JULY 2011

OFID Quarterly

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

Energy for All – the missing MDG

Vienna Energy Forum: Energy for All – Time for Action

OFID Ministerial Council holds 32nd Annual Session

OFID Annual Award 2011 goes to Emirates' Mazen Al-Hajri

UN-LDC IV holds in Istanbul

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.

1976-2011

Uniting against Poverty

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
www.ofid.org

EDITOR-IN-CHIEF Mauro Hoyer Romero

EDITORIAL COORDINATOR Sam Ifeagwu CONTRIBUTORS Reem Aljarbou, Damelys Delgado, Alvino-Mario Fantini, Audrey Haylins, Anna Ilaria-Mayrhofer, Silvia Mateyka, David Patterson, Ramina Samii, Geoffrey Skipper, Fatimah Zwanikken

PHOTOGRAPHS Rana Wintersteiner (unless otherwise credited) PRODUCTION Susanne Dillinger

DESIGN etage.cc/krystian.bieniek PRINTED IN AUSTRIA Stiepan & Partner Druck GmbH

contents

JULY 2011

COVER PHOTO: SHUTTERSTOCK

Powering up the South: Towards universal energy access

Energy poverty is one of the biggest obstacles to sustainable economic growth and development in the South, hindering efforts to reach the poverty reduction and related United Nations (UN) *Millennium Development Goals (MDGs)*. Worldwide, 2.5 billion people rely on traditional biomass such as fuelwood, charcoal or crop residues for cooking, agro-processing and heating, and over 1.4 billion people lack access to electricity.

According to some studies, problems of energy poverty will likely worsen as energy demand rises by 45 percent by 2030 in tandem with rapid population growth. Driven by China and India, some 70 percent of the demand increase will come from the South – mostly in urban areas – which has become the main engine of global economic growth.

It is critical that just as economic growth rates pick up in Africa, energy access and supply should not be one of the major stumble blocks on the road towards realizing the region's vast potential. Energy supply has emerged as a major bottleneck in most African countries. With a population of about one billion people – a number expected to almost double by 2050 – per capita electricity consumption on the continent is one of the lowest in the world, and 70 percent the population is not connected to a power grid. Meanwhile, Africa would need to grow by 7 percent a year to reach the first MDG of reducing by half by 2015 the proportion of people living in extreme poverty and suffering from hunger.

Of particular concern is the situation in sub-Saharan Africa (SSA), home of the majority of the Least Developed Countries (LDCs), most of which have suffered acute energy crises in the past. Unless rapid and concerted action is taken towards improving electricity generation and distribution in the sub-region, the number of people without electricity in SSA will rise from 526 million in 2002 to an estimated 590 million in 2030, or about half the 1.2 billion poor people worldwide who will still lack access to electricity two decades from now. At the *Fourth UN Conference on the LDCs,* Istanbul, Turkey, May 2011, world leaders called upon the international community to assume part of the responsibility for improving access to basic energy services for the very poor. The *Istanbul Program of Action* highlights the need to strengthen productive capacities in the world's poorest countries, with *energy* among the top priorities within a *new global partnership*. The Program of Action further specifies that, in helping develop the energy sector in LDCs, development partners are – amongst others – to provide *enhanced financial and technical* support.

OFID welcomes the rising profile accorded to energy access for LDCs, the primary beneficiaries of our assistance. As a development financing institution founded 35 years ago by OPEC Member Countries, OFID has remained at the forefront of global efforts to fight energy poverty under its *Energy for the Poor Initiative*. In promoting universal energy access, OFID fights energy poverty on two fronts. First, OFID is making every effort to give universal energy access the priority it deserves in the global arena. On June 21-23, OFID made a major contribution towards moving energy poverty to the top of the global agenda at the *Vienna Energy Forum.* This is a high-level international forum supported by *United Nations (UN)-Energy*, several national governments, and international agencies, including OFID. Convened under the banner *Energy for All: Time for Action,* the Forum aimed at agreeing on a strategy to enhance universal access to modern energy services by 2030.

Second, OFID is stepping up its assistance to the energy sector. In 2010, 24 percent (US$324million) of resources committed were assigned to the energy sector. This is a significant increase vis-à-vis the 19 percent of public sector lending OFID has dedicated to energy poverty reduction during the 35 years of its existence, in addition to private sector and grant financing. The lion's share of this assistance has been dedicated to refurbishing and expanding Africa's energy infrastructure. More recently, OFID established a multi-year enhanced grant program aimed exclusively at providing basic energy access for poor populations through off-grid and other solutions. This grant program shall be carried out in partnership with national governments, UN agencies, the energy industry and NGOs.

Meeting future energy demand will be highly capital intensive. Global energy investment requirements are estimated at US$20 trillion through 2030, with the additional capital investment required to achieve 100 percent electrification estimated at US$665 billion through 2030. Multifaceted and creative innovation solutions will be needed in finance, technology and governance to mobilize these resources, and meet the projected increase in energy demand. The private sector also has a direct interest in universal energy access, which will help improve the business climate and create markets in the South, and has a major role to play in the quest for financial resources and sustainable energy solutions. Conscious of the important role of the private sector, OFID hosted a *Crans Montana Forum High Level Panel* on energy poverty reduction at its Headquarters in Vienna, Austria, April 28-29, 2011. Organized under the sub-title *Energy Poverty: can Industry Lead the Necessary Change* the Panel examined market-based solutions and public-private partnership for boosting investment and developing sustainable business models for rural energy production and distribution.

Progress towards broader energy access for the poor is ongoing as we approach the year 2012 as the *International Year of Sustainable Energy for All*. While global efforts coalesce around the high-level goal of *Universal Energy Access* by 2030, OFID offers a broad range of solutions, capitalizing on and demonstrating its unique strengths and dynamic capacity. OFID Member Countries substantiated their support for the *Energy for the Poor Initiative* with the approval of a US$1 billion capital increase at their Ministerial Council meeting on June 17, 2011. Backed by the staunch support of its Member Countries, OFID will continue to deepen its presence, particularly in the poorest countries, strengthening partnerships to power broad-based sustainable growth and development in the South.

Vienna Energy Forum targets *Energy for the Poor*

The second biennial *Vienna Energy Forum* (VEF) took place in Vienna, Austria, June 21-23, 2011, attracting more than 1,200 participants from 110 countries, including heads of state, world-renowned energy experts, policy-makers, and representatives from international organizations, the private sector, academia, and civil society. The VEF is a high-level international forum supported by United Nations *(UN)-Energy* – a UN system-wide coordinating mechanism in energy issues – several national governments, and international agencies, including OFID.

PHOTOS: UNIDO/NANCY FALCON-CASTRO

Dr. Kandeh Yumkella, Director-General of UNIDO

BY FATIMAH ZWANIKKEN

Addressing Forum delegates, OFID Director-General, Mr. Suleiman J. Al-Herbish underscored the need for "enhanced willingness and a genuine political will" from developed countries vis-à-vis the universal objective of energy poverty reduction.

Held under the theme *Energy for All: Time for Action,* the main objective of the Forum was to help achieve the UN targets of universal energy access, a 40 percent increase in energy efficiency, and a 30 percent share of renewables in the global energy mix by 2030. During the three-day event, participants discussed the main policy issues and a course of action for providing modern energy services to the poor in two high-level panels, five plenary sessions, and six round tables. Subjects of discussion included: prioritizing key policies and strategies at the national, regional and international levels, identifying policy tools and financing mechanisms for sustainable energy systems, including renewable sources of energy; and building a consensus on a joint definition of energy access.

In his video-message to the Opening Ceremony on June 21, UN Secretary-General Mr. Ban Ki-moon said the Forum constituted an important milestone on the road towards universal energy access, sustainable development, and poverty reduction. Former President of OFID Member Country Nigeria, Mr. Olusegun Obasanjo, also highlighted the important linkages between energy poverty and sustainable development: "If there is any measure of poverty and inadequate development in Africa, it is energy," Mr. Obassanjo said, urging national governments and the private sector to "take the lead and blaze the trail."

Addressing the first High-Level Panel on *Paving the Way for Universal Energy Access*, OFID Director-General, Mr. Suleiman J. Al-Herbish, underscored the need for "enhanced willingness and a genuine political will" from developed countries to the universal objective of energy poverty reduction. "Energy poverty reduction was not integrated into the MDGs due to a lack of political will," Mr. Al-Herbish said. "This objective should be given priority, as is being done at OFID, which concentrates its efforts on finding sustainable solutions for poor people lacking access to electricity, particularly in Africa," he stressed.

He noted that the importance of energy for development had been previously recognized by the Group of Twenty (G-20) at its meetings in Pittsburg, USA, September 2009, and Seoul, Korea, November 2010, and at the UN Climate Change Conference in Cancun, ▶

United Nations 2030 Energy Targets

1. Universal access to modern energy services;
2. A 40 percent reduction in energy intensity;
3. Achieving 30 percent renewable energy in the overall energy mix.

◀ Mexico, December 2010. "There is no shortage of good intentions or promises..., however the issue is the implementation on the ground," Mr. Al-Herbish opined.

Mr. Al-Herbish highlighted that as a development practitioner, OFID plays a catalyst role in enhancing access to modern energy services for the extremely poor under *its Energy for the Poor Initiative (EPI)*, offering a diversified financing mix for projects ranging from providing basic lightening access to communities to regional power projects through integrated approaches. Since the 2007 *Riyadh Declaration* and the launch of the EPI in 2008, OFID has stepped up its assistance for the energy poor, raising the share of its energy operations from 19 percent since its inception to 24 percent in 2010, through 37 energy projects in 26 countries worldwide.

However, this assistance is not sufficient to meet the growing demand for basic energy services among rapidly growing populations in the South, particularly in urban areas. Globally, an estimated US$34-40 billion will be needed each year until 2030 to achieve the goal of universal access to modern energy sources. Conscious of the importance of energy for poverty reduction and sustainable development and the magnitude of the resources required, OFID is scaling up the level of its energy-related operations, assisted by the US$1 billion capital increase approved by its June 2011 Ministerial Council. In addition, OFID has established a multi-year enhanced grant program to help provide basic energy access for poor populations, Mr. Al-Herbish stated.

He underscored that the energy targets can be achieved, provided the different players work together with a clear division of labor. To strengthen aid harmonization and effectiveness, OFID recently concluded a Memorandum of Understanding with the *World Bank Group* with energy poverty reduction among the areas of priority, the Director-General said. "History is made by those who break the rules. Our Member Countries are breaking the rules: they are not waiting for others to act," Mr. Al Herbish concluded.

He added that OFID Member Countries are in favor of an orderly transition to renewable

Mr. Faris Hasan, Director of Corporate Planning and Economic Services, OFID *(right)*, stressed the importance of leveraging collaboration from development finance institutions.

sources of energy – fossil fuels being a finite source of energy – as evidenced by the *International Renewable Energy Agency (IRENA*) Headquarters based in Dubai, UAE, another OFID Member Country. This, he said, includes a commitment to research and development (R&D) for boosting hydro-capacity, and related renewable energy research. However, he cautioned against the production of first generation biofuels as conflicting with the global objective of food security embedded in the first MDG.

Also addressing the high-level segment were: Mr. Marc Perrin de Brichambaut, Secretary General, Organization for Security and Cooperation in Europe; Ms. Rebeca Grynspan, Associate Administrator, UN Development Program; Friedrich Kitschelt, Director-General for Africa and Global and Sectoral Issues, Ministry for Economic Cooperation and Development, Germany; Edison Lobao, Minister of Mines and Energy, Brazil; and Fabricio Hernández Pampaloni, Secretary of State for Energy, Ministry of Industry, Tourism and Trade, Spain.

The High-Level Panel allowed for a fruitful exchange of knowledge and lessons from experience, followed by a lively debate. Participants agreed upon universal energy access as being essential for achieving the eight MDGs and the broader goals of sustainable development. They concluded that the 2030 energy goals and targets can be achieved in partnership with all relevant stakeholders, provided there is the necessary political and strong leadership in support of the goals at the national, regional and international levels.

Discussions continued into the following two days on a variety of topics, including renewable energy and its potential for energy access; pathways to sustainable energy systems; energy action to address climate change; energy efficiency; low carbon transformational technologies; mechanisms and partnerships for financing universal energy access; basic rural electrification needs, and the way forward.

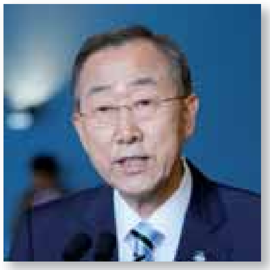
The vital issue of financing universal energy access was explored in more detail during Plenary Session Five moderated by Dr. Vijay Iyer, Director, Sustainable Energy Department, the World Bank. Mr. Iyer applauded the fact that some development financing institutions (DFIs) – including OFID – had substantially increased their commitment to energy projects in recent years. Mr. Faris Hasan, Director of Corporate Planning and Economic Services elaborated on this issue, stressing the importance of leveraging DFI collaboration to share knowledge, mitigate risks, diversify the investment portfolio, and attract private capital through public-private partnerships.

The three-day Forum allowed for an important international dialogue on possible avenues and innovative technologies for alleviating energy poverty through both top-down and bottom-up approaches. It helped map the energy-related work and define the respective roles and responsibilities of key stakeholders in reducing energy poverty, including specific courses of action for regional and international cooperation, and public private partnerships.

In his closing statement, UNIDO Director-General and UN-Energy Chair Mr. Kandeh Yumkella said the conclusions and recommendations of the Forum shall serve as a basis for an international energy action agenda to be presented to the UN Secretary-General by end 2011. Quoting Jeremy Rifkin's *Empathic Civilization,* he suggested that transformations in energy and information communication technologies will trigger a third industrial revolution that shall bring individual freedom and dignity to all. The next biennial VEF will be held in 2013.

OFID is playing a catalytic role in the global "Energy for the Poor" initiative, stepping up its own support and mobilizing that of others, including the private sector.

WORDS on ENERGY



"Clean, modern and affordable energy services are intimately linked to poverty alleviation, women empowerment, climate change, and sustainable development, to justice and security. We need nothing short of a clean energy revolution."

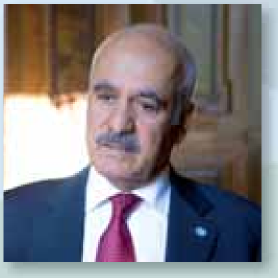
Ban Ki-moon
Secretary-General of the United Nations

"In our context of energy freedom, it is about the individual, individual dignity, access to information, and light. It is not politics."

"Our work is about getting political commitments, about accepting universal goals, and about developing an action agenda."

"The lack of access to affordable, reliable energy services is a fundamental hindrance to human, social, and economic development. Without access to modern forms of energy it is highly unlikely that any of the objectives of the Millennium Development Goals will be achieved."

Kandeh Yumkella
Director-General of UNIDO

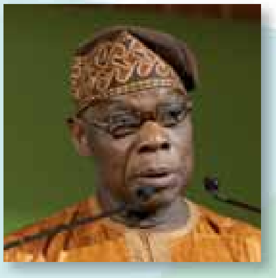


"There is a strong need for enhanced willingness and a genuine political will from developed countries to help developing countries based on a better recognition of what is called the 'climate debt'. That is the massive compensation owed to the poor for suffering from the damage of climate change they have not caused. There is no shortage of good intentions or promises such as the ones made in Cancun in December 2010, however the issue is the implementation on the ground."

"OFID is fighting energy poverty on the ground. This is what ultimately counts: it is about helping people with *concrete projects* to have access or better access to modern energy."

"There is a strong need for an enhanced coordination between DFIs for better efficiency on the ground. OFID would believe in the *coalition of the willing* against energy poverty."

Suleiman Al-Herbish
Director-General of OFID



"To achieve energy for all, governments and the private sector of a few developed and emerging countries need to take the lead and blaze the trail. Renewable energy is the Africa region's only option to achieve clean, efficient and adequate energy supply."

HE Olusegun Obasanjo
Former Nigerian President

"Energy development requires adequate investment. Such investment needs an appropriate investment environment, consisting of political stability, legal security and adequate social conditions such as more balanced societies."

HE Julio Maria Sanguinetti Coirolo
Former President of Uruguay

"Paving the way for universal energy access is a big task that many actors have to do together. International Development Organisations such as OFID play a very important role because they can facilitate demonstration projects, they can leverage investments and they can work with national governments to develop plans. They have a very important role that no other actor can fulfil."

Irene Freudenschuss-Reichl
Director General of the Austrian Development Cooperation,
Austrian Federal Ministry for European and International Affairs,
and Founder of the Global Forum on Sustainable Energy

"All the Development Partners need to appreciate that if we are to achieve the Millennium Development Goals and to make an impact on poverty, we must address the issue of energy access and provide energy which will fuel economic growth."

Mohamed Ibn Chambas
Secretary General of the African
Caribbean Pacific Group of States

"Energy was always at the heart of the political debates in the Ivory Coast. It is a cross cutting issue in terms of the need for health, education and various other development projects. All this cannot be met without having efficient, reliable and affordable energy. We need a veritable plan for development, especially with regards to renewable energies."

HE Moussa Dosso
Minister of Industry of Côte d'Ivoire

PHOTOS: THEO STEEMERS/SHELL FOUNDATION

Energy for the rural poor: Cooperation with *Shell Foundation* to bring solar lanterns to Kenya and Tanzania

As innovative solutions are sought to bring clean, affordable energy to outlying populations worldwide, Africa included, OFID is teaming up with the *Shell Foundation* (a charitable institution) and solar-light manufacturer *d.light* (a social enterprise) to supply solar lanterns to thousands of rural poor in Kenya and Tanzania.

BY AUDREY HAYLINS

The project, which is a replication of a scheme tried and tested throughout Asia, will distribute solar lanterns to low-income, rural households in both countries where whole communities without electricity connections are currently forced to use candles, kerosene lamps or LED-powered torches as their only alternative sources of lighting.

Shell Foundation chief, Chris West, has overseen implementation of the scheme in 40 other countries since 2007. He describes the program, which couples the benefits of cheap, user-friendly technology with an innovative partnership between *d.light*, funders and local distributors, as "an exciting departure from traditional practice." The OFID-sponsored project represents the scheme's first push into Africa.

Quick-fix for the rural poor

In terms of the global drive to eradicate energy poverty, rural electrification in Africa remains one of the greatest challenges. According to the International Energy Agency, only 12 percent of the rural population in sub-Saharan Africa has access to electricity. This equates to 110 million households, or 550 million people, a number that is expected to grow to 630 million by 2015, unless more concerted efforts are made.

While international action is focusing on the goal of universal access to electricity by 2030, it is widely recognized that more immediate solutions are needed to reach those communities where connection to the grid is still a long way off.

The solar lantern scheme operates through a revolving capital pool, which makes financing available to rural distributors to enable them to buy large shipments of the inexpensive and durable *d.light* products. At present, rural distributors are hampered in their efforts by the high cost of borrowing from local banks to fund their working capital. This, in turn, inflates the pricing of the products and makes selling them to poor users extremely difficult.

Cheap, durable and efficient

Chris West estimates that the innovative scheme has already improved around three million lives, including those of some 600,000 children, who are now using solar light instead of candles or kerosene lamps to study. He attributes the success of the program to the high quality of the products and to the huge and growing demand from rural households to move away from the use of expensive kerosene. "People want them and they can afford them," he says, adding: "Equally important, however, is the efficiency of *d.light* in setting up effective links with local distributors who can get the products to market."

The partner countries involved in the project are two of the most severely energy-poor in Africa. In Tanzania, 90 percent of the 43 million-strong population does not have access to electricity. The statistics are equally grim for Kenya, where an estimated 34 million people are in the same situation. In both countries, kerosene is the most widely used source of lighting, costing up to US$7.50 per month and placing considerable strain on households with a typical per capita income of just US$2 a day. For most people, solar alternatives have never been considered, either through lack of awareness or because they are deemed too expensive.

Marketing support

Potential distributors of the solar light are expected to be attracted not just by the low cost of borrowing from the respective capital pools (US$150,000 for Kenya and US$125,000 for Tanzania), but also by the support provided to help maximize sales. This will include tailored information campaigns in the targeted communities to raise awareness and understanding of the benefits of solar products, as well as assistance to the distributors to help them develop more professional business skills.

Says Chris West: "There is a tremendous need for social marketing in all ventures of this kind. One needs to make people aware that there is a solution out there and how they can get the best benefit from it." In the Foundation's experience, West explains, the best approach is to actually go out into the field and allow potential customers to see and feel the product and understand how it works. Mr. West says he is consistently surprised how quickly people are prepared to purchase something once they are convinced of its value. ▶

The solar lantern scheme operates through a revolving capital pool, which makes financing available to rural distributors to enable them to buy large shipments of the inexpensive and durable "d.light" products.

> *"Deploying grant funding in a way that it can be revolved … is a much smarter way of using resources than a single, repayable type of instrument."*
> CHRIS WEST

Sustainability factor

Under the scheme, all loan repayments, including interest, will be re-injected into a revolving fund, which will continue to grow in value, thus allowing the project to expand with time far beyond the initial target group of 130,000 families. For Chris West, this sustainability factor is the real beauty of the scheme. "Deploying grant funding in a way that it can be revolved to allow social enterprises such as *d.light* to grow and test and then use that money over and over again to roll out and scale-up is a much smarter way of using resources than a single, repayable type of instrument," he told OFID Quarterly.

In addition to the money saved on candles, batteries and kerosene, families who buy solar light can often see their income increase by up to 20 percent as a result of the extension of the working day. Also, children have more time to study. There are equally numerous safety aspects to consider: switching from kerosene to solar completely eliminates the risk of accidental burns as well as the damage to health and life expectancy incurred through the inhalation of harmful fumes.

Chris West has witnessed the implementation of the scheme in countless energy-starved communities and remains amazed at how such a simple concept can transform lives literally overnight. "The continuation of community life after nightfall, in villages where before darkness meant bedtime, is a sight to behold," he says. "Quite simply, it changes society so completely, it is impossible to quantify."

New Grant Program tackles grassroots energy access

The solar lighting project is the first initiative launched under the new Energy Poverty Grant Program, which was approved by OFID finance ministers at their June 2011 meeting in Vienna.

The program was set up specifically to channel financing to grassroots energy schemes in communities which are unlikely to benefit from the kind of large-scale power generation and distribution projects that are carried out through OFID's other financing windows.

OFID Director-General, Suleiman Al-Herbish, welcomed the move. "As an institution we are fully committed to the eradication of energy poverty in all its manifestations," he said. "And this includes finding innovative ways to bring safe, clean, affordable energy directly into the homes of the rural poor."

He noted further that the partnership with the Shell Foundation was in direct response to the call made by OPEC Heads of State at their 2007 Riyadh Summit for OFID to work with all stakeholders, including the energy industry, in the battle to combat energy poverty.

The new grant program will seek to work with experienced NGOs and other partners to meet cooking, heating and other household needs as well as provide energy for tasks such as irrigation and crop processing.

Empowering a nation

OFID partners with Jamaican electricity provider

As CEO of the Jamaica Public Service Company (JPS), **Damian Obiglio** oversees the delivery of electricity to the island's 2.8 million people; no mean task in a country without any natural energy resources, growing demand from the tourism and mining sectors and an annual hurricane season. In the following interview, Mr. Obiglio describes these challenges and explains how a new partnership with OFID is helping to tackle them. He spoke to ***Audrey Haylins.***

Mr. Damian Obiglio,
CEO of the Jamaica Public Service Company.

OQ: *What do you consider to be the main challenge of the energy sector in Jamaica?*

DO: Unlike other developing countries where the problem is one of access, in Jamaica the problem is one of affordability. There is no shortage of electricity, but because the country has no natural resources, the cost of producing it is very high, especially when compared to income levels. This challenge is the main focus of government concerns, as finding a solution is essential to the economic and social development of Jamaica.

OQ: *What kinds of solutions are being looked at?*

DO: Today the Jamaican energy mix is made up of 95 percent oil, three percent hydro power and two percent wind power. In a bid to reduce this dependence on oil, we are taking a number of steps. First, we hope to increase the share of renewables to 15 percent by 2016. We did a small hydro project last year and we are doing now a big run-of-river* hydro project. Second, we are working to make generation more efficient – this will be the first benefit that end users will see in terms of a reduction in electricity bills. And third, and most significant, we are trying to bring LNG (liquid natural gas) to Jamaica. The aim is to have LNG as the fuel source for 60 percent of electricity generated by 2014. This will be tough, as we will have to attract private investors to build the necessary infrastructure. But, we have to persevere, as on top of the efficiency gains associated with LNG, there will be a real economic gain on the pricing. However, no solution is immediate. In the best case scenario, if we are successful, it will take three to four years to transfer reductions in the electricity price to the end user.

OQ: *What is being done to make energy more accessible to poor people that can't afford it?*

DO: The charge structure in Jamaica is designed around the social concept of electricity. Every citizen has access to the same quality of service and the same price, whether he lives on the ▶

* ROR projects are dramatically different in design and appearance from conventional hydroelectric projects. Traditional hydro dams store enormous quantities of water in reservoirs, necessitating the flooding of large tracts of land. In contrast, most ROR projects do not require a large impoundment of water, which is a key reason why they are often referred to as "green power."

"There is no shortage of electricity [in Jamaica], but because the country has no natural resources, the cost of producing it is very high, especially when compared to income levels."

◀ top of a mountain or in the middle of the city. There is no discrimination. Already 96 percent of people have access to electricity. For the other four percent, there is a rural electrification program, under which the government provides the electricity connection at a very subsidized cost.

On the tariff side, the first 100 kW-hours per month have a special subsidized rate called the lifeline tariff, which covers the basic needs of a family. When you consider that 530,000 of JPS's 569,000 customers consume less than 200 kW-hours per month, it is easy to appreciate how many people are benefitting from this social access to electricity. Yes, it is not a direct subsidy from the government, but it is a cost that has been spread over the entire community to guarantee access to electricity. The cost of 100 kW-hours is approximately US$25 per month, and it is tax free. For people who cannot afford even this basic level, the government has other social programs.

OQ: *Do system losses affect the pricing of electricity, and if so, what is being done about them?*

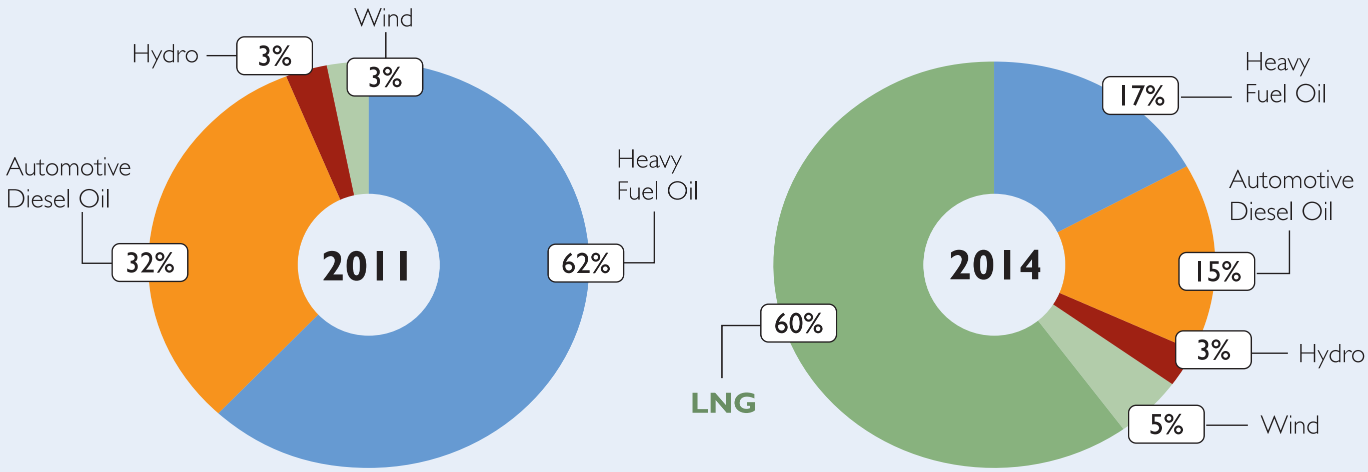
DO: Yes, of course, and we are working to stem technical losses through infrastructure upgrading. However, the bigger problem in relation to losses comes from theft. There has been a growth in the illegal use of electricity in recent years, with approximately 110,000 users – mostly slum dwellers – stealing from the system. Together with the government regulator, JPS has embarked on a very aggressive program to reduce this number at a rate of around 20,000 per year.

The program is very innovative and involves JPS partially financing the cost of internal wiring to these homes. Previous policies have failed because the customer didn't have the money to do this to the requisite standard. We carry out the wiring and finance it with an interest free loan to the consumer over a period of up to ten years. These people have not paid for electricity for almost two decades in some cases, so for many it is a cultural change. But it is a change that is becoming accepted – nobody likes the stigma of being a thief or of being really poor. We are also investing in state-of-the-art, anti-theft infrastructure.

OQ: *How is the program going?*

DO: Between 2010 and the first quarter of 2011, we converted 22,000 illegal users into paying customers. More than that, though, we have included these people as citizens of an orderly society. With a utility bill in their name, they can now lay legitimate claim to property or

Power Supply System Fuel Mix in Jamaica



Currently 94 percent of electricity generated is from oil.
In 2014 LNG is expected to be the fuel source for 60 percent of electricity generated.

SOURCE: JPS

land inherited from parents or grandparents, and they can also get a credit rating, which means potential access to micro credits. If we maintain this progress, we expect to reduce electricity theft to just four to five percent of the total distributed by 2014.

OQ: *How does JPS, as a public/private partnership, balance what can sometimes be the conflicting demands of its stakeholders?*

DO: I think we are no different to any other private company. However, as a public service, we have to put our customers first. The government is a demanding stakeholder, but it, like us, wants the best for Jamaica. If the country grows, JPS grows. We try to work together as much as we can, because we both serve the same master, namely the customer. Our majority shareholder, the Marubeni Corporation, has aligned its vision with that of JPS and Jamaica. Of course, Marubeni is looking at profitability and how to maximize it. But it is very much aware that long term profitability depends on the interests of the other stakeholders.

OQ: *Are you under pressure from any of your stakeholders with regard to a cleaner fuel service?*

DO: Jamaica is a signatory of the Kyoto Protocol, but has very limited industry. So even if we burn a lot of fuel, we are below any kind of standards. Jamaica has a strong vocation towards being as less a polluted country as possible. In the last ten years JPS has been marking the environmental standards in the country. We are under the close watch of environmental groups, but Marubeni is a very green and environmentally friendly company, therefore the pressure is coming from the inside more than the outside.

OQ: *How does JPS cope with the hurricanes and tropical storms that hit Jamaica every year?*

DO: When this happens, all other activities are suspended in order to restore power supplies as quickly as possible. JPS has worked hard to become efficient at this and we have developed a very well oiled machinery to recover power under any circumstances. In fact, in 2009 we won the disaster recovery award from the Edison Electric Institute in the United States. We have a very detailed preparation plan for every hurricane season, and by the time it starts on June 1, we have already gone through several drills internally. We have all the spare parts to deal with a category three hurricane without having to buy any new resources. After the last event, tropical storm Gustav, we restored the power to 95 percent of customers in less than 72 hours.

PHOTO: JPS

JPS will use the OFID loan to help finance expansion of its run-of-river Maggotty Hydropower Plant, which forms part of the company's plans to increase the use of renewable energy.

We have also invested a lot in mitigation measures to make the infrastructure hurricane strength four resistant. People are often surprised to learn that 99 percent of our distribution system is in overhead lines. Why not put it underground, they say, to avoid hurricane damage? There are several reasons for this. Firstly, it takes more time to restore power in an underground service. Second, to reconstruct or construct an overhead system is seven times cheaper than an underground one. And the maintenance over a lifetime is five times cheaper. Jamaica is not a very rich country, so it is basically a question of economics.

OQ: *JPS has just received a US$25 million loan from OFID. How will these funds be used?*

DO: The two main uses of the OFID loan are: first, the construction of a 6.7 MW run-of-river hydropower plant; and second, support to our theft reduction program. In a way, they are both renewables projects, as the latter promotes the more efficient use of electricity. In the inner city communities, illegal users were consuming 450 kW hours a month before conversion; after conversion, this fell to 150 kW hours. The difference was absolute waste.

OFID Ministerial Council holds 32nd Session in Vienna

The Ministerial Council of the OPEC Fund for International Development (OFID), the highest policy-making body of the institution, met in its 32nd Annual Session, June 16, in Vienna.

The Council elected the State of Qatar to the Chair, represented by HE Mr. Yousef Hussain Kamal, Minister of Finance; and the State of Kuwait as Vice-Chair, represented by HE Mr. Mustafa Al-Shamali, Minister of Finance – both for the period extending until the beginning of the 33rd Annual Session. They felt honored by their designation and pledged to work with the OFID Governing Board to establish required policy.

by Sam Ifeagwu

Newly-elected Council Chairman, HE Mr. Yousef Hussain Kamal, Minister of Finance of Qatar *(centre)*, together with fellow ministers and other participants, as well as Annual Award recipient, Dr. Mazen Al-Hajri *(left)*.

Opening the 32nd Session, Mr. Edward Sanchez, Director of Fiscal Policy at the Venezuelan Planning and Finance Ministry, representing outgoing OFID Council Chairman HE Dr Gustavo Hernandez, told the Council that the agenda before the meeting captured the challenges OFID faces in a rapidly changing and increasingly competitive global environment. He said the global economy was regaining strength in the aftermath of the 2008-2009 financial crisis, but the recovery remained fragile and uneven and also beset by uncertainties. Mr. Sanchez said recovery in the emerging economies has been associated with rising inflation, and a run-up in commodity and food prices. More particularly, the *Least Developed Countries,* the main focus of OFID development cooperation efforts, suffer disproportionately from the consequences of the global food and financial crisis, and the difficult access to international financing for development. Hence, the relevance of international financial institutions such as OFID in helping to provide this access, and to address the basic needs and priorities of the poorest and most vulnerable segments of our global community.

Mr. Sanchez said the Bolivarian Republic of Venezuela had no doubt that OFID would continue to play an important role in the social and economic development of the poorer countries of the world.

HE Mr. Jamal Nasser Lootah, Chairman of OFID's Governing Board, addressing the Council, examined in similar vein the performance of the global economy, hinting at the residual effects of the financial crisis. Despite the recovery in 2010, there remain several challenges. These challenges include high rates of unemployment, recent economic indicators from the European Union and the United States, coupled with the sensitivity of the Developing Countries' economies to the smallest changes, which indicate the depth and complexity of the crisis. Mr. Lootah said this led the G-20 countries during their recent meeting in Seoul to highlight the importance of sustained economic growth and building infrastructure in the Developing Countries. Further, the G-20 urged development institutions to increase their assistance to these countries to enable them to achieve the desired improvements in their economic growth and infrastructure. Given all of the variables, said Mr. Lootah, it is important for OFID to continue to play an active part in facing these challenges.

In his own statement to the Council, Mr. Suleiman J. Al-Herbish, Director-General of OFID, said the year 2011 was an important milestone for OFID – the 35th Anniversary of its founding. He said it was remarkable how far the institution had come since "those long-ago days of the OPEC Special Fund." Much, he said, had changed in the intervening years; not least the size, scope and standing of the institution. He said it was all a transformation "in which we should take great pride." He gave a brief overview of OFID's operations, mentioning the successful completion of OFID's *17th Lending Program,* which ran from January 1, 2008 to December 31, 2010. Including the Blend Facility, a total of close to US$1.9 billion was committed over the period, in support of 136 projects in 72 countries.

Looking at OFID's performance in 2010 alone – and across **all** financing mechanisms – some US$1.4 billion was delivered in much-needed development financing, maintaining the record level reached in 2009 (see separate story on OFID's Annual Report, page 22). In terms of sectoral distribution, energy projects featured strongly, attracting US$324 million in funding for 18 operations in 11 countries. This is fully consistent with OFID's strategic focus vis-à-vis the *Energy for the Poor Initiative (EPI).* Other beneficiary sectors included transportation, agriculture, water supply and sanitation, health and education, among others, in close alignment with the MDGs. With regard to the EPI, the shift from words to action, as evidenced by the value and number of energy projects approved in 2010, is clearly a significant step, they represented 24 percent of committed funds; a significant increase from 19 percent since OFID's inception.

The Council Session took note of the 35th Anniversary of OFID, the observance of which has thus far included a number of activities, including Member-States and Staff art exhibitions. Honorable Ministers witnessed the presentation of OFID's Annual Award for Development (2011) to Dr. Mazen Al-Hajri of the United Arab Emirates (story on page 21). Dr. Al-Hajri is renowned in the Middle-East and is widely recognized amongst his peers for his dedication in operating on children and training surgeons in Gaza.

Yet other items on the Council agenda were reports on a Governing Board review committee; another on grants operations; and a proposal on OFID's resources and their enhancement (see box). The Council approved the Annual Report 2010 which details OFID's operational performance that year, disclosing the institution's levels of activities in various sectors.

The Council set the date for their next (33rd) Session: June 14, 2012, in Austria.

Ministerial Council agrees on increase in OFID resources

Ministers agreed to increase OFIDs resources in an additional amount of US$1.0 billion, subject to Member Countries completing the necessary internal legal procedures. The action would be in direct response to the debilitating effect of the recent financial crisis on the economies of OFID's beneficiary countries. It also would be a renewed gesture of South-South solidarity on the part of OPEC Member Countries with their less privileged neighbours.

The additional resources will enable OFID to step up its contributions to development over the next decade, in particular to the global *Energy for the Poor Initiative* and related efforts to achieve universal energy access by 2030. It is the first fresh commitment to the institution in 30 years.

Director-General Suleiman Al-Herbish told the Ministerial Council that additional financial support would back the institution's aspirations to discharge its mandate and play a flagship role in the cooperation strategy of OPEC Member Countries. "The fresh funding will provide the needed impetus to OFID to buttress its successes and drive forward its plans," he declared.

Held once a year, the Ministerial Council of OFID brings together the Finance Ministers and other High-Level Representatives of OFID Member Countries to review achievements and set the future policies of the institution.

HE Yousef Hussain Kamal, Qatari Minister of Economy and Finance and Chairman of the Ministerial Council.

32nd Session of the Ministerial Council

photo gallery

From left: HE Dr. Ibrahim Al-Assaf, Minister of Finance of Saudi Arabia; HH Prince Mansour Bin Khalid Al Saud, Ambassador of Saudi Arabia to Austria.

Mr. Mohamed Abdulbaki Mohamed, Alternate Governor of the United Arab Emirates to OFID.

HE Dr. Seyed Shamseddin Hosseini, Iranian Minister of Finance.

Mr. Omar Bougara, Governor of Algeria to OFID.

From left:
HE Mustafa Al-Shamali, Minister of Finance of Kuwait;
Mr. Abdul Wahab Ahmed Al-Bader, Kuwaiti Governor to OFID.

Mr. Eduard Sanchez, General Director of Fiscal Policy of the People's Ministry for Planning and Finance of Venezuela (center).

From left:
Mr. Muniru Abiodun Alao, Alternate Governor of Nigeria to OFID;
Ms. Aisha Omar, Chief Administration Officer, Nigerian Federal Ministry of Finance.

From left: *HE I. Gusti Agung Wesaka Puja, Ambassador of the Republic of Indonesia to Austria; Mr. Rainer Louhanapessy, Counsellor, Embassy of Indonesia, Vienna.*

From right: *H.E. Dr. Fadhil Nabee Othman, Governor of Iraq to OFID; Mr. Diyaa Hassan Jameel, Iraqi Alternate Governor.*

Dr. Mazen Al-Hajri received this year's OFID Annual Award for Development in recognition of his philanthropic work with deaf children in Ghaza.

OFID Annual Award for Development 2011 goes to UAE's Mazen Al-Hajri

BY REEM ALJARBOU

The OFID Annual Award for Development, 2011, went to Dr. Mazen Al-Hajri, of the United Arab Emirates. The formal presentation of the Award was made at the 32nd Annual Session of the Ministerial Council of OFID, June 16. Dr. Al-Hajri, ear, nose and throat specialist and philanthropist is a pioneer in his field and well known across the Middle East for his charitable work, performing cochlear implant operations on Palestinian children, who have suffered hearing damage. He also trains young and aspiring surgeons in Gaza.

Initial announcement of the Award had been made in April by OFID Director-General Suleiman Al-Herbish on the sidelines of high-level meetings in the UAE with H.E. Mr. Obaid Humaid Al-Tayer, Minister of State for Financial Affairs, and other senior officials. Mr. Al-Herbish said the award was in recognition of Dr. Al-Hajri's tireless efforts in promoting and enhancing the health condition of deaf children in Gaza. He said such efforts were in accord with OFID's mission in scores of developing countries around the world. Dr. Al-Hajri's aim, said Mr. Al-Herbish, is to lift people out of lowly conditions through the provision of healthcare; and this is at the core of OFID's mandate.

Accepting the Award, Dr. Al-Hajri thanked OFID for the recognition and said the prize money would be used to further assist various programs that renew hope for deaf children. He said working with medical communities in Palestine aimed at providing Palestinian children with a better life and greater prospects for a sustainable future.

Dr. Al-Hajri disclosed that the Award prize will go toward conducting surgeries on deaf children in Gaza. Each implant costs €16,000. He has thus far performed 670 surgeries on children, giving a total of 890 implants. Dr. Al-Hajri is in Gaza six times a year. When asked when his interest in charity began, he stated: "as a child."

The OFID Annual Award for Development was instituted in 2006. It carries a prize of US$100,000. Over the last 35 years, OFID has provided more than US$126 million in assistance for more than 400 projects and programs in the West Bank and Gaza. All of these have been implemented through partnerships with international and regional development organizations and some 77 Palestinian NGOs in the West Bank as well as 119 NGOs operating in the Gaza Strip. ■

OFID announces 2011 Scholars

OFID's focus on education is further enhanced by its Scholarship Award program which seeks to help guide the young from developing countries to make some difference through education. To mark its 35th Anniversary, OFID for the first time since the inauguration of the program in 2007, awarded the scholarship to two students, both from Africa.

Didier Kadjo from Côte d'Ivoire

Anthony Bayega from Uganda

The Award aims to support human capacity building in developing countries through continuous support of academic aspiration. The first of the two 2011 Scholars is Ugandan Anthony Bayega, who gained admission to King's College London to pursue a Master's in Biomedical Sciences. Anthony's determination to pursue a graduate degree in this field stems from his work at the Uganda Virus Research Institute, where he conducted research in HIV and AIDS Vaccine. He is interested in dedicating himself to work on infectious diseases, specifically HIV which has detrimental effects in sub-Saharan Africa.

When informed about the Award, Anthony stated that he was "so deeply honored and overjoyed by this timely and wonderful news." Coincidentally, OFID has worked closely with IAVI (the International AIDS Vaccine Initiative) since 2010. OFID has assisted IAVI through its Special Grants Account on HIV/AIDS with a total US$3.5 million in partnership for an effective AIDS vaccine.

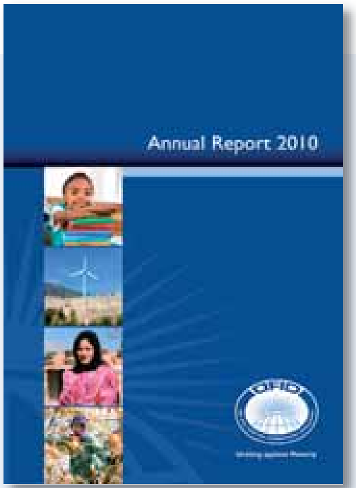
The second Scholar is Didier Kadjo from Côte d'Ivoire, who plans to pursue a Master's in Agricultural Economics at Purdue University. Didier's interest in the effects of agriculture on his community began as a young child when he witnessed farmers experiencing bankruptcy and food security issues which ultimately began to affect his country on a national scale. Didier's uncle, who was in banana production, was forced out of the industry, resulting in his children not being able to complete their studies. This personal experience is the driver behind Didier's dedication towards the overall development of agriculture in his community.

Didier plans to focus on policy analysis of rural and sustainable development in agriculture. He is aiming to create a dedicated response to the development of export products and food security issues within Côte d'Ivoire. He shared with OFID that having been raised within a farming community, education progress was always threatened, stating: "I am very pleased to have the award. It is really a huge opportunity to attend this Master's program at Purdue University."

The Scholarship Award program is currently in its fifth year with Scholars attending top academic institutions in fields related to development. OFID witnessed a tremendous increase in applications for 2011, with over 9,000 prospective students applying from developing countries around the world.

The OFID Scholarship Award program aims at supporting a highly motivated and academically driven individual, from a developing country to overcome one of the biggest challenges: the cost of advanced academic graduate training. Each year, the winner(s) of the OFID Award receive(s) a full scholarship towards the completion of a Master's degree in a field related to development.

Annual Report 2010 highlights commitments across focus areas and financial mechanisms



In 2010, OFID approved US$1.37 billion in fresh financing for development to 64 partner countries. The resources were provided primarily as concessional loans and trade financing, with significant amounts also going towards the private sector and grant operations. As of December 31, 2010, OFID's cumulative development assistance stood at US$13.1 billion.

BY ANNA ILARIA-MAYRHOFER

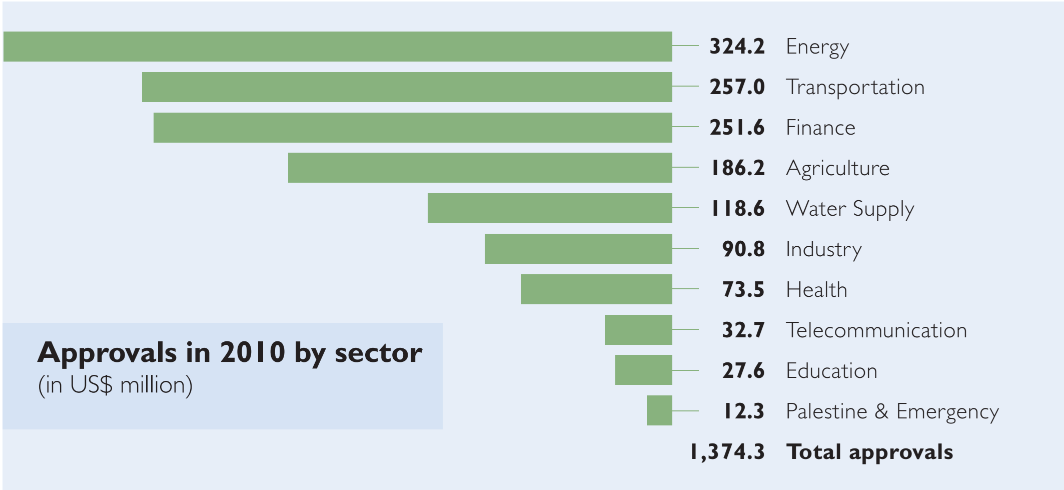
These and other figures are published in OFID's 2010 Annual Report, which was released on June 16 following its adoption by the Ministerial Council. Published in English, Arabic, French and Spanish, the Report details OFID's performance during 2010, highlighting its activities by sector, geographical region and financial mechanism.

In his Foreword to the Report, OFID Director-General, Mr. Suleiman J. Al-Herbish, highlighted the importance of partnerships in optimizing the impact of OFID's contribution to international development. "In 2010, OFID strengthened its ties with key strategic partners, signing cooperation agreements with the World Bank, the International Fund for Agricultural Development and the Andean Development Corporation." Furthermore, he added that: "Working with our partners, we shall continue to strive towards realizing our vision of a world where sustainable development, centred on human capacity building is a reality for all."

The Director-General thanked OFID's Member Countries, whose support, despite the setbacks suffered in the global crisis, remained steadfast.

2010 commitments

In the course of 2010, the total amount committed in development financing was US$1,374.3 million. Assistance to Africa represented the largest share, accounting for 54 percent of the total. The energy sector attracted the lion's share (24 percent) of approvals, supporting 18 projects in 11 countries. In terms of



Approvals in 2010 by sector
(in US$ million)

The energy sector accounted for almost one-quarter of total commitments in 2010, as OFID scaled up its efforts to address the pressing issue of energy poverty in its partner countries.

distribution by financial mechanism, the Public Sector continued to be the main channel of support, with approvals amounting to US$673.9 million for projects in 38 countries.

Focus Areas

The report highlights OFID's focus areas, linking them to the Millennium Development Goals (MDGs). Worldwide, operations were distributed as follows:

Energy took US$324.2 million; Transportation US$257 million (18.7 percent); Agriculture US$187 million (13.5 percent); Water Supply and Sanitation US$119 million (8.6 percent); Industry and Telecommunications: US$123.7 million (9 percent), and Health and Education US$100 million (7.3 percent).

Commenting on OFID's activities in 2010, the Director-General pointed out that energy access must be a global priority: "OFID agrees in granting the goal of universal energy access by 2030 the priority it deserves, working towards heightening international recognition of energy poverty alleviation for growth and sustainable development." OFID believes that universal energy access should be the "missing ninth" MDG.

Regional operations

In keeping with OFID's mandate to give priority to the low-income countries, the Africa region with US$737 million secured more than half of the total commitments for the year. These funds supported 52 projects in 27 countries.

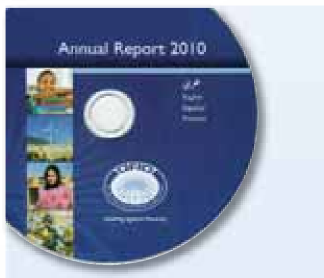
The other regions were supported as follows: Latin America and the Caribbean received 25 percent of approvals, equivalent to US$343 million, for 23 projects in 15 countries; Asia accounted for US$261.3 million, representing 19 percent of total commitments, distributed among 18 countries for 28 operations; and four emerging countries in Europe shared the remaining US$29 million.

Financial mechanisms

While the Public Sector continued to attract the bulk (46 percent) of commitments in 2010, substantial sums were also delivered through the Private Sector (US$227.3 million) and Trade Finance (US$481 million) Facilities. Private Sector operations included financing to enhance the availability of credit to small and medium size enterprises, while the majority of trade transactions supported the import and export of energy and food products. Some US$28.1 million was approved in outright grants for 45 projects across all developing regions of the world. By far the largest share of this amount went to HIV/AIDS operations and to activities in Palestine.

17th Lending Program

The Report also highlights the achievements of the 17th Lending Program (2008–10), which represents the framework for OFID's Public Sector operations. Over the three year period, close to US$1.9 billion was committed in support of 136 projects in 72 partner countries.



The 2010 Annual Report is available in Arabic, English, French and Spanish and as a CD-ROM in all four languages, as well as in PDF format on the OFID website at www.ofid.org.

Guests examine the unique stamp collection of Ian Begg, which assembles stamps issued by all 12 OFID Member Countries in 1976, the year of the institution's founding.

Art Exhibition: OFID Staff exhibits works

In celebration of OFID's 35th Anniversary and following the success of the first OFID Staff Art Exhibition in 2006, the second Staff Art Exhibition showcasing the "artistic" side of OFID staff members and their families was launched on June 27, 2011. Some 17 artists decided to share their work in this exhibition presenting jewelry, photography, sculpture, painting, ceramics and mediums which reflect the diversity and skill of the artists.

Mr. Suleiman J. Al-Herbish, Director-General of OFID, told a gathering at the opening of the exhibition that OFID's staff constitutes the key resource of the institution. Also in a foreword in the exhibit brochure, Mr. Al-Herbish noted that it was "a special tribute to our staff, whose dedication, creative talents and other personal attributes have helped make this institution what it is today."

The works of the artists are as diverse as their disciplines. They include porcelains by Rima Al-Juburi exploring the big Mesopotamian heritage; Shatha Al-Qallaf's photographs conveying feelings and emotions; Ian Begg's collection of stamps providing insight into the political, economic and social history behind the stamp issues of each country; Adam Espelee Cohen's acrylic painting of elements from his scientific background as an aquatic biologist; Jacobs Edo's bronze sculptures done using tools and similar methodology in casting bronze and wax developed in the 12th century; Jaleh Ekhtiar's contemporary fashion designs mixed with exotic textures and "complete excesses of volume," with a sense of post-1950s-elegance; Jorge Gonçalves Romero's work entitled "human being," utilizing different techniques with the human figure appearing suspended or in areas where the term gravity is non-existent, almost floating; Jorge Gonçalves Maldonado's images with political messages inviting viewers to analyze and build a point of view; Suzanna Hamelink's pictures of sculptures; Innocent Ikpefuran's paintings inspired by nature and vivid memories of his youth; Rachel Mohawege's works capturing current feelings and statement allowing the viewer to live that specific moment through illustrations.

Dr. Jorge Goncalves Romero, curator of the OFID Staff Art Exhibition.

Yet other exhibitors include Alex Meirone-Gómez who is inspired by the process of searching for new paths and experiencing adventure and aims to capture moments in his works and communicate them to facilitate an impact on the viewer; Mojgan Sanandaji who tries to capture "the truth in everyday form," the images of small lives with big meaning in her photographs; Micki Strick-Tadesse presenting in his works different observations from various destinations he has visited around the world; Nahal Tabatabai-Chury's jewellery is inspired by the orient; Immanuel Tagger's photos reveal an insider's view of his visits to Venezuela, Bolivia and Peru, while the photographer himself is "invisible" so as not to disturb the environment he documents; and Roberta Vranješ's expressionist art strongly influenced by Van Gogh.

"Such social events can help give an insight to the more creative and artistic side of the OFID family, something that is not always visible during the regular work routine," said Jorge Gonçalves Romero, Curator of the exhibition. "It brings ideas and people closer together."

OFID diary

April – June 2011

APRIL 4

OFID Scholar visits OFID

Mr. Robert Pwazaga, OFID's 2010 Scholar, conducted a work visit to OFID. Mr. Pwazaga, from Ghana, is studying for an MSc in Development Studies at the London School of Economics and Political Science. Mr. Pwazaga obtained a BA in Geography and Rural Development from Ghana and plans on returning to his home country to focus on developmental efforts there.

APRIL 12

Public sector loan agreement signed

Grenada. US$10.5 million. Schools Rehabilitation. To reconstruct, rehabilitate and equip 10 schools and seven school kitchens damaged by hurricanes.

APRIL 13

University of Hamburg students visit OFID

Twenty-seven Master's Degree students from Germany's IFSH Hamburg (Institute for Peace, Research and Security Policy), visited OFID to learn about its mission and tour the premises.

APRIL 19

Participants from the OPEC Secretariat's Multi-Disciplinary Training Course visited OFID to receive an overview of the institution's mandate, activities and mission. The 27 attendees, all professionals from OPEC Member Countries, met with OFID Director-General, Mr. Suleiman J. Al-Herbish, who briefed them about the cooperation between OPEC and OFID, as well as the history behind the creation of OFID by OPEC Member Countries.

APRIL 28-29

OFID hosts Crans Montana Forum

OFID hosted a High Level Panel entitled *Energy Poverty: Can industry lead the necessary change?*

MAY 2

MoU signed

On May 2, OFID Director-General Mr. Suleiman J. Al-Herbish signed a memorandum of understanding (MoU) with the Asian Development Bank. *See story page 51.*

MAY 4

Public sector loan agreement signed

Vietnam. US$11.5 million. Vietnam Healthcare Project. To expand healthcare infrastructure in the capital Hanoi and Tuyen Quang Province, which will benefit more than 250,000 people.

MAY 26

OFID inaugurates art exhibition

As part of its in-house exhibition series, OFID inaugurated an exhibition that showcased works of Balinese artist Made Wianta. *See story page 60.*

Research grants approved

Danish Committee for Aid to Afghan Refugees. US$100,000. To support a *Development of Water Expertise and Training Program* in Afghanistan, which will be offered to local community groups, NGOs and relevant governmental departments.

Saudi Center for Rehabilitation and Training of Blind Girls, Jordan. US$130,000. To support the attendance of 22 visually impaired girls in two courses for the academic years of 2011-2013; namely: A two-year Therapeutic Massage Course and a one-year International Computer Driving Licence Course.

Akshaya Patra Foundation, India. US$30,000. To help purchase 5,000 meals to underprivileged children in the Puri region, Orissa State, as part of the Foundation's school meals program.

JUNE 6

OFID receives high-level Colombian delegation

OFID Director-General Al-Herbish welcomed a delegation from Colombia, which was headed by HE Freddy Padilla de Leon, Ambassador of Colombia to Austria. The delegation, consisting of 29 high-ranking military officials, received a briefing on OFID's activities, in particular those concerning Latin America.

Minister of Finance of Honduras visits OFID

OFID Director-General Al-Herbish received the Minister of Finance of Honduras, HE Mr. William Chong Wong. The meeting provided an opportunity for the Minister to review the country's partnership with OFID, including future areas of cooperation.

OFID Director-General, Mr. Al-Herbish *(center)*, alongside fellow panellists at a High Level Panel of the Crans Montana Forum on energy poverty, which was hosted at OFID HQ.

JUNE 8

Armenian Prime Minister visits OFID

The Prime Minister of the Republic of Armenia, HE Mr. Tigran Sargsyan, met with Mr. Suleiman J. Al-Herbish, OFID Director-General, to discuss present and potential areas of cooperation. The Prime Minister was accompanied by HE Vache Gabrielyan, Armenian Minister of Finance.

Public sector loan agreement signed

Armenia. US$20 million. Rural Asset Creation. To help finance the construction or rehabilitation of public utilities as part of a wide-reaching project aimed at improving incomes and raising living standards among poor, small-scale farmers.

JUNE 9

Public sector loan agreement signed

Kyrgyz Republic. US$7.4 million. Reconstruction of Bishkek-Torugart Road. To rehabilitate a key stretch of road, which will help enhance trade opportunities and ease the flow of passenger and freight traffic.

JUNE 16

OFID Ministerial Council holds 32nd session in Vienna, Austria

The Ministerial Council, OFID's highest policy-making body, adopted the Annual Report for 2010 and discussed a number of key issues. *See story page 16.*

135th Session of the Governing Board approves some US$116 million in fresh financing for development

Public sector project loans approved

Albania. US$20.4 million. Tirana – Elbasan Road To construct a 27-km long road that will improve access to social services and marketplaces, and help promote the country's trade opportunities. Around 750,000 people are expected to benefit from the project.

Belize. US$8 million. Golden – Stream Big Falls – Guatemala Border Road Rehabilitation. To complete rehabilitation works on a road located in the South Toledo District, thus helping promote businesses and tourism. Some 30,000 people will benefit from the project.

Burundi. US$11.92 million. Agricultural Value Chain Development Program. To help reduce poverty and improve food security through the development of agricultural value chains. Activities will be carried out in seven provinces populated by some 3.6 million people.

Cameroon. US$10 million. Bikoula – Djoum Road. To construct a 38 km road in order to open up rural areas situated along the road, and help improve the living conditions of the population by enhancing access to basic social services and marketplaces.

The Gambia. US$6 million. Energy Development and Access Expansion. To expand the electricity grid to cover disadvantaged areas in the Kanifing Municipality and rural settlements in the Western Kombo Central Region and install new household and business connections.

Kenya. US$15 million. Rural Electrification. To help boost Kenya's socio-economic development through the electrification of 591 "load centers," such as agricultural marketing and processing centers; tea and coffee factories; health facilities and educational institutions, as well as installing new household connections.

Mozambique. US$13.53 million. Artisanal Fisheries Promotion. To improve incomes and livelihoods of poor households, representing some 45,000 people involved in artisanal fishing, through the improvement of related infrastructure; development of value chains; and, the establishment of financial services, among other activities.

Paraguay. US$20 million. National Interconnected Electricity System Upgrading. To improve the availability, reliability and quality of electrical power supplies to poor and rural communities in 14 departments located in the Eastern Region, as well as in the capital Asunción.

Samoa. US$12 million. Petroleum Bulk Storage Facility (Phase IV). To help address the population's basic energy needs by strengthening related infrastructure, thereby enhancing the country's fuel supply chain, benefiting an estimated 180,000 people.

Technical assistance grants approved

Consultative Group on International Agricultural Research. (CGIAR). US$1.2 million. To be divided among eight research centers sponsored by the CGIAR.

Institut Pasteur. US$1 million. To help finance upgrading of a laboratory network for diagnosing tuberculosis (TB) and testing drug-resistant strains of TB in eight African Countries.

International Fund for Agricultural Development. US$1.5 million. To help finance a food security and livelihood enhancement program that will carry out activities in Djibouti, Ethiopia and Somalia.

Shell Foundation. US$250,000. To help fund an initiative that aims at providing lighting for low-income households in Kenya and Tanzania.
See story page 10.

Grant approved under the HIV/AIDS Special Account

World Health Organization. US$2 million. To help finance Phase I of a project that aims at eliminating mother-to-child transmission of HIV in Lesotho, South Africa, Zambia and Zimbabwe.

Grant approved under the Special Grant Account for Palestine

United Nations Relief and Works Agency. US$2 million. To support a program that implementing a job creation program in the Gaza Strip.

Research grants approved

Active for Humanity in Need (Austria). US$100,000. To provide dependable water supplies and safe sanitation, as well as hygiene awareness training, among pastoral communities in Hurri Hills, northern Kenya, benefiting some 1,750 people.

International Water Association (IWA). US$100,000. To sponsor the attendance of 40 participants from developing countries at the 2nd IWA Development Congress, which will hold in Kuala Lumpur, Malaysia November 21-24.

Mentor Arabia. US$100,000. To support the expansion of the project *Unplugged,* which will carry out activities aimed at preventing drug use among adolescents in the Arab region.

Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO). US$100,000. To help finance the participation of 10 experts from developing countries to attend the official technical meetings of the CTBTO in 2011 and 2012.

JUNE 17

MoU signed with EDBI

A Memorandum of Understanding (MoU) was signed with the Export Development Bank of Iran (EDBI). The MoU was signed by Mr. Al-Herbish and Mr. Bahman Vakili, Chairman and Managing Director of the EDBI. Under the agreement, EDBI and OFID will work closely together to identify projects of joint interest.

JUNE 20

Loan agreement signed

Laos. US$12 million. Second Northern Greater Mekong Subregion Transport Network Improvement. To improve a total of 143 km of roads that pass through Houaphanh Province, and in turn help reducing poverty by increasing the population's access to social services and marketplaces, as well as promoting trade activities.

Meetings attended by OFID

APRIL 5-6
DAMASCUS, SYRIA
Annual Meeting of the Arab Financial Institutions

APRIL 11-12
NEW YORK, USA
2011 Growth Market Summit organized by Goldman Sachs

APRIL 13-19
WASHINGTON DC, USA
Spring Meetings of the World Bank and the International Monetary Fund

APRIL 18-20
WASHINGTON DC, USA
Executive Forum for Senior Central Bankers and Official Sector Asset Managers organized by the World Bank

APRIL 28-29
VIENNA, AUSTRIA
Crans Montana Forum's High Level Panel on "*Energy Poverty: can industry lead the necessary change?*" hosted by OFID

MAY 3-6
HANOI, VIETNAM
44th Annual Meeting of the Asian Development Bank's Board of Governors

MAY 9-10
DOHA, QATAR
6th Annual Conference on "*Enriching the Middle East's Economic Future*"

MAY 13
PARIS, FRANCE
International Energy Agency conference entitled "*Energy for all: financing access for the poor*"

MAY 17-18
RIYADH, SAUDI ARABIA
Euromoney Saudi Arabia Conference 2011

MAY 20-21
VIENNA, AUSTRIA
Center for Global Dialogue and Cooperation Conference entitled "*Dialogue and Cooperation for Change*"

MAY 28
BEIRUT, LEBANON
Meeting of the Arab Energy Club

JUNE 8-9
VIENNA, AUSTRIA
World Economic Forum on Europe and Central Asia 2011

JUNE 21-23
VIENNA, AUSTRIA
Vienna Energy Forum 2011

www.ofid.org

135th Session of the Governing Board

From right: Mr. Jamal Nasser Lootah, Governing Board Chairman; Mr. Suleiman J. Al-Herbish, Director-General; Mr. Fuad Albassam, Acting Assistant Director-General, Public/Private Sector Operations.

At its 135th Session in Vienna, OFID's Governing Board approved close to US$125 million in fresh financing for development. The bulk of this (US$117 million) will help finance a range of projects across nine partner countries. Focusing on the energy, transportation and agriculture sectors, these projects will enhance living standards for several million people. Other approvals at the meeting included six grants totalling around US$8 million.

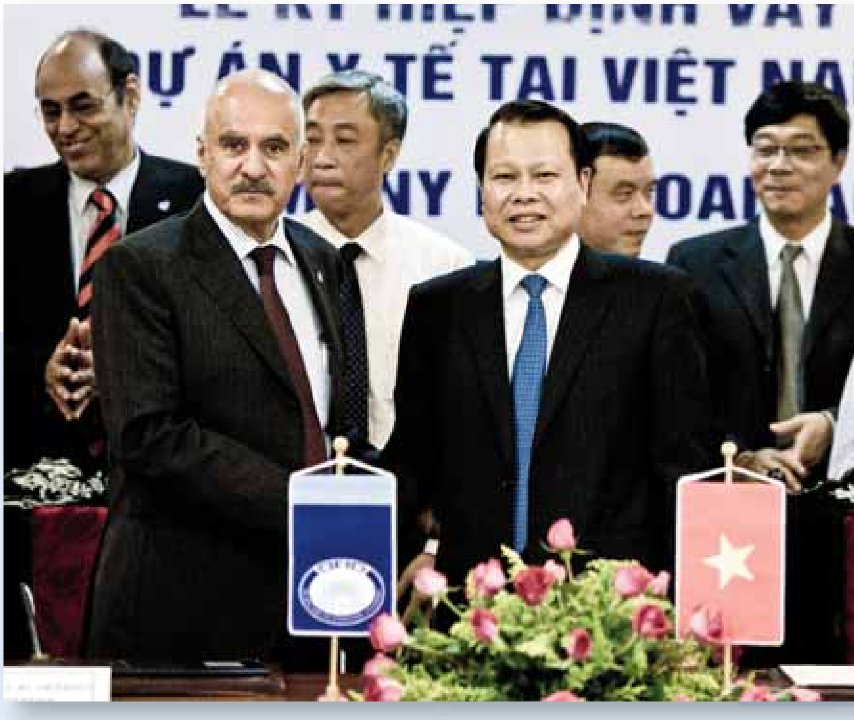
Mr. Omar Bougara, Governor of Algeria to OFID

Mr. Ahmed M. Al-Ghannam, Saudi Alternate Governor.

Mr. Mohamed Abdulbaki Mohamed, Alternate Governor, United Arab Emirates.

Iranian Governor, HE Dr. Behrouz Alishiri *(left)*, with Alternate Governor, Saman Ghasemi.

LOAN SIGNATURE photo gallery



May 4

Mr. Al-Herbish and HE Mr. Vu Van Ninh, Minister of Finance of Vietnam, signed a US$22.5 million loan agreement for a priority healthcare project involving the construction, renovation and equipping of two hospitals. The project will benefit more than 250,000 people.

June 9

HE Ms. Roza Otunbayeva, President of the Kyrgyz Republic *(center)*, and HE Mr. Melis Mambetjanov Minister of Finance *(right)*, with Mr. Al-Herbish following signature of a US$7.4 million agreement for a road project. Said Ms. Otunbayeva: "This project is crucial for our country's development, as it will facilitate the movement of export and import goods."

June 8

HE Mr. Tigran Sargsyan, Prime Minister of Armenia *(second from left)*, accompanied by HE Mr. Vache Gabrielyan, Minister of Finance *(right)*, Mr. Ashot Hovakimian, Armenian Ambassador *(second from right)*, and Mr. Al-Herbish *(left)*. The country has procured a US$20 million loan from OFID for a rural asset creation project.

June 20

HE Khamkheuang Bounteum, Ambassador of Lao PDR to Austria, signed a loan agreement worth US$12 million. The funds will help finance the Second Northern Greater Mekong Subregion Transport Network Improvement Project.

The full list of loan signatures can be found on pages 29-31.

OFID in the field

For OFID, development is all about making a real difference in the lives of people who are trying to build themselves a better future. It's about simple things like preventing disease and putting food on the table, getting children to school and youth into jobs. And it's about providing basic necessities such as clean water, proper sanitation and cheap, reliable energy.

OFID in the field hears from people for whom life is brighter thanks to the work of OFID and its partners.

Vietnam works at raising living standards

By Silvia Mateyka

The mountainous northern province of Thai Nguyen is one of the poorer provinces in Vietnam, with 27 percent of households living below the poverty line. Predominantly rural, the province has a total population of 1.2 million, who day by day have to struggle with a lack of basic social infrastructure such as electricity, streets, schools, health centres and clean drinking water. Recognizing the need for action, OFID co-financed with the Government of Vietnam a multipurpose poverty reduction project in 2006, aimed at improving and rehabilitating rural infrastructure in order to increase agricultural and non-agricultural productivity, boost farmers' incomes, enhance access to basic services and improve the living conditions for the population of this region.

Electricity for life

Before the home of tea farmer Phan Quyet, located in a remote area in the Vo Nhai district of the Thai Nguyen province was connected to the national electricity grid through the newly constructed transmission line, his life and that of his family was much more difficult. "Now, when I turn on the switch there is light. My life is normal now, not like in the past when we could not see well. That's why I am happy."

Electricity changed the life of Phan dramatically. It brought power for light to work, read, for TV and kitchen devices such as electric stoves, rice cookers and refrigerators. "But electricity brought not only changes that just made life safer and better but also increased my family's income" says Phan. With the instalment of electric powered water pumps that enable more regular and controlled watering, he managed to improve and increase his harvest reliability. Furthermore, with the use of an electric tea-processing machine, he is now able to produce more tea of higher quality much faster.

Through this project, one transformation station and two power transmission lines have been constructed in the Vo Nhai and the Phu Luong district, delivering electricity to hundreds of rural households.

Roads for development

As well as the absence of electricity, the residents of the Thai Nguyen province had to live with poor road conditions. Kim Anh, a mother of two children living in the Phu Luong district, explains how her life has changed after the construction of a road and a bridge that connect her village to the neighbouring commune where her children go to school. "Now during the rainy season, the adverse weather does not anymore hinder my children to go to school and I am not worried anymore". It used to be a long and bumpy journey to the Vo Tranh commune and the streets were often inaccessible during the rainy season as the river flooded them.

With OFID's support, the upgrading and construction of more than 50km of rural roads and seven bridges have had an immediate impact on the people living in the Thai Nguyen province, cutting their driving times in half and making their journeys much safer. But roads are not only a service to drive on. The upgrade of four inter-communal road routes has also created economic opportunities for many people living in this region, who have now easy access to the markets and can sell their products.

Schools to fulfil dreams

Kim's children are no more hindered to go to school and Duong, her twelve year old son, wants to study as much as he can to fulfil his dream of becoming a doctor one day and help the poor and the sick. This dream would have been much harder to achieve if there had been no primary school near his home. With OFID's support, more than 100 new classrooms have been constructed in four districts among which is the primary school of Duong in the Vo Tranh commune. "If this school wasn't built here, children would have to go to the farther away district boarding school which it would not have been able to handle the demand" says Duong's mother. Now this school provides primary education to more than 250 pupils and jobs to roughly 25 teachers. "Before, the school was built with bamboo and everything was very old. Equipment was short and there were fewer teachers," says Trinh Lo, the Director of the school. "It is a revolution for all of us" Trinh explains. "A revolution, because the bamboo classrooms have now become real buildings and the students, their parents and teachers are very happy because the learning environment has improved tremendously."

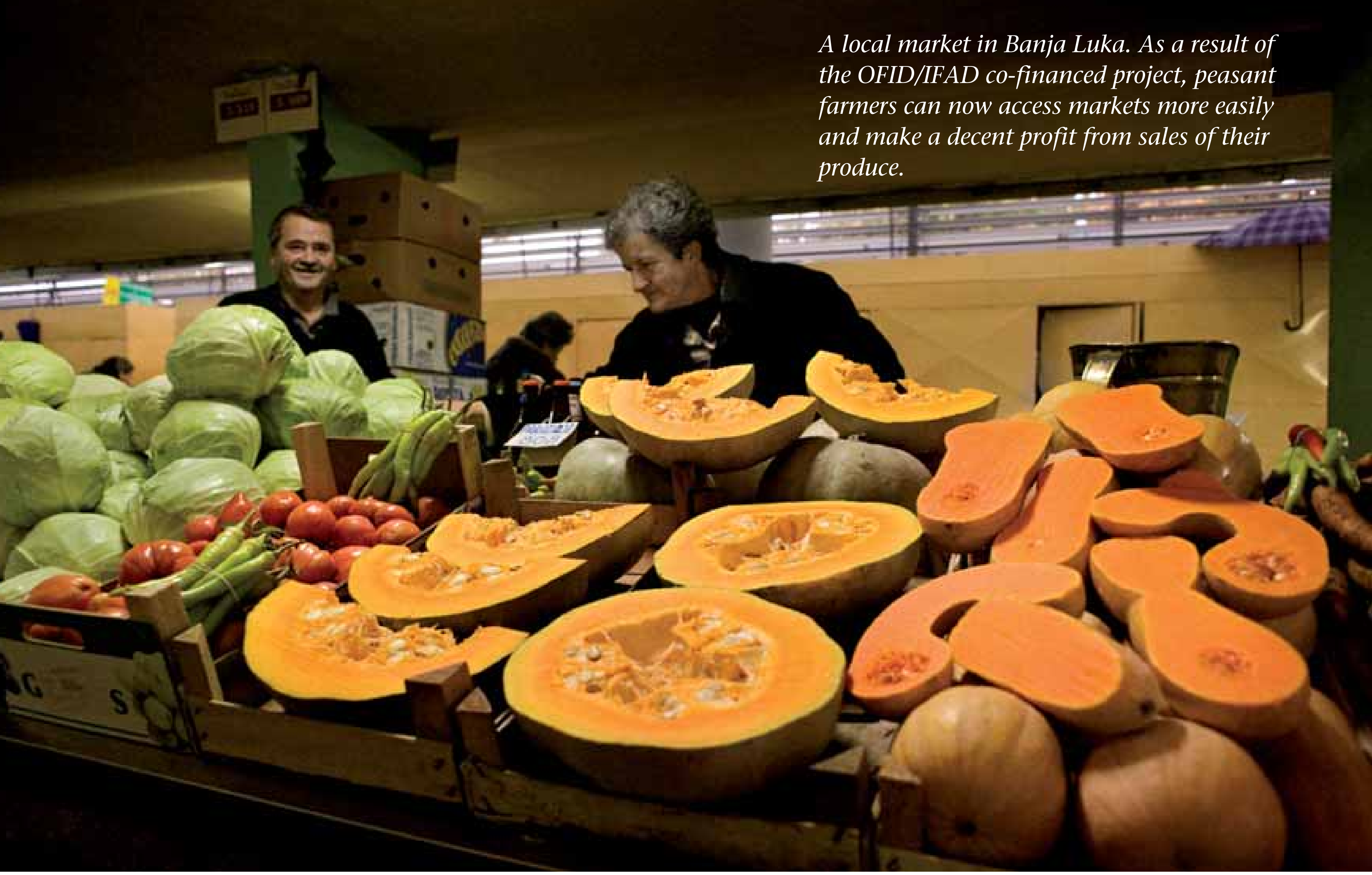
Nine schools with new classrooms, equipment and accessories are now giving more than 3,000 young Vietnamese the chance to complete their education and fulfil their dreams.

Having electricity has transformed daily life for Phan Quyet and his family. They now have power for lighting, kitchen appliances and even television.

Clean water and lifesaving healthcare

Among the multifarious activities undertaken by this project, was also the construction and upgrade of 17 health clinics, two health centres (polyclinics) with a total capacity of 540 beds and the construction of four drinking water reservoirs that contribute towards improved water control, availability and distribution. With the upgrade of the Dong Hy Polyclinic in the Dong Hy district with over 120,000 inhabitants, the health centre is now able to bring life saving care within reach of many families. "The conditions were very poor before the renovation and upgrade and we could not meet the demand for healthcare of the people in this area," says the director of the hospital. It was not possible to treat more than 100 patients. There was a lack of equipment and a shortage of staff. "OFID's loan has helped us to expand from a 100-bed health facility to a 200-bed polyclinic being now able to offer services including surgery, paediatric care and obstetrics" the director explains. In addition, people from the neighbouring communities are now coming to the Dong Hy Polyclinic to receive medical treatment because of the high standard of the health centre. "The happiness of the patients is my happiness," the director concludes.

The Thai Nguyen Province Multipurpose Rural Development Project has benefited over 380,000 inhabitants in 41 communes of the four mountainous districts of the province. It has helped to stimulate rural economic development.



A local market in Banja Luka. As a result of the OFID/IFAD co-financed project, peasant farmers can now access markets more easily and make a decent profit from sales of their produce.

PHOTO: IFAD/PAOLO MARCHETTI

Bosnia-Herzegovina: A successful economic transition

BY DAMELYS DELGADO

After three years of war, 1992-1995, which took 100,000 lives, displaced over one million people and caused damage estimated at more than US$100 billion, Bosnia-Herzegovina's economy has been dramatically transformed. Thanks to international assistance, the country has made great progress in economic and social development. According to the World Bank, Bosnia-Herzegovina, a country of four million people, has directed massive efforts at recovery, deepening reforms and joining the European Union, thus achieving a successful economic transition.

Since 1997, OFID has been taking part in Bosnia's recovery through support of projects in education, infrastructure and agriculture. About half the rural population, estimated at two million people, relies on the agriculture and livestock industry. These sectors have the potential to play a major role in the rural economic revival of the country and in the reduction of poverty.

Benefiting farmers and women

Miguel Linares, OFID's Officer-in-charge of the Bosnia-Herzegovina projects, pointed at the success of a *Rural Enterprise Enhancement Project,* to which OFID contributed a public sector loan of US$6 million, equivalent to 33 percent of the total cost. Enormous benefits have resulted from the collaboration with the Ministries of Agriculture, Forestry and Water Resources, the International Fund for Agricultural Development and OFID.

The project has been implemented in the poorest areas to increase the incomes of rural inhabitants in 14 municipalities. Although the project is still ongoing, all civil works contracts have been completed and OFID's loan has been fully disbursed. OFID financed the construction of "Market Linking Infrastructure" and "Enterprise Investments and Rural Finance."

With regard to "Market Linking Infrastructure," Mr. Linares explains that "the infrastructure investments financed were screened against project selection criteria (such as number of poor beneficiaries, cost effectiveness, synergy with other projects, etc.) and from there a total of 47 infrastructure sub-projects were selected to be co-financed by OFID". He added that the co-financed investments enabled the upgrading and rehabilitation of 33 roads, with a total length of approximately 53km; nine water supply systems, two sewage systems and the rehabilitation of three multipurpose buildings."

The project is expected to benefit more than 20,000 households, positively impacting roughly 100,000 people. Thanks to the project, residents have increased access to markets, are able to reduce travel time and vehicle breakdowns and children have much better access to schools. Additionally, new water delivery systems have improved community health with resulting savings in labor. Mr. Linares highlights the fact that the project's targets were exceeded by 40 percent, as 47 sub-projects were implemented, as compared to the 33 planned at the time of appraisal.

Furthermore, through the "Enterprise Investments and Rural Finance," OFID also helped sponsor micro-financing to individual producers. The outcome has been the provision of 1,050 loans, with an average loan amount of approximately US$3,900. Some 97 percent of these loans have targeted animal production (dairy, meat and poultry) as well as the purchase of animals, mechanisation equipment and improvements in barn structures. The remaining three percent was used for fruit and vegetable production. With 51 percent of total loans extended to women, OFID has promoted gender equality and empowerment of women, the third of the United Nations' Millennium Development Goals.

Meanwhile, Bosnia-Herzegovina is witness to the idea that peace and progress are possible for all human beings, without ethnic distinctions. ■

Fatima Gerzic proudly displays the honey products that make up her micro-enterprise. With the help of a micro-loan under the project, she has been able to diversify and expand production.

PHOTO: IFAD/PAOLO MARCHETTI

OFID's Miguel Linares (center back) with a group of rural producers, who have all benefited from micro-financing provided under the OFID/IFAD initiative.

Cape Verde: Progress toward improved health services

In its effort to improve healthcare delivery, Cape Verde's government is working with OFID to address some of the issues identified as constraints on access to healthcare in the country. OFID stepped in to take on a *Health Centres Project;* the first such operation to be financed by OFID in Cape Verde's health sector.

The objective is access to, and improvement in the quality of primary healthcare in five municipalities: Boa Vista, Maio, Mosteiros, Tarrafal, and Santa Cruz. Specifically, four health centers were planned to be built in the municipalities of Boa Vista, Maio, Mosteiros, and Tarrafal, located in the islands of Boa Vista, Maio, Fogo and Santiago. A fifth centre in the municipality of Santa Cruz, on the island of Santiago, required rehabilitation. Each new centre will serve a population ranging from approximately 4,500 to 24,000. The centres will provide 24-hour emergency services, general curative care, preventive care, public health activities, delivery units, medical services, dental care and hospitalization wards. The cost of the project is US$9 million of which OFID is financing US$6.1 million.

Cape Verde, locate off the coast of West Africa, is an archipelago of 10 large islands and several other smaller islands. Nine of the islands are inhabited. The islands are relatively distant from one another. The total area of the country is 4,003 km², of which approximately 10 percent can be cultivated. In 2002, the total population of Cape Verde was estimated at 460,000 inhabitants.

Since independence in 1975, Cape Verde has made considerable gains in economic development and quality of life, despite scant natural resources. Cape Verde has taken advantage of rapid economic growth in the last two decades to invest heavily in human development, particularly in education and health. Poverty has decreased sharply. In 1988, almost half of the population was living in absolute poverty. In 2010, the figure

The new health centers provide 24-hour emergency services as well as treatment and preventive medicine.

Medical staff report that the new facilities are making the delivery of healthcare easier and more comfortable for patients.

PHOTOS: LUISA GIL/OFID

Among the biggest improvements is the availability and quality of maternity care, both pre- and post-delivery, which will have a highly beneficial long-term impact on the country's health indicators.

was 24 percent. Life expectancy at birth is currently 71 years, the third highest in Africa. Cape Verde is likely to achieve most of the Millennium Development Goals (MDGs) by 2015.

A large proportion of the population is young (60 percent); and the increasing life expectancy with a rising number of people over 60 (seven percent) presents challenges to the health care system.

At OFID, Ms. Luisa Gil, Senior Operations Officer, is in charge of Cape Verde projects. She told the *Quarterly* that OFID is proud to have made some contribution to these important improvements: OFID has financed two education projects (in addition to the health centers project) and improvement in water supply and sanitation, as well infrastructure improvements.

Earlier this year, Ms. Gil had the privilege of visiting Cape Verde to see two of these health centres – in Tarrafal and Mosteiros, on the islands of Santiago and Fogo, respectively. She reported meeting doctors at the health centres, who told her the project was already having "a huge impact" on the population served by the health centres. The centres, as envisaged, replaced previous facilities which were rather small and poorly equipped to serve the population numbers in the beneficiary areas. She was informed that, as a result of the new and much-improved centres, the local population is now able to consult a doctor whenever needed.

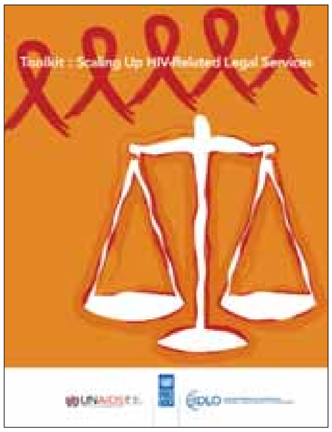
A tragedy of much of the developing world is that huge population groups exist without adequate medical care, no doctors in sight to consult and a gaping lack of medication. From observations, it appears these problems are greatly reduced in the areas served by the OFID project. Pregnant women now obtain prenatal care, which previously was lacking, or the women had to travel great distances to obtain. This was a major impediment in localities where there are transportation limitations. Indeed, in the new health centres visited, there are separate wards for pre-natal and post-natal care and also for sick patients. There were enough hospital beds, kitchen facilities, offices, etc.

The centre in Tarrafal is located on top of a hill overlooking the sea. The doctor-in-charge said the location and surrounding areas provided a pleasant backdrop and great relief to patients seeking healthcare from the centre. The civil works have been completed but the acquisition of equipment is still on-going. Some additional, basic equipment was provided by a non-governmental organization, attracted by the works underway as initiated by the OFID-Cape Verde cooperation. Nonetheless, despite the temporary dearth in equipment supply, the centres are functioning quite well.

To date, OFID has extended 17 loans to Cape Verde, totalling almost US$35 million. Seven loans were for balance of payments support amounting to US$8.1 million; one was a Commodity Imports Program in the amount of US$1.5 million, and nine were project loans in the total amount of US$25 million. The BOP loans have generated local counterpart funds, which have partially been utilised in five development projects. The project loans were extended to finance two operations in the telecommunications sector; two in the education sector; one in the transport sector and four in the water supply and sanitation sector. The Telecommunications, Primary School Construction and Sea Cable Telecommunication Projects have been successfully completed.

HIV: Legal service lifeline for prevention and treatment scale up

BY DAVID PATTERSON



With financing from OFID and other partners, IDLO is running a program in eight countries to help protect the legal rights of people living with HIV.

It is recognized that people living with the Human Immunodeficiency Virus (HIV) and vulnerable populations should be free from discrimination and other abuses of their legal rights. Often, these rights are guaranteed in national constitutions and law. Discrimination impedes access to HIV prevention services and creates obstacles to care, treatment and support. But what if the law is silent, slow, or weak? What can a widow living with HIV do when she is denied her inheritance because of her HIV status? What can a drug user do if he cannot access a methadone maintenance (MMT) program because he has lost his identity papers, and is afraid to approach the police for help? What can a mother do when she is blackmailed with threats to disclose her HIV status and risk losing custody of her children?

In 2009, the International Development Law Organization (IDLO) and OFID launched a three year program to strengthen legal services for people living with HIV in eight countries. In 2011, the program expanded to 17 countries in Asia-Pacific, Central and West Africa, Middle East/North Africa (MENA), and Latin America regions. Additional financial support for the program has come from the Ford Foundation, AusAID, UNAIDS, the Pan American Health Organization and UNDP.

Legal services are adapted to the local needs in each country. In Yunnan Province, China, IDLO and RTI International (funded by USAID) provide technical and financial support to the *Yunnan University HIV Legal Aid Center.* The Center combines legal advice with peer counseling based on an innovative service model adopted following an official study tour to Vietnam.

The Center lawyer provides services through the Kunming office, and also through a telephone hotline, which serves clients who seek legal information without disclosing their identity. Since 2009, the Center has trained more than 120 lawyers to offer services *pro bono,* and 25 peer counselors. Over 200 clients have received legal information or advice from the Center in more than 300 legal counseling sessions, including over 200 hotline contacts. Complaints include property matters, personal injury, labor disputes, privacy, marriage and family issues, and inheritance. Most importantly, case records and outcomes are recorded carefully (without names) to support evidence-based legal and policy reform in Yunnan Province.

In Egypt, the organization *Justice and Freedom* (not related to political organizations) provides legal information and advice to people living with HIV in five governorates of Cairo. In one case, an HIV-positive widow faced blackmail and the loss of custody of her two children. The Justice and Freedom lawyer presented a letter in court from the Ministry of Health stating that HIV status should not affect child custody. As a result, the family remains together.

In Benin, West Africa, IDLO works with its local alumni association, the *Benin Association for Law and Development (BADD),* and the *Association of Women Lawyers,* to provide legal information and advice to people living with HIV. However, before people will actively seek legal advice, they need to be informed of their rights. The information sessions are often conducted at the hospital while they are waiting for medical services. Peer counseling sessions address the non-legal concerns of clients, such as treatment adherence. Since June 2010, the project has conducted over 90 legal information sessions, mostly at HIV treatment centers. Over 120 persons have received legal advice and representation, including court hearings.

As more people with HIV become aware of the legal support available in each country, the demand for services grows. To scale up the response, legal services must be integrated into the government strategic plans on HIV/AIDS. As a result of the project success in Benin, from 2011 legal services will be integrated into the Third National Strategic Plan on HIV/AIDS, ensuring that the focus on legal rights will continue beyond the current project.

OFID support enabled IDLO, UNAIDS and UNDP to publish a practical guide to strengthen services, the '*Toolkit: Scaling Up HIV-related Legal Services*' in 2009. The Toolkit has since been translated into French and Chinese. Arabic and Spanish editions will be published this year.

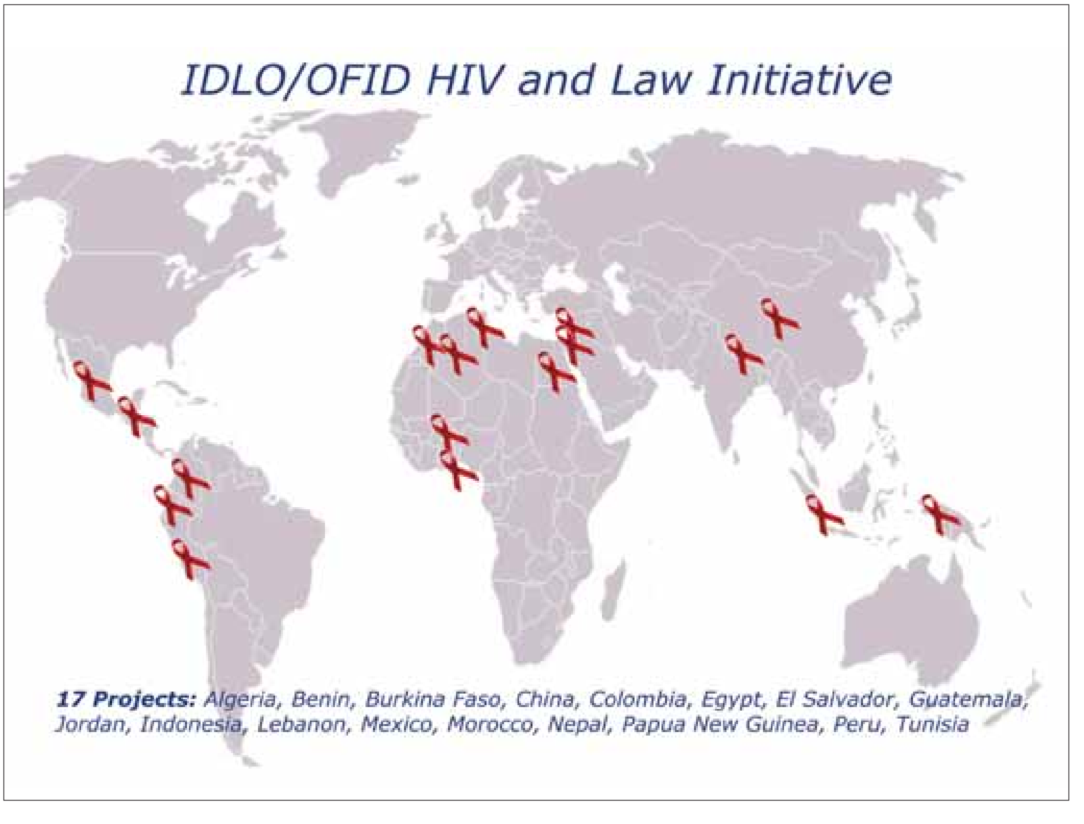
In China, IDLO provided financial and technical support to Peking University and the China Academy of Social Science to map HIV-related legal initiatives across the country. The research report was disseminated to 150 key stakeholders through the national *Red Ribbon Forum,* a multi-sectoral committee which brings together key figures from government, civil society, academia and the law to address HIV-related discrimination. The research will improve access to HIV-related legal services across China.

OFID support for the IDLO Health Law Program has enabled ground-breaking work in new areas of health, law and development: pilot projects to expand HIV-related legal services; and research on legal service models and the links between legal services and HIV prevention and care. ■

About the author: David Patterson manages the Health Law Program at the International Development Law Organization, based in Rome.

As more people with HIV become aware of the legal support available in each country, the demand for services grows. To scale up the response, legal services must be integrated into the government strategic plans on HIV/AIDS.

SOURCE: IDLO



People update anywhere, anytime

BY DAMELYS DELGADO

Communication is a major human endeavour. It has evolved throughout history in many different ways. Speech, symbols and writing imply several processes with the same ultimate goal: the exchange of messages. The star of communication in the 21st century is supported by the Internet and mobile technologies: the social media. For what purpose? Communicating! The needs remain the same!

Basically, social media simply refers to the millions of conversations people are having across the world daily. In what could be called collective intelligence, the web has turned into a global brain. And as a brain, there are thoughts, sentiments and facts to be shared with others.

There are about 540,000 words in the English language, about five times as many as during Shakespeare's time. The verb to *tweet* is part, not just of English, but of every language around the world!

As part of the "global brain," OFID has opened two accounts on the most popular social media networks: Twitter and Facebook. Twitter is based on messages (tweets) of 140 characters of maximum length, typed as quickly as one can, in order to find people and organizations, send brief messages and direct replies – a sort of SMS on the Internet; and Facebook is designed with features for finding people, making connections, sending and receiving email, and for instant messaging and image/video sharing.

Some of the figures are astronomical: Twitter started in 2006 and today it services more than 100 million accounts. The number of Twitter users increases by 300,000 daily; it gets more than three billion requests each day, generated by over 180 million individual visitors, and its users send 55 million tweets per day. Twitter believes that it will have one billion users by 2012. If this comes true, Twitter will become the pulse of the planet.

Facebook started in 2004, and today has more than 500 million active users, 50 percent of whom log on to Facebook in any given day. People spend over 700 billion minutes per month on this platform. (More numbers: There are over 900 million objects with which people can interact) The average user is connected to 80 community pages, groups and events and more than 30 billion pieces of content (web links, news stories, blog posts, notes, photo albums, etc.)

As an additional advantage of this ubiquitous availability, social media is free. Indeed, all it costs is time.

As part of OFID, please share with us your experiences and send your photos to show the world OFID's noble enterprises.

PHOTOS: JOHANNES HERBERSTEIN/OFID

On Facebook, find OFID and click on Like!

On Twitter, look for OFID_OPEC_FUND and be a follower.

OFID and the Social Media

OFID's projects and programs directly benefit people – improving people's lives through the building and rehabilitation of vital infrastructure such as schools, hospitals and transport links, boosting drinking water supplies and improving safe sanitation systems. OFID operations target irrigation systems and seek to increase food security and provide training to promote self-sufficiency.

Social Media will enable OFID to connect more directly with people across the globe – whether they are communities in partner countries and Member Countries, staff or young people. OFID will be able to share people-centered stories that explain how some of its development projects have improved quality of life. The reports will provide information about OFID's regular activities and foster openness by encouraging direct communication between the global public. ■

PHOTO: UN PHOTO/EVAN SCHNEIDER

UN-LDC IV Istanbul Program of Action targets LDC graduation

Over 7,000 participants, including nearly 50 heads of state and government, 94 ministers and high-level representatives of multilateral, regional and bilateral organizations, the private sector and civil society organizations gathered in Istanbul, Turkey on May 9 – 13, 2011 for the *Fourth United Nations (UN) Conference on the Least Developed Countries (LDC IV).*

BY FATIMAH ZWANIKKEN

The LDCs – today numbering 48 – continue to be the poorest and most vulnerable segment of the international community since the UN first identified 25 countries as a category in need of special attention and assistance in 1971. These countries are characterized not only by widespread poverty, but also the structural weakness of their economic, institutional and human resources, severe infrastructure deficits, limited productive capacities, low per capita income, and acute susceptibility to external economic shocks, climate change, disasters, and communicable diseases. The Conference was the fourth in a series of ten-yearly UN meetings organized since 1981 to respond to the special needs of the LDCs.

Brussels Program

The *Program of Action for the LDCs for the Decade 2001-2010* adopted by the Third UN Conference on the LDCs (UN-LDC III), Brussels, May 2001 (the Brussels Program) was widely considered to be a comprehensive and results-oriented poverty reduction strategy for the decade. The main objectives of the LDC IV Conference were to assess progress towards implementation of the Brussels Program, and to agree upon a new set of policies, strategies and measures to be implemented by national governments with support of the international community to spur sustainable growth and development in LDCs over the coming decade. ▶

Istanbul Program

◀ At the Opening Session on May 9, 2011, UN Secretary General, Mr. Ban Ki-moon, called upon participants to deliver an Istanbul Program of Action that will help the maximum number of LDCs to graduate from this category in the shortest time. "Instead of seeing LDCs as poor and weak, let us recognize these 48 countries as vast reservoirs of untapped potential", Mr. Ban Ki-moon said. "Investing in LDCs can provide the stimulus that will help to propel and sustain global economic recovery and stability. This is not charity, it is smart investment," he added.

The Conference noted that progress toward implementation of the Brussels Program has been mixed. The LDCs remain marginalized from the mainstream of the global economy, and are the most off track towards achieving the UN *Millennium Development Goals (MDGs)*. Economic reforms in many LDCs over the past decade have led to more favorable business environments, and the boom in primary commodity prices in international markets facilitated high growth rates. However, performance has been uneven, and the expected dividends in terms of employment creation, improved living standards, and poverty reduction did not materialize. Meanwhile, LDCs suffered new setbacks, including the food and financial crisis, as well as the rising threats posed by climate change and biodiversity loss.

During the five-day gathering, representatives from both national governments and parliaments, civil society and the private sector focused on ways to harness the productive potential of these poorest countries to help them overcome the structural challenges that hinder their socio-economic advancement. The stress on productive capacity is favored by LDCs as a means to modernize and diversify their economies, create jobs and engage in sustainable means to eradicate poverty and eventually graduate from the LDC category.

As the Conference came to a close, participants adopted the *Istanbul Political Declaration and Program of Action for the LDCs* for the Decade 2011-2020, following several months of pre-Conference negotiations.

Declaration

The Declaration serves as preamble to the Program of Action. Ministers and Heads of Delegations from the 48 LDCs recognized that sustainable economic growth and development, poverty alleviation and full integration of the LDCs into the global economy are contingent, inter alia, upon the realization of commitments ▶

Least Developed Countries: facts and figures

The group of LDCs currently comprises 48 countries with a total population of 851 million. These include 33 sub-Saharan Africa, 14 in the Asia-Pacific region, and one country in Latin America and the Caribbean (Haiti). Sixteen LDCs are landlocked and 10 are Small Island Developing States (SIDS).

1. Africa: 33 countries

Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauretania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, Tanzania, and Zambia.

2. Asia and the Pacific: 14 countries

Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao Peoples Democratic Republic, Myanmar, Nepal, Samoa, Salomon Islands, Timor-Leste, Tuvalu, Vanuatu, and Yemen.

3. Latin America and the Caribbean: one country; Haiti

The population of LDCs is growing nearly twice as fast (at 2.2 percent annually) as that of the rest of the developing countries, which are growing at 1.2 percent a year, and is forecast to double before 2050. About 60 percent of the population is under age 25. Although the LDCs contain only 12 percent of the world population, they will account for almost 40 percent of the global population growth during the next forty years.

More than half the population in the LDCs lives in extreme poverty, i.e. on less than US$1.25 a day. Women in LDCs have a one in 16 chance of dying in childbirth, compared to one in 3,500 in North America. Although agriculture employs as much as 70 percent of workers in LDCs, more than 300 million Africans are food insecure, and more than 40 percent of children in LDCs have had their growth and development stunted by malnutrition.

With 12 percent of the world population, LDCs accounted for just 1.08 percent of international merchandise trade in 2008, and less than 2 percent of foreign direct investment (FDI) flows. FDI to LDCs remains concentrated on extractive industries with the remaining sectors receiving a limited share of global FDI flows.

Objectives of the Istanbul Program of Action

LDC national policies and international support measures during the decade 2011-2020 shall focus on the following specific objectives with the aim of enabling half the number of LDCs to meet the criteria for graduation by 2020 within a strengthened partnership for development:

(a) Achieve sustained, equitable and inclusive economic growth in least developed countries, to at least at the level of 7 percent per annum, by strengthening their productive capacity in all sectors through structural transformation and overcoming their marginalization through their effective integration into the global economy, including through regional integration;

(b) Build human capacities by fostering sustained, equitable and inclusive human and social development, gender equality and the empowerment of women;

(c) Reduce the vulnerability of least developed countries to economic, natural and environmental shocks and disasters, as well as climate change, and enhance their ability to meet these and other challenges through strengthening their resilience;

(d) Ensure enhanced financial resources and their effective use for least developed countries' development, including through domestic resource mobilization, official development assistance (ODA), external debt relief, foreign direct investment and remittances;

(e) Enhance good governance at all levels, by strengthening democratic processes, institutions and the rule of law; increasing efficiency, coherence, transparency and participation; protecting and promoting human rights; and reducing corruption, and strengthen least developed country Governments' capacity to play an effective role in their economic and social development.

Priority Areas for Action

The priority areas identified in the Istanbul Program of Action are:

1. Productive capacity

- Infrastructure
- Energy
- Science, technology and innovation
- Private sector development

2. Agriculture, food security and rural development

3. Trade

4. Commodities

5. Human and social development

- Education and training
- Population and primary health
- Youth development
- Shelter
- Water and sanitation
- Gender equality and empowerment of women
- Social protection

6. Multiple crises and other emerging challenges

- Economic shocks
- Climate change and environmental sustainability
- Disaster risk reduction

7. Mobilizing financial resources for development and capacity-building

- Domestic resource mobilization
- Official development assistance
- External debt
- Foreign direct investment
- Remittances

8. Good governance at all levels

PHOTO: UN PHOTO

José Manuel Barroso *(right)*, President of the European Commission, addresses the 1st Plenary Meeting of the Conference. Seated left is Muhammad Shaaban, Conference Secretary and UN Under-Secretary-General for General Assembly Affairs and Conference Management.

◀ by development partners, including through fulfillment of Official Development Assistance (ODA) targets, all outstanding debt cancellation, increased investment flows and unhindered market access and transfer of technology to LDCs. They strongly urged development partners to fulfill their commitments in the economic, social and related fields so as to allow LDCs to achieve socio-economic development and beneficially integrate into the global economy.

The 49-page Program of Action for the Decade 2011-2020 commits governments to help half the number of LDCs meet the criteria for graduation by 2020. The overarching goal is to overcome the structural challenges faced by LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the LDC category. To strengthen the smooth transition process towards graduation, the Program of Action specifies joint actions to be taken by LDCs and their development partners in eight priority areas. These include: (i) strengthening *productive capacities* in both the public and private sectors, including infrastructure, energy access, and science and technology; (ii) boosting *agriculture, food security and rural development*, (iii) fostering *trade* expansion; (iv) reducing *commodity dependence* by broadening the economic base; (v) accelerating *human and social development*; (vi) *addressing multiple crisis and other emerging challenges*, (vii) mobilizing *financial resources for development* and capacity building; and (viii) promoting *good governance* at all levels.

While LDCs carry primary responsibility, ownership, and leadership for their own development, the private sector is called upon to play a more active role in the fight against poverty. Developed nations are amongst others urged to fulfill all aid commitments to LDCs in line with LDC national priorities, systems, and procedures, and to exercise individual best efforts to increase ODA to LDCs to at least 0.20 percent of their Gross National Product (GNP). Developing nations, for their part, are encouraged to facilitate LDC access to technology through South-South cooperation, which is complementary to North-South cooperation and has an important role in LDC development, including through triangular approaches. Development initiatives such as the Group of 20 (G-20) *Seoul Development Consensus for Shared Growth and its Multi-Year Action Plan* are expected to contribute to the attainment of inclusive, sustainable and resilient growth in LDCs within a renewed and strengthened partnership for development.

Closing

In closing, Mr. Upendra Yadav, Deputy Prime Minister and Foreign Minister of Nepal and Chair of the Global Coordination Bureau of the LDCs concluded that the Program of Action "provides a clear road map for the future of almost one billion people living in LDCs." Noting the intensity of negotiations during the Conference and the compromises made, he stressed that following closing, all focus should be on timely fulfillment of the commitments made, with a view to ensuring effective implementation of the Istanbul Program of Action.

Only three countries graduated from their LDC status since the UN classified the group as the poorest and weakest segment of the international community in 1971. These are Botswana (1994), Cape Verde (2007) and the Maldives (January 2011). Samoa is scheduled to graduate on January 1, 2014. ■

OFID and AsDB: Enhancement of partnership

The need for Development Finance Institutions (DFIs) to cooperate closely to enhance aid effectiveness, better combat poverty and realize development objectives – such as the Millennium Development Goals (MDGs) – was again brought into sharp focus by the recent economic and financial crisis. Cooperation and harmonization with other like-minded institutions has always been at the heart of OFID's working model.

BY SILVIA MATEYKA

In 2010, OFID signed two Memoranda of Understanding; one with the World Bank Group and the other with the International Fund for Agricultural Development (IFAD) to strengthen its strategic partnership network of leading banks and development finance institutions. In this spirit, OFID concluded, in May, 2011, a Memorandum of Understanding (MoU) with the Asian Development Bank (AsDB) during the 44th Annual Meeting of the Bank's Board of Governors held from May 3-6, 2011, in Hanoi, Vietnam.

The MoU was signed on May 2 by OFID Director-General Suleiman J. Al-Herbish, and Mr. Haruhiko Kuroda, AsDB President. OFID and AsDB agreed to intensify their longstanding partnership and work more closely to identify projects with a view to jointly financing them. The agreement identified targets to strengthen the collaboration between the two institutions in priority sectors and in regional initiatives that they both share. These include transport, energy (in particular energy access), food security and urban services. The two institutions further agreed to exchange information to better support each others' activities and hold consultations to discuss issues of common interest, including helping to provide the Asia region's poor access to energy to support socio-economic development and improve livelihoods.

AsDB President Mr. Haruhiko Kuroda *(right)*, and OFID Director-General Mr. Suleiman J. Al-Herbish signing the MoU.

At the signing ceremony, Mr. Suleiman J. Al-Herbish, Director-General of OFID, spoke of the importance of food security and the lack of access to energy as a major constraint to development in general, and to the accomplishment of the Millennium Development Goals (MDGs) in particular. "We know that AsDB is very conscious of the need for the poor to have access to reliable and affordable energy services … and we [OFID] would be very happy to take the views of AsDB on the matter and draw from its experiences in this area to enhance OFID's work in Asia," he continued. The Director-General pointed at the essential role that agriculture ▶

plays as a key element to help countries address food security, pointing out that development had to be promoted in areas where it had the greatest chance to alleviate poverty and end exclusion. In this context, Mr. Al-Herbish suggested that the operational teams of OFID and AsDB shall "formulate a program of cooperation in these fields, as priority objectives of the MoU."

The Director-General concluded: "OFID is determined to continue on a path of harmonisation, coordination and joint actions with AsDB for the good of our partner countries in Asia."

Mr. Haruhiko Kuroda, President of AsDB, said that the agreement builds on a very positive experience of cooperation between OFID and AsDB and commended OFID for the work it has accomplished over the past three decades. "In working together, AsDB and OFID will improve coordination in development activities in our common partner-countries and in those priority sectors that we both share," he added. Mr. Kuroda further agreed with Mr. Al-Herbish, noting that "food security and access to energy are also one of the main objectives of AsDB and the eradication of energy poverty is a clear objective of the MoU."

OFID Director-General Mr. Al-Herbish with Dr. Johan Bastin, CEO of CapAsia Ltd after the signing ceremony.

The MoU formalizes a long-standing relationship between the two institutions dating back to 1976, when OFID was established. To date, the two institutions have jointly implemented more than 95 projects amounting to over US$765 million in 18 countries: Afghanistan, Azerbaijan, Bangladesh, Cambodia, India, the Kyrgyz Republic, Lao People's Democratic Republic, the Maldives, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Tajikistan, Thailand and Uzbekistan.

On the sidelines of the 44th AsDB Annual Meeting, OFID also signed a participation agreement in the Islamic Infrastructure Fund (IIF). The IIF which is managed by CapAsia Ltd., is a Shari'ah-compliant private equity fund established to invest and facilitate investments in the infrastructure sectors of 12 Asian countries. Founded by the Islamic Development Bank (IDB) and AsDB, the IIF seeks to promote the involvement of independent operators and public-private partnerships in the economic growth of the region. OFID's equity investment of US$25 million in the IIF will help to encourage productivity and generate employment, thereby leading to greater prosperity for the countries and their populations.

Asia and the Pacific

According to AsDB's *Annual Report 2010*, the Asia and Pacific region is home to more than 900 million poor, comprising more than two-thirds of the world's population in extreme poverty. Some 470 million people have no clean water, which is more than half of the world's population without clean water. The region also has 70 percent of the developing world's people who have no basic sanitation, two-thirds of the world's undernourished children, and more than 60 percent of people infected with tuberculosis. However, AsDB estimates also show that the region's gross domestic product increased by nine percent in 2010, more than double the global growth rate during the same period and well above the 5.9 percent rate recorded in the region a year earlier. While the region moves beyond economic recovery to sustainable growth, the region must ensure that growth is more inclusive and that there is greater investment in education, health and infrastructure to connect the poor markets and enable them to "participate in the growth process."

PHOTO: JIM BARBER/SHUTTERSTOCK

Commodities and development: a close relationship

BY GEOFFREY SKIPPER

The year 2011 has seen renewed volatility in commodity prices. In May, maize prices reached US$10/bushel in the United States; more than double levels of twelve months ago. Copper prices broke through all-time high levels to exceed US$10,000 per tonne in February and fell back to less than US$9,000 in May.

Concern has been expressed at the highest level of governments. Indeed the G20 Summit Meeting in Seoul agreed to undertake "further work on regulation and supervision of commodity derivatives markets." The current French Presidency of the G20 has established "combating commodity price volatility" as a key priority.

Following are some of the complex factors which drive price volatility in the overall context of commodities and development. The conclusion is that higher investment in all sectors of the commodity value chain should be a priority with particular attention paid to the needs of small producers.

As shown in *Table 1*, the volatility of commodity prices has doubled in the past five years. Metals and food commodities have shown the biggest increases.

Volatility* of Commodity Prices Table 1

	1992-2005	2006-2010
All Commodities	11.5 %	23.3 %
Food & Beverages	7.8 %	13.8 %
Agricultural Materials	9.5 %	13.2 %
Metals	11.7 %	24.4 %
Oil	25.7 %	34.4 %

* Standard statistical measure of annualized volatility

Source: IMF

PHOTO: ELENA ELISSEEVA/SHUTTERSTOCK

Volatility

Many factors explain this increase in volatility. One of the most important is the reduction in the real price of commodities between 1980 and 2005. In this period, the reduction in the real purchasing power of metal and oil producers was about 20 percent whilst many agricultural products saw real price falls of 50 percent or more.

Considering the whole of the period from 1980 to 2005, *Table 2* shows the average annual rates of price change for some important commodities.

The effect of falling prices in real terms was to discourage investment in new equipment and techniques, particularly in agriculture. The trend to lower investment was aggravated by a reduction in Overseas Development Assistance (ODA). From 1990 to 2005, support for agriculture from OECD ODA fell by 24 percent.

Lack of investment left many commodity producers short of capacity when they needed it most. In 2004-2007, total output growth in developing Asia averaged over 10 percent per annum in real terms. The supply of vital raw materials could not respond quickly enough. Prices rose in response to high demand, shrinking margins of spare capacity and rising costs of exploration and production.

Instability in the OECD economies also impacted prices. After 2008, hugely expansionary fiscal and monetary policies in the US and EU increased global liquidity. Easy availability of credit (and the weaker US dollar) encouraged stock building in the second half of 2009. Regarding food commodities, widespread bad weather in 2010 and expectations of poor harvests in the US and Europe have pushed food prices higher in 2011. Policy measures to protect domestic consumers (such as bans on exports) and mandates to support first generation biofuels have also reduced the supply of some foodstuffs to the markets.

The rise in commodity prices since 2004 attracted pension funds and other financial investors. These institutions had ample liquidity and sought to diversify their portfolios away from uncertain bond and equity markets. Commodities became a mainstream investment asset, subject to fluctuations in other global markets. Commodity-based derivatives provided efficient market exposure to non-commercial investors, especially hedge funds. Some hedge fund managers employ trading strategies which tend to amplify underlying price movements.

The influence of these factors varied over the years and, considering their complex interactions, there is evidently no straightforward solution to reduce price volatility.

Annualized Rates of Change in Commodity Prices Table 2

1980-2005	Nominal (US$)	**In Real Terms***
Metals	+1.2 %	**-1.1 %**
Oil	+1.4 %	**-0.8 %**
Cotton	-2.1 %	**-4.3 %**
Maize	-1.0 %	**-3.2 %**
Wheat	-0.5 %	**-2.7 %**
Soybeans	-0.7 %	**-2.9 %**

* Relative to US Producer Price Index

Source: IMF

Regulation

Tougher regulation may appeal to some policymakers but the size and global scope of trading will make the effective definition and regulation of speculation extremely difficult. Consumers want liquid markets and many active traders to keep prices competitive. Since high volume traders will naturally gravitate to the least regulated trading platforms, there is a conflict between regulation and market efficiency.

In markets with tight margins between supply and demand, where additional capacity requires time and heavy investment of people and capital, unexpected fluctuations in demand will inevitably lead to price volatility.

Effective measures to mitigate commodity price volatility should concentrate on a stable framework for economic and monetary growth and the encouragement of a diversified supply capability, which also rewards the contribution of small producers from poorer countries.

Looking to the medium term, the positive outlook for commodities should support investment in all parts of the supply chain. Despite the uncertain performance of OECD economies, the progress of middle-income countries will underpin demand as an increasing ability to afford better food and consumer goods spreads throughout the developing world.

But good news for production will not help all producers. Market forces will not distribute the gains fairly – indeed quite the reverse might happen as increasingly concentrated and powerful buyers prefer to deal directly with large scale suppliers and trading companies on bilateral terms

Multinationals, investment banks and traders have certainly recognised the opportunities. In May, the commodities company *Glencore* was newly listed on the London Stock Exchange with a value of US$58 billion. Much of the new money raised is intended for direct investment in productive assets in order to move up the supply chain. The greater involvement of financial investors signals their appreciation of the huge profits to be made from owning commodity assets (including agricultural land) in the new market environment. This concentration of supply resources may have unpredictable consequences for price formation and will certainly pose a threat to marginal producers.

Challenges

These challenges are not new but will become more severe. Producers that are not part of the favoured networks will have to compete for sales in the residual markets. Regional marketing and finance arrangements are one solution to achieve the volume needed to negotiate long-term contracts with large customers and reduce costs of processing, transport and marketing. Consumer products can associate with established labelling schemes (such as the successful "Fairtrade" mark) which will reduce the sensitivity of demand to price changes.

Developing these strategies is gradual and painstaking work. Indeed OFID has been active in this area since 1977 when the institution helped establish IFAD – a specialist agency of the United Nations which works to improve rural incomes and agricultural productivity. OFID has contributed to numerous replenishments for IFAD. In 1989, OFID also helped establish the Common Fund for Commodities. This Fund has been working to improve techniques of agricultural production and marketing – mainly for the benefit of smaller producers in the less developed countries. Research and small-scale pilot projects have helped guide producers towards more effective solutions.

Development finance institutions can make a vital contribution by working with governments to help farmers and commodity producers reach domestic and international markets. For OFID, a high priority is support for financial and physical infrastructure. Commodity producers need access to finance – both to invest in their business and to finance trade. The OFID Trade Finance Facility has helped participants in agricultural supply chains expand trade in India and many African countries. OFID risk-sharing agreements with major banks make it easier for owners of small farms and businesses to access credit in order to obtain supplies and capital equipment.

OFID windows

OFID Public and Private Sector loans enable improvements in telecommunications, energy systems, roads and ports. Commodity producers can profit from up-to-date market information and they need efficient and reliable energy supplies. Good inland and port transport systems are necessary to reduce costs and get their products to the buyers as quickly as possible.

Higher investment throughout the supply chain is the natural response to a recovery in commodity demand and prices. The current episode will be no exception – the difference is the scale of the structural changes in both demand and supply. Price volatility is fundamentally the result of supply-demand mismatch and it will surely fade as new investments rebuild capacity.

All developing countries deserve the chance to contribute to these new structures of supply. There is the danger that the new wave of private capital will capture the markets and sweep aside the many smaller producers. OFID will continue to assist developing countries to prepare for these competitive challenges. This task requires a diversified portfolio of capabilities and all OFID windows (Public Sector, Private Sector, Trade Finance and Grants) will continue to make a substantial contribution. ■

About the author: Geoffrey Skipper is a Senior Economist in the Corporate Planning and Economic Services Unit, OFID.

SOURCE: KENTCH/SHUTTERSTOCK

Corporate Social Responsibility

Responsibilities of businesses to society and how they can be met

BY RAMINA SAMII

In the past decades, there has been growing pressure on business to meet its social obligations and address society's needs. Indeed, it is increasingly no longer acceptable for business to limit its responsibility to its shareholders. Business is expected to show responsibility toward other stakeholders, including future generations, not only at the local or national level but also globally. Moreover, although no business is expected to solve society's problems or pick up the bill for doing so, its responsibility is no longer limited to minimizing its impact on society. The growing expectation is that it would contribute to the creation of a better society and the resolution of problems that are not of its own making.

It is widely accepted that governments can no longer be solely responsible for the entire needs of society, even in sectors traditionally in their realm of authority, such as health and education. Although governments are doing what they can in view of their being the first in the line of local, national and global responsibility, addressing the requirements of society cannot be left to governments alone. Other bodies should contribute; accordingly, society expects business to step in and step up its efforts. Should business fail to do so, as Peter Drucker, the father of management theory suggested, "no other actor can or will." This conviction is supported by the fact that companies often have both the competencies and the resources to solve societal problems; two requirements governments sometimes lack.

Nuts & bolts of CSR

For decades, practitioners and scholars have been churning out articles trying to capture the essence of corporate social responsibility (CSR) and its evolution over time as well as across geographical areas, enterprises and issues. As part of their advocacy role, multilateral institutions with global and regional outreach such as the World Bank, the OECD and the European Commission have tried to first define the concept and then ensure its pursuance by corporations around the world. Business schools, preparing the next generation of managers, have been pressurized by their students, interested in providing solutions to society's needs, to offer courses on the topic. Citizens across nations are increasingly sensitized to the issue by the NGO community and media particularly in times of crises and corporate scandals.

As societies' demand on corporations increase and citizens and corporate leaders take social issues on board, CSR moves up on the agenda of enterprises, especially those with a global outreach. However, is there a common understanding of what the responsibilities of corporations to society are? Are all businesses regarded equally in terms of their responsibilities? If so, how are corporations meeting these responsibilities?

Corporate responsibilities
Friedman versus Drucker

Milton Friedman, the Nobel-awarded American economist, argued in the 1960s that "the business of business is business." As such, in his view, business' primary role is to satisfy its stakeholders – shareholders, employees, customers and government – by generating profit. In other words, the corporation is responsible to provide a return in form of dividends to its shareholders, a fair wage and decent working environment to its employees, a quality product at a fair price to its customers, and taxes to government. The corporation is also to operate within a country's legal framework. Consequently, it is up to the different stakeholders to decide whether they want to support a social need and if so which cause by dispensing of their income.

Friedman's thinking – a wall between the role and responsibility of business and that of its stakeholders to society – marks the Anglo-Saxon tradition of establishing family foundations to address societal needs. Examples include the Ford, Kellogg, Rockefeller and the Melinda and Bill Gates Foundations.

On the other side of the spectrum, Peter Drucker as early as 1939, talked about the social purpose of business. He said: An enterprise gains its legitimacy, thanks to how its management deals with its social responsibilities. In contrast to Milton, he did not see profit making as the sole responsibility of the enterprise, although he considered it primary. Drucker proposed and differentiated between two other types of responsibilities: those to do with the impact of business on society and what business, thanks to its resources and competencies, can do to alleviate societal problems. This goes hand in hand with his view that 'if business does not take responsibility of the common good, no one else can or will'.

By conducting its day-to-day activities and while operating within the legal framework of a country, business may have unintended and undesired impact on society. According to Drucker, an enterprise has the responsibility to identify these negative impacts in order to eliminate or mitigate them. This would also be with a view to protecting the brand value; hence in the context of enlightened self-interest. Drucker went a step further by suggesting that there was nothing wrong with business creating yet another profit opportunity for itself, while eliminating an unintended adverse impact on society. Similarly, business can identify new opportunities while embracing and investing in a social cause or need.

Drucker did not suggest that business' obligations towards society were open-ended. He identified three sets of boundaries: solution to the social problem should not negatively affect the sustainability of the business nor should it exceed its competence, or go beyond its legitimate authority.

Same for All?

Society's expectation from business has different nuances at the industry, firm and issue levels. Not all industries have to withstand the same amount of pressure from society. Those currently under observation include the food, tobacco, oil, mining and pharmaceutical industries. For example, the food sector is accused of marketing unhealthy products and contributing to the problem of obesity and the oil and mining sector of damaging the environment. The pharmaceutical industry has come under pressure because of perceived excessive pricing.

Moreover, not all companies operating in a specific industry are held to the same level of accountability toward society. More is expected of global companies and rather less from smaller, national firms. Oftentimes, the world's problems are expected to be solved by global corporations, while the behavior of small companies goes mostly unobserved.

Similarly, some issues have received more attention than others. Within the pharmaceutical industry, society's expectation from a company holding a life-saving drug and an off-the-shelf business concern is totally different when it comes to accessibility and pricing.

Genuine response?

CSR literature is progressively more focused on how business can help provide solutions to society's pains while pursuing its primary objective, profit. While the boundaries between the profit and non profit sectors are becoming more blurred with new types of organizations such as the social enterprise gaining ground *(see story, page 10)*, there is more scepticism on the real intentions of the enterprise. In this sense, while some accept the concept of enlightened self-interest and therefore see no contradiction in the possibility of an enterprise making more profit while addressing a social need, others question the rationale behind a corporation's CSR initiative. They may view it as a targeted marketing effort rather than a genuine desire to address a social need. An associated concern is related to the measurement of (and hence comparison between) different CSR initiatives. As long as there is no consensus on how CSR initiatives can be evaluated and measured, societies cannot objectively reward those companies with higher or more 'genuine' levels of engagement. ■

About the author: Ramina Samii is a Private Sector Operations Officer at OFID.

Nigerian President Jonathan assumes office

Presidential elections held in April

The people of Nigeria, April 16, elected Dr. Goodluck Ebele Jonathan president. He was sworn in, May 29, in a colorful ceremony at Eagle Square, Abuja, the nation's capital. Dr. Jonathan thanked Nigerians for the trust and confidence reposed in him by their mandate and pledged to begin and lead a journey of hope and transformation for Nigeria.

He told Nigerians: Our unity today is firm, our purpose is strong and our determination is unshakable. Together, he said, Nigerians will unite the nation and improve upon living standards. "We see a new beginning, a new direction, a new spirit. And I am confident that we have every reason to look to the future with hope."

The swearing-in ceremony was described as distinguished with military parades, callisthenics by school children, aerial displays by the Nigerian Air Force and a traditional 21-gun salute.

President Jonathan said the urgent task of his administration would be to provide a suitable environment for productive activities to flourish. He would pay special attention to the agricultural sector, to enable food security, and work at massive job creation for the people. Economic strategy will encompass appropriate policy support to the real sector, so that small and medium enterprises may thrive. The president reiterated commitment to the resolution of Nigeria's Niger Delta issue and to making Nigeria's leading position in Africa a priority.

Dr. Jonathan paid tribute to Nigeria's founding fathers, saying it was their enduring sacrifice and abiding faith in Nigeria's unity and greatness that laid Nigeria's foundation. "We take utmost pride in their contributions and the pivotal task of this generation is to lead our fatherland to the summit of greatness,'' the President said. He also expressed appreciation for the contributions of his parents to his success. "I hold a debt of gratitude to my mother and late father; I cannot thank them enough,'' the President declared

Foreign policy

On foreign policy, the Dr. Jonathan said "we live in an age" where no country can survive on its own; countries depend on one another for economic well-being and Nigeria is no different. "Returns on investment in Nigeria remain among the highest in the world," the President asserted, and the nation will continue to welcome sustainable investment in the economy. Accordingly, his administration will promote programs and policies that will benefit both local and foreign businesses; the emphasis will be on mutual benefits and win-win relationships.

Nigeria holds membership of most international organizations, especially the development finance institutions among them charged with working with poorer countries toward social and economic advancement. Nigeria is an OPEC Member State.

Foreign representation

Some 26 Heads of State and Government from across the world attended the swearing-in ceremony. Nine foreign vice-presidents and six former Nigerian leaders were also in attendance. Nigerian news media reported that "Jonathan practically brought the world to Nigeria" on his inauguration. A White House presidential delegation specially appointed by US President Barak Obama was also present. Mr. Obama was one of the first world leaders to send messages of congratulations to President Jonathan, as did OFID Director-General, Mr. Suleiman J. Al-Herbish.

Biography

Goodluck Ebele Jonathan, Grand Commander of the Order of the Niger (GCON) and Commander-in-Chief of the Federal Republic of Nigeria, was born November 20, 1957, to a close-knit Nigerian family. He is described as having had "humble yet adventurous beginnings," fascinated with nature and the shores of intertwining rivers and water-

PHOTO: AFP PHOTOS/PIUS UTOMI EKPEI

Nigerian President Goodluck Jonathan alongside his wife Patience. Following his election, Dr. Jonathan said that the urgent task of his administration would be to provide a suitable environment for productive activities.

ways in his native Niger Delta. Biographers speak of his honesty, simplicity, charisma and quiet strength and determination.

Educated at the University of Port Harcourt, Nigeria, he was, indeed, one of the pioneer students of that new university nestling on the shores of the Choba River. He holds a Master's degree and a Ph.D in, respectively, Hydro- and Fisheries Biology and Zoology. He served as a Deputy Governor and subsequently substantive Governor of Nigeria's Bayelsa State.

After a keenly contested election in May, 2007, Dr. Jonathan won the Vice-Presidency of Nigeria on a ticket he shared with the late President Umaru Musa Yar'Adua. In February, 2010, Dr. Jonathan assumed office as Nigeria's Acting President, following President Yar'Adua's protracted absence for medical treatment. In May, 2010, Dr. Jonathan was sworn-in as substantive President on the passing of President Yar'Adua.

Dr. Jonathan has received numerous local and international awards. He was voted *Best performing Deputy Governor* in 2002 and given the *Democracy and Good Governance Award* by the Nigerian Union of Journalists in 2004. The Africa International News Magazine League conferred on him the *Niger Delta Development Award;* while the Nigerian Bar Association accorded him the *Distinguished Personality Award* in 2006. Also in 2006, he received the *Africa Leadership Award,* 2006, from the All-African Students Union in South Africa. Dr. Jonathan was also recognized by the International Federation for World Peace (IIFWP) in July, 2006, with the *Ambassador for Peace Merit Award* and the *Leadership and Good Governance Merit*. Dr. Jonathan is married to Dame Patience Goodluck Jonathan.

Art Exhibition: Indonesia exhibits *Transformations of Nature*

Ranking government officials, distinguished ambassadors and members of the diplomatic corps, along with other special guests and staff of OFID, assembled May 26, 2011, for the opening ceremony of the Indonesian art exhibition *Transformations of Nature,* showcasing the artwork of the multitalented Balinese artist Mr. Made Wianta. The exhibition, which ran through June 10, was jointly organized by OFID and the Embassy of the Republic of Indonesia in Austria. It came within the larger framework of celebrations marking OFID's 35th Anniversary and its in-house exhibition series aimed at bringing the rich cultural heritage of OFID's Member Countries to the heart of Europe, the host city Vienna.

The exhibition was opened with a cultural evening including traditional cuisine, music and a dance performance from Indonesia. In his opening address, Mr. Suleiman J. Al-Herbish, Director-General of OFID, said OFID was proud to present – for the first time – the art and culture of Member State Indonesia and Wianta's "unique voice of colour" as part of the continuing series on OFID Member Country and Partner Country in-house exhibitions.

Also addressing the gathering, HE Mr. I Gusti Agung Wesaka Puja, Ambassador of the Republic of Indonesia to Austria spoke of Wianta's unique creations in which he shows how human life and nature can walk hand in hand creating durable harmony. The Ambassador said the exhibition would serve to inspire all visitors with this spirit.

While visiting the exhibition, many were stunned by the creativity of the artist and the way he transmits the elements of nature onto his paintings. Mr. Wianta himself said "I hope that my paintings can reflect the beauty of my country and the importance of nature and its preservation for future generations."

The exhibition not only featured Indonesian culture, it also presented the spirit of creativity and expressions of contemporary art in Indonesia. The works of Made Wianta reflect the beauty and power of the colorful Balinese nature and the fundamental elements water, earth, wind, fire and ether (space).

On display were 25 paintings portraying these elements of nature which Wianta perceives as the "alphabet" of creation. For Wianta, nature is the source of all fine art, providing the basic material to create. Nature is a "usefully put-together system," and the Balinese artist finds his inspiration in the *solid* of the earth, the *liquid* of water, the *breeze* of wind, the fire and the *sound* of space. With all these elements, he forms a new reality: Art.

Made Wianta's art also aims at raising awareness and responsibility over the global environment. His strong sense of consciousness and social responsibility toward the environment prompted him to hold several exhibitions, donating his paintings for sale in support of various social causes.

Contemporary artist Wianta was born in 1949 in the village of Apuan in the remote highlands of Tabanan Regency in Bali, Indonesia. He studied at the Indonesian School of Fine Art in Denpasar, and at the Indonesian Academy of Fine Arts in Yogyakarta, central Java, where he received his diploma in 1980. In decades of an artistic career, he has articulated himself in many different styles and art forms including paintings, installations and poems. He has created more than 14,000 pieces of artwork and has exhibited nationally as well as internationally at prestigious galleries and museums.

Wianta's painting "Poems of Happiness", an oil acrylic on canvas.

"*Transformations of Nature*" is the first exhibition held in Austria. Among the countries in which he has exhibited his works or participated in group art shows have been Bangladesh, Belgium, France, Germany, Italy, Japan, Malaysia, the Netherlands, Russia, Singapore and the United States of America and now also Austria.

From left:
HE Mr. I. Gusti Agung Wesaka Puja, Ambassador of the Republic of Indonesia to Austria; OFID Director-General, Mr. Suleiman J. Al-Herbish; and Mr. Made Wianta.

Book: I need to know

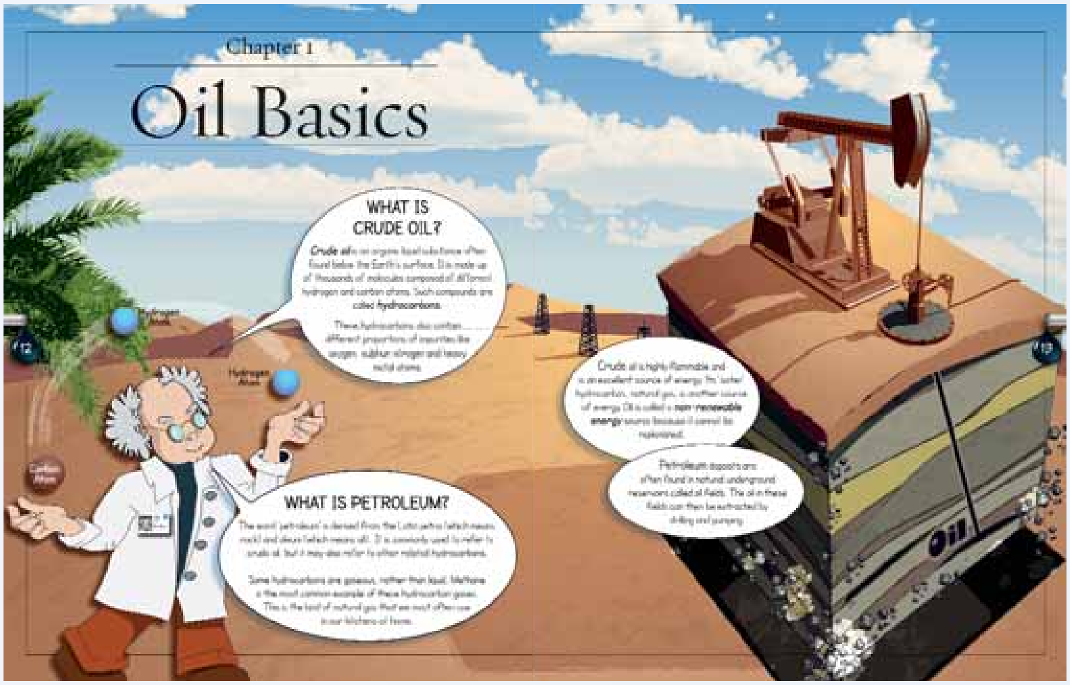
An introduction to the Oil Industry and OPEC

BY ALVINO MARIO FANTINI

When OPEC celebrated its 50th anniversary last September, it marked the occasion with a variety of events, including the issuing of special postage stamps by the Organization's Member Countries and an exhibition in Vienna that showcased their rich, diverse cultures.

The Organization also embarked on the publication of an illustrated primer on oil for young readers entitled "I Need to Know: An Introduction to the Oil Industry and OPEC." The 66-page book is divided into chapters on 'Oil Basics', 'Finding Oil' and 'Refining Oil', and includes a final chapter focusing on the origins and history of the Organization of the Petroleum Exporting Countries. This chapter also explains how the Organization's Member Countries work together to keep the oil market well-supplied and achieve stability in the oil markets.

New OPEC publication seeks to teach young readers about the oil industry.



This colorful, large-format, hard-cover book marks OPEC's first effort ever to educate and inform young readers about the workings and importance of the oil industry, and to provide a better understanding of the Organization's role.

◀ "I Need to Know: An Introduction to the Oil Industry and OPEC" gives readers basic information about the workings of the oil industry - explaining such things as the nature, composition and the definition of the different grades of crude oil, providing an overview of the fundamentals of exploration and production methods, as well as a look at the workings of an oil refinery, and generally outlining the main features of both the industry's upstream and downstream sectors. The book also includes a Glossary of Terms of frequently used technical words and expressions - like "Christmas tree", "distillate yields" and "permeability".

The colourful illustrations and designs were carried out by a Vienna-based Graphic Designer/Illustrator, Michael Haderer, in collaboration with the OPEC Secretariat. The book itself was printed by Ueberreuter Print GmbH.

The culmination of more than a year's work, this colorful, large-format,

PHOTOS: OPEC/DIANA GOLPASHIN

Abdalla Salem El-Badri, OPEC Secretary General

hard-cover book marks OPEC's first effort ever to educate and inform young readers about the workings and importance of the oil industry, and to provide a better understanding of the Organization's role. As OPEC Secretary General Abdalla Salem El-Badri says in his Foreword, "[t]here is a first time for everything." And this certainly is a first for the Organization.

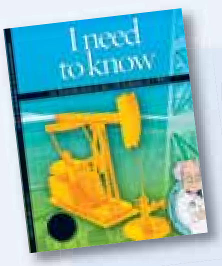
Continuing in his Foreword, El-Badri says that the book is "not only about an industry that is central to the way we live today - and to the creation of economic opportunities around the world - it [also] addresses people who will become the business and political leaders of tomorrow.

"The challenges of our world will someday be yours; and the more you know and understand about the world's most important energy source ... the better prepared you will be to respond to the challenge of the future," El-Badri says.

The Secretary General expresses his hope in the Foreword that the young people who read the book will not only enjoy the book, but after reading it, will find the industry as "compelling ... as it has been for me and the many men and women who have worked in it for many years."

Although the objective of the book is primarily to teach young readers and students about the oil industry, it will also profit mature readers with no industry knowledge. Even young readers with no prior interest in energy matters will find the book informative and visually appealing.

"I Need to Know: An Introduction to the Oil Industry and OPEC" is currently available in English. It will soon be translated into Arabic, Farsi, Portuguese and Spanish - the main languages of the Organization's twelve Member Countries - as well as German for readers in the Organization's host country of Austria. OPEC will then distribute the book across its Member Countries, as well as to schools and international organizations. ■



For more information on the book, please contact the Public Relations and Information Department at Helferstorferstrasse 17, A-1010 Vienna, Austria or send an email to prid@opec.org.

www.ofid.org

Our vision

To aspire to a world where Sustainable Development, centred 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.

1976-2011

Uniting against Poverty

1976-2011

OFID 35

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

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