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OFID and the
Fight against Poverty



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Making a Difference

OFID and the Fight against Poverty



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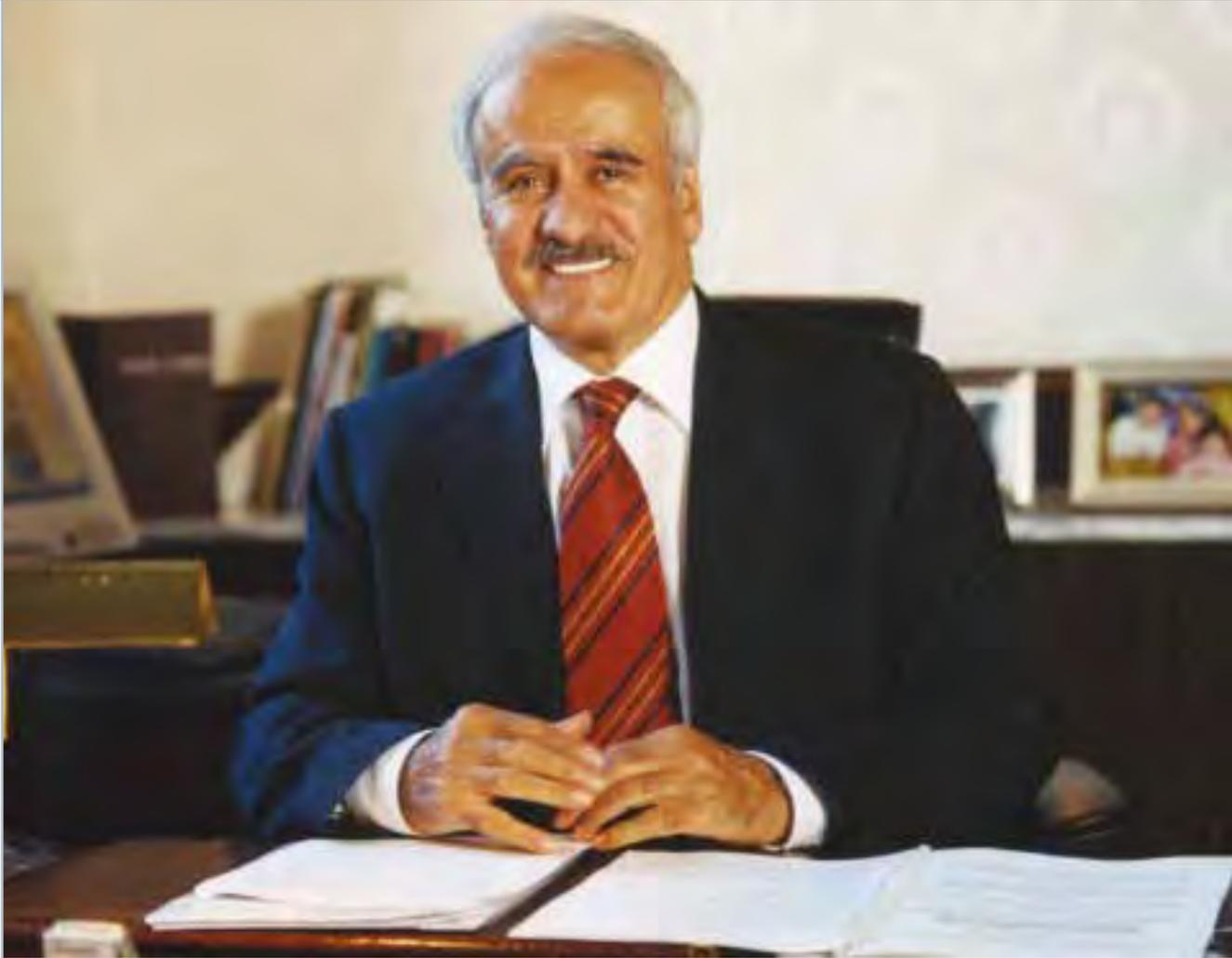
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- Unless otherwise stated, 'dollars' (\$) refers to United States dollars.
- 'Billion' means a thousand million.

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Photo Credit: Anette Friedel-Preminger



Small but inspirational victories

It gives me great pleasure to welcome readers, old and new, to this second issue of Making a Difference: OFID and the Fight against Poverty. Its re-appearance is due largely to the success of the inaugural edition, two years ago, which was received with appreciation in all quarters. We hope to update the publication regularly in future, to enable readers to keep abreast of OFID's work and to provide an in-depth perspective on some of the issues and themes that affect all of us working in the development assistance arena.

By chance, this issue coincides with OFID's 30th anniversary year and has therefore been put together as a special souvenir edition. Our sincere thanks go to the many partners whose sponsorship has made the book possible. Their support and good wishes are welcomed warmly and with gratitude. Indeed, it is appropriate to take this opportunity to pay tribute to all of OFID's partners - co-financing and otherwise for sharing expertise, ideas and experience, and for joining OFID in its global battle against poverty.

It is a battle, of course, which OFID has been fighting for three decades now, often against overwhelming odds. Time and again, we have seen unexpected obstacles thrown in the path of development, necessitating a sudden change of direction or thinking on the part of the donor community.

Frequently, there have been major setbacks, as in the case of the outbreak and rapid spread of the HIV virus. Natural disasters, too, have taken their toll. In the past 20 months alone the Indian Ocean tsunami and the South Asia earthquake have undone years of progress in countries where sure footholds had been made on the development ladder.

I am often asked what exactly it is that inspires OFID to continue to work in such an unpredictable environment. What provides the motivation to persevere with what is, after all, an uphill struggle? The answer lies in the pages of this book; in the many success stories that show clearly that development work can and does make a difference. From schoolchildren in Angola and university students in Palestine, to Cuban farmers and HIV-vulnerable populations in the Asia-Pacific region, poor people the world over are enjoying a better quality of life as a direct result of projects

implemented with OFID co-financing. These, and similar projects, are the small but significant victories that make OFID's efforts worthwhile.

However, Making a Difference is not just about the success stories. It is also about the 'bigger picture:' the pressing issues and concerns that top the international development agenda. This edition, for example, looks at disaster mitigation, water resource management, the Millennium Development Goals (MDGs) and trade liberalization, among others. All of these 'agenda items' have far-reaching implications for the developing countries and, as such, are worthy of greater understanding by the wider global community. As a committed advocate of the poor, OFID welcomes this opportunity to champion their cause to a world audience, for it is clear that our brothers and sisters in the poorer regions of the world need a voice today more than ever before.

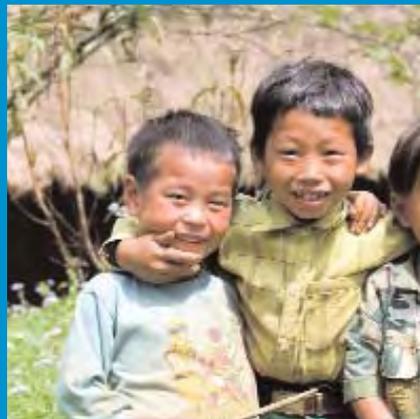
The facts are evidence of this need: 1.2 billion people are categorized by the United Nations as living in 'extreme poverty', i.e. on \$1 dollar a day or less. Some eight million people are said to die every year just because they are too poor to stay alive. So, while the MDGs have certainly brought the important work of poverty reduction into sharper focus, it has become clear that some of the goals may not be met by the 2015 deadline, unless greater effort is forthcoming. OFID, for one, is determined to continue to make its contribution felt. It is our hope, moreover, that the successes described in this book might inspire others, as they have inspired us.

Suleiman J. Al-Herbish,
Director-General

Section I

OFID:

An Overview



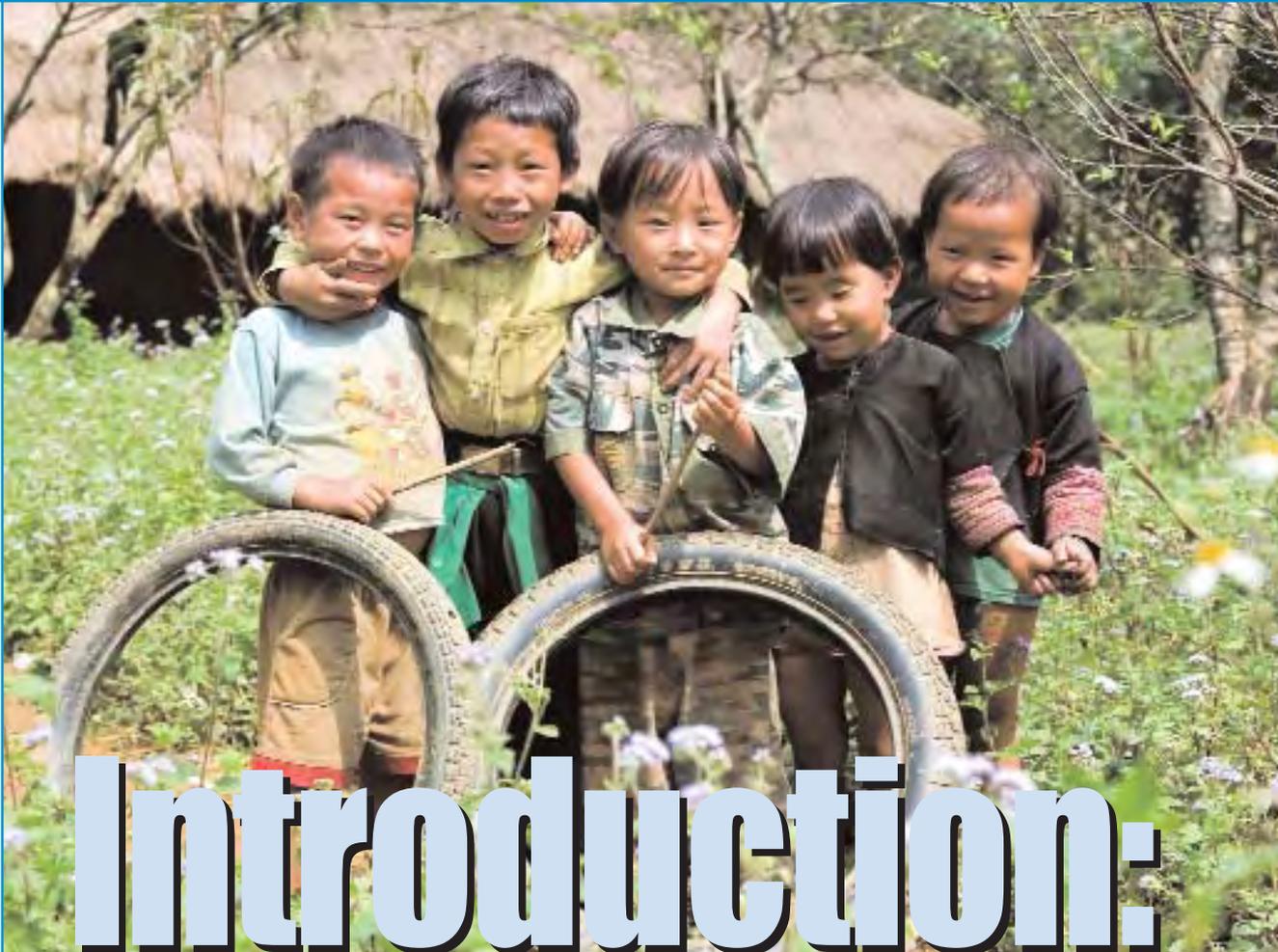


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Introduction:

30 years of making a difference

Throughout 2006 OFID celebrated its 30th anniversary with a splash: many activities were planned not only to mark the occasion but also to raise the profile of the organization and create greater awareness of its role and operations. OFID hosted a Conference of Heads of Arab Development Organizations and a High-Level Roundtable of Heads of global financial institutions, and played host to a distinguished procession of visitors.

A new feature film on the organization was produced, and two exhibitions were staged, one consisting of works of art produced by OFID staff and their families.

2006 also marked the presentation of the first OPEC Fund Award, to HUMANA People to People (see page 60). This award will be presented annually to an organization or personality who is deemed to have made an outstanding contribution to the cause of

sustainable development. OFID also introduced a generous scholarship that will fund students from developing countries in their Masters' studies.

During a special 30th anniversary assembly with OFID staff on 27 January, the Director-General Mr Suleiman J. Al-Herbish paid tribute to OFID's Member States, its Governing Board and Ministerial Council. The two preceding Directors-General, Dr Ibrahim F. Shihata and Dr Y. Seyyid Abdulai also came in for praise. The

◀ OFID's assistance is extended in many ways and to many sectors across the developing world, but the overriding aim is to benefit the poor, particularly vulnerable groups such as women and children.

Director-General had particularly warm words of congratulation for OFID staff members, however, saying that their persistence, dedication and hard work were in no small measure responsible for the success of OFID over past three decades. Considering that OFID's work is so people-centered, this accolade for its conscientious staff was particularly appropriate. From an initial staff complement of just six back in 1976, OFID's staff has grown to 140 people from approximately 25 countries, based at its elegant Vienna headquarters.

Refocusing efforts

While the focus at OFID is very much on looking ahead and planning for whatever the future may hold, the 30th anniversary has also been a time of looking back at the first three decades of the organization's life. During this period, globalization has in many respects made the world a smaller place. We hear about events on the other side of the world almost as soon as they happen. People in the developed world are better informed than ever about the situation in the developing world, and specifically about the grinding poverty that blights so many countries.

They are putting greater pressure on their governments to do more to achieve poverty reduction, by increasing the amount they spend on aid and by dismantling unfair trade practices that help keep poor people poor. This newly raised profile for development issues is very welcome, especially if it leads to increases in the amount of ODA extended by the wealthier countries. It also helps all those working in the development assistance arena to refocus their efforts to fight poverty on all fronts, whether it is building infrastructure to help poor farmers increase their output, providing schooling for children, or extending healthcare to those who have no access to modern medicine. In this regard, the declaration of the eight Millennium Development Goals (see page 94) has given a fresh boost to activities in all areas of development assistance.

For OFID, the MDGs are particularly meaningful because they highlight the human aspect of development; the very principle that has sat at the heart of OFID's ideology for three decades. Hence its longstanding focus on real needs, such as food security, better healthcare, education and clean water.

Although OFID has changed almost beyond recognition

A brief history

At the First OPEC Heads of State Summit in Algiers, Algeria in 1975, the Finance Ministers of Member Countries proposed the creation of a new multilateral financial facility to channel OPEC aid to developing countries.

Known initially as the 'OPEC Special Fund,' this facility was one of several bilateral and multilateral development institutions set up at around this time by the OPEC and Arab countries. Its resources were additional to those already earmarked for official development assistance (ODA) by the OPEC nations. The Fund, which was originally intended to be a temporary facility, started operations in August 1976 with an initial endowment of \$800 million and within little over a year its resources had doubled. By the end of 1977 it had extended 71 loans to 58 developing countries as well as channeling donations from its Member Countries to other development institutions including the IMF Trust Fund and the International Fund for Agricultural Development (IFAD) (see page 108). The OPEC Fund became a fully fledged, permanent international development agency in May 1980.

OFID provides financial assistance in a number of ways, with the distribution between the different types of aid changing over time as conditions in recipient countries evolve and needs alter. The methods of funding include public sector loans for development projects and programs, balance of payments support and debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative (see box); private sector loans; grants for technical assistance, food aid, research and humanitarian relief work; and contributing to the resources of other development organizations whose activities benefit developing countries.

OFID's work goes beyond simply dispensing aid, however; one of its central aims has always been to advance 'South-South' solidarity in every way available to it. It does this by promoting cooperation in many spheres among countries of the developing world. It also does what it can to champion the cause of the developing world in the international arena.

In this regard, OFID has been closely associated with two multilateral institutions of great relevance in the developing world: IFAD and the Common Fund for Commodities (CFC) (see pages 104).

OFID's Private Sector Facility assists small and medium businesses, such as this confectionery store in South America.

in the eventful three decades since it was founded, its basic goals have remained the same: to help narrow the gap between the rich and poor, and to spur development in the world's least developed countries.

Global reach

In April 2003 OFID marked the approval of its 1,000th loan. Today, around 120 countries from the developing world – in Africa, Asia, the Middle East, Latin America, the Caribbean and Europe – have benefited from OFID's assistance. The stories of some of the beneficiaries are told in the pages of this book.

At the end of December 2005, the level of cumulative development assistance extended by OFID stood at \$7.9 billion. The institution was by this stage well into its

HIPC

OFID has always paid particular attention to the problems of the least developed countries (LDCs), the most impoverished group in the world economy. Cumulatively, more than half of the organization's lending commitments has gone to support operations in those countries, which numbered 50 in 2006.

One of the biggest barriers to development in these countries is the large external debt that many of them bear, despite recent international moves to reduce their debt burden. OFID actively participates in the Heavily Indebted Poor Countries (HIPC) Initiative, a scheme launched by the international donor community to reduce the external debt of eligible countries to sustainable levels through a strategy of burden-sharing among all creditors. The scheme was started in 1996, at the suggestion of the World Bank and the IMF. To become eligible, beneficiary countries have to pursue sound economic and social reform targeted at measurable poverty reduction, thus encouraging sustainable development aimed at assisting the poorest of the poor.

OFID is honoring its responsibilities under the Initiative and, so far, has approved the delivery of debt relief within the framework of the HIPC Initiative to Benin, Bolivia, Burkina Faso, Chad, Ethiopia, the Gambia, Ghana, Guinea, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Tanzania, Uganda and Zambia. It has extended a total of 29 loans amounting to \$206.9 million under the scheme.



Photo Credit: Caja Los Andes/Pro Credit



Photo Credit: DWI Consult

▲ Building a new road in the Caribbean country of Grenada. OFID places a high priority on such transport projects, because they are so important to sustainable development.

16th lending program, scheduled to run for three years beginning January 2005. A total of \$1.5 billion has been allocated to the new program, with about 80 countries eligible for assistance.

When OFID first started operations its public sector lending tended to focus on balance of payments support. As time went on, however, a greater proportion of project and program loans were extended, and these now constitute the bulk of the Fund's activities.

The 1990s saw a move away from large-scale infrastructure projects in the fields of energy and industry to projects that targeted social needs and human development. In recent years, transport projects have received a high priority because the poor state of roads and other transport links in many developing countries perpetuates isolation and poverty for millions of people. Altogether, OFID has approved some \$6.2 billion in financing for public sector operations.

OFID is currently engaged in public sector projects in 110 countries, a number that grows from year to year as it forges new partnerships and widens eligibility to include more middle-income countries. While the institution is constantly evolving, however, it remains faithful to its goal of focusing on the low-income countries, and

within those countries on development that will improve the lives of the poorest and most vulnerable members of society, especially women and children.

Grant funding

Soon after OFID was established it became obvious that in addition to loans it would have to provide grants for certain development activities. Grant financing is especially appropriate in the case of small-scale projects that do not need massive funding and to support non-governmental organizations (NGOs) and other bodies involved in development, research and humanitarian work. Grants also enable OFID to respond quickly to situations of urgent need like natural disasters.

OFID extends three main kinds of grants: technical assistance, emergency relief, and funding for research and similar activities. It also has three special accounts within its grant program: the Special Grant Account for Palestine, the HIV/AIDS Special Account, and the Special Food Aid Account.

Although not a core part of its mandate, emergency assistance from OFID has helped relieve the suffering of victims of all kinds of catastrophes around the world. Sadly, the number of such disasters seems to be increasing, and the demands for emergency relief have never been higher than in recent years. This was especially true when the Indian Ocean tsunami left over 220,000 people dead and millions homeless in December 2004. OFID immediately gave \$1.2 million to support the aid effort in Indonesia, Sri Lanka, Thailand, the Maldives and India. Less than nine months later, OFID once again responded to tragedy, moving rapidly to help the victims of the catastrophic earthquake that struck South Asia in early October 2005. In the interests of sustainable development, OFID often follows up emergency assistance with conventional, low-interest loans to aid longer-term reconstruction in devastated regions. (See also page 118)

Private sector support

Public sector projects and programs are vital for development and growth, providing essential public services and infrastructure to enable people to develop productive activities to increase their incomes and fight poverty. But for many years aid donors have been finding that helping the private sector in developing countries can also pay enormous dividends.

The private sector in the developing world creates nine in 10 new jobs, most of which are in small and medium-sized businesses. Besides creating employment, these businesses generate wealth in many other ways:

by buying other goods and services they create demand and stimulate further economic activity; they provide training for staff; they can promote efficiency and growth by introducing competition into the economy; and they can generate trade and further investment.

However, the private sector in many developing countries faces daunting challenges, not least of which is a lack of access to adequate funding. This is especially true for would-be entrepreneurs trying to set up in business. Many of them are not eligible for assistance from commercial banks, which in any case are often not geared toward working with small-scale enterprises. In recognition of this, and in response to numerous requests received from partner countries, in 1998 OFID established a Private Sector Facility (PSF) to enable it to channel resources directly to this crucial sector.

While the PSF was a major departure for OFID, it clearly met a very real need in partner countries, and as it heads for its 10th anniversary the Facility is flourishing. It is now supporting a broad range of operations in a wide variety of economic sectors, from tourism to telecommunications to hospitals.

By the end of 2005 the PSF had approved close to US\$417.9 million worth of funding, spread over 83 projects in 35 countries. The Fund is currently active in the private sector in Latin America, the Caribbean, Africa, Central Asia, the Middle East and the Asia-Pacific region.

New name, new logo

Since it was founded, OFID has evolved and developed significantly. As part of OFID's goal to raise its public profile, a logo redesign was

deemed important to more accurately reflect the role of the institution and present a fresh, modern look.

The open elliptical shape of the new logo presents a more positive impression than the closed sphere used in the original design. Since OFID is, and will always be, a global institution, the globe remains as an integral part of the logo. The image of the rising sun embracing the globe symbolizes light and hope for the developing world. OFID also felt it vital to include its full legal name in the logo. The acronym OFID is used to close the link between the two 'loose' ends of the open ellipse.





Message from Chairman of Crédit Agricole Asset Management

It gives me great pleasure to address the readers of this second edition of 'Making a Difference'. OFID and our company, Crédit Agricole Asset Management, have developed a sound relationship based on experience, understanding, control and quality since 1998.

I believe the excellence of this relationship is due to the common tradition of assistance of both companies and above all to a fruitful daily partnership. In the case of both organizations, our purpose is to sustain the levels of services and performance our clients expect from us.

In 2004, the Crédit Agricole Group merged with Crédit Lyonnais, giving birth to the largest banking institution in France, and one of the leading banks in Europe. On 1 July 2004, Crédit Agricole Asset Management merged with Crédit Lyonnais Asset Management, becoming the foremost asset manager in France for mutual funds. Our company has also expanded in Europe, the Middle East and Asia, becoming a major player among European asset managers. This is in no small part due to the confidence of our clients in our management teams and in our services. These services are used by both domestic and international institutional investors, comprising government and supranational agencies, central banks and development funds, pension funds and life insurance companies.

Right from the start we have chosen to build our international development on local partnerships, in order to be as close as possible to the markets, people and cultures we serve. We have forged long-term business relationships in Korea and Japan. Now, we look towards those countries with an outstanding growth potential - India and China. Closer to home, we are implementing a major partnership with Nextra, the Italian asset management subsidiary of Banca Intesa. Our company is constantly changing, each day becoming more international, more open to new cultures and habits. We are not global but multi-local, adapting our investment solutions to regional differences with 8 investment centers in Paris, London, Milan, Madrid, Hong Kong, Singapore, Tokyo and Seoul and with sales force covering many other countries. The main pillar of this strategy consists of our teams: teams of relationship managers, of client servicers and teams of portfolio managers, focusing on performance and innovation within a multi-faceted expertise' approach.

For the years to come, our strongest wish is to strengthen our partnership and indeed, this is our constant vision: to maintain and build clients' satisfaction by meeting and exceeding their expectations.

Thierry Coste – Chairman
Crédit Agricole Asset Management



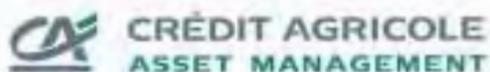
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Section 2

Case Studies



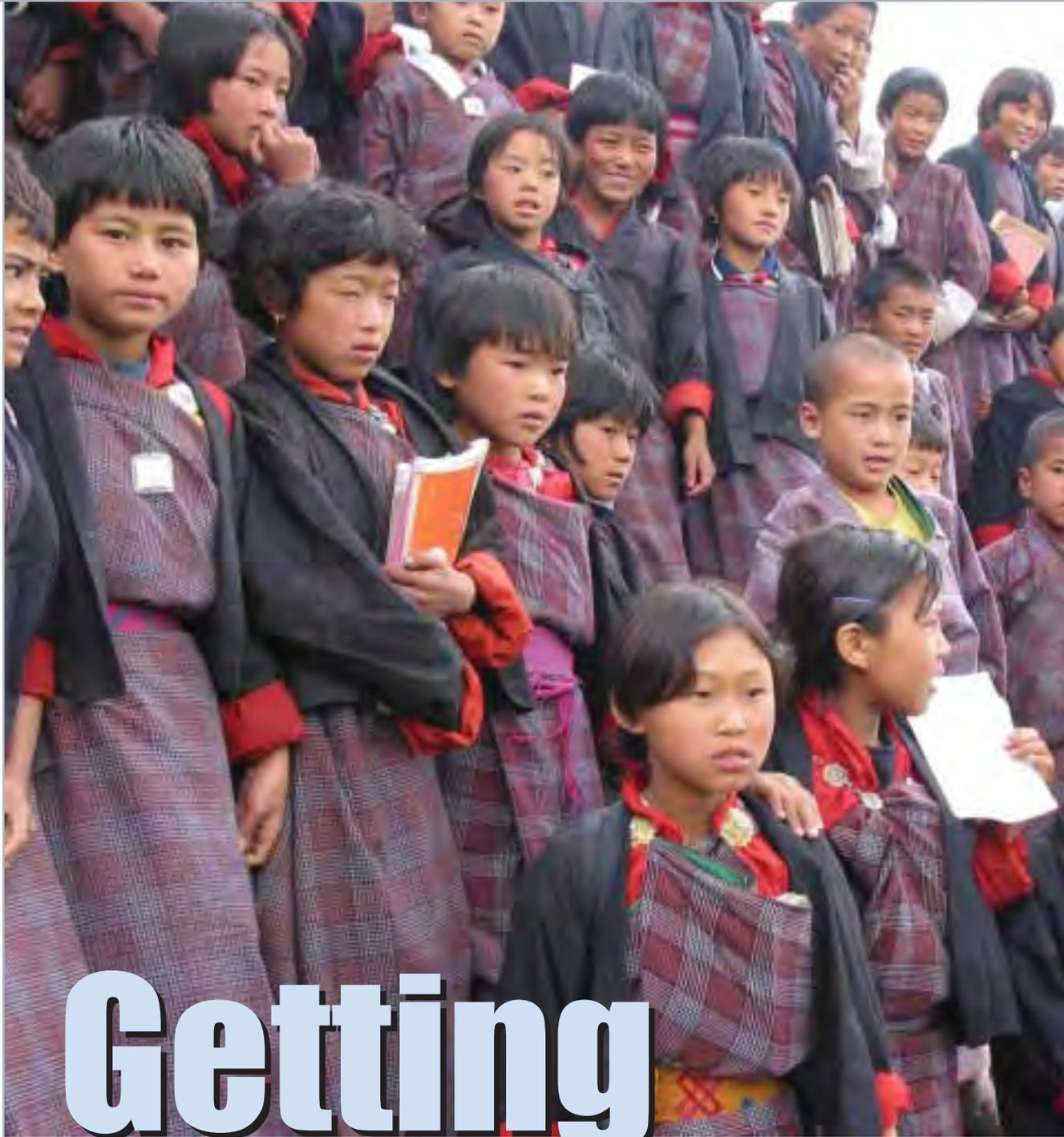


Photo Credit: Tamami Zaha, UNICEF

Getting

the daughters of the Thunder Dragon to school

A long time ago, so the Bhutanese legend goes, a Buddhist saint called Guru Rinpoche flew across the Himalayas on a tiger. As a fierce thunderstorm raged in the rugged valleys below him, he paused to declare that this was Bhutan, Land of the Thunder Dragon.



◀ **Primary school children line up in traditional Bhutanese dress.**

problematic, but in recent years the Bhutanese government has made enormous efforts to improve the quality of life of its people by advancing health and education. The educational system, in particular, has made impressive strides, with dramatic increases in the numbers of schools and qualified teachers, together with information campaigns about the importance of schooling, which have led to improved enrolment rates.

Like many developing countries, however, Bhutan has a discrepancy between the numbers of boys and girls in education, with fewer girls than boys enrolled. This is due in many cases to parents keeping their daughters at home to assist with household chores and rear younger siblings. People are also fearful of allowing their young daughters to walk long distances to and from school. The result is that literacy among women was estimated to be as low as 18 percent in 2002.

That same year, Bhutan's government launched an action plan to establish 137 new primary community schools in Bhutan's poorest areas. The new schools greatly alleviated the problems in primary education, but there was still a large difference in the numbers of boys and girls registered. The United Nations Children's Fund (UNICEF) therefore undertook to establish the extra schools needed to provide equal access to education by 2007. In support of UNICEF's initiative, OFID approved a technical assistance grant of \$200,000 in June 2004.

The results have been impressive. In 2004, 54 primary schools were built, each provided with furniture and reading materials. Beneficiary communities willingly contributed to the scheme by supplying unskilled labor during construction, knowing that the new schools would also serve as premises for informal literacy classes and community functions, and a community library. The initiative will also create eight School Resource Centers in target districts where girls' enrolment is the lowest. These centers will offer seminars and workshops for teachers for improving teaching methods, and encourage schools to work together and share resources and common experiences.

In addition to building new schools the project includes a program of advocacy and social mobilization to promote the concept of education among girls and the value of completing primary education. For this purpose, UNICEF Bhutan has sent out 1,000 "scouts" and 200 local authority members to boost education awareness in the country's 20 districts. The project recognizes that it is not enough just to build schools; they must also be of good quality and must

Just as extreme as the climate is Bhutan's landscape, with snow-laden peaks towering over steep valleys and icy, rushing rivers. In this remote Himalayan kingdom children sometimes have to walk for half a day across rugged mountain terrain to reach the nearest school. It's not surprising that many youngsters, especially from poor families, don't get an education at all.

One of the world's smallest and least developed countries, Bhutan faces many challenges particular to its situation. It is isolated, and so mountainous that there is little land suitable for agriculture. There are few roads and other transport links, and the small population of just over two million people is very scattered. Providing social services is

“I am going to school, no matter what”

A little girl in Eastern Bhutan has a special glow on her face. Nine-year-old Sonam Choki's dream of going to school has finally come true. Having waited for three years, the one hour walk to school every day is a joy that she wouldn't want to give up for anything in the world.

Born in Jomcholi, a remote village in the district of Mongar in Eastern Bhutan, Sonam Choki was just an ordinary girl who loved playing with her siblings and friends. However, with the passage of time, one by one, her older sisters and friends started going to school. She yearned to grow up fast and accompany her friends to school.

Then, after what seemed like decades to her, she finally turned six (The school going age for Bhutanese children). And she couldn't wait to remind her parents that it was time to buy her a school uniform. But her father told her: “You don't need school, Sonam, you are the lucky one. We have chosen you to inherit the family estate. So it's better for you to learn how to manage household affairs from your mother.” She felt like her world was falling apart. Sonam's parents, both illiterate, did not understand the value of education.

At the age of eight, Sonam somehow managed to get admitted to school with the help of her relatives. However, her joy was short-lived. Her parents were furious and she eventually had to drop out. She tried to forget about going to school, but she just could not let go of her dream. Finally, one fine day, at the age of nine, Sonam turned up at school on her own. Upon arrival at Ridaza Community Primary School, she met the head teacher, and with tear-filled eyes, she narrated her story – how much she wanted to come to school, how long she had waited, and how hard it was to persuade her parents.

The head teacher was most surprised at the little girl's determination to get an education. He decided to visit Sonam's home and meet her parents. He had a long talk with them, making them understand the value of education in the present world. Then the teacher left and days went by, but nothing happened. And then one morning, her mother woke Sonam up and said, “Get up, Sonam, you are going to school today...”

Sonam can't stop smiling as she proudly narrates her 'long and hard three-year journey to school.' “I love studying English, Mathematics and Dzongkha (the national language),” she says, and she talks of nothing else but her school.

Text by Tamami Zaha, UNICEF Bhutan, 2005



Photo Credit: Tamami Zaha, UNICEF

have 'girl-friendly' environments, such as better sanitation and water supply, including separate latrines for boys and girls. They must also be equipped with sturdy, comfortable furniture, unlike many of the schools in the past where children had to sit on cold concrete floors.

The money provided by OFID has enabled approximately 5,000 school age children in six districts to access basic primary education. In addition, around 90 school caretakers from eight districts have been trained in school furniture maintenance. This is important because many of the schools are so isolated that it is extremely difficult to bring in outsiders to provide services.

All in all, it's a major success story. There's still a long way to go, but while there was a gender disparity in school enrollment of 11 percent in 2002, it fell to four percent in 2005.



Photo Credit: Tamami Zaha, UNICEF

▲ Measures taken to get more girls into education have resulted in a dramatic decrease in the gender disparity at community schools.



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PICT is proud to be the private sector partners of the OPEC Fund in Pakistan and congratulate the OPEC Fund on its 30 years of service for development projects and social uplift.



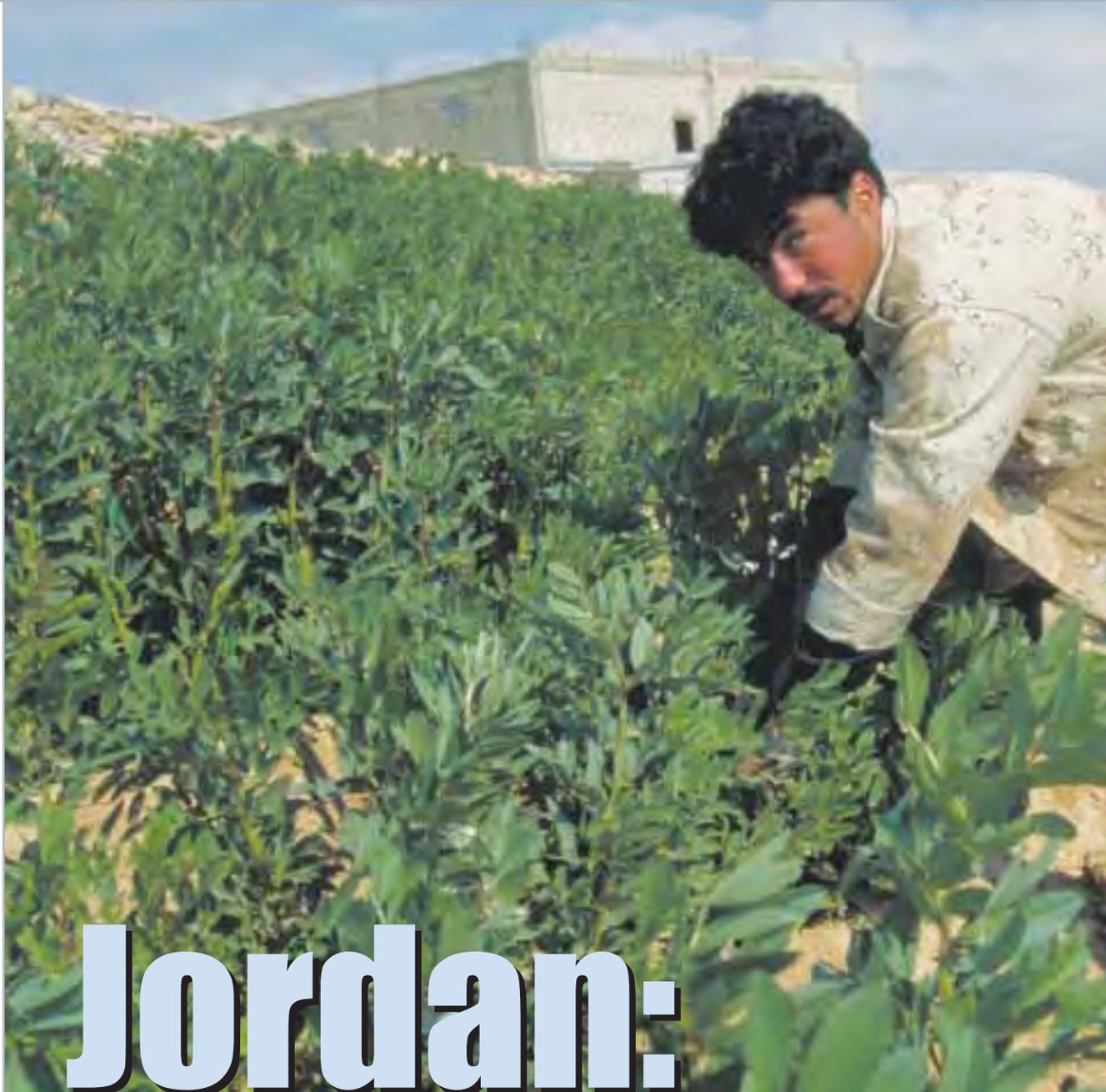


Photo Credit: IFAD, J Spaul

Jordan:

finding sustainable solutions to rural poverty

In the northwest highlands of Jordan, the average farmer has a very small farm, a large family and very little wealth to tide him over in the frequent dry periods when crops fail. The farmers cannot afford the kinds of investments that would make their farms more productive, and the land has become so degraded that many families have been obliged to leave their farms or turn to off-farm sources of income in order to survive.



- ◀ The new project is designed to improve the lot of rural workers who depend on agriculture for a living, such as this olive picker.
- ▼ This Jordanian farmer can grow more food for his family and for sale, thanks to this new well funded by the project.



Photo Credit: IFAD, J Spaul

The harsh fact is that less than five percent of Jordan's land area is actually suitable for arable agriculture. Yet despite the precariousness of their occupation, approximately a third of the country's 5.7 million people live in rural areas. It's no surprise, then, that rural people make up about 45 percent of those Jordanians who are classified as living in 'extreme' poverty, or subsisting on less than a dollar a day.

However, because of the difficult conditions people have few resources to help them diversify their agricultural activities. Lacking collateral, the poor farmers cannot get loans for necessary investment in farm activities that could lead to higher incomes. Imaginative, far-reaching and sustainable measures are needed to support agricultural development and reduce rural poverty in Jordan.

One ambitious initiative is producing just this kind of result for 2,850 poor farming households in the Yarmouk River Basin in the northwest of the country. OFID has contributed \$5 million to this project, which is co-financed by IFAD and the Jordanian Government, to improve food security and raise incomes and living standards in this area. The Yarmouk Agricultural Resources Development Project (YARDP) is a pilot project within the framework of the government's new agricultural and rural development strategy. By promoting the sustainable use of land and water resources in the highlands of Irbid and Mafrq Governorates, part of the Yarmouk watershed, it will help enhance food self-sufficiency and income levels among farmers. The project, which was approved in 1999 and commenced in 2001, set out to teach farmers how to manage and conserve their resources, and provide them with the skills and technology necessary to increase yields and facilitate the sale of produce. As far as the environment is concerned, the project aims to minimize groundwater depletion, arrest environmental degradation and restore soil fertility. A key to the project's success is full participation by resource-poor farmers, particularly women, and their empowerment to take responsibility for managing their resources.

Photo Credit: IFAD, J Spaul



Photo Credit: IFAD, J Spaul



Eligible groups and individuals are required to participate in soil and water conservation and spring protection/rehabilitation initiatives, contributing to costs in cash or in kind and assuming responsibility for repairs and maintenance.

The results have been promising. The project has made significant achievements in soil and water conservation, water harvesting, income generation and infrastructure. On-farm water harvesting using underground cisterns has proved to be one of the most successful water harvesting measures supported by the project, enabling supplementary irrigation of orchards.

Farmers are also being taught about appropriate crop rotation and patterns, viable tillage practices, improved seed strains, and pest and disease control.

Off-farm measures include the protection of the banks of wadis (drainage courses) to prevent soil erosion and to

safeguard threatened arable areas from flooding; the construction of mini earth dams to store seasonal floods for water harvesting; and the rehabilitation of public springs to enable dependable irrigation.

A wide range of support activities is also being undertaken. These include the construction of 160 km of rural roads to enhance transportation links, the provision of seasonal loans to farmers to promote intensified production, and the establishment of a scheme to assist an estimated 800 women to develop small-scale businesses from which they can earn their own living. A total of approximately 20,000 people stand to benefit from the project.

Jordan has been the recipient of eight OFID loans in total, which have financed projects in the energy, agriculture, education, industry and health sectors, to the tune of \$68.9 million.

▲ Top left and right: Olive growing is becoming increasingly important in Jordan. The multi-faceted agricultural project is helping many small-scale growers such as these two men.

▼ A sheep farmer herds his flock in the arid semi-desert of Jordan.

Photo Credit: IFAD, J Spaul





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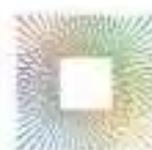
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Photo Credit: IFRC

Fighting HIV/AIDS in Asia-Pacific

In the 25 years since the illness first came to light, HIV/AIDS has become one of the greatest threats not only to human health, but to the socio-economic welfare of millions throughout the world. OFID's involvement in the war on HIV/AIDS began in the mid-1990s when the international community began lobbying for a unified global response.

As the new millennium came and went, with little impact on containment of the virus, OFID scaled up its contribution enormously, launching its dedicated HIV/AIDS Special Account in June 2001.

One of the many projects funded by grants from this Special Account is a joint effort with the International Federation of Red Cross and Red Crescent Societies (IFRC) to combat HIV/AIDS in the Asia-Pacific region. The partnership, formally sealed in November 2002 in a signature ceremony at IFRC headquarters in Geneva, Switzerland, pledged a joint \$4 million towards reducing household vulnerability to HIV/AIDS. The project was launched to coincide with World Aids Day on December 1, 2002, and was fully implemented by July 2004.

The Asia-Pacific region has witnessed one of the highest increases in HIV/AIDS prevalence rates in the world. Some 1.2 million people in the region became infected in 2005 alone and an estimated 9.7 million Asians are now living

with HIV. Survival rates are poor: more than half a million people in the region are believed to have died of AIDS in 2005. There have been sharp increases in HIV infections in China, Indonesia and Vietnam in particular. And both China and India will soon surpass South Africa's status as the country with the highest number of people living with AIDS.

Besides the enormous human toll it is taking, HIV/AIDS threatens to reduce, halt and even reverse gains made in education, health and infrastructural development, as well as disrupt economic growth. From a human point of view, if strenuous efforts are not made to fight the disease, it threatens to tear apart Asia's social fabric, much as it has done in parts of sub-Saharan Africa. And just like sub-Saharan Africa, it is likely to be the poorest and most vulnerable members of society, including children and women, who will suffer the most.

Under the OFID/IFRC 'Reducing household vulnerability to

- ◀ **As part of its support to women's groups, Nepal Red Cross community volunteers disseminate HIV/AIDS prevention messages, as well as discuss issues related to stigma/discrimination.**

HIV/AIDS' initiative, funds were allocated to support programs in Nepal, Sri Lanka, Cambodia, Laos, Vietnam, Papua New Guinea and 22 other countries in the Asia Pacific region. While the actual activities undertaken varied country by country, the project had three main aims: prevention, the reduction of stigma and discrimination against people living with HIV/AIDS, and the care and treatment of HIV/AIDS sufferers and their families.

One far-reaching aspect of the project was a peer education program, in which vulnerable groups were taught about the pandemic and how they as individuals could avoid catching and transmitting the disease.

Capacity building

The program also focused on capacity building in the national IFRC branches involved, through measures such as staff and volunteer training and strengthening the links between the various bodies involved in HIV/AIDS prevention and mitigation. This has created a momentum that has allowed these branches to take their work

- ▼ **Nepal Red Cross volunteer youth educators explain human reproduction as part of its HIV/AIDS prevention program.**

forward and expand the scope and depth of their HIV/AIDS campaign, which now extends from the most isolated corner of Micronesia to the highly populated development hotspots of Asia. The IFRC is very well represented throughout the Asia-Pacific region, with over 60 million volunteers, and in many countries it is the only humanitarian NGO present. It is therefore well placed to help mobilize governments and civil society to join the battle against HIV/AIDS. The IFRC has been involved in the fight against the spread of the HIV/AIDS infection since the mid-1980s, and this project is just one of many that it has carried out around the world.

The project is a good example of OFID's commitment to cooperating with other development assistance bodies; without this there is little hope of making meaningful inroads into solving the problems thrown up by disasters, of which HIV/AIDS is but one example. An important part of such partnerships is to encourage the participation of local communities, and this project places heavy emphasis on involving the communities affected at household level. As well as IFRC, in the field of AIDS/HIV mitigation OFID also collaborates closely with many other leading international agencies: UNAIDS, the World Health Organization, the United Nations Population Fund, the International Labor Office, UNESCO and UNICEF. In fact, more than 90 countries are currently benefiting from these joint efforts, and to date, OFID's Special Account for HIV/AIDS has allocated \$50 million to fight the disease.



Photo Credit: IFRC



▲ Red Cross Youth spread the word on HIV/AIDS prevention to their peers.

Peer education on HIV/AIDS in Cambodia by Hout Cheng Chhay and Rosemarie North

Hour Sina wanted to kill herself when she tested positive for HIV in December 2003.

What kept her going was the thought of what would happen to her five children, the youngest of whom is four years old, and the two children she took in after two of her brothers died of AIDS.

"I was very angry with my husband because he transmitted HIV to me," says Hour Sina, 42, who lives in Cambodia's Kampong Cham province. "I wanted to jump into the river to drown myself but I did not because my children are still so young."

Now Hour Sina is not strong enough to work so hard in her noodle stand, an essential part of her family's income. And she is resentful that she didn't have any power to protect herself from HIV, which affects 2.6 percent of people aged 15-49 in Cambodia, the highest rate in the Asia-Pacific region.

She says she used to give Ros Sophat, her policeman husband, money to go out with his colleagues to eat, drink alcohol and visit brothels. If she refused, he would hit her, she says.

In a frightening trend, monogamous women like Hour Sina have become one of the most at-risk groups in Cambodia, says Dr Tia Phalla, secretary-general of the National AIDS Authority of Cambodia.

"We have an average of 20 new infections daily but out of them, seven housewives get infected and seven babies get infected. That's a pity, a very sad story," he says.

Mobile groups like the police can act as a bridge to move HIV/AIDS from high risk groups like sex workers to broader sections of the population, including married women and children, producing a more generalized epidemic.

The fact that HIV/AIDS is spreading from traditionally high-risk groups into the general population is one of the reasons why the Cambodian Red Cross has launched a peer education program with police.

In two- or five-day training sessions, the police learn the facts about HIV/AIDS and how it is transmitted; they consider their own behavior and options, resisting peer pressure to go out partying with their colleagues; they are introduced to gender awareness and goal setting.

So far about 2,100 of Kampong Cham's 3,800 policemen have been through the program. The province is Cambodia's largest, with 1.7 million people, and one of seven provinces to have had the program since 1999.

Phan Sophy, whose husband is a police inspector, remembers the exact date he went on the Red Cross peer education course - it was March 11, 2003. She knows the date because his behavior changed so radically afterwards, she says.

Before his five-day training to become a peer educator, Sam Nal would often go out to bars and brothels. When he came home late, the fence to his home would be shut, indicating his wife's displeasure. That was all the power she had to influence his behavior.

After the Red Cross course, Sam Nal stopped drinking and started to do some more household chores. Now he comes home at lunchtime to feed the pigs, says his smiling wife, and thanks to his savings, the family's pig herd has expanded to more than 100, a tangible sign of Sam Nal's commitment to his family's future and to his responsibilities.

An evaluation found the peer education and life skills program was a unique approach that had resulted in a substantial shift in police attitudes and behavior.



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OFID assists in Albanian cement factory face-lift

Visitors to the south-east European nation of Albania cannot fail to notice that construction is taking place all over the country as it goes all-out to modernize and develop its infrastructure, one of the most dilapidated on the continent. The building boom is fueling a demand for cement that until now could only be met by importing large amounts from abroad. At the end of 2006, a newly rehabilitated cement plant, co-financed by OFID, will come onstream, supplying most of the local demand and giving a huge boost to Albania's economic reconstruction efforts.

Albania emerged from 47 years of strict communist rule in 1990, and it is still in the process of liberalizing its political system as well as its economy. There has been considerable progress in the past decade and a half, but the country remains relatively underdeveloped, with unemployment high and poverty widespread. By European standards, Albania is disproportionately dependent on agriculture, and without substantial growth in the industrial, commercial and service sectors of the

economy it will struggle to catch up with its wealthier neighbors. According to the World Bank, in 2005 Albania's gross national income per capita stood at \$2,080, the lowest figure in Europe. Some 40 percent of households have no access to necessities such as basic education, water, sanitation and heating. Albania's agriculture and industrial sectors both tend to rely on antiquated equipment and old-fashioned methods, and the transport infrastructure is in desperate need of repair.

◀ **The Fushe Kruje cement factory is a symbol of Albania's extensive modernization program.**

In view of this, the Albanian government has embarked upon a major road rehabilitation and reconstruction program. The country is also experiencing a residential housing boom, fueled partly by the return of Albanian expatriates from abroad, and by remittances sent home by the many thousands of Albanians who work elsewhere. As a result, the Albanian market for cement more than doubled to 1.53 million tons per annum between 1996 and 2003, and it is growing by the year. To help meet the burgeoning demand for good-quality cement, in 2004 OFID extended a loan of \$8 million to the Fushe Kruje cement factory to expand and modernize its production plant, the largest in Albania.

Cutting down imports

In the communist era there were four cement plants serving the local market, but they had fallen into disrepair by the early 1990s, and output slowed to a trickle. Until recently Albania had to import almost 90 percent of its cement. The new factory will cut down imports to 20 percent of total requirements, thus saving the country valuable foreign currency.

The Fushe Kruje project, which is being co-financed by the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC), among others, will cost a total of \$130 million. This represents one of the largest private sector investments in Albania, and it is hoped that its success will encourage many other investors to enter the market. Albanians will also benefit from the direct and indirect job opportunities that the project is creating. At the moment it employs 355 local people, and is the biggest employer in the Fushe Kruje area. The owners of the plant are focusing strongly on upgrading the skills of the existing workforce, and on recruiting Albanian graduate engineers, chemists and other professionals to manage the plant in the future.

Dry process

The project involves the rehabilitation and expansion of the plant, through the installation of a new dry process cement



Photo Credit: Fushe Kruje Project Management Team

▲ **The new cement plant is making a priority of training and recruiting Albanian workers to ensure it has a successful and sustainable future.**

line that includes two cement mills with a capacity to produce 110 million tons per hour. The annual output when it is fully up and running at the end of 2006 will be 1.3 million tons, which should reduce the need to import cement drastically. This compares to the former wet-process plant's capacity of 500 tons per day.

The old plant used dated 'wet-process' Chinese technology, and was operating at a reduced level because its clinker production equipment had been dismantled. (Clinker, the main raw material used to manufacture cement, is an artificial rock produced by heating limestone and other raw materials in specific quantities to a very high temperature in a kiln.) Even though the necessary raw materials for clinker are available locally, the plant was consuming 120,000 tons of costly imported clinker per year.

The new production line is of dry-kiln technology and includes the full cement production process, thus replacing the import of clinker. Newer dry-process kilns are more energy efficient and, although the initial cost is higher, in the long run they are cheaper to operate than older wet-process kilns. Top quality raw materials (limestone, clay, sand, iron ore and gypsum) are available from quarries in the vicinity of the plant, which makes supply of raw materials efficient, easy and cheap.

The new dry process cement line is capable of producing 1,300,000 tons of cement a year (equivalent of 3,300 tons per day).

A dedicated power plant has also been built to ensure a stable power supply so that production can continue uninterrupted.

▼ **The Fushe Kruje plant uses local raw materials, and the final product is of higher quality than most imported substitutes.**



Photo Credit: Fushe Kruje Project Management Team



Photo Credit: BMT Asia Pacific Pte Ltd

Improved water transport raises living standards on Papua New Guinea

Papua New Guinea (PNG) is a land of spectacular beauty, with jagged mountain ranges rising from jungle-covered lowlands, plunging gorges and rushing rivers. It is made up of the eastern half of the island of New Guinea, the largest in the Pacific, and about 600 other islands scattered over a large area. The long, palm-fringed coastline and the rugged inland terrain may make tourists gasp with delight, but they have severely hampered the development of an efficient and affordable transport system in the country.



- ◀ Water taxis are a common form of transport in the islands of Papua New Guinea.
- ▼ The marine infrastructure project aims at providing proper quay and mooring facilities.

“ A \$4 million loan from OFID, agreed in 2004, is helping to alleviate the water transport problems in PNG by providing transport subsidies to poor communities and restoring dilapidated infrastructure at 40 maritime transport facilities. ”

Most services are inaccessible to residents of remote communities, who are also among the poorest people in the archipelago. It is estimated that these isolated regions are home to about 500,000 people, half of whom live on less than \$1 a day. For the people on smaller islands in particular, water transport is vital to their way of life, whether for going to school, work or market.

Despite this dependence on water transport, the availability, frequency and quality of maritime services varies widely, and in some of the more remote islands they are virtually nonexistent. Most existing water transport services are provided by small craft – often large canoes with outboard motors attached – which are both expensive to run and very unstable. Safety is compromised by overloading, long travel distances, lack of safety equipment and communications, travel in bad weather, and



Photo Credit: BMT Asia Pacific Pte Ltd



▲ The most remote communities of PNG will be given priority under the maritime infrastructure project.

inadequate search and rescue capability. Inevitably, there are frequent boating accidents and many lives are lost. Ease and safety of travel is further hampered by non-existent or poorly maintained wharves and jetties.

A \$4 million loan from OFID, agreed in 2004, is helping to alleviate the water transport problems in PNG by providing transport subsidies to poor communities and restoring dilapidated infrastructure at 40 maritime transport facilities. The project is being co-financed by the Asian Development Bank (ADB) and the government of PNG. A spokesman for the ADB summed up the benefits of the project: 'Inaccessible, unaffordable, and unreliable water transport in areas [of PNG] has marginalized rural communities as they cannot reap the benefits of development or economic activity, or easily access basic services such as health and education. The project offers an opportunity to directly and indirectly improve their quality of life.' Key to the project is the establishment of a community water transport fund, which will subsidize the operations of franchised transport providers, initially

prioritizing routes that serve remote communities and have a strong potential to reduce poverty and expand local economic activity. To support these services the fund will also carry out improvements to the maritime transport infrastructure by restoring 40 selected piers, pontoons, jetties, landing ramps and small wharves. Safety standards will be raised by introducing a formal marine accident reporting and investigation system, the preparation of safety guidelines, the development of a boat licensing system and the installation of a countrywide marine radio network.

Because the overall aim of the project is to raise living standards and reduce poverty in remote maritime and river-based communities, it will include an outreach campaign in target areas to help people make the most of their new opportunities. Extension workers will assist and encourage vulnerable communities to develop innovative schemes to improve access to health and education facilities, and boost incomes through micro-enterprise opportunities. There will also be improved access to and awareness of preventative health care, including HIV/AIDS.



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Rebuilding

Tajikistan's new Silk Road

The central Asian republic of Tajikistan once lay astride the Great Silk Road, for centuries the major link between Western Europe and Asia. Of massive importance for trade between the two regions, the route was also one of the world's great communication routes: channeling ideas, culture and technology between the two main cultural centers of the era.



- ◀ The road traverses extremely rugged countryside that is also exposed to great extremes of weather.
- ▼ High-tech bridges and modern road design mean journeys that once took days can be completed in hours.



“ The repairs to this vital artery have made a big difference to the people of Khatlon Oblast. ”

Spending most of the 20th century as a member of the Soviet Union, Tajikistan suffered more than most of the Soviet republics when the USSR finally fell apart. Not only having to contend with a sudden and severe economic slump, the country then had to endure a brutal civil war that ran from 1992 to 1997. More recently, Tajikistan has begun to show promising signs of economic recovery, but poverty levels are still unacceptably high, particularly in rural areas, and the country is the poorest of the former Soviet Republics. In 2005 it was ranked 122nd out of 177 nations in the UN HDR poverty index.

Tajikistan is landlocked and mountainous, and as in the heyday of the Silk Road, it is still heavily dependent on

the overland movement of goods, both for internal and external trade, especially as farming accounts for more than 65 percent of total employment. Therefore, the country's transport network and connections to neighboring countries are of the utmost economic importance. As over 90 percent of the country is made up of very high mountains, roads represent the most important mode of transport in Tajikistan, taking all but a fraction of freight volume and virtually all passenger traffic.

However, many of the country's roads have not been maintained for decades. Unless they are restored to an acceptable level, it will prove impossible for Tajikistan to sustain its economic recovery, and attempts to reduce the stubborn levels of poverty are doomed to failure. In view of this, OFID has helped finance the repair of one particularly important road running through the



▲ Workers on the rehabilitation project.

Khatlon "Oblast" (region) in south-western Tajikistan. More level than the rest of the country, this oblast is the largest and most populous in the country; about a third of Tajikistan's six million people live there. The road in question runs from the capital Dushanbe to the country's third-largest city of Khulyab, taking in the important market towns of Kurgan Tube and Dangara, as well as several mountain passes more than 2,500 m high, along the way. Built in the 1950s, the Dushanbe-Khulyab road was handicapped by poor design from the very beginning. And while it was extensively rehabilitated in the early 1970s, a lack of maintenance thereafter has resulted in serious deterioration and damage. In winter, heavy snowfalls and avalanches blocked the road. In spring and summer, melting snow and heavy rainfall caused frequent subsidence and landslides, particularly in the mountainous sections, and often made the road impassable. Even when the road was open, its dilapidated state made driving extremely hazardous.

The result was that the livelihood of the whole region was being constricted. Most of the people of Khatlon Oblast are poor farmers growing cotton, grain, fruit and vegetables, with some animal husbandry on the side.

However, they farm 40 percent of the country's vegetable acreage, with households depending not only on their small private plots for self-consumption, but also for income. Good roads, kept open permanently, are thus absolutely vital to allow their produce to reach markets as quickly as possible, as well as to bring in the supplies they need.

Reconstruction would have been a massive, costly, and for the farmers, an enormously disruptive enterprise. Fortunately, the need for such an exercise has now been avoided with a timely rehabilitation project.

The project focused on repairing and rehabilitating approximately 80 km of the most damaged sections. About 150 km of rural, local and farm roads were also upgraded by filling in potholes, grading dirt road surfaces, building drainage facilities, and re-surfacing selected sections with gravel. The work began in 2001 and was completed by the end of 2004.

The repairs to this vital artery have made a big difference to the people of Khatlon Oblast. Transport is now both less expensive and more dependable, and the rural population has started to take advantage of previously unavailable social services and new economic opportunities.

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Electric irrig

raise hopes, and yields, in Cuba

Photo Credit: Shutterstock/Sascha Burkard



ators

By rehabilitating worn-out irrigation systems in two important agricultural districts of Cuba, an OFID loan has helped to turn a dusty corner of the island green and fertile after years of disappointing yields and outright crop failures.

The largest island in the Caribbean, Cuba has almost as much land as all the other Caribbean islands combined. About 60 percent of the country's land is suitable for agriculture, and about 20 percent of it is normally under irrigation, with sugar cane and vegetables being the most important crops. Cuba's promising agricultural sector was, however, dealt a tremendous blow in the early 1990s after the collapse of the Soviet Union, the source of most of the country's foreign economic assistance and a major importer of Cuba's sugar. Without Russian investment, aid and trade, the Cuban economy imploded and between 1989 and 1994 agricultural production fell 54 percent. Food shortages and deprivation were the inevitable results.

Agricultural reform

Since then, an impressive reform program has helped restore agricultural yields, but farmers in the irrigated sector still struggle to make do with antiquated irrigation systems. Most of Cuba's irrigation equipment is hydraulically-driven Soviet diesel combustion systems, installed in the late 1970s and due for replacement years ago. They frequently break down despite the heroic efforts of local mechanics, and the cost of replacement parts and maintenance is inordinately high. Considering that crops under irrigation make up around one-third of the country's export earnings and provide a substantial portion of its 11 million-strong population with jobs, the stakes are high.

In 2001, the Cuban Ministry of Agriculture responded to the irrigation crisis by launching the National Plan for Electrification. According to this high-level directive, all the old diesel-driven irrigation systems were to be replaced by electric center pivots within 10 years. The Plan called for 900 irrigation systems to be replaced, an ambitious task for a country with limited foreign currency reserves and no access to international capital markets.

The brand-new center pivot irrigators in action.



▲ **Reliable irrigation enables a bumper crop of potatoes to be harvested.**

Almost one-quarter of Cuba's irrigable land is concentrated in the provinces of Matanzas and Ciego de Avila, home to over one million people. An increase in the amount of land used for irrigation in these provinces, in combination with the ever-decreasing performance of the old diesel-pivot irrigators, made it necessary to replace the entire network, piece by piece. In June 2003, OFID contributed a loan of \$10 million towards a \$15.35 million project, co-financed by the Cuban government, which aimed to install a total of 125 electrically driven, low-pressure irrigation systems in the two provinces. OFID's money was used to buy and commission 65 electrically-driven irrigation systems in Matanzas and 60 in Ciego de Avila.

Many of the small civil works were carried out by work crews on the recipient farms directly, and thanks to their skilled and enthusiastic support, the project was completed in 2005, almost a year ahead of schedule. In addition to the new electric center-pivot pumps, wells and water pipes were overhauled and repaired, 47 km of electric lines were laid, service sheds built, and seven sub-stations installed. In all, 4,380 ha of prime agricultural land can now be cultivated to full advantage in Matanzas and Ciego de Avila.

The new equipment allows for fertilizers and pesticides to be applied during irrigation, resulting in less wear and tear on the soil and a reduction in erosion. Maintenance equipment such as cranes, mobile workshops and tools will also be provided to insure the smooth running of the network. And as flow rates will be regulated by an integral hydro-module, water losses and energy usage will be significantly reduced.

The anticipated rise in agricultural yields in Matanzas and Ciego de Avila will reduce the cost of basic foodstuffs, particularly of potatoes, the Cuban staple food, and help create extra jobs. Also, money formerly spent on importing costly diesel to run the irrigation pumps can now be diverted to other areas such as health and education.



As the long, graceful boom of the irrigation system came closer, Felipe Garcia Diaz, 43, was greeted first by a breath of cool, damp air and then by a cloud of fine spray. He watched the first droplets trickle off the foliage and hit the ground, setting off little puffs of dust. He saw the red soil darken as it soaked up the welcome moisture. With their leaves freed of the dust, the potato plants already looked fresher and healthier. Felipe gazed across the field and smiled: "These are the first potatoes we've planted since our cooperative got the new electric pivots," he said. "And this time, with a little luck, we're going to have a good harvest! "The old Fregats have caused us nothing but trouble and delays for a long time now," Felipe said. "The flow of spare parts dried up when the 'Special Period' started back in 1990, and ever since we've had to beg, borrow and improvise to keep these rusty old things running. It takes all our time and energy to squeeze something out of them.

"Most of the large farms around here used to produce three irrigated crops a year, but for about eight years now, we've been lucky to bring in two harvests. Mostly, we could only manage one. Why? Because even when the old Fregats were working, we couldn't get enough diesel.

"Seed potatoes must be imported, too, you know, but that investment is simply wasted, if the fields aren't irrigated. It's not just the money, mind you, it's the lost work! It's so frustrating to put all that effort into planting and weeding, and then watch a promising crop wither for lack of irrigation."

The old Fregats have many other flaws, as Felipe explained. Besides being unreliable and expensive to operate, the "diesel-guzzling stinkers" pollute the air more effectively than they irrigate the crops. And since they push out water at very high pressure, the Fregats cause soil compaction and erosion.

To Felipe and his fellow campesinos, the new machinery is more than a collection of pipes and pumps; it is "simply beautiful" and represents a major change in their everyday lives and expectations, a hint that years of hardship and rationing may be coming to an end. "Next year our potato yield is going to top everything you ever saw," predicts Felipe.

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Thirtieth Anniversary of the OPEC Fund for International Development

Thirty years ago, member countries of the Organization of the Petroleum Exporting Countries (OPEC) launched an initiative which led to the establishment of the OPEC Fund for International Development in 1976, as an expression of solidarity with other developing countries in their pursuit of social and economic development.

Over the past years, the OPEC Fund pursued its mandate to promote development in the developing world and in particular, to help the poorer and the low-income countries in their efforts to achieve their development objectives.

As a founding member of OPEC, Kuwait strongly supported the establishment of OPEC Fund, and played an important role in drawing up the articles of agreement of the Fund. The late Dr. Ibrahim Shihata, who was then Legal Adviser of Kuwait Fund for Arab Economic Development, the principal aid Agency of the State of Kuwait, participated effectively in the legal, organizational, and administrative aspects pertaining to the setting-up of the Fund, and became its first Director-General, until he joined in 1983 the World Bank as General Counsel, and retired in 2000 as Senior Vice-President and Special Adviser to the World Bank's President.

All along, management and staff of Kuwait Fund have established a close relationship with OPEC Fund since its establishment and this relationship provided us with the opportunity to be well acquainted with the policies and procedures of a sister development institution. Our association with OPEC Fund over the years was not driven only by our similar objectives, but also by our keen interest to ensure through our close and continued cooperation, together with other sister Arab National and Regional Development Institutions, members of the Coordination Group, that our joint aid efforts will be more effective, and that the Implementation of jointly financed operations are facilitated by the common and unified policies and procedures adopted by the Coordination Group.

We note with great appreciation the diligent efforts of OPEC Fund to explore all avenues and opportunities for partnership with bilateral, regional, and multilateral financing institutions and donor countries with the aim of leveraging the assistance from its own resources through

co-financing so as to reach out to a larger number of beneficiaries in Africa, Asia, Latin America, the Caribbean, the Middle East and Europe. The wide geographical coverage of the operations of the OPEC Fund signifies the strong underlying commitment of OPEC member countries to expand and deepen south-south cooperation, as conceived by them thirty years ago.

Kuwait Fund views the thirtieth anniversary of OPEC Fund as indeed a landmark occasion of a specific nature and meaning. It is an event which brings us to a point of time at which the OPEC Fund and its member countries can look back with satisfaction at past achievements while drawing lessons from previous experience for the purpose of future operations. On this occasion, we recall the long-standing and continued cooperation between Kuwait Fund and OPEC Fund and other sister Arab/OPEC aid institutions, and while we recognize the development challenges which lie ahead, we look forward to enhance and strengthen our existing cooperation and continue to coordinate our efforts with Arab/OPEC development institutions to enable us collectively to deliver assistance with the desired efficiency and effectiveness, and be able to play our part within the efforts of the international community to eradicate poverty and promote the achievement of the Millennium Development Goals as well as growth and development at large in the developing world.

Abdulwahab Al-Bader

Director-General

Kuwait Fund For Arab Economic Development



Kuwait Fund For Arab Economic Development

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LANKA ORIX LEASING COMPANY LTD

Lanka ORIX LEASING Company (LOLC) recently celebrated the 25th Anniversary of the introduction of the concept of Leasing to Sri Lanka. Leasing is an easy and convenient way for entrepreneurs to start, consolidate or expand their businesses. Being a totally new concept, leasing met with initial resistance but following effective marketing, even the rural sector shed its traditional cautious view of anything new and soon LOLC began to play a vital role in industry and agriculture, assisting not just the 'big' companies but also a large number of small entrepreneurs. Today, LOLC provides a range of financial services including project financing, debt factoring, insurance broking, investing and trading securities in addition to its core business lines of leasing and asset financing. Since inception, LOLC has received strong support from ORIX Corporation, Japan which is currently the world's largest leasing company and Japan's second largest financial services provider. Over the years, fluctuations in economic growth for the most part could be attributed to the lack of a strong catalyzing force to revitalize businesses in the category 'Small and Medium Enterprises' (SMEs). As social and economic research has established, SMEs are not only crucial to economic development, but make significant contributions towards reduction of poverty, creation of employment, utilization of resources and the generation of income. LOLC stepped into this breach with flexible financial solutions to accommodate businesses of all sizes and most importantly, the 'small' entrepreneurs who now comprise more than 80% of LOLC's portfolio. LOLC also pursues a policy of establishing branch offices throughout the country to further expand its reach in the SME sector.

Although the growth of the local SME sector is mainly dependent on the agricultural and manufacturing sectors, SMEs are hampered by the lack of technology and access to credit and markets, as well as the competition from imported products. LOLC not only facilitates credit through special schemes such as tea development loans and plantation loans but also provides modern equipment such as tractors, harvesters, threshers and other machinery to uplift rural agriculture and industries. LOLC has also developed a loan scheme for '*Renewable Energy for Rural Development*' (RERED), governed by special criteria for underprivileged communities to finance Home Solar Systems. This project has enabled more than 8,000 households in under-developed areas to obtain solar energy, thus literally, bringing not only light into lives, but also in some cases, helping small industries aim higher.

LOLC is convinced that Corporate Social Responsibility implies the simultaneous pursuit of profitable economic growth, social progress and environmental quality. LOLC was one of the first companies to adopt formal policies and procedures for credit screening to assess environmental and social risks associated with credit operations. While LOLC's flexible financial solutions have helped many an enterprise take off, grow and expand, the company, some years ago recognized the need for entrepreneurs to familiarize themselves with the latest developments in business norms and practices. To this end, LOLC introduced a structured programme to promote 'Business Skills' and this programme was specially developed as part of the company's Corporate Social Responsibility to improve the market competitiveness of the rural SME sector.

Sri Lanka underwent the fury of Nature at its worst in the eighteen months from mid-2003. Relief efforts following the disastrous floods in May that year, were well on the way to making a difference when the devastating tsunami struck in December 2004, claiming over 35,000 lives, erasing US\$900 million worth of assets and flattening 53 hotels. LOLC proved to be the metaphorical 'bridge over troubled waters' in the wake of both disasters, helping many turn life around. LOLC placed special emphasis on post-tsunami relief efforts and recently, co-operating with the ORIX Corporation of Japan a 'village' comprising 25 houses built in the deep south of the country that was badly affected by the tsunami was opened to coincide with the 25th Anniversary Celebrations of LOLC. The company is however aware that much more has to be done to complete this daunting rehabilitation programme.

For more than two decades, LOLC has been recognized as an innovative and dynamic provider of financial services with a long track record of many "firsts": the first factoring venture, first leasing company to form a finance company, the first leasing company to float an IT subsidiary and in introducing many novel financial instruments. The quality and transparency of LOLC's financial reporting has been repeatedly recognised by the Institute of Chartered Accountants of Sri Lanka at the Awards for Excellence in Annual Reports and Accounts. The Annual Report for the financial year 2003/2004 was also selected as the best report in the Non Banking Sector by the South Asian Federation of Accountants (SAFA).

LOLC's approach has been to provide more services for more customers in more markets. These endeavours, consistently supported by donor agencies like OFID, enabled LOLC to support the SME sector in particular and to promote sustainable development in many parts of the country. LOLC is presently the best capitalized, specialized leasing company in Sri Lanka and the LOLC group provides a range of financial services such as debt factoring, insurance brokering, stock market operations, public deposits/investment products, micro financing, development of IT systems and project management. With a flexible business model and a dynamic corporate culture, LOLC group is clearly focused on realizing its vision of being "the premier financial solutions provider" in Sri Lanka.

25 years ago, the issue was not just about missing the bus. It was about having one.

It's been a long, hard road to progress. Not so long ago, Sri Lanka's economic development was hampered by an acute shortage of capital that curbed investment and initiative. Of course, all that changed when LOLC introduced the concept of leasing. But more than the development of business and industry, it is the rapid progress in human development that gives us deeper satisfaction. Development that has come about by aiding investment in such key areas as transportation, housing, education, healthcare, power and other utilities. Providing individuals access to modern amenities in even the most remote corners of the country.



We have been recognised by the FMO for our strong and abiding commitment to corporate social responsibility with regard to disbursement of funds. We are also part of a World Bank initiative to support renewable energy for rural economic development. LOLC provides professional development education to over 1000 small and medium entrepreneurs through the 'Viyapara Shilpa' programme. We have financed solar power systems for rural homes under the RERED programme. LOLC has also won the prestigious SAFA award for financial reporting and good corporate governance. But for all our efforts, the journey is far from over. New areas of growth beckon. Newer avenues for development surface. We are determined that our commitment to raise the quality of life and make a difference to every individual in Sri Lanka will always stay on track.

Lanka **ORIX LEASING** Company Ltd.
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New dam

brings relief to thirsty Burkina capital

July 10, 2004, marked a milestone in the history of the West African city of Ouagadougou, capital of Burkina Faso. Over 10,000 of the city's inhabitants plus many local dignitaries attended a glittering ceremony with singing, dancing, speeches and general jubilation. The climax came when State President Blaise Compaore opened a giant tap, releasing a 10-meter high fountain of water.

Ouagadougou has a rich history, dating back to the 15th century when it was the capital of the powerful Mossi kingdom, one of several West African empires that arose in the area in pre-colonial times. In recent years, however, the city's very existence was threatened by an ever-worsening water shortage. But now, the first water has begun flowing from a new dam that will secure Ouagadougou's water supply for decades. Burkina Faso, home to 13 million people, is no stranger to drought. The northern part of the country is in Africa's Sahel, the transition zone between the arid Sahara to the north and the wetter, more tropical, area to the south. Rainfall throughout the country is modest, ranging from around 700 to 1300 mm per annum in the south, to a mere 400-700 mm in the north. Falls are unreliable, and

with year-round heat rising to the upper-30s for much of the dry season, evaporation is very high.

Not surprisingly, water, and more specifically how to get enough of it, is an extremely important issue in Burkina Faso. Ouagadougou's situation had become particularly acute as its population has trebled in the last 20 years, from just 425,000 in 1984 to an estimated 1.2 million today. As far back as the mid-1980s the city fathers had started thinking about securing alternative sources of water, and in 1990 technical studies into the possibility of a dam began. With a total of 12 co-financiers, including OFID, the planning phase was long and complicated, but construction work finally started in February 1998. One of the largest projects ever undertaken in Burkina Faso, the dam is part of a project aimed not only at establishing a

◀ **Left: Construction work on the Ziga Dam.**

▼ **Below: Water from the dam is purified at a new water treatment plant before being piped to Ouagadougou.**

reliable source of water, but also at improving its treatment and distribution.

Before the Ziga Dam came onstream, the city's water supply depended on a woefully inadequate system of 50-year-old dams and shallow drillings. At the end of every dry season, water had to be rationed, and every year, the rationing started earlier. Only about half of the residents were connected directly to the municipal water supply, with the rest relying either on public standpipes and drinking fountains, or on buying their supply from water sellers who tended to raise their prices in times of scarcity. Many residents, particularly the poor, had to stand in line for water for hours on end. The quality of the water was also worrying, because many traditional sources had become severely contaminated through the improper disposal of sewage and septic tank waste, a practice that led to repeated outbreaks of waterborne disease. In fact, it is only in recent years that the government has been able to start phasing out the use of contaminated water sources and the Ziga Dam should eliminate their use entirely.

Lying about 50 km south of Ouagadougou, on the Nakambe River, the massive new dam is 2,690 m in length and 17.8 meters high, with a 5.5 meter crest. Backed by a reservoir some 80 square kilometers in area, it has a capacity of 207 million cubic meters of water. But the dam was not only designed for quantity, but for

water quality as well: the intake consists of two openings at different levels, meaning that they can be used alternately depending on which level offers the purest water at any time.

When Burkina Faso's State President opened the tap in July 2004, the dam began supplying the city with 1,700 cubic meters of water every hour, immediately boosting the water supply by about 70 percent. That not only satisfied the city's requirement for drinking water, it also served a further 27,000 people living in rural areas.

At the dam opening, officials said that by the time the second phase of the water supply scheme was completed in 2006, the flow rate from the Ziga Dam would almost double to 3,000 cubic meters per hour. In that time they expected the number of private water customers in Ouagadougou to reach 100,000. An extra 400 public drinking fountains would also be built, bringing the total number to 1,000. Furthermore, Burkina Faso's national water and sewerage company (ONEA) estimates that by 2015 the Ziga dam will be supplying 9,000 cubic meters per hour: four times the volume that ONEA was able to distribute in Ouagadougou before its construction. In fact, the Director General of ONEA, Lamine Kouate, predicts that 'there will be water for Ouagadougou's people even in 30 years' time.'

The new dam, and the water supply project in general, has not only increased the quality of life of ordinary residents of the city, but also increased employment and economic activity. Substantial opportunities have been generated by the still ongoing construction work, and it is anticipated that the greater availability of water will lead to a commercial and industrial boom.



Photo Credit: A. Rathmanner



Keeping

Palestine's education hopes alive

“ Especially in Palestine, it is easy to lose your material possessions. Education is the only thing you can keep. ”

Muna Aghawani, graduate of Birzeit University, Palestine

This poignant comment sums up why students in Palestine keep on attending schools, colleges and universities under conditions that most people would regard as unendurable. The Palestinians have always placed a high value on education, and for many students, giving up on their studies would be like relinquishing hope in the future. But for a huge percentage of them, learning the lessons is the easy part. Since the outbreak of the present Intifada in 2000, the situation has been steadily worsening for Palestinians, with almost 4,000 killed and over 29,000 injured in sporadic violence in the West Bank and Gaza. With

houses, schools, clinics and roads all affected by the indiscriminate destruction, infrastructure in general is in tatters. However, the education sector has been particularly badly affected.

The buildings of the Palestinian Authority Ministries in Ramallah, including the premises of the Ministry of Education and Higher Education, have been destroyed, along with office equipment, computers and data storage facilities. Consequently, the whole Palestinian education system has effectively been thrown into disorder. The educational sector's central disarray, however, is probably exceeded by the problems of its pupils and

◀ Al Quds University, the only Arab university in Jerusalem.

▶ Using the university library.

▼ Graduation day. Education is highly prized among Palestinians.

students. The Intifada has left many people unemployed, forcing entire families into poverty. Indeed, more than 75 percent of Palestinians are now officially classified as poor. Besides this, most areas are subject to stringent curfew and movement restrictions that disrupt economic activity and prevent access to social services, schools and universities. Physically unable to reach their places of tuition, more than half of all students in the West Bank and Gaza Strip have had their studies interrupted, and the financial hardship has left many without the means of paying their fees.

So pressing is the crisis in Palestinian higher education that the first grant to be drawn from OFID's Special Account for Palestine (see box), was a sum of \$2 million to provide financial support to Palestinian universities and students. Announced in December 2002, the grant represented OFID's contribution to a joint emergency program initiated by a group of Arab aid agencies to coordinate and increase assistance to Palestine. Other institutions involved include the Arab



Photo Credit: Al-Najah University



Photo Credit: Al-Najah University

Monetary Fund, the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa, and the Arab Authority for Agricultural Investment and Development.

The money was used to provide grants to nine non-governmental, non-profit universities to cover the tuition fees of over 85,000 needy students during the 2002-2004 academic years. The scheme helped universities to continue providing educational services, while at the same time ensuring regular class attendance.

Universities also received an allocation to help set up a revolving credit fund to help poor students defray their living expenses. The credit is paid back in small monthly installments once the beneficiaries graduate and start their careers. This helped over 12,000 students meet their living expenses.

Building on the early achievements of this project, OFID in September 2004 contributed a further \$2 million for a second phase, to run over the 2004 to 2006 academic years.



Photo Credit: Al-Najah University

▲ This relaxed campus scene belies the fact that Palestinian students face an uphill struggle attending universities.

OFID has been assisting Palestine since 1979, but after the second Intifada began in 2000 the situation in the area deteriorated so fast that humanitarian and development assistance was required on a much larger scale. In November 2002 therefore OFID started its 'Special Grant Account to Address the Needs of Palestine.' Endowed initially with \$10 million, the special account has accelerated social and economic assistance to the beleaguered inhabitants of the West Bank and Gaza.

The initial resources were replenished with \$15 million in 2004, and by another endowment of \$15 million in June 2005. Since its inception the account has extended grants for 44 projects ranging from the rebuilding of damaged homes and the purchase of equipment for the overstretched and under-funded local hospitals, to a micro-credit scheme and a number of social and capacity-building projects.

The Special Grant Account for Palestine remains an important OFID aid channel that provides relief from destitution and poverty and encourages sustainable social and economic growth in the region. New projects are currently in the pipeline to boost the Palestinian people's chances of a more protected future, economically and socially.

In addition to operations financed from the Special Account, OFID had previously extended more than \$18.1 million in grants to Palestine for a number of emergency assistance schemes and a wide range of development projects that supported, among others, hospitals, and maternity and pediatric clinics, together with rehabilitation and vocational training centers and universities.



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Photo Credits (All): UNODC

Bolivia:

combating drug abuse through education

The South American country of Bolivia is fighting the war on drugs on several fronts. To many, this nation straddling the Andes Mountains is almost synonymous with illicit coca growing for cocaine production. In recent years the Bolivian government has carried out a vigorous campaign to destroy the illegal coca fields and dismantle the drug processing equipment that fuels the cocaine trade.

It is not just drug production that is the problem, however. In recent years drug abuse has also been on the rise in Bolivia. The main drugs are coca derivatives, particularly coca paste, which is smoked, as well as marijuana and inhalants such as gasoline. There is also considerable abuse of alcohol. The problem is acute among adolescents, many of whom are street children or living in violent and neglectful circumstances. As the country has a very young demographic profile and a high birth rate, the rise in drug-taking among the young is a particular cause for concern. Apart from the appalling social effects of drug abuse, it hampers

Bolivia's development efforts. OFID is helping to fund an ongoing program to educate young Bolivians about drugs and warn them off future drug abuse.

In 1999, UNODC, the United Nations Office on Drugs and Crime, in conjunction with the Bolivian government, launched an initiative to help disadvantaged groups avoid high-risk behaviors and settings that give rise to drug and alcohol problems. As education is widely recognized as the most effective strategy to achieve such an aim, it was decided to incorporate prevention curricula into the country's formal and alternative education systems.

◀ **Bolivian high school students at work on a practical project related to drug abuse.**

(Alternative education or 'educación diferenciada' makes schooling available to working children and adolescents who would not otherwise be able to attend school. They learn out of hours, and have a different curriculum from the regular schools.)

The project is associated with an existing United Nations Population Fund education program on 'Sexual and Reproductive Health Issues', which is being integrated into the curriculum in the broader context of the country's educational reform. The overall aim is to provide holistic health care information so that Bolivia's young people are empowered to make sensible choices when it comes to looking after themselves.

Developing materials

The project had an initial intended duration of four years. The main goal was to develop effective material to help teachers pass on the message about drug abuse, and to incorporate this training material into the curricula of eight teachers' colleges.

The teaching materials, which included teachers' manuals and didactic cards, as well as books and audio-visual programs for school libraries, were subsequently tested and validated in the classroom.

The project is aimed at both primary and secondary school children, so it demands a flexible and varied approach to appeal to young people of different ages and social backgrounds.

To make the subject interesting and relevant to their lives, practical activities have been included, such as mural and poster making, debating, and drama sessions in which the students write and produce their own plays relating to drug abuse. Talks are also given by those involved personally in combating drugs.

Sports and other physical activities are also promoted, in recognition of the fact that sport can be a powerful tool for preventing drug abuse. In 2005, the project supported the VIII Andean Youth Contest in the city of Sucre. Some 3,000 Bolivian students from more than 120 educational establishments participated in the games, and there were also contestants from Chile and Peru. In the same year, the project came up with a distance-learning drug abuse program for teachers, which has already been used by nearly 2,000 teachers from remote rural areas.

In 2006, drug abuse prevention material was also distributed to parents.

Efforts are also being made to involve municipalities



▲ **Peer educators are widely used to get the anti-drug message across to young people.**

and other local government bodies, encouraging them to run programs on preventive actions themselves. An important component of the project was a new baseline study on the prevalence of illegal drug use that forms the basis for an impact assessment of project activities.

Success story

The first phase of the project reached 24,500 students in 450 schools as well as 900 teachers, 100 teaching assistants, 450 directors and 350 parents' associations. The project was so successful that it was expanded in 2003, with the help of an OFID grant of \$150,000. Up till the end of 2005, the project had reached a total of 4,200 teachers undergoing training in 880 educational institutions throughout the country. Around 600,000 students, or approximately four percent of all Bolivia's school-aged children have been reached. By the time the project is wound up in 2007, it will have laid the foundations for effective drug abuse prevention activities throughout the Bolivian school system and beyond.

Although it is difficult to systematically measure the impact of such a project, studies indicate that drug abuse among adolescents and school children in Bolivia dropped between 2002 and 2004. This is an encouraging development, and now that the many teachers involved in this training program are out in their schools passing on the message about substance abuse, there is no doubt that more young people will shun the temptation of drugs.



Photo Credits (M): BADEA

Madagascar

bridge reconstruction aids development

During the rainy season from December to March the vast Indian Ocean island of Madagascar often receives several unwelcome visitors: powerful cyclones that sweep in across the sea from the direction of India, far to the north. The island's northeast coast, sandwiched between the ocean and the central highlands, is particularly vulnerable.

The raging winds are accompanied by extremely heavy rains that often cause severe flooding and other damage to the island's already fragile infrastructure.

The periodic cyclone damage to Madagascar's bridges

and roads is all the more tragic because the country already has one of the poorest road networks in the world. Only about 6,000 km of the country's 25,500 km of main roads are tarred, and the remainder are often little more than tracks that become impassable in the



◀ The new bridge rises high above the Ivoloina River.

“ Most of Madagascar’s people are poor rural smallholders who find it difficult to produce more than enough for their own subsistence. The dilapidated transport system makes it hard for them to sell their produce or obtain essential supplies, not to mention preventing them from accessing schools, medical and other social services. ”

rainy season. Most of Madagascar’s people are poor rural smallholders who find it difficult to produce more than enough for their own subsistence. The dilapidated transport system makes it hard for them to sell their produce or obtain essential supplies, not to mention preventing them from accessing schools, medical and other social services.

The hurricane season of 2000 was particularly severe, with three successive storms, Eline, Gloria and Hudah, making landfall in little over a month. They claimed the lives of more than 1,000 people, and destroyed the homes and crops of thousands more.

Vital roads were washed away and many bridges crumbled into the raging floodwaters, including one that supported the main highway along Madagascar’s northeast coast, National Route 5 (NR5). Just 12 km north of the provincial capital Taomasina, the loss of the Ivoloina River Bridge had drastic consequences for transport to and from the town.

While a temporary ‘floating bridge’ was constructed across the river just upstream of the old one, it was a poor substitute. As it could only carry a limited load, vehicles had to wait up to an hour to get on. And when the water level increased, the bridge could not get near enough to the banks for cars to drive on to it. Vehicles then had to wait even longer for a ferry, but as the service was suspended at dusk, drivers often had to spend the night in their vehicles. The floating bridge was also extremely expensive to use, with a toll of 15,000 Malagasy francs (MGF) - about \$2, a prohibitive sum for most Madagascans.

Losing the bridge was particularly harsh for the communities north of the bridge in the aftermath of the destructive cyclones because it delayed deliveries of food, fuel and other necessities. It also made it difficult, after the harvest, for farmers to get their produce to Taomasina or markets further south.

The loss of this bridge was a particular blow for the country’s already fragile economy. Taomasina is the main port in Madagascar, through which 80 percent of the nation’s exports are transshipped. Southbound traffic over NR5, which spans the Ivoloina bridge, is dominated by trucks heading for the port. The city is also an important center of trade, commerce and industry, as well as the site of the country’s only oil refinery, so traffic in the other direction is busy too. Moreover, many of the island’s main tourist attractions



▲ Construction of the new bridge provided employment for many local residents, and it will stimulate the economy in many other areas as well.

are nearby, including the Ivoloina Zoological Park, which is one of the main sites for viewing lemurs and many of the island's other rare and fascinating wild life. With up to 140,000 visitors a year the Park - and the Ivoloina Bridge - were crucial to the local economy.

It is not surprising that in 2003 the government of Madagascar made transport a top priority by launching a program to upgrade thousands of kilometers of roads and dozens of bridges. A new bridge over the Ivoloina River was a priority. Soon a 240-meter-long prestressed concrete construction was being built under the supervision of Scetauroute International SA, at a cost of \$4.2 million. It was financed jointly by OFID, BADEA and the Madagascar government. Built in just 13 months, its official opening in July 2004 by President Marc Ravalomanana was a true cause for celebration for the local population, as well as for the many government ministers and ambassadors who attended. After four years of disrupted travel the opening of the massive new bridge was good news indeed.

Further good news that day was President

Ravalomanana's announcement that building roads and bridges was key to the national strategy for reducing poverty and promoting economic recovery. He promised to turn Toamasina Province into "one enormous construction site." He was as good as his word. Soon, 25 new bridges would be under construction on an 80 km stretch of NR5 between Soanierana- Ivongo and Mananara.

In fact, together with international donors the government of Madagascar invested over \$1 billion in transportation infrastructure, especially roads, between 2002 and 2005.

By the end of 2005, Madagascar had received a cumulative total of more than \$138 million in finance from OFID. This amount includes financing for balance of payments support and projects in the energy, health, transportation, agriculture and education sectors. The country has also benefited from grant assistance.



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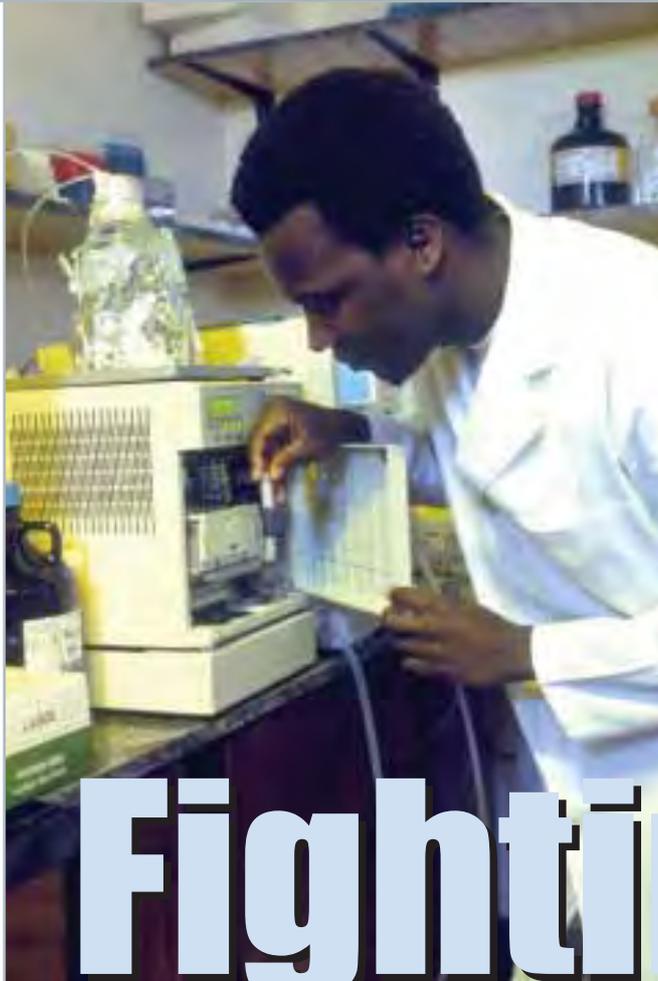


Photo Credit: BADEA



Photo Credit: CIMMYT

Fighting famine through agricultural research

Famine is one of the most prevalent forms of natural disaster. It is distressingly common in parts of the world where subsistence farmers rely on one or two staple crops or on small livestock, and have no other means of feeding their families if the crops fail or the animals die. It may not be possible for humans to influence the environmental factors that bring about famine, but much can be done to help poor farmers grow more and better food, so they are not at the mercy of the weather, insect pests and other external factors beyond their control.

Through agricultural research, varieties of crops can be produced that are resilient to drought and pests, and that are more likely to produce decent yields in difficult conditions. Through its support of the Consultative Group on International Agricultural Research (CGIAR) (see box), OFID is helping to finance just such a project aimed at increasing maize yields in sub-Saharan Africa, one of the world's most drought-

prone regions, and also one of the poorest.

First introduced to Africa by the Portuguese in the 16th century, maize has become Africa's most important staple food crop and is grown by both large- and small-scale farmers throughout the continent. Many of the 250 million people involved in agriculture in the sub-Saharan region grow nothing but maize, and over 314 million people live on a staple diet of the grain.

◀ Far left: Developing better seed strains requires years of intensive research and experimentation, both in laboratories and in the field.

Left: An ear of healthy 'ZM521' maize, developed by CIMMYT, yields 30-50% more than traditional varieties in conditions of drought and low soil fertility.

The rural poor are particularly dependent on it, as they do not have the income to afford alternative foods. Despite the prevalence of maize, it is not an easy crop to grow in sub-Saharan Africa, and yields are among the lowest in the world. In fact, figures produced by the Food and Agriculture Organization of the United Nations show that while the worldwide average maize yield per hectare is about four tons, this compares to an average of only 1.7 tons per hectare in Africa. Frequently, the amount grown falls short of demand, endangering the food security of the region. Even when the harvest is adequate, maize is not an ideal staple food. This is because conventional maize is deficient in two essential amino acids - lysine and tryptophan - so many people who depend on maize suffer from protein malnutrition. To overcome this nutritional deficiency, however, CIMMYT (International Maize and Wheat Improvement Center), a CGIAR member, has developed a strain of maize with additional protein. Quality Protein Maize (QPM) has protein of the same quality as cow's milk and can prevent protein malnutrition. Researchers at CIMMYT are working on improving QPM further so that it also has greater resistance to drought and to common diseases that can hit the maize harvest. Over the past decade, CIMMYT has successfully developed maize varieties which are more tolerant to drought, low soil fertility and diseases, including the destructive maize streak virus (MSV). The aim now is to transfer these achievements to QPM. Importantly, the new maize varieties are produced using conventional cross-breeding techniques, without genetic modification. Instead, the researchers use equally modern but uncontroversial tools such as advanced statistics and very detailed and comprehensive information about weather and climate conditions and other growing factors. Marianne Banziger, the Director of CIMMYT's Maize Improvement Group, who is based in Nairobi, Kenya, highlighted the value of the research: 'The work we do can have a tremendous impact on farmers in the long term, because even small increases in yields can make a huge difference overall. Some of the drought-resistant strains we developed in earlier years are now grown over areas of one million hectares, and a small increase in the



Photo Credit: Mike Listman, CIMMYT

▲ CIMMYT has developed a number of maize hybrids to suit African growing conditions.

harvest over such an area means a lot of extra maize. 'The problem is that the process of developing such new varieties of maize, from the time the first cross-breeding takes place until the finished product reaches the farmer, may take as long as seven or eight years. Raising money for such research is not always easy because people often want to fund something that has quick results, and agricultural research is sometimes seen as unglamorous and not very rewarding. Donors really have to be in it for the long haul.'

The QPM project, to which OFID is contributing a grant of \$150,000, brings together achievements from earlier OFID-supported research projects and others. Previous OFID support helped develop screening facilities for MSV

▼ Kernels of CIMMYT's Quality Protein Maize (QPM). Improved QPM strains will be ever-more drought and disease resistant, as well as containing far more protein than average maize.



Photo Credit: CIMMYT



- ▲ Educating small farmers about optimizing their output is as important as providing the best quality seed.
- ▶ The benefits of CIMMYT's work are felt across Africa. Here an Ethiopian trainee works with a CIMMYT researcher in the field.

in Kenya and Uganda, and the building of a regional team to develop and disseminate more than 10 new drought-tolerant and streak-resistant maize varieties through participatory plant breeding with farmers. CIMMYT researchers work not only in laboratories, developing new strains of maize, but also out in the field, testing them. Testing is done on small farms in 150 communities in eastern and southern Africa, in close cooperation with the local farmers. According to Ms. Banziger, the researchers enjoy excellent cooperation from the farmers, and there is great interest in the project as well as a lot of pressure on CIMMYT to increase the number of communities involved. 'We have built up long-term relations with the farmers who are sampling our maize. There's a lot of goodwill about the project, and also a great thirst for information about what we are doing and how to grow better maize in general. There is a demand for much more support than we can supply at the moment.'

CIMMYT's involvement in improving maize production in Africa goes beyond producing superior seeds for farmers. It also provides support for small seed producers and retailers in the countries concerned, to ensure that their seeds are available in local markets. They do this by teaching the companies' staff how to produce and disseminate seeds, making sure that permission to produce the various seed varieties is divided fairly between companies, and acting as a liaison between seed manufacturers and farmers. They even help teach business skills to the producers' and retailers' staff. CIMMYT also works closely with non-governmental organizations, national ministries of agriculture and community-based organizations to promote good practice in maize growing and to ensure that the benefits of its seed technology are widely disseminated. The improved



QPM varieties in the pipeline will be of particular benefit to the resource-poor, and to women and children, who tend to be those most dependent on a good maize crop. It should go a long way to enhance food and income security in drought-prone areas of sub-Saharan Africa. The beneficiary countries of the OFID-sponsored project are: Angola, Botswana, Burundi, Democratic Republic of Congo, Ethiopia, Kenya, Lesotho, Malawi, Mozambique, Rwanda, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

CIMMYT was established in 1966 to help alleviate poverty by increasing productivity in maize and wheat in developing countries, while protecting the environment through agricultural research in concert with national research systems. Across all developing countries, wheat and maize rank second and third in importance after rice among all cereals. CIMMYT acts as a catalyst and leader in a global maize and wheat innovation network. Based in Mexico City, it became part of the CGIAR system in 1971. The Consultative Group on International Agricultural Research is an informal association of over 60 private and public sector donors and member countries that support a group of 15 practice-oriented agricultural research institutions, all helping to increase agricultural productivity, among other goals. Over the years, OFID has extended more than \$17 million in grants to the various institutes that make up the group.



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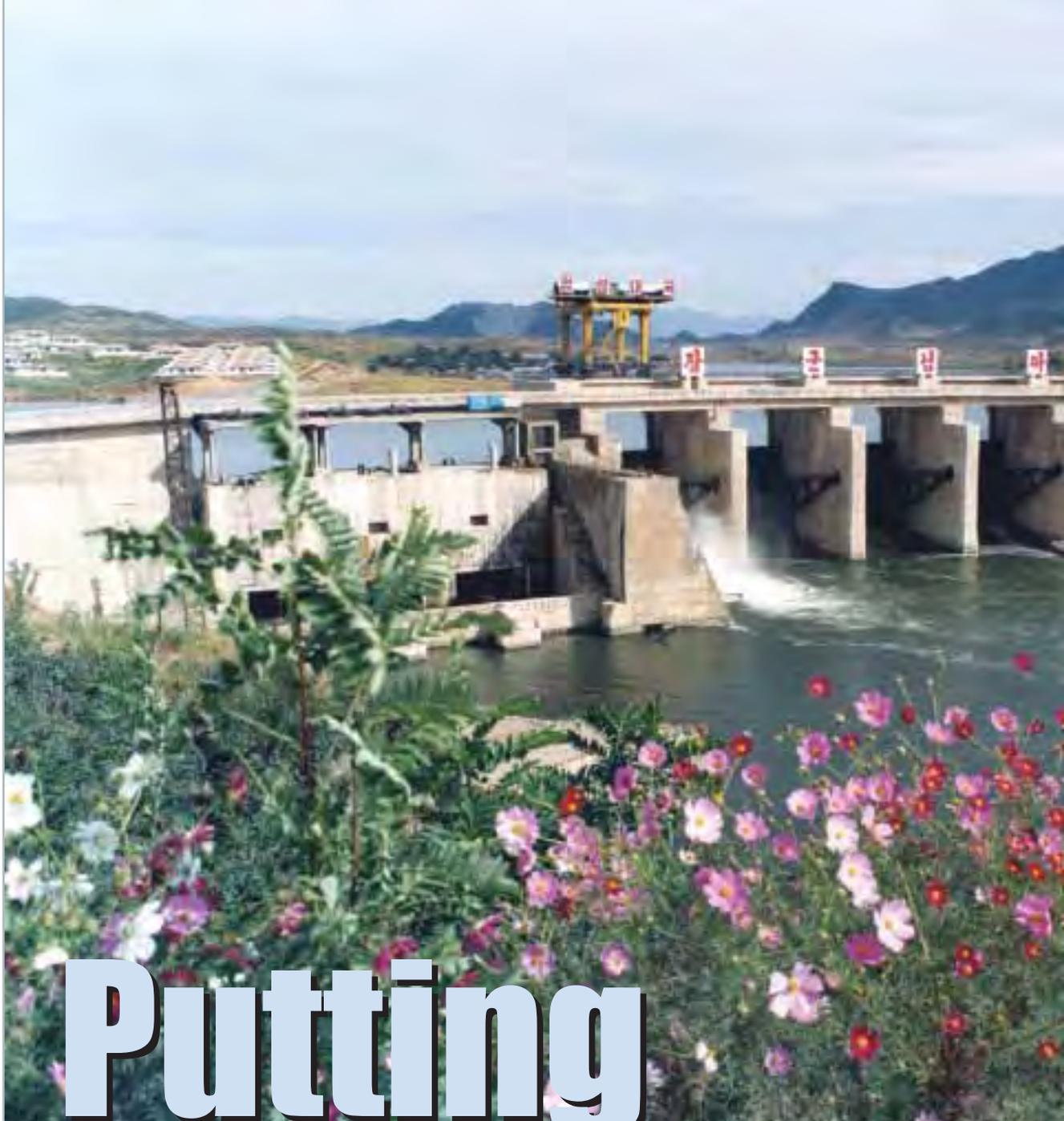


Photo Credit: PPU

Putting North Korea on the road to food security

The Democratic People's Republic of Korea has always struggled to feed its people. With its rugged, mountainous terrain and severe climate, just 20 percent of the land area is suitable for agriculture. Moreover, a large amount of fertilizer and machinery is needed to make the land productive, a difficult burden for a poor country like North Korea.



- ◀ The impressive barrage across the Taedong River enables water to be diverted to the irrigation canals.
- ▼ Water gushes from the river into the 154-km long main canal.
- ▼ The banks of the irrigation channels are now lined with productive fields and orchards.



Photo Credit: PIU



Photo Credit: PIU

After the food shortages of the 1990s, the government made it a priority to achieve food security. As part of this drive toward self-sufficiency, it signed an agreement in 1999 with OFID for a \$10 million loan to rehabilitate a 106,000-hectare irrigation system in Pyongnam, the country's premier cereal growing region.

North Korea has long, dry winters and a short growing season that is plagued with uncertainties. Rainfall, although plentiful, is both unpredictable and unevenly distributed, so irrigation is essential for producing the country's main food staples of rice and maize, and over 80 percent of the agricultural land is irrigated. The irrigation systems are expensive to run, however,

because they rely on electricity, and frequent power cuts mean that they run only intermittently. The Pyongnam scheme involved replacing electric pumps by gravity-fed technology to irrigate crops without using a great deal of energy. The project area covers 14 counties and towns in South Pyongan Province, Pyongyang and Nampo cities.

The work included the construction of a 154-km canal, as well as the building of an intake barrage across the Taedong River to divert water into the canal. Hydraulic structures and tunnels were also installed to replace the existing pump-driven system. The earth works for the canal were done by farmers, many of whom are now enjoying the benefits of the irrigation project. The

project was so successful that in 2000 the Korean government requested more assistance from OFID to extend its benefits, and in December 2000 OFID approved an additional \$8 million loan for the Pyongnam irrigation system's second phase. This was completed in July 2002, with the main water canal inaugurated that October.

Production soars

Upon completion of the project, rice and maize production in the irrigated area rose by an estimated 20 percent. Not only that, but the availability of reliable water supplies has enabled farmers to carry out double cropping, by which they grow cereals such as wheat, barley and potatoes in winter and spring, leaving them to cultivate rice and maize in the traditional growing season of July to September. Because of this, it is predicted that the production of potatoes, wheat and barley will expand from four percent to 30 percent of the country's total farming area.

During the project, branch stations in were set up in the 14 towns and counties that will benefit from the irrigation works. These branch stations are managing the water supply to the farms in their

areas, and fixing the tariff for the irrigation water. The proceeds from the water are used to cover their operating costs, thus ensuring the sustainability of the project.

In addition, the new irrigation system will allow farmers to expand areas used for fodder and green manure (plants grown to benefit the soil) which will increase the production of livestock and have a positive long-term impact on soil fertility and conservation. After seeing its output of edible crops plummet in the 1990s, North Korea has enjoyed an expansion of agricultural output every year since 2001, thanks partly to favorable weather conditions, but largely due to the improved irrigation facilities. Along with better livelihoods for farmers, the goal of achieving food security for the country is now firmly in sight.

The Pynongnam irrigation project constitutes one of four loans provided by OFID to DPR Korea. The first supported a project in the health sector, while another loan extended \$4.74 million to rehabilitate the Sinhung-Sonhwan highway, a key corridor that provides links to DPR Korea's two main seaports.

- ▼ The new irrigation system enables farmers to cultivate rice in paddies for part of the year, and grow other crops such as barley and wheat in winter and spring.



Photo Credit: SEBRA

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Beyond the classroom: training Angola's future teachers

Students at the teacher's training college in Huambo, Angola, have a varied curriculum indeed: all the usual academic subjects plus lessons on repairing roads, constructing wooden beds, managing the school's eucalyptus plantation...

This innovative program, supported by OFID, gives the young students a truly rounded training that equips them well for their future as teachers and community leaders in one of the world's most battle-scarred nations. The central African nation of Angola confronts many of the developmental challenges typical of other sub-Saharan countries, but in this case it also recently emerged from a prolonged conflict that left its infrastructure in tatters. Angola was a Portuguese colony until independence in 1976, when it plunged into a civil war that only ended in 2002. Some 1.5 million people are thought to have been killed during the hostilities, with four million displaced. The country currently has one of the world's worst child mortality rates, 80 percent of homes have no electricity, and according to the United Nations half of Angola's 14 million people are living in poverty, without safe water,

proper health care or education. The country's substantial natural resources include oil and diamonds as well as rich agricultural land, but the population has failed to benefit from what economic activity there is. Without access to basic services and sustainable incomes, subsistence farming is usually the only option available. At present this potentially rich nation stands at 161st out of 173 countries in terms of human development, according to the United Nations.

Needless to say, the long civil war also devastated Angola's education sector. Between 1992 and 1996 alone, more than 1,500 classrooms were destroyed in the fighting. Those schools that survived the shelling are not only in very poor condition, they are overwhelmed with an average of 65 pupils per classroom. In many places teaching is done in shifts - two or even three a day - to

- ◀ Students at the Huambo college are developing the gardens themselves.
- ▶ A science lesson at the college.

cope with demand. Furthermore, in order to achieve universal primary education - while keeping up with the rapid growth of the school-age population - the country faces the huge challenge of raising the number of children in primary school from an estimated 2.1 million in 2003 to five million by 2015.

Since the end of the war, the government of Angola has made the reconstruction and development of the education sector a priority. In 2003 it launched a country-wide 'back to school' campaign, aimed at getting as many primary-age children as possible to enrol in schools. While the campaign has resulted in about half a million children going to school for the first time, it is estimated that at least one million primary age children are out of school, most of them girls. But getting the children to go to school is only part of the equation. There is also a shortage of school buildings, equipment, teachers, educational materials and other necessary infrastructure.

The central province of Huambo saw some of the fiercest fighting of the war; almost every family there lost relatives in the conflict, and much of the attractive provincial capital city was reduced to rubble. Many people fled Huambo to other parts of Angola or neighboring countries. With the war over most of them have now returned, but their lives are far from easy. For the children it is particularly hard; with the province crying out for new schools and more teachers, as few as 12 percent of school-aged children are being educated in some districts.

To help turn the lives of the children of Huambo around, the province needs properly trained, highly motivated and inspired teachers, and the teacher's training program supported by OFID is intended to do just that. The initiative is the brainchild of Development Aid from People to People (DAPP), an international, non-governmental organization dedicated to improving social conditions in the poorest regions of the world. OFID's technical assistance grant of \$150,000, approved in June 2004, helped finance the training of the 60 students at Huambo's Teacher Training College (EPF) whose course commenced in August of that year.

DAPP is deeply involved in boosting the availability of education in Angola, and has set up six teacher training colleges across the country. DAPP's three year-long Teachers' Training Program provides individuals with the qualifications needed to educate children in standard primary level subjects, as well as ensuring a firm understanding of human rights and ethics. The program

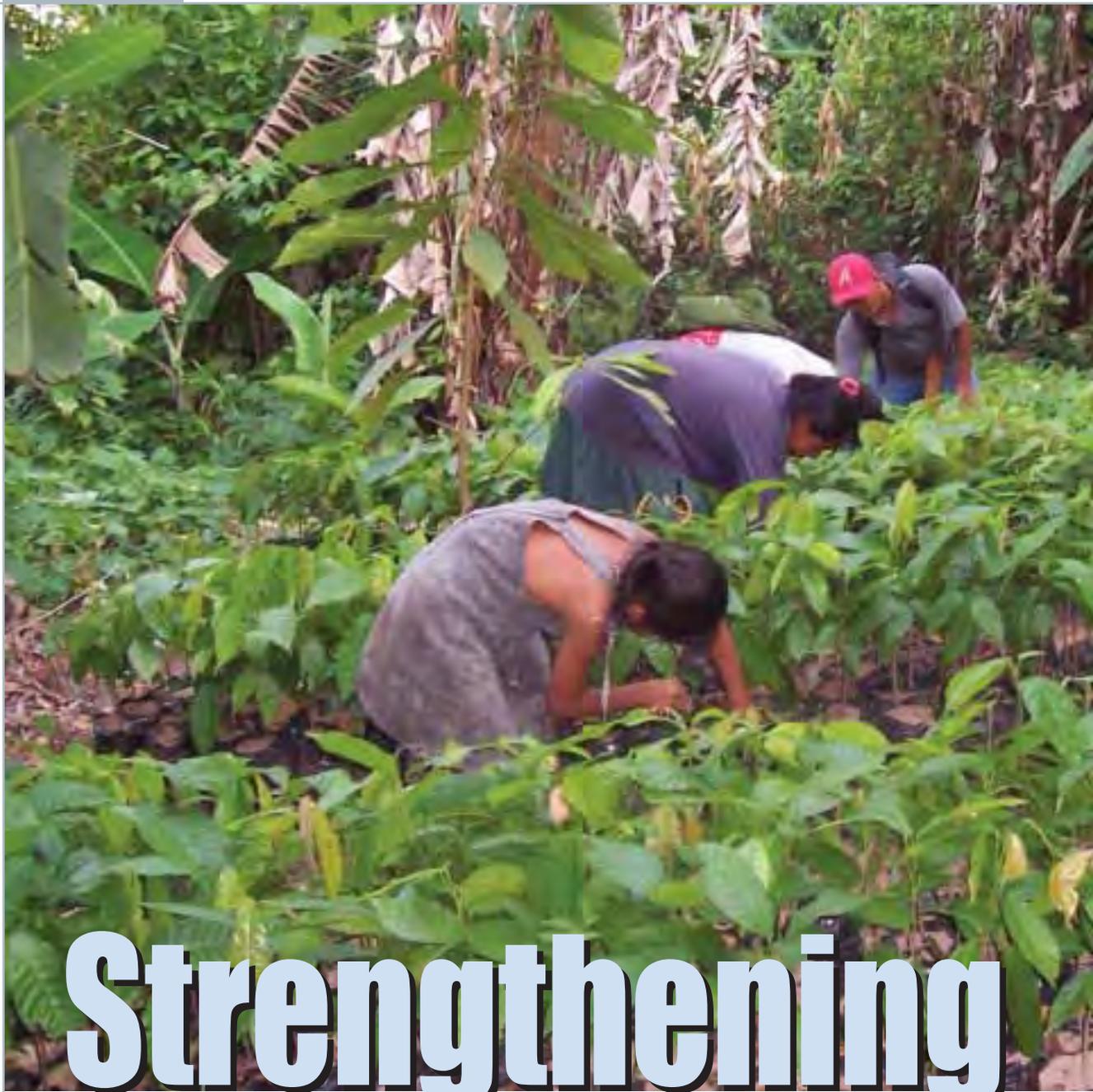


has been specially developed for Angola and uses the 'DmM' or Determined modern Method of teaching. DmM is particularly suitable for the extremely challenging conditions faced by teachers in poor rural areas of the developing world. The system places great emphasis on teaching the students to take responsibility for their own education. When the student teachers are sent out to work in rural areas they will, by tradition, play a very important role in the community, as they are among the few people who are well educated. The DmM course builds on this central role of teachers and equips them with the necessary knowledge and skills to become an important force in the development of society as a whole, and not just the schools. Therefore, throughout the course students are encouraged not to depend on the presence of their lecturer but look to their own inner resources as well. The course involves a great deal of practical work and fieldwork, with the focus on teaching the students how to plan and organise, as well as on how to pass on knowledge to their pupils.

On completing the program, which will include teaching placements in the third year, graduates of Huambo EPF will spend two weeks at a pedagogical workshop to further hone their skills so that they can pass on their knowledge and experience to other instructors already in service. The newly qualified teachers will enable some 6,000 children in their home province to receive a well-rounded primary school education.

OFID has been active in Angola for many years, and has extended loans and grants for projects in the agricultural, transport and general infrastructure sectors, as well as education. In 2001 the Fund extended a loan of \$9.39 million to be used to build new schools and rehabilitate damaged ones, and in 2005 it loaned a sum of \$10 million to expand and rehabilitate the main hospital in Luanda, the nation's capital city. At the end of 2005, OFID's cumulative public sector support to Angola amounted to \$43 million.

Photo Credits (AU): F. Rivera/Hilfswerk Austria



Strengthening the Mayangnas: a sustainable future for an indigenous minority

‘Our whole way of looking at things has changed. Before, we were just surviving, because we lacked opportunities. Now, because of the project we take better care of our crops and our environment. We think about how to improve our living conditions and community, and about our children’s future.’



◀ Project beneficiaries cultivating cacao shrubs.

among the poorest and most excluded populations in the world. The expansion of Western culture and economic activity has tended to marginalize such groups even further, and in many places their future as viable communities is threatened. While it is essential to include indigenous peoples in poverty reduction activities, their specific lifestyle, background and experience need to be taken into account when developing such activities. As with all communities, development projects and programs aimed at indigenous groups should provide them with enabling conditions, technical skills and financial resources to participate actively in the planning and implementation of their own development. This notion of self-development tries to strike a balance between maintaining and strengthening the cultural identity of indigenous communities and improving their economic conditions.

Precarious livelihoods

Almost by definition, indigenous peoples usually live in remote and/or inhospitable regions, with precarious livelihoods and uncertain futures. They represent a rich heritage of knowledge and ideas, which may have been lost to the mainstream population but is a potential resource to the entire planet. The forced assimilation or loss of indigenous groups is a tragedy not only for the groups themselves, but for all of mankind.

The indigenous peoples of Latin and Central America face similar challenges to traditional peoples elsewhere, the most intractable of which is poverty. The Central American country of Nicaragua is one of the least developed in the region, with more than a quarter of its 5.4 million people living on less than \$1 a day. As with many developing countries, poverty is not uniform throughout the country but higher in certain regions, most of them rural. Among the rural poor is Nicaragua's small indigenous population, which not only faces poverty but marginalization and multifaceted threats to its traditional way of life.

Many of Nicaragua's indigenous people live in the Autonomic North Atlantic Region (RAAN), the rugged but beautiful eastern part of the country. According to the World Bank the Atlantic coast of Nicaragua contains the 'largest remaining area of pristine forest in South America'. RAAN comprises about 25 percent of Nicaragua's total land area, but has a small population of just 160,000 people, many of them from the

This comment, made by one of the beneficiaries of a rural project part-funded by OFID in Nicaragua, sums up the difference that sustainable, targeted and participatory development programs can make to the lives of the poor. People who were formerly marginalized and impoverished find their whole perspective on the world changes, and whereas before they were preoccupied with mere survival new opportunities open up before them. The beneficiaries of this project were the Mayangnas, one of Nicaragua's indigenous groups.

The present and future situation of the world's 300 million indigenous or traditional people is one of the key concerns in development policy today. Indigenous people, or those descended from the original inhabitants of a particular region or territory, have historically been



▲ Cocoa beans, the produce of the cacao bushes.

indigenous groups known as the Miskitos and the Mayangnas. The Mayangnas are the oldest indigenous tribe in Nicaragua, and are among the poorest people in the region. OFID is assisting the Austrian Relief Organization, a non-profit non-governmental organization (NGO), in a project aimed at strengthening the communal organization and productive capacities of the Mayangnas, with the long-term aim of ensuring the sustainability of the tribe.

The RAAN territory has an abundance of natural resources, including minerals such as gold, silver, copper and lead, extensive stocks of fish and shellfish, pine forests, and rainforests rich in valuable hardwood species such as mahogany. Traditionally, the Mayangna have protected and managed the forest and other resources using traditional means, but exploitation operations are causing great damage to the living conditions of these groups, their culture and the environment.

In the 1990s the Nicaraguan NGO FADCANIC (Foundation for the Autonomy and Development of the Atlantic Coast of Nicaragua) carried out a participatory study of the region's economic and cultural environment. The three-year 'Strengthening the Mayangnas' Project was based on this research. In 2000 an external evaluation found:

- There was increasing intrusion of non-indigenous farmers in the Mayangna territory, posing a threat to one of the biggest protected areas in Central America
- Food security for the local population could not be assured all year round
- Health and educational facilities were 'disastrous'
- Communal organizations needed to be strengthened to enable them to defend the group's basic rights effectively
- There was a lack of female participation in decision-making processes.

The Austrian Relief Organization project was tailored to address some of these pressing problems. The project, which runs from 2003 to the end of 2007, has two components: agricultural production and organizational development. The funds provided by OFID are directed mainly at the first component. The project concentrates on 350 indigenous families from 13 villages in the Sauni territory along the River Tungky. Around 5,260 people in total will benefit directly from the activities.

Self-sufficiency the goal

As far as agriculture is concerned, the project's main aim is to help the Mayangnas to produce more food and become self-sufficient in basic foodstuffs. It is also

focusing on finding and developing marketing channels to help the tribe sell any agricultural surpluses and thus generate much-needed income. Farmers have been given a supply of basic seeds for a variety of crops and food plants, as well as natural fertilizers and training in improved agricultural methods, pest and disease control. Among the many positive effects the project has had so far is a reduction in the use of the destructive slash-and-burn method of agriculture in primary forest areas. This is where patches of forest are cut and burned to clear them of foliage so that the ground can be cultivated. When the soil becomes too poor to grow crops, it is left fallow to recover. This practice is unsustainable in the long run and results in ever-decreasing yields, as the already fragile forest soils are depleted of nutrients. Strides are being made in increasing the output of traditional crops such as beans, with 260 local farmers now producing organic beans. They are using organic fertilizer and new tools, and yields have risen by 15 percent. Attempts are also being made to increase the output of cacao, by educating producers about subjects such as pest and disease control, and encouraging farmers to set up their own greenhouses to cultivate healthy seedlings. There has been an increase in the number of female cacao producers in particular. Some 130 families are now combining agriculture with forestry and livestock rearing, planting crops such as bananas, cacao and various alternatives that can be grown in association with the forest. Many of them started with just a few cocoa shrubs, but they have all been able to double the number of plants they cultivate, thanks to the increased knowledge about controlling plant pests and diseases.

To assist in transportation and farm work, 92 horses and 13 donkeys have been purchased for the farmers, with the understanding that the recipients will pass on the foals to other families. In the case of small animals, hens and other fowls have been distributed to local people also on the understanding that they will share the eggs and chicks with other families, so increasing poultry ownership.

There has been a marked improvement in the health of the elderly and young children because of the availability of curdled milk from the cows, as well as eggs from the chickens. The farmers are now selling the surplus milk and eggs, bringing in money to help pay for their children's education and buy basic household essentials that they formerly found very difficult to afford. They are using the manure from the animals to produce fertilizer for their crops, an excellent way of ensuring the sustainability of the project and also preventing



▲ From top: Poultry rearing has strengthened the local diet as well as making surplus money. The donation of donkeys has meant people no longer have to carry their produce over large distances, or transport it by canoe. Cacao pods after the harvest. Despite initial difficulties getting the animals acclimatized, some beneficiary families have begun rearing pigs successfully.

pollution of the environment by animal wastes.

In November 2005, just two years after the start of the project, one of the farmers who is benefiting from the project told visitors: 'Before, we did not participate, our rights were not taken into account, and our children did not study for lack of money. Now our children go to school, and they go with full stomachs because we have some income. Right now my son is studying agronomy in Siuna. Before this project started we would never have dreamed that this would be possible.'

Marketing activities

As the project nears its end, marketing efforts for surplus crops are being carried out at local and regional markets, and exchange visits will be undertaken so that communities can share in the successful experiences of others. Previously, goods for trade had to be transported to market either on people's backs or by canoe, and it sometimes took several days. Often the produce was spoiled by the time it got to the selling point. Now that the people have horses they are able to get their products to market much faster and in better condition, thus raising more money from them. Confident that they have now reached the point where they can grow enough for

their own needs, the farmers are very keen to produce more for the market.

A FADCANIC official noted: 'Before, the people referred to this as FADCANIC's project, it was an outside project that they didn't know anything about. But now they know it's their project - it's a community project and it benefits the whole community.'

'There are still many problems that have to be resolved, but the project has taught the people that they have the capability to solve them. They have gained in self-confidence.'

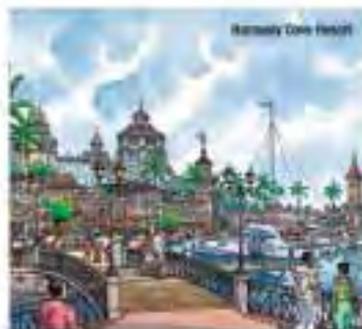
With regard to the all-important area of capacity-building and organizational development, the project is running workshops for community leaders and forest guards on essential topics to help them run their own reserves.

There is a strong emphasis on getting all the local people involved in decision making, planning and problem solving. Special efforts are made to include women, who were formerly discouraged from taking an active part in community affairs.

The ultimate goal is to enable the Mayangnas themselves to take charge of their own development activities so that long after the project has wound up its effects will be felt throughout their ancestral homeland.

▼ These cinnamon seedlings will produce a valuable harvest in years to come.





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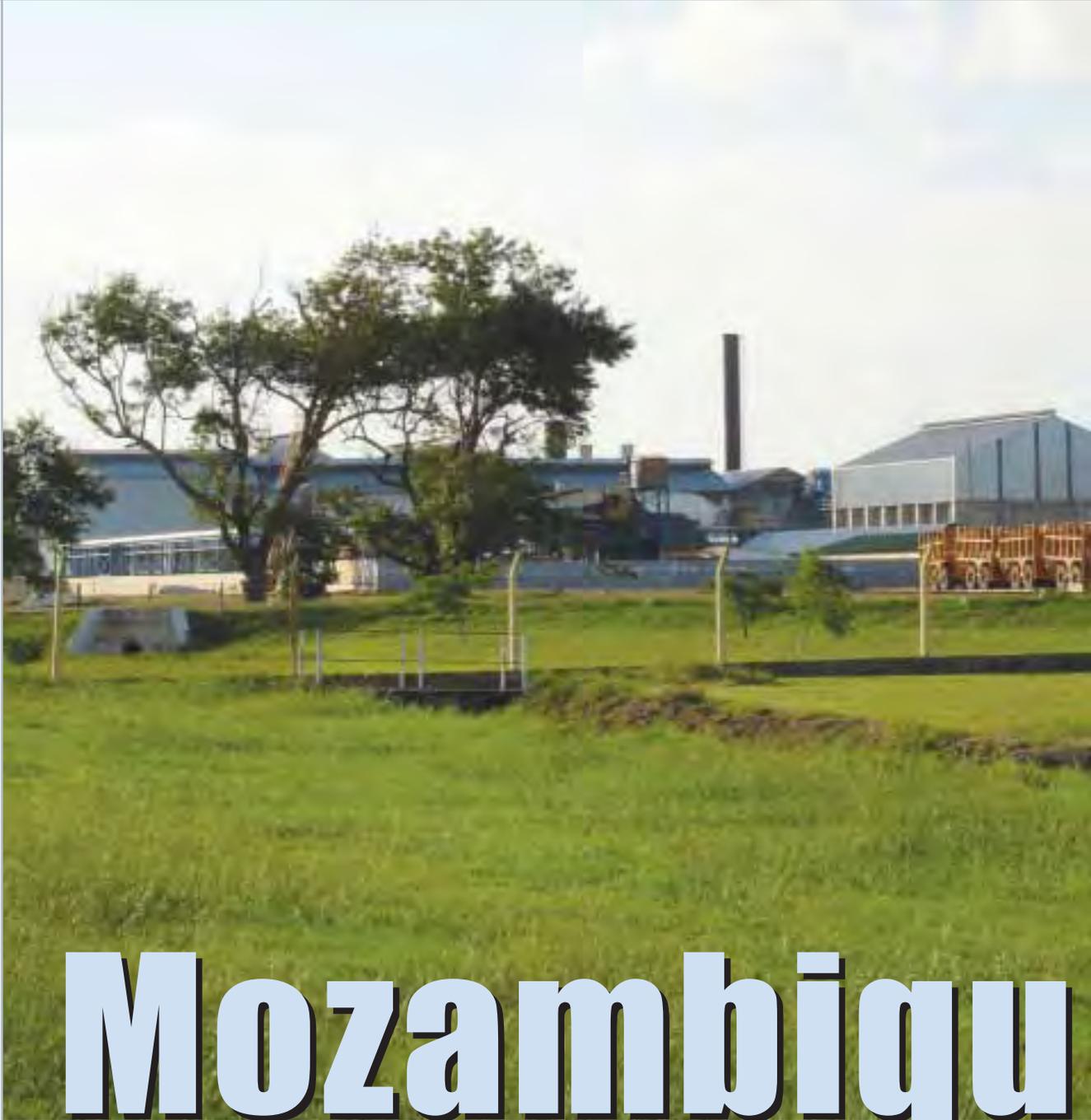


Photo Credit: L. Gill

Mozambique

sugar industry booms again

Ten years ago Mozambique's once-thriving sugar industry lay in ruins, all but destroyed after 17 years of civil war. But today, thanks to a vigorous rehabilitation program, aided by a \$10 million loan from OFID, the sugar industry is back on its feet and Mozambique is well on the way to becoming a major African producer again. OFID's loan was for the rehabilitation of Xinavane sugar mill and cane-growing estate, one of the country's premier sugar producers.



- ◀ Xinavane mill has been rebuilt after years of neglect.
- ▼ The area is ideally suited to growing sugar cane.



Photo Credit: PIU

managers and specialists at the cane plantations and sugar mills fled the country, as did any formal sources of investment capital. Most of the sugar mills closed, and several were damaged in the fierce fighting. With droughts and floods also taking their toll, the sugar industry simply collapsed.

The situation in the sugar industry mirrored the general ruination of Mozambique's infrastructure. Ground down by years of war, Mozambique had the disturbing distinction of being ranked the poorest country in the world for much of the 1990s.

Once the war was over, however, the post-war government threw itself into the task of repairing infrastructure and rebuilding the agricultural foundations of the country's economy. President Joaquim Chissano especially targeted the revival of the sugar sector, the largest formal employer in the country, as a catalyst to relaunch the economy.

The rehabilitation of the Xinavane estate was to be a cornerstone of his plan. Under the scheme, which was first approved in 1998 and cost a total of \$49 million, Xinavane has been transformed into a state-of-the-art sugar production facility. The project involved increasing the cultivated area from 2,100 to over 5,300 hectares, with an eventual target of 12,000 hectares. Irrigation and drainage networks were upgraded and extended, and mobile pumping stations repaired and converted into fixed, electrified units.

The sugar mill underwent a facelift, with the installation of new equipment and machinery to allow for increased production. Support activities included upgrading 400km

Conditions for sugar growing in this sub-tropical country are ideal, and the first sugar plantations were established here as far back as the 1890s. The Xinavane sugar estate and mill, which is in southern Mozambique some 136 km north of the capital Maputo, was first established by a British company in 1910 and transferred to Portuguese ownership in 1954. Its fortunes soared with the rest of the sugar industry, which, at its height in 1972, employed nearly 17,000 people and produced 326,000 tons of sugar annually. Xinavane alone contributed 53,000 tons of this total, much of it exported.

Then, in 1975, when the Portuguese colonists left the country, Mozambique was plunged into a prolonged civil war that was to end only in 1992. Foreign

“ The sugar industry has risen in a few short years to become one of the country’s biggest employers and a major regional industry. ”

of feeder roads and rehabilitating the accommodation and facilities in the workers’ residential village. The mill was officially re-opened by President Chissano on 6 June, 2003.

The newly rehabilitated mill produced 61,000 tons of sugar in 2005, comprising a major part of Mozambique’s overall output of 265,000 tons in that year. The second phase of the investment plans for an increase in this one mill’s output to 140,000 tons.

Thanks to the reconstruction and modernization of Xinavane and other estates, the sugar industry has risen in a few short years to become one of the country’s biggest employers and a major regional industry. In fact it is hard to understate the importance of the sugar industry to Mozambique’s nascent economic recovery. Sugar provides permanent and seasonal employment for about 30,000 people directly, and further employment through orders for packaging and the use of transport services. This knock-on effect for the wider economy is particularly important given the limited industrialization in Mozambique.

The sugar industry also benefits the Mozambican economy by increasing the country’s reserves of foreign capital. Mozambique exported an estimated 84,000 tons of sugar in 2005, bringing over \$30m to the country. By



Photo Credit: PIU

- ▲ Mozambique’s president, Joaquim Chissano, presides at the mill opening in 2003.
- ▼ Once the second phase of Xinavane’s rehabilitation is complete the mill will turn out 120,000 tons of sugar a year.

producing sugar locally, the industry has already reduced the need to import sugar paid for with scarce foreign currency, which is required to purchase sorely needed machinery and oil.

Furthermore, in line with the government’s privatization program, a 49% stake in the Xinavane mill has been sold to South African sugar company Tongaat Hulett, bringing in both fresh capital and an infusion of expertise.

The re-emergence of the sugar industry is just one hopeful sign in Mozambique’s rehabilitation. The country has moved from last place in the UN Human Development Index to number 171 out of 175. Between 1994 and 2004 average annual GDP growth was 8.2 percent, and today the nation is once again self-sufficient in terms of food production. There is still much to do, but so far, it seems to be working.



Photo Credit: PIU

The Xinavane rehabilitation project was the latest in a number of projects in Mozambique that have involved OFID. Altogether, OFID has approved loans totaling over \$163 million for Mozambique. These loans delivered debt relief under the Heavily Indebted Poor Countries Initiative (HIPC), provided balance of payments support and helped finance projects in the agriculture, transportation, health, energy, industry and education sectors. Mozambique has also been the recipient of grant assistance for a variety of initiatives and has received emergency aid for flood victims. The country has also benefited from OFID’s initiative against HIV/AIDS in Africa, as well as OFID’s special Food Aid Grant Account.



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Among so many other references in West, Central and Southern Africa, we are particularly proud of the implementation of the rural road reconstruction project (1 200 kms) in the Adamawa, East and South-West provinces in Cameroon, funded by the OPEC Fund

A project which really makes the difference for the people



Photo Credits (All): PICT

Pakistan

port upgrade will stimulate economy

Whatever stage of development a country has reached, good transport links are absolutely vital for successful economic growth. This is one reason why OFID devotes such a large amount of its resources to transport-related activities. During OFID's 15th lending program, which came to an end in December 2004, the largest share of lending was for transportation projects, with more than 35 percent of the available \$1bn going for projects in the road, rail and maritime sectors in particular. This trend is continuing during the current, 16th, lending program.



- ▲ **Sophisticated container handling facilities ensure that the ships have a short turnaround time in the port.**
- ◀ **Pakistan International Container Terminal handles a large part of the country's export and import trade.**

In Pakistan, the port sector is one of the most important in the economy, and the port of Karachi, on the eastern coast of the Arabian sea, handles the vast bulk of the country's imports and exports.

The port was built in the 1850s, and by the 1990s it was apparent that it needed to be fully upgraded if it was to remain capable of dealing with the country's growing export and import trade.

The port handles 63 percent of Pakistan's container volume, and as Pakistan has been experiencing an average growth of 12.6 percent a year in container traffic over the past decade, the most pressing need was to expand the capacity of the container port.

Modernizing the port would also improve service levels and reduce costs.

This process is now under way, with the help of three OFID loans, and the Pakistan International Container Terminal (PICT) in Karachi will soon boast state-of-the-art facilities that will stimulate trade and other economic activities in Pakistan and beyond its borders.

Three phases

The port modernization project is being done in three phases, of which the first finished ahead of schedule and on budget, and the second is currently drawing to a close. The total cost of the project once completed is estimated at \$82 million. OFID's first loan, amounting to \$7.75 million, helped finance Phase I of the project, which cost a total of \$30 million. The agreement was signed with PICT in May 2003, and it was OFID's first private sector venture in Pakistan. Phase I involved the installation of two ship-to-shore and four rubber-tired gantry cranes and other supporting equipment; construction of new buildings and workshops, as well as

Spending on this sector is important because inefficient transport networks often represent significant obstacles to both social and economic progress, restricting the movement of goods as well as people, and inhibiting the kind of social and economic integration necessary for sustainable development. The south Asian country of Pakistan has a reasonably well developed transport system, but it is struggling to cope with the rise in demand and is hence acting as a drag on the country's economic growth. These factors reduce the competitiveness of the country's exports, and also make it more expensive and difficult to import goods.

In the modern trading system ports are highly competitive, and in order to attract business they need modern facilities that ensure a low turn-around time for containers, as well as reasonable port costs.



▲ The new, upgraded port has no fewer than five massive gantry cranes to facilitate the loading and unloading of ships.

a dedicated power plant; installation of security systems and gates; construction of heavy concrete block pavement for stacking containers; and laying of dockside crane rails. Phase I was completed ahead of the March 2004 deadline and in April 2005 OFID signed an agreement for a further private sector loan of \$6 million to help fund Phase II.

The second phase of the project involved the installation of a fifth gantry crane and a variety of container handling equipment, along with the construction of new customs and administrative buildings. The expanded facilities are expected to significantly increase the terminal's handling capacity. When they are completed PICT will be able to handle the largest ships, and offer the shortest turnaround times in country. The work on phase II was finished in mid-2006.

In March 2006, OFID extended a further loan of \$3 million to help fund Phase III of the project. During this phase, additional container handling equipment will be installed, as well as a new terminal operating system and an X-ray scanner. When completed, PICT will truly be a world-class container port that has the potential to

provide an enormous boost to Pakistan's development activities. At present Karachi Port, and all Pakistani ports, mainly handle goods originating from Pakistan itself or goods destined for the Pakistani market, but the new, improved Karachi port has the potential to become a major export and import hub for the landlocked central Asian region, which lies to the northwest of the country.

The latest OFID loan to the Pakistan International Container Terminal project represents OFID's fourth private sector loan to Pakistan. In addition, the Fund has approved around US\$260 million toward a wide range of public sector projects and for balance of payments support over the years. Pakistan has also been the recipient of numerous grants from OFID, including technical assistance grants to support regional programs in the areas of agriculture and health. OFID also gave a humanitarian assistance grant of \$600,000 after the devastating earthquake that hit Pakistan and its neighboring countries in October 2005.

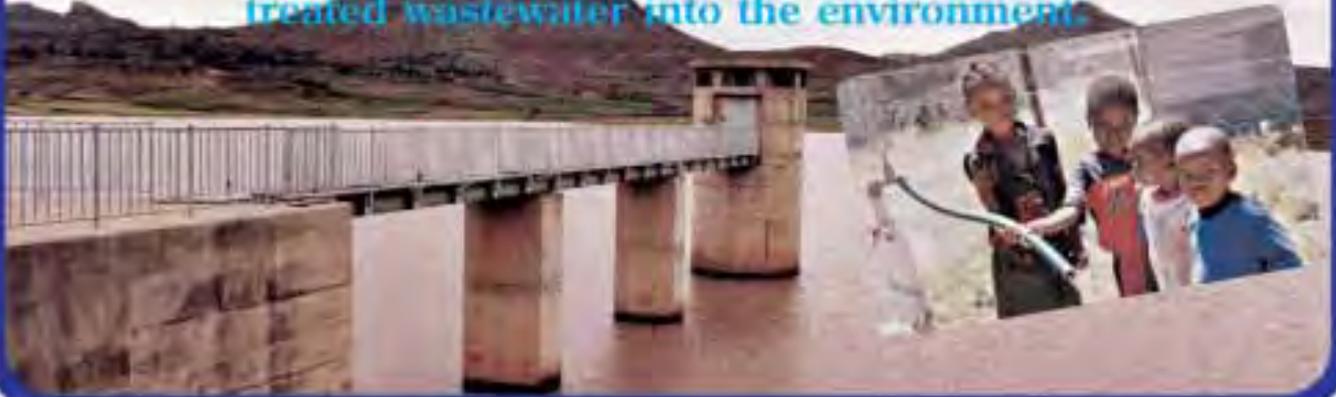
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Multi-purpose project uplifts Vietnam's rural poor

Vietnam is often hailed as a success story when it comes to economic development and poverty reduction. Since the turn of the millennium the country's GDP growth has averaged nearly seven percent a year. Poverty, which once plagued two-thirds of the population, has been cut in half. And while the country is still classified as a low income nation, the average annual income of \$640 in 2005 was double the level of 10 years earlier.

There are two main reasons for the improvement in living standards. Most important was the distribution of agricultural land to rural households from the 1980s, while economic reforms have also provided incentives for increased farm production. Whereas in past decades Vietnam was beset by food shortages and even famine, it has now reached the point where it is the world's second-largest rice exporter.

But while these are real achievements, there is no cause for complacency. Rural poverty remains high, due to a combination of irregular water supplies, a lack of

modern farming technologies and the destruction frequently wrought by the monsoon rains. In Vietnam, as in many developing countries, the wealth gaps between rich and poor, and between urban and rural dwellers, are widening, even as overall income increases. Almost 80 percent of the country's population of 83.5 million people lives in the rural areas, with some 70 percent of the workforce employed in farming or agriculture-related work, rice being the staple crop. Three rural regions account for almost two-thirds of Vietnam's poverty: the northern uplands, central highlands and central coastal areas. The government is

- ◀ The Song Trau reservoir can hold 31 million cubic meters of water.
- ▶ The massive dam feeds over 50 km of irrigation canals that have enabled thousands of small farmers to increase their production.

implementing targeted programs to tackle poverty in all three regions, and OFID has supported one such program with a \$10 million loan. The project is in the Ninh Hai district of the south-central coastal province of Ninh Thuan.

Facilities for small farmers

Ninh Thuan is a place steeped in the ancient culture of Vietnam, with old temples, original sculptures and a rich cultural life noted for its unusual folk songs and unique dances. Unfortunately, Ninh Thuan is also one of the poorest provinces in the country, with many small farmers living in settlements that lack basic facilities such as schools and clinics, or even clean water and sanitation.

The Ninh Hai 'multi-purpose rural development' project, as its name suggests, is targeting poverty on several levels. One of the most important goals is to help small farmers increase their production, and hence raise family incomes.

Ninh Hai's economy is dominated by rice farming and fishing, both heavily dependent on a reliable source of water. However, the minimal infrastructure could not be relied on to provide a year-round water supply. The main water source in the project area is the Trau River, but due to lack of investment and proper water management this resource was traditionally not properly tapped and the farmers had to watch the river rushing past them, unused, to the sea. Instead, they depended heavily on seasonal rainfall and a few storage dams that filled only in the monsoon season.

Traditional irrigation systems, built by the local farming communes without unified planning or design, were capable of serving only around 15 percent of the total cultivable land. Agricultural production and productivity were therefore both low and unreliable, especially as the existing sources of water had become polluted by chemicals and agricultural waste.

Completed in 2005, the project is now providing year-round irrigation water to an area of 2,750 hectares that formerly had no irrigation facilities, as well as 500 ha already equipped with an irrigation system. Fresh water has also been supplied to 500 ha given over to shrimp farming.

A dam and reservoir with a storage capacity of some 31



million cubic meters of water has been built on the Trau to ensure that adequate supplies are available all year round. A major irrigation canal stretching for 13.3 km has also been constructed, feeding 42 km of primary and secondary canals.

Having a reliable water supply is making an enormous difference to the farmers: it means they can grow two or three crops a year, thus considerably increasing their output and incomes.

Crucially, safe drinking water has also been provided for 50,000 people in Ninh Hai who formerly only had access to unsafe, polluted water.

Agricultural services

The assistance to farmers goes beyond providing water, however. Agricultural extension services are also offered, with farm demonstrations held to teach modern

- ▼ Now that irrigation water is readily available, farmers in the Ninh Hai area have a better chance of harvesting a good rice crop.





▲ **Despite limited mechanization of the harvesting and threshing processes, growing rice is still a labor-intensive occupation.**

farming techniques, agricultural development and planning. Practical training courses and workshops are also held to show farmers how to manage and maintain the new irrigation systems.

To help arrest and reduce erosion in the river's watershed, 850 hectares of land in the Trau River Basin has also been planted with forest.

A number of families had to move home to make way for the reservoir. So, a new settlement was built upstream for the 369 affected households, which mainly comprised ethnic peoples. (About 12 percent of Vietnam's population is made up of more than 40 individual groups of indigenous people, the descendants of the country's original population that lived there before the arrival of the Viet people from the north thousands of years ago.)

New houses have also been built in several existing hamlets for resettled families, complete with the

necessary infrastructure, including roads and electricity. Seeds and capital have also been provided to help the relocated farmers begin producing rice and other crops. Two schools, a clinic and an office building have also been constructed.

The total cost of the project was \$12.31 million, of which OFID loaned \$10 million.

Since 1978 OFID has approved loans worth more than \$121 million for Vietnam. Of these, two financed commodity import programs, while the others went toward projects in the agriculture, education, energy, transportation, multi-sectoral, national development banks and health sectors. OFID grants have also been extended to assist typhoon victims, to help finance a rural water supply program and to combat HIV/AIDS.

Fact File

- ◆ Over three decades, OFID has spread its influence to 50 countries in Africa, 40 in Asia, 25 in Latin America and the Caribbean, and 4 in Europe.
- ◆ Although all developing countries are eligible for its assistance, OFID focuses on the neediest countries and the most vulnerable population groups, in particular the rural poor.
- ◆ Despite diversifying into other areas of financing, OFID's core business remains the public sector. To date, project loans account for 62% - or US\$4.9 billion - of OFID's total commitments.
- ◆ OFID signed its first ever loan agreement with the Democratic Republic of the Sudan on December 23, 1976. The amount was US\$7.45 million for balance of payments support.
- ◆ Taken together, agriculture and the social sectors of health, education, water supply and sanitation, represent 43% of OFID project lending.
- ◆ For eight successive years, beginning 1998, transportation projects have attracted the lion's share of OFID public sector lending.
- ◆ OFID loans are given regardless of a country's political or religious orientation; the main consideration is the economic viability of a project and its contribution to development.
- ◆ Long before it established its Private Sector Facility, OFID was already channelling assistance indirectly to the private sector through lines of credit to national development banks.
- ◆ By December 31, 2005, OFID has signed agreements for the encouragement and protection of investment with 62 host governments, paving the way for it to commence private sector operations in those countries.
- ◆ OFID played a significant role in the establishment of the International Fund for Agricultural Development, channelling US\$861.1 million in contributions from OPEC Member Countries towards IFAD's initial capital and first replenishment.
- ◆ In recognition of the importance of primary products to developing countries, OFID is a longstanding supporter of the Common Fund for Commodities (CFC). In total, OFID has given US\$83.6 million to the CFC, partly to cover countries' subscription fees and partly to help finance commodities projects.
- ◆ Austria is the only non-developing country that has received assistance from OFID. This exception was made in August 2002, when emergency aid was approved after severe flooding, in recognition of the solidarity OFID feels with its host country.
- ◆ In the interests of sustainable development, OFID often follows up emergency aid with conventional, low-interest loans to assist longer-term reconstruction in devastated regions.
- ◆ Member Countries are only eligible for assistance from OFID in the case of disaster relief or within the context of a regional program.
- ◆ By the end of 2005, OFID had approved and was delivering debt relief to 24 heavily indebted poor countries.

Photo Credits (All): Dirk Heijboer/Royal Haskoning



Coastal

project helps Gambia regain its beaches

“One of the most worthwhile things about this project is the boost it’s given to the people of Banjul. In the evenings, especially on weekends, it’s not just tourists but local families picnicking, young men playing soccer and couples strolling down the sands. It’s reclaimed not only the beaches but Banjul’s social life.”

This comment, by the project manager of an ambitious project part-funded by OFID that helped salvage the eroded beaches of The Gambia, indicates the multifaceted benefits that such environmental projects can bring. Apart from the ecological and economic advantages, the restoration of eroded coastlines gives people back a priceless leisure resource.

◀ Thanks to the coastal reclamation project Gambia's beaches are once again inviting to tourists and locals alike.

▶ This aerial view of part of the project clearly shows the reclaimed sections of beach.

It is a resource that is especially important in this West African nation, which depends heavily on overseas tourists for much-needed revenue. The Gambia is a very poor country, ranked 155th out of 177 nations in the 2004 United Nations (UN) human development index. Literacy levels are low, as are most social prosperity indicators, and the UN estimated the nation's per capita income at just \$280 in 2005. Gambia has no significant mineral or natural resource deposits and has a limited agriculture base. About 75% of the population depends on crops, livestock and fishing for its livelihood. The government has made it a high priority to develop the tourist industry in a sustainable way to ensure that it is an engine of development for the country.

Sand mining

In common with many parts of the world, The Gambia's coasts have had to cope with diverse threats from human activities. The country has just 81 kilometers of shoreline, so the pressure on this valuable resource is particularly heavy. Coastal vegetation that normally acts as a natural defense against wind and storm surges has been cleared to make way for buildings, roads and other infrastructure. The coast has also been degraded by the uncontrolled mining of quartz sand, which is widely used in Gambia's burgeoning construction industry. For years, truckload after truckload of sand was removed without any consideration for the environmental impact of the practice.

The destructive human activities on the coastline brought about such intense erosion over the years that recent decades have seen large sections of beach completely washed away.

When the problem was at its height, it was estimated that the coastline was eroding inland at a rate of one or two meters every year and as much as five meters in some areas. In fact, the erosion progressed almost as far as the main highway between the capital, Banjul, and the inland town of Serrekunda, the only road connecting the city to the Gambian hinterland. It also posed a threat to Banjul's power and water supply connections.

Inland erosion disrupted transport in another way, too. The capital of Banjul is also a major port, situated on the southern bank of the Gambia River, directly across



from the Barra Ferry Terminal. Ferries operating between these two points are the primary form of transport for both goods and people in the region, playing an important role in the economy. However, acute siltation from upstream agriculture restricted ferry crossings to high tide.

Sustainable solution

By 1999 it was clear that unless something drastic was done to curb the erosion, vital infrastructure, homes and livelihoods would be lost. In that year the Gambian Government commissioned a study to come up with integrated and sustainable solutions to stem, and hopefully reverse, the damage that was being done to the coastline. A meticulous survey was carried out, and its findings formed the basis for the coastal protection program, which is designed not only to make good the existing erosion, but also to prevent future erosion of the coast. The latest computerized methods were used to simulate weather and wave conditions in the region, to ensure that any mitigation measures that were undertaken would be appropriate and long-lasting. Social factors were also taken into account, particularly as they affected the many Gambian women and subsistence-level agriculturalists that gain a livelihood from fishing, trading and other small business activities along the coast.

Last but not least, the project made provision for the creation of a Gambian coastal zone management unit, staffed by properly trained officials and empowered to manage the coastline in all its aspects in the future, to ensure that the Gambian coast is never allowed to degrade again. Training has been provided both on the job and overseas.

OFID contributed \$5.78 million toward the total cost of \$19.6 million, and the project was co-financed by the African Development Bank and the Gambian Government.



▲ A T-shaped groyne made of sea rock, backed by a newly restored sand beach, will protect this part of the coast for a long time.

Groynes and revetments

The Gambian coastal erosion mitigation scheme is an excellent example of a project that takes social, economic, environmental and technical factors into account to come up with a holistic solution that will be sustainable in the long run. Earlier methods of combating and withstanding coastal erosion such as sandbags and gabions (wire cages filled with stones and used to form retaining walls) had been tried and found wanting. Determining why this was the case gave clues as to how the problem could be remedied effectively, and the findings were applied in the actual mitigation program. Coastal erosion was combated in several ways. In parts of the affected areas, beach restoration was done using offshore borrowed sand, a 'soft', low-cost solution. This method, carried out correctly, can last for decades.

At some locations along the coastline this 'beach nourishment' was not thought to be a sustainable option, so the coast was re-shaped and restored through the construction of groynes (low, broad walls made of sea rock) and revetments (masonry retaining walls) to halt erosion. The availability of suitable rock (granite or basalt) for such structures is unfortunately limited in the region and the boulders need to be imported from overseas. Since these types of interventions are relatively expensive, their feasibility depends largely on the (hotel) infrastructure expected to

be developed in the immediate vicinity of the beach.

To alleviate the serious siltation around the Barra Ferry Terminal, some 200,000 cubic meters of sediment were dredged from the beaches there, thus making it possible for the ferries to start running again whatever the tidal situation.

Unqualified success

The project commenced in 2002 and was finished by the end of 2004. It has been hailed as a resounding success, and a short walk along Banjul's beaches will confirm that it has had an astounding effect on the coastline. Whereas tourists were starting to shun Gambia because of its coastal erosion, they are now flocking back to enjoy the new beaches, as are the local residents. Banjul is booming, with new hotels and other tourist facilities under construction to deal with the growing numbers of visitors expected in the coming years.

The stabilized coastline and increased tourist traffic will also encourage the development of sustainable small-scale enterprises, in particular those run by women selling agricultural produce and handicrafts to tourists along the beachfront.

The challenge for The Gambia is to ensure sustainable management of its coastline, and specifically tight control of negative environmental practices such as sand mining, to prevent coastal erosion becoming a problem again in future years.

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The Middle East is an important market for UBS and the company as a whole has had a direct presence in the region since the 1960s through its network of representative offices. UBS Global Asset Management opened an office in Bahrain in 2001.

UBS Global Asset Management has around 3,000 employees located in 20 countries, with our main investment centres in Chicago, Frankfurt, Hong Kong, London, New York, Sydney, Tokyo and Zurich. The breadth, depth and global scope of our investment capabilities, research and risk management distinguishes us from our peers. With invested assets totalling some CHF 765 billion (CHF 441 billion for institutional clients and CHF 324 billion for the wholesale intermediary market²), UBS Global Asset Management ranks as the second largest fund house in Europe³ and the largest mutual fund manager in Switzerland⁴.

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- Lipper Fund Awards 2005 (Switzerland) - Best Fund Awards (over three, five and ten years)
- Lipper Fund Awards 2005 (Japan) - Best Fund Awards (over three and ten years)
- Banca Polare Dell'Emilia Romagna (BPER Sicav) Fund Awards 2005 - Best Specialist Group 2005
- InvestHedge Magazine - Institutional Firm of the Year 2005
- Professional Pensions Pooled Fund Awards - Pooled Fund Manager of the Year 2005

*Source: Business Week 2005
As of 31 December 2005

Source: Lipper Insight (31 March 2006)

Source: Lipper FundFlow Insight Report (figures used as of 31 December 2005)

Global Capabilities

Traditional Investments			Alternative and Quantitative Investments	Real Estate	Fund Services
Equities	Fixed Income	Global Investment Solutions			
Core (price value)	Global	Global	Single manager hedge funds	Global	Hedge Fund Services
Global	Country & regional	Country & regional	Multi-manager hedge funds	Country & regional	Investment Fund Services
Country & regional	Sector specific	Asset allocation	Quantitative	Private strategies	
Emerging markets	Emerging markets	Currency management	Enhanced index	Real estate securities	
Systematic alpha	High yield	Return & risk targeted		Agriculture	
Long-short	Structured credit	Structured portfolios			
Socially Responsible Investments (SRI)	Liquidity/short duration	Risk management & advisory services			
Indexed	Indexed				
Growth investors					
Country & regional					
Global Investment Solutions Initiative					

Note: On 30 June 2005, UBS announced the formation of Dillon Read Capital Management, a separate business within UBS Global Asset Management. This business will become operational in 2006. The capabilities of this business are not included on this diagram.

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Schools

uplift for paradise island

Well known for its sandy tropical beaches, palm trees and pristine ocean, Seychelles is one of the most beautiful countries on earth. It is also one of the smallest, with a population of just over 81,000 people. It comprises 115 islands scattered over an area of 1.374 million square kilometers in the southwestern Indian Ocean, about 1,500 km off the coast of East Africa.

Just 30 of the islands in the archipelago are inhabited. With a land area of 148 square kilometers, Mahé, the largest island and seat of the government, constitutes about one-third of the total land area. The other two largest islands are Praslin and La Digue, 33.6 km and 48 km from Mahé, respectively.

Like many small island developing states (SIDS), the archipelago has certain development problems unique to its geography. These include a small population, lack of resources, remoteness, susceptibility to natural disasters, excessive dependence on international trade and tourism, and vulnerability to global developments.

In addition, SIDS suffer from lack of economies of scale, high transportation and communication costs, and costly public administration and infrastructure.

Despite these challenges to its sustainable development, Seychelles has made great strides in recent years in improving the living standards of its population. Before attaining independence from Britain in 1976, Seychelles had a GDP per capita of less than \$1,000, which meant that the majority of the population was operating at little better than subsistence level. Since then incomes have risen almost eightfold, led by the two pillars of the economy: tourism and fisheries.



- ◀ Seychelles is an idyllic holiday destination, but like many small island states it has development problems of its own.
- ▼ The new educational center has state-of-the-art buildings and facilities.



Photo Credit: PIU

Social services a priority

The government has pursued a vigorous program of investment in education, health, housing and other social services that has significantly promoted social development. The country has an average life expectancy of 72.7 years, an infant mortality rate of 11 per 1,000 live births (2003), the lowest in the African region, and an adult literacy rate of 91%.

Education is compulsory on the islands, and while the Seychelles enjoys almost universal primary school attendance, some of the country's school buildings are dilapidated. In 1998 the Ministry of Education and Youth (MEY) made it a priority to rebuild those that fell far short of the standards required for modern, effective schooling. The Seychelles government also places a high priority on providing schoolchildren with a midday meal, and facilities are thus required for catering.

In August 2003, OFID signed a US\$4.7 million loan agreement with the Republic of Seychelles to help finance the replacement of a primary school and construction of a school meals center on the island of Praslin to serve all the local schools. The project falls in line with government's aim to maintain an environment

conducive to learning by building schools with sturdy, long-lasting materials, maximizing the use of space to allow the children more recreational area, and setting a standard class size to prevent overcrowding.

Self-sufficiency

Praslin, the second largest island, is divided into two districts, Baie St. Anne and Grand Anse, and has a population of around 6,500. Each district has a primary school, with the island's secondary school situated in Grand Anse, where the school meals center is also located. A number of constraints, however, prevent the schools from functioning optimally. The Baie St. Anne Primary School had an enrolment of around 650 pre- and primary school-aged children, but it was built over 50 years ago, and much of it had fallen into disrepair. Classrooms at the Grand Anse School were becoming crowded, and the meal center had reached the end of its useful life, no longer able to meet the growing needs of the island.

As part of this project, which commenced in January 2005, the Baie St. Anne School was torn down and rebuilt at a better location. Because there is a chronic shortage of flat land for building on Praslin, the school was



constructed on land reclaimed from the sea. The new 4,600 square meter, three-story facility comprises five classroom blocks, library, staff room and dining area. Two appropriately furnished classrooms are devoted to accommodating children with special needs. A modernized and fully equipped school meals center is being built at the new Baie St. Anne School site to replace the old one in Grand Anse. Eventually, the old cafeteria building will be demolished to free up space for expanding the Grand Anse Primary school, which presently has class sizes of 35 and over. All teaching aids, books, furniture and sports equipment will be procured. Once completed, the new school will provide crèche facilities for some 200 children, and be able to accommodate 650 primary school pupils. The new development will ensure that Praslin has adequate school facilities for its primary schoolchildren for many years to come, which is vital for an island that has to be self-sufficient in basic facilities. The total cost of the project is \$5.25 million, and it is being co-financed by the Government of Seychelles. This represents the second public sector loan extended by OFID to Seychelles in support of the education sector, while seven others provided balance of payments support.

- ▲ The Seychelles government places a high priority on providing schoolchildren with quality meals, hence the building of new catering facilities on Praslin.
- ▼ OFID is helping to ensure that a good primary education can be ensured for all of Praslin's children.



Section 3

Agenda Issues



Photo Credits (All): Banco Los Andes, ProCredit



Fighting

poverty through microfinance: small sums, big results

“ Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs. Together, we can and must build inclusive financial sectors that help people improve their lives. ”

Kofi Annan - UN Secretary-General



A basket seller sitting by a dusty road in Mbabane, Swaziland, holding up her traditionally crafted wares to catch the attention of passing drivers may not seem to have much in common with a small-scale potato grower in rural Bolivia. But both of them are in business because they've managed to borrow small amounts of money to start their own enterprises. Until recently, you could only get credit if you were already well off, but through microfinancing poor people throughout the developing world have been able to start or expand their own enterprises. Many are then able to make enough money to send their children to school, obtain health care and other services, and even sometimes to employ others. Because jobs are hard to come by in most developing countries, many people are self-employed, often in the informal sector, selling goods on the street or at market, carrying out small-scale farming or home-based services such as dressmaking, repairing and craftwork. Others may have more established businesses employing just one or two people. Such small enterprises are usually short of capital because conventional banks are not

◀ **Harvesting onions in rural Bolivia. Caja Los Andes has helped many small farmers grow and diversify their activities by lending them small amounts of money.**

interested in lending money to those with little or no collateral. Unofficial moneylenders charge prohibitively high interest rates, and if people are late paying back the money they often face such exorbitant charges that they end up poorer than when they started.

Micro-credit is a way of allowing small-scale entrepreneurs and farmers to borrow money without incurring high interest rates. The idea was first tried out in the 1950s in the form of development projects that experimented with subsidized agricultural credit. These credit programs aimed to increase the productivity and incomes of small and marginal farmers, but most of them failed; either because the loans were so heavily subsidized that the lending program itself was not self-sustainable, or because the lenders tended not to follow up defaulters, so many of the loans were not repaid. As microfinance has evolved, non-governmental organizations involved in providing credit to the poor have found that they have to transform themselves into formal microfinance institutions. This enables them to diversify into more sectors and alternative products such as savings accounts and insurance policies. This in turn means they can carry on meeting the mushrooming demand for micro-credit from budding entrepreneurs of all kinds.

One of the first really successful microlending institutions, the Grameen Bank, was founded in Bangladesh in 1974, targeting the country's many rural poor. Grameen has now diversified into many other areas besides microlending and has no fewer than five million customers. It served as a model for other successful microlenders, and more than 30 years later the industry has come of age. The UN even declared 2005 'the International Year of Microcredit', and supported a number of activities relating to the industry during that year.

Caja Los Andes

The small and micro-business sector is particularly important in South America, and Bolivia is no exception: some 60 percent of the country's working population is involved in one or other micro-enterprise, and in recent years about 90 percent of new jobs created have come from this sector. To service this burgeoning area of the economy Bolivia has developed a world-class microlending system, one of the most mature and



▲ A chicken farm financed by CLA.

competitive to be found anywhere. Among the most successful microfinance institutions in Bolivia is Caja Los Andes (CLA) - so successful in fact that in January 2005 it became a fully fledged commercial bank, renamed the Banco Los Andes Procredit.

CLA led the way in proving that lending small amounts to entrepreneurs, the self-employed and particularly the rural poor, at fair interest rates, can not only be sustainable but even profitable.

CLA opened its first branch in La Paz, the Bolivian capital, in 1995, having inherited a lending portfolio from its predecessor, Procredit. Unlike most other institutions, which only extended group loans, CLA began making loans to individuals. At this stage it only lent money in the urban areas, as was then customary among microlenders in Bolivia, but it very soon began to diversify into lending to rural dwellers. There was a pressing need for this in Bolivia at the time, because the failure of several state-owned agricultural banks in the 1980s had left many country people with no access at all to banking services. CLA hoped that by filling this gap it would be able to diversify its services while fulfilling its mission of improving the lives of poor people by giving them access to income-generating credit.

In expanding its services to the rural areas CLA faced many challenges, common to microfinance institutions

throughout the developing world. Clients are often scattered over large areas, but it is uneconomic to have too many branches. So, the bank sited its branches with care, in larger rural centers, with a good diversity of agricultural practices in the surrounding areas. The more diverse the range of activities catered for, the lower the risk if one crop fails or a single agricultural activity becomes uneconomic. Farmers who themselves have diversified their activities tend to be able to borrow more than those who concentrate on a single crop or livestock. Obtaining collateral against the loan is a perennial problem for rural microlenders; their clients often do not own their land or are not permitted by law to use it as collateral for borrowing. CLA got round this problem by using household assets such as televisions for collateral. While these items do not have much value to the bank, they are of great value to the client who fears losing them. CLA also has a rigid attitude to repayment: defaulters are visited immediately to follow up on the debt, and late payments are charged extra interest. This is considered important because in the past some borrowers overstretched their lending limits and had debts forgiven. To ensure sustainability, it must be made clear that loan forgiveness is not going to happen this time. The Banco Los Andes Procredit now has 37 branches and almost 50,000 borrowers.

OFID's Private Sector Facility (PSF) has extended two lines of credit to CLA - one of \$2 million in 1999 and one of \$5 million in 2004. This was the first repeat operation for the PSF, and as such it reflects the outstanding record of the bank in serving its microfinance clients.

FINCORP Swaziland

On the other side of the world, in the small southern African kingdom of Swaziland, the microfinance industry is in its infancy compared with Bolivia, but it offers a lifeline to the country's many smallholders and micro-entrepreneurs, who traditionally have had little or no access to finance.

FINCORP, the Swaziland Development Finance Corporation, provides term lending to microfinance cooperatives and other micro and small businesses and is one of the few such institutions in the country. Founded in 1995, it is seeking to expand so that it can offer new products and play a greater part in the development of Swaziland, one of the poorest countries

in the region. In Swaziland there are high hopes that the small and micro-business sector will become a major engine of economic growth and, in particular, a source of much-needed new jobs.

The informal economy, which mostly comprises micro-businesses, is already thought to provide up to 25 percent of national jobs. In 2006 FINCORP announced that it is planning to set up regional offices to get closer to the people in the rural areas, one of their main target groups for lending.

OFID is supporting FINCORP's expansion program with a \$3 million line of credit.

Self-employment constitutes 50 to 70 percent of the labor force among the poorest populations in developing countries. It is estimated that about 500 million people worldwide run micro-businesses. Yet fewer than 10 million of them can get access to loans from banks or traditional lending institutions.

▼ Microfinance institutions support a range of small businesses, including small retailers and repairers.





Photo Credit: UNICEF/HQ05-0921/ Shehzad Noorani

MDGs:

Health goals central to success

“ How will the world look in 2015 if the Goals are achieved? More than 500 million people will be lifted out of extreme poverty. More than 300 million will no longer suffer from hunger. There will also be dramatic progress in child health. Rather than die before reaching their fifth birthdays, 30 million children will be saved. So will the lives of more than two million mothers. ”

UN Millennium Project 2005. *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. Overview.



- ◀ New mothers in Jamaica receive instruction under the UNICEF program.
- ▼ The effort to improve the health of women and children is receiving a huge boost with MDG-related projects taking place around the world.



Photo Credit: UNICEF/HQ05-1411/ Christina Nesbitt

All over the world, enormous efforts are being made to achieve the Millennium Development Goals (MDGs) by the 2015 deadline. Whether or not the goals are met, just the push to meet them will change the lives of millions for the better. The MDGs provide a vision for development in which health and education are squarely at the center. The high priority given to improving health in particular reflects a recognition that good health is not a human right to which all people are entitled, but a critical input to development. All sectors - economic, environmental and social - share an interest in protecting and promoting health, because health is also an important contributor to several other goals; a foundation that has to be in place before the fruits of many development efforts will be seen. Good health is important to all of us, whether we are rich or poor. Health is key to wellbeing and productivity. When breadwinners suffer ill health, long-term disability or death, the results can be disastrous - the entire household suffers due to loss of income combined with the cost of medical care. And the ones who often suffer

most are the weakest members of society: women and children. Through ill health many people fall into poverty, and those already impoverished become poorer still.

Three of the eight MDGs, eight of the 16 targets, and 18 of the 48 indicators relate directly to health.

The three directly health-related goals are:

- **Goal 4.** Reduce by two-thirds, between 1990 and 2015, the under-five child mortality rate.
- **Goal 5.** Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate.
- **Goal 6.** Have halted by 2015 and begun to reverse the spread of HIV/AIDS, and the incidence of malaria and other major diseases.

These goals reflect the intense international focus on improving the health of women and children. In the poorer parts of the world, many women and children die unnecessarily every year because of a lack of basic healthcare and easily remedied environmental conditions.



▲ Proper monitoring of babies' growth is essential for health.

Currently 10.8 million children under the age of five die each year, and 530,000 women perish from illnesses related to pregnancy and childbirth. These deaths are almost equally divided between Africa and Asia, which together account for about 95 percent of the total. Progress toward achieving the health goals in these regions will need a redoubling of effort at every level, from central health planning to the smallest clinic. OFID, along with its development partners, is doing all it can to support initiatives that will contribute to these aims.

The fight against HIV/AIDS

One of these projects, the OFID/UNICEF Mother/Child Project to fight HIV/AIDS, was announced in 2005. Costing \$8 million, it covers 17 countries - 11 in Africa, four in the Caribbean and two in Asia - and aims to repair some of the damage done by HIV/AIDS to women and children. The project concentrates on three areas:

care, protection and support for orphans and vulnerable children; HIV prevention and life skills development for street children; and prevention of mother to child transmission of HIV, with care and support for mothers. The project embraces a wide range of activities, tailored to the individual needs of the participating countries. Specifically, these include: revision of national policies, strategies and action plans for the protection and care of orphans and street children; provision of medical care, counseling and social assistance; establishment of community centers; training of health care workers; awareness campaigns; assistance to families willing to sponsor orphans; and, capacity building to incorporate prevention of mother to child transmission of HIV into national health systems.

This integrated approach is vital to ensure that the problem is tackled from all sides. As UNICEF Executive Director Ann Veneman said on a visit to OFID headquarters, 'tackling HIV and AIDS can have a ripple

effect. Getting orphans into day care centers, for instance, is not just about offering protection. It's about providing food and education as well. So, while focusing on HIV/AIDS, we can address the MDGs of hunger and education at the same time. Likewise, if you're testing for mother to child transmission, mothers will learn how important it is to continue the course of infant care that they started during pregnancy, and children will, hopefully, get the ongoing primary healthcare that they need.'

Boosting health in Arab LDCs

While the effects of HIV/AIDS may not be as marked in the Arab region, some poor Arab countries face many health challenges of their own. Djibouti, the Sudan and Yemen are classified amongst the Least Developed Countries (LDCs) of the world, and in 2005 OFID approved a grant of \$400,000 for a WHO project aimed primarily at improving the health of poor women and children in these nations.

Project activities have been formulated to embrace the three health-related targets of the Millennium Development Goals.

The WHO-led initiative is country-specific and its main activities cover:

- supporting health activities by creating National Coordinating Technical Committees and helping to integrate relevant issues in each national health strategy;
- workshops, seminars and advocacy campaigns using mass media and other media;
- strengthening health policy, planning and decision-making by establishing a database system, training workshops and initiating capacity-building measures among health care providers; and
- improving information, communication and reporting through the development and dissemination of information materials.

Maternal health care in Peru

Halfway around the world from the Middle East, in the South American country of Peru, a project to strengthen maternal health care delivery in poor rural communities was also co-financed by OFID. A \$200,000 grant, approved in 2001, went toward a UNICEF-sponsored program to provide comprehensive pre- and post-natal care to women and their babies in order to reduce the number of stillbirths and complications arising during pregnancy/childbirth. At the turn of the millennium, Peru had one of the fastest population growth rates in the world. However, of the country's 28 million people, 3.8 million live in extreme poverty, including 2.1 million

children. The gap between the rich and poor is one of the most marked in the world.

Although Peru has made progress in reforming its health care sector, maternal and infant mortality rates remain high, especially in the mountainous rural areas. Direct causes of maternal deaths are attributed primarily to hemorrhaging, infection, pregnancy-related hypertension and problems encountered during delivery. An estimated 9,000 infants per year perish at birth or shortly thereafter, or suffer brain damage from hypoxia. Health care centers are so widely dispersed and under-equipped that most women are unable to seek pre-natal care and few have access to trained birth attendants. UNICEF, in cooperation with Peru's Ministry of Health, established a program in nine provinces in the departments of Cajamarca, Cuzco and Apurimec, areas with the lowest health care coverage. Workshops were held to evaluate the quality of existing health care delivery and identify what supplies and equipment would be needed to provide adequate pre- and post-natal care. Health care workers learned how to handle obstetric emergencies through internships at specialized centers, and all staff received training in women's rights and child rearing practices. A follow-up program is offering women with high-risk pregnancies household visits from qualified medical personnel. A strong focus is placed on the aspects of community education, social mobilization, gender equality and cultural sensitivity in providing maternal health services.

These new services offer thousands of women a more enabling environment for safe pregnancies and deliveries, and give them confidence to seek medical assistance. The program will later be replicated in other underserved provinces.

▼ Many Peruvian women are too poor to access proper healthcare.



Photo Credit: UNICEF SHEHZAD NOORANI



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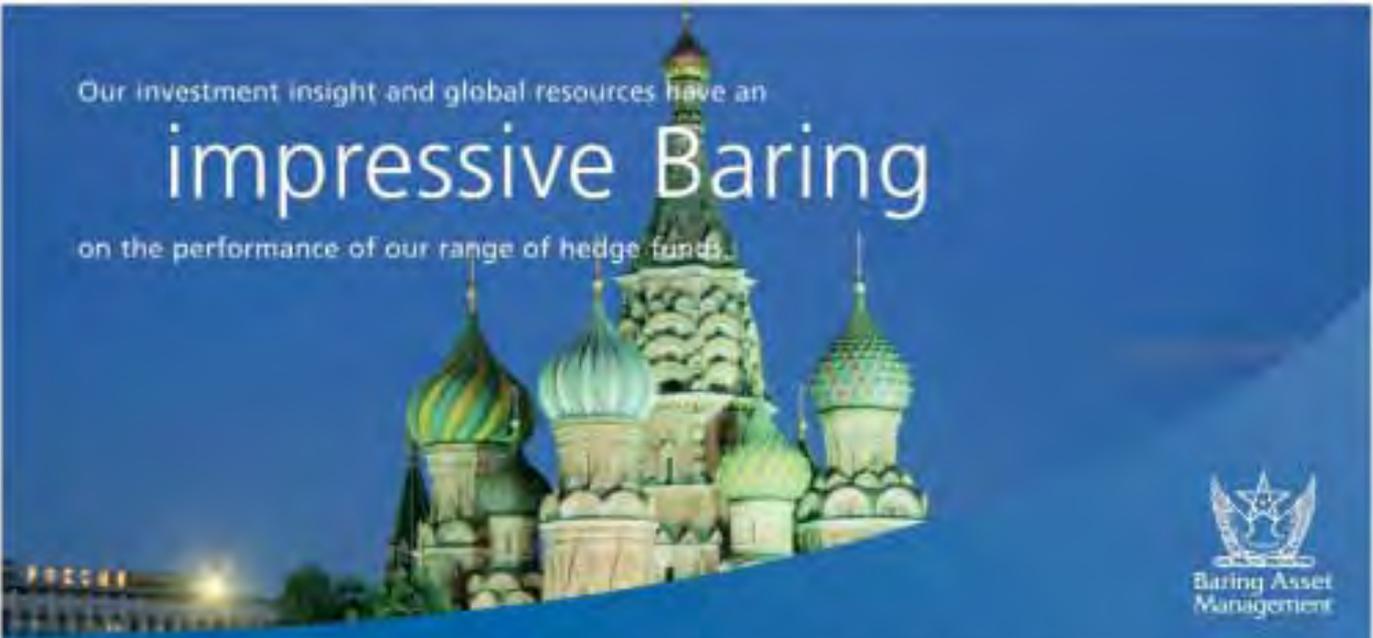
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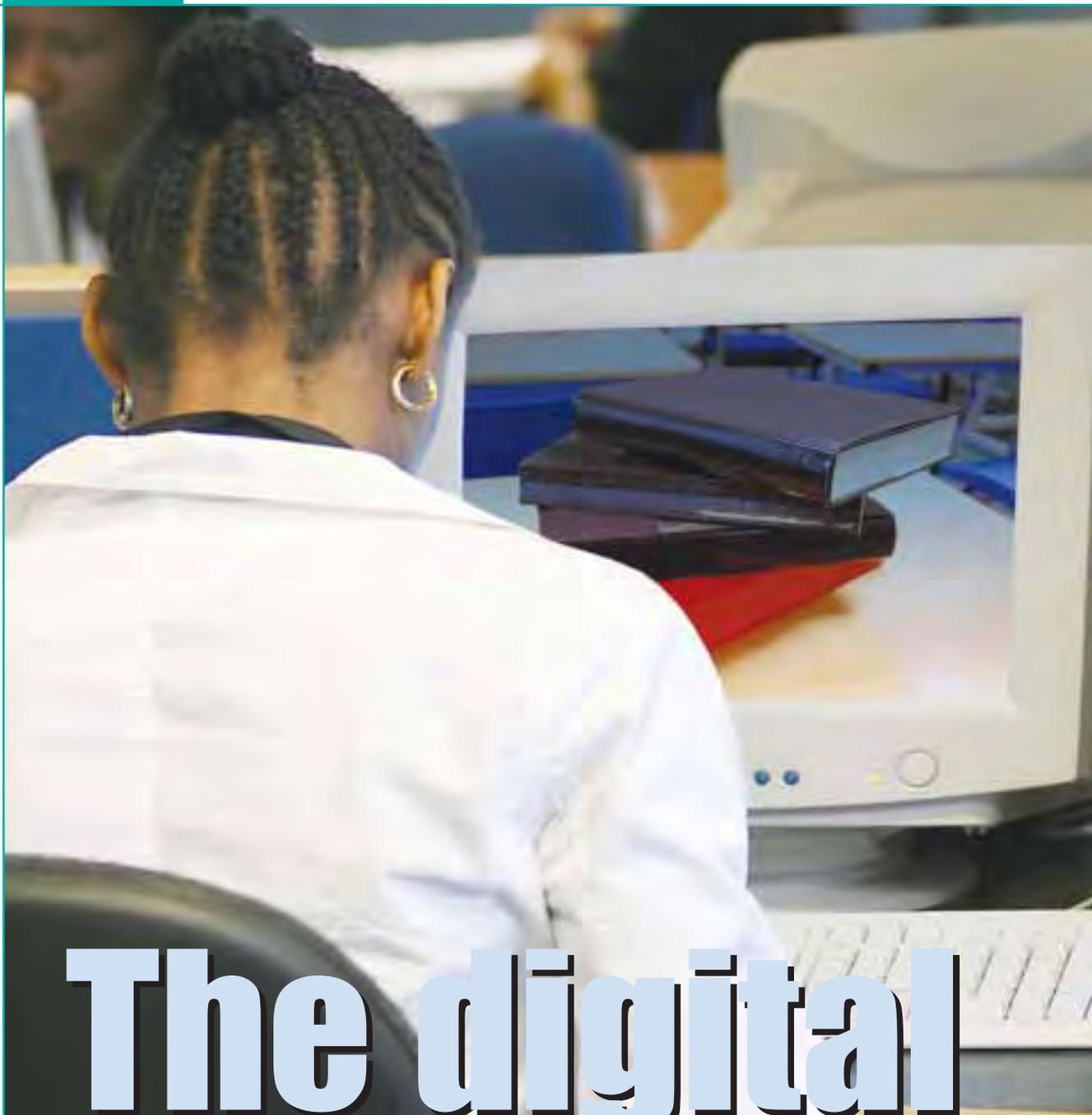


Photo Credit: Shutterstock/Andres Rodriguez

The digital

dividend: harnessing ICTs for development

“ Creating digital opportunities is not something that happens after addressing the “core” development challenges; it is a key component of addressing those challenges in the 21st century ”

G8 Dot Force, Creating Opportunities for All, 2001

When the devastating tsunami first hit south-east Asia on 26 December 2004 a young Indian man, Vijayakumar Gunasekaran, who was working in Singapore, followed the unfolding crisis on radio and television. The son of a fisherman from Nallavadu village, Pondicherry on the eastern coast of India, Vijayakumar knew that such an event could have a devastating effect on coastal villages like his hometown. He phoned home, waking up his sister to warn her. Noticing that water was seeping underneath her front door, she alerted some friends, who broke down the door of a community center to broadcast the news to the villagers over loudspeakers, telling them to move away from the coast immediately. All 3,630 villagers survived, although 150 houses and 200 fishing boats were destroyed.

It has become something of a cliché to say that recent dramatic revolutions in information and communication technologies (ICTs) have transformed our lives, although in the case of the Pondicherry villagers above this was true in a most dramatic way.

In developed countries, ICTs have certainly transformed commerce, social interaction and political relations, among many other facets of life. In the arena of development assistance, too, ICTs have been promoted for a long time as a tool for accelerating economic development and bringing an end to poverty. But in spite of immense progress in expanding the reach of basic and new ICT services and applications in developing countries, it is sobering to reflect that the majority of the world's population still does not have access to phones, computers or the Internet; millions of people still aren't even able to listen to the radio, either because they are out of reach of radio stations, or because they can't afford a set. One of the greatest challenges facing the development community in the coming decades is to help close these stubborn gaps in access to ICTs and to the opportunities that they can bring.

There are many exciting projects taking place worldwide that are showing the value of ICTs in achieving key global aspirations such as the UN's Millennium Development Goals (MDGs). But the diffusion, use and benefits of ICTs do not come about automatically; they require the concerted efforts of all parties involved in development. There are several ways in which ICTs impact on development. Firstly, as an economic sector, the ICT industry can provide jobs, training and livelihoods – just like any other component of the economy. The boom in cellular telephony, which now employs tens of thousands of people around the world, is just one illustration of how ICTs can make a difference economically, even before the benefits of the technology itself are taken into account.



Photo Credit: Tumisiana

- ▲ A technician receives training on a communication mast.
- ◀ Computers and the Internet have transformed the world of work and study for millions round the globe.

One advantage of ICT is that it needs less investment than more traditional activities such as industrial production, so the financial barriers for entry are lower. ICTs can be 'mainstreamed' into other activities. They can speed up and transform production processes, commerce, government and education. Perhaps most importantly, they can be used to communicate information, even to physically isolated areas, via Internet-based programs and cellular telephony. ICTs can be used to reach areas that are home to the most remote and deprived people, who may not be reachable by conventional methods. It has been proved time and again that access to information is essential for poor people to achieve their full economic and social potential, and to help them lead more satisfying lives.

ICTs are producing excellent results in a number of projects aimed at providing people with life-enhancing information. One such project, to deliver effective health education via the Internet, was piloted by the World Health Organization (WHO) in 2003. The online Health Academy aims to provide the general public with health information and knowledge required for preventing disease and following healthier lifestyles. With the assistance of a grant of \$500,000 from OFID, the project was expanded to The Gambia and Ghana in 2005. The mission of the Health Academy is to demystify

medical and public health practices and to make the knowledge of health specialists available to all citizens of the world through Internet-based technology. It promotes good health by explaining essential public health functions in a language that all people can understand, taking into consideration their individual cultural sensitivities. Specific topics covered include hygiene, food safety, prevention of tuberculosis, HIV/AIDS and other communicable diseases.

The e-learning technology used by the Health Academy is more than just distance learning. It allows the learner to understand from first principles the very essence of what is being taught and to build on this knowledge. This approach helps to develop critical thinking and enhances concentration capacities. The curriculum is exciting to both educators and students, as it is a truly interactive mix of different media technologies. The scheme was piloted in 46 schools in Jordan and Egypt in 2003 and was an unmitigated success.

The goal of the project is to use the experience gained in The Gambia and Ghana to devise a model that can be carried over to other sub-Saharan African countries. WHO will form a National Health Academy Committee in each country, comprising high-level representatives from the Ministries of Health, Education and Telecommunications, together with the International Telecommunication Union. The Committee, in conjunction with WHO and national experts, will be responsible for developing and designing 12 e-learning courses per country and tailoring them to specific needs. Ten schools each in The Gambia and Ghana have been selected for implementation. Additionally, health education will be incorporated into school curricula. Mentor training for principals and teachers will also be organized and regular feedback provided to the Committee throughout the project's two-year duration. An awareness campaign will also make the coursework available to the general public via universities, libraries, community centers and other outlets.

Maldives cellular business booms

In a very different part of the world from West Africa, the Maldives has its own problems that ICTs can help solve. This beautiful Indian Ocean archipelago consists of over 1,190 islands, spread over some 90,000 square kilometers. Only 200 of the islands are inhabited. The island complex measures 820 kilometers from north to south and 120 kilometers from east to west. The population of just under 350,000 is thus widely scattered, and communications difficulties have in the past tended to be a major constraint to development. Tourism is a major part of the Maldivian economy, and visitors expect to find



Photo Credit: Shutterstock/erikdegraaf

▲ Increased competition in the Maldives phone industry has been a boon for customers and business growth alike.

a world-class phone service when they get there. The cellular telephone has been a major boon to this country, which now has more than twice as many cellular connections as land lines. Until recently there was just one cellular network provider in the Maldives, however, which meant the service was expensive and limited. The Maldives Government was keen to open up competition, and in February 2005 Watinya Telecom Maldives won a tender to become the second service provider in the islands, with the help of a \$7 million loan from OFID. After it launched its service in August 2005 Watinya was able to capture around 20 percent of total market share, with about 60,000 subscribers. The OFID loan was used to co-finance the launch of a GSM network to provide good quality mobile coverage throughout the country and facilitate the use of services such as text and multimedia messaging, email and Internet. Watinya will also be part of a group that installs fiber-optic submarine cable to India in order to develop an international communication gateway in the Maldives.

Simply defined by UNDP, ICTs are any information-handling tools - a varied set of goods applications and services that are used to produce, store, process, distribute and exchange information. They include the 'old' tools of radio and television as well as 'new' ICTs such as computers, satellites and wireless technology and the Internet.



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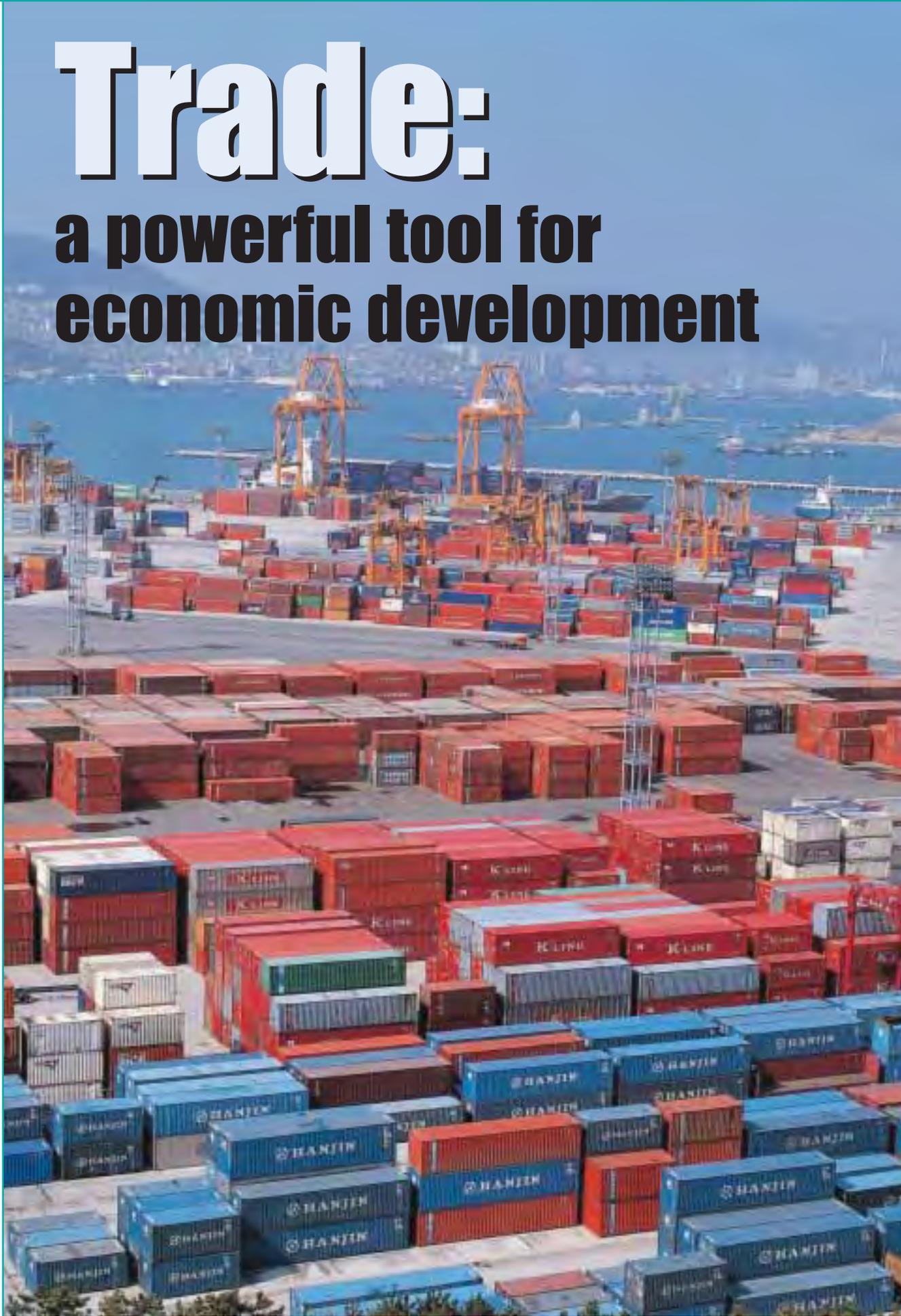
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Trade:

a powerful tool for economic development

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“ Allowing producers to export to a subsidy-free world market will lift many out of poverty ”

Mary Robinson, former UN High Commissioner for Human Rights

Trade is the engine of the modern world economy. It has been central to the remarkable growth of industrial countries since the mid-20th century and to the rapid economic development of many nations, particularly in southeast Asia, since the 1970s. There is no doubt that successful trade can transform national economies, create and distribute wealth and, most importantly, lift people out of poverty.

International trade, and the contribution that it can make to development in the poor parts of the world, has never been as high on the global agenda as it is today. Trade and development are crucial and deeply intertwined issues - to eradicate extreme poverty, both must be addressed at the same time. The links between trade and development economics are particularly critical during a period when both fluctuating commodity prices and trade liberalization and agreements can radically affect the economies of developing countries.

OFID has long recognized the importance of trade to the development process and is pursuing a variety of strategies, often with other international institutions, to help partner countries harness their trade potential. Trade's central importance to economic growth and development is underlined by the fact that one of the Millennium Development Goal targets is to "Develop further an open, rule-based, predictable, non-discriminatory trading [and financial] system..."

The fact that such a target had to be included in the MDGs at all is an acknowledgment that the trade system in its current state is unfairly weighted in favor of the developed countries. The frequently stormy multilateral meetings of the World Trade Organization (WTO) testify to the controversy surrounding world trade in an increasingly globalized economy. Almost all of the WTO's 149 member countries agree that there is a need to reform the global trading system, but there is a lack of consensus on how to do this.

Conceding the fact that the world trade system does not work in the interests of the poorer countries, the latest round of WTO multilateral trade negotiations, the Doha Round, is billed as the 'development round.' When the negotiation round commenced in 2001, the needs of

developing countries were placed for the first time at the top of the multilateral trade agenda. There were high hopes that the Doha Round would deliver tangible results that would help developing countries overcome the disadvantages they faced as players in the world trade arena. Sadly, after half a decade of talks, the Doha Round has made little progress toward leveling the trade playing field - the goal of agreeing on a 'roadmap' for a global trade treaty by early 2007 does not appear to be achievable.

Ideally, the benefits of a favorable deal under Doha would be felt by rich and poor countries alike. The Center for Global Development in the USA estimates that a successful Doha Round would raise 500 million people out of poverty and add \$200 billion annually to developing nations' economies. Global free trade in merchandise alone would add over \$290 billion to total global income each year, according to an estimate by the World Bank. While both developed and developing countries would enjoy income gains, the largest benefits would accrue to the developing nations, which would find new markets for their agricultural products and raw materials.

Agricultural liberalization key

Agriculture, which is essential to the vast majority of livelihoods in the developing world, is at the center of the Doha agenda. Trade in agricultural commodities and other primary products is a major earner for many LDCs. However, as commodity prices are increasingly volatile, developing countries have seen their export earnings fluctuate dramatically over the years. The situation is not helped by protectionist measures such as domestic agricultural subsidies and import tariffs in the developed nations, which deny developing countries fair and equal access to global markets. Reducing such state support would help raise world market prices for agricultural

◀ **Trading in goods and commodities is helping many countries' economies to expand and modernize.**

products to realistic levels and allow developing countries to compete in a more open market.

After a tortuous set of negotiations, at the December 2005 WTO talks in Hong Kong it was finally agreed that all forms of agricultural export support would be ended by 2013. However, no deadline has been set for removing domestic agricultural subsidies in the United States, Europe and a handful of other developed nations where together governments spend more than \$1 billion every

day on subsidising uneconomic farmers. In fact, the rich countries spend six times more on agricultural subsidies than they do on development aid. Thus, subsidized sugar made from expensive sugar beet is sold in Europe at prices far higher than those that more economic sugar cane producers in the tropical countries would charge.

Trade not a universal panacea

While liberalizing world trade is certainly a necessary prerequisite for increasing development and economic growth, on its own it is not a panacea to insure development, particularly among the poorest of the poor. The problem of unfair subsidies in the developed world is just one of many sticking points in the WTO negotiations; even if all such subsidies were removed tomorrow, many LDCs would still be unable to benefit from the world trading system, because they do not have the correct infrastructure in place.

For example, for a country to take advantage of trade opportunities, it needs competitively priced produce, an adequate and reliable transport network, a functioning financial system, trained and informed workers and farmers, and many other requirements that are scarce or absent in poor countries. The LDCs in particular will need to develop suitable infrastructure to take advantage of the new trade opportunities that may arise from a successful conclusion to the Doha Round.

In addition, in the prevailing global system, certain countries and regions have enjoyed localized preferential trade terms that would now fall away. Some poor countries will find their local markets overwhelmed by imported goods or products, and will not be able to compete with these goods until their local industries are brought up to scratch. As agricultural exporters, many of the poorer developing countries already have significant duty- and quota-free access to developed country markets through reciprocal and non-reciprocal preferential trade arrangements. The erosion of these preferences may lead to decreases in their export revenues, unless they expand their volumes of exports or diversify into value-added and non-agricultural production. In other words, many poor countries will require trade-related assistance (so called 'aid for trade') if they are to take advantage of the more level playing field of tomorrow.

Trade and the development community

Lobbying by the international development community has done a great deal to publicize the issue of fair trade and reform of the WTO. A few years ago trade talks usually passed without much mention in the press,

Common Fund for Commodities

There is a clear link between commodities, particularly agricultural ones, and poverty. Most LDCs are heavily dependent on a few commodities for employment, government revenue and export earnings. Even in wealthier developing countries, the rural poor also often depend on the production of commodities for their livelihood. Most of the developing world's economies rely on highly volatile farm crops and, often, a single export, which is unreliable for supporting growth. The collapse of agricultural commodity prices over the past few decades has had a devastating effect on many of the world's poor commodity-dependent countries. The Common Fund for Commodities (CFC), an intergovernmental financial institution established by the United Nations, aims to support these commodity-dependent nations, by working toward:

- achieving stable conditions in commodity trade by addressing inequalities in supply and demand.
- reducing the imbalances that exist between the players in the globalized world economy.
- supporting the socio-economic development of commodity producers by financing commodity-focused projects, particularly those intended to improve and diversify commodities production and trade.

Because OFID also believes very strongly in the above goals, it has generously supported the CFC since the latter's inception in 1980. Through contributions totaling \$83.6 million toward the CFC's First and Second Accounts, OFID has paid the subscriptions of dozens of less developed countries to the CFC and is providing funds for research and development.

The CFC currently has a membership of 106 countries. Institutional members include the European Community (EC), the African Union (AU) and the Common Market for Eastern and Southern Africa (COMESA). The Secretariat is based in Amsterdam, the Netherlands.

whereas today they often make the headlines. Besides the valuable lobbying work they do on behalf of the world's less developed countries, development agencies play a crucial role in the area of infrastructure development to help poor countries compete in the trade arena (so-called 'behind the border' measures). By supporting projects that advance the agricultural sectors in LDCs in particular, they lay the foundations for increased productivity and make it feasible for farmers to participate in international trade. Many of the projects that OFID co-funds are directly relevant to, and aimed at, increasing the recipient countries' capacity for trade. Through its support of the Common Fund for Commodities (CFC), OFID is financing programs to assist commodity-dependent LDCs in diversifying their agricultural sectors to provide higher-value goods for trade. By assisting private sector exporters OFID is working to create jobs and greater trade opportunities for industrial and service companies in developing countries. By supporting transport infrastructure projects, such as port development and modernization and the building and refurbishment of major roads, OFID is helping to provide the infrastructure needed by potential exporters to take advantage of newly opened up global trading opportunities. Just one example is a recent road project in Paraguay that will integrate the



Photo: IFAD, G. Bizzarri

▲ Paraguay's cotton producers will be able to increase their exports thanks to the new road system.

country's transport system with those of its neighbors, and give its agricultural exporters a massive boost (see box). Once adequate foundations have been laid, developing countries will be more able to capitalize on the benefits of free trade - and more able to reinvest their own income to develop their economies further. Donors such as OFID can lay the foundations for sustainable development, but trade is the catalyst for building on these foundations.

Road upgrade boosts Paraguay's farm exports

A glance at the map of South America shows how heavily dependent Paraguay is on its road network: it is sandwiched between Brazil, Bolivia and Argentina and completely landlocked, far from the sea.

Traditionally, most of Paraguay's international trade was transported along the Paraguay and Paraná rivers, through Brazil to the Atlantic Ocean. However, freight is increasingly taken by road, particularly to Argentina and Brazil. Only a fraction of Paraguay's 64,000 km network is paved, however, with the remainder surfaced in earth or gravel. The poor standard of the roads is hampering economic development, specifically efforts to export Paraguay's agricultural produce to the neighboring markets of Argentina and Brazil, and beyond.

The Government of Paraguay has thus placed high priority on developing the country's road infrastructure, and OFID is assisting with a \$12 million loan to finance the rehabilitation of two key national highways. The loan agreement, signed in June 2005, is for repairing sections of the RN10 and RN11, in the northeast central region of the country.

The surrounding districts are among the poorest in Paraguay, with minimal infrastructure and service investment, a low level of development and few job opportunities. However, the region enjoys a high agricultural potential, particularly for soybeans, maize, cotton and livestock (for meat production). These products currently make up the bulk of Paraguay's exports. Most of its trade is carried out with the other member countries of MERCOSUR, the regional common market, but trade with the EU, United States and China is increasing.

The upgraded routes are expected to deliver many benefits, including cheaper and more reliable transportation, increased agricultural production and improved access to export markets in Brazil and Argentina. This will translate into better living conditions and enhanced job opportunities for around 35,000 people in the project area.

Works on the RN11 will involve upgrading a 58.7 kilometer stretch of earth road between Nueva Germania and San Pedro to an all-weather, 6.5-meter wide road with a 2.25-meter shoulder. The earth-surfaced RN10 will be asphalted along a 23.5 kilometer section between Capiibary and Yacy Ka'ñy. Three bridges, 100m, 75m and 15m in length will also be constructed. For both sections, road signaling, lighting and protective barriers will be installed.



Photo Credit: IFAD/Roberto Fardutti

OFID and IFAD:

partners in the fight against rural poverty

“ The creation of IFAD represented a new type of partnership – between OPEC countries and industrialized countries, between developing countries and developed countries – in which each group provided substantial financing for the institution. It was an early example of a global alliance across geographic or ideological differences, joining together for the shared goal of eradicating poverty and hunger. ”

Kofi Annan, Secretary-General, United Nations



- ◀ The clean water provided by this well in the poor West African state of Guinea has improved the quality of life of many rural residents. Such projects are close to the heart of the OFID/IFAD partnership.

Rome Food Conference

IFAD had its origins in the UN-sponsored World Food Conference in Rome in November 1974. This conference was held in an atmosphere of some urgency because of the extensive food shortages experienced in parts of Africa and Southeast Asia at the time. The conference delegates were motivated to find ways not only to foresee and mitigate such famines, but to ensure that food shortages would eventually become a thing of the past.

The OPEC country delegates in Rome suggested that an international fund be set up to help finance food production in the world's poorest nations. They underscored their commitment by agreeing to provide almost one half of the new fund's starting capital. IFAD was thus founded in December 1977 as the 13th specialized agency of the UN. OPEC nations, acting through the newly established OPEC Fund, pledged \$435.5 million toward the initial resources, while OECD countries gave \$569 million and other developing countries \$20.6 million. The OPEC Fund contributed an additional \$20 million to IFAD's First Replenishment. Given the relative size of the GDP of its members in comparison with OECD countries, the contribution from OPEC countries was a substantial amount.

Today, one can see that IFAD was a milestone in the history of international development. As an initiative suggested by developing countries, who took the lead in forming the new organization, it was unprecedented at the time. Even today, when globalization and North-South dialogue are supposed to be the order of the day, it remains a rare phenomenon. As the first president of IFAD expressed it, in an interview not long after the body was set up:

'IFAD was born in the questioning seventies, and reflects a new approach to problems of food production and distribution. With its focus on the rural poor and its unprecedented governing structure, IFAD is the first institutional embodiment of the spirit of the new international economic order.'

Even today, IFAD remains one of the few multilateral development finance institutions in which OPEC and other developing countries hold a majority of the votes. It is of course true that OFID was also set up in this era, reflecting a broad acknowledgement that partnerships were key to addressing urgent global problems.

Throughout OFID's 30 years of operation, it has worked with dozens of like-minded institutions with a view to maximizing every cent of aid disbursed, avoiding repetition and replication, and making full use of the expertise of other agencies (see also article on aid harmonization, page 108). As the case studies in this book testify, all projects with which OFID is involved are co-financed, either by governments, sister aid organizations, UN agencies or other development institutions.

One of OFID's closest partners is the International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations that focuses on rural poverty reduction, primarily through agriculture-related programs and projects. One of the reasons why the two organizations work closely together is that OPEC Member Countries played a major part in establishing IFAD, which celebrates its own 30th anniversary in 2007.



▲ An extension worker teaches Egyptian farmers how to make butter using modern machinery. They are beneficiaries of an IFAD project centering on livestock.

The 1974 Rome Conference marked a change in the prevailing thought on the world food problem. Delegates recognized that the problems of food and nutrition were not just the result of occasional crop failures, but reflected a deep-seated phenomenon with roots entrenched in the wider issues of poverty and development. The conclusion reached was that unless the poorest segments of rural society gained access to more employment and better income opportunities, they would remain hungry and malnourished. The reason for establishing IFAD was not to supply food aid in the event of crop failure, but to finance projects that would enable rural poor people to take charge of their own development.

Nowadays, this idea of 'participatory development' is commonplace in development thinking, but at the time it was fairly revolutionary, because for generations people had thought of hunger, and the problems associated with it, as somehow inevitable. Today, the idea of not only participating in, but taking charge of, development is clearly reflected in the objectives of IFAD. IFAD has

recognized that vulnerable groups can and do contribute to economic growth. These groups have shown that they can join the mainstream of social and economic development, provided the causes of their poverty are understood and enabling conditions are created.

Agriculture and the poor

Thirty years have gone by, but the problems IFAD set out to address are still in evidence in many parts of the world. Poverty still stalks the least developed countries in particular, and within these countries rural dwellers make up the majority of the poor. They depend on agriculture and agriculture-related small industries and services for their livelihoods. They work as farmers, fishers, herders and landless farm laborers. Their countries tend to depend on agriculture to a disproportionate extent for jobs, exports and economic growth. This is why focusing on agriculture is so vital to reducing poverty, and thereby reducing world hunger. The greater the investment in agriculture, the greater the chances are that a country can raise itself out of

poverty and underdevelopment. It is also more likely to reach the point where its people can diversify into other areas of economic activity. It is not just a question of money, but also of providing people with the necessary knowledge and expertise to increase agricultural production. Projects and programs must respond to the needs of small-scale producers, and at the same time be part of an integrated approach that addresses the many elements of rural poverty.

How the partnership works

IFAD and OFID work in partnership to finance development programs and projects - by means of low-interest loans and grants - in some of the most disadvantaged countries of the world, from Armenia to Zambia, and from Burundi to Lebanon. After the World Bank, OFID is the largest co-financier of IFAD-sponsored programs and projects. Together they have co-financed 58 projects in over 30 countries, with many more joint initiatives in the planning stages. Projects include a vast array of activities ranging from road building and repair, to water supply and training courses for farmers, together with boosting literacy and business skills among would-be entrepreneurs, and providing seeds and other agricultural inputs. The partners also invest in agricultural research to help make crop yields, livestock and fishing more productive. In their co-financed projects and programs, each partner focuses on certain sectors. IFAD concentrates on agricultural support services, rural financial services,



Photo Credit: IFAD/Robert Grossman

▲ A Rwandan shoe repairer plies his trade. In partnership with OFID and other organizations, IFAD has actively promoted the growth of micro-enterprises in this war-damaged country.

community development and the creation of local institutions, institutions, together with agricultural investments, such as irrigation equipment and tree plantations. OFID usually supports rural infrastructure, including water supply and rural roads, as well as farming assets such as agricultural equipment, animal restocking and private sector agro-processing facilities. The partnership between IFAD and OFID combines their particular strengths to maximize the impact of their efforts. OFID has special insights into the problems

Community groups gain the know-how to reduce poverty in Turkey

Per capita annual income in eastern Turkey hovers around \$800, far lower than the national average of \$2,800. Yet the area has well-developed roads, good communication networks and considerable economic potential. In order to bring eastern Turkey more in line with the rest of the country, the \$30 million, seven-year Sivas-Erzincan Development Project was approved in 2003. Targeting 50,000 people in 200 villages in two eastern provinces, it aims to help increase incomes and improve quality of life. The project is receiving co-financing from IFAD and OFID.

At the heart of the project is community participation, achieved through village associations. Training courses offer support in planning, management and administration, enabling communities to prioritize their needs, manage grazing lands and water, and increase their bargaining power in the market place.

Herders are learning about better animal health, improved rangeland management and marketing. In order to pass on their knowledge, farmers are organizing and holding demonstrations of farming techniques, including contour tillage, contour strip cropping and other improved tillage techniques.

About 70 new or existing cooperatives are receiving advice on how to serve their members better by delivering essential services in production, processing and marketing. Training in bookkeeping, accounting and general business skills is enabling the groups to make the best use of their resources and to ensure that they do not sell goods unprofitably.

Priority is being given to needy households headed by women, and to families with little or no land and few or no farm animals.



▲ **More than 250 million people in the developing world, from farmers to carpenters like this Rwandan tradesman, have benefited from IFAD/OFID-funded projects since 1978.**

associated with poverty because its member states are themselves developing countries. This makes it a valuable ally to other developing nations and an excellent partner for IFAD.

Since 1978, IFAD has invested \$8.2 billion in 660 rural development projects and programs in 115 countries and territories around the world. IFAD estimates that these projects have enabled more than 250 million small farmers, herders, fisher folk, landless workers, artisans and indigenous people to take steps to achieve a better life for themselves and their families. IFAD works with partners that include not only the rural poor, governments and other NGOs, but also the private sector, and financial and development institutions.

IFAD member states and governance

Membership in IFAD is open to any state that is a member of the United Nations, as well as any of its specialized agencies and the International Atomic Energy Agency. Its 164 Member States are classified as follows: List A (primarily OECD members); List B (primarily OPEC members); and List C (developing countries). The Governing Council is IFAD's highest authority, with full decision-making powers. It has representatives from all of IFAD's Member States and meets annually at the organization's Rome headquarters. Each Member State is represented in the Governing Council. The Executive Board is responsible for overseeing the general operations of IFAD and for approving its program of work.

The way forward

Although the Rome Conference delegates' commitment to end world hunger in 10 years has proved to be over-optimistic, the OFID-IFAD partnership is as strong today

as it was at its founding. As long as there is extreme poverty in the world, there will be hunger. Ending hunger is a major drive in the focus on poverty reduction, which now engages the whole development community as never before. The first and undoubtedly the most important of the Millennium Development Goals is to halve the proportion of people living in extreme poverty by 2015. Some progress has been made toward achieving this, particularly in Southern and East Asia, but other areas of the world lag behind and seem to have little chance of meeting goal number one. One of the reasons why some regions have succeeded while others have not is that they have accorded priority to the agriculture sector, making significant investments in food production. One of the functions of IFAD is to help channel official development assistance to areas where such investments are most needed.

Healthier livestock produces more milk in Lebanon

Lebanon's 17-year civil war, which ended in 1990, left rural families with few cattle, sheep and goats. In response, IFAD and OFID joined forces in 1993 to co-finance the Smallholder Livestock Rehabilitation Project. With contributions totaling \$21.9 million, the project enabled herding families in the Bekaa Valley to purchase animals and obtain technical assistance to improve the production of milk, meat and wool. Farmers secured loans to buy high-yielding imported dairy cows and local varieties of sheep and goats. Dairy cattle were vaccinated against foot-and-mouth disease. Ten milk collection centers were built to provide a more hygienic way of collecting milk. Five extension centers trained nearly 1,000 participants in animal health, livestock breeding and post-harvest processing. Women were heavily involved. Many took courses in how to organize small-scale entrepreneurial activities, such as selling handicrafts. Others formed food production cooperatives to process fruits and vegetables. One of the greatest impacts of the project, which ran until 2002, was an increase in annual milk production, from about 3,500 liters per cow to more than 6,000 liters. More hygienic processing reduced the amount of milk rejected due to poor quality from 20 percent to seven percent, while leading to a 50 percent rise in the price farmers received for their milk. The vaccination campaign also reduced the incidence of animal diseases.



Where aid delivery begins.
The OFID headquarters' building is located on Vienna's famous tree-lined boulevard, the *Ringstrasse*, directly opposite the beautiful *Stadtpark* (City Park). Built between the years 1864-69 as the residential palace of the Austrian Archduke Wilhelm Franz Karl, it was purchased by OFID in 1981. Although subsequently renovated to accommodate the requirements of a modern office complex, the building's magnificent bel étage, atrium and facade have been maintained in their original style. Today, the former palace is an Austrian national monument.

Photo Credit: D. Golpashin/OPEC

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Photo Credit: SEBRA Film

Doing aid

better: the move to harmonize development assistance

“ Poor countries need aid that is delivered in a predictable fashion, without too many strings attached and in ways that minimize transaction costs and maximize value for money. All too often they get aid that is unpredictable, hedged with conditions, uncoordinated and tied to purchases in donor countries. ”

2005 United Nations Human Development Report

Development assistance organizations number in the thousands, and it is often said that not a single one has ever gone out of business. Whether this is true or not, since the development 'industry' began shortly after the Second World War, a confusing multiplicity of development, relief and campaigning organizations have emerged, many with similar goals and priorities. In recent years, there has been growing pressure on members of the donor community to streamline, coordinate and harmonize their procedures in order to achieve greater aid effectiveness. Allied to this is pressure to end the practice of tying aid and attaching conditionalities, and to reduce the heavy burden on recipient countries of repetitious and time-consuming reporting and accounting to multiple donors. Reportedly, Senegal hosted more than 50 World Bank missions in 2002 - roughly one a week. In 2003 Zambia hosted 120 donor missions, excluding those of the World Bank and the International Monetary Fund. Of these, just 12 - and none involving the European Union or the United Nations - were joint missions. In another example cited by the World Bank, five donors sponsoring a single poverty survey in Bolivia each required separate financial and technical reporting, with the result that the government official managing the project had to spend more time on reporting than on the survey.

Although there had been demands on aid agencies to achieve greater coordination of their activities since the 1980s, the International Conference on Financing for Development in Monterrey, Mexico in March 2002 marked a watershed in thinking on aid harmonization. The conference ushered in a new compact between developing and developed countries, the Monterrey Consensus, which stressed mutual responsibility in the quest for attaining the Millennium Development Goals (MDGs). It called on the developing countries to improve their policies and governance. And it called on the developed countries to step up their support, by substantially increasing not only the quantity of aid, but also the quality of aid. This reflected the central development lesson of the previous decade: that recipient country ownership and leadership of the development process was key to the success of any aid project or program.

Rome High-Level Forum on Harmonization

Aid alignment and harmonization efforts were given further impetus at the High-Level Forum on Harmonization held in Rome in February 2003. The meeting came against the background of growing evidence that, over time, the widening variety of donor requirements for preparing, delivering and monitoring development assistance was



- ▲ A signpost in rural Senegal gives details of a road building project co-financed by OFID and some of its development partners.
- ◀ Cooperation and teamwork maximizes results at every level of the development process, from the planning office to the grassroots.

generating excessive costs and significantly hindering the effectiveness of aid. As development projects had proliferated, so had the rules for administering them. The Rome delegates noted 'partner country concerns that donors' practices do not always fit well with national development priorities and systems, including their budget, program and project planning cycles and public expenditure and financial management systems. We recognise that these issues require urgent, coordinated and sustained action to improve our effectiveness on the ground.'

At the end of the Rome conference participants promised to enhance aid effectiveness by adopting a number of guiding principles, including: giving emphasis to partner country priorities and their specific circumstances, intensifying efforts to work through delegated cooperation at the country level, and providing support to enable governments to assume a greater leadership role and take ownership of development results. The conference also urged recipient countries to assume a stronger lead in the coordination of development assistance and to undertake necessary reforms to build capacity, adopt international standards and apply good practices, thus enabling progressive reliance by donors on their systems.

Paris

At the Paris High Level Forum hosted by the French Government in 2005, development officials and ministers from 91 countries, 26 donor organizations, representatives



▲ **Effective development assistance depends on thorough planning and harmonization on the part of donors, particularly when it comes to field surveys and reporting.**

of civil society organizations and the private sector took stock of the progress that had been made since the Rome Forum two years earlier. They also identified the areas in which further, or more intense, work was needed. The Paris Declaration on Aid Effectiveness, signed at the end of the forum, included an agreement by all participants to measure their success at making aid more effective, with a clear set of indicators and targets.

This moved the aid effectiveness agenda beyond the general consensus reached at Rome in 2003 to what is now a practical blueprint for donors and developing countries to monitor each others' progress.

It was a memorable moment: some of the wealthiest and poorest countries from across the world signed up to around 50 commitments to improve aid effectiveness, with progress monitored against 12 specific indicators. Donor countries, for example, agreed to work toward ending the practice of 'tying' aid, where recipients have to obtain certain goods or services from the donor country, whether they want to or not. The 2005 UN Human Development Report estimates that tied aid costs low-income countries \$2.6 billion a year, which represents a 'tax' of about eight percent on aid. This means an 'aid tax bill' for Africa alone of \$1.6 billion a year, resources which could be spent on poverty reduction.

For their part, developing countries, with the assistance of donors, agreed to develop proper strategies for poverty

reduction and to reform national systems wherever necessary to improve their capacity to manage development resources.

OFID and harmonization

OFID is highly conscious of the benefits to be gained from collaborating closely with other aid organizations, and it has done so throughout its existence. Such cooperation allows for a pooling of financial resources, manpower and skills and helps avoid wasteful duplication of effort. OFID's cooperating partners include the bilateral and multilateral development agencies of its Member States (see box), the specialized agencies of the United Nations System, the World Bank, the regional development banks and a host of non-governmental organizations. OFID was an active participant at both the Rome and Paris conferences on aid effectiveness.

Right from the start OFID sought to place beneficiary governments and peoples in charge of the development process. It has argued against the type of donor-driven development policies historically prevalent among many development finance institutions, preferring to work on the basis of requests presented to it by cooperating countries. OFID listens closely to partner countries and recipients to identify their priorities and tailors aid accordingly. Throughout its existence, it has avoided imposing conditionalities that do not match the wishes

and aspirations of the borrowing countries.

Unlike many bilateral and multilateral aid donors, OFID's assistance is and always has been given free of economic, cultural or religious considerations. What's more, beneficiary countries have the freedom to buy goods and services from the best possible source and are not restricted to purchases from donor countries. The institution's main stipulation is that projects are economically viable and designed to contribute to a country's overall development goals.

Perhaps most important of all, however, is that OFID concentrates its activities in the poorest developing countries, and within those countries it focuses on the human development of the neediest and most vulnerable members of society.

OFID has always also placed a great emphasis on flexibility, customizing its assistance according to the needs of its partner countries. Originally, it provided simple balance of payments support in the form of loans to ensure a rapid transfer of resources to recipient countries. Soon, however, it moved into project and program financing, funding large-scale infrastructure schemes, particularly in the energy and industrial sectors of recipient countries. Since the late 1980s, the focus has been firmly on assistance to smaller-scale projects that target social needs and human development. A more recent innovation is OFID's involvement in the private sector, an increasingly important engine of growth and an area in which the countries themselves sought OFID's involvement. OFID strives constantly to improve its performance and the effectiveness of its development assistance, trying to remain relevant and helpful to its partner countries. As an organization made up of developing nations, the institution has a deep understanding of the problems associated with development and has been able to build alliances with its partners based on foundations of equality, solidarity and respect.

There is an urgent need for more development assistance to the poor countries. Although globally the amount of

official development assistance extended annually is growing, it is not doing so fast enough to meet the MDGs: the World Bank has estimated that additional foreign aid required to reach the MDGs by 2015 is between \$40 and \$60 billion a year.

Whether or not this money is forthcoming, every dollar of available financing needs to be used as efficiently as possible. This means careful setting of priorities, effective measurement of results and greater efforts at alignment and harmonization of aid. Most of all, it means not losing sight of the importance of country ownership of development efforts.

All of these factors have been guiding principles for OFID since its inception, and as the MDG deadline approaches OFID and its partners will redouble their efforts to 'do aid better' and make sure every dollar counts.

- ▼ **The port of Djibouti during its recent reconstruction, which was co-financed by OFID and other Arab aid institutions.**



Photo Credit: BCEOM

Arab, Islamic, and OPEC Development Institutions

The Coordination Group of Arab National and Regional Development Institutions, comprising the Arab Fund for Economic and Social Development, the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, the Abu Dhabi Fund for Development, the Arab Bank for Economic Development in Africa, OFID, AGFUND and the Islamic Development Bank, has been working on harmonization since 1995. To date, the group has developed guidelines covering areas such as project appraisal, disbursements, post-evaluation and the use of consultants, and has drawn up model consultancy agreements for feasibility studies, design and supervision, and procurement of civil works. The heads of the institutions of the Coordination Group meet annually, and the directors of the concerned departments meet twice a year.



Photo Credit: Dirk Heijboer/Royal Haskoning

Natural

disasters: going beyond relief to mitigation

“ Disasters are first and foremost a major threat to development, and specifically to the development of the poorest and most marginalized people in the world - [disasters] ensure they stay poor. ”

Didier J. Cherpitel, former Secretary General,
International Federation of Red Cross and Red Crescent Societies



Floods, earthquakes, cyclones, tsunamis, droughts and famine have always been part of life, and despite all the advances that modern technology has brought us they seem, if anything, to have become more frequent, and more deadly, in recent times. According to the UN's Bureau for Crisis Prevention and Recovery, some 75 percent of the world's population lives in areas that were affected at least once by either an earthquake, a tropical cyclone, flooding or drought between 1980 and 2000. The human death toll in the past few years alone has been staggering: the greatest natural disaster in modern times, the December 2004 tsunami, claimed over 226,000 lives, and in the first nine months of 2005 another 88,000 people worldwide were killed in natural disasters, ranging from Hurricane Katrina in North and Central America, to a famine in Niger caused by locusts, to the October

◀ **An ambitious coastal reclamation project in the Gambia, West Africa, is helping ensure that the country's valuable coastal strip is protected from erosion and other environmental disasters.**

earthquake in India and Pakistan.

Scientists believe the rising toll taken by natural phenomena may be due not only to our continuing population growth but to the increased concentration of people in vulnerable areas such as coastal regions, flood plains, drought-prone areas and seismically active zones. As a result, it is feared that more lives will be lost, more property will be destroyed, and the social and economic fabric of disaster-prone communities will be disrupted. But this does not have to be so. Just as human activity can worsen the damage caused by natural disasters, so human ingenuity can help mitigate it.

There is no doubt that disasters hit developing countries the hardest. Already coping with food insecurity, poor infrastructure, crippling debt burdens and, in many cases, ongoing civil conflict, they are ill-prepared to withstand such onslaughts. Loss of life and injuries apart, the aftermath of such events sees numerous families left homeless, while livelihoods are brought to a standstill by the destruction of crops and livestock. Ruined seed stores jeopardize the next harvest, and all too often affected populations must rely on emergency assistance to rebuild their lives. In economic terms, figures compiled by the World Bank show that between 1990 and 2000 natural disasters hit the affected countries' GDP by anything between two and 15 percent.

While it is important to deliver humanitarian aid after natural disasters to ease the suffering of populations and to prevent further fatalities, it is equally important to look beyond the immediate needs and examine how future disasters can at least be managed, if not avoided, so that the toll of damage and human loss is minimized. The harm done by natural disasters, and the need to try to mitigate this harm, was recognized by aid donors and other relevant institutions as far back as 1989, when the UN declared the International Decade for Natural Disaster Reduction. But, like many ideas in development, the importance of this issue has taken some time to become widely accepted within the development community. As donors increasingly focus their interventions to meet the Millennium Development Goals, they are looking more closely at how disasters can affect their work and how they can reduce the impact of natural phenomena on their development efforts. The particular challenge for development institutions is not only to support projects aimed directly at disaster mitigation, but to incorporate the whole concept of disaster management into their

policymaking so that every project or program automatically takes this important point into account. This is more challenging than it sounds, however. There are countless variables involved in disaster management and mitigation, and sometimes the issue is seen as an 'add on' to the core tasks of development agencies that threatens to divert resources from mainstream development activities. The execution of disaster mitigation is also very complicated, involving many different actors in areas ranging from health, engineering and science to government agencies, non-governmental organizations (NGOs) and commercial firms. It is no wonder that disaster mitigation has a reputation as a bureaucratic nightmare. Notwithstanding this, research centers and NGOs, as well as disaster-affected communities themselves, have developed mitigation strategies that have proven to be viable and, in some cases, require little in the way of investment.

Flood mitigation in Bangladesh

Although OFID has always been willing to respond swiftly to the emergency needs of developing countries in the face of natural catastrophes, it has made a point also of supporting projects that fall within the context of disaster mitigation. An example of the latter is its contribution to a project that aims to protect nine regional Bangladeshi towns from flood damage. Situated in the broad delta of the Ganges and Brahmaputra rivers in south Asia, and with its extremely flat topography, Bangladesh is one of the most flood-prone countries of the world. During a normal monsoon season a quarter of the land area is generally flooded, and in years of particularly heavy rain up to three-quarters of the country is submerged. While, ironically, the flooding contributes to the high fertility of Bangladesh's soil, it wreaks havoc on urban areas, where commercial and industrial activity is severely disrupted. The social impact is also profound, with waterlogged sewage systems leading to widespread environmental degradation and unsanitary living conditions. The floodwaters often lie around for weeks, allowing the spread of waterborne disease, and the death toll from such diseases usually exceeds that of deaths from drowning.

The civic and economic devastation caused by floods and other natural disasters such as cyclones is a prime reason why Bangladesh is one of the poorest countries in Asia, with the UN estimating that 49 percent of its 144 million people lived on less than a dollar a day in 2005. OFID's flood protection project involves building and reinforcing embankments in the targeted towns,

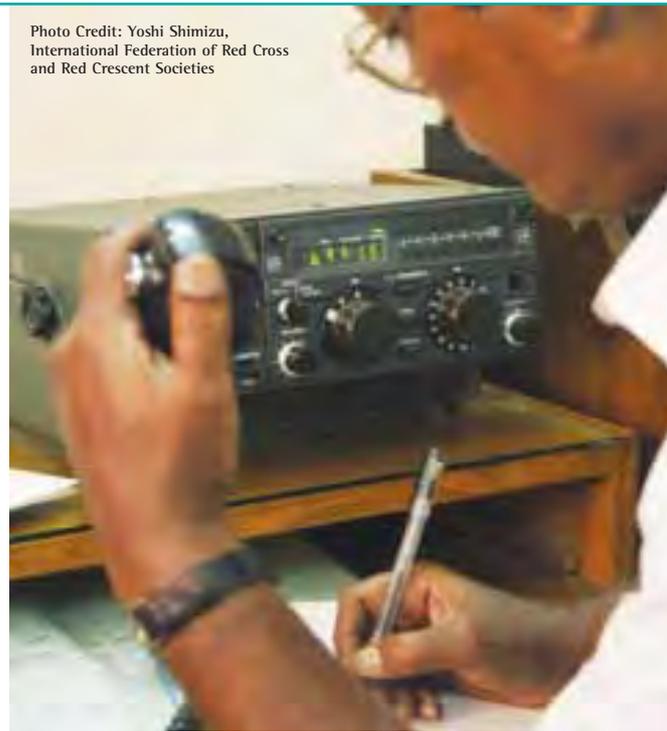


Photo Credit: Yoshi Shimizu, International Federation of Red Cross and Red Crescent Societies

▲ An official disseminates weather information via VHF radio from Bangladesh Red Crescent Society headquarters in Dhaka. This radio early warning system relays information to volunteers in flood-prone areas so they can give communities advance warning of heavy rain on the way.

excavating drainage outfalls and enlarging existing ones, as well as a wide range of solid waste management works. A capacity-building component will also strengthen the ability of local authorities to manage and maintain the new assets.

Under Phase 1 of the project, the Bangladeshi capital Dhaka and six district towns have already benefited from these measures. OFID's loan of \$15 million, extended in 2005, will help extend flood protection to a further nine towns that are vulnerable to extreme flooding. The completed project will bring better and healthier living environments, the beneficiary populations will be able to access markets and social services more easily. The project will also generate considerable income-earning opportunities, thus making a significant contribution to poverty alleviation.

The total cost of the second phase, 'The Secondary Towns Integrated Flood Protection Project,' is \$115.9 million. The project is being co-financed by the Asian Development Bank and the Government of Bangladesh and is one of a number of preventative measures undertaken by Bangladesh in recent years. While the monsoons will remain an annual fixture and Bangladesh's location and geography mean that it will always suffer some degree of extreme flooding, the hope is that in future the impact will be reduced because of wide-ranging measures to protect the infrastructure.



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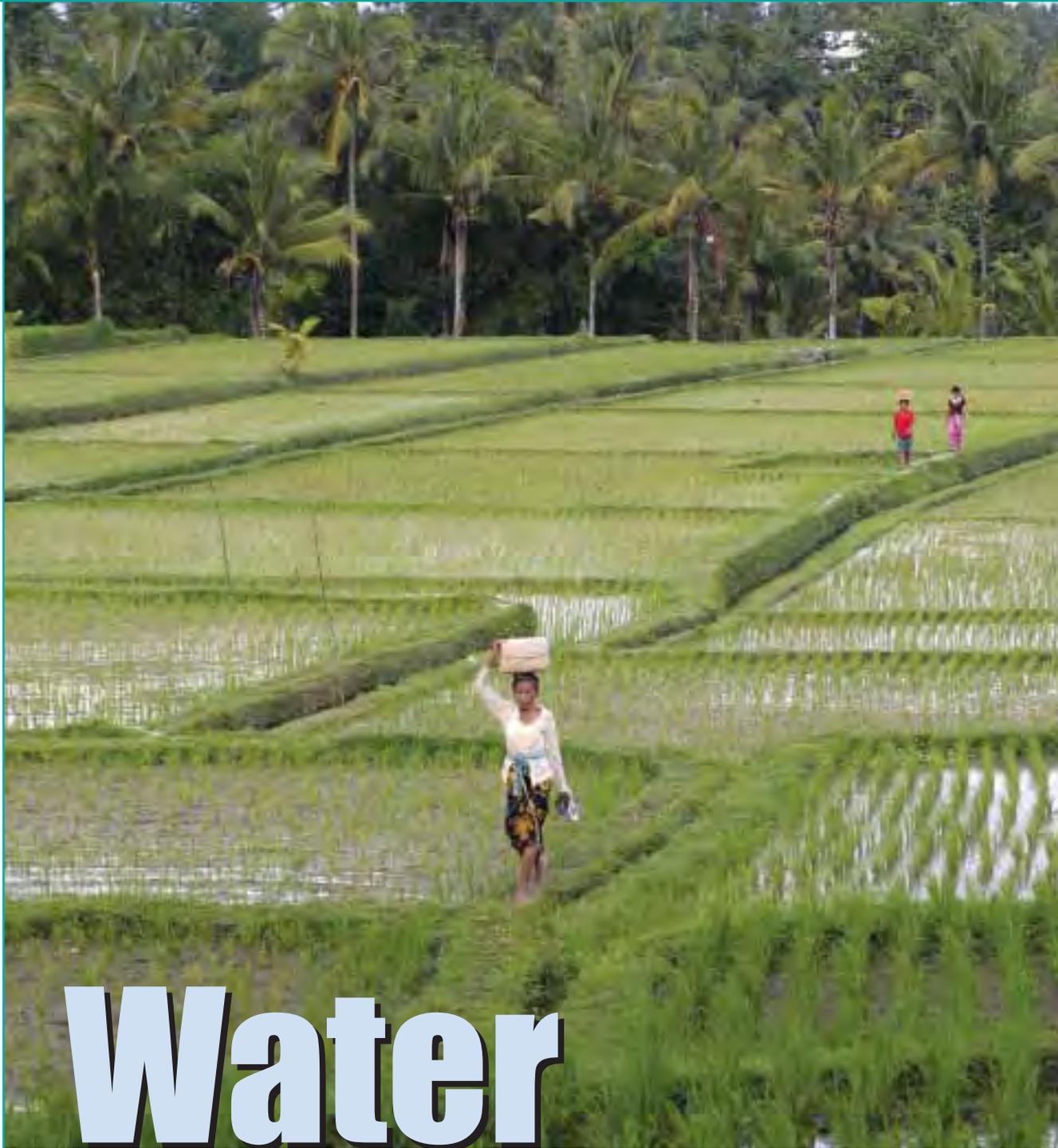


Photo Credit: Shutterstock/Christian Noval

Water

resource management: making every drop count

“ Of all the social and natural crises we humans face, the water crisis is the one that lies at the heart of our survival and that of our planet Earth. ”

Koichiro Matsuura, Director-General, UNESCO.



Since the Earth began, water has been shaping its face. Not only geologically, carving valleys and canyons and sculpting rock formations, but also geopolitically, enabling settlements to grow into cities and tribal territories to develop into great civilizations. The first major civilizations arose on the banks of great rivers - the Nile in Egypt, the Tigris-Euphrates of Mesopotamia, the Indus in Pakistan, and the Hwang Ho of China. All of these civilizations built extensive irrigation systems that made the land far more productive.

But by the same token, civilizations collapsed when water supplies failed or were improperly managed. The

◀ **The agricultural sector uses more water than any other. Rice cultivation needs a particularly large water supply.**

decline of the Sumerian civilization of Mesopotamia, for example, is believed to have been due to prolonged droughts and poor irrigation practices resulting in salt build-up in the soil. Similarly, the abandonment of Roman aqueducts, canals and reservoirs in North Africa helped return the region to desert conditions. Throughout human history water has sustained human life, our environment and our cultures. But now the global demand for water is increasing at such a pace that we face the very real threat of running out of this precious resource. We simply cannot afford the vast social upheaval that global water shortages would inevitably lead to. In the 21st century, allowing our civilization to simply sink back into the sands is not an option. Fortunately, some solutions are emerging. But there is little time to be lost in their implementation. While world water use has increased six-fold since the beginning of the 20th century, only 10 percent of all the water that is withdrawn from rivers or from underground sources is used for residential purposes. Twenty percent is used by industry, and all the rest, 70 percent, is used for irrigation. Irrigated land now plays an enormously large role in the world food economy, accounting for 40 percent of our food supply. But as irrigation tends to be very inefficient and much of the water is simply wasted, the potential benefit from helping farmers develop better irrigation methods is enormous.

OFID is therefore supporting projects to aid the sustainable management of scarce water resources in some of the driest parts of the planet.

The countries of West Asia and North Africa (WANA) have always been short of water. In recent years, however, heavy demand from agriculture and growing populations has led to a crisis situation. With virtually no untapped water sources left, the countries in this region have no choice but to better manage the limited water they have, and a project co-financed by OFID to the tune of \$500,000 is intended to help them do just this.

ICARDA

Spearheaded by the International Center for Agricultural Research in Dry Areas (ICARDA), in cooperation with the International Fund for Agricultural Development (IFAD), the multi-faceted research scheme aims to enhance the productivity of agriculture through the efficient and



▲ **Irrigating paddy fields with piped water. Improving the efficiency of irrigation systems helps save scarce river and ground water.**

sustainable management of water resources, with the full participation of rural communities.

At present, agriculture accounts for over 75 percent of the total water consumption in the WANA region, but the pressure from other sectors is increasing to the point that the farmers now have to optimize every drop they use.

With three significantly diverse agricultural zones, the region has to develop a range of strategies when it comes to water management and conservation. The rainfed areas depend on a low and extremely variable rainfall, resulting in minimal yields - a problem exacerbated by frequent drought. The *badia*, or drier environments, are home to a substantial proportion of the region's poorest rural populations. Rainfall occurs in the form of intense and unpredictable storms, and as a result, the crusting soils are unable to absorb the moisture, which rapidly becomes lost through evaporation or runoff. Irrigated areas utilize rivers and groundwater sources, which are becoming depleted from over-use.

In cooperation with National Agricultural Research Systems (NARS) in the WANA countries, ICARDA has established benchmark sites in each of these three agricultural zones and linked them to NARS satellite sites in other WANA countries. Research is being conducted with farming communities at each site. The rainfed benchmark site, with the research focus on supplemental irrigation, is located in Morocco, while complementary research activities are conducted at satellite sites in Algeria, Syria and Tunisia. Jordan is

hosting the *badia* site, with satellite sites in Libya and Saudi Arabia. For the irrigated areas, the benchmark site is located in Egypt.

Using a multidisciplinary approach, researchers at these sites are studying water use at the household and community level, as well as the watershed and policy levels. Issues specific to each WANA country are being taken into consideration, such as water quality, special soil conditions and local water-related policies. In each of the three zones, efficient water-use strategies will be developed and tested under farm conditions. This project is based on community participation in research, and the development and adaptation of improved water management options at the farm level. Involving the farmers is likely to give them a greater sense of ownership of the project, and will hopefully lead to their adoption of the new conservation measures as a result. Ideas that are being tested by the project include the use of supplemental irrigation in rainfed cropping areas. This involves applying a limited and controlled amount of water to rainfed crops in years when rainfall fails to provide the moisture essential for normal crop growth. In the *badia*, or steppe areas, which are the driest areas of the WANA states outside of the desert areas, the focus will be on promoting water harvesting. Although water has been harvested in these areas for centuries, the traditional water capture and storage systems have fallen into disrepair in many places. This trend has to be reversed, and the people have to be encouraged and empowered to save every drop when it rains. Capacity building will take the form of regional training



▲ **One of the lucky ones: Unlike this woman, one-third of the world's population has no access to clean drinking water.**

programs and workshops among researchers, extension workers, farmers and decision makers. In addition, meetings will be held among specialists and decision-makers and representatives of the three agro-ecologies for the exchange of views and research results. The project commenced in July 2005 and will run until June 2009.

Increasing public awareness of efficient water use

Part of ensuring that every drop of water counts is getting every member of society to understand the importance of using water efficiently and of conserving it wherever possible. The Arab Organization for Agricultural Development (AOAD) is running a major project in 21 Arab countries to increase public awareness of water scarcity and to encourage a more sustainable use of this ever-depleting resource. OFID has contributed a grant of \$400,000 in support of the project, which could not be more timely considering the acute water crisis faced by the region. The project commenced in June 2005 and will run until June 2007. While the worldwide per capita water share averages out at 7,650 cubic meters per annum, this compares with just 940 cubic meters per annum per person in the Arab world. In cooperation with the national authorities of each participating country, AOAD will implement an intensive information campaign, using a wide range of media, to inform the public about the critical water situation and the need to use resources sparingly. The project will target consumers in all sectors - agriculture, industrial and domestic. Campaigns will be tailored to the specific needs of each sub-region (Mashreq,

Improving access to clean water

More than one billion of the world's people live in dry areas, and of these more than half depend on agriculture for their livelihoods. If the problem of water scarcity is not addressed in time, water shortages have the potential to be this century's greatest threat to human health, food security and the environment. But just as important as securing an adequate overall supply of water is ensuring that everyone has access to clean water and modern sanitation.

One-third of the world's population does not have access to potable water and modern sanitation facilities. Much of the disease and premature death in these countries is caused by polluted water sources. Installing safe, clean sources of water and efficient sewerage removal facilities is thus an extremely important precursor to effective social and economic development. In fact, one of the Millennium Development Goals is to reduce by half the proportion of people without access to safe drinking water and basic sanitation. This means that by 2015, 1.6 billion people must be provided with safe drinking water and two billion people must have access to basic sanitation. Since its inception OFID has been involved in dozens of projects relating to water supply and sanitation, in countries all over Africa, Asia, Latin America and the Caribbean. In fact, in 2005, OFID extended public sector project loans of \$42.6 million for water supply and sewerage projects, nearly 15 percent of OFID's total public sector lending in that year.

Maghreb, Arab Peninsula and Central), as identified by specialist technical teams.

And as almost 90 percent of water consumed in the region is used for farming, the awareness campaign will focus heavily on this sector. Therefore, a second thrust of the project will concentrate on the agriculture sector and involve training programs for rural women and farmers on optimizing the use of limited water resources. The OFID grant will support this part of the project.

This is the sixth grant OFID has extended to the AOAD. Previous assistance has focused on activities for the control of agricultural pests and livestock disease, including the Red Palm Weevil, the Old World Screwworm, Rift Valley Fever, and Foot and Mouth Disease.



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Section 4

30th Anniversary

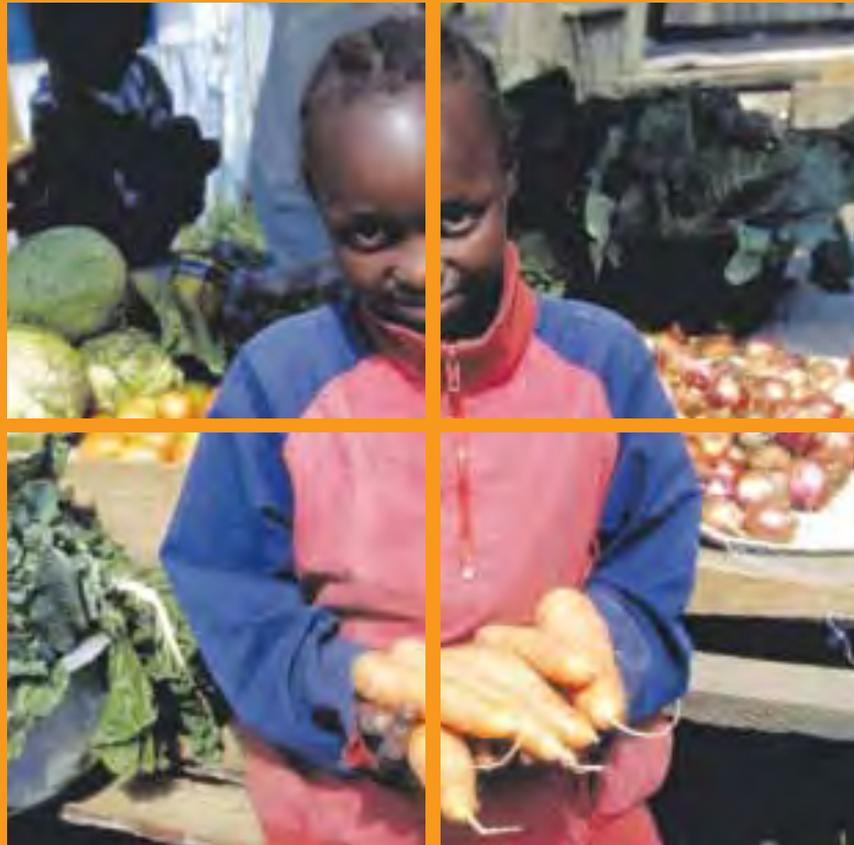




Photo Credit: IFAD/Giacomo Pirozzi

The road ahe

OFID is celebrating its 30th anniversary at a really propitious time – a time of unprecedented global focus on poverty eradication and the problems of underdevelopment.

The year 2005 saw the formation of many mass movements aimed at fighting poverty. The Global Call to Action Against Poverty (GCAAP) united more than 150 million people in the world's largest anti-poverty coalition. Local campaigns including Make Poverty History in the UK, 'Wakati Ni Sasa' (The time to act is now) in Kenya, 'Wada Na Todo Abhiyan' (Keep Your Promises) in India and 'Sin Excusas contra la Pobreza' in Paraguay had one basic goal: to pressure the leaders of the world's rich countries to do more to live up to their promises on poverty alleviation, so that after years of talking a real advance might finally be made in the war on poverty. The campaigns called for

trade justice, debt forgiveness and a considerable increase in the amount of ODA extended by the world's developed nations, to help achieve this breakthrough. The high profile achieved by poverty and development issues means they have now achieved a greater political importance than ever before. This does not necessarily mean that trade and debt reform will take place overnight, or that ODA budgets will double. It does, however, mean that the world's richest and most powerful countries will find it harder in future to ignore the problems of the poorer nations. Perhaps for the first time in history, the world has enough resources, knowledge and technologies to eradicate



◀ Lifted out of poverty.

Section 3 of this book, 'Agenda issues', provides a detailed look at some of the issues or themes that currently impact on the activities not only of OFID but of the entire development assistance community. The wide variety of topics featured in this section highlights the fact that the process of alleviating poverty and achieving sustainable development is complex and multifaceted with many influencing factors.

Furthermore, the process requires inputs and actions from many institutions and organizations both in the recipient countries and elsewhere.

At the end of it all, however, the success of all these inputs and efforts depends on the effective involvement of the intended beneficiaries of the projects. Without this involvement even well-intentioned, well-planned and well-financed projects cannot really succeed. This is why OFID focuses so much on partnership. For us it is not a development buzz-word that we repeat endlessly to make ourselves sound good but forget about as soon as we get into the field. All OFID members are developing countries themselves, so we understand the conditions and constraints of our beneficiary countries. We understand that they need flexible, untied and focused assistance, and we try to provide this. We have always believed in partnership, not paternalism, and our record proves this.

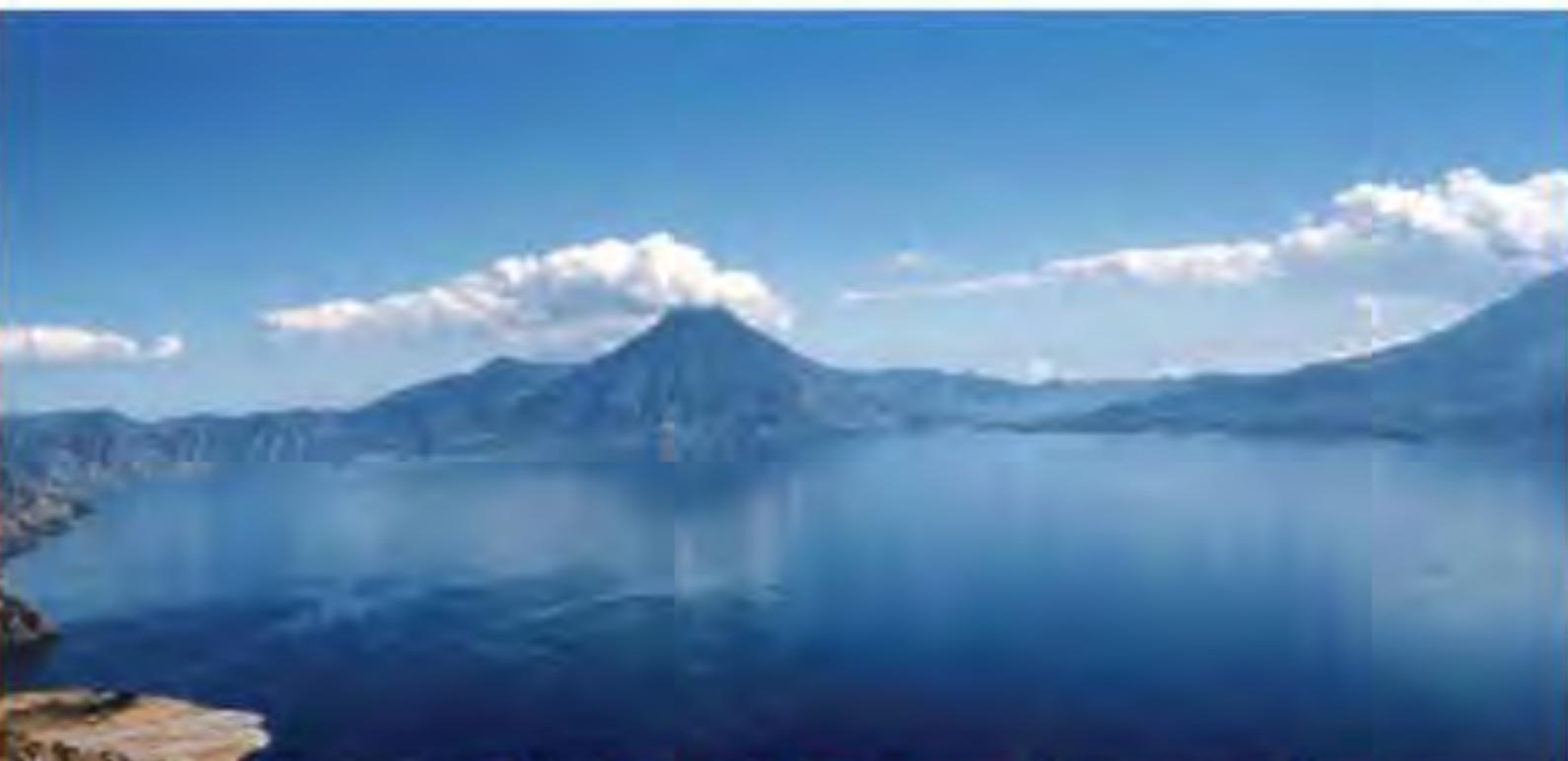
This book is a showcase for our activities, and an opportunity to make OFID's work better known to those who are not yet familiar with it. While we are delighted to share our successes, we are still mindful of the sobering facts outlined in the preamble to the Beirut Declaration of the GCAAP, made in March 2006: 'At the start of the 21st century more than a billion people are trapped in a situation of abject poverty and gross inequality, 70% of them are women. We face an AIDS and malaria emergency, with 40 million people infected by the disease [HIV]. 104 million children are denied access to school, and 860 million adults (70% of them women) can not read or write.'

While conditions such as these prevail in so many parts of the world, no one in the development assistance field can rest on their laurels. To achieve the MDGs, and go beyond them to reach even loftier goals, all those who work in this arena need to redouble their efforts both in the field and in the lobbying chambers of the world. Whether or not the MDGs are achieved in time, OFID will be actively trying to achieve its central goal of improving the lives of the poor, in the future as it has for the past three decades.

poverty. What it needs now is the political will on the part of rich country governments, to go ahead and do just this. The year 2015, the target date for achieving the MDGs, is less than a decade away and the countdown has begun.

Although by global standards OFID is a small player in the development assistance arena, it punches above its weight and achieves many successes, as the case studies in this book demonstrate. Since it began its work in 1976, many thousands of people have been lifted out of poverty through its actions, and perhaps millions more have benefited either directly or indirectly from its contribution, whether through the many research projects it funds, the education and health campaigns it supports, or the humanitarian assistance it provides to those affected by disasters. This will continue to be the case, whatever challenges it faces in the future.

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The Central American Bank for Economic Integration and its fight against Poverty

Established in 1960 as part of the Central American integration process, the Central American Bank for Economic Integration (CABEI) is today the leading multilateral institution in the financing of regional integration and the development of Central America.

The founding countries of the bank are Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. In addition to regional members, current non-regional states include Mexico, the Republic of China -Taiwan, Argentina, Colombia and Spain. CABEI is taking a crucial role as the motor behind regional development, investment, trade and regional integration. Underscoring these efforts, the bank has defined a new strategic plan (2004-2009) that focuses on three core areas - poverty reduction, regional integration and the competitive insertion of Central American countries into the world's economy.

One of the primary strategic goals of CABEI is to reduce poverty by creating the conditions and opportunities that the Central American people need to generate their own wealth. For this end, the Bank devotes a significant portion of its resources to financing education, health and social programs for the sustainable development of Central America.

Last year, there was a major concentration of long term loan approvals for the Social Sector. The Bank increased its resource contribution from 10.7% in 2004 to 40.9% in 2005, with a total approved amount of US \$697.2 million for projects related to poverty relief.

The Bank is also the largest conduit for securing resources from the international community to support a wide range of productive areas and regional initiatives. CABEI has closed ties with an extensive worldwide network of external resource providers and has formed numerous strategic alliances with specialized development organizations and other agencies around the world interested in supporting the region.

As the financial arm of Central America, CABEI has contracted US\$2, 2 billion with European commercial banks and cooperation agencies to foster trade and development in the region.

Among its strategic objectives, CABEI intends to diversify and expand its loan portfolio by undertaking financial programs beyond Central America in countries intimately related to the region such as Argentina, Colombia, México, Dominican Republic, Panama and Belize.

CABEI is the ideal partner for most cooperation agencies seeking to help the region. Backed by a 45-year presence in this region, financial soundness, professionalism, transparent policies, and diverse product mix, CABEI will launch Central America into a new era of global integration.

The bank has broadened its financial programs through its participation in the Meso-American Plan Puebla Panamá Initiative (PPP). With an initial commitment of US\$1.0 billion, CABEI has already disbursed US\$479 million under this initiative.



PPP presents unlimited investment and development opportunities from the southern states of Mexico down to Panama's border with Colombia. Colombia's entry as an observer to the PPP also represents an opportunity for the Bank to become the channel for Colombian cooperation flowing into the Meso-American region.

With US\$ 3.5 billion in assets and a gross loan portfolio of US\$2.7 billion, CABEI is working to increase its support and optimize the placement of its resources.

Reducing poverty in Central America is everyone's challenge. It's a task that is urgent and indispensable in order to consolidate peace, liberty and democracy and to promote sustainable development.

CABEI invites the international community to explore joint actions that can be taken through the SFST. This will help Central America in its effort to achieve social transformation and poverty reduction and thereby contribute to the world's welfare

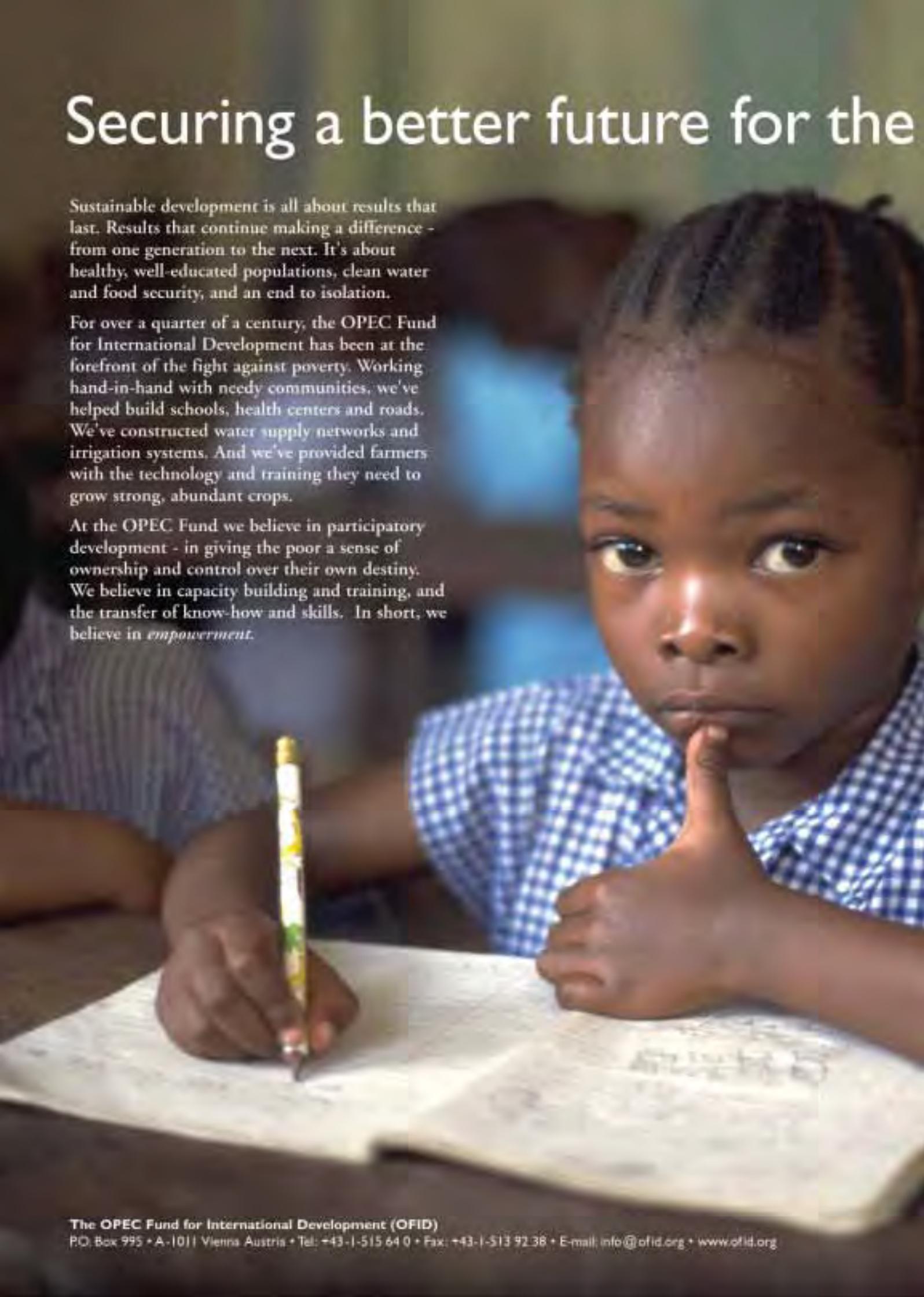
A relationship for Central American development

The OPEC FUND and CABEI share the common objective to improve the social and economic advancement of poor countries. As such, both have found the need to coordinate actions in the Central American region.

A partnership was established in 2003 when a credit agreement for USD15.0 million was signed to finance operations for the private sector in CABEI's member countries.

After this successful operation, the OPEC FUND and CABEI continue to explore new avenues to build a strong partnership in the financing of public and private sector.

Securing a better future for the



Sustainable development is all about results that last. Results that continue making a difference - from one generation to the next. It's about healthy, well-educated populations, clean water and food security, and an end to isolation.

For over a quarter of a century, the OPEC Fund for International Development has been at the forefront of the fight against poverty. Working hand-in-hand with needy communities, we've helped build schools, health centers and roads. We've constructed water supply networks and irrigation systems. And we've provided farmers with the technology and training they need to grow strong, abundant crops.

At the OPEC Fund we believe in participatory development - in giving the poor a sense of ownership and control over their own destiny. We believe in capacity building and training, and the transfer of know-how and skills. In short, we believe in *empowerment*.

world's poor

With three decades of experience to draw upon, it is no accident that four principles form the cornerstones of OFID's operational philosophy. Experience has shaped the way we think and defined the way we work.

Cooperation is our watchword. We know that everyone has their limitations. That's why we believe it's so important to join forces with others. Collaboration with like-minded agencies, whether sister institutions, regional development banks, UN organs and special agencies, or NGOs, allows us to pool resources, skills and expertise and strengthens the impact of our aid effort.

Partnership. At OFID we don't just talk about beneficiaries, we talk about partners. Over the years we have developed close ties with most of the countries we work with. These alliances are built on foundations of equality and solidarity. After all, we are an organization of developing countries ourselves. So, we have the inside track when it comes to the problems associated with poverty.

Flexibility. Another watchword, and a vital attribute for the dynamic process we are involved in. We have seen the needs of our partners shift and change as new priorities come to the fore. For some, the focus is on basic social infrastructure. For others, it's transportation or agriculture. Yet others are faced with immediate, critical needs such as food aid or emergency relief. And, more recently, there has been a growing emphasis on promoting the private sector. But, whatever the requirements, we have developed the flexibility to accommodate them.

Responsiveness. As the face of development evolves (and it does so rapidly), so do the mechanisms to facilitate it. Such unpredictability demands awareness and an ability to absorb change. OFID has this capacity. We played a key role in shaping the HIPC debt relief initiative, for example. And our eight-year-old Private Sector Facility is already reaping results. Through our grant program, we provide much-needed resources for research and deserving social causes, while dedicated accounts support the global battle against HIV/AIDS and channel valuable assistance to the people of Palestine.

For the 2.8 billion poor subsisting on less than US\$2 a day, the future may seem an uphill struggle. With partners like OFID, it is a struggle they do not face alone.

PHOTO: UNICEF HQ, 18/02/2006, Prevez



**CONSTRUCTION AND RENOVATION OF 05 NOS. 33/11 KV SUB-STATION ON TURNKEY BASIS UNDER GREATER RAJSHAHI POWER DISTRIBUTION PROJECT (PHASE-II).
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IDB's Role in Poverty Alleviation: Intervention Policies and Strategies

The Islamic Development Bank (IsDB or the Bank) was established in 1975 for the purpose of fostering economic development and social progress of member countries and Muslim communities.

Headquartered in Jeddah, Saudi Arabia, the Bank started with a membership of 22 countries and authorized capital of two billion Islamic Dinar (ID). By 2006, its membership which has reached 56 countries, including 28 countries classified as Least Developed Member Countries (LDMCs), has spread over all parts of the world, with an authorized capital of ID 15 billion. As a multilateral development bank (MDB), the IsDB has a distinct feature of having all its membership from developing countries, such that the relatively better off among them provide the major share of resources to assist the relatively less developed member countries, making it a model of South-South Cooperation.

Since nearly 25% people in IsDB member countries as a whole are categorized as poor, alleviating poverty has been at the core of its development efforts. Broadly, the Bank's role in this area has taken the following main forms: 1) Financing development projects that promote growth and generate employment thereby contributing to poverty alleviation; (2) Providing assistance through grants and highly concessional loans, for building human capital, and institutional and technical capacities of member countries to undertake activities for poverty alleviation; (3) Financing trade to meet critical development needs of member countries; (4) Promoting Islamic banking and finance in order to expand financial choices and access of people to wider investment and saving services and opportunities; and (5) Providing relief assistance to people affected by natural calamities/disasters and conflicts.

In undertaking these activities, the Bank's strategies have been to:-

- Ensure that the overall Bank's financing maintains an upward trend in order to meet the growing and diversified financing needs of member countries. As a result, its achievements have shown that the total financing of the IDB Group has increased from US\$ 16.3 million at inception to US\$ 41.4 billion by January, 2006. This represents a growth rate of 10.5 percent per annum, which is more than twice the average real GDP growth of member countries at 4.0 percent per annum during the same period.
- Maintain a major focus on sectors that directly contribute to poverty alleviation such as education, health, agriculture, and rural infrastructure. By 2006, about 55 percent of the Bank's project financing has been devoted to these sectors. Additionally, in social sectors, the Bank accorded highest priority to basic primary education, girls' education, skill improvement, adult literacy, primary health care, safe drinking water and sanitation. Similarly, in agriculture and rural infrastructure sectors, greater attention has been devoted to land development, irrigation, marketing, veterinary centers, water supply, feeder roads, and rural electrification. Efforts are made to ensure that these activities benefited more people at the grass-root level and the poor.
- Provide highly concessional financing to the LDMCs for projects that have direct positive impact on poverty alleviation. Nearly 60% of the loan (i.e. concessional) financing from the ordinary resources of the Bank has been allocated to the LDMCs.
- Target the Bank trade financing to strengthen economic and financial integration and cooperation among its member countries. By end-1426H, nearly 75% of the Bank's trade financing went to finance and promote intra-trade. Besides, preferential treatment is accorded to member countries in terms of procurement of goods and services.



- Leverage its own resources through co-financing with other multilateral and bilateral development financing institutions. As a result, by January 2006, nearly 30 % of the total IsDB financing has been in the form of co-financing with other institutions. In addition, to reaching out through global networking, the IsDB maintains close relationship with the Co-ordination Group, whose membership consists of eight development financing institutions in the Arab region.
- Promote cooperation particularly at the OIC and regional levels, to mobilize human, intellectual and financial resources for member countries to undertake developmental activities.
- Enhance Bank's institutional capacity and resource base that could address diverse financing needs of member countries. As a result, the Bank has evolved from a single entity to a group called IDB Group with specialized institutions in the areas of private sector, insurance, and research and training in Islamic banking and finance.

Given that trade plays a strong role in the development of its member countries, a special entity for the promotion of trade financing among member countries is being established. Also, recognizing that poverty alleviation requires enhanced and systematic efforts and resources, the Bank is in the process of establishing a special Poverty Alleviation Fund, as mandated by the Third Extraordinary Islamic Summit held in Makkah Al-Mukarramah in February, 2006. In addition, the Bank is in the process of preparing a new long term development mission and strategic plan which would enable it to bring all stakeholders together to undertake joint initiatives in the areas of financing major projects and programmes for accelerating the process of development and poverty alleviation in member countries. With these initiatives, the IsDB expects to further enhance its relevance and effectiveness in promoting socio-economic development of member countries in general, and in poverty alleviation in particular.

Glossary

and abbreviations

ADB: African Development Bank

AGFUND: Arab Gulf Program for United Nations Development Organizations

AOAD: Arab Organization for Agricultural Development

AusAID: the Australian Government's overseas aid program

BADEA: Arab Bank for Economic Development in Africa

BOP: Balance of Payments

CBO: community-based organization

CFC: Common Fund for Commodities

CGIAR: Consultative Group on International Agricultural Research

CIAT: International Center for Tropical Agriculture

CIMMYT: International Maize and Wheat Improvement Center

CLA: Caja Los Andes (bank)

DAPP: Development Aid from People to People

Doha Round: Round of WTO multilateral negotiations that commenced in 2001 in Doha, Qatar. Part of 'Doha Development Agenda'.

EBRD: European Bank for Reconstruction and Development

FADCANIC: Foundation for the Autonomy and Development of the Atlantic Coast of Nicaragua

FAO: Food and Agriculture Organization (UN body)

FDI: Foreign direct investment

FINCORP: the Swaziland Development Finance Corporation

GCAAP: Global Call to Action Against Poverty

GDP: Gross domestic product

G8: 'Group of Eight' - informal linking of large developed countries, currently comprises UK, USA, France, Canada, Japan, Italy, Germany, Russia

GNI: Gross national income

GNP: Gross national product

HDI: Human Development Index

HDR: Human Development Report

HIPC: Heavily Indebted Poor Countries

ICRC: International Committee of the Red Cross

IFAD: International Fund for Agricultural Development

IFC: International Finance Corporation (the private sector arm of the World Bank group)

ICARDA: International Center for Agricultural Research in Dry Areas

ICTs: Information and communication technologies

IFRC: International Federation of Red Cross and Red Crescent Societies

ILO: International Labor Organization. A UN agency.

IDNDR: International Decade for Natural Disaster Reduction

IMF: International Monetary Fund

IsDB: Islamic Development Bank

LAC: Latin America and the Caribbean

LDCs: Least developed countries

MDB: Multilateral development bank

MDGS: Millennium Development Goals

MENA: Middle East & North Africa

MERCOSUR: Regional trading bloc for eastern South America

MFI(s): Microfinance institution(s)
Monterrey Consensus: outcome of heads of state meeting in Monterrey Conference on Financing for Development, Mexico, March 2002, held under the auspices of the UN, in which they expressed a commitment to provide the means to attack poverty worldwide, and reaffirmed their determination to achieve the MDGs.

MPH: Make Poverty History

NARS: National Agricultural Research System(s)

NEPAD: New Partnership for Africa's Development

NGO: Non-governmental organization

ODA: Official Development Assistance

OECD: Organization for Economic Cooperation and Development.
(The OECD groups 30 member countries sharing a commitment to democratic government and the market economy.)

OPEC: Organization of the Petroleum Exporting Countries

Paris Declaration: full title Paris Declaration on Aid Effectiveness, made after the Paris High Level Forum in 2005.

PGRF: Poverty Reduction and Growth Facility

PNG: Papua New Guinea

PRS: Poverty Reduction Strategy:
A country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty.

PRSP: Poverty Reductions Strategy Paper

PSF: Private Sector Facility

QPM: Quality Protein Maize

Rome Declaration: Made February 2003 at Rome conference at which members promised to harmonize 'policies, procedures, and practices of our institutions with those of partner country systems to improve the effectiveness of development assistance, and thereby contribute to meeting the Millennium Development Goals (MDGs)'.

SIDS: Small island developing states

SMEs: Small and medium-sized enterprises

SPA: Strategic Partnership with Africa

UNAIDS: Joint United Nations Program on HIV/AIDS

UNCT: United Nations Country Team

UNCTAD: United Nations Conference on Trade and Development

UNESCO: United Nations Educational, Scientific and Cultural Organization

UN HDR: United Nations Human Development Report

UNICEF: United Nations Children's Fund

UNFPA: United Nations Population Fund

WANA: West Asia and North Africa

WDR: World Development Report

WFP: World Food Program

WTO: World Trade Organization

YARDP: Yarmouk Agricultural Development Project

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“Life is Water and Water in the Mauritanian Sahel is Aftout”

Presentation of the SNDE

Creation:

The National Water Company (SNDE) was created by decree N° 088/2001 dated July 29, 2001.

Aims:

Its aim is supplying urban environment with drinkable water and its mission articulates around four main axes: water production; transport distribution; and sale.

Sphere of activity:

It currently covers 16 cities: Nouakchott, Nouadhibou, Atar, Akjoujt, Rosso, Kaédi, Aleg, Tidjikja, Aïoun, Nema, Timbedra, Boghé, Boutilimit, Mederdra, Wadnaga, and Kiffa. In 2006, it will be extended to the towns of M'Bout and Sélibaby.

Service:

The SNDE currently exploits 103 borings (including 32 in Nouakchott) with year output of drinkable water of butt 72 000m³/per day, namely 25 million m³ per annum (with for the sole capital an output of 50.000m³per day, approximately 17 million m³ per annum.) and a storage capacity of 23.390 m³ (including 12.300m³ for Nouakchott) and 48.426 subscribers (including 25.100 in Nouakchott).

Tariff scale:

Tariffs in force did not evolve since the last adjustment of water prices in the year 2000.

Individuals

First block 93.5 Consumption lower than 10m³ per month
Second block 185 Consumption lower than 20m³ per month
Third block 232.85 Consumption lower than 20m³ per month

Industry section and Administration 193.6 Unique block
Public taps 85.7 Unique block

Projects:

Projects currently in hand:

- An Urban Development project of improvement of water supplying of the poor and lately parcelled out districts town of Nouakchott.

Funding: The World Bank.

Capacity: Year additional contribution of 10.000m³/per day and Distribution of this volume in favour of the target districts.

- A project of reinforcement of the distribution in

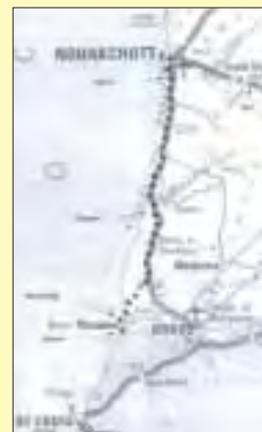
Nouadhibou: This project consists in the rehabilitation and the reinforcement of the distribution network of Nouadhibou in order to cover the entire city. Social aspect is well aimed because the project considers the realization of 6.200 households' connections in the poorest districts.

- **Project of supply drinkable water of M'Bout** starting from the reserve of Foum Gleïta by the intermediary of has station of treatment and has 30 km long adduction.

PROJECT AFTOUT ES-SAHILI

Context

Considering the limits of possibilities of increase in the possible production of the underground water of Idini which does not more satisfy in a durable way the needs of a city whose inhabitants represent today the quarter of the population of the country, the publics authorities decided to carry out the project of Supplying the capital with drinkable water from the river "Project Aftout Essahli".



Aims

The Project is dimensioned to produce 230.000 m³/day allowing to meet Nouakchott the populations demand of drinkable water about 2030 as well as that of communities located along the adduction (from Keur Macene to Nouakchott).

Planned Infrastructures

The principal components of the project are:

- **Lot 1:** Facilities of water treatment and tele management System of the Adduction,
- **Lot 2:** Pumping stations and power lines,
- **Lot 3:** Water tank with a 129.000 m³ capacity,
- **Lot 4:** Main transfer pipeline with diameter 1400 mm over a distance of 170 km,
- **Lot 5:** Pipeline for drinkable water transfer, with diameter 1200 mm over a distance of 19 km.

Deadlines

The end of project works is planned for 2009.

Funding

The estimated cost of the project is US\$ 220 million. The sponsors, which participate in financing the Aftout Project are the Arab Fund of Economic and Social Development (AFESD), the Kuwaiti Fund for Arab Economic Development (FKDEA), the Saudi Fund for Development (FSD), the African Bank for Development (ABD), the Islamic Bank of Development (IBD) and the OPEC Fund

Covered stages

- The recruitment of the Consulting engineer in charge of works control: Lahmeyer/Studi grouping,
- The pre qualification of the Companies, which will be authorized to participate in the invitation to tender for the Project's works. More than xx companies originating from xx countries were pre-selected,
- Dossiers of invitation to tender for the Project's works are transmitted to the sponsors for validation.

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