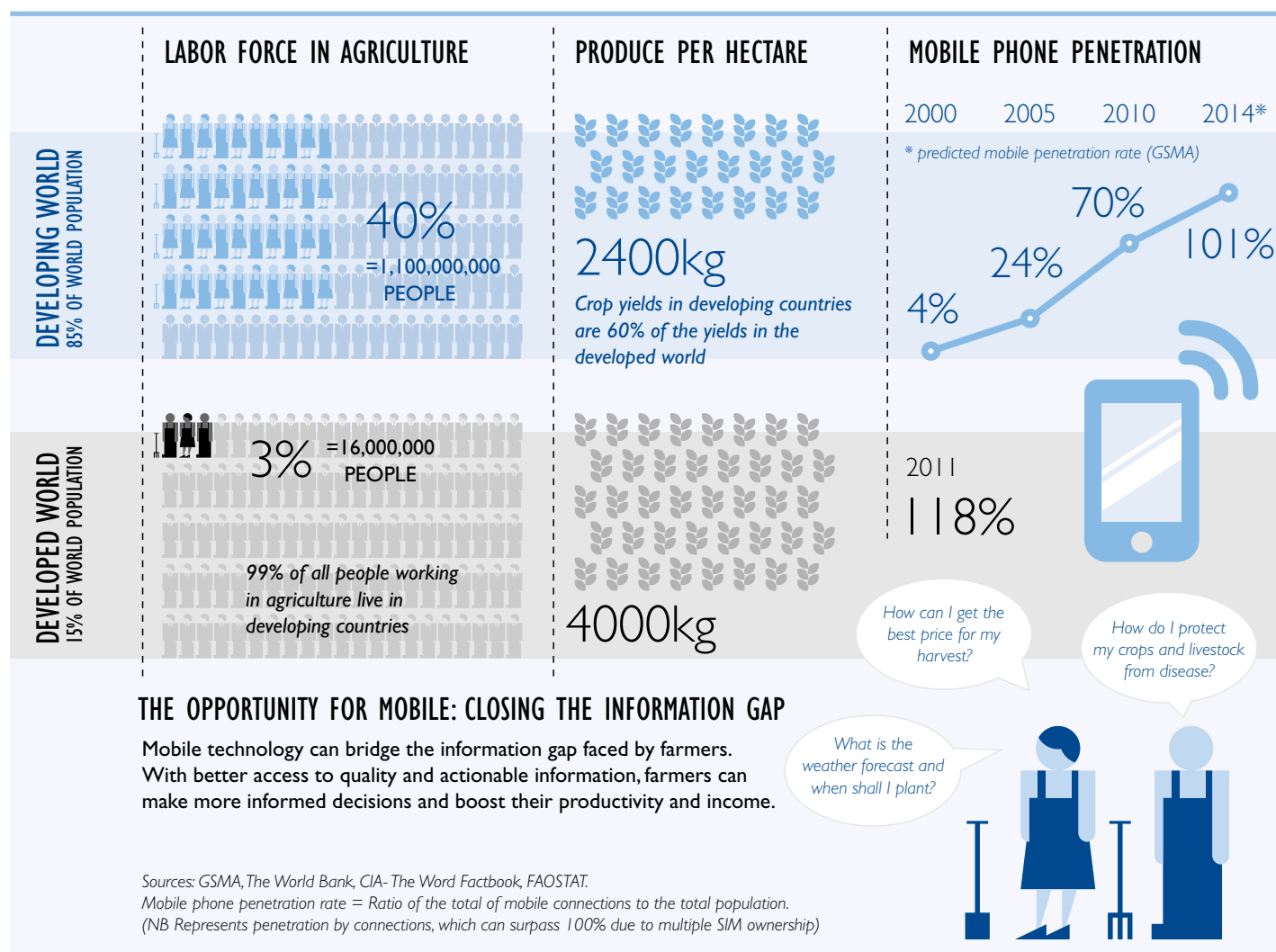
tional markets, small producers can reliably sell more produce at higher prices. This, in turn, acts as an incentive to invest in their own businesses and increase the quantity, quality and diversity of the goods they produce.

## Information is power

Market access on its own, however, is no guarantee of success. Small producers also need access to information about the market and the factors that influence it. And this is where information and communication technologies play a vital role. Being unable to make informed decisions is an important reason why developing country farmers produce significantly less per hectare than their developed country counterparts—a mere 2,400kg compared to 4,000kg.

Using a mobile phone with Internet access, farmers can check weather forecasts, commodity prices and demand trends, and tap into sources

## Agricultural productivity gap: the opportunity for mobile



of information about combating crop pests and livestock diseases. This can help them decide when and what to plant and guide them on how to maximize yields. However, for small farmers to be able to benefit from these services, mobile providers must make data plans more affordable.

While it is encouraging that mobile networks in developing countries have expanded exponentially since 2010, mobile broadband services remain expensive and out of reach for large parts of the population, creating a huge gap in penetration between rich and poor countries. According to the latest projections from the UN, mobile broadband penetration will stand at just 21 percent in the developing world, compared with almost 84 percent in developed countries by the end of 2014.

## Closing the gender gap

Cutting across the various issues that affect family farming is the crucial role of women, who represent almost one-half of the developing world's small farmers and make an essential contribution to food security and family nutrition. In addition to growing produce and raising small livestock, women are often exclusively responsible for the processing, storage and marketing of basic foodstuffs and for the preparation of family meals. Yet, in many developing countries, gender-based inequalities limit women's productivity and impact negatively on the overall performance of the agriculture sector.

Research conducted by the FAO shows that women have more difficulties than men in accessing resources such as land, credit, information and extension services. Compared with men, women tend to farm plots that are only half to two-thirds the size; to keep fewer and less valuable livestock; and to be granted fewer and smaller loans. They are also less likely to purchase inputs such as fertilizers, pesticides, improved seeds and mechanical equipment.

FAO estimates that closing this gender gap and improving women's access to productive resources could result in yield increases of up to 30 percent. Production gains of this magnitude could, in turn, reduce the number of hungry people in the world by as much as 150 million.

Rural women are also on the front line of climate change impact and, as such, are uniquely placed to lead mitigation and adaptation efforts. Their daily activities—collecting water, firewood and fodder, and taking care of plants and animals—are intimately linked to the environment. Over time they have garnered a wealth of knowledge and expertise and are acutely aware of the need to protect fragile ecosystems and manage land, forests and water responsibly.

## What are the impacts of the gender gap in agriculture?

### Gender Yield Gap

*Women farmers typically achieve yields that are 20-30% lower than men. However, the vast majority of studies suggest that women are just as efficient as men and would achieve the same yields if they had equal access to productive resources and services. Bridging this gender yield gap would boost food and nutrition security globally.*



The yield gap between men and women farmers averages around

**20–30%** mostly due to differences in resource use

Given equal access to resources as men, women would achieve the same yields levels, boosting total agricultural output in developing countries by

**2.5–4%**



This additional yield could reduce the number of undernourished people in the world by

**100–150m or 12–17%**



Source: FAO

In spite of this, rural women are poorly represented at all levels of decision-making on environmental policy and natural resources management. Acknowledging this anomaly and encouraging the participation of women in rural producers' organizations is an essential step towards dealing with climate change and its related challenges.

## The way forward

There is clearly no silver bullet for transforming the promise of family farming into a sustainable reality; the challenges are too diverse and complex. The solutions are there, but require committed, concerted—and in many cases altruistic—action from all stakeholders. At the end of the day, it is not just small producers that stand to benefit but the very future of our planet and its people. ■



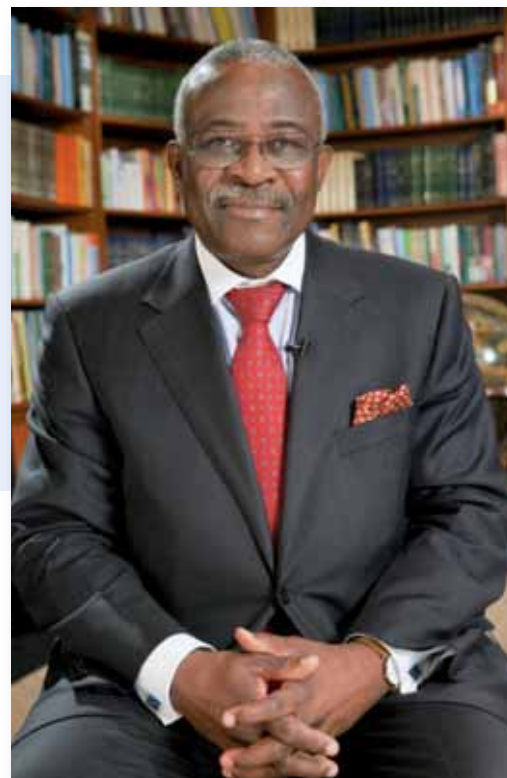
# Moving beyond the cliché

Family farmers should no longer be regarded as poor, isolated and marginalized, but as key sources of innovation and change. So says **Dr Kanayo F Nwanze**, President of the International Fund for Agricultural Development, in the following interview exclusively for the *Quarterly*.

INTERVIEW BY AUDREY HAYLINS

**OO:** *The International Year of Family Farming recognizes the importance of family farming for reducing poverty, boosting food security, and preserving natural resources. Could you briefly explain how small-scale farming relates to each of these three goals?*

**KFN:** As you know, the United Nations declared 2014 as the International Year of Family Farming. This declaration reflects a growing appreciation for the role played by family farmers throughout the world, and how this role is changing. By one count, there are some 500 million small farms scattered around the globe, mostly in developing countries. In some countries, small farms are responsible for up to 80 percent of the food produced. Policy makers—as well as the business sector—are moving beyond the cliché that all family farmers are poor, isolated and marginalized. Increasingly, they see a huge potential among smallholders for agricultural processing, management of production systems and investment. In practical terms, agricultural projects are moving away from simply compensating farmers who are excluded from markets. Instead, family farms are viewed as a potential source of innovation, a space that can transform our approach to rural development and poverty alleviation. If we



Dr Kanayo F Nwanze

can unleash the vast potential of family farms, smallholders can be part of the solution to rural poverty and inequality and they can do so in a manner sustainable for the environment.

**OO:** *It is estimated that crop yields per hectare in the developing countries are 60 percent of those in the developed world. What are the main reasons for this disparity? And what can be done to rectify it?*

**KFN:** You have to remember that three-quarters of the world's poorest people live in rural areas in developing countries. And so do three-quarters of the world's undernourished people. Rural people face a lack of access to markets, services, finance, knowledge and technology. In Africa, only about 6 percent of the total cultivated land is irrigated. This compares with 37 percent in Asia. It is estimated that irrigation alone could increase output by up to 50 percent in Africa. The gap between

rich and poor is mainly a gap between urban and rural. These inequalities hold back small farmers and rural areas as a whole, and these gaps must be met with focused and deliberate action. Income inequality can lead to slower or less sustainable economic growth. Clearly, neglecting rural areas not only hurts rural people and crop yields, but holds back countries and national economies. With the right investments, small farmers can lead economic growth, and through innovation and the use of traditional knowledge, they can ensure food security not only for themselves and their community, but for their country.

**OQ:** *Women make up almost one-half of the developing world's small farmers, yet gender-based inequalities limit their productivity and impact negatively on the overall performance of the agriculture sector. What steps can be taken to close this gender gap?*

**KFN:** It's true that women play a much bigger role in farming than is commonly recognized. Across the subregions of Asia and the Pacific, women account for as much as 50 percent of the agricultural workforce. Yet despite their often back-breaking labor, and their valuable knowledge of crop varieties and farming practices, much of women's work is poorly paid—if it is paid at all. The consequences of this profound injustice extend far beyond the impact on women themselves. Evidence clearly shows that when women have money, they spend a large propor-

tion of it on improving family nutrition and well-being—whether that means school fees, health-care or adequate clothing. So when women lack the opportunity to earn and manage money, we are hurting entire families. Women are agents of rural development and their empowerment can contribute immensely to improved livelihoods in their families, communities and countries. With more targeted support from donors, governments and NGOs—support that addresses the social and economic roots of inequality by engaging with both women and men—we can enable these women to fulfill their enormous potential.

**OQ:** *What about rural youth? Could greater support to family farming offer increased opportunities for young people and help address youth unemployment?*

**KFN:** At IFAD, we know from experience that young people are the most precious resource of a rural community. Today, however, many rural areas are losing their young people, because there are often so few incentives for them to stay. When young rural women and men cannot get an adequate education, make a living or create a secure home, they move to sprawling cities or to foreign countries that, they believe, offer more hope. Some make good and contribute to their communities by sending money home. Too many others become mired in urban poverty. This is a tremendous loss for their families and their nations. Targeted investments can make a difference. ►

Farmers, including women and youth, learn how to prepare cattle feed at a farmer field school in Zanzibar, Tanzania.

PHOTO: IFAD/JOANNE LEVITAN



---

*“If we can unleash the vast potential of family farms, smallholders can be part of the solution to rural poverty and inequality and they can do so in a manner sustainable for the environment.”*

---

◀ To start with, support for basic education is critical in rural areas where schools are underfunded and poor children are often taken out of school early and put to work. Young rural people also need vocational training, apprenticeships and further education to give them relevant knowledge and skills.

An IFAD-funded project in Madagascar, for example, provides apprenticeships and job opportunities for thousands of young rural workers, building a stable, skilled workforce for Malagasy small businesses. In Tanzania, IFAD supports farmer field schools that use experiential learning to help farmers of all ages solve problems and acquire new techniques. Those who apply what they learn are reaping the benefits of higher yields, productivity and profits.

**OO:** *How important is investment in rural infrastructure as a means of improving the conditions for small-scale farming?*

**KFN:** One of the biggest challenges that rural people face is lack of access—to markets, to services, to inputs, to knowledge. Where is the incentive to improve production if there is no way to get the product to market or to store it? For example, one-third of the rural population of sub-Saharan Africa lives five hours from the nearest market town of 5,000 people. Improvements in infrastructure can play a huge role in raising rural livelihoods and food security. Rural and urban areas are interdependent. Growing urban markets can provide opportunities for small farmers, if they can access them. Greater investment in infrastructure—not just roads, but market facilities, electrification, storage, water supply and energy, and communication technology—is essential.

**OO:** *How can the international finance community—especially DFIs like IFAD and OFID—best support small-scale farmers?*

**KFN:** Today we face unprecedented economic and environmental challenges—but nobody can face them alone. Partnership is essential to development and has always been central to IFAD’s business model. We know that we are more powerful when we forge alliances for sustainable agriculture with DFIs like OFID, but also with governments, other donors, the private sector and of course small-scale farmers themselves. Since 1977, in addition to the US\$15.6bn that IFAD has invested in agriculture and rural development, it has mobilized a further US\$22.8bn in cofinancing and domestic contributions. Working in partnership leads to greater impact.

The emergence of higher and more volatile food prices, combined with dramatic droughts, floods, and famines, have concentrated world attention on the question of how to feed a global population that is over 7 billion and growing. Smallholder farmers are part of the answer to that question. In fact, most farms are small. Globally, 85 percent of farms are under two hectares. Smallholders in the developing world pay a key role in food security. And yet, many of them are poor and hungry themselves. Three-quarters of the world’s poor and hungry people live in the rural areas of developing countries. But with the right support—which includes investment, knowledge, finance and access—they can achieve food security and escape poverty. And this is where financial institutions can really make a difference, by channeling resources to sustainable agricultural and rural development.

There is much attention being paid in the post-2015 development agenda discussions around partnerships. The partnerships that IFAD creates—which include business, small farmers and government—are key to gaining greater access to markets for small farmers so that they can increase their incomes. But it is also by increasing our combined investment in women, infrastructure and research and development that we can unlock a food secure world. Achieving poverty eradication and global food security will require the coordinated efforts of all actors—from farmers to other domestic investors all along food chains, alongside research institutions, development agencies, educational institutions, and others—to work towards these common goals. We also need tools to build trust among these actors and to hold each accountable for working together for food and nutrition security.

**OO:** *What has IFAD been doing this year in terms of advocacy to promote the role of smallholder farmers? How satisfied are you with the response thus far?*

**KFN:** Since 2009, when agriculture was placed back on the map after the commitments made at the G8 in L’Aquila, IFAD has increased its engagement in high-level advocacy, pressing for inclusive, sustainable rural development at meetings like the G8 and G20, the World Economic Forum, the Global Conference on Agricultural Research for Development and Rio+20.

We are seeing tangible results. For example, the concept of smallholder farming as a business has been embodied in G8 and G20 documents. The Camp David declaration that launched the *New Alliance for Food Security and Nutrition* specified smallholder farmers, particularly women, as private sector partners. Of course this year we





PHOTO: IFAD/R. RAMASOMANA

have been focusing our advocacy efforts around the voices of small family farmers and ensuring these voices are heard loud and clear in the post-2015 development agenda-setting process so that smallholder-centered rural development, along with sustainable, inclusive, job-rich growth, is reflected into any new goals.

But IFAD doesn't just advocate for the voices of rural women and men. We invest in them so that even the most marginalized rural people can raise their own voices and advocate for themselves by participating in forums and processes that impact their lives—locally, regionally and internationally. For example, earlier this year IFAD hosted the fifth global meeting of the Farmers' Forum, which brought together more than 80 leaders representing millions of smallholders and rural producers from all over the world. Also, in response to a request for more systematic dialogue with United Nations agencies, last year IFAD developed and hosted the first global meeting of the Indigenous Peoples' Forum. People have to be involved in development decisions that affect their lives.

**OQ:** *How do you think this issue should be treated in the post-2015 development agenda?*

**KFN:** At IFAD we see the challenges of ensuring a sustainable supply of nutritious food, preserving the environment, and promoting the economic empowerment of rural women and men as closely interwoven. This requires comprehensive, holistic actions, with strong links to all parts of the post-2015 development agenda. As we contemplate a new development paradigm to succeed the MDGs, we have to realize that to eradicate poverty and hunger, inclusive growth will have to reach the remotest and most marginalized areas. Given that 76 percent of the world's poor reside in rural areas in developing countries, rural women and men must receive increased investment if we are to eradicate hunger and poverty and create a better and more sustainable world. This is the message that IFAD is contributing to the discussions of a post-2015 development agenda. ■

Apprentices at a cartmaking workshop in Madagascar. In rural areas, off-farm skills are an equally important means of earning a living.



PHOTO: GUNNAR PIPPEL/SHUTTERSTOCK.COM

## Great oaks from little acorns grow

*Why microcredits  
promise a big future  
for small farmers*

A sustainable microfinance service for smallholder farmers is widely recognized as an important vehicle of development. Although it is fraught with risk, innovative approaches coupled with the support of development finance institutions offer the possibility of rapid progress.

BY ARYA GUNAWAN USIS





PHOTO: PHOTO COURTESY OF PRASAC, CAMBODIA

With the help of micro-loans, Mao Bunthoeun has been able to expand her small cassava plantation from three to seven hectares.

**T**his is the story of 56 year-old Mao Bunthoeun from Battambang province in northwestern Cambodia. Mao earns her income by growing cassava and corn. With limited resources at her disposal, the quantity and quality of the yields from her three hectares of land used to be low. To help boost productivity, she and her husband wanted to borrow from lenders in the village, but the interest rate was very high.

Fortunately, Mao heard about PRASAC, one of Cambodia's leading microfinance institutions. She decided to borrow US\$2,500 over 12 months at an affordable rate of interest. With the proceeds, she bought farming materials, fertilizer and pesticide. Her yields improved so much she was able to pay off the loan in six months and applied for a second loan to buy more land. Mao now owns seven hectares and can grow even more crops. In January 2014 she applied for a third loan of nearly US\$3,500 for her expanding cassava plantation.

She said: "I am really happy when I see my crop is growing well; that means I will get more income. I made the right decision in getting useful loans from PRASAC. I hope to get additional loans to buy more cultivable land in the future."

A similar happy story comes from Khim Khnak, a resident of Cambodia's Kandal province.

Khim uses a motor cultivator to plow his paddy field. Compared to the days when he had to do the job by hand, the machine saves a lot of time. He can even earn additional income by lending his machine to fellow farmers.

The convenience that Khim enjoys is thanks largely to Amret, another prominent microfinance institution in Cambodia, whose credit enabled Khim to buy his cultivator.

"Thanks to the loans provided by Amret, and because of the money I earned from my hard work, my living conditions are now better," he said.

Both PRASAC and Amret are OFID partners.

## Big benefits for smallholder farmers

Microfinance is widely recognized as a powerful means of alleviating poverty. This applies also to microfinance provided to smallholder farmers.

According to Monika Beck, an expert and practitioner in this field, agriculture is a business like any other. "Farmers need access to financial services to realize the economic potential of their enterprise. Financial support enables them to purchase inputs such as fertilizer and seeds as and when needed," she told the *Quarterly*. ►

---

*"Farmers need access to financial services to realize the economic potential of their enterprise."*

MONIKA BECK, KfW

---





PHOTO: COURTESY OF KfW

*Beck stresses that microfinance for smallholder farmers becomes more important when it is tied to food security.*

“And microfinance has found ways to address these types of businesses in ways traditional commercial banks have not,” added Beck, who is Division Chief of Financial Sector Development Africa/Global and Regional Projects of KfW, a German government-owned development bank, based in Frankfurt. KfW is one of world’s leading microfinance institutions and a partner of OFID.

Beck stresses that microfinance for smallholder farmers becomes more important when it is tied to food security. This is because the issue of food security is impacted by microfinance in two ways, depending on the type of crop.

“In the case of food crops, microfinance allows the farmer to buy better seeds which will increase productivity. The farmer can use the additional produce for household consumption. In the case of non-food produce, like cotton or coffee, the additional income from increased productivity will strengthen the farmer’s resilience against economic shocks and famine by allowing him or her to purchase food when needed,” Beck explains.

### Innovative measures

Despite the rapid development of microfinance in recent decades and its important role in development, microfinance for smallholder farmers has grown relatively slowly. The reason for this is the specific risks attached to the agriculture sector beyond the general credit risk.

According to Beck, these challenges include pests, unforeseen weather circumstances and price fluctuations. Another major risk factor is political interventions in the form of sudden price and interest rate caps as well as debt relief announcements. Such actions can ruin repayment morale in the sector.

There are ways of overcoming these challenges, however. Beck advocates developing specific analytical tools in order to understand the risks and mitigate them, for example by adequately diversifying the portfolio.

She suggests further that microfinance institutions need to invest in staff training to better understand the business of agriculture and the specificities of different crops and respective market dynamics. Insurance schemes, both at the level of institutions and end borrowers, are also

worth considering, as these too could contribute to minimizing risk.

She also proposes expanding the implementation of some innovative steps that have been developed recently. Traders or processors, for instance, have continuous access to smallholder farmers through their regular business activities. Financial services can piggyback on this client access in order to reduce distribution costs—an approach known as value chain financing. Market access and access to knowledge can also be provided, reducing risk at the same time. In addition, major insurance companies could also explore forms of crop insurance.

### Promising potential to grow

Despite the challenges, the potential of microfinance development for smallholder farmers is promising. Beck cites the example of Azerbaijan’s Access Bank, which launched a credit product for smallholders in 2007, having previously focused almost exclusively on urban clients. The bank now runs an agro loan portfolio of US\$130m with an average loan amount of US\$2,400, and serves more than 50,000 farmers with working capital and investment loans. Some 47 percent of the bank’s micro-client base is smallholders. KfW also has investment in this bank.

Beck is keen to point out that the support of development finance institutions is also needed to drive the growth of microfinance for smallholder farmers. “DFIs can contribute by providing risk capital to the sector that can help demonstrate the feasibility of financially sustainable operations in this sector, thus attracting much needed private capital in the medium to long term,” she told the *Quarterly*.

Within this context, Beck mentioned the US\$20m investment that OFID had made—along with contributions from other institutions—in the Microfinance Enhancement Facility (MEF), a scheme she manages. The MEF’s high performance is reflected in its current outstanding portfolio of over US\$500m. All told, the MEF has disbursed over 350,000 loans to microentrepreneurs working with 90 microfinance institutions in 33 countries. Fifty percent of clients live in rural areas and almost one-half are woman.



As keen savers and with a good reputation for repaying loans on time, women play a crucial role in empowering smallholders through microfinancing.

## Important role of women

Beck describes the role of women as central to the process of empowering smallholder farmers through microfinancing. “This is because women in general are more active in the agricultural sector than men, and they are also known to be more active savers than men,” she explains.

Fatima, a resident of southwest Bangladesh, is another inspiring example of the sweet fruits of microfinance. An illiterate farmer, Fatima lives in one of the poorest areas of her country and used to work as a daily laborer. Her husband, Razzak, used to plant vegetables on their 0.6 hectare plot of land and spent long periods away from home as a migrant worker to earn additional income to improve their meager life. Despite their best efforts, they were unable to escape their impoverished circumstances.

It was only after Fatima received loans through a microcredit project run by the International Fund for Agricultural Development that

hope began to emerge. She used her first loan of around US\$85 to expand her vegetable field and plant bananas. She also bought a calf. Having successfully paid off her credit, Fatima sought a second loan of some US\$150, which she used to diversify her crops and buy a cow.

Now, Fatima’s land continues to produce more crops every year, and she is the owner of five cows to be fattened and then sold. She has also purchased an additional 100 square meters of new land and employs workers to help manage the field. The family also has a water pump to water the plants and a rickshaw to transport their crops to the market. More than that, Fatimah has taken part in the decision making process in her family and even owns a plot of land in her own name. “I’m making my dreams come true,” she says.

Proof positive that, with microfinancing, great oaks from little acorns grow. ■







# OFID in the Field

OFID works in many ways to help farming families improve their life chances. In addition to promoting access to technical and financial services, we reinforce all aspects of the value chain, from production through processing to marketing and cross-border trade. To complement these activities, we support agricultural research and the exchange of knowledge, innovation and best practice. In the following pages, **Damelys Delgado** describes how OFID funding is helping to create new opportunities for smallholder farmers in El Salvador, Lesotho and other African nations.

# Chain reaction: From smallholder to exporter

By consolidating the output of hundreds of small farms, the Africa-based Export Trading Group is integrating smallholders into value chains and securing them vital access to export markets.

**I**n sub-Saharan Africa, agriculture accounts for approximately 30 percent of GDP, 50 percent of export earnings and provides between 70 and 80 percent of all employment. The bulk of agricultural yield is produced by small-scale farmers working two hectares of land or less.

The main African crops are cereals (maize, rice and wheat), oil crops (coconut, palm, soybean, sunflower), edible nuts and seeds (cashew, sesame), pulses, roots and tubers, and fresh fruit and vegetables.

The region, however, is far from reaching its agricultural potential. According to an analysis by the McKinsey Global Institute, Africa has almost 600 million ha of suitable land that is not being cultivated. This represents approximately 60 percent of the total land available for agriculture globally.

Up to 70 percent of the people of sub-Saharan Africa rely directly or indirectly on farming and agricultural labor. Their contribution, in addition to self-subsistence, produces products fundamental to the food supply chain, including for export.

Olusegun Obasanjo, former President of Nigeria, has stated that Africa cannot increase its food production, create jobs or reduce poverty on the scale required without unlocking the potential of small-scale agriculture.

## From Kenya to the world

After providing food for personal and local consumption, the remaining production of the small-scale harvest becomes available for sale. However, products alone do not create the market. To be commercially viable, it is also necessary to create efficiency in the trade chain.

This means developing the logistics facilities to support the marketing and distribution of produce. Large investments in such facilities are essential, and this is where the private sector plays a dominant role, representing a critical link in economic growth and poverty reduction in Africa.

The Export Trading Group (ETG) owns and manages a large vertically integrated agricultural commodity business with operations that include procurement, processing, warehousing, distribution and merchandising.

ETG started in Kenya in 1967, marketing locally produced and manufactured goods in East and Central Africa. In the 1980s, it shifted its core business to the agriculture sector and established seasonal warehouses in the countryside so that crops could be obtained directly from small-scale farmers at the time of harvest.

As volumes grew, increasing numbers of permanent warehouses were established and the





PHOTO: JULIAN NIEHMAN/ALAMY

ETG logistics and assets network began to take shape, first in Tanzania and then in Malawi, Mozambique, Zambia, Uganda and Kenya. In addition, trading routes were established in Ethiopia, Sudan and Somalia.

In the 2000s, the company expanded from procurement and distribution of agricultural commodities to investment in commercial farming as well as processing operations in Zambia, Mozambique and Tanzania. It also deepened its supply chain in other emerging markets, most notably in India, with the establishment of additional processing facilities.

ETG exports African agricultural commodities within Africa and to the rest of the world and imports commodities from Asia and other countries into Africa. Today, it has operations in more than 40 countries, with a staff of around 7,000, and has recently expanded to parts of Asia, including India, Thailand, Vietnam and China.

### OFID supports the trade expansion of ETG

The ETG Group is involved in approximately 29 processing facilities and over 300 warehouses, representing more than 25 different commodities and agricultural implements. The ETG value chain allows African agriculture to become globally feasible and provides better access to developed markets around the world.

Currently, ETG has set up a network of more than 300 year-round and numerous seasonal procurement centers, warehouses and silos, which store the raw commodities close to their point of origin until sufficient mass has been reached to make transport economically viable. Sales are guaranteed and the farmers are paid cash on delivery.

In 2009, OFID started to support ETG's trade activities, helping it to expand and increase its volume of traded goods. With broader access to new markets, small-scale farmers are reaping the benefits.

Tareq Al Nassar, head of OFID's private sector operations, stressed the vital role of the private sector in developing products, establishing services, and creating market systems and business models that can help reduce poverty and create opportunities for all sectors of society.

"By supporting ETG's trade expansion, OFID is fostering the work of small-scale farmers, securing markets for them, creating employment, and making a solid contribution to rural development," he said. ■



# Far from the world, close to the sky



PHOTO: IFAD/GUY STUBBS

In the South African enclave of Lesotho, OFID is supporting government efforts to boost productivity among small sheep and goat farmers with the aim of strengthening the country's wool and mohair industry.

**I**n July 2014, it was reported around the globe that a flawless diamond had been discovered at the Letseng mine, which, at 3,100m, is one of the world's highest diamond mines. Such discoveries are not rare in the Kingdom of Lesotho, where, according to current forecasts, the mining sector could contribute as much as 8.5 percent of GDP by 2015.

Very little of this wealth, however, will reach ordinary people in the mountains of a nation with one of the most unequal distributions of income in the world. From time to time, the glitter of diamonds thrusts Lesotho into the global spotlight, allowing the world to observe the harsh reality of this tiny country. Consisting mostly of highlands, only nine percent of the area is suitable for cultivation, and many of the villages can be reached only on horseback, by foot or by light aircraft.

Besides diamonds, Lesotho is endowed with an abundance of water, which constitutes an important source of income. The *Lesotho Highlands Water Project*, developed in partnership between Lesotho and South Africa, is a great boon to the economy. The bi-national project provides water to the greater Johannesburg area, where the majority of industrial and mining activity takes place. South Africa realizes savings through the lower cost and Lesotho benefits from royalties, ancillary developments and hydropower.

Lesotho's geography is stunning; the views from its many mountains breathtaking. As an added benefit to adventure tourism and the growing popularity of skiing, snow may fall in the mountains at any time of the year. The landscape, however, reveals widespread poverty, which is even higher in rural communities.

With an estimated population of 2.1 million, three-quarters of Lesotho's inhabitants—the Basotho—live in poverty. According to the World Bank, more than two-thirds of households live on less than one dollar a day. Due to its mountainous landscape, the country is more suited to livestock production than to arable farming. The revenue from sheep and goats is often the only source of income for rural families. Commonly referred to as small livestock, sheep and goats are kept primarily for the production of wool and mohair, which are the main agricultural exports.

Warm in winter due to its insulating properties and cool in summer due to its ability to draw off moisture, mohair is durable, naturally elastic, and flame and crease resistant. Considered a luxury fiber, like cashmere, angora and silk, mohair is more expensive than wool.

## A thorny process

Official sources state that about 45 percent of Lesotho's total exports consist of textiles and clothing. Reports also point out that inadequate industrial infrastructure prevents growth of the sector. Other restrictions that hinder investment and production are underdeveloped logistical facilities and delays in shipment to ports in South Africa. These circumstances add to the problem of being geographically distant from current major export markets.

To overcome some of these limitations and to help reduce poverty, government efforts have been framed within its national strategic development plan for the period 2012/13–2016/17, which was launched in 2012 under the slogan “Towards accelerated and sustainable economic and social transformation.”

The plan targets the expansion of the textiles and clothing industry, with a view to in-

creasing exports and accessing larger markets. In order to improve the quality of livestock breeding, the plan aims to increase the accessibility of rural dwellers to financial support and farm machinery.

## OFID helps to strengthen Lesotho's plans

Since the start of the decolonization process in 1966, the Kingdom has been relying on international aid through loans and grants. OFID is a key development partner and is currently supporting the *Wool and Mohair Promotion Project*, which is embedded in the national plan. OFID is covering 30 percent of the total cost, with the remainder provided by IFAD, the Lesotho National Mohair and Wool Growers Association (LNWMGA) and local government.

The project has been designed to improve livestock nutrition, increase the quantity and quality of wool and mohair, and support the adoption of a more commercial approach to the market.

From Maseru, the capital, Lefu Lehloba, manager of LNWMGA, explained that about 30,000 small stock producers market wool/mohair through the association, which produces 94 percent of the country's clip. “The other six percent is provided by producers who market through licensed private traders,” he clarified.

Lehloba also disclosed the association's production figures for 2012/2013: three and a half million kg of wool and almost half a million kg of mohair, together accounting for an export revenue of around US\$25m. Nearly all of this production goes to China and India, and to a lesser extent to the Czech Republic and Egypt.

Syahrul Luddin, OFID country officer for Lesotho, told the *Quarterly* that the wool and mohair promotion project was a very important intervention to improve rural food security and household incomes.

“Livestock production is the backbone of Lesotho's rural economy, and the project is addressing the bottlenecks to its success: rangeland management, livestock breeding and nutrition, and the marketing of livestock products,” Luddin pointed out.

While the project has national coverage, it focuses on those areas with the highest poverty rates, directly benefiting approximately 200,000 people.

Officially regarded as the world's highest country, over 80 percent of Lesotho is 1,800m above sea level. There, near the sky, OFID's support is like a downward staircase helping to bring the Kingdom closer to the world. ■

---

*“Livestock production is the backbone of Lesotho's rural economy, and the project is addressing the bottlenecks to its success.”*

---

Syahrul Luddin, OFID





PHOTO: IFAD/CARLA FRANCESCUTTI



# No surrender to the threat of nature

Concerted efforts are underway in El Salvador to blunt the effects of the country's environmental vulnerability by fostering the productivity of smallholder farmers.

**E**l Salvador, the smallest and most densely populated country of Central America, has more than 300km of Pacific Ocean coastline, as well as an extensive system of national parks and reserves, including colonial towns and archaeological sites, all of them vestiges of a rich historical past.

In addition, the country is positioned in one of Earth's most active seismic regions—the Pacific Ring of Fire—encompassing over twenty volcanoes. El Salvador's location places it under the constant threat of natural disasters. Earthquakes, hurricanes, floods, and droughts hit with alarming regularity, leaving behind a trail of destruction, with the most devastating effect on the poorest regions.

Each year the country is involved in a continuous recovery process. El Salvador's Minister of Agriculture and Livestock, Orestes Ortiz, stated that, just this year, ten percent of the harvest had been lost due to droughts caused by atypical, warmer Pacific Ocean temperatures known as *El Niño*.

According to World Bank estimates, the constant recurrence of destructive natural phenomena severely impacts El Salvador's agriculture industry, which produces 70 percent of the nation's domestic requirements, as well as a third of its export earnings.

Of the total 6.3 million inhabitants, approximately 40 percent makes a living from agriculture. Statistics produced by the International Fund for Agricultural Development (IFAD) indicate that 50 percent of rural poverty is due to inequality of ownership and access to land, plus a





lack of appropriate social and productive assets. Added to this is the country's environmental vulnerability, weak productive efficiency and low level of competitiveness.

Hunger and the persistent scarcity of food supplies are evidence of rural poverty, which was one of the main causes of the 12-year armed conflict in the 1980s, as identified in the Peace Accords of 1992.

Many of the rural poor are subsistence farmers or landless agricultural workers. With inferior infrastructure and an absence of basic services, as well as weak institutions, credit is difficult to obtain. As a result, poverty is prevalent among those operating small rural enterprises.

IFAD reports that one in three Salvadoran households is headed by women, a percentage that increases in rural areas as a consequence of war and male migration. This means smallholder farms are run mostly by women.

## Tackling rural poverty

In 2005, the government of El Salvador instituted a framework entitled the *National System for Food Security and Nutrition*. As a component of the National Plan, this rural development platform fosters the productive capacity of the different regions, focusing on social and economic investments in areas of extreme poverty.

In 2010, OFID was requested, jointly with IFAD, to support the country's food security strategy through the *Rural Territorial Competitiveness Project—Rural Dawn*. Romulo Martínez, OFID country officer, explained that the project, which

is the organization's first operation in El Salvador for 26 years, forms part of the government's Family Agriculture Plan (PAF). Its purpose is to boost both subsistence farming and family-based commercial farming with the aim of reducing rural poverty and guaranteeing food security and improved incomes.

In addition, the project will seek to engage rural farmers in the food supply chain and commercialization process by establishing links with agroindustry. Martínez said that *Rural Dawn* would support the consolidation of micro and small rural businesses in eight out of fourteen country departments. "The program is gender and youth focused and will benefit approximately 200,000 people in total," he added.

Rural Dawn is fully aligned with the enhanced cooperation agreement signed by OFID and IFAD in 2010, which focuses on the co-financing of food security and energy operations as part of the water-food-energy nexus. *Rural Dawn* is providing funds to protect more than 18,000 hectares affected by draught. It is reforesting some 4,000 ha and providing specialized environmental and water management support as well as irrigation systems and equipment.

Martínez disclosed that energy efficiency was being tackled through the provision of at least 6,000 firewood efficient cook stoves, which would create healthier household environments and have a positive impact on overall opportunities for rural poor women. With such a breadth of activities, *Rural Dawn* heralds a new and better day for the farming families of El Salvador. ■

*The 'Rural Dawn' project is fighting rural poverty and food insecurity by helping small farmers to boost productivity and integrate into local marketing chains.*

# Member Country delegates gather at OFID HQ for annual briefing

With a revamped format, OFID's second Member Country Information Program (MCIP) gave participants the opportunity to dig deeper into the institution's work and philosophy.

BY ARYA GUNAWAN USIS



**T**he annual MCIP, which was initiated in 2013 as a forum for information exchange, held September 29–October 2 at OFID's Vienna HQ. MCIP 2014 was attended by 21 participants from Member Country ministries of finance, foreign affairs and information as well as embassies in Vienna.

In all, nine countries were represented—Ecuador, Indonesia, Iraq, IR Iran, Kuwait, Nigeria, Qatar, Saudi Arabia and Venezuela. Four others—Algeria, Gabon, Libya and the United Arab Emirates—were unable to attend. Two of OFID's sister institutions, the Kuwait Fund and Arab Fund, also sent representatives.

This year's MCIP witnessed the presence of Ecuador, following its readmission to OFID this summer, after a break of more than 20 years. The country was represented by three participants, including its Alternate Governor to OFID, Daniel Esteban Torres León.

## Increased visibility for OFID

In welcoming remarks, OFID Director-General, Suleiman J Al-Herbish said: "The aim of this program is twofold: First, to build greater awareness about OFID and its work; and, second, to create mutually-beneficial long-term relationships between you and us. The ultimate outcome, we hope, will be increased visibility for OFID in our Member Countries."

He went on to emphasize that OFID should not be thought of as a mere provider of development assistance: "In recent years, we have been not only implementing the global development agenda but actively shaping it as well."

## New format

The agenda of MCIP 2014 consisted of a comprehensive package of presentations on the work of the departments and units of OFID, including case studies of successful projects. Also covered was the history of OFID and an introduction to the institution's Corporate Plan.

In other sessions, delegates were briefed on topical development issues, including the Global Partnership for Effective Development Cooperation and the formulation of the post-2015 Sustainable Development Goals, which are currently being prepared by the UN.

Based on lessons learned from the inaugural MCIP, this year's program was adjusted to make room for breakout sessions after the plenaries. Led by OFID officers, these smaller gatherings allowed participants to gather more in-depth knowledge about specific subjects according to their preferences.

After three full days of intensive engagement with OFID, participants spent the final morning at the OPEC Secretariat, where they received a briefing on the organizations activities.



OFID Director-General Suleiman J Al-Herbish (right) with Mauro Hoyer, Director of Information.





### Program elicits positive response

*In a feedback survey, 80 percent of the delegates said the program had been highly effective. They spoke encouragingly of the MCIP experience and its contribution to their professional environment.*

*"For a country that has just rejoined OFID, the MCIP is a very effective learning platform for us."*

**Daniel Esteban Torres León**  
Ministry of Finance,  
Alternate Governor to OFID, Ecuador

*"The information we received from the MCIP will enable us to take an active role in OFID's activities, including direct involvement in projects by providing our expertise, especially in the energy sector."*

**Jose Rosenberg**  
Minister, Embassy of Ecuador, Vienna

*"The MCIP has given me new knowledge about OFID's role in international development. I would also like to give a thumbs up to the initiative to divide the presentations into plenary and interactive sessions. This gave all participants an opportunity to get more detailed information about sectors of interest."*

**Miranda Ekawaty Mukhlis**  
Second Secretary,  
Embassy of Indonesia, Vienna

*"The MCIP is a good event to learn about various issues in the arena of international development."*

**Talal Farhan El Enazi**  
Embassy of Qatar, Vienna

*"The MCIP has opened my eyes about important contributions that OFID has made to poverty alleviation, including through its program in fighting energy impoverishment. I also admire the neat organization of the MCIP."*

**Habibollah Malakootifar,**  
Counselor, Embassy of IR Iran, Vienna

*"The duration of presentations in each session is fairly ideal, so participants can get enough knowledge to understand OFID. All presented information is useful."*

**Shorouq Al-Khalil,**  
Ministry of Finance, Kuwait

*"Through the MCIP, I can take greater pride as a Nigerian citizen, knowing that my country has helped resolve development issues around the world. I was also amazed to learn how robust OFID's communication strategy is. I consider myself very lucky to be part of this event."*

**Margaret E Umoh,**  
Deputy Director,  
Ministry of Information, Nigeria

*"The information I received from the MCIP will be very useful for my work, as I handle various affairs with a number of international organizations in Vienna."*

**Dyar Mukdad**  
Embassy of Iraq, Vienna

*"I particularly liked the idea of the breakout sessions, which allowed me to learn more about the fields that are of relevance to my work."*

**Muhammed Abdulrahman Al Mufadda**  
Ministry of Finance, Saudi Arabia

*"Even although several topics were not really in line with my work, I was still able to enjoy them and get a better understanding about OFID and how it operates."*

**Carolina Lamus**  
Embassy of Venezuela, Vienna

*"As a representative of one of OFID's sister institutions, one of my take-aways was the information regarding the private sector and trade finance operations, something that we do not have yet at the Kuwait Fund."*

**Ayad Al-Gharaballi**  
Assistant Regional Manager, Kuwait Fund





# Climbing the next rung on the production ladder

PHOTO: ZSTOCK/SHUTTERSTOCK.COM

In Mozambique, OFID's first private sector investment—a greenfield aluminium manufacturing plant—is poised to add a new dimension to the country's mineral industry, bringing with it a host of opportunities for job seekers, local businesses and the ailing electricity sector.

BY AUDREY HAYLINS

**P**art of the larger Midal Group, which has similar operations in Bahrain, Australia, Saudi Arabia and Turkey, the OFID-sponsored Midal Mozambique aluminium plant is in the final stages of commissioning and expected to come on line before the end of this year.

With an installed annual capacity of 50,000 tons, the plant will produce aluminium rods, wires and conductors for use in electricity transmission and distribution. It will be the sole aluminium rod manufacturer in sub-Saharan Africa.

The plant will be supplied with aluminium ingots by the adjacent Mozal smelter, making it the first local downstream manufacturing operation to add value to Mozambique's already profitable aluminium production. Until now, the 580,000 tons of aluminium produced annually by Mozal has been exported.

Said OFID Director-General Suleiman J Al-Herbish: “As a development organization, we are acutely aware of the importance of helping our partner countries to develop their manufacturing industries and move up the production ladder. OFID’s US\$12m loan to Midal is further evidence of our commitment to this goal.”

Located on the outskirts of Maputo, the new plant is expected to have a high developmental impact in this post-conflict country, which over the past decade has emerged as one of Africa’s leading economies.

Structural reforms and sound economic management have triggered a boom in foreign investment, led by the Mozal smelter which was the first major foreign investment in the country following the civil war. In recent years, Mozambique has become a world-class destination for mining and natural gas development.

Despite these achievements and the wealth of natural resources, the country still faces multiple challenges in terms of poverty reduction and sustainable development.

## Widespread benefits

Among the many spin-offs expected from the new plant are the positive foreign exchange implications. The move from raw materials to manufactured goods will generate significant export revenues and help replace products previously imported from South Asia and the Pacific.

Finished aluminium products have traditionally been a significant cost burden for the construction industry and the national electricity company EDM.

The factory’s establishment is considered particularly timely, as demand for aluminium conductors is projected to grow significantly due to increased investment in energy infrastructure in South Africa and across the sub-region. The project will also have a meaningful impact at the micro level.

“Priority has been given to localization at every stage of project implementation,” explained Midal Chairman Hamid Al Zayani, revealing that architectural, construction, accounting and transportation were just some of the services so far commissioned to local providers.

In terms of job creation, Al Zayani indicated that the new facility would employ over 100 Mozambicans directly in the factory. “Indirectly, however, we expect to generate four to five times that number,” he added.

Midal has already trained a team of Mozambicans at its parent company in Bahrain to enable them to run the operations at the new plant.

Midal is also keen to use its expertise to help address some of Mozambique’s electricity challenges and, according to Al Zayani, is already engaged in discussions on ways to reduce transmission losses by using more efficient materials. ■

---

*The move from raw materials to manufactured goods will generate significant export revenues and help replace products previously imported from South Asia and the Pacific.*

---

## Mozambique quick facts

Area: 801,590 sq km

Population: 25.8 million

GNI per capita: US\$510

Over the last decade, Mozambique has posted one of the highest real GDP growth rates in the world, averaging 8% per year.

Its 2,470km long coastline positions it as a natural gateway to global markets for neighboring landlocked countries.

Its coastal waters are rich in prawns, one of the country’s leading exports.

Natural gas reserves discovered in 2012 are estimated to be the fourth largest in the world.



Mozambique plays a significant role in the global production of minerals, in particular ilmenite, zircon and aluminium.

In 2012, aluminium accounted for 31.5% of national exports.

The country was the world’s leading producer of ruby in 2012.



# OFID and OeEB launch strategic partnership

OFID is to strengthen its longstanding partnership with host country Austria following signature of a cooperation agreement with the *Oesterreichische Entwicklungsbank AG (OeEB)*—the Development Bank of Austria.

by Silvia Mateyka

**T**he agreement, which was signed in September by OFID Director-General Suleiman J Al-Herbish, and OeEB executive board members Andrea Hagmann and Michael Wancata, aims to provide a general framework for the development and implementation of joint projects.

Specific objectives include the exchange of information on new business opportunities and initiatives, the introduction of new counterparties and markets, and the co-hosting of joint events.

“OFID and OeEB have enjoyed an excellent relationship since 2008, on both a professional and a personal level. We are signing this agreement to scale up our joint activities which shall become more systematic and substantive,” said Mr Al-Herbish at the signature ceremony.

Mrs Hagmann explained that the signing of the agreement was not a starting point but an intensification of existing activities. “It was the next logical step and a signal to our partners that OFID and OeEB are placing their partnership on a new level,” she said.



OeEB executive board members Andrea Hagmann and Michael Wancata.

Under the agreement, OFID and OeEB will focus on various sectors essential for the economic advancement of their common partner countries. These areas include finance, infrastructure, industry, agribusiness and, especially, energy.

“The importance of energy access for sustainable development cannot be overstated,” insisted Mr Al-Herbish, who expressed his hope that an enhanced cooperation in the area of energy access would be one concrete achievement of the agreement.

Energy poverty eradication and access to sustainable energy sources are common goals shared by OFID and OeEB. Both institutions underline the importance of reliable access to energy, as it plays a key role in the development of poor countries and the wellbeing of their populations.

Mr Wancata outlined the number of transactions that had shown a broad overlap of interests. “Alleviating energy poverty is another area where we can join forces and combine our expertise to expand our reach and effectiveness,” he stated.

OeEB finances projects that help developing countries and emerging markets gain access to their own sources of energy and use energy efficiently. In doing so, OeEB focuses primarily on renewable energy.

“One of the values of Austria, which is a country with a major source of renewable energy, is to have a clean environment. We think that these kinds of values should also be transported to other countries as far as this is possible,” Mr Wancata added.

## OFID and Austrian NGOs

The newly initiated partnership with OeEB reflects the strong relationship that OFID enjoys with the Austrian government. Alongside this association, OFID has long supported the work of various Austrian NGOs operating in developing countries. Over the last decade, this support has strengthened considerably. Among the most notable are partnerships with Hilfswerk Austria, Care Austria, Doctors for the Disabled, SOS Kinderdorf, and the Society for Austro-Arab Relations. Since 2003, OFID's contribution to the development activities of Austrian NGOs has amounted to over US\$6m.

## Stronger together

The cooperation with OeEB is the latest in a series of framework agreements that OFID has concluded in recent years with partners ranging from the World Bank Group, the Asian Development Bank and IFAD, to the Islamic Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank.

These agreements enable OFID to increase the impact of its activities and promote major issues related to the socioeconomic development of its partner countries.

“OFID is determined to continue on a path of harmonization, coordination and joint actions with other development institutions for the good of its partner countries,” said Mr Al-Herbish. ■

## About OeEB

### Mandate

OeEB has been operating as the Development Bank of Austria since March 2008. It specializes in the provision of long-term finance for the implementation of private sector projects which create sustainable development in developing countries. Additionally, OeEB provides technical assistance, which can be used to enhance the developmental impact of projects. As of end-2013, OeEB had committed a total €658m.

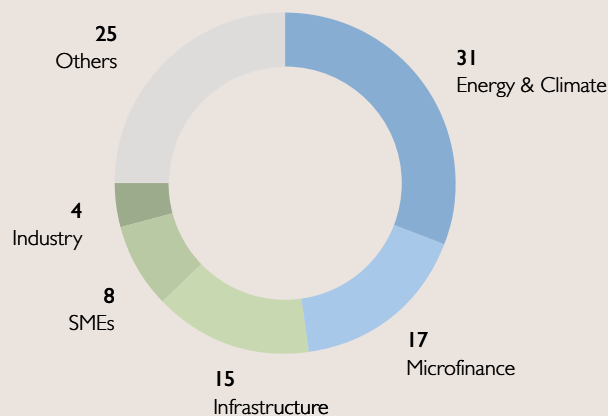
### Development focus

OeEB finances projects that comply with the following criteria:

- Create jobs and national income
- Improve access to modern infrastructure and financing
- Support the supply of energy (in particular renewable energy)

### OeEB's total portfolio by sector (%)

as at December 31, 2013





### JULY 21

**Emergency Grant approved**  
**International Federation of Red Cross and Red Crescent Societies.** US\$500,000. To provide essential food and non-food items, mainly medical supplies, to populations in need in Gaza.

### JULY 23

**Public Sector loan agreements signed**  
**Burundi.** US\$11.2m. Enhanced HIPC Debt Relief Agreement. The debt relief will contribute to Burundi's poverty reduction efforts by freeing up resources for the financing of projects in social sectors such as education and health.

**Congo DR.** US\$10m. Integrated Agriculture Rehabilitation Project. To rehabilitate productive infrastructure, improve producers' access to mar-

kets, and upgrade some 600km of rural feeder roads in the Maniema Province.

**Congo DR.** US\$7m. Kinshasa University Hospital Rehabilitation Project. To raise the capacity of Kinshasa University Hospital to 1,000 beds through the construction of two new buildings and provision of medical equipment and vehicles.

### AUGUST 4

**Emergency Grant approved**  
**World Health Organization.** US\$500,000. To support WHO activities to stop the spread of the Ebola virus in West Africa.

### AUGUST 8

**Public Sector loan signed**  
**Egypt.** US\$55m. Assiut Power Plant Project. To construct a 650MW power plant in the Assiut Governorate in

Upper Egypt, thereby contributing to Egypt's economic growth by providing a safer, more reliable and efficient electricity supply.

### AUGUST 13

**Public Sector loans signed**

**Gambia.** US\$5m. Support to the Basic and Secondary Education Schools Project. Construction, rehabilitation and furnishing of some 220 classrooms, three libraries, numerous laboratories and sanitary facilities, providing about 9,900 children access to education.

**Mali.** US\$10m. Completion of the Extension and Modernization of Bamako-Senou International Airport Project. To bring the airport up to international standards and provide better links with regional and international markets by constructing a new passenger terminal capable of handling up to 1.5 million passengers per year.

**Research Grants approved**

**Regional Center for Renewable Energy and Energy Efficiency.** US\$100,000. To support the Arab Program for Sustainable Energy Youth, a regional sustainable energy internship program.

**Société Internationale d'Urologie.** US\$200,000. To develop the curriculum, training program and operational plan at the Gezira Hospital for Renal Diseases and Surgery in Sudan.

**OFID-UNDP MiniGrants Competition Scheme.** US\$200,000. For three to five small innovative projects in the areas of energy and water and economic governance and employment.

**Al-Makassed Hospital, Jerusalem.** US\$200,000. To support the doctor residency training program at the hospital.

HE Abdelhadi Abdelwahid Alkhajah, the new Ambassador of the UAE, made a courtesy call on the Director-General on August 12.



OFID is supporting WHO efforts to contain Ebola with a US\$500,000 grant.



On August 14, Mr Al-Herbish received the new Ambassador of Guatemala, HE Antonio Roberto Castellanos Lopez, accompanied by Sandra Noriega Urizar, Counselor.

## AUGUST 25

**Research Grant approved**  
Global Forum on Law, Justice and Development. US\$50,000. To support the Law, Justice and Development Week 2014 and the African Mining Legislation Atlas Project led by the World Bank under the Global Forum on Law, Justice and Development framework.

## AUGUST 27

**Research Grant approved**  
Zenab for Women in Development. US\$50,000. To increase women farmers' productivity and economic empowerment in Al Gadaref State, Eastern Sudan, and so tackle poverty and food security.

## SEPTEMBER 9

**Public Sector loan agreements signed**  
Tanzania. US\$16.35m. Third Poverty Reduction. To support rural households in obtaining access to enhanced socioeconomic services and income generation activities, thereby benefiting over two million people.

Tanzania. US\$10.2m. Third Education. To rehabilitate classrooms and construct schools and additional classrooms at primary and secondary schools in Zanzibar, specifically targeting areas with high poverty levels.

Senegal. US\$7m. Dakar's 'Zone Soleil' Sanitation. For construction of a wastewater network, sewage pumping stations, and treatment plant to improve sanitation infrastructure in Pikine, a suburb of Dakar.

## SEPTEMBER 10

**Private Sector Line of Credit signed**  
Azerbaijan. US\$10m. To support UNIBANK of Azerbaijan to provide microfinancing to individuals and small entrepreneurs.

## SEPTEMBER 16

**Research grant approved**  
Arab Urban Development Institute. US\$50,000. To support an upcoming conference on Small Projects and Productive Families as a Basic Factor for Development: The role of Municipalities, Public and Private Sectors, and Civil Society in Fostering and Assisting. It will be held in Manama, Bahrain, January 20–22, 2015.

## SEPTEMBER 23

### 148<sup>th</sup> Session of the Governing Board

**Public sector loans approved**  
Benin. US\$3m. Cotonou East Coast Protection. To halt the erosion of beaches in Cotonou city and adjacent commune Seme Kpodji, with a view to protecting vital socioeconomic infrastructure and the area's 200,000 inhabitants.

Bosnia and Herzegovina. US\$5.35m. Rural Business Development. To provide training, financial services and other support to help subsistence farmers transition to commercial farming and develop non-farm enterprises. This will increase the income of about 20,000 rural households.





On September 3, Mr Al-Herbish met with HE Ambassador Paul Robert Tiendrebeogo, the new Permanent Representative of Burkina Faso to the UN and other international organizations in Vienna.

Dr Lassina Zerbo, Executive Secretary of the CTBTO, visited the Director-General on September 11.



**Burkina Faso.** US\$10m. Ouagadougou Water Supply (Ziga-Phase 2). To build a treatment plant and distribution network for providing safe drinking water and sanitation services for approximately 2.2 million people.

**Burundi.** US\$20m. Food Security and Rural Development in the Imbo and Moso Regions. To rehabilitate irrigation schemes for rice production and improve rural feeder roads, assisting around 2.3 million subsistence farmers.

**Côte d'Ivoire.** US\$8.5m. Water Supply Project for Eastern Region of Côte d'Ivoire (Aboisso). To construct and equip a water supply and distribution system to provide clean drinking water for nearly 115,000 people.

**Lao PDR.** US\$9m. Second Northern Greater Mekong Sub-Region Transport Network Improvement. By upgrading 143km of roads and repairing bridges, this project will help ease transport constraints for around 60,000 people.

**Lesotho.** US\$12m. Wool and Mohair Promotion. To improve the incomes of around 200,000 smallholder producers by providing access to capital, technology and training.

**Nepal.** US\$30m. Community Managed Irrigated Agriculture Sector (Phase II). The rehabilitation of about 160 irrigation systems in the central and eastern regions will help reduce poverty and improve the livelihoods of some 218,000 inhabitants.

**Nicaragua.** US\$9.4m. San Juan de Rio Coco–Las Cruces Road. To enhance access to social amenities and marketplaces for around 56,000 people by upgrading a 14km road that passes through key agricultural areas.

**Swaziland.** US\$15m. Manzini-Mbadlane Highway (Lot 2). The construction of a 17km highway will ease the transport of inputs and agricultural goods and boost access to social service for some 250,000 Swazis.

**Yemen.** US\$17m. Fourth Public Works. To implement sub-projects that will increase the availability of rural infrastructure such as schools, health centers, roads and water supply and sanitation systems.

#### Grants approved

**Access to Water Foundation.** US\$400,000. To install water kiosks and treatment machines in impoverished, rural regions in Senegal, thus providing around 125,000 people with safe drinking water.

**Carter Center.** US\$500,000. To help eliminate blinding trachoma in remote areas of Mali and Niger, benefiting over 250,000 people.

**Fundación del Valle.** US\$250,000. To support a social promotion and empowerment project that will construct a training center and offer skills training to more than 2,300 marginalized young women in Cameroon.

**Human Appeal International.** US\$500,000. To install off-grid solar energy systems at three hospitals, three schools and over 90 households in the Gaza Strip.

**Multi-Dimensional Resource Center, Nepal.** US\$400,000. To introduce improved cultivation methods to over 3,700 households in deprived rural communities in Nepal.

**Renewable Energy and Energy Efficiency Partnership.** US\$800,000. To install over 800 solar irrigation pumps on smallholder farms in Kenya and develop a solar power pilot scheme at two agri-food businesses in Tanzania.

**SNV Netherlands Development Organization.** US\$1m. To support two biogas projects. One will enable around 750 smallholder dairy farmers in Kenya, Tanzania and Zambia to cool and store milk. A second will install sanitation and sewage treatment systems in 19 boarding schools in Kenya and Tanzania, benefiting 14,000 children and staff.

**UNESCO.** US\$300,000 and US\$1m. One project aims at boosting technical and vocational education and training for youth in Côte d'Ivoire, Burkina Faso, Guatemala, Mali, Morocco, Mozambique, Sudan,



On September 12, Dr Mohammad Mazraati, Director of International Cooperation of the National Development Fund of IR Iran paid a courtesy call on the Director-General.



Mr Al-Herbish (center front) at the Fifth Lindau Meeting on Economic Sciences which took place in Lindau, Germany, August 19–23.

Surinam, Swaziland and Timor Leste. Another will install solar electrification systems at 60 rural schools attended by 12,600 children in Cambodia, Djibouti, Malawi, Mali and Timor Leste.

UNRWA. US\$600,000.

To provide food aid to help address chronic food shortages in the Gaza Strip, particularly among refugee households and benefiting approximately 30,000 people.

## SEPTEMBER 26

### Cooperation agreement with OeEB

An MOU was signed with the *Oesterreichische Entwicklungsbank AG* (OeEB—the Austrian Development Bank). See story page 30.

## SEP 29–OCT 2

### Member Country Information Program

OFID hosted its second Member Country Information Program. See story page 26.

## Meetings attended by OFID

### JULY 9

#### NEW YORK, USA

Sixth Steering Committee meeting of the Global Partnership for Effective Development Cooperation

### JULY 10–11

#### NEW YORK, USA

Fourth biennial High-level Development Cooperation Forum

### JULY 10–11

#### BRUSSELS, BELGIUM

Eighth European Communication Summit

### JULY 20–25

#### MELBOURNE, AUSTRALIA

Twentieth International AIDS Conference

### AUGUST 19–23

#### LINDAU, GERMANY

Fifth Lindau Meeting of the Laureates of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel

### AUGUST 26–27

#### TEHRAN, IRAN

Tenth International Energy Conference

### SEPTEMBER 10–11

#### RIYADH, SAUDI ARABIA

Eighth Trade Finance Coordination Group Meeting

### SEPTEMBER 15–25

#### OXFORD, UK

Thirty-sixth Oxford Energy Seminar

### SEPTEMBER 18

#### VIENNA, AUSTRIA

Congress of Vienna and its Global Dimension Conference

### SEPTEMBER 15–17

#### KHARTOUM, SUDAN

Seventy-fourth Heads of Operations Coordination Group meeting

### SEPTEMBER 28–30

#### ROTTERDAM, NETHERLANDS

Dutch Development Bank (FMO) conference: *Exchange on the Future of Banking 2014*

### SEPTEMBER 30–OCTOBER 1

#### BRUSSELS, BELGIUM

High-level meeting of the European Union and international finance institutions

[www.ofid.org](http://www.ofid.org)



## Governing Board approves US\$700m in new funding

Meeting in its 148th Session in Vienna, Austria, on September 23, OFID's Governing Board approved close to US\$700m for new development operations in over 35 countries. Eleven public sector projects attracted a total US\$139m for activities in high priority areas, including agriculture, water supply & sanitation and transportation. SMEs and energy services—including a first private sector operation in Nepal—were the focus of commitments worth US\$275m under the Private Sector Facility. Trade financing totaled US\$280m and comprised US\$30m to enhance the trade finance activities of banks in El Salvador and Panama together with a US\$250m increase in an existing program that supports trade flows in emerging markets. Grants made up the remaining US\$5.8m and will support ten development initiatives across a broad range of sectors. Further details of public sector and grant approvals can be found in the *Diary*.



Governing Board Chairman Abdulwahab A Al-Bader (right) with Director-General Suleiman J Al-Herbish.

## 148<sup>th</sup> Session of the Governing Board

Bader Ahmed Al Qaeed,  
Governor, Qatar.



Anastasi Mabi Daniel-Nwaobia,  
Governor, Nigeria.



Board Chairman Abdulwahab A Al-Bader (*fourth from left*) with Director-General Al-Herbish (*third from left*) and other members of OFID senior management.

Ahmed Abdulkarim Alkholifey,  
Governor, Saudi Arabia.



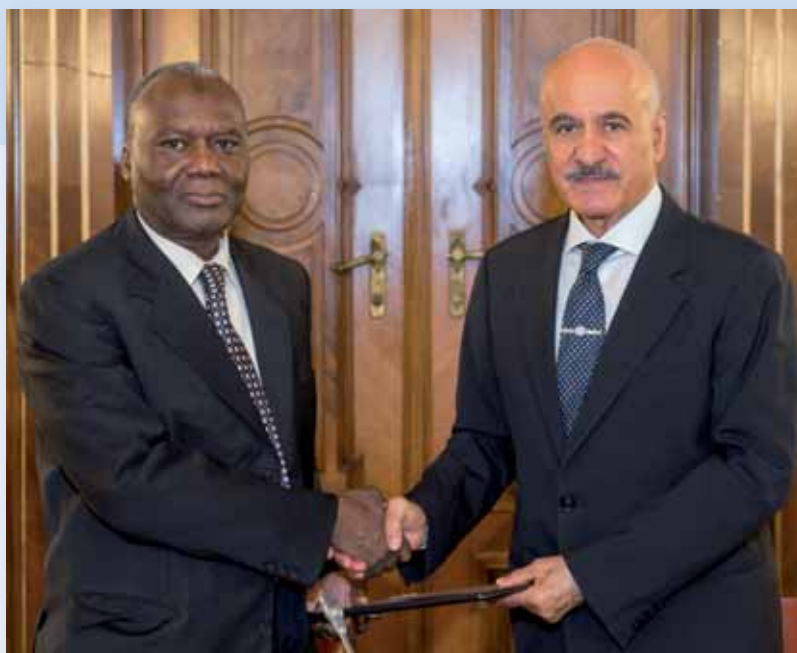
Majed A Omran, Governor,  
United Arab Emirates.



# LOAN SIGNATURE photo gallery

## US\$10m for Malian airport

Mamadou Hachim Koumaré, Minister of Equipment, Transport and Disenclosure of Mali, with Mr Al-Herbish. The financing will help modernize and expand Bamako-Senou International Airport.



## US\$5m for Gambian education sector

Kebba Touray, Gambian Minister of Finance and Economic Affairs, signed the agreement for a project that will guarantee schooling for some 10,000 children in the Greater Banjul area.



## US\$17m in two loans for DR Congo

Congo's Vice-Minister of Finance, Roger Shulungu Runika, signed agreements for an agriculture project in the Maniema Province (US\$10m) and to co-finance the rehabilitation of Kinshasa University (US\$7m).

### US\$11.22m in debt relief for Burundi

HE Dr Dr Edouard Bizimana, Ambassador of the Republic of Burundi to Germany and Director-General Al-Herbish conclude the agreement which will free up funds for investment in needy social sectors.



### US\$26.55m in two loans for Tanzania

HE Philip S Marmo, Ambassador of Tanzania, signed agreements for an education project in Zanzibar (US\$10.2m) and a third poverty reduction project (US\$16.35m), which will benefit over two million people.

### US\$7m for Senegal's sanitation sector

HE El Hadji Abdoul Aziz Ndiaye, Ambassador of Senegal to Germany, secured funding for a wastewater treatment plant and network in a suburb of the capital Dakar.



*The full list of loan and grant signatures can be found on pages 32-35.*





PHOTOS: ALAS ORGANIZATION

## Using the past to secure the future

In Guatemala, Mayan women are rediscovering and adapting traditional farming systems to help feed their families and combat climate change. Here, OFID 2012 scholar **Michelle Palacios** explains how the principles of agroecology can safeguard land, maintain species diversity, and provide poor families with decent work and food sovereignty.

**A**groecology may be defined as “the study of the interactions between plants, animals, humans and the environment within agricultural systems.” As a broad-based science, encompassing social, economic and cultural factors, it takes a multidisciplinary approach to agriculture and food production.

In many parts of the world, agroecological projects are generating new models of natural resource management by revisiting ancestral experiences and adapting them to current conditions.

Particularly valid are indigenous traditional farming methods, which today represent a useful resource in efforts to protect the natural world’s asset base, mitigate climate change through agriculture, and provide opportunities to smallholder producers.

In Latin America, small-scale farming produces more than half the food consumed on the continent in a diversity of agroecosystems that are adapted to the ecology and biodiversity of the different production areas.

Agriculture occupies 30 percent of Latin America’s total surface area and continues to expand, largely due to deforestation. While it is often the farmers who are responsible for clearing forest land, there are also situations where farmers have generated action to maintain the forests.

One of these examples is the effort of a group of women, *ALAS*, in Guatemala, where much of the rural population lives in marginal and exposed areas, in conditions that make them vulnerable to the negative impacts of climate change. For them, the smallest changes in climate can have a disastrous impact on their lives and livelihoods.

As is the case in the majority of developing regions, women in Guatemala represent more than half of the country’s small farmers. Their work and knowledge play a key role in sustaining local food systems.

The bond of Guatemalan indigenous women with land is productive and reproductive, social and spiritual. Forests and the soil are sacred to them. The land is the mother and provider of food, the site of the home and garden, and the place of community life and collective work.

The *ALAS* group is located in Sololá, a department with a high indigenous population. All but six percent of the inhabitants belong to the ethnic groups Kaqchikel, K’iche’ and Tz’utujil.

Sololá has one of the most beautiful and largest natural resources of the county—Atitlan Lake, the second most visited destination by national and international tourists. Around the lake are three major volcanoes: Toliman, Atitlan and San Pedro. All three have high biological and ecotourism value. Despite the high level of ►



*The ALAS group of Mayan women are using traditional farming techniques to grow soya beans and build a niche market for their organic soy milk and soy milk products.*







PHOTO: TECHNOSERVE/MICHELLE PALACIOS

*Guatemala's stunning Lake Atitlan is surrounded by a string of volcanoes and is rich in animal and plant life.*

◀ tourism development, the volcanoes still have a natural forest cover of around 70 percent.

The ALAS group was founded in San Pedro La Laguna, one of the small towns that surround the Atitlan lake. It was formed with the help of the Federation of the Mayan People of the region through its nutritional programs. The women had come to know each other through the federation, where they had been able to express their concerns and experiences.

With the help of international programs, the women managed to legally constitute their own association and set out to recover ancestral knowledge that would preserve the environment and at the same time provide food security.

As most of the women were unable to read or write and some did not know how to speak Castilian, the recovery and gathering of knowledge took longer. In the end, though, they were able to develop a number of agroecological projects, which utilized diversification and crop rotation techniques to ensure a regular and plentiful supply of produce.

One of the major tasks the group faced was convincing local consumers to buy organic products, which tend not to be appreciated in Guatemala. In fact, the domestic market for organic products is almost non-existent, so the majority of producers sell to international markets. However, this is not an option for smallholders, for whom the administrative and logistical aspects of exporting are too much to handle.

The ALAS women got around this obstacle by producing organic soy milk and selling it more

cheaply than cow's milk, which is poorly consumed in the region because of its high cost. Using the principles of agroecology production, the soybeans were grown in soil exposed by changes in climate. This led to the planting of organic coffee for protection of the soil and as a system of forest recovery.

The result was an agricultural system that allowed for the kind of continuous production necessary for subsistence. The system was adapted to local conditions and has proved a success in spite of the marginal environment, unpredictable climate conditions and a low or zero use of external inputs such as fertilizers and pesticides.

This type of performance is associated with the high level of agrobiodiversity found in traditional agroecosystems, which are less vulnerable to catastrophic loss because of the broad diversity of crops grown in different spatial and temporal arrangements. The women of the group continue to maintain this diversity as a means of confronting environmental change and satisfying future social and economic needs. ■

**Guatemalan Michelle Palacios** has a Master's in environmental development from Spain's *Complutense de Madrid*. Her studies were prompted by her involvement in the ALAS program, where she was responsible for the gender and environmental components. Through her research, Michelle was able to measure how the use of agroecology techniques and gender integration influenced the impact and sustainability of the program.

Event:	<b>20<sup>th</sup> International AIDS Conference</b>
Theme:	Stepping up the pace
Hosted by:	International AIDS Society
Venue:	Melbourne Convention Centre, Australia
Date:	July 20–25, 2014

BY REEM ALJARBOU AND JUSTINE WÜRTZ

# AIDS 2014 steps up from tragedy



PHOTO: INTERNATIONAL AIDS SOCIETY/STEVE FORREST

Thirty-five million people have been lost as a result of HIV or AIDS related causes, but hope remains that a global community can end the epidemic.

**T**he opening day of AIDS 2014 was understandably overshadowed by the death of several of the world's top HIV specialists. They were among the 298 people killed on flight MH17 from Amsterdam to Melbourne on July 17.

Joep Lange, former president of the International Aids Society (IAS), and five other IAS employees were aboard the plane. Professor Lange was a professor of medicine at the University of Amsterdam.

Since the early 80s Lange had dedicated his career to researching the disease and specialized in developing drugs to treat HIV infection. In 2001, he founded the PharmAccess Foundation that aims to provide anti-retroviral drugs to the world's poor.

Despite the tragedy, 12,000 participants, from all over the world, were, if anything, even more determined to make the most of the biannual conference. At the

opening session, IAS 2014 International Chair, discoverer of HIV, and Nobel Prize winner Professor Françoise Barre-Sinoussi said: "The tremendous scale-up of HIV programs has transformed HIV from a death sentence into a chronically manageable disease."

She continued: "Nevertheless, these remarkable achievements are still not enough. Twenty-two million people still do not have access to treatment."

The theme of the Melbourne conference, 'Stepping up the pace,' was a step further from the traditional themes of access to treatment, mother-to-child transmission and infection prevention, which were the focus of AIDS 2012 in Washington DC. ►



Françoise Barre Sinoussi (left) with AIDS 2014 co-chair Sharon Lewin.

PHOTO: INTERNATIONAL AIDS SOCIETY/JAMES BRAUND



◀ Among the list of high-level speakers at AIDS 2014 were former US President Bill Clinton, UNAIDS Executive Director Michel Sidibé, Global Drug Commissioner Sir Richard Branson, and artist and activist Sir Bob Geldof. The participation list included the world's top AIDS researchers, community leaders, people living with HIV and policy-makers.

The main message was that HIV continues to effect populations disproportionately. Underlying discrimination against the most vulnerable people on social, legal and economic levels aggravates the situation.

Michel Sidibé stated: "Too many are being left behind today. If the world wants stability, peace and sustainable develop-



Former US President Bill Clinton told the conference that an AIDS-free generation was within reach.

PHOTO: INTERNATIONAL AIDS SOCIETY/STEVE FORREST



AIDS 2014 attracted some 12,000 participants representing all stakeholder groups in the fight against HIV.

ment, we cannot run away from the needs of lesbian, gay, bisexual, transgender and intersex people, sex workers, people who inject drugs, prisoners, migrants, women and girls, and people with disabilities."

Despite the approaching deadline for MDG success, Sidibé was optimistic: "If we are smart and scale up fast by 2020, we will be on track to end the epidemic by 2030."

He went on to point out that this would require a new, ambitious target: 90 percent of people tested, 90 percent of peo-

ple living with HIV on treatment and 90 percent of people on treatment with suppressed viral loads," said Sidibé.

If the epidemic is to come to an end by 2030, access to information, care and treatment must be available to all people. The conference declaration entitled Nobody Left Behind aims to tackle these inequalities. It concludes: "An end to AIDS is only possible if we overcome the barriers of criminalization, stigma and discrimination that remain key drivers of the epidemic." ■

## OFID's special program against HIV/AIDS



In 2001, OFID took steps to consolidate and strengthen its involvement in the global effort against HIV/AIDS by creating a special program. As of September 30, 2014, more than US\$86m in grant financing had been approved through the program. Today, OFID is working with a broad coalition of strategic partners to fight the pandemic in over 100 countries. The institution's interventions cover many areas, including awareness, prevention, testing and counseling, as well as care, treatment and support.



PHOTO: INTERNATIONAL AIDS SOCIETY/STEVE FORREST

**OQ:** *We were able to meet some of the delegates OFID supported to attend the conference, and their stories were quite inspiring. What role do these young delegates play at an event like this?*

**OR:** That kind of scholarship support for individuals from the developing world is absolutely crucial. We wouldn't be a global conference if we didn't have funders who came forward and actually said yes we are going to support people who have less means to attend. You have folks here from all over the world who are coming from small villages, who have never stepped onto a plane before, who suddenly realize they are part of this massive global community committed to ending AIDS. It is life-changing for them and it's at the heart of our conference. I don't think our conference would be half as successful if we didn't have those people here. Absolutely not.

**OQ:** *You and others at IAS speak quite frequently of the thirteenth AIDS conference in Durban 2000 as milestone. Why so?*

# IAS Executive Director pays tribute to activists

Newly appointed International Aids Society Executive Director, Owen Ryan discusses the future of HIV/AIDS and the legacy of 2014.

**OQ:** *The conference has been overshadowed by the devastating loss of delegates traveling aboard MH17. How does this affect the goals IAS hoped to achieve in Melbourne?*

**OR:** The tragic loss of the Malaysian Airline MH17 impacts our conference delegates, partners, and our community as a whole. The AIDS community lost giants such as Joep Lange and many researchers and delegates. These colleagues were traveling to the conference because of their dedication to bringing an end to AIDS. The conference is a dedication to their work, and we will keep them in our hearts and most importantly, keep their vision alive.

**OR:** At Durban, a young boy named Nkosi Johnson, who was 11 years old, stepped onto the stage in front of an audience of 10,000 delegates and told his story. At that time in South Africa, anti-retroviral therapy wasn't allowed and it was a dark time for the fight against AIDS. The government wasn't supporting it, and there wasn't a lot of money or financial support given by donors. Nkosi, stood up on the stage and demanded his medication, which was already available elsewhere in the world. The world changed on a dime with him standing up there.

Sixteen years later, treatment is available all across South Africa and the govern-

ment spends all of its own money on treatment, largely because of donors who stepped in. Nkosi passed away the year after he spoke at the Conference. This is why the twenty-first AIDS conference, which will be held in Durban, is a massive moment for us. We need to say look at how all these donors have changed the face of



PHOTO: INTERNATIONAL AIDS SOCIETY/JAMES BRAUND

Owen Ryan, IAS Executive Director.

an entire nation of people. We also need to reflect on how far we have come with HIV. It is also important for us to see how people are living there now. There is no question that South Africa is one of the leading economies in the world because we contributed to the fight against HIV/AIDS. And 2016 is going to be another colossal moment for HIV/AIDS.

**OQ:** *One of the most valuable aspects of these AIDS gatherings is that they have a mix of researchers, experts, and activists. How do you see this affecting the outcomes of the conference?*

**OR:** My own roots are in activism, so I of course think this is great. I think that the HIV/AIDS community has learned that the only way we can end the epidemic is if everyone is involved—researchers, donors, governments, activists and the pharmaceutical industry. I think it has been a fundamental part of who we are as a conference, and it is what makes the outcomes so crucial to the community. ■



# Overcoming HIV in conservative social settings

As part of its contribution to AIDS 2014, OFID chaired a satellite session on HIV in challenging social settings. It was the only opportunity to discuss culturally sensitive strategies and interventions.

**I**t is still the case that key affected populations (KAPs) are those most vulnerable and likely to be exposed to HIV. Their status remains severely unaddressed in many regions, with HIV continuing to affect them disproportionately.

Conditions are particularly severe in the Middle East and North Africa (MENA) region, where the epidemic is one of the fastest growing in the world. Knowledge of HIV continues to be limited and subject to much controversy. Testing and treatment are often inaccessible.

The situation is exacerbated by a combination of social, legal and economic injustices. Such factors continue to increase the barriers KAPs face and limit their access to services they need and deserve. Delivering awareness prevention, treatment and care for this group remains critical to the reversal and eradication of HIV.

The OFID satellite session *Overcoming HIV in Conservative Social Settings* was chaired by Head of Grants, Rachid Bencherif. Co-chairs were Dr Yamina Chakkar from UNAIDS, and Dr Khadija Moalla and Dr Manoj Kurian, both from IAS.

Panelists shared experiences of the many challenges faced, including the continued enforcement of discriminatory, stigmatizing and harmful laws targeting KAPs. They also highlighted a lack of demand for HIV services plus low coverage of HIV testing and counseling, treatment coverage, and adherence.

It was concluded that a top-down approach to these issues was essential. Accordingly, strategies to address discriminatory attitudes must be targeted at the highest levels of cultural, religious and governmental leadership.

Panelists called for increased networking and cooperation among professionals engaged in the HIV response in MENA in order to support united efforts and positively influence policy and practice. This would hopefully pave the way for active dialogue and a reduction of contagion. ■

*The panel of experts exchanged views and experiences in tackling HIV in countries where cultural and religious tradition define perceptions of the disease and hinder efforts to prevent it.*



PHOTOS: OFID/REEM ALJARBOU

**Nancy Ansah, Ghana**

President, Society for Woman and AIDS in Africa, Ghana branch

*"At such conferences we are able to learn about new trends in advocacy and research. When we go home, we implement our local programs with the international knowledge and experience we have gained. At the opening ceremony it was declared that the world is looking to end AIDS in 2030. This is very important to take home, so we can also work toward this global vision. We think it is achievable, and if we all put together our strengths, HIV will lose this fight."*



**Geoffrey Kinaalwa**

Country Coordinator,  
Mityana Uganda Charity, Uganda

*"My charity focuses on the HIV/AIDS community in relation to water access and use, enabling communities to use medication and treat themselves healthily. This conference has helped us to interact with other NGOs, and given me new ideas to help my own community. I am also*

*learning that offering services for HIV doesn't stop at counseling, therapy or testing. It goes beyond, toward hygiene, water, sanitation and economic empowerment."*



## OFID-sponsored delegates share their experiences

OFID has extended grants totalling US\$1.74m to enable participants from developing countries to attend the AIDS conferences. In Melbourne, OFID sponsored 47 delegates from more than 20 developing countries. We met some of them and heard what they had to say.



**N. Bibaa Lundi**

Reach Out Organization, Cameroon

*"I am so excited that I was given the delegacy as this is the first international conference I have ever attended. I know coming to a gathering like this will let me meet many people working in the same areas of intervention, where we can benefit and share experiences that I can take back and implement. It is such a great opportunity"*



**Moses Nsubuga**

Namusoke Asia Mbajja  
People in Need Agency, Uganda

*"The organization I work for offers psychological support and social skills training to young people and those born and living with AIDS. We focus on young people and their transformation into adolescence. They have not been supported through the education or health systems. We try to create a world of hope and happiness for them despite living with HIV/AIDS. I was able to bring young people from our organization to this conference through the support of donors. It is a great opportunity for us to showcase what we do and share with other professionals"*



## CONFERENCE WATCH

Event:	<b>10<sup>th</sup> International Energy Conference and Exhibition</b>
Theme:	Efficiency in Resource Management— Excellence in the Energy Industry
Hosted by:	Iranian National Energy Committee
Venue:	Niroo Research Institute, Tehran, IR Iran
Date:	August 27–28, 2014

BY SHIRIN HASHEMZADEH

# Energy access a matter of universal concern

In a final document released at the end of the Tenth IEC, delegates called on all countries—developed and developing—to facilitate the universal provision of modern energy services.

**S**olutions formerly regarded as impossible or unaffordable were nowadays achievable both technically and economically, stated the declaration.

It was imperative, however, that all the relevant institutions and organizations acquired a wealth of experience and expertise in supporting countries in the use, expansion and shift towards sustainable energy for development.

The declaration went on to emphasize that practical, effective and large-scale actions were needed to support capacity development, mobilize public-private partnerships and massively scale up successful and innovative solutions to overcome extreme energy poverty.

OFID Director-General Suleiman J Al-Herbish delivered a keynote speech at the conference's opening ceremony. He spoke

about the challenges of modern energy access and OFID's pioneering role in championing the cause through its flagship *Energy for the Poor Initiative (EPI)*.

Al-Herbish highlighted the need for the petroleum industry to take a more effective stance in providing global energy secu-



Mr Al-Herbish called on the petroleum industry to engage more in the fight against energy poverty.

PHOTO: OFID/JAAFAR AL MAHDI





PHOTO: IEC 2014

riety, while at the same time contributing to the eradication of energy poverty.

He pointed out that while renewable energy sources were growing faster than other fuels, all accredited outlooks indicated that the world would continue to rely on oil and gas as a major source of energy for the foreseeable future. This placed a high level of responsibility on the industry, he argued.

Al-Herbish went on to cite examples of how energy poverty eradication was a win-win situation for the petroleum industry. Using flared gas for local energy needs, for instance, would not only save the environment, but also improve the health and livelihoods of local communities and lead to better relations with the operator companies.

He concluded: "I am sure you will agree that the oil and gas industry has a role to play in this honorable struggle of bringing modern energy to the poorest. Acting together, our resources can surely make a huge difference to progress towards affordable, clean and efficient energy for all."

In the special session, *Financing in Developing Countries and the Fight against*

*Energy Poverty*, OFID experts introduced the institution's activities and financing windows. The session included case studies of projects implemented under the EPI and financed using a variety of instruments.

### Focus on energy practices and policies

Held biennially, the IEC contributes to the analysis of problems and challenges facing

organizations and institutions in the energy sector and helps to identify appropriate solutions.

This year's delegates—representing the energy industry, governments, the science community and academia—were able to engage in discussions on three main topics: Energy Resource Management, Energy and Economics, and Energy Technology and Environment.

The various presentations, technical panels and workshops tackled subjects ranging from managing conventional energy production to renewable technologies and from regulating policies relevant to low carbon emissions to risk management assessment.

A parallel exhibition showcased the most recent achievements in the development of products, solutions and services that meet the needs of both consumers and utility systems while accommodating critical economic and environmental objectives. ■

### OFID's EPI in numbers

# 19% to 35%

Boosted by its Energy for the Poor Initiative, OFID's energy portfolio as a share of total operations increased from 19 percent in 2007 to 35 percent in 2013. Since November 2007, OFID has provided more than US\$2bn for energy operations in 43 countries. When the co-financing share of other development institutions is added, the impact on the ground exceeds US\$15bn.



# Egypt plots new course toward economic recovery

As her country moves toward stability and democracy, Egypt's newly appointed Minister of International Cooperation, **Dr Naglaa El Ehwany**, outlines her goals and aspirations for the future.

INTERVIEW BY AUDREY HAYLINS

**OQ:** *You were handed your portfolio only very recently. Have you had time yet to set some goals?*

**NE:** I have only been in the job for a month but, yes, I have given considerable thought to what I want to achieve. It is a completely new role. Before, we had a single ministry for international cooperation and planning. But now that the dif-

ficult times are behind us and we're on a fresh track, we intend to have more cooperation with the world. So, the President and Prime Minister decided to establish a separate ministry for international cooperation.

My main role is to increase economic cooperation with all bilateral and multilateral tracks and to diversify the sectors that are benefiting from this assistance. The most important thing is that the cooperation should be in line with the needs and priorities of my country. Another goal is to try to be more engaged in trilateral cooperation. Egypt, the financial institutions and other countries of the South have different things to offer. The institutions have the money needed. Egypt has the expertise. And countries such as Sudan have a lot of potential in the agricultural sector, for example.

One of my main goals is to try to make a real assessment of the economic assistance that has



Dr Naglaa El Ehwany, Minister of International Cooperation, Egypt.

been given to Egypt in the last five years. Much of this was given in a routine way and had no real impact on growth, poverty and employment. I want to draw lessons from the past, make things better for the future and optimize the economic assistance to Egypt.

The goal of the government is that the future should witness more cooperation in the sense of partnership and not aid. Aid alone does not build a country. It can help you overcome current challenges, but in order to invest, produce and grow, partnership relations between all countries are necessary. The main goal of my ministry is not only to administer the aid but to have deeper and more fruitful cooperation with our partners.

**OQ:** *What would you describe as the main challenges facing Egypt as it works to revive its economy after the setbacks of the past few years?*

**NE:** Historically, the Egyptian economy has suffered from many problems. Even when we were achieving a high level of growth in the late 1990s, the benefits were not reaching all segments of society. Then there are the longstanding structural challenges to be dealt with. These have been aggravated since 2011, not by the revolution itself but by the events that accompanied it. In the last three years we have experienced a slow rate of growth, a high rate of unemployment and inflation, and a high and dangerous budget deficit—almost 14 percent of GDP. Too many vulnerable groups have been hit by these developments.

That said, since the revolution of June 30, 2013, I think we are on the right track toward a more stable and democratic country. On the political front, we have a new constitution, an elected president, a new government and we are on our way to the parliamentary elections. Now that we have political stability, the government is starting to implement an economic recovery program. The program has four pillars: 1) economic growth and employment; 2) social justice; 3) fiscal and monetary balance; and 4) legislative and institutional reforms.



PHOTO: CARLOS CASTILLAS/SHUTTERSTOCK.COM

The most important measures include bringing the public debt under control, reforming the tax system, and setting a minimum and maximum wage to remove distortions. We are also reforming the energy subsidy system, which is something that hasn't been touched for 40 years, but which will now make energy more affordable for the poor. In addition the government is trying to improve the quality of public services, especially for the most vulnerable groups.

**OQ:** *What role does the private sector play in this new vision and what is being done to attract foreign investment?*

**NE:** One of the most important pillars of this recovery program is to improve the investment climate through legislation to encourage the private sector and foreign investors. So we are looking at regulating the Principal Bank for Development and Agriculture—which is a very important institution—and restructuring cooperatives and state-owned enterprises. We also want to bring informal enterprises—which represent around 40 percent of the economy—under the umbrella ►

*Although endowed with abundant energy resources, Egypt is struggling with demand challenges.*





*“Aid alone does not build a country. It can help you overcome current challenges, but in order to invest, produce and grow, partnership relations between all countries are necessary.”*

◀ of the formal sector. To alleviate poverty, we need to create more decent and formal jobs.

The government is also trying to upgrade infrastructure and has launched a number of mega projects. Perhaps the best known of these is the digging of a second water channel for the Suez Canal, which got underway in August this year. When President El Sisi launched the new waterway, he emphasized that all the companies involved in the construction were civil, private sector agents. The government is also very keen to promote public-private partnerships.

**OQ:** *Egypt is fully committed to the Millennium Development Goals and has already achieved many targets at the national level. What is being done, though, to address the still prevalent gender disparities?*

**NE:** Women in Egypt play a very important role in the family, in educating children and working. Unfortunately, this is not apparent in the official statistics. These tend to show a low rate of participation among women, but this is because the figures do not include the women who are working in rural areas. To summarize the challenge: In the upper and upper-middle classes you will find women in high-ranking positions such as government ministers, university professors, doctors, judges, and so on. But, when we come to the lower classes, we find a different picture. Maybe this has to do with education and the cultural roles in the country. For the time being, the government is aware that women should have more attention. In all the initiatives we undertake, priority is placed on the economic and social empowerment of women. And we always emphasize to our donors that all projects should have a gender component.

**OQ:** *How is your government dealing with the high level of youth unemployment? What kind of opportunities is it creating for young people?*

**NE:** Yes, here we have a real challenge—nearly 90 percent of the unemployed are young people. So we, as a government and in cooperation with the private sector and NGOs, are trying to create decent jobs for the youth. We are focusing on the employment-intensive sectors of the economy. We believe that the main challenge in Egypt right now, in addition to education, is vocational training, in order to match the outcome of the education system with the needs of the market. So we have a two-pronged initiative. On the one hand, we are providing the relevant training to help young people secure a job. And on the other

hand, we are helping to equip them with the tools and knowledge to become self-employed entrepreneurs.

**OQ:** *And what about the regional disparities?*

**NE:** This issue is a big concern. Upper Egypt, for example, has been neglected for many years, so we have launched a huge program for infrastructure development and poverty alleviation there. In fact, most of the loans and grants from our development partners are directed at Upper Egypt and an area called “The Golden Triangle” which links the Nile and the Red Sea. Here we are undertaking mega projects to develop new industries, mining, and tourism.

**OQ:** *Turning to the energy sector, we know that Egypt has significant primary energy resources, but faces serious demand challenges. What steps are being taken to address these? And are efficiency measures and renewables part of this solution?*

**NE:** We do admit to having an energy problem in Egypt. As you rightly point out, this is due to increasing demand coupled with the growing population. And at the same, the instability and insecurity of the last three years has made it difficult to bring more power plants on line. Now, however, the Ministry of Energy and Electricity has a clear plan for the period 2015–2017. First, the aim is to build more plants, and this is where the support of the international and regional financial institutions comes in. Second, we are making a huge effort to maintain and upgrade existing plants and introducing efficiency measures to rationalize the consumption of electricity. The new tariff plan completely reforms energy subsidies and prices, which have traditionally been very low. I am sure that this, too, will lead to greater efficiency. Meanwhile, renewable energy plans are ongoing, and we already have many solar and wind projects.

**OQ:** *Today you have signed a US\$55m loan agreement with OFID for the Assiut power plant project. How does this project fit into government plans for the energy sector?*

**NE:** First of all, the project is in Upper Egypt, the very area we are trying to develop. Secondly, the plant will be connected to the national grid, so it will benefit not just the people in the governorate of Assiut, where it will serve more than 3.5 million people, but it will also help increase the country’s total power generation capacity. For these reasons, the project is directly in line with our strategy and our needs. ■

# Former Dominican President shares views on interregional cooperation

Three-time President of the Dominican Republic, **Leonel Fernández Reyna**, reflects on his country's development progress and his bid to foster relations between Latin America and the Arab region.

BY ARYA GUNAWAN USIS

**I**t's not every day that OFID welcomes a head of state—incumbent or otherwise—to its Vienna headquarters. But September 18, 2014, was one such occasion. Accompanied by Ambassador Ramón Quiñones, former Dominican President Leonel Fernández made a courtesy call on OFID Director-General, Suleiman J Al-Herbish.

The Dominican Republic is a long-time partner of OFID, having received some US\$180m in funding for the public sector and an additional US\$8m for grant-financed projects.

"OFID has made and continues to make a very significant contribution to development in our country," Fernández told the *Quarterly*. Three OFID-sponsored public sector projects were implemented during Fernández's presidency.

## Ironing out inequalities

The Dominican Republic, home to about 10 million people, has the ninth largest economy in Latin America and the second largest in the Caribbean and Central America region.

As the most visited destination in the Caribbean—based on World Bank statistics—the country's economic progress is defined by the tourism sector, with more than US\$5bn in annual revenues. The year-round golf courses are among the top attractions on the island.



*Leonel Fernández remains enigmatic about his plans to run for a fourth presidential term.*

Despite the country's strong economic growth, led by mining and tourism, a number of challenges remain, a fact Fernández willingly concedes.

Of primary concern is the economic inequality. More than one-third of the population lives below the poverty line, the majority of them in rural areas. Fernández believes that improvements in the social security program could address this issue.

"Currently we have four million people who have access to the social security program. We need to widen this to at least another four million," he said.

Another worry is the unemployment rate, which stands at over 13 percent. "The government needs to reduce this to less than two digits in the next four years," stressed Fernández. ►



◀ The former president also outlined the country's energy sector challenges. Although some progress had been made in the development of power plants, there were still some issues with distribution, he acknowledged.

All of these problems are added to by the need for more accessible and better quality education, as well as improved security in relation to the illegal drug trade and transnational crime.

## Food security champion

In terms of domestic consumption, agriculture is the most important sector in the Dominican Republic, and in second place, after mining, in terms of export earnings.

Fernández is proud of the fact that the nation is self-sufficient when it comes to food security, but believes that his country—along with several others in the region—could play an even more important role: “If we could invest in new technology in order to improve our competitiveness, we would be well placed to serve as the breadbasket to the rest of the world,” he argued.

Food security is an issue that Fernández has long championed. Responding to the price hikes triggered by cynical speculators around the time of the 2008 economic crisis, he led moves to curb financial speculation on food commodities.

A resolution to this effect was adopted unanimously by the UN General Assembly in 2011. Since then, commodity markets have been regulated in the United States and the European Union, as well as other parts of the world. As a result, food prices have been relatively more controlled.

## A bridge for LAC and the Arab world

Fernández has also been instrumental in building bridges of cooperation and understanding between Latin America and Arab World. During his presidency, he helped to promote a facilitation role for his country and region in the Israel-Palestine peace process. This dialogue led, in 2012, to the establishment of the Council on Arab Relations with Latin America and the Caribbean (CARLAC).

The new body was charged with boosting the relationship between the two regions through trade, public and private investment, and joint ventures, among other areas. Fernández chairs the CARLAC



Mr Fernández with OFID Director-General Al-Herbish.

board of some 60 prominent personalities representing both regions.

Fernández told the *Quarterly* that the idea behind the establishment of CARLAC was to connect the 700 million people from Latin America with the 250 million people in the Arab world. Collectively, the two regions make up one-seventh of the world population. “We share the same problems, needs and aspirations in terms of economic and social development, peace and security,” he stated.

Fernández also pointed out the strong historical and cultural ties between the two regions. Brazil, for example, has 20 million people of Lebanese origin—more than in Lebanon itself. In the Dominican Republic, there are people of Syrian, Lebanese and Palestinian descent, who migrated to the country at the end of the World War I and after the collapse of the Ottoman Empire.

Many of these people hold prominent positions in the Dominican Republic and other Latin American countries. Fernández describes this diaspora as “important capital” for cooperation in numerous sectors.

“It makes perfect sense to create a bridge of communication to address issues of common interest between the two regions. For instance, my region could help sort out some of the food problems facing the Arab world. By the same token, our Arab cousins could help us resolve our energy security issues,” explained Fernández.

Fernández was the first elected president of the Dominican Republic under the Dominican Liberation Party (*Partido de la Liberación Dominicana*). He served three terms: 1996–2000, 2004–2008, and most recently 2008–2012.

Since leaving office in 2012, Fernández has been busy with the *Fundación Global Democracia y Desarrollo* (FUNGLODE) or Global Foundation for Democracy and Development, a non-profit organization that he founded in 2000.

There is speculation that he will stand in the next presidential election in 2016. Invited to confirm or deny his candidacy, he laughed: “This is the question many people ask me. For me, it depends on the wishes of the Dominican people. That is why I always answer, ‘it depends on how the wind blows’.” ■



## A feast for the senses

In late September, OFID had the honor of hosting *Ecuador in Focus*, a two-week exhibition featuring paintings by three of the returning Member Country's most renowned artists.

BY NADIA BENAMARA

**E**cuator brought a moveable feast to Vienna for the occasion. What better way to celebrate a reunion some 22 years in the making?

The exhibition's opening reception on September 25 left nothing and no one untouched by Ecuador's vibrant spirit.

It was attended by a host of dignitaries including Ecuadorian Finance Minister, Fausto Herrera, and Ecuadorian Ambassador to Austria, Wilson Pastor Morris.

"Your esteemed country could not have chosen a more opportune time to re-join OFID," said OFID Director-General, Suleiman J Al-Herbish in his welcome address.



HE Fausto Herrera, Ecuador's Minister of Finance

"In 1993 you left a lending institution but today you are returning to a globally recognized player in the international development arena."

Mr Herrera spoke next, conveying warm greetings from President Rafael Correa Delgado.

"We are full of enthusiasm to work hand in hand for economic and social development within the framework of South-South cooperation," said the Minister.

"For Ecuador, OFID is a bridge to other regions of the world—in Africa, Asia and the Middle East—with whom we are seeking closer ties to share knowledge and experiences within the most constructive working environment possible."

Citing Ecuador's recent progress in reducing its number of poor by 22 percent, Mr Herrera also expressed his government's commitment to the OFID motto *Uniting Against Poverty*. ▶



◀ “Ecuador wants to join forces in pursuit of this objective so that the natural, financial and human resources that each of the OFID Member Countries possesses are placed at the service of those who need our support.”

Artists Miguel Betancourt, Hernan Illescas and Juan Luis Millingalli were also in attendance.

Their exhibited works reflect Ecuador’s rich and varied culture. Distinct in style and subject matter, they are equally bold in expression and rife with saturated color.



An inviting array displayed some of Ecuador’s most important exports, ranging from long-stemmed roses, coffee, bananas, chocolate and cocoa to brightly patterned textiles and the deceptively named ‘Panama hat’.

Also provided was entertainment in the form of the Matices dance troupe, which performed traditional dances from the Ecuadorian highlands.

The exhibition ran from September 25 to October 10, 2014, and is the latest in a series featuring the art and culture of OFID Member and Partner Countries. ■



Juan Luis Millingalli



Hernan Illescas

Energetic lines and jumbled shapes reveled in concert across Miguel Betancourt’s ‘Symphony in Red’—a distant view of a city spread low beneath a mountain range and cloaked in the vestiges of a long-set sun.

‘New City of Quito’ afforded a more close-up impression of city life with shapes transformed into houses, alleyways, windows and doors. Lines multiplied, stringing up and across building-fronts before disappearing overhead. The canvas pulsed though there was not a human in sight.



Juan Luis Millingalli captured pastoral life in the pristine Andean landscape with great delicacy in ‘Dancers on the way’ and ‘Bulls in the open field.’

His finely detailed brushwork in ‘Dark green forest’ and ‘Pine flowers’ conveyed a joyous appreciation of Ecuador’s natural environment, which he deems ‘the natural treasure of our beloved country.’

Hernan Illescas’ densely textured ‘Symphony of the Lira’ evoked not so much a fish, though it was unmistakably that, as an ancient sage—one who might (at any moment) utter priceless wisdom or grant a long-harbored wish.

Its body was comprised of symbolic shapes rather than scales, some familiar—like the neck of a stringed instrument coursing through its middle—others not. Illescas himself says his art is informed by the search for truth, while inspired by the ancestral calls and mythical beings he imagines around him.

“Some answers rest in my paintings,” he writes in his artist statement. “But they only open the door to a maze of new questions, and these questions are revealed when you look at the paintings.”



Miguel Betancourt

# Indonesia, Nigeria: Newly minted

As part of the recently conceived MINT group of fast-emerging economies, the future has never looked brighter for OFID Member Countries Indonesia and Nigeria.

BY NADIA BENAMARA

**B**est known for coining the BRIC acronym, former Goldman Sachs economist Jim O'Neill has more recently been championing the MINT countries—Mexico, Indonesia, Nigeria and Turkey.

Their common denominators include favorable demographics, market proximity and (with the exception of Turkey) large-scale commodity production.

O'Neill predicts the MINTs will reshape the world economy over the coming decade as a result.

“And if that’s the case, they will be the most successful places in terms of investments too,” he told Reuters press in March.

Any number of developments from natural disasters to war or even an election can of course change a country’s trajectory.

But as the fastest (and most consistently) growing economies in the group, Indonesia and Nigeria are well on their way to fulfilling that promise.

Unlike China and much of the developed world, all MINTs are expected to boost productivity dramatically thanks to young, rapidly expanding and urbanizing populations.

Of the four, Indonesia has by far the largest population. Nigeria, however, is quickly catching up and on track to become the third most populous country in the world (overtaking both Indonesia and the United States) by 2050, according to the latest UN projections.

News that Nigeria had surpassed South Africa as the continent’s biggest economy could not have come soon enough.

Its ‘rebased’ GDP calculation this April—the first in 24 years—revealed an

economy near double in size and far more diverse than previously assumed.

Retail and wholesale trade proved to be the biggest drivers of growth, while previously underweighted industries such as telecoms, IT and financial services outpaced oil and gas.

The nation’s long dominant resource sector still made up 14 percent of GDP (down from 32 percent), while its prolific entertainment industry—wholly unaccounted for under the old data set—generated an impressive US\$550-610bn.

This year, the MINTs as a whole will outperform both the BRICs and the G8 on at least one noteworthy count.

According to London-based research service WealthInsight, the group will see the largest growth in millionaires, defined as individuals with net assets of US\$1m excluding primary residence.

Indonesia will hold the global lead with a 22 percent increase, which translates into more than 8,000 newly created millionaires. ▶

## Fast facts

### Indonesia

- 4<sup>th</sup> largest population in the world
- 240 million inhabitants
- median age 28 years
- life expectancy 70 years (2010)
- 16<sup>th</sup> largest economy in the world
- GDP of US\$868bn
- annual growth 5.8%
- per capita income US\$3,475 (2013)
- 303 million mobile phone subscriptions
- 16% of population uses Internet (2013)



### Nigeria

- 7<sup>th</sup> largest population in the world
- 160 million inhabitants
- median age 18 years
- life expectancy 50 years (2010)
- 26<sup>th</sup> largest economy in the world
- GDP of US\$510bn
- annual growth 7%
- per capita income US\$3,006 (2013)
- 120 million mobile phone subscriptions
- 38% of population uses Internet (2013)

Sources: United Nations Population Division, World Bank, International Telecommunication Union



## Indonesian election: A new wind blows

Indonesians made history with the swearing-in of President Joko Widodo on October 20, 2014.

The 53 year-old former governor of Jakarta is the nation's second popularly elected leader but the first to rise from outside the ranks of its elite.

Having campaigned on a platform of economic growth and more transparent governance, Widodo won 53 percent of the July 9 vote.

His majority was unanimously upheld by Indonesia's Constitutional Court despite a heated challenge from rival campaigner, Prabowo Subianto.

As the candidate of Indonesia's main opposition party (PDI-P), Widodo distinguished himself through his down-to-earth style and people-centered focus. He succeeds President Susilo Bambang Yudhoyono, who was constitutionally barred from seeking a third term.



PHOTO: REUTERS/DARREN WHITESIDE

Joko Widodo is the first Indonesian leader to rise from outside the ranks of the elite.

◀ Nigeria will rank third overall (behind India) with a 10 percent increase and some 1,600 Nigerians set to enter a new class of wealth.

Increasing inequality—a hallmark of the BRICS—is a major concern given that Nigeria (along with many other countries) has seen an attendant rise in poverty. In an August interview on Washington DC's National Public Radio, Nigerian finance minister Ngozi Okonjo-Iweala emphasized that a great deal more than economic

growth was required and that job creation would be key to tackling poverty in Nigeria.

"Most Nigerians don't want hand-outs," said Okonjo-Iweala. "They want jobs." While banking and IT have been attracting significant numbers of the diaspora home to Nigeria in recent years, the high skill sets required keep many growth industry jobs out of reach for much of the population.

Nollywood—as Nigeria's film industry is known—already employs over a million

people, making it the country's largest employer after agriculture.

Despite the challenges of job creation, both Nigeria and Indonesia are developing enormous consuming classes, which should make them increasingly attractive to local and multi-national businesses.

McKinsey Global Institute's July 2014 report on Nigeria offered an even better return on investment: If growth can be made more inclusive than it has been, the institute estimated that Nigeria could lift more than 70 million out of poverty by 2030.

Indonesia will see an additional 90 million people join its consumer class (currently estimated at 140 million) by 2030, according to McKinsey. That's stronger growth than anywhere in the world apart from China and India.

Consumer confidence levels have been top or near top of the Asia-Pacific region and remain steady after hitting a two-year high in July, according to Bank of Indonesia's monthly survey of 18 cities.

With Internet access increasing by an estimated 20 percent annually, Indonesians are also some of the most active social media users in the world. More than 95 million tweets relating to Indonesia's presidential race were published between the start of the year and election-day, according to a Twitter report. 'Jokowi' (as President Joko Widodo is commonly known) topped the list, capturing 22 percent of total Twitter mentions. ■



PHOTO: REUTERS/AKINTUNDE AKINLEYE

Nigeria's "Nollywood" film industry is the country's largest employer after agriculture.

# OPEC hosts first modeling applications workshop

*Effective modeling tools vital for Secretariat's work*

REPRODUCED COURTESY OF THE OPEC BULLETIN

OPEC hosted its first Workshop on Road Transportation Modeling and other Modeling Applications in September, at which it was stressed that the Organization's modeling tools and capabilities are key to ensuring that research carried out at the OPEC Secretariat in Vienna is both accurate and up-to-date.

"Indeed, they (the models) are a priority area and regarded by the OPEC Board of Governors as critical," Dr Omar S Abdul-Hamid, Director of OPEC's Research Division, said in closing remarks to the one-day meeting, which he described as being "very fruitful."

## OPEC's reputation

Abdul-Hamid, who earlier made the workshop's welcoming address, stressed to assembled delegates from Member Countries, that so much importance is placed on this area of work because the Secretariat's modeling efforts affect not only research quality but, in the larger context, OPEC's reputation on the international scene.

"I cannot emphasize strongly enough just how important the various models used in the Research Division are to the overall work of the Secretariat, our lasting ties with Member Countries and the benefit of the Organization as a whole," he affirmed.

"And they will become increasingly important in the years ahead as OPEC and the global energy sector in general has to address new innovations in overcoming the inevitable challenges that characterize the

intricate and often volatile business we are in," he told the workshop.

Some 24 experts from OPEC Member Countries, including OPEC National Representatives, attended the gathering, which featured in-depth presentations offering a comprehensive overview of the Research Division's five modeling applications.

Delegates also heard a report on the global transportation outlook to 2040, delivered by a thermodynamics expert from a German automotive consultancy firm.



Dr Omar S Abdul-Hamid (left), Director of OPEC's Research Division, and Dr Adedapo Odulaja, Head of OPEC's Data Services Department.

The workshop was specifically held to inform Member Countries of the utilization and aims of the Secretariat's models and to gain their views and suggestions on how best to maintain their optimum performance going forward.

As the Research Division Director said in his opening remarks, the Secretariat considers the input of Member Countries as being invaluable for giving a broader, concerted view as the Organization takes steps to fine-tune the models currently in use within the Research Division.

## Five models in use

The applications comprise the OPEC Road Transport Model (ORTM), which encompasses many features to simulate future technology scenarios for the road sector; the OPEC World Energy Model (OWEM), which dates back to 1984; the World Oil Refining Logistics Demand (WORLD) model, the Oxford Global Economic Model (OGEM), with its integrated GDP forecast model, and the E3 Models in Environmental Studies, very much still a work in progress.

"All these models are essential for the efficient functioning of the Organization, particularly in support of the Conference's decision-making process, where they provide detailed forecasting and analysis of the international oil market, the global economic situation and related issues," said Abdul-Hamid.

He stressed that the modeling tools represent the foundations of the Research Division's day-to-day activities with regard to providing up-to-

date and accurate information, statistics and data flow that are vital for the smooth running of the different departments within the Secretariat.

Abdul-Hamid explained that the background to the workshop's examination of the models arose from a report prepared by the Research Division's Modeling Assessment Task Force (MATF), which was presented to the 13<sup>th</sup> Special Economic Commission Board meeting in September last year, together with the agreed follow-up. ►





Dr Philipp Adomeit, FEV GmbH, Germany.

◀ “The Board regards the close assessment and monitoring of the Secretariat’s modeling tools as a critical issue for enhancing both the Organization’s research activities and its international standing going forward,” he affirmed.

The MATF report, he outlined, assessed in detail the current performance of the respective models, indicating their strengths and areas for improvement.

“Importantly, it highlights that in today’s ever-changing world, energy markets, the players and the dynamics, together with estimation and forecasting techniques are constantly evolving.

“In recent years, better and more efficient software, qualified data and modeling practices have improved the performance of such models and reduced the uncertainties regarding future trends.

“Hence, the need for the OPEC Secretariat to keep abreast of all the latest developments, in order to continue delivering high-quality analysis and fulfilling the requirements of the Conference and Member Countries,” he stated.

Abdul-Hamid noted that the report provided a list of recommendations for the further improvement and enhancement of the models in existence, which the Secretariat had already started to implement.

The Board felt it pertinent to tap the expertise of Member Countries, “to gain your views on the Secretariat’s modeling capabilities and to ensure their continued best practice. I am sure your involvement in this venture will greatly assist us in solidifying our plans and boosting this vitally important area of the Secretariat’s work,” he told delegates.

Turning to the workshop’s agenda, proceedings began with a presentation on the global road transportation outlook by 2040 by Dr Philipp Adomeit of FEV GmbH of Germany.

This provided participants with a detailed overview and outlook into different technologies and fuels to be implemented by the automotive industry in the coming years. The impact on future demand for gasoline and diesel was analyzed, alongside the share of alternative fuels, such as natural gas.

Adomeit maintained that transport fuels for passenger cars would be gasoline dominated and—according to FEV analysis—reaching a demand plateau by 2030–35. Diesel and compressed natural gas (CNG) would play a more important role for cars beyond 2035.

Generally, he said, the share of diesel as a road transport fuel will increase and exhibit the strongest growth potential in absolute numbers among all road transport fuels. Adomeit’s comments were followed by presentations on the five models currently in use.

### In-depth presentations

Secretariat Energy Models Analyst, Mehrzad Zamani, gave detailed information on the ORTM, the objective of which is to provide a granular analysis of the road transport sector.

It projects oil consumption, sales and stocks by vehicle type, fuel economy, and vehicle miles traveled for passenger cars and commercial vehicles.

This was followed by a presentation by Senior Research Analyst, Garry Brennand, on the longstanding OPEC World Energy Model (OWEM).

OWEM is a large-scale and wide-ranging econometric model, maintained and developed in-house, with almost 600 equations and identities. Its key modules focus on oil demand by sector and oil supply, and cover 11 regions.

The afternoon session began with a presentation on the WORLD model, made by Senior Research Analyst, Dr Jan Ban.

WORLD, an optimization model based on linear programming techniques, is used by the Secretariat for projections and simulations of downstream oil operations.

Modeling and Forecasting Analyst, Afshin Javan, then took the workshop through the OGEM, explaining, among other things, the advantages and disadvantages of Vector Auto Regressions (VAR) in comparison with the Computable General Equilibrium Model.

In the final presentation, the Secretariat’s E3 Models in Environmental Studies was outlined by Research Analyst, Dr Eleni Kaditi.

This application has become increasingly important in quantitatively assessing the impacts of diverse policy strategies on future economic development, climate change and energy demand.

There was lively debate between each presentation as delegates asked pertinent questions and made valid observations and suggestions on the future workings of the respective models. ■



## **Our vision**

To aspire to a world where Sustainable Development, centered on human capacity building, is a reality for all.

## **Our mission**

To foster South-South Partnership with fellow developing countries worldwide with the aim of eradicating poverty.



**Uniting against Poverty**





**Uniting against Poverty**

Parkring 8, A-1010 Vienna, Austria  
P.O. Box 995, A-1011 Vienna, Austria  
Telephone: (+43-1) 515 64-0  
Fax: (+43-1) 513 92-38  
[www.ofid.org](http://www.ofid.org)