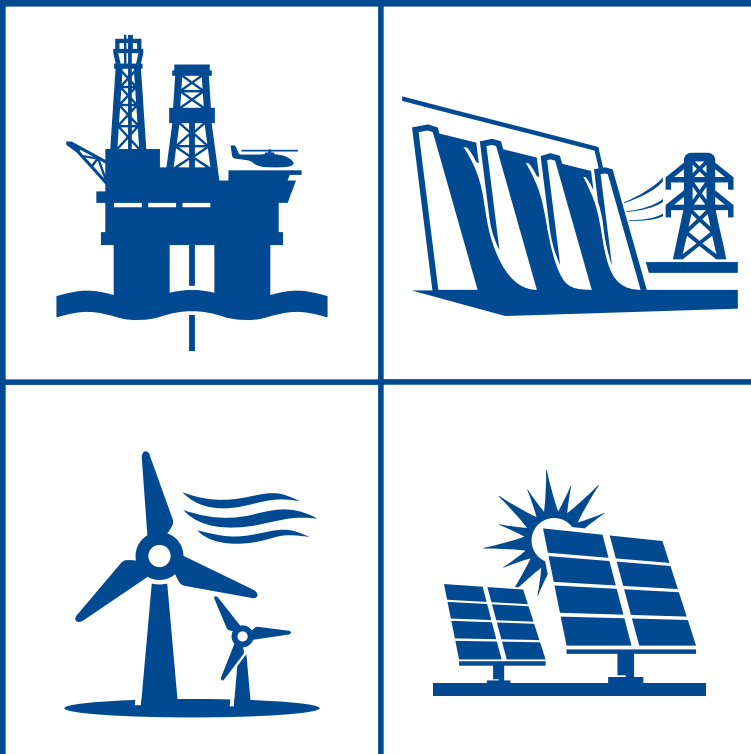


# ENERGY: THE KEY FOR SUSTAINABLE DEVELOPMENT



SELECTED STATEMENTS OF  
**SULEIMAN JASIR AL-HERBISH**  
DIRECTOR-GENERAL





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SUSTAINABLE DEVELOPMENT

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# Forging a path toward energy transformation

By **Kandeh K Yumkella**, Special Representative of the UN Secretary-General and CEO of the Sustainable Energy for All Initiative (SE4ALL)

Speaking in Washington DC in 2012, UN Secretary-General, Ban Ki-moon stated: “Energy is the golden thread that connects economic growth, social equity and environmental sustainability.”

Mr Ban was speaking from personal experience. As someone who grew up in post-war Korea, he understands very well the necessity of energy as a facilitator of development.

It is an understanding I share, as I too grew up with energy poverty in my native Sierra Leone. As a result, I know what it means not to have running water, to have to collect firewood, and to study without light.

I know close up the social disadvantages of the lack of energy, and I know that for economic development, education, health, job creation and wealth creation, you need affordable, reliable energy supplies.

It is a measure of how little we have progressed over the past forty years that the situation Mr Ban and I experienced in our childhood remains a reality for billions of people today. The fact that so many lives continue to be blighted by the absence of electricity or other clean fuels for cooking and heating is without doubt a shameful indictment of modern society.

It is imperative that the critical issue of energy poverty and its implications be brought to the world’s attention. Only with broader awareness of the

complex link between energy, development and sustainability can we hope to find solutions.

It therefore gives me great pleasure to present this collection of speeches by Suleiman Jasir Al-Herbish, Director-General of the OPEC Fund for International Development (OFID) and one of the world's leading advocates of energy poverty alleviation.

In his role at OFID, Al-Herbish began some ten years ago to campaign for this cause. As a pioneer in what has now become a global effort, it was Al-Herbish who coined the term "Energy for the Poor" and called for energy access to be recognized as the "missing ninth" Millennium Development Goal (MDG). His voice and actions have positioned OFID at the forefront of one of the most pressing issues of our time.

As the head of an institution whose 13 Member Countries all to some extent face serious issues relating to energy access, sustainability and efficiency, Al-Herbish understands the importance of leading to unite, and of placing institutional and convening power behind the cause of Energy for All.

Under his leadership, OFID has funded a multitude of projects, ranging from research and the development of modern energy resources to the provision of safe energy to rural and urban populations worldwide. Stressing that confronting energy poverty is not just a question of "finding" but also of "funding" solutions, Al-Herbish has used OFID's convening power to leverage support and financial resources.

He has also been instrumental in introducing this initiative to the global community. In 2012, Secretary-General Ban Ki-moon requested that Al-Herbish join his High-Level Group on SE4All. This was followed in 2013 with an invitation to serve on the SE4ALL Advisory Board, where his voice and experience are valuable assets.

The following collection of speeches made by Al-Herbish over the period 2005–2013 are an example of his efforts at an international level to unite the global community in this cause.

Addressing audiences in Africa, Asia, Europe, the Middle East, Latin America, the Caribbean and the USA, Al-Herbish has pursued the energy issue amongst students, political and business leaders, intellectuals and development workers alike. This book highlights his conviction that advocacy is the spearhead of advancement.

OFID has partnered SE4ALL through creation and design. Together and with other major players we have taken the narrative beyond poverty and geopolitics, to the level where it is a matter of comprehensive human development and of primary concern for all people and all nations, rich or poor.

None of this could have been possible without the staunch cooperation of partners such as OFID, the World Bank, the various United Nations organizations and other institutions.

Together, our message has become one of opportunity, innovation and change, and perhaps most importantly one of unity, security, stability and peace. This cooperation is very exciting; achieving it has been a huge challenge. I call it Energy for Peace.

I would like to take this opportunity to thank Al-Herbish personally for his foresight, commitment and partnership. Some people develop something and then move on; OFID has stayed with us, and I am indebted to the Director-General for his passion and support.

As the Decade of SE4ALL begins, I am convinced that together we can make energy poverty history. This book records the journey to forge a path toward energy transformation, a path which has been embraced by UN Secretary-General Ban Ki-moon, World Bank President Jim Yong Kim and many others, who together with Mr Al-Herbish share an overwhelming commitment to this common goal.

# OFID

## Uniting against Poverty

The OPEC Fund for International Development, OFID, was conceived at the Conference of the Sovereigns and Heads of State of Member Countries, held in Algiers, Algeria, in March 1975. A Solemn Declaration “reaffirmed the natural solidarity which unites OPEC countries with other developing countries in their struggle to overcome underdevelopment,” and called for measures to strengthen cooperation between these countries.

In this spirit, OFID was established in January 1976 by the then 13 Member Countries of OPEC. Initially a temporary account, it was called The OPEC Special Fund. The idea was that OFID’s resources would be additional to those already made available by OPEC states through a number of bilateral and multilateral channels.

OFID fosters South-South partnership with fellow developing countries worldwide with the aim of eradicating poverty. All developing nations, with the exception of OPEC Member Countries, are in principle eligible for OFID assistance. The least developed countries, however, are accorded higher priority and therefore receive a large share of OFID’s assistance.

To optimize the impact of its contribution to international development, OFID cooperates closely with the bilateral and multilateral agencies of its Member Countries, the World Bank, the regional development banks and

the specialized agencies of the United Nations, as well as a host of non-governmental and other organizations.

In November 2007 during the Third OPEC Summit in Saudi Arabia, OFID was mandated to align its programs with energy poverty eradication. In implementing the above mandate, OFID in 2008 started action on the “Energy for the Poor” initiative. Conscious of the pivotal role of energy—the “missing ninth MDG”—for attainment of all MDGs, OFID has positioned itself at the forefront of global efforts to promote universal energy access by 2030.

To enhance these efforts the OFID Ministerial Council in its June 2012 Declaration on Energy Poverty committed a minimum revolving amount of US\$1 billion, which was announced by OFID at Rio+20.

Suleiman Jasir Al-Herbish is Director-General and Chief Executive Officer of OFID. Appointed and reappointed by the policy-making Ministerial Council of the institution, Mr Al-Herbish conducts the day-to-day business of OFID and is its legal representative. The statements in this book are some of Mr Al-Herbish’s presentations at a wide variety of global assemblies.



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**PART 1:**

**Setting the scene**

**2005—2007**

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# Putting people first: The OPEC Fund and sustainable development in the South

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DELIVERED AT THE 32<sup>ND</sup> INTERNATIONAL  
ENERGY CONFERENCE OF THE INTERNATIONAL RESEARCH  
CENTER FOR ENERGY AND ECONOMIC DEVELOPMENT  
BOULDER, COLORADO, USA, APRIL 18, 2005

My topic relates to the efforts of the OPEC Fund for International Development at helping foster sustainable development in the South. And I would like to begin with some clarification of the concept of sustainable development and its relevance and importance in the work of the Fund.

## **Sustainable development defined**

Sustainable development was first defined in the Brundtland Report of 1987 as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” This definition, whether accurate or not, was subsequently adopted by the first Earth Summit, the United Nations Conference on Environment and Development in Rio de Janeiro, Brazil, in 1992. It was incorporated, as such, in the Rio Declaration and Agenda 21. The Rio Conference concluded that development can be sustainable only if it manages to balance three elements or pillars: social progress, economic growth, and environmental protection.

At the United Nations Millennium Summit, in New York, in September 2000, world leaders reaffirmed their commitment to sustainable development. They adopted a set of targets, the Millennium Development Goals, to be achieved by the international community by 2015. The goals include the



ambitious target of reducing poverty by half. Two years later, at the World Summit on Sustainable Development, in Johannesburg, South Africa, in September 2002, the world community took stock of progress made toward the implementation of Agenda 21. The results were disappointing.

- Despite the pledges of Rio, threats were higher than ever to natural resources, such as clean water and air, and the gap between rich and poor had widened even further.
- Three billion people—about half the world’s population—still have to survive on less than two US dollars a day.
- Poverty and environmental degradation, which are intrinsically related, have grown, as have the ranks of the poor, especially in rural areas. This rapid population growth and a lack of appropriate agricultural technologies and know-how have led to a depletion of scarce natural resources.
- An estimated US\$100 billion will be required annually to fight poverty and move toward accomplishing the MDGs. However, only 50 percent of this amount is currently available in the form of official development assistance.

Against the background of these challenges and concerns, the OPEC Fund has stood firm in its commitment to assisting, particularly, the poorer, low-income countries and the poorest segments of their societies. On a cumulative basis, the OPEC Fund has made available more than US\$7.4 billion in concessional, untied development financing over the past 29 years, benefiting millions of people, worldwide.

### **OPEC Member Countries’ financing for development**

This financing provided by OPEC Fund Member Countries through our institution complements the resources they make available through several other bilateral and multilateral channels. Working through the Fund and its sister Arab/Islamic institutions, OPEC Fund Member Countries have cumulatively provided more than US\$81 billion in development financing. This is a noble achievement, particularly if one considers that all of these Member Countries are themselves developing countries.

Over the past 29 years, the OPEC Fund has spread its presence to 113 countries, of which 50 are in Africa, 37 in Asia, 22 in Latin America and the Caribbean, and four in Europe. Since inception, the Fund has implemented, within

the orbit of its public sector operations, 15 Lending Programs. The 16<sup>th</sup> is currently underway. In the private sector, the Fund has equally been active, with a considerable number of operations ongoing in support of private enterprise in Africa, Asia, Latin America, the Caribbean and Europe.

These projects and programs are supplemented by grants, which finance technical assistance, research and studies, and humanitarian and emergency aid. The grants sponsor capacity building; sound environmental management; and transfers of appropriate technologies and know-how. I should add that under the Grants Program of the Fund, there are “Special Accounts” which have gone toward battling poverty and helping in areas of acute need. A Special Grant Account is aiding Palestinians in their struggle for social and economic survival; and another is funding projects and initiatives in the global campaign against HIV/AIDS.

The OPEC Fund has devoted considerable resources to assisting the worldwide work of other international institutions which directly benefit developing countries. The Fund is a major contributor to the Amsterdam-based Common Fund for Commodities and had been instrumental in the establishment of the Rome-based International Fund for Agricultural Development. Equally, the Fund had earlier in its history made irrevocable transfers, in the name of seven of its Members States, to the Trust Fund of the International Monetary Fund.

## Social progress

As I mentioned, the first pillar of sustainable development is social progress. This covers equity, participation and inclusion. Despite important progress, issues of growth with equity have remained largely unresolved. The prevailing economic ideology and doctrine which says “grow first, distribute later” has not helped the world to attain the MDGs and thus realize the objectives of Agenda 21. The world’s poorest countries—the traditional focus of the OPEC Fund—have not been able to share in the benefits of globalization; indeed, they face further marginalization from the mainstream of the world economy.

Limited progress has been also made in strengthening the voice and participation of developing countries in the decision-making processes of institutions for global governance. The Brundtland Commission definition of sustainable development became very influential and is often cited. I have abided

by this formal definition, which can be interpreted in many ways. Important as it is, however, the concept is still being developed, and the definition of the term is constantly being revised and refined. Developing countries should get greater say in helping determine what we mean by sustainability and progress, and in setting the international development agenda, which should give greater attention to issues of equity and inclusion. Despite initial discussions, progress in this area has been limited to date.

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*The three pillars of sustainable development are social progress, economic growth, and environmental protection.*

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### **Political will**

Looking back, one cannot but conclude that the political will to shift from dialogue to action remains key to transforming the vision of sustainable development into a reality. The World Summit on Sustainable Development ended with a political declaration in which heads of state and government committed to realizing the common goal of sustainable development and to “building a humane, equitable and caring global society, cognizant of the need for human dignity for all.”

OPEC Fund Member Countries have demonstrated the political will to live up to their commitments. They put to practice the pledges they made in the Solemn Declaration of the First OPEC Summit of Sovereigns and Heads of State, in Algiers, Algeria, in 1975. The Declaration committed OPEC countries to helping spur social and economic progress in sister developing countries, as a means of narrowing the gap between rich and poor and enhancing international stability. This commitment was reaffirmed at the Second OPEC Summit in Caracas, Venezuela, in the year 2000.

Allow me to conclude with the assurance that the resolve of OPEC Fund Member Countries to realize the vision of the institution as a token of South-South solidarity and global social responsibility is as strong today as it ever was. The Fund proposes to continue to reach out to the poor, and to put

people first, as it goes on responding to the needs and priorities of recipient countries, which take the driving seat.

Fund beneficiary countries include many of the transition economies and some of the less developed of European countries. With a variety of traditional partners graduating out of the Fund's concessional window, policy instruments are being developed, including a new product, the Blend Facility, to continue working with these countries to enhance growth and employment opportunities.

### **Reducing hardship and suffering**

The OPEC Fund makes sure that its public and private sector projects are technically, financially and environmentally sound. More than 60 percent of the institution's cumulative public sector lending has been dedicated to building infrastructure, particularly in transportation and energy, which are areas of critical importance for fighting poverty. Although the Fund has evolved over time, growing and adjusting to meet the ever-varying needs of beneficiary countries and partner institutions, the aims of the institution remain the same: to continue to foster sustainable development and help reduce hardship and suffering for billions in poverty, in line with the MDGs.

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# Investment, trade and development cooperation: New trends, old responsibilities

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DELIVERED AT THE FIRST BROADER MENA FINANCE  
CONFERENCE: INVESTING IN A MORE SECURE WORLD  
MUNICH, GERMANY, NOVEMBER 2, 2005

I would like to start by thanking the German authorities and business community for inviting me to speak at this Broader Middle East and North Africa (MENA) Finance Conference.

The MENA region is a significant area of work for the OPEC Fund for International Development, an international development finance institution based in Vienna, Austria. The MENA region is also home to most OPEC Fund Member Countries, which established our institution in 1976 to reinforce their financial cooperation with other developing countries and promote South–South solidarity. The time for this intervention being limited, I shall confine my remarks to the most important developments in the areas of trade, aid and investment as prerequisites for regional growth.

The MENA region is a vast area of strategic geopolitical and economic importance. Regional GDP growth rose from 3.3 percent in 2002 to 5.1 percent in 2003—its strongest performance since 1991—driven mainly by a sharp upturn in growth in oil exporting countries. Output growth is estimated to be sustained at about 5 percent in 2004 and roughly 4 percent in 2005, reflecting continued strong oil production and a pickup in non-oil activity. Oil accounts for about two-thirds of the MENA region’s GDP, and remains the single most important source of economic growth and development for 13 out of its 24

countries and territories. Oil and gas account for the bulk of export revenues in these countries, and this makes them vulnerable to external shocks. Although the region's share in global oil production declined between 1970 and 2003, MENA country producers continue to command the lion's share of globally-traded oil. This stood at 48 percent in 2003. Five of them were among the top 10 oil exporters in 2002. This situation will likely continue in the foreseeable future, given their large proven reserves and spare capacity.

## Enormous potential

The MENA region has enormous potential, which remains largely unrealized. Progress is hindered by daunting social challenges, the most salient of which is the need to create jobs for a rapidly growing work force. Over two-thirds of the region's population is under 30, and unemployment averages 15 percent. Much of the job growth will have to come from the private sector, emphasizing the need for policy makers to press on with reforms to enhance institutional and human capacity building, establish an enabling environment for economic growth and diversification, and promote trade and investment integration.

The region is extremely large and diverse in terms of development levels and per capita income. Being in transition, a number of countries require unobtrusive technical assistance, while others need financial assistance, including official development assistance (ODA) and private capital flows, or enhanced trade opportunities. This leads me to issues of partnership and responsibilities.

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*The level of globalization reached by today's world economy creates interdependencies which must be recognized.*

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Net official flows to the MENA region—consisting of ODA and borrowing—rose to an estimated US\$1.6 billion in 2003. Nonetheless, the level of external assistance falls short of the target 0.7 percent of GNP for ODA adopted in 1970, and the financing required to reach the United Nations poverty reduction and related Millennium Development Goals.

At the OPEC Fund, we believe

our role is to support the development aspirations of beneficiary countries and thus arrive at the most effective contribution through dialogue with the sovereign authorities. To assist the region's development efforts, the Fund makes available concessional public sector loans and grants for technical assistance, research and emergency aid. Most of this financing has been committed to developing the infrastructure required for fostering growth and development. Our preferred method is to work in partnership and co-financing with other development finance institutions (DFIs), such as the World Bank and the European Investment Bank, the co-organizers of this important conference. The Fund also encourages growth and employment creation in the private sector through a separate private sector window.

OPEC Fund resources are additional to those made available by Fund Member Countries through a number of other bilateral and multilateral channels. Our Member Countries have voluntarily allocated part of their revenues from oil—a finite commodity—through several bilateral, regional and multilateral channels to help accelerate growth and reduce poverty in developing countries as an early sign of global social responsibility and a genuine token of solidarity.

## Arab Aid

The combined GDP of the Arab world (or the vast majority of the countries in the MENA region) is modest. At US\$60.4 billion, it is little more than that of Spain (US\$59.9 billion), and only a quarter of that of Germany. Their average GNP per capita of about US\$2,500 places Arab countries in the category of low middle-income countries. Nonetheless, Arab national and regional DFIs had together made available a cumulative total of US\$81.3 billion in development financing as of the end of 2003. More recently, Arab countries have further provided more than US\$1 billion in disaster relief to support the victims of the devastating tsunami that hit South Asia late December 2004, in addition to the financing they provided through national campaigns for the collection of voluntary contributions from the public.

Aid—including debt relief—and trade are mutually reinforcing. Development assistance needs to go hand in hand with efforts to create a fully inclusive and equitable world economy, as called for by world leaders in the March 2002 Monterrey Consensus. This will require structural and lasting changes at the global level, including enhanced market access in the framework of the ongo-

ing Doha Round of multilateral trade negotiations. The MENA region remains weakly integrated with the global economy, as evidenced by the IT knowledge gap or digital divide, and its relatively small share in global trade and FDI flows to developing countries. The region's share in world trade declined from 9.6 percent in 1981 to 3.2 percent by 2002. If oil exports are excluded, this share dropped even further, to only 2.1 percent in 2002, from 4.2 percent in 1981.

Both the Monterrey Consensus and the Doha Development Agenda recognize the importance of private capital flows, particularly FDI, for growth. The MENA region was the only developing region where private capital inflows did not rebound in 2003. FDI flows to the region dropped from almost US\$3 billion in 2002 to US\$2 billion in 2003, or only 1.5 percent of total FDI flows to developing countries. The region has had little success in attracting FDI, which remains the dominant source of external financing for developing countries, and which can be a catalyst for employment creation, skills transfer and global integration. Political unrest has impeded FDI to some MENA countries. Even in countries where the political situation is stable, and despite favorable regulations, FDI inflows remain small and targeted mainly to the extractive industries of a handful of countries (Saudi Arabia, Egypt, Tunisia, Bahrain and Morocco).

## Saudi Arabia and Algeria

Again, countries in the MENA region stand ready to face the daunting challenges ahead by undertaking the necessary reforms. I shall illustrate these reform efforts with recent developments in two OPEC Fund Member Countries: Saudi Arabia and Algeria. These two countries together pursue three shifts: from rent to broad-based productive economies; from state-led to market-oriented policies; and from import-substitution to export-led growth. Each country has based its strategies on its own comparative advantages and circumstances.

Saudi Arabia turned in robust and broad-based growth of 4.3 percent in 2004, reflecting an expansion in both the oil and the non-oil sectors. A number of legal, financial and regulatory reforms were undertaken to stimulate growth and job creation in the non-oil private sector. These include the establishment of a Supreme Economic Council and Investment Authority, and adoption of a Foreign Investment Act and privatization strategy. Saudi Arabia is likely to accede to the World Trade Organisation (WTO) this year.



The country is the second largest source of workers' remittances in the world (after the US), with remittances totaling US\$15.9 billion in 2002.

While still in an early stage of transition to a market-driven economy, the Algerian economy experienced an encouraging turnaround following the country's return to security and political stability. Output growth reached 6 percent in 2004, underscoring an expansion in the hydrocarbon sector, a pickup in domestic demand, as well as growth in the non-oil sector, including agriculture. In 2005, the government launched its second five-year economic recovery program, totalling some US\$50 billion.

I would like to recall that my purpose in reviewing reform efforts in these two countries is to gauge the likely developments in the MENA region as a whole in the near future. It is thus important to note that other countries in the region, including Egypt, Libya, Jordan, Tunisia and Morocco also embarked upon comprehensive reforms, which are well documented.

### **Globalization and related reform**

The level of globalization reached by today's world economy creates inter-dependencies which must be recognized. As I explained, countries in the region are committed to reform, partnership and international cooperation. Their strategic resources and geographic position across Africa and Asia and close to Europe call for neighborly relationships, and compel a global view. Realizing the region's vast potential will, however, also require external assistance, which calls for full implementation of the commitments assumed by the global community.

The private sector—both domestic and foreign—will need to play an important part in generating growth and employment opportunities in the region. The interest of foreign companies, including the German business community, in the MENA region is encouraging in this respect. German companies have a good reputation in the MENA region and could be strong

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*The private sector will need to play an important part in generating growth and employment opportunities.*

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partners in a long-term strategy aimed at realizing the region's potential. Several countries in the region have acceded or are in the process of acceding to the WTO. Trade ties with Europe have been strengthened through the Euro-Med agreements, while intra-regional trade is being promoted through GAFTA (the Greater Arab Free Trade Area) and several bilateral trade agreements.

Let us seize these and other available opportunities to foster long-term partnerships for development, which hold the promise of lasting growth, stability and peace in the MENA region.

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# Fostering peace through development and energy security

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DELIVERED AT THE MUNICH CONFERENCE ON SECURITY POLICY  
MUNICH, GERMANY, DECEMBER 2, 2005

I would like to begin with the complementary roles of the OPEC Fund for International Development and the Organization of the Petroleum Exporting Countries (OPEC) in helping preserve world peace through the enhancement of social progress and economic development.

Let me clarify the respective mandates of the two institutions and their noble missions. Although the OPEC Fund and OPEC are both based in Vienna, Austria, and serve the complementary objectives of their shared membership, they are two quite independent organizations, both legally and financially. They report to different ministers, and are endowed with their own separate headquarters and management.

Established in 1960, OPEC's mandate is to support international macro-economic stability by ensuring secure world oil supplies. Its principal objectives are to coordinate and unify the petroleum policies of member countries and to determine the best means of safeguarding their individual and collective interests, while giving due regard to the need to secure an efficient, economic and regular supply of petroleum to consuming nations. OPEC also seeks to ensure the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations. The mission of the OPEC Fund is to help maintain world peace and security

through development cooperation. In establishing the institution in 1976, our Member Countries collectively decided to voluntarily allocate part of their revenues from oil—a finite, exhaustible resource on which they remain heavily dependent—to assist international development through the OPEC Fund. This decision was not based on considerations of charity, but rather on the firm and shared conviction that development cooperation is essential to the preservation of world peace and security, and thus, to the benefit of the world at large. By the end of 2004, our Member Countries had made available a cumulative total of US\$7.4 billion in ODA through the OPEC Fund, in addition to the financial assistance they made available through various other bilateral and multilateral channels.

Our mandate at the Fund is to reinforce financial cooperation between OPEC Member Countries and other developing countries, and to promote South–South solidarity. The aim is to not only help alleviate hardship among the poor, but also to ensure that those who have been marginalized from the mainstream of the world economy are looked after and prevented from becoming further disenfranchised. Thus, the Fund particularly helps the poorer, low-income countries in pursuit of their social and economic advancement.

The strategy chosen is to help poor countries and people fulfill their basic needs by making available public and private sector loans. More than 60 percent of our cumulative public sector lending has been dedicated to infrastructure, one-third of which has been committed to helping meet the energy needs of the poor. The Fund also provides grants for technical assistance, research and emergency and humanitarian aid, most recently in support of the victims of the devastating tsunami that hit South Asia late December 2004. Our preferred method is to work in partnership and co-financing with other development financing institutions, sister institutions and relevant stakeholders in development. OPEC Fund Member Countries are not eligible for our assistance, except in emergency cases.

With three billion people or half the world's population surviving on less than US\$2 a day, the mission of the OPEC Fund to help maintain peace through development is more relevant than ever. As you may be aware, the volume of ODA available to help poor countries reach the Millennium Development Goals (MDGs) by 2015 is only about half the US\$100 billion that is needed every year. International efforts are ongoing to bridge the financing gap. At this year's Annual Meeting of the World Economic Forum in Davos,

Switzerland, world leaders were urged to take responsibility for tough choices. Proposals were made to mobilize additional financial resources for development through voluntary taxation. OPEC Fund Member Countries made these tough choices several decades ago with their collective decision to voluntarily make available a stable and predictable flow of financing for development, despite themselves being developing countries with many challenges to face at home.

In this rapidly changing and increasingly interconnected and interdependent world, peace and security, including energy security, are matters of global concern, as evidenced by the presence of so many high-ranking members of the international security community here today. International organized crime, terrorism, violent conflict and the rapid spread of epidemic diseases have shown the negative side effect of globalization. This has fuelled a sense of human insecurity, enhancing an international consensus that there can be no peace in our global village without a more inclusive and cohesive world order.

Access to reliable and affordable energy services is a key ingredient in the pursuit of the social and economic advancement of both industrialized and developing nations. In the aftermath of the tragic events of September 11, 2001, energy security again tops the agenda of policy makers, with renewed fears about scarcity and security of supplies.

OPEC has ensured the security of energy supplies for over 40 years and with it, global macro economic stability and world peace, with some Member Countries making up for production losses incurred by others in case of crisis or war. The organization stands firm in its commitment to maintain a stable international oil market, as evidenced by the unprecedented efforts underway in OPEC Member Countries—particularly in the Gulf—to increase investment in oil production capacity, and to ensure that adequate spare capacity is available for the benefit of the world at large.

Oil and gas are expected to account for two-thirds of global energy consumption by 2020. Oil demand increased by more than 75 percent, from 47

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*Peace and security, including energy security, are matters of global concern.*

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million barrels a day (mb/d) in 1970 to 83 mb/d this year. Demand is forecast to rise further, by around 30 percent or 1.5 percent annually for the next two decades, and to reach 111 mb/d by 2025. Similarly, demand for gas is projected to grow by 2.9 percent annually, to 30 percent of global energy consumption by 2025. About 80 percent of the incremental increase in oil demand will be in the developing countries, which will account for 46 percent of world oil consumption by 2025, a quarter of which will be in China.

As a seat for almost 70 percent of the world's proven oil reserves and 40 percent of total proven world gas reserves, the Middle East, home to the majority of OPEC Member Countries, will have to meet almost two-thirds of the projected increase in world demand. Of a projected world oil trade of 67 mb/d by 2025, the Middle East will account for about half. This region's importance is also expected to increase, as far as the natural gas trade is concerned.

A cumulative total of some US\$500 billion will be needed over the next 25 years to maintain and increase the oil supply capacities of the Middle East—an area of low-cost production. This amount is not substantial, when compared with expected Middle East oil revenues, and thus not considered as particularly demanding, provided that oil prices are not so low that they deprive the industry of the financial resources required for adequate investment. Although national oil companies are making the necessary investments to bring production levels up to standard, part of the financing will have to come in the form of foreign direct investment which, in turn, requires a peaceful and stable enabling environment in FDI home countries. All commodities witnessed a sharp increase in price in 2004. For oil, in nominal terms, the OPEC daily basket price reached record highs in 2004. In real terms, however, prices are some 50 percent lower than they were in early 1980. In today's dollar terms, they are at the same level of late 1973, and below what they were in 1979, namely US\$80–US\$100/barrel. Prices moderated again in the fourth quarter, averaging US\$36/barrel in December 2004. A combination of factors contributed to the price volatility, which occurred despite sufficient supplies and sound market fundamentals. These include unusual and unexpected high demand, in particular from China, compounded by low global inventory levels, refining bottlenecks, and strained supply infrastructure in major consuming regions, war and geopolitical tensions, and speculative activity in the paper markets.

OPEC has done its best to ensure adequate supplies during this unusual year, thanks to continued investment in oil supply capacity, including spare capacity, which has fallen to around 5 percent of total OPEC capacity, following the decision by OPEC to increase production by a total of 3.5 mb/d in 2004. Nevertheless, other pressures, such as speculation and downstream bottlenecks, are likely to continue to keep prices high in the near future. In the longer term, these pressures need to be addressed in a broader cooperative approach.

Enhancing energy security does not only require better technologies and more investment in production capacity, it also requires greater international cooperation and dialogue on energy policies and its geopolitical dimensions.

In 2002, the International Energy Forum (IEF) was established to promote continuous dialogue and understanding between oil and gas producers and consumers on energy-related issues and perceptions affecting the world community in order to reduce supply and demand volatility, and enhance market stability and transparency. The permanent Secretariat of the IEF is located in Riyadh, Saudi Arabia. Clearly, the interrelated issues of peace through development cooperation, energy security and market stability raise related questions, which I should be pleased to field during discussions.

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*Enhancing energy security requires greater international cooperation and dialogue on energy policies and its geopolitical dimensions.*

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# Ensuring stability in the market and meeting world energy demand

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DELIVERED AT THE 140<sup>TH</sup> EXTRAORDINARY MEETING  
OF THE OPEC CONFERENCE  
VIENNA, AUSTRIA, MARCH 8, 2006

It is, of course, with pleasure that I find myself among you this morning—not as Governor for Saudi Arabia or Member of the Saudi Delegation, but as Director-General of the OPEC Fund for International Development. I should use this first opportunity to thank you all very much for extending this courtesy to the OPEC Fund to attend these highly important, top level meetings. The Fund appreciates the gesture. We have always had the arrangement that the Secretariat attends our own high-level meetings.

An important wish that I have is that many of you here would continue to be aware of the OPEC Fund and what we do. Across the river, on Parkring (which we hope you may find the time to visit every once in a while), we do follow closely the work of the OPEC Secretariat and, indeed, of individual energy and oil ministries across our countries. We applaud the amount of effort ministers put into the task of ensuring the stability of the market and meeting growing world energy demand. This is not an easy task, and many in the world are beginning to appreciate the dedication involved.

At the OPEC Fund, we also face increasing demands on the resources of our institution. Fund resources, as Honorable Ministers are aware, have been donated over the years by Member States of OPEC. We are applying these resources to the social and economic advancement of many of the world's



poorer countries. We are building bridges, roads, schools and hospitals; we are funding research and studies; and we are providing all manner of technical assistance to help accomplish, among other objectives, the Millennium Development Goals and make a dent on global poverty.

### **Thirtieth Anniversary**

This year, as Ministers are aware, the OPEC Fund marks its 30<sup>th</sup> Anniversary. The Fund is doing all it can to use the Anniversary as a framework to create greater awareness, globally (including within our own Member Countries), on its noble mission. It is our hope that in the years to come, the OPEC Fund will be much better known across the world and respected among its comparators. I should thank OPEC energy ministers and, of course, my own Ministers on the Ministerial Council of the OPEC Fund, for their kind support and encouragement all these years to the institution.

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# Clean energy and development: Toward an investment framework

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SUBMITTED TO THE 73<sup>RD</sup> DEVELOPMENT COMMITTEE MEETING  
WASHINGTON DC, USA, APRIL 23, 2006

The Development Committee, as usual, has before it several timely and critical issues for consideration and discussion. The item that tops the agenda of this 73<sup>rd</sup> Committee Meeting—*Clean Energy for Development: Toward an Investment Framework*—reflects the growing concerns of the global community to secure clean and affordable sources of energy for sustainable development. The OPEC Fund for International Development welcomes this opportunity to jointly explore the course of future action for helping address the energy needs of particularly the poorest members of the developing world, an issue accorded high priority by its member countries.

Although energy in itself is not a basic human need, the energy sector is essential for sustainable development. Energy correlates closely with many poverty indicators through its strong links with employment creation, income, education, health, gender, and the environment, and is vital as such for attainment of almost all MDGs.

Important gains have been made over the past 25 years in enhancing energy services for the poor, with more than one billion people in the South obtaining access to electricity and modern fuels. Yet, about two billion people around the world still live without clean, secure and affordable sources of energy. Some 2.4 billion people in the developing countries have to rely on

traditional biomass fuels for cooking and heating, finding their health threatened by biomass combustion, and some 1.6 billion people do not have access to electricity. Without adequate access to clean energy to meet their basic needs and for productive uses, these people will unlikely escape the poverty trap.

Problems of energy poverty are compounded by environmental threats emanating from inefficient and environmentally harmful patterns of production, consumption and transportation. The poor—particularly women and children—are disproportionately affected by inadequate access to clean and affordable energy services and by environmental degradation. Even as the MDGs do not specifically highlight the vital role of energy in development, the aim of ensuring environmental sustainability (goal number seven) contains two energy-related performance indicators: gross domestic product per unit of energy use (as proxy for energy efficiency), and carbon dioxide emissions per capita.

Demographic pressures threaten to exacerbate the situation. The world's population is projected to expand from some 6.5 billion today to eight billion by 2030 and nine billion by 2050. Global energy demand has been forecast to increase by 60 percent, from 10.8 billion tons of oil equivalent (toe) to 16.3 billion tons by 2030. The demand for liquefied natural gas (LNG) will grow even faster, with the share of gas in world energy demand reaching 24 percent or 4,789 billion cubic meters by 2030, mostly at the expense of coal and nuclear energy. At current trends, 1.4 billion people will still lack access to electricity by 2030, and more than 2.6 billion will still rely on traditional biomass fuels. Nearly 80 percent of world energy demand growth will be in the developing countries—home to more than three-quarters of humanity—particularly in Asia, and in urban rather than rural areas.

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*The poor are disproportionately affected by inadequate access to clean and affordable energy services and by environmental degradation.*

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A central challenge confronting the international community is to establish an adequate investment framework that could help meet the forecast robust growth in world energy demand without raising the environmental and human costs. Cumulative investments in energy infrastructure are estimated at some US\$17 trillion for the next 25 years, almost half of this (US\$8.1 trillion) in developing and transition economies. About US\$1.5 trillion of the total will be needed for cumulative infrastructure investment aimed at maintaining and expanding oil and gas production capacities in the Middle East and North Africa (MENA), or US\$56 billion annually. This amount can realistically be mobilized through a combination of domestic resources and foreign direct investment (FDI), assuming joint international efforts are made to keep oil prices at adequate levels, and to secure a peaceful and stable enabling environment in FDI host countries.

Therefore, there is no reason for concern about a looming energy security crisis. Acting collectively through the Organization of the Petroleum Exporting Countries (OPEC), our Member Countries have ensured the security of energy supplies for the past 40 years. They remain committed to making timely yet appropriate investments in energy production capacities, technologies and research to continue to safeguard stable and clean energy supplies in the future. Several of our Member Countries have embarked upon major plans to boost investment in oil upstream production capacity and energy infrastructure to ensure that adequate spare capacity is available to the benefit of the world at large.

Meanwhile, noticeable progress toward cleaner fossil fuel technologies and carbon dioxide capture and storage has allowed oil to become cleaner, safer, more efficient and more environmentally friendly, in line with the greenhouse gases emission reduction targets envisaged in the February 2005 Kyoto Protocol, and the July 2005 G8 Gleneagles Communiqué and Plan of Action on Climate Change, Clean Energy and Sustainable Development. In addition, action has been taken toward mitigating greenhouse gas emissions with the establishment of public-private partnerships for global gas flaring reduction.

In the same vein, it should be noted that Articles 2.3 and 3.14 of the Kyoto Protocol call upon contracting parties to strive to implement policies and measures in such a way as to minimize adverse social, environmental and economic impacts on other parties, particularly developing countries as

specified in Article 4, paragraphs 8 and 9 of the United Nations Framework Convention on Climate Change (UNFCCC). The latter stipulates that in implementing the commitments alluded to in UNFCCC Article 4, parties shall give full consideration to necessary actions related to funding, insurance, and technology transfer to meet the specific needs and concerns arising from the adverse effects of climate change and/or the impact of the implementation of response measures on developing country parties whose economies are highly dependent on income generated from the production, processing and export and/or consumption of fossil fuels and associated energy-intensive products.

With new players such as China and India arriving on stage, and considering current demographic trends, the importance of energy efficiency cannot be overemphasized. Although significant efficiency gains have already been achieved and important steps made in the right direction, such as the European Union’s “intelligent energy program,” much remains to be done to attain more rational consumption patterns in both industrialized and developing countries through a combination of government, industry and individual actions.

In parallel, concerted efforts are needed to enhance access to energy services to the poor, particularly in rural areas, while safeguarding the environment. In this light, the OPEC Fund for International Development welcomes ongoing efforts to diversify the energy mix by boosting investment in the development of renewable energy sources. Our Member Countries are giving due consideration to realizing the potential of renewable energy sources such as biofuels. However, whereas the role of renewables in the energy mix is expected to gradually increase over time, their overall contribution toward reducing energy poverty and helping meet the expected energy demand of the next 25–30 years is likely to remain small for several reasons.

- First, methods for generating energy using renewable natural resources are not necessarily more cost effective and accessible as such to the poor. Renewable energy sources have their own limitations, including low energy density and intermittency, and high storage costs. For example, decentralized renewables-based power systems could enhance access to electricity in rural areas, should the large initial capital costs be offset. In many cases, subsidies for the “public good” component of such energy services will be unavoidable, whether targeted or across the board. This could

- act as a drain on scarce public resources, compelling governments to balance support for subsidies with other short-term needs and priorities, and market-based solutions;
- Second, the environmental implications of renewables such as biofuels are still unknown and may be incompatible with the goals of sustainable development. The environmental impact of various sources of energy will be further reviewed at the May 2006 UN-sponsored 14<sup>th</sup> session of the Commission on Sustainable Development. UNCSD-14 aims at accelerating implementation of Agenda 21 and the Johannesburg Plan of Implementation on energy, climate change, air pollution/atmosphere and industrial development emanating from the 2002 World Summit on Sustainable Development, in which the OPEC Fund actively participated.

Therefore, fossil fuels (oil, gas and coal), will remain the most stable, safe, reliable and cost-effective source of energy for development for the next two-and-a-half decades, meeting 85 percent of the projected increase in primary energy demand. With some 70 percent of total proven world oil reserves and 40 percent of world gas reserves, there is little doubt that the MENA region—an area of low-cost production—will continue to be the world’s “energy

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*The strong links between energy poverty and the attainment of the MDGs suggest a need for closer synergy between the energy sector and other sectors.*

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safety valve” as the main supplier of secure and cost-effective sources of energy. The ongoing producer-consumer dialogue under the auspices of the Riyadh-based International Energy Forum aims at facilitating the debate on energy-related matters so as to enhance future market stability and transparency.

The strong links between energy poverty and the attainment of the MDGs suggest a need for closer synergy between the energy sector and other sectors and for allotment of a greater portion of official development assistance (ODA) to energy. While ODA rose to 0.33 percent of

Development Assistance Committee members' combined gross national income in 2005, it remains entirely insufficient to finance the investments required to meet the expected rise in world energy demand.

Furthermore, ODA flows to energy have fallen back substantially since the early 1990s, with the share of energy in total ODA committed by sector dropping to a mere 3.3 percent in 2004. Clearly, there is a need to reverse this trend, and to complement ODA with investment from public and private sources as well as innovative financing mechanisms if we are to win the uphill battle against persistent energy poverty through integrated approaches.

An early example of such innovative mechanisms of financing for development is the OPEC Fund, which celebrated its 30<sup>th</sup> Anniversary this year. Over the past 30 years, the Fund has committed some US\$8 billion to environmentally-friendly and ecologically-safe projects in 119 countries worldwide, taking a double dividend approach by linking clean energy to the MDGs and poverty in all its dimensions.

Almost one fifth or 18.6 percent of our cumulative public sector lending has been channeled to reducing energy poverty, particularly in the poorest countries, and the poorest segments of their societies, by integrating the principles of sustainable development as expressed in Agenda 21 into tailor-made projects and programs at national and community levels. Special attention has been paid to enhancing access to modern energy services for the poor through investment in infrastructure and reform and development of the power sector, including rural electrification, hydro-power, and promotion of energy conservation measures. Efforts are also ongoing to develop the role of local entrepreneurs in providing energy services under new business models as part of the OPEC Fund's separate Private Sector Facility.

In addition, the OPEC Fund has extended 45 grants totalling US\$18.3 million to strengthen the capacity of national and local authorities to plan and implement environmentally sound and integrated energy poverty reduction policies and strategies. Activities included support to help meet the basic electricity needs of rural communities in an efficient, cost-effective and reliable manner through the definition of decentralized rural electrification systems. The Fund's grant support also helped fight energy poverty by incorporating renewable energy and energy efficiency policies and strategies into national poverty reduction programs, including solar water-heating systems,

wind-pumping for meeting rural water requirements, hydro-power and biomass gasification technologies.

By linking partners through pilot projects that help the poor build sustainable livelihoods, and by supplying remote villages with electricity and renewable forms of energy, we have contributed to saving the forests and minimizing the use of wood as fuel. This assistance has been provided in conjunction with grant support aimed at enhancing energy conservation and efficiency, and at building environmental capacity in related areas.

There is no silver bullet solution to the interrelated problems of energy, poverty and environmental degradation. Nonetheless, the extensive experience of the OPEC Fund and other agencies has provided useful lessons on how to raise the level of energy services available to the poor in order to allow them to meet their basic needs and, ultimately, achieve acceptable levels of sustainable development through an appropriate mix of fossil fuels and renewable sources of energy. With three decades of experience in energy for sustainable development, the OPEC Fund stands ready to continue to help fight energy poverty in partnership and co-financing with other development finance institutions, sister institutions, and all other relevant stakeholders at the global, national and community levels.



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# Global partnership for success

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DELIVERED AT THE VII LEON H SULLIVAN SUMMIT  
ABUJA, NIGERIA, JULY 19, 2006

I should properly begin by thanking the Leon Sullivan Foundation, for its kind invitation to make this presentation, and, of course, the Federal Nigerian Government, for hosting us.

As many of you are aware, Nigeria is a key Member State of both OFID (a development finance institution) and OPEC, which, I presume, you all know. Nigeria has played an essential part in the management and progressive development of OFID, and has done so much to ensure that real resources flow unhindered to our beneficiary countries. The same applies to OPEC, where Nigeria has been influential in the management of the Secretariat and Presidency of the Conference.

Nigeria has played a pivotal role in expediting progress within both OFID and OPEC. I also should not dwell on Nigeria's commendable record of humanitarian relief and practical assistance to countries and peoples in need, as evidenced by Nigeria's recent engagement in Liberia, the Sudan, Sierra Leone, Côte d'Ivoire and Chad, not to forget Nigeria's massive contributions, some years ago, to helping end apartheid in South Africa.

At OPEC, the effort toward stability and global progress is similar to that at OFID, albeit in the field of energy security. As a long term energy executive and close observer of the international energy industry, I do believe I am in a

position to touch on the noticeable impact of OPEC (the Organization) on the energy scene. However, let me limit myself to just a few remarks:

OPEC has lived up to its original mission. It has continued to ensure steady supply of oil to the world, sinking billions of dollars in investment in the industry. Despite fluctuating earnings, OPEC Member Countries have, all along, been investing heavily in exploration, production and supply, even when the investment has gone to maintenance of idle capacity. For example, whereas OPEC's proven reserves totalled 70 percent of global reserves in 1985, such investment outlay has led to ensuring that, by the end of 2005, it had risen to 75 percent. As a result, proven oil reserves increased by 430.3 billion barrels between 1985 and 2005, with 85 percent of this incremental oil attributed to OPEC. Such reserves are increased via heavy investment in oil exploration and in new discoveries. Because of this massive investment, OPEC was able to produce 12.5 billion barrels in one year (2005), which is equivalent to about 85 percent of the entire proven reserves of the North Sea.

May I take you many years back? Conscious of their global social responsibility, OPEC Member States, meeting in Algiers in 1975 at the level of sovereigns and heads of state, reaffirmed their common cause with other developing countries in their struggle to overcome underdevelopment. The Algiers Summit set in motion policy directives that, one year later in 1976, would lead to the establishment of an *OPEC Special Fund*, which eventually became the OPEC Fund for International Development, OFID. The financing provided by the Fund was to be additional to resources already being made available by OPEC Member Countries through other bilateral and multilateral channels. A Second OPEC Summit held in the year 2000 in Caracas, Venezuela, reiterated the continuing relevance of OFID in the development arena. OFID has been engaged in development financing for three decades. Indeed, this very year, we are marking the 30<sup>th</sup> Anniversary of the institution. Working in partnership with sister institutions of OPEC Member Countries, we have, on a cumulative basis, committed some US\$90 billion in financing.

I should draw your attention to the main features of OFID, which, we believe, are of much relevance to our partners and cooperating countries.

- OFID Member Countries are not, themselves, eligible for OFID’s development financing. Our resources go to assisting non-members of our institution, which thus far number 120 countries.
- We have kept close to the wishes and aspirations of the countries we work with, ensuring that their priorities are adhered to, and that no “conditionalities” are placed in their path. This is because OFID believes that cooperating countries are better placed than third parties to determine their own needs and priorities.
- We have paid particular heed to the needs of Africa, ensuring that about half of OFID resources are allocated to the region.
- We profess and adhere to no ideology; we go everywhere, where our partnership is called for.
- The flexibility built into our mandate has encouraged and fostered the development of various instruments of assistance delivery.
- OFID is about to launch a trade financing facility, which will help address, particularly, the trading needs of the least developed countries of Africa.
- OFID’s preferred method of work is in cooperation and in partnership with all relevant institutions and stakeholders in development. We provide support to other international organizations working, like us, to bring sustainable progress to much of the world.

The focus of this Summit is Africa, and we are primarily discussing partnerships for success in a continent of opportunities. We certainly share this view. In this vein, I should make a point or two about the work of OFID with, and for, Africa. OFID had been involved in the Africa region right from its inception. Indeed, OFID’s very first public sector lending activity benefited an African country. By coincidence, perhaps, its initial private sector investment was also in Africa. Both examples illustrate the commitment of our institution to addressing the prevalent development concerns of countries of the region.

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***OFID believes that cooperating countries are better placed than third parties to determine their own needs and priorities.***

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In accord with its mandate to give priority to the least developed countries of the world, the LDCs, OFID's top preoccupation has been Africa. As we all know, Africa is home to the majority of the LDCs. Along with efforts at contributing to the success of NEPAD, OFID is paying close attention, as well, to specific issues of great concern to the continent, including the global campaign against HIV/AIDS, the progress of the HIPC, and cooperative networking toward the accomplishment of the Millennium Development Goals.

Out of OFID's worldwide cumulative commitments of about US\$8 billion, more than half have gone to Africa. Also in Africa, as elsewhere in the developing world, there is renewed attention to private sector initiatives. As already alluded to, Africa was our first continent of call, when we began private sector activities in 1999. Thus far, OFID has supported a significant number of investments, including lines of credit and, of course, real economy projects. All of these endeavors have contributed toward development of small and medium-size enterprises (SMEs) and, by extension, the creation of jobs and provision of shelter, among other social benefits.

I should not forget to mention OFID's grants program, which goes to supporting projects and programs as well as research initiatives, where lending is not the appropriate instrument. In 30 years of operations, OFID grants have gone to countries, international organizations and research bodies working to enhance development. About half of these resources have gone to Africa in technical assistance and in the promotion of education, other social pursuits and health care. We are also deeply involved in financing projects against the HIV/AIDS pandemic, which affects Africa more than most other regions of the world. As a matter of fact, some 70 percent of the funds we have so far devoted to the global campaign against this pandemic have gone to Africa.

We are all aware that the development landscape is changing, priorities are shifting, and new obligations are emerging. It is my pleasure to relate that ours is a flexible institution, with a mandate that is accommodating. OFID is evolving and adapting to new challenges. We nurture existing partnerships and welcome new friendships. We also do what we can to network with agencies, which, we perceive, are working to the same ends.

During the opening ceremony of this Summit, the Nigerian President, Chief Olusegun Obasanjo, while embracing the Honorable Andrew Young, said Africans and African-Americans had, symbolically "crossed the bridge." Let me state that, for the last 30 years, we have been building bridges of hope

and understanding. Likewise, President Clinton, speaking earlier, discussed the need for “new dreams” for Africa. Allow me to state that, at OFID, we are working diligently to help realize some of these dreams. And, to substantiate the assertion, I took the liberty yesterday, when I made a courtesy call on the Nigerian President, to seek his approval for OFID to host a major workshop on development of SMEs and micro-finance in Africa to be held right here, in this beautiful City of Abuja. With the workshop, we hope to target the less privileged and contribute to capacity-building across much of the continent.

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# OPEC in a new energy era: Challenges and opportunities

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DELIVERED AT THE THIRD OPEC INTERNATIONAL SEMINAR  
VIENNA, AUSTRIA, SEPTEMBER 13, 2006

My presentation today will touch upon three distinct topics with a view to highlighting their inter relatedness: sustainable development, energy, and my institution, OFID, the OPEC Fund for International Development. I will highlight how OFID contributes to sustainable development and energy.

## **Sustainability: The real challenge**

Let us begin with a definition of sustainable development. We have two concepts here: “development,” itself, and “sustainability.” As Jeffrey Sachs said in a recent speech, “merging the two concepts is the real challenge.” Development alone—i.e. raising the material conditions of countries—is not that difficult, as many parts of the world (notably East Asia) are showing us. But development on a sustainable basis is difficult and represents the true challenge facing humankind.

## **So, what do we mean by “sustainable”?**

John Mitchell of the British Royal Institute of International Affairs highlights a key difficulty in sustainable development to which I very much subscribe: “Sustainable development, as terminology, poses more questions than it answers. Do we leave natural capital alone and intact?” Or, do we “substi-

tute” for material we consume in the lifetime of our generation, in the hope that succeeding generations would have other needs and other requirements?

Another, perhaps more popular view of sustainable development stems from the widely respected and highly acclaimed Dr Gro-Harlem Brundtland, a former Norwegian prime minister and Director-General of the World Health Organization. Dr Brundtland defined sustainable development as “development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.”

I certainly find it difficult to subscribe to this view. Only recently I was in the West African country of Burkina Faso, where I found a “present generation” that had hardly anything to consume, let alone worry about leaving something behind for “succeeding generations.” And there are many such poor countries across the world today.

I believe that, in the context of the economic development of nations, sustainability has four key components:

- First, is the need and ability to economically grow and continue to grow i. e. the ability to perpetually reproduce and regenerate economic growth.
- Second, is a concern that is increasingly becoming hot (quite literally)—environmental sustainability.
- Third, is social sustainability—the impact of economic growth on income distribution and social relations (urban/rural; peasant/landowner; worker/owner; regional/national etc.).
- And, fourth, is the issue of international sustainability—the impact of development on international and geopolitical relations.

Sustainable development is thus a very complex challenge, but we have learnt from history and from simply observing our own world that we can ignore either of these issues only at our own peril.

## **Energy and sustainable development**

There is no more important (and often no more controversial) issue relating to development and sustainable development today than energy. Any effort to forge an economy that is self-perpetuating is bound to fail, if not based on sound energy planning from the outset. Growth depends on energy, and sustainable growth on sustainable energy—meaning, in this case, affordable and reliable energy in its purest economic sense. As will be shown later in my

presentation, the poorest societies need sufficient energy to help lift their citizens out of poverty. And the fastest growing economies, as well as the most developed, would grind to a halt without sufficient energy.

The oil and gas producers who set up OFID have borne the burden to produce sufficient energy supplies to keep the world economy fuelled. In fact, this burden has become much larger in the past few years. The challenge of the energy producers is a paradoxical one: to substantially increase their investment in their energy sectors in order to meet the rising global demand for energy, and, at the same time, to build sustainable economies of their own that do not depend as much on hydrocarbons production and revenues.

### **Finding solutions is everyone's responsibility**

The most urgently needy are the poor countries of the world, and energy is an essential solution to their problems. Recently, the UN-Energy group produced a paper entitled *The Energy Challenge for Achieving the Millennium Development Goals*. I would like to repeat the eight goals and how they see energy helping to meet the challenge. And incidentally, in reviewing these goals it is clear that poor energy-producing and consuming countries face these challenges, and we should all help encourage them to meet these goals.

The first one is the need to eradicate extreme poverty and hunger. Clearly, energy is essential to the achievement of this goal—energy fuels economic growth, creates jobs, produces and prepares foods and helps transport goods and people. Without this basic need being met we cannot even start on achieving the other seven goals.

The second, provision of universal primary education, is totally dependent on energy, both in the form of lighting schools and housing so students can read but also relieving children from searching for fuel and water to meet households' basic needs.

Similarly, if the third goal is to be met—promoting gender equality and empowering women—energy is an essential input. Lack of access to modern fuels and electricity contributes to gender inequality. As in the case of the children, searching for fuels, the use of low-yield inefficient fuels prevents women from partaking in more productive educational and social activities.

The fourth goal—reducing child mortality—also is deeply energy-dependent. The UN report cites diseases caused by contaminated water, and respira-



tory illnesses caused by indoor air pollution can be reduced through use of modern fuels.

Energy is essential to meet the fifth goal—improving maternal health—notably because of the need to power health clinics.

Other diseases prevention, primarily HIV/AIDS and malaria, the sixth goal, can be enhanced with effective deployment of energy to fuel health facilities and to communicate important disease prevention information to the population at large.

Modern energy, especially for the very poor, will help achieve the seventh goal—ensuring environmental sustainability.

And finally the eighth goal is to achieve all of the above through international cooperation for the provision of sustainable and environmentally sound energy services. Funding the latter can be achieved at the local and international levels.

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*Energy is critical to economic viability and building sustainable societies.*

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### **Challenges for energy producers, consumers, the rich and the poor**

Energy is critical to economic viability and building sustainable societies. As Jeffrey Sachs has shown, using energy to help meet the basic needs of the poorest in the world will entail increasing total economic activity by 4 percent of total global GDP, lead to an increase of 6 percent of carbon emissions but potentially raise average life expectancy from 46 to 67 years and lower child mortality rates from 183 deaths per 1,000 births to 60 per 1,000. This is judicious use of energy to solve serious global economic problems and make our world more sustainable.

As for middle- and high-income countries, the question is: is their model of development sustainable?

In answering this question, we must make a distinction between energy producer and consumer countries. The energy producers, in general, have not formulated sustainable economic development models. This is largely due to the fact that they have depended on oil and gas revenues to fund government

budgets, which in turn have handed out jobs and incomes to most of their citizens. Wild swings in income derived from volatile commodity prices have periodically weakened the governments' capacity to support income levels.

Energy, while serving as the backbone of these economies, has also acted as the cause of the problem here. But it need not be so. Prudent use of funds, such as expenditures on education and training, can create the necessary human capacity and physical infrastructure for development. The use of the energy sector itself as an engine of growth for other parts of the industrial and service sectors can help develop and sustain a non-oil economy. It certainly has been a challenge for these producer countries, but there are some notable successes. The use of energy can be turned on its head: re-channeled from creating an unsustainable society to a productive sustainable model of development.

One encouraging trend in some oil exporting countries has been the "commissioning" of the national oil companies (NOCs) to transfer some of the managerial and technical skills that they have acquired over the past decades to the rest of the economy. This is definitely the case in Saudi Arabia, where Saudi Aramco, as the largest and most accomplished public enterprise, has been requested to help other sectors of the economy by applying its experience and expertise in human resource development to other areas.

This approach should be used more widely; it was very natural for the major oil and gas producers to invest heavily in their NOCs first, and it is equally natural for them to now ask these same NOCs to share their experience and competencies so as to raise the overall capabilities of their nations.

The industrialized world, whether established or emerging, has hit upon a model that has led to long-term income growth. Although all economies will face cyclical slowdowns and even downturn, as long as they have the technical and mineral inputs and sufficient demand, their economic systems are fundamentally viable. But, as economists like to say, this model is fraught with externalities. The most critical one faced by consuming countries appears to be less the cost of energy (although that is a concern) and more the prospects of the sustainability of the environment.

Government and private partnerships have led to a stabilization of carbon emissions. However, significant change needs to come in the US at the policy level but also at the societal level. If the US, which consumes 25 percent of the world's oil and gas and produces nearly 40 percent of the carbon emissions, does not join Europe and Japan, we will not make the most preliminary

progress. China and India represent major challenges as well. Their sustainable development requires early adoption of cleaner technology—leapfrog technology—as much as possible eliminating the old and inefficient energy systems inherited from the past. While the emerging countries eschewed Kyoto, they are now coming to the realization that, without becoming more environmentally conscious, their aspirations will not be met and growth will falter.

To sum up, the challenges faced by various countries can be summarized as follows:

The main challenge of oil importing poor countries is poverty reduction and meeting the Millennium Development Goals, a responsibility of the global community;

The main challenge of oil importing industrialized and industrializing countries is not so much oil prices, but environmental sustainability and energy security;

And the main challenge to oil exporting countries is to outgrow their dependence on oil revenues, while at the same time continuing to invest heavily in their hydrocarbon sectors in order to meet global demand.

## **OFID and energy**

I would now like to return to my organization, OFID, and outline some of our broad policies and approaches to the issues just covered.

OFID's traditional focus on poverty alleviation has become a cornerstone of its mandate and an unflinching base of its dialogue with its partner countries. OFID shares the concern for prompt access to "adequate, affordable and sustainable energy" services. OFID believes that this access is achieved most promptly and most efficiently by a focus on tested and readily available resources. Through its experience in several poor countries, OFID has established that a focus on rural electrification and the introduction of substitutes to inefficient biomass—such as LPG—and some proven renewable energy sources such as solar energy is the surest and fastest route to enhancing poor people's access to energy services. In this matter of energy, OFID has contributed to over 120 projects, which encompass the whole spectrum of energy production, transformation and distribution, and 90 of them (75 percent) were in low-income countries.

It is broadly accepted that focus on readily available sources of energy for the poor is not in conflict with the concern for the environment, particularly CO<sub>2</sub> emissions.

Globally, developed countries consume ten times more energy per capita than developing countries. The inequities in access to and consumption of energy constitute a serious impediment to sustainable development in a globalized world.

### **OFID's cumulative accomplishments in energy**

Let us briefly look at what OFID has cumulatively accomplished in the field of energy financing.

OFID's total commitments over the past three decades are in excess of US\$8.0 billion, of which US\$4.98 billion has been committed to public sector projects.

- 19 percent of the total commitments to public sector projects went to 120 schemes in the energy sector, including production, transformation and distribution of energy.
- OFID's energy sector financing has helped in bridging the gap to successfully implement investment projects with co-financiers totalling US\$14.5 billion over the last 30 years.
- To exhibit OFID's adherence to its mandate, which calls for the greater share of its resources going to the poorer countries, the lion's share (75 percent of energy sector total commitments) has been committed to low income countries.
- The global commitments of our sister institutions over the past four decades, are well over US\$68 billion, of which 8 percent is from OFID contributions.

We should recall that some one-and-a-half billion people live with less than one dollar a day and half the world's population—nearly three billion people—live on less than two dollars a day. Let us also recall that some 20 percent of the world population consumes 80 percent of the planet's wealth and that the poorest 20 percent consumes no more than 3.5 percent. Let us finally note that the proportions are also the same for many other goods as is for example the case of the world's vehicle fleet.

The UN Human Development Report confirms that world inequalities have been rising for the last two centuries and continue to rise nowadays at an accelerated rate. The report establishes the “distance” between the richest and poorest country was about 3 to 1 in 1820 and 72 to 1 in 1992. That is to say that we cannot afford to be complacent in dealing with those factors which have proven to be the source of wealth.

These factors can be summarized as education, technology and energy. For the developing countries, improving access to modern energy services—such as electricity, motive power and others—will boost growth and help alleviate poverty, improve health, expand access to education, whilst safeguarding the environment.

In conclusion, I would like to state that OFID stands ready to share its experience with its partner countries and the development aid community to accelerate the development of energy services in the poor countries in which OFID operates. In so doing, OFID continues a history of support for the development of economic infrastructure. In the field of energy, we note that levels of investments in the electricity sub sector are about 50 percent of the needs. OFID will thus continue to fund thermal as well as hydroelectricity generation and distribution as well as making biomass energy more efficient. It stands ready to cooperate with partner countries to develop country-specific energy models and contribute to their implementation. OFID is inherently committed to cooperation and coordination with its sister institutions and the donor community at large. OFID works with the public as well as the private sector and encourages transparent and well-conceived public-private partnerships.

Thus, in recognition of the variety of situations and different economic capacities, OFID has developed a series of new products and financing windows which, when combined, allow an adequate response to the pressing need for energy development, particularly in favor of the poor.

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# The petroleum industry and energy supply: Driving economies forward and opening up new opportunities for all

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DELIVERED AT THE SOUTH-SOUTH HIGH LEVEL  
MEETING ON OIL AND GAS DEVELOPMENT  
DOHA, QATAR, SEPTEMBER 8, 2007

Let me begin with words of appreciation—to the State of Qatar and to the Emir, His Highness Sheikh Hamad bin Khalifa Al-Thani, for the kind hospitality extended to us. Although, unfortunately he is not with us, I should congratulate Mr Al-Attiyah for his unwavering support of South-South as well as North-South dialogue and cooperation. His wise chairmanship of the 15<sup>th</sup> Session of the UN Commission on Sustainable Development held in New York last May is a tribute—not only to Qatar—but to all of us. Let me also thank Ambassador Nassir Abdulaziz Al-Nasser for the invitation to attend this meeting. It certainly is a pleasure to address such a distinguished gathering.

Coming very early this morning from the airport, I was pleased to pass by several construction sites and to see the City of Doha sporting many new high-rise buildings with innovative architectural designs. This is a clear sign of a thriving economy and economic growth, as confirmed by all economic indicators of Qatar.

My statement will focus on some of the conditions necessary to harmoniously develop the oil and gas sector in the developing countries that aspire to become oil and gas producers.

## Oil and Gas development for newcomers

Being in a South-South dialogue on oil and gas development, and noting that I was involved in the oil and gas industry for over 30 years in Saudi Arabia, I would like to briefly share with you some thoughts about this complex industry. The complexity is reflected all along the production chain—from the field to the end-user. The complexity also stems from the diverse uncertainties inherent in the industry. As examples, I could mention the high exploration risk; the capital-intensive nature of the business; the long time-frame required for investment; and the reliance on advanced technology owned by developed countries. There is also the lack of predictability of oil markets, especially on the demand side.

Given the diversity of their economies, newcomers do not form a homogenous group. However, there are some common factors that could be highlighted. The challenges are great, but the opportunities are even greater.

- First, oil and gas are exhaustible resources. And this, naturally, raises the question of the long-term sustainability of the industry in a given country. Even with their endowment, OPEC Member Countries face this issue, although with a different time-frame. The concurrent diversification of the economy and rational development of the oil and gas sector could be a solution to carry the goal of sustainable development.
- Second, an appropriate legislative framework is a must. Oil and gas are natural resources under the sovereignty of the countries where they exist. We have many UN officials here that would recall UN General Assembly resolution of 1962, stating that “the right of peoples and nations to permanent sovereignty over their natural wealth and resources must be exercised in the interest of their national development.” The last part of this article provides a good principle for designing an appropriate legislative framework, which is essential for development in the oil and gas sector as part of national development plans.

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*The challenges  
are great, but the  
opportunities are  
even greater.*

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- Third, there is a need to develop proper institutions. Examples would be parastatals to control and regulate oil and gas exploitation by operating companies. The establishment of an NOC (National Oil Company) should be considered.
- Fourth, partnering with foreign companies. By working in partnership with international companies, which do not exclusively come from industrialized countries, host countries can have access to much needed technology and financing with minimized risk.
- Fifth, capacity building is vital. Human resource development and institutional capacity building are vital to ensure the success of the oil and gas development process. Emphasis should, therefore, be placed on education and health.

### **Climate change and global warming**

We have talked about sustainable development, which most of you know has three pillars to it: social, economic and environmental. This brings another important dimension that must be considered in the development of the oil and gas industry: protection of the environment. It is a goal that goes beyond the rich-poor divide, particularly noting the findings of the Intergovernmental Panel for Climate Change, which indicate that the poor developing countries are the ones that stand to suffer the most. Hence, oil and gas development should be done with environment consciousness. However, environment protection often carries a very high cost that may be beyond the reach of individual developing countries. And although South-South cooperation is important, this is an area that instigates North-South cooperation, particularly through areas like the Clean Development Mechanism (CDM) under the Kyoto Protocol.

I am sure you will hear much more elaboration on all these points, and more, from all the experts here, through the rich program of the meeting over the coming two days.

### **OFID aims and record**

Let me now put back on my hat as Director-General of the OPEC Fund for International Development. OPEC Member Countries have always supported the development of other developing countries, through many effective bilateral and multilateral channels. My institution, OFID, was established



over 30 years ago in the spirit of South-South cooperation. At the core of OFID's mandate is financial support to non-OPEC developing countries, especially the poorest among them.

Over the years, OFID has committed more than US\$9 billion in 121 countries worldwide. Nearly half of OFID's financing is devoted to Africa, to support poverty alleviation projects, and to build the basic infrastructure needed for economic and social development. Today, OFID operates many financing windows, covering public and private sector loans, trade financing and grants. OFID is also active in the *Heavily Indebted Poor Countries Initiative* by providing debt relief mainly through debt restructuring and grants.

Our spectrum of support covers wide activities in the fields of health, education, transportation, agriculture, energy, and many other areas. Over the last 31 years, the energy share of our commitment has reached 20 percent. Recently, OFID is actively planning to increase the share of energy-related projects, with future commitments going to low-income countries, noting the fact that energy plays a pivotal role for sustainable development and the achievement of the Millennium Development Goals.

Year after year, OFID has been working to expand support and introduce new and innovative ways for financing and co-financing. We have a close relationship with many national, regional, and international development assistance funds and agencies, in order to coordinate and streamline our activities, and assure the best use of available resources.

## Conclusion

Our wish is that the great things accomplished in, and through, the petroleum industry of producing countries could radiate through Africa and other developing countries around the world, driving economies forward and opening up new opportunities for all.

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## Partnering with the poor

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DELIVERED AT THE THIRD OPEC SUMMIT  
RIYADH, SAUDI ARABIA, NOVEMBER 15, 2007

Let me begin by thanking our hosts, the Kingdom of Saudi Arabia, for organizing this symposium and providing a forum for discussion of this very important topic. I am sure I speak for everyone present when I say how much I am looking forward to some stimulating debate.

Ms DiSano has presented a comprehensive overview of the key concerns relating to energy and sustainable development. I applaud her diplomacy in avoiding some of the more contentious issues and hope she will forgive me for being more provocative.

My views on energy and sustainable development come from a very different perspective to those already heard—that of a *practitioner of development*. They are the views of my institution—the OPEC Fund for International Development (OFID)—and those of the 120 or so partner countries that we work with day in, day out to effect socio-economic progress and growth.

Let me start off with a bold statement. When it comes to the issue of energy and sustainable development, there are two diverse agendas—that of the developed world and that of the developing world. At the heart of the matter lies climate change. And while no one can deny that the environment and its protection is a common, global challenge, it is nevertheless a challenge that

flags different priorities for different countries. That's not to say, however, that the two positions cannot be reconciled.

As a practitioner of development, my allegiance lies with the developing countries, where one-half of humanity continues to live without basic needs. We cannot and should not hide from the sobering statistics: around 800 million people in the developing world are chronically undernourished, and one child dies of hunger every five seconds.

In this context, it should be easy to understand the notion of differing priorities when it comes to the issues surrounding energy and sustainable development. While the developed world preoccupies itself with the thorny problem of energy use and its impact on the environment, for developing countries the challenge is to increase access to the affordable, modern energy services that they need to fuel their development and feed their hungry. The fact of the matter is that energy and human development are inextricably linked. Put simply, energy is development. Without energy, there can be no economic development and without economic development no poverty reduction. It goes without saying therefore that combating energy poverty is crucial for achievement of the MDGs, an initiative that the entire global community has signed up to. Here, at least, there is a point of convergence.

Much has been debated about energy use and sustainability being incompatible concepts. I would like to argue, however, that it is entirely possible to reconcile the energy needs of development with the sustainable use of the planet's resources.

Let us look at some facts. There can be no denying that the poorer countries are more susceptible to natural disasters such as floods, droughts and desertification and so on. But their environmental problems go even deeper. In the developing world, one person in three relies on traditional forms of en-

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*For developing countries the challenge is to increase access to the affordable, modern energy services that they need to fuel their development and feed their hungry.*

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ergy—including firewood, dung and plant residue—for everyday living. This practice is destroying the local environment, through soil erosion, deforestation and water pollution. Worse still, it is also killing people—an estimated 1.5 million die every year from inhaling biomass smoke.

So, what are the possible solutions when it comes to energy poverty?

Renewables, such as wind and solar energy, geothermic and biomass, certainly have a role to play in the energy mix, but only as sustainable local solutions. The use of biofuels—a much-hyped form of energy—can only ever be a partial solution to the problem. Turning arable land over to the mass production of biofuels would inevitably cause a major food crisis.

Consider this: filling the 25-gallon tank of an SUV with biofuel requires 450 pounds of corn, which contains enough calories to feed one person for a year. Moreover, even if the entire corn crop of the United States were used to make biofuel, it would only replace 12 percent of current US gasoline use, which stands at around nine million barrels per day.

Given this clear conflict between food production and energy production, it should come as no surprise that even ministers of developed countries are calling for caution over biofuels, among them the environment minister of the Netherlands. OFID is also concerned, and is looking into the matter with other organizations.

Allow me to repeat what I said at UNCSD-15 in New York. From our experience, there is no one-size-fits-all energy mix model to satisfy the basic energy needs of the poor. The developing countries need an energy mix that ensures reliability, affordability and, of course, sustainability. Given the relative disadvantages and limitations of other available options, the supporting pillar of this mix has to be diversified liquid and gaseous fossil fuels.

It is the opinion of OFID and its partner countries that the issue of climate change and the prominence it is accorded on the global agenda has eclipsed the most urgent challenge facing our planet today—that of poverty and human misery. This shift in emphasis is a grave cause for concern, and one shared by OPEC Member Countries. Indeed, at OPEC's Second Summit in Caracas, Venezuela, in September 2000, the heads of state and government described poverty as “the biggest environmental tragedy” confronting the world. Seven years later, their view is unchanged, and OPEC Member States remain committed, individually and collectively, to helping meet the development needs of the low-income countries.

It should be remembered that OPEC countries are themselves not particularly rich, and I shall quote a few statistics to illustrate this point. OPEC countries' average GDP per capita is one-tenth that of the OECD countries; their combined GDP is about three-quarters that of Italy; and their total exports are only 60 percent of those of Germany. Still, OPEC countries together provide something in the region of US\$4 billion every year in development assistance, the second highest amount after the OECD. This sum is given through a number of channels, including the multilateral and bilateral aid agencies of OPEC countries, of which OFID is one. For its part, OFID is set to increase its annual commitments to US\$1 billion from 2008, effectively doubling its effort. A substantial portion of this will fund energy sector development.

While OPEC countries are doing their bit to combat poverty, questions have to be asked about the commitment—or perhaps the lack thereof—of the industrialized nations, who continue to be found wanting. It is time, is it not, that the G8 countries lived up to their 2005 pledge to double aid to Africa. Generous increases in ODA—to the target level of 0.7 percent of GNI—are also long overdue from the vast majority of developed countries. As Mr Robert Zoellick, President of the World Bank, has said, “We need the G8 and other developed countries to translate their words from summit declarations into serious numbers.” OPEC nations, after all, have been delivering on their promises for over 40 years.



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**PART 2:**

**Implementing the agenda  
2008—2013**

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## Cooperation and dialogue to address energy poverty in Africa

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DELIVERED AT THE OFID WORKSHOP

ON ENERGY POVERTY IN AFRICA

ABUJA, NIGERIA, JUNE 9, 2008

It is a great honor to have with us His Excellency the President of the Federal Republic of Nigeria. Let me begin by thanking His Excellency Alhaji Umaru Musa Yar'Adua for gracing this occasion with his personal presence. I can assure him that we are tremendously happy and consider it a matter of great good fortune to have him with us.

In addition we would like to thank the federal government and people of the Federal Republic of Nigeria for welcoming us and providing the amenities to facilitate this opportunity to address the important issue of energy poverty in Africa. I would also like to reaffirm our deep appreciation of Nigeria's sustained and much valued support to OFID for over 32 years.

Energy is high on everybody's agenda for a number of reasons: increasing fuel prices, limited energy resources, security of supply and demand, climate change and, last but not least, because it is a major prerequisite for economic development. Energy issues are central to the economic security and sustainable development of all countries, and the availability of energy resources is a problem facing the entire international community.

The MDGs are a set of eight indicators the world was called upon to target, in order to move humanity forward. Energy supply is a requirement for the attainment of all eight goals. Sadly, sub-Saharan Africa has the lowest



measure of energy production worldwide, accounting for only 6.4 percent of global production.

Africa has enormous economic, business and human potential, and is expected to play a growing role in world energy markets in the coming decades. At the same time, domestically, its energy needs are rising strongly, particularly for electricity. On its own, electricity provides a prime example: it accounts for only four percent of sub-Saharan Africa's total energy consumption. Out of a total sub-Saharan Africa population of 743 million, 67 percent lack access to electricity services. Yet electricity is a most vital input in production processes and in the delivery of social services.

The MDGs of education and healthcare improvement are being compromised by the lack of electricity, while non- or under-functioning school systems and hospitals, stunt economic horizons. The decision to organize this workshop under this theme is in keeping with the spirit of the November 2007 Declaration of the Third OPEC Summit in Riyadh, in which the heads of state and government of Member Countries recognized that "energy is essential for poverty eradication and sustainable development." The Declaration pledged that Member Countries would "continue to align the programs of our aid institutions, including those of OFID with the objective of achieving sustainable development and the eradication of energy poverty in the developing countries, and study ways and means of enhancing this endeavor, in association with the energy industry and other financial institutions."

OFID's intervention in the energy sector and its positive commitment to raising living standards and broadening the opportunities available to the most disadvantaged groups in Africa, especially in rural areas, takes various forms; namely, direct project funding, grants provision and the operation of an Energy Account. Over one-fifth of all OFID's approved funding has been for energy sector projects. Projects in Africa accounted for 6.8 percent of the total. It is expected that these forms of assistance would continue.

The demand for energy has spin-off effects on environmental conditions, especially regarding the impact of fossil fuels. Energy is a two-edged sword, both sides of which have global implications. For example, oil prices are part of a global market mechanism, and the environmental damage to the atmosphere caused by this oil usage also has global consequences. We believe that access to environmentally-sound technologies is crucial for the protection of the local, regional and global environment.

In meeting these challenges, research efforts to formulate energy policy options needed to alleviate poverty and achieve the MDGs must focus on the future in a positive and principled way. Specific strategies need to be devised, specific priorities need to be identified and specific practical programs need to be agreed and implemented.

For Africa to achieve robust economic growth and reasonably move toward sustainable development, energy supply must be accorded higher priority. At present, the financing of energy schemes is inadequate and unpredictable. Long-term solutions to energy poverty are simply unthinkable without adequate access to investment.

We believe the challenge here is to elucidate policies and measures that would increase the funding of energy sector projects. For the private sector, there is the need to encourage better use of private investments, micro-financing, other innovative financing schemes and foreign direct investment.

There is a need to maximize entrepreneurship, transfer skills and capacities and encourage public-private partnerships. Regional cooperation is central to this development, which will rely heavily upon all African countries playing to their strengths.

In recent years, most areas of the world have come to realize the advantages of regional cooperation as a realistic means to address and formulate solutions to common problems, formulate a distinctive approach to decision making and to raise regional identity and profile.

I hope that all who participate in this workshop consider it as an additional step in the strengthening of the spirit of cooperation and dialogue. And moreover, can find important areas of common ground on the best ways of achieving key targets, to which the countries in this region can make the most of opportunities available to enhance their domestic infrastructures, diversify their economies, and pursue sound, sustainable development goals.

We at OFID take encouragement and inspiration from your presence here and do indeed bid you welcome. I hope you, like myself, are looking forward to a productive and rewarding two days and I wish all of you in this workshop a successful, positive and purposeful outcome.

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## Energy: The ninth MDG

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DELIVERED AT THE FIRST ANNUAL CONFERENCE OF THE  
ARAB FORUM FOR ENVIRONMENT AND DEVELOPMENT  
MANAMA, BAHRAIN, OCTOBER 27, 2008

Let me begin by thanking the Arab Forum for Environment and Development (AFED) for putting this conference together to discuss environment and development in the Arab world. I am pleased to participate on this panel concerning financing environment programs through public-private partnership.

Allow me to commend AFED for having produced a very good report on Arab Environment, Future Challenges, which was presented yesterday. Knowing the difficulties in gathering the data, it was indeed informative and refreshing to listen to and discuss with the authors of this full-fledged comprehensive study. I also enjoyed watching the related documentary. I am pleased that the name of my institution, OFID, is associated with this report since, as you might be aware, OFID has contributed to its financing.

Yesterday we had a fruitful panel discussion on climate change and energy efficiency. Indeed, today, the quest for environmental protection has become a global issue beyond the developed/developing country divide, explaining why the proposed solutions have to be international, regional, national, as well as local. It is clear that political will and human ingenuity through technology advancement are part of the solutions to the challenges raised by climate change issues.

## OFID and the Sustainable Development framework

The strategic approach to development and climate change adopted by OFID is fully in line with the Sustainable Development framework and the eight Millennium Development Goals. Let me be more explicit about the implementation of this general framework.

The famous definition of Sustainable Development, given in the 1987 Brundtland Report *Our Common Future* states that “Sustainable Development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The issue here is how this definition applies to the multitude of very poor people living in sub-Saharan countries or elsewhere. How can one ask them to think about the needs of future generations when in fact their first priority is not environmental sustainability but rather how to survive today? I am talking here about one-third of humanity, who rely on wood, charcoal and dung as their principal source of energy for cooking and heating. Human poverty is indeed the greatest challenge facing the world today.

There is fortunately a message of hope; there could be compatibility between poverty alleviation and environmental protection. Let me give you an example: assisting poor populations to switch from fuelwood to modern energy services, such as LPG or renewable energy (wind, solar), could help achieve the dual objective of first, protecting the environment by reducing land degradation through the reduction of collecting wood, and second, alleviating poverty through development opportunities based on energy availability.

## Sustainable Development pillars

As you know, Sustainable Development relies on three interdependent and mutually supportive pillars; namely, economic development, protection of the environment and social progress. Therefore, environmental protection is indeed one of the pillars of OFID’s developmental framework.

This coherent development framework was reaffirmed in the Riyadh Declaration of November 2007 when all OPEC heads of state acknowledged “the interrelationships between energy production and consumption, environmental protection and preservation, and economic growth and social development.” In line with this framework, OFID, through its assistance to development, supports the advancement of the three pillars not just individually, but together and in a balanced way. This means, in particular, that OFID be-

believes environment issues should not impede human poverty alleviation. In the year 2000, the heads of state of OPEC Member Countries, meeting in Caracas, Venezuela, urged the industrialized countries to recognize that “the biggest environmental tragedy facing the globe is human poverty.”

Human poverty has many aspects. Energy poverty is one of them, but with a central role in any development, the battle against energy poverty is intertwined with the battle for Sustainable Development, both of which are key ingredients to the achievement of the MDGs. In my opinion, combating energy poverty is so crucial that it should be declared the ninth MDG.

Issues involving development and environmental protection are complex and highly relevant for the Arab world today. Allow me therefore to pay tribute to Najib Saab, Secretary General of AFED, for including in the title of his organization, in a very appropriate manner, the two key words: development and environment. Saab is definitely right to link the two concepts.

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*The biggest environmental tragedy facing the globe is human poverty.*

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## **OFID's contribution**

Let me now turn to OFID. OFID stands ready to continue to play its role in financing environmental programs. I am taking here a broad definition of environmental issues, which include land protection, agriculture and water. Within this broad spectrum, OFID has at the core of its mission the objective of spurring development in non-OPEC developing countries, with special attention to the poorest countries on this planet.

Our global mandate allows us to operate worldwide in 121 countries on all continents and within the Arab world in particular. Nearly half of OFID activities take place in Africa.

Basically OFID operates through a grant unit and three lending windows; the Public Sector, the Private Sector and the Trade Finance Facility.

Cumulatively OFID has committed close to US\$10 billion in development assistance. The lion's share of this financing—around 77 percent—has been delivered in highly concessional public loans, mainly in form of project fi-

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*Combating energy poverty is so crucial that it should be declared the ninth MDG.*

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nancing. The bulk of the remainder comprises private sector loans, outright grants for technical assistance, research and emergency aid, as well as contributions to the resources of other development institutions. For instance, OFID was instrumental in the establishment of the Rome-based International Fund for Agriculture Development.

On a cumulative basis nearly one-quarter of OFID loans and one-third of OFID grants deal with agriculture, water and sewerage.

Over its 32 years of existence OFID has developed a wide cooperation network, aiming essentially at a better optimization of financial resources, manpower and skills. OFID usually co-finances operations with sister organizations such as the IsDB, the Saudi Fund, the Kuwaiti Fund, the Abu Dhabi Fund and BADEA. OFID cooperating partners also include the specialized agencies of the United Nations System, the regional development banks and a host of non-governmental organizations.

### **Commitments to the Arab World**

OFID implements more than 20 percent of all its activities and 26 percent of its grant operations in the Arab world. OFID has devoted nearly US\$480 million to agriculture and water projects in the Arab world. This is equal to 35 percent of OFID's total assistance to the Arab World. A similar figure for OFID assistance to the rest of the world is 24 percent. This shows that OFID is paying special attention to the specific needs of the Arab World.

To conclude this part and regarding OFID future plans, I would like to point out that in spite of the current global financial crisis that is affecting everyone, OFID is sticking to its original lending program for the period 2008-2010, which is to increase its volume of operations by 50 percent over the previous three year period.

## World Bank Arab Initiative

Let me now turn to other contributions of OFID to the Arab World. Last year the World Bank, calling for more inclusiveness in its development assistance process, put an Arab Initiative as one of the six pillars of its new strategies.

Arab ministers of finance, Arab financial institutions, the Islamic Bank and OFID, together with the World Bank, are currently in the process of defining the concept of this initiative. Four broad sectors of intervention (agriculture and water; energy; education and health; and economic competitiveness) have already been distributed amongst the financial institutions.

Within the scope of this initiative, OFID is coordinating the stakeholders' actions regarding the energy sector, or what I call the ninth MDG, that is combating energy poverty. This initiative is expected to be substantially funded, and here again I urge all Arab countries to seize this new financing opportunity. My only worry is that there are not enough projects now in the pipeline ready to be financed.

## Collaboration with strategic partners

OFID collaborates with specialized UN agencies such as UNEP and UNDP, and international entities such as the Global Mechanism of UNCCD, the International Center for Agricultural Research in the Dry Areas and regional institutions such as the Arab Organization for Agricultural Development, which assists Arab countries in developing and enhancing their respective agricultural sectors, and facilitates coordination amongst member states in the agricultural sector, with the aim of achieving more economic integration.

## Arab Development Portal

Another contribution by OFID to the protection of the environment is the dissemination and sharing of knowledge in the Arab world through modern tools regarding issues related to sustainable development with a sizeable part given to environment issues. This tool, called the Arab Development Portal is co-financed with sister organizations. Its development has just started. Basically, it is a website that will provide an entry point and a database to provide quality materials on Arab countries regarding numerous development sectors and the environment in particular. OFID would, of course, be glad to take AFED onboard for this important knowledge based project.

As a second knowledge-based project, OFID plans to sponsor an academic Chair on Sustainable Development in a reputable university. OFID expects that the contributions of the Chair will help expand awareness, offer possible solutions to complex problems of development, and perhaps eventually assist policy-makers in decision-making.

## Financing environment programs in the Arab world

Let me now focus on the financing of environmental programs available for the Arab world. Here there is a need to make a clear distinction between two types of environment programs, as they require different types of financing:

- First, programs or projects aimed at reducing CO<sub>2</sub> emissions, which could find financing through international agreements such as the Kyoto Protocol as well as through international environment funds such as the newly set-up Climate Investment Funds initiated by the World Bank; and
- Second, those related to the protection of local environment.

Both are relevant for the Arab world, but the priorities are different. Mitigating CO<sub>2</sub> emissions should not be translated into high development costs to Arab countries (or to developing countries in general), as the cost of adaptation to a low carbon economy is extremely high. Protection of the local environment should be given a higher priority over exclusive industrial CO<sub>2</sub> emissions mitigation.

For OFID, local environment-related actions such as making water available for sanitation and agriculture through enhanced water management, combating desertification and land degradation, are the ones that should receive greater attention. Presently, OFID is financing such environmental projects and will continue to finance them in the future.

## Public-Private partnerships

The involvement of entities representing the government, the private sector and the local community is key to the success of environmental programs, with the necessary condition however that the government should be in the driving seat. The Public-Private Partnership—or PPP for short—could then be a successful scheme to implement environmental protection programs.



Two issues need nevertheless to be addressed:

- First, how to scale up significantly the number of environment and sustainable development projects; and
- Second, how to improve the implementation of such projects through appropriate financing and PPP schemes in particular.

During the debate of this session, I am sure that we will exchange opinions on these two important issues. Nevertheless, based on the experience gained by OFID in financing various types of projects, allow me to briefly provide some elements for the debate.

To increase the number of environment and sustainable development projects a greater involvement of public authorities is necessary. Only governments could set the appropriate framework to make the protection of the environment one pillar of national development.

For successful PPP, governments have to develop a supportive framework in which the private sector has a clear interest in partnering with the government.

In most cases, political involvement at the highest level is necessary to set appropriate policies and make decisions.

To conclude, the factor that I consider the most important in order to put and maintain our economies on a Sustainable Development path without neglecting the environment pillar is definitely human development and capacity building.

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# Abuja workshop: Organizing to advance energy access in Africa

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DELIVERED AT THE 152<sup>ND</sup> (ORDINARY) MEETING  
OF THE OPEC CONFERENCE OF MINISTERS  
VIENNA, AUSTRIA, MARCH 15, 2009

Distinguished delegates may recall that the second theme of the Riyadh Declaration of the 2007 Third OPEC Summit, namely “Energy for Sustainable Development,” highlights the importance of energy for the eradication of poverty. As this goal falls into the heart of our mandate at OFID, we have translated the theme into a plan of action, the first item of which has been implemented through our *Workshop on Energy Poverty in Africa*. This was a workshop we undertook, June 8–10, 2008, in the Nigerian capital of Abuja, drawing governments, development finance institutions, non-governmental organizations, regional development banks and private sector enterprises. Certainly, the workshop design and implementation dovetailed with the spirit of the Riyadh Declaration. It took place under the high patronage of the President of the Federal Republic of Nigeria, HE Umaru Musa Yar’Adua.

The workshop participants agreed that poor access to energy blocked social and economic development and that the African continent required more usable and sustainable modern energy. Participants suggested ways and means to increase the accessibility, availability and affordability of energy. It was concluded that without global intervention, through innovative approaches, Africa, notably sub-Saharan Africa, could not succeed in its quest to develop energy resources nor achieve its eight MDGs on time.

As a reconfirmation of the Riyadh Summit’s stand to support impoverished countries in the energy sector, I would like to recall the Jeddah Energy Meeting, convened on June 22, 2008, in which the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud made an appeal for the launching of an “Energy for the Poor” initiative to assist developing countries in meeting the cost of energy. The major role within this package is held by the World Bank, which the King called upon to organize and host a donors’ meeting for energy, with donor countries and development finance institutions as participants.

In response, a preparatory technical meeting chaired by the World Bank took place in Paris in November 2008. To make headway on the tasks ahead, OFID, the World Bank, the national development agencies of OPEC Member States and the Arab Bank for Economic Development in Africa have been closely collaborating at a less formal level in the identification of energy projects in various low income countries. As OFID readjusts its mandate to re-emphasize energy, it is seeking energy projects which, upon completion, would allow society to reap immediate benefits and respond most relevantly to the needs of the population.

As you are all aware, the world is currently going through an unprecedented financial and economic crisis, and it is as usual the poorest who are hit the hardest. At OFID, we have always been proud of our ability to adjust our operations and financing windows to the current global challenges and demands. And this crisis is no different. Like all development finance institutions, we are faced with two major challenges: on the one hand, we have to respond to a much greater demand in developing countries, as they are suffering from a slowdown in economic development and a credit crunch which is affecting their access to capital; on the other hand, we are experiencing a meltdown of our limited resources as a result of the market crisis.

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*OFID is seeking energy projects which would allow society to reap immediate benefits and respond most relevantly to the need of the population.*

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The challenge remains how the increasing demand coming from the developing countries should be dealt with. An approach which multilateral financial institutions have agreed upon, involves the provision of finance to vulnerable banking systems, the protection of trade finance and the provision of funding to poorer sections of the population through microfinance institutions.

Different organizations are now addressing similar objectives and are proposing a collaborative approach to OFID. The World Bank, for instance, would like to see OFID join forces with the Bank and the International Finance Corporation (IFC). We believe that by utilizing the experience and resources of these institutions, in particular those of the World Bank, OFID can most effectively execute its strategy to provide urgent support in some of these areas. We are therefore considering participation in the following initiatives:

- A bank recapitalization fund managed by IFC. In this initiative, OFID would target investments in Africa, Latin America and MENA under three separate sub-funds.
- A microfinance fund which would make loans to microfinance banks globally.

The World Bank is projecting that the current financial crisis will trap an extra 53 million people under the US\$2 per day reference. Further, developing countries face a shortfall of US\$270–US\$700 billion this year, as private sector creditors avoid emerging markets, and only one quarter of the most vulnerable countries have the resources to prevent a rise in poverty. These are only a few indicators to illustrate why OFID, despite the financial crisis and the strain on its resources, is committed to its activities and seeking new financing means to help the poorest countries through these difficult times.

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## Energy poverty: Stepping up to the mark

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DELIVERED AT THE 12<sup>TH</sup> INTERNATIONAL ENERGY FORUM  
CANCUN, MEXICO, MARCH 30, 2010

I would like to start by congratulating HE Dr Georgina Kessel, Secretary of Energy of Mexico, and Mr Noe van Hulst, Secretary General, IEF, on this impressive and highly important meeting, and wish them every success. I would also like to take this opportunity to thank the organizers for extending this invitation to OFID to participate in this milestone event and to share our views with such a distinguished audience.

The eradication of energy poverty has always been a matter close to our hearts at OFID, and I was very pleased to see this subject given its own session to allow for a meaningful discussion. In fact, 34 years ago, our Member Countries, the same as the members of OPEC, decided to share their resources with their fellow developing countries around the world in the spirit of South-South cooperation. Since then, our financing of energy related projects totals close to 20 percent of all our activity.

This commitment was strengthened in November 2007 through the Riyadh Declaration following the Summit of the Heads of States of OPEC Member Countries held in Saudi Arabia, which recognized that fighting energy poverty is crucial for poverty eradication, sustainable development and the achievement of the MDGs. In this context, the Declaration explicitly cited OFID as a channel for the OPEC Member Countries to work to-

ward these ends, in association with the energy industry and other financial institutions.

In recognition of the importance of the eradication of energy poverty, we organized a workshop entitled Energy Poverty in Africa, which took place in Abuja, Nigeria in June 2008, and which was attended by a high-level audience, including heads of various international organizations, as well as representatives from the energy private sector, such as Chevron and Schlumberger.

I am glad to note that our findings from the Abuja workshop are very relevant to this meeting. Indeed, the stated objective of this session is “addressing the barriers to the development of energy in the LDCs, as well as exploring and possibly agreeing upon concrete actions to alleviate energy poverty.”

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### *Poverty and the lack of energy are mutually reinforcing.*

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During our deliberations in Nigeria, we came to the conclusion that a “business as usual” approach to the energy problems in the developing countries is ineffective. These countries find themselves trapped in a vicious cycle, in which poverty and the lack of energy are mutually reinforcing. This cycle will not be broken by the market alone, and outside intervention is required. It’s gratifying to

see that these conclusions were reinforced by the IEF Workshop on Energy Poverty in Johannesburg in December 2009.

The call made in the Riyadh Declaration received further impetus and was turned into a concrete work plan for OFID in June 2008 through the Energy for the Poor Initiative, launched by King Abdullah of Saudi Arabia at the Energy Meeting in Jeddah. It is to be coordinated by the World Bank and supported by OFID and the Saudi Fund for Development, potentially clustering around it an initial US\$5 billion. This initiative has been officially recognized and supported by various international forums, such as the G20—in its Pittsburgh Declaration—and the G8 energy ministers following their meeting in Italy in 2009.

In response, we have been intensifying our commitment to the eradication of energy poverty through increased investments in energy-related projects. However, we at OFID are not waiting for any global consensus to

come together in order to take action. Indeed, I am pleased to highlight that our Governing Board has approved, since November 2007, 22 projects in 17 countries, including Benin, the Dominican Republic, Egypt, Ethiopia, Haiti, Mozambique, Pakistan and Tunisia, with many more projects still in the pipeline. The issue of energy poverty featured high on the agenda of our last Governing Board session earlier this month, and will again be prominent on the agenda of the OFID Ministerial Council in Venezuela in June.

Can OFID handle this issue alone? The answer is no, Mr Chairman. As highlighted in the paper presented by the IEA for this session, the yearly capital requirement for providing electricity access by 2030 to those who lack it is estimated at US\$35 billion. Let's not make an argument out of this issue, as this investment would give 1.6 billion people access to electricity, while increasing global energy demand by less than three percent, and energy related CO<sub>2</sub> emissions by less than one percent of the global per capita average. These statistics fully support our belief that environmental constraints should not limit the efforts of poverty eradication, specifically of energy poverty.

To conclude, I want to reiterate my appreciation for attending this memorable event. At OFID, we were among the first to label the eradication of energy poverty the ninth or the missing MDG, and we will continue to advocate this cause during our stay here as well as at other international conferences and meetings.

Further, I would like to declare our readiness to participate in any other gatherings on this topic, or to host similar meetings at our headquarters in Vienna.

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## With partners toward development: OFID's MoU with CAF

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DELIVERED AT SIGNATURE OF A COOPERATION  
AGREEMENT BETWEEN OFID AND THE ANDEAN  
DEVELOPMENT CORPORATION (CAF)  
CARACAS, VENEZUELA, JUNE 15, 2010

We have signed this Memorandum of Understanding with the Andean Development Corporation (CAF) because we would like our cooperation to be systematic, substantive and subject to evaluation.

We are building on a track record and on mutual understanding of our institutions' mandates and operational objectives. At OFID, we believe that CAF is serving its constituencies well and has a deep understanding of the development issues of the Andean sub-region and indeed the entire continent.

Our collaboration on several projects has been successful and good ground for scaling up our joint activities, which is one of the objectives of the MoU we have just signed.

While our objective is to cooperate on all aspects of our work, I would like to call attention, particularly, to an initiative in which OFID is deeply involved: the Energy for the Poor.

As is well known, energy poverty is a major constraint to development in general, and to the MDGs in particular. We know that your institution is conscious of the need for the poor to have access to reliable and affordable energy services.

By all measures, we realize that your region does not suffer as much from energy poverty as other regions in the world. Indeed, your specific require-



ments may need specific approaches. We will thus be very happy to take the views of your institution on the matter and draw from your experiences.

I will therefore suggest that our operational teams formulate a program of cooperation in this field, as a first concrete objective of the MoU. Our two institutions are already involved in so many energy projects, not least of which is the Caranavi-Trinidad energy program in Bolivia. We are also currently discussing the involvement of our two institutions in Paraguay.

Back to the Energy for the Poor Initiative. This initiative has been discussed in a number of forums including the G20 and the G8, more recently by an OECD/DAC—Arab Institutions Technical Meeting hosted by OFID, and the Cancun IEF meeting. It has been fully endorsed. OFID has been requested to conceptualize and co-lead a global energy for the poor initiative. The Inter-American Development Bank has already shown interest and we would be most pleased if CAF would also join us in this endeavor. Naturally, we will also be pleased to hear of your own priorities and I am sure that we will find ways of reconciling our programs with those of CAF, as we have done in the past.

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*OFID has been requested to conceptualize and co-lead a global energy for the poor initiative.*

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Let me also emphasize that OFID is fully engaged in support of private sector investments and in trade finance. Here again, we will be pleased to share experience and draw on CAF's knowledge of the area.

There is no doubt that this MoU is only a first step in our collaboration and cooperation, and OFID looks forward to meeting again soon to take stock of progress and give further impetus to what we believe is a service to our partner countries in the region, and indeed to the corporation's own members.

We know how deeply and effectively CAF has evolved in the last few years. Indeed, CAF has become a prime player in the region. Our plans and strategies in OFID put our institution on a similar development path. We believe that we have a great deal to learn from the ways your institution has evolved. I am pleased to note that the institutional aspect of our cooperation is well reflected in the MoU we have signed.

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## Out of the crisis: OFID's continuing support to the South and the key role of energy in development

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DELIVERED AT MEDAYS FORUM 2010  
TANGIER, MOROCCO, NOVEMBER 11, 2010

Most economic data indicates that the world economy is showing signs of stabilizing. Predictions estimate global growth to reach 4.8 percent in 2010, led by emerging markets and developing countries. However, the outlook is still unusually uncertain, and the risk of a setback remains. There is no doubt that the global financial crisis has had a profound impact on the South and is bound to have long-term implications. Indeed, the impact of the crisis—and more specifically how it relates to progress toward the MDGs—was reviewed at the recent UN Summit on the MDGs in New York.

The Summit concluded that, despite the crisis, the developing world as a whole remains on track to achieve the poverty reduction target by 2015. However, the global picture masks considerable variation across income groups, regions and countries. Progress toward poverty reduction has been due mainly to rapid growth in Asia, particularly in China and India, while sub-Saharan Africa continues to lag behind. Despite reductions in poverty in some African countries, current trends suggest that close to 40 percent of the continent's population is likely to be living on less than a dollar day in 2015.

The UN remains convinced, however, that the MDGs can and should be achieved by 2015. We hope that the Action Plan adopted at the end of the Summit will indeed facilitate progress toward these goals.

OFID's presence in all sectors of development allows us to contribute to the attainment of all the MDGs. Based on our experience, we consider that enhanced access to modern affordable energy is an absolute prerequisite to the achievement of each and every one of the goals.

Consider that 20 percent of the world's population lacks access to electricity and a staggering 40 percent relies on traditional biomass for cooking and heating. It does not take a great leap of the imagination to understand the constraints such deficiencies impose on productivity and socio-economic development. By energy access, I do not mean just solar bulbs for poor people living in rural areas; I mean enough energy to develop a sustainable, income-generating activity. Only by providing the right conditions for the poor to increase their incomes, can they be released from the poverty trap. This is the reason why access to energy is a key determinant in reaching all the MDGs.

Given the urgency of the need, it is disappointing that universal energy access by 2030 has not received the priority it deserves, although international support is gradually growing. For our part, we have dedicated to date almost one-fifth of our cumulative public sector lending to enhancing access to clean, safe and affordable energy. Over the next three years, energy initiatives will form the central pillar of our lending programs. To reach universal energy access by 2030, the needs are tremendous. They require colossal investment and are therefore deserving of a much higher priority in the international development agenda.

At OFID, we are deploying all means at our disposal to push energy poverty up the global agenda and to mobilize the necessary financial and technical resources. In this regard, we have the full backing of our Member Countries who acknowledged in the Declaration of the Third Summit of OPEC Heads of States in 2007 that, and I quote, "energy is essential for poverty reduction, sustainable development and the achievement of the Millennium Development Goals."

Action was galvanized in June 2008 with the launch of the Energy for the Poor Initiative by King Abdullah of Saudi Arabia. The initiative offered a structured response to energy poverty problems in collaboration with all relevant partners. The initiative gained momentum through 2009 and early 2010, receiving the backing of the G8 and the G20. In March this year, OFID succeeded in having the issue included on the agenda, and in the final com-

muniqué, of the International Energy Forum Ministers' meeting in Cancun which gathered 63 energy ministerial delegations from consumer and producer countries.

Since then, however, the matter of energy poverty seems to have been pushed to the political sidelines. Nowhere was this more evident than at September's MDG Summit, where energy access and its importance to achieving the goals was noticeably absent from the discussions. This is unfortunately a setback, and every effort now needs to be made to get it back on the international agenda. If we could somehow succeed in doing that this week, it would be a significant achievement of this gathering.

In preparation for the G20 Summit in Seoul, a G20 workshop on energy security was held in Riyadh, Saudi Arabia. At this event, OFID was invited to address the issue of energy poverty. Knowing that actions by leading economies could make a huge difference on the ground, we took the opportunity to make concrete proposals to be suggested at the Summit.

These proposals aimed at making the intentions and the pledges, as expressed in the September 2009 Pittsburgh Leaders' Statement, a reality on the ground. At that meeting, the G20 Leaders committed, on a voluntary basis, to funding programs to alleviate energy poverty such as the Energy for the Poor Initiative. We therefore proposed:

- First, to set broad goals for energy access, such as reaching universal access by 2030, with intermediary targets and time-bound action plans. It is our conviction that setting goals at the G20 level will pave the way to providing more financial and technical support to the energy poor.
- Second, to implement a framework capable of monitoring progress and to report regularly to the G20 leaders on energy access issues.
- Third, to provide a framework to accelerate technology transfer.

We dare to hope that if OFID's proposals are accepted, they will enable the G20 to match their intent with concrete commitments. It is my belief that the G20 countries, with their balanced membership of developed and developing countries, representing approximately 90 percent of the world economy, have the means individually and collectively to significantly reduce energy poverty.

## Innovative financing

Let me turn to the theme of innovative financing in Africa. Innovative financing, yes, especially when it aims at enhancing the development impact on the ground. However, let us not forget that in the field of sustainable development there are best practices that have shown their effectiveness. It is a matter of adapting them for each country. The Sustainable Development pillars coupled with the principles contained in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action are sufficient to provide a broader framework for an integrated development which delivers results on the ground. Today, in many cases, we know what works and what does not work.

An area where I see a possibility of innovation is in the necessary financing that should come from the North to help poor countries to adapt to climate change. Indeed, poor developing countries are suffering the most from climate change, a phenomenon to which they have contributed the least. For instance, the Clean Development Mechanism financing is too complex for low income countries.

Within the classical agreed financing framework and in order to help partner countries to reach an integrated development, OFID is present in all sectors of development, with a specific focus on infrastructure, energy and rural development. We consider that both public and private sectors have roles to play in an integrated development, individually or in partnership. We also consider regional and international trade as an effective engine of sustainable economic growth.

Let me outline two principles on which OFID relies to provide its assistance and which I consider of prime importance for an efficient approach to development.

- First, countries should drive their own development. OFID is respectful of the priorities identified by the partner countries for their integrated development. OFID imposes only good governance of the project without specific conditions.
- Second, OFID considers that development should concretely benefit people on the ground. For instance, through our private sector window we strongly support the development of SMEs, as we consider SMEs to be the best way to fight unemployment, a major issue today as we all know, for developing and developed countries alike. OFID also supports micro-

finance with the sole aim of increasing income within the poor strata of the population in developing countries.

The application of these two broad principles has allowed OFID to adapt its assistance to the changing global economic environment and the evolving needs of our partner countries, as well as doing more in terms of volume and effectiveness on the ground.

## Conclusion

Over the past 35 years, OFID has helped accelerate development progress in the South in the firm belief that, by fighting poverty and underdevelopment, there could be more stable social and political systems, more prosperous communities and a more inclusive and dynamic world economy.

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*During the financial crisis, OFID stepped in promptly to provide additional trade finance support to partner countries that had been classified as risky and abandoned by most commercial banks.*

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OFID is conducting more than half of its operations in Africa. In Morocco alone, we have so far committed close to US\$262 million essentially in the sectors of water, infrastructure as well as energy. When we celebrated our one 1,000<sup>th</sup> operation five years ago, it was a loan for Morocco supporting the construction of the Wirgane Dam—a very successful project. Although we are operating in 128 countries, I personally always associate projects in Morocco with success and real sustainable development on the ground.

As we move forward, all of us engaged in promoting integrated development in the South, face similar

challenges. There will be success only if all stakeholders—assistance providers and partner countries alike—dare to continue innovating in the ways development issues are tackled and embrace an inclusive approach that capitalizes on the synergies of all involved and builds upon our common efforts to eradicate world poverty.

It is with these challenges in mind that during the financial crisis, which was characterized by a harsh credit crunch, OFID stepped in promptly to provide additional trade finance support to partner countries that had been classified as risky and abandoned by most commercial banks. In order to deploy this support more efficiently, OFID strengthened its strategic partnership network of leading banks and DFIs. For instance, with IFC, the Private Sector arm of the World Bank, we developed innovative risk-sharing schemes to facilitate trade transactions, benefiting developing countries worldwide.

More recently, we agreed on a framework for increased cooperation with the World Bank across a whole range of priority sectors. A memorandum of understanding (MoU) OFID signed in September with the World Bank Group commits both institutions to pooling resources, skills and knowledge to better meet the needs of developing countries. It is partnerships like this that we should all seek if we hope to really make a difference.

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# Global food price volatility and challenges to food and energy security

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SUBMITTED TO THE 82<sup>ND</sup> MEETING OF THE  
DEVELOPMENT COMMITTEE  
WASHINGTON DC, USA, APRIL 16, 2011

The second item featuring on the agenda of this 82<sup>nd</sup> Development Committee Meeting—*Responding to Global Food Price Volatility and its Impact on Food Security*—signals the importance accorded by the Committee to mitigating the impact of food prices increases on the world's poorest people and vulnerable groups.

Three years after the 2007–2008 food crisis the prices of basic food items are again rising rapidly. The FAO Food Price Index (FFPI) averaged 236 points in February 2011, its highest level since January 1990—the inception date of the index. Food prices are rising rapidly in populous countries with large numbers of poor people, including China and Indonesia.

The food price inflation is fueling renewed concerns about its impact on large segments of the population, especially in low- and middle-income countries, who spend about 50–70 percent of their household income on food. Higher food prices reduce access to food for the 1.2 billion people in developing countries with only US\$1.25 a day to spend, and the 2.5 billion who live on less than US\$2 a day, aggravating problems of food insecurity. Due in part to the sharp increase in global food prices, virtually no progress has been made toward the first MDG of reducing by half the number of people suffering from hunger. Although the world produces enough to feed



its population, some 925 million people—about 15 percent of a total world population of 6.8 billion—are chronically undernourished.

The price increases can be ascribed to a complex combination of factors. These include increased world demand for food due to rapid population growth, improvements in living standards and changes in consumption patterns, diminishing food stocks, rising energy and fertilizer prices, and changing weather patterns and poor harvests in some countries, due in part to climate change. The depreciation of the US dollar has also put pressure on a range of commodity prices, including oil, since crude oil and most of the major grains are traded in US dollars. Another factor contributing to the increase in food prices has been the conversion of food crops to biofuel crops to satisfy the needs of a rapidly growing biofuels industry. Research done by OFID and others suggests that the diversion of crops from food or feed to expanding biofuel production contributes to increased demand and prices, and may be incompatible with the broader goals of sustainable development.

Higher prices could raise the incomes of smallholder farmers in both low- and middle-income countries, many of whom are chronically undernourished. Ensuring that price increases are transmitted to the level of small holder farmers—many of whom are women—remains the foremost challenge in translating the price rises into welfare for the rural poor, who constitute three-quarters of the world's extremely poor—those surviving on less than US\$1.25 a day. This could be done by strengthening organizations of poor rural farmers to enhance their bargaining power in the value chain, by reducing transaction costs, and by enhancing and diversifying productivity through technology, research, extensions services and credit schemes.

Although the FFPI came down 2.9 percent in March 2011, international food prices are likely to remain higher and more volatile in the foreseeable future, reflecting structural changes in supply and demand, including rapid population growth, fresh water shortages, land degradation, and the growing risks of climate-related disasters and scarcity. With the world's population projected to swell to 9.2 billion by 2050, and following current trends, world hunger is likely to worsen, particularly in developing countries and regions. Food supply would need to increase by some 70 percent over the next 40 years to meet the increasing needs of growing populations. Most of this growth will take place in the developing countries, and the low-income

countries (LICs) in particular. It is also important to consider that about 70 percent of the world's population will live in cities, as opposed to 49 percent today.

OFID, which celebrates its 35<sup>th</sup> anniversary this year, places the twin challenge of food and energy security at the top of its sustainable development agenda, fostering synergies

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*OFID has dedicated almost 15 percent of its cumulative public sector lending to enhancing access to clean, safe, and affordable energy for millions of energy poor.*

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and working in partnership to better serve the needs of its partners countries. Conscious of the importance of agricultural and rural development for particularly the poorest countries and the poorest segments of their societies, OFID has dedicated 15 percent of its cumulative public sector operations to support the agriculture sector and address the needs of the rural poor. In addition to direct support to agriculture, we have invested in rural infrastructure—particularly transportation—and in projects that promote private enterprise development

both on- and off-farm through our separate Private Sector Facility. OFID financing has also been given as outright grants for agricultural research and capacity building, and for emergency food aid to help address food crises particularly in Africa through its food aid special grant account.

OFID's preferred method of work is in collaboration and harmonization with its strategic partners in development, including the Common Fund for Commodities (CFC) and United Nations specialized agencies such as the International Fund for Agricultural Development and the World Bank. OFID played a vital role in the inception of the CFC, making a significant contribution to both the First and Second CFC Accounts. As an instrument of South-South collaboration, OFID helps the CFC to support OFID's core constituencies—the developing countries, particularly LIC's, where food accounts for some 60–80 percent of household incomes.

OFID Member Countries were also instrumental in the establishment in the late 1970s and financing of IFAD, which remains one of OFID's key part-

ners in alleviating rural poverty and hunger until today. The long-established close cooperation and strategic partnership in agriculture development between OFID and IFAD was moved to new horizons with the conclusion of a framework agreement between the two institutions in December 2010. The agreement constitutes a joint effort to alleviate rural poverty and foster food security with a particular focus on the rural poor, including women and youth. Joint operations will include the co-financing of public and private sector projects and programs designed to introduce, expand or improve agricultural production—particularly that of smallholder farmers—and integrate this production in the local national or international value chain. IFAD and OFID further agreed to join hands in reversing the lack of funding for agriculture in the last few decades. To mobilize the critical mass of public and private funding required for the development of smallholder farming and rural development, and to enhance aid coordination, harmonization, and effectiveness, a joint appeal will be made to other DFIs for greater support to agriculture and food security.

Access to modern energy services is a key pillar for sustainable growth and development, and pivotal as such for food security and attainment of the eight MDGs. Combating energy poverty—“the missing ninth MDG”—is a priority for OFID, which has dedicated almost one-fifth of its cumulative public sector lending to enhancing access to clean, safe and affordable energy for millions of energy poor. OFID further assumes a catalytic role in the deployment of its Energy for the Poor Initiative (EPI), called for by heads of states at the Third OPEC Summit in Riyadh in November 2007, and substantiated in 2008 by King Abdullah of Saudi Arabia. The initiative aims at providing a structured and unified response to providing safe, affordable and reliable modern energy services to the world’s 1.4 billion people who do not have access to electricity, most of them in rural areas of sub-Saharan Africa and South Asia. Conscious of the vital importance of providing modern energy to the rural poor, IFAD and OFID agreed to bring the EPI to the attention of partner countries, and to integrate the promotion of access to modern energy services for the rural poor in their projects’ formulation when warranted.

In October 2010, a MoU was signed with the World Bank Group. The MoU aims at strengthening collaboration between OFID and the World Bank Group to address several new challenges, sharing knowledge and experience, and pooling resources to be better prepared to anticipate events in

the future and act swiftly and cooperatively. Priority themes for joint action include energy, agribusiness, water, infrastructure, the financial sector, and trade facilitation, all of which are relevant in enhancing food and energy security in the South. Although the collaboration between OFID and the World Bank Group covers all regions of the world, particular attention will be paid to strengthening cooperation and joint action in sub-Saharan Africa, and the Middle East and North Africa.

The global community has responded with renewed commitment to agricultural development, as evidenced by a series of actions and initiatives designed to avert future crises and improve global food security. Important steps in the right direction were taken, amongst others, with the establishment of a Global Food Security Trust Fund, the World Bank's Global Food Crisis Response Program, and the Investment Forum for Food Security in Asia and the Pacific, Manila, the Philippines. Long-standing commitments to reduce the number of chronically undernourished people by half by 2015 were renewed at the November 2009 Third World Food Summit (WFS). Similarly, leaders of the G8 gathering for their Summit in l'Aquila, Italy, July 2009 committed to disburse US\$20 billion for tackling the food crisis over three years, and to more closely harmonize support for world food security. The establishment of the Global Agriculture and Food Security Program by the G20 that same year also constituted an international effort to foster long-term food security.

These international commitments must now be translated into decisive action. To prevent a food crisis from recurring, international development financing institutions must quickly act in strong partnership with all relevant partners in a comprehensive approach. National and international budgets should be re-prioritized and re-allocated to mobilize the estimated US\$209 billion required annually in investment in primary agriculture and downstream services to meet the increase in global food demand by 2050, and reverse the declining trend in ODA for agriculture. ODA to agriculture has fallen by 43 percent since the 1980s, from its peak of 18 percent in 1979 to 4.3 percent in 2008. Similarly, investment should be secured for safe and affordable sources of modern energy, and for climate change adaptation and mitigation.

Climate change poses a rising threat to food security. It also makes sustainable development more costly, with the additional costs of adapting to climate change in the South estimated at US\$70–100 billion per year. To tackle

climate change, a Green Climate Fund was established at the 2009 Copenhagen Summit. The Fund would include US\$ 30 billion in fast-track financing by 2013, and long term finance of US\$100 billion by 2020. Like Copenhagen in 2009, the 2010 UN Climate Conference in Cancun and the April 2011 climate change talks in Bangkok, Thailand did not produce any tangible outcome. Hopefully, the climate change conference to be hosted in Durban, South Africa later this year will resolve some of the questions that remain about delivery, additionality, and burden sharing of resource mobilization.

Trade is vital to reducing price volatility. Quantitative trade distortions (export bans or mandatory quotas) hinder market forces from reducing volatility in price and availability. Efforts should therefore continue to achieve fair and open global trade in agriculture as envisaged in the Doha Development Round of multilateral trade negotiations of the World Trade Organization. Adequate policies and measures are also needed to make food more affordable to the poor by reforming the infrastructure and systems on which food production, marketing and access depend, by reducing food losses through better management of the food supply chain, and by increasing the transparency and accuracy of market price information.

Finally, supportive interventions are needed to strengthen social protection, especially social safety nets, for the most vulnerable groups within a new social contract. Unless action is urgently taken to halt the food price increases, social disturbances, protests and civil unrest and hardship are bound to increase. This will particularly affect the poorest countries and people, and may further delay progress toward meeting the first and most vital MDG of reducing the proportion of people suffering from extreme poverty and hunger by half well beyond the target date of 2015.

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# Energy poverty—a key issue for peace, stability and development: Can industry lead the necessary changes?

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DELIVERED AT THE CRANS MONTANA FORUM HIGH-LEVEL PANEL VIENNA, AUSTRIA, APRIL 29, 2011

First of all, on behalf of the OPEC Fund for International Development, I would like to welcome all of you here to the boardroom at OFID headquarters.

Today, special attention will be given to the bridges which need to be strengthened between the industry and some African partner countries with the aim of alleviating energy poverty.

## **OFID mandate**

The main mandate of OFID is to assist non-OPEC low-income developing countries in their struggle for sustainable development. OFID is a development finance institution established 35 years ago by the Member Countries of OPEC and operating in the spirit of South–South cooperation in some 129 countries. With separate windows, OFID delivers its assistance through concessional loans, soft loans and grants to support public sector projects, private sector projects and international trade financing.

OFID financial assistance is not conditional. Of course we require effectiveness, proper implementation and good governance of all our projects, irrespective of the religion, the race or the political colour of the partner country.

OFID always keeps its partner countries in the driving seat when it comes to prioritization and strategies. At OFID we are of the opinion that sustainable development requires support to all sectors of the economy in a balanced way.

Following these principles, OFID has financed a wide spectrum of operations in various sectors: education, health, agriculture, rural development, transport, energy, water supply, environment, microfinance, industry, communications and more, totalling today more than US\$12 billion.

## OFID in Africa

Africa is a top priority for OFID—indeed OFID devotes more than half its operations to the continent. While respecting the priorities of its partners, OFID assistance, at more than US\$6 billion today, has three main pillars:

- Infrastructure development which includes energy poverty alleviation infrastructure.
- Human development and
- Agriculture

The role of agriculture in Africa should be emphasized. Today, four out of five Africans depend on agriculture and related activities to provide for their families. Energy availability and affordability will enhance agriculture productivity and reduce food insecurity. Food and nutrition security will be an increasing challenge across Africa as its population continues to grow. Moreover, the increase in rural prosperity resulting from better access to energy will reduce the exodus of young people to urban areas.

## Why is OFID hosting?

Coming back to our meeting today, we gladly accepted the invitation to host this event because the topics of sustainable development, the alleviation of poverty and energy poverty in particular, are at the heart of OFID's mission.

OFID's enhanced focus on energy poverty stems from the Riyadh Declaration endorsed by the OPEC Member Countries' heads of state when they met in Saudi Arabia in November 2007. A few months later, Saudi Arabia called officially for an initiative to help the poor have access to energy. It has since become the Energy for the Poor Initiative to which the G20 has given its support in Pittsburgh in September 2009. OFID is now working within this overall international framework.

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## *Energy availability and affordability will enhance productivity and reduce food insecurity.*

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Since the Riyadh Declaration, the topic of energy poverty alleviation has moved up the international development agenda. For instance, the upcoming UN-event in June known as the *Vienna Energy Forum*, of which OFID is among the sponsors, will gather heads of state, ministers and representatives from more than 100 countries to discuss energy poverty issues.

It is a fact that with the OPEC Secretariat, UNIDO, OFID and others, Vienna is becoming justifiably renowned as a new hub for energy issues, and OFID would also like it to become a hub to work toward the eradication of energy poverty. Our meeting today is a further manifestation of this aim.

Moreover, the 65<sup>th</sup> UN General Assembly decided last December to declare 2012 the *International Year of Sustainable Energy for All*. As a practitioner of development, OFID welcomes this decision since it will help raise the awareness of the importance of addressing energy poverty. For too long this subject was considered an orphan in the international development debate, especially since none of the eight MDGs refers to energy access.

The basic question is: Is it possible to eradicate poverty without eradicating energy poverty?

The answer is simply no. That is one of the reasons why OFID is prioritising energy poverty alleviation in its programs and this is also one of the reasons we are here today.

## **FACTS ABOUT ENERGY POVERTY**

### **Global facts**

The challenge to eradicate energy poverty worldwide is indeed daunting. Today, close to three billion people in developing countries—more than 40 percent of the global population—rely on traditional biomass for cooking and heating. According to the World Health Organization, energy poverty kills each year 1.45 million people, mostly women and children.

Furthermore, almost one and a half billion people are without electricity,



and an estimated one billion live with an unreliable power supply, resulting in substantial economic consequences due to frequent brownouts and blackouts.

## Facts about Africa

When focusing on Africa alone, close to 590 million people, of which 80 percent live in rural areas, lack access to electricity. The rural electrification rate in sub-Saharan Africa is only around 12 percent.

According to the IEA, in sub-Saharan Africa (excluding South Africa), home to close to 800 million people, electricity consumption is roughly equivalent to the consumption of the metropolitan area of New York City, home to some 20 million. This means that individual energy consumption in New York is 40 times that in sub-Saharan Africa.

Besides being staggering and unacceptable, these figures illustrate the long path ahead to make progress toward worldwide energy poverty eradication.

Against this somber background, I do not want to seem pessimistic; Africa is indeed a rich energy-endowed continent with huge potential in many sectors. Despite the numerous ongoing conflicts and wars, according to the World Bank, six of the ten fastest growing countries in the world during the period 2000–2010 were in Africa.

Excluding the OPEC African Member Countries, Africa has still sizeable oil and gas reserves; there is also great potential for solar and hydro. For example, the hydro potential of the Democratic Republic of Congo alone was once reported to be sufficient to provide three times as much power as Africa presently consumes. I am sure that the representatives of DR Congo present in this room will tell us more about that. Africa has therefore all the necessary assets to be successful in its battle against energy poverty.

## RECENT OFID ACHIEVEMENTS IN ENERGY POVERTY ALLEVIATION

### In the international arena

OFID is fighting energy poverty on many fronts, but essentially on two.

The first front is in the international arena where OFID has tried to make energy poverty a central issue in the sustainable development debate.

In this respect, upon an initial proposal made by OFID, 66 ministerial delegations attending the 12<sup>th</sup> IEF Ministerial in Cancun Mexico, in March 2010,

called for the international community to set up an additional ninth MDG, specifically related to alleviating energy poverty.

This additional MDG would consolidate the evident link between modern energy services and the achievement of the original MDGs. This was indeed an accomplishment for OFID. However, at five years away from the target date of the MDGs, that is 2015, the United Nations did not introduce this additional MDG but decided instead to declare 2012 a year dedicated to energy poverty alleviation, as I have already mentioned.

## On the ground

The second front on which OFID is combating energy poverty is on the ground for the people who are suffering from it. Beyond the recognition of the additional MDG, this front is the one that ultimately counts. It is about helping people to have access or better access to modern energy with concrete projects, and this is what OFID is currently doing.

With roughly 20 percent of its portfolio in energy, OFID has indeed developed over the years an experience in energy poverty alleviation in developing countries. All types of energy projects are eligible for OFID support. These include power generation, power transmission and distribution. Various sources of energy are eligible to be supported by OFID such as: hydro, geothermal, wind, solar, as well as the midstream and the downstream of oil and natural gas.

OFID believes that the future energy mix will be more and more diversified to include a variety of energy sources.

Since the Riyadh Declaration of 2007, OFID has increased the share of energy operations to reach 26 percent of its public sector and trade finance portfolio. We have approved for all operational windows a total of more than US\$800 million in soft loans for 37 energy projects and operations in 26 countries. By adding the co-financing share of other development institutions participating together with OFID in energy projects, we reach a real impact on the ground exceeding US\$8.4 billion. This is certainly appreciable but still not enough in comparison to the needs.

For the poorest of the poor, OFID is considering the setting up of a new multi-year enhanced grant program aimed exclusively at providing energy access for targeted poor populations. This grant program would be carried out in partnership with other development partner institutions, including UN institutions and experienced NGOs as well as the energy industry.

## Point of view of a practitioner

As a practitioner of energy poverty alleviation, OFID often meets with its development institution partners to discuss our opinions and exchange experiences.

Recently we have signed MoUs with the World Bank and IFAD to further deepen our relationships for the benefit of our partner countries. IFAD and OFID together will ask partner countries to include access to modern energy services for the rural poor in their rural development projects. Next week, we will also be signing an MoU with the Asian Development Bank, in which energy access will be central.

Today, I may say that from a conceptual point of view, the challenges are known and the solutions exist and are also known. I will mention some of them subsequently. The main issue still remains implementation on the ground.

So, let me share with you a few selected ideas that we consider to be the basis of the implementation of a general framework necessarily driven by governments and conducive to energy poverty eradication.

My first point is on the subject of planning. At OFID, we urge our partner countries to set a higher priority to energy access projects in their national plans and in their poverty reduction strategy papers. Projects aiming at developing income-generating activities in both rural and urban areas are particularly important.

This approach has the main advantage of setting targets and helping to identify relevant projects with a high impact on development.

Secondly, institutional and human capacity building. It is clear that good governance, enabling institutions, a predictable legal framework and effective markets are indeed necessary at the national level as well as the regional level.

Topics related to reforms are not easy at the national level and they become even more complex at the regional level. Regional approaches are also indispensable to facilitate trans-border projects, energy transit or pooling projects.

Identified areas for improvement are:

- how to improve management of existing utility companies, in particular how to increase revenue collection and decrease cost.
- how to make public–private partnerships more efficient.
- how to encourage private sector SMEs.
- how to implement targeted pro-poor policies.

Toward this aim, governments should lead the changes by, *inter alia*, implementing appropriate institutional capacity, learning from successful country experiences, building on the progress already underway as well as developing human resource capacities.

My third point is regarding technical solutions. As I said earlier, they are known but there is no single best solution. They must be tailored to the conditions of each country. These include: boosting cross-border power trade, tapping the potential of increased energy efficiency, opting for centralized as well as decentralized options, scaling up successful pilot projects for remote rural population, considering all available sources of primary energy: renewables as well as petroleum energy sources including natural gas or LPG.

All of these technical solutions are efficient only if they are operated in an appropriate legal and regulatory framework as described earlier.

My last point is directed toward industry. The capital intensiveness of energy projects, especially in the upstream and in the power generation sector,

requires the establishment of a long-term relationship between the foreign company and the host country. In order for the relationship to be viable over the long-term, companies should go beyond their core business, they should respond to the agenda for corporate social responsibility.

This is a broad concept. What I mean by corporate social responsibility is that the industry should

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***The industry should seek a positive social impact at the local and national levels of the host country.***

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go beyond more than just complying with international norms and ethical standards. The industry should seek a positive social impact at the local and national levels of the host country.

Balanced benefits between the industry and the host state, coupled with concrete actions to improve the social conditions of the population, are guarantees for a long-term sustainable relationship.

In other words, beyond the fact that energy projects should be economically viable for all parties and environmentally sound, they certainly do need to be socially acceptable in order to be sustainable.

## Conclusion

To conclude, I am confident that, with peace and better social justice, great achievements in energy access can be realized in Africa in the next twenty years.

The year 2012, the *International Year of Sustainable Energy for All*, shall prompt a renewed international concerted effort to alleviate energy poverty. This enhanced international awareness of energy poverty should translate into additional funding coming from a wider range of public and private sources. It is OFID's expectation that 2012 will put Africa on track to secure over the long-term energy access for all Africans without exception.

To justify my optimism, a simple comparison: granting access to electricity to every African over the next twenty years effectively means creating additional power generation capacity for Africa equivalent to what China has been able to develop in just one year.

Progress toward broader energy access by all Africans is underway, and OFID will continue in its well-established role as a reliable partner along this path.

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# Industry support for Sustainable Energy for All

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DELIVERED AT THE 20<sup>TH</sup> WORLD PETROLEUM CONGRESS  
DOHA, QATAR, DECEMBER 6, 2011

Let me start by thanking the State of Qatar for hosting this event and making us feel so welcome. It is a pleasure to address this distinguished gathering. In fact, it is a little bit like coming home. Having spent four decades in the petroleum industry, including a period as vice-chairman of Saudi Arabia's National Committee of the World Petroleum Council, both the WPC and this congress are very close to my heart.

For the last eight years I have been head of the OPEC Fund for International Development (OFID), where we work with the global community to help promote economic and social progress in developing countries. I therefore commend the organizers of this year's congress for providing us, in this special session, with an opportunity to discuss the importance of social responsibility programs in promoting human development.

## **Human development and social responsibility**

Let me begin by referring to something which is a key consideration when discussing human development—the number of people sharing our planet. You may recall that only a few weeks ago, the United Nations Population Fund announced that the global population had reached seven billion people—a mind-boggling number, without a doubt. But what does it mean precisely?

Gender-wise, at fifty-fifty, the figure splits pretty much down the middle—a perfect balance, some would say. In terms of regional distribution, 60 percent live in Asia, 16 percent in Africa, and the remainder in the Americas and Europe. This is by no means an even spread, but less significant given the relative size of the regions and the population size of individual countries like China and India.

So far so good. But what happens when we look at income? This is where the real disparities emerge. Compare these two population groups:

- The 1.2 billion people from OECD countries that own two-thirds of global wealth.
- The 1.2 billion people from developing countries that survive on less than US\$1.25 a day.

Quite frankly, the gap could not be wider. And, for human development, the ramifications are immense, especially within the context of our industry—energy. Which brings me to two other shocking statistics:

- Some 1.3 billion people globally have no electricity.
- Some 2.7 billion people rely on traditional biomass for cooking and heating.

As we all know, income disparities are not new. Nor is the level of poverty worldwide, much of which is caused by inadequate access to modern energy sources. Our challenge, as responsible global citizens, is to search for solutions to change this long-term paradigm.

### **Social engagement as good business practice**

And, of course, working with society has become good business sense. Just as corporations moved a decade ago from “doing their bit for charity” to actively engaging in “corporate social responsibility,” so today we are seeing another shift. This time toward concepts like “shared value” and “social business,” where corporations acknowledge society as a key stakeholder. According to a recent article in the Harvard Business Review, companies which align their business strategies with these principles enjoy enduring success. The message coming through is that generating money and investing in society are not mutually exclusive, but rather mutually reinforcing.

My intention is that, at the end of my statement, we will all agree that the private sector, including oil and gas companies, and institutions like OFID, among other partners, can work together to address the issue of human development, and more specifically one of its greatest obstacles (energy poverty), through coordinated investment and innovative social programs.

## Introduction to OFID

Let me introduce my institution, OFID, and the countries behind it: the OPEC Member Countries. OFID and its Member Countries have a long-standing commitment to development. Indeed, the economic and social development of poor countries was highlighted as, and I quote, “the overriding global priority” in the Caracas Declaration of the Second OPEC Summit in 2000. Since its creation in 1976 as a multilateral financial facility to channel OPEC aid to developing countries, OFID has worked to advance human development through a widening range of innovative financial support. The total cumulative assistance now stands at over US\$13 billion spread over 130 countries, notably the poorest among them.

The work of OFID encompasses many aspects of the struggle against poverty and is distributed across many sectors, including agriculture, education, health, water, industry, transportation and energy. The last two sectors—transportation and energy—account for over 50 percent of commitments.

As I mentioned before, my focus today is the urgent need for the international community, including our industry, to work toward the alleviation of energy poverty in the poorest countries, as a way of contributing to human development. This objective has been a priority of OFID since its inception, but our efforts have intensified since the Third OPEC Summit of November 2007. Here, the heads of OPEC States declared the eradication of energy poverty as a common objective of all OPEC aid institutions and called on these institutions to cooperate with the energy industry and other financial institutions to enhance this important endeavor. OFID took this as a mandate.

## Energy access and development

The international community has agreed that energy solutions for all must include a special effort to bring modern energy to the poorest. It follows, therefore, that cooperation, innovation and investment should be directed at those most in need.



There can be no better demonstration of social responsibility in action than the provision of practical help to eradicate energy poverty.

Energy access is vital to support all aspects of development. If we consider the eight MDGs established in 2000, none of them can be achieved on a sustainable basis without affordable access to electricity and to clean and efficient fuels. Let us look at some of the main advantages:

- Modern energy use can reduce deforestation and emissions of black carbon.
- Modern energy use can improve indoor air quality and free women and children from the burden of collecting fuel wood.
- Electricity access can allow for longer working and study hours and make possible refrigeration in village clinics.
- Affordable energy can boost agricultural productivity and improve the management of scarce water resources, making a direct contribution to better food security.
- Cheap, efficient lighting and better communication can help integrate isolated rural communities and enhance social participation.

## Building momentum

As we speak, the momentum for worldwide action on energy poverty alleviation is building. In an address made in October this year by the UN Secretary-General at an international conference on the subject of “Energy for All: Financing Access for the Poor,” Mr Ban Ki-moon said, and I quote, that “energy poverty translates into grinding, dehumanizing poverty.” He called for, and again I quote, “practical and large-scale action.”

Other actions include the designation of 2012 as the Year of Sustainable Energy for All. This UN initiative will effectively launch efforts to achieve universal access to modern energy services by 2030.

OFID is proud to contribute toward this initiative as a member of the UN Secretary-General’s High-Level Group. This Group, which will direct the

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global program of work, includes leaders with considerable energy industry experience.

Our task will be to turn the increased visibility and concern for energy poverty into a workable agenda capable of producing tangible results on the ground for the benefit of the energy poor. OFID hosted the first technical meeting just three weeks ago.

We also recently hosted an IEF-OFID symposium on energy poverty. Its recommendations are going forward to 86 ministers of energy from both producer and consumer countries.

In January 2012, in Abu-Dhabi, the High-Level Group will outline the framework of the Action Agenda. By the time of the Rio+20 Conference on Sustainable Development in June we expect to have a detailed plan for priority areas of intervention.

Despite consistent pressure from OFID and other institutions, the eradication of energy poverty has not been added to the list of MDGs. It is my firm expectation that this will be remedied at the Rio+20 Conference and that universal access to energy will take its rightful place as a high priority Sustainable Development Goal.

### **Examples of practical work to improve energy access**

I am sure you will all agree that our industry should be fully engaged in this struggle to bring modern energy to the poorest. Indeed, embedding energy poverty alleviation as a core element in the social responsibility program of the petroleum industry would be a significant and visible contribution to human development. This commitment can take many forms. Let me highlight four examples of practical work undertaken to improve energy access.

The first is an innovative scheme for the distribution of solar units to poor households in Tanzania, Kenya and Nigeria. Under its recently launched Energy Access Grants Program, OFID has joined forces with the Shell Foundation and social enterprise d.light to help fund the African rollout of the scheme. This initiative has already improved around three million lives in Asia, including those of some 600,000 children, who are now using solar lamps instead of candles or torches to study.

My second example is a natural gas distribution project in Armenia. This project tackled the problem of solid unprocessed biomass, which continues to be the main energy source for some 2.7 billion people in developing countries.

Used primarily for cooking, the burning of biomass leads to indoor air pollution and carries serious health risks. An affordable supply of gas, either natural gas or LPG, can provide an efficient solution to this problem. However, as many of you will know, inadequate distribution is frequently an obstacle to the wider use of natural gas.

In 2008, OFID part-funded a 240 kilometer gas network in rural Armenia to bring natural gas to 32 rural communities. I witnessed first-hand the impact of this project, which has reduced both living costs and deforestation. OFID is considering projects to scale up the use of LPG in developing countries in cooperation with the private sector. Such private–public initiatives work to improve living conditions for the poor and create the basis for a profitable and growing market in clean fuels.

My third example involves power generation from rice husks in Cambodia. This project highlights an important, but often over-looked, aspect of universal energy access—the need to provide energy for productive use. Communities need power for irrigation, food processing and workshops. Increasing productivity is an important route out of poverty, but requires energy services of sufficient scale and reliability.

It is important to maintain flexibility regarding the choice of technology and fuel mix. In some cases hybrid diesel-renewable solutions are the best alternative. OFID is considering a grant to support two hybrid power plants in Cambodia. One of the plants will use rice husks as a fuel source, in parallel with diesel. The other will be a solar-diesel hybrid. The two plants are capable of providing over 500kW in total and will benefit 13,500 people.

My fourth and final example concerns associated gas in Nigeria and illustrates how large-scale projects to generate and transmit electricity also work to alleviate energy poverty.

Frequent power blackouts and unreliable supplies make it impossible to run efficient manufacturing and processing operations. Thousands of companies in South Asia and Africa rely on dirty and inefficient private generators to keep their businesses alive.

In OPEC Member Country Nigeria, the industry has been working for years with the Nigerian National Oil Company to capture associated gas and use this fuel to provide clean and reliable power for thousands of people in the Niger Delta. Such projects also reduce the environmental consequences of flaring the gas.

These four projects—the solar lights in Africa, the natural gas distribution in Armenia, the rice husk power generation in Cambodia, and the associated gas in Nigeria—are all practical examples of initiatives that have benefited from the commitment of our industry to work against energy poverty.

### **OFID as hub for cooperation**

As we go forward, the keys to success will be cooperation and coordination. Successful cooperation to overcome energy poverty will require efforts from many partners—representatives of local communities, governments, the private sector and financial institutions. We cannot hide from the fact that energy poverty—both the problem and the solution—concerns everyone, including all of us gathered here today. Indeed, as Rex Tillerson, CEO of Exxon Mobil, pointed out recently in Riyadh while speaking about the multiple energy challenges facing the world, it is up to the oil industry to lead the way.

At the same time, coordination will be essential to prevent fragmentation and duplication. Countries prefer to deal with focused and experienced partners. This was a subject of the recent aid effectiveness conference in Busan, South Korea, in which OFID participated with its eight sister development institutions.

I strongly believe that OFID can serve as the hub of petroleum industry efforts to contribute to the Sustainable Energy for All Initiative. As a member of the UN Secretary-General's High-Level Group, we will encourage our industry to engage with the Action Agenda. There is enormous scope for the private sector to contribute leadership, technology and much relevant experience to help bring energy access to the poorest countries.

### **Getting the oil industry on board**

Let me conclude with the position that the World Petroleum Congress provides an ideal opportunity for the petroleum industry to commit to the goal of universal energy access by 2030. Putting the strength of our industry behind the UN campaign for Sustainable Energy for All would be a landmark

achievement for this 20<sup>th</sup> World Petroleum Congress. The oil industry has been integral to the economic and social development of much of the world. Acting together, our resources can surely make a huge difference to progress toward affordable, clean and efficient energy for all.

Energy sustainability is the greatest challenge facing humanity today. Moreover, there is no quick fix. It is a task for the coming decades—a long term commitment. OFID, for one, together with other OPEC aid institutions, is determined to be part of the solution, and will continue to expand its efforts through all means possible. Today, at this Special Session of the Congress, we invite the industry to join us in this noble endeavor. Indeed, we invite all industries to join us in this noble cause. As a matter of fact, at this Congress we have heard some encouraging remarks from different CEOs on this matter. And therefore OFID is offering to host a forum with industry representatives at our headquarters in Vienna in 2012 with the objective of reviewing concrete ideas and proposals. Let us move forward together and reach out to those without modern energy services in the world.

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## Universal energy access by 2030: A sustainable development goal

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DELIVERED AT THE 13<sup>TH</sup> INTERNATIONAL ENERGY FORUM,  
SESSION 3: ACHIEVING ENVIRONMENTAL AND SOCIAL  
SUSTAINABILITY: LOWER EMISSIONS AND ACCESS FOR ALL  
KUWAIT CITY, KUWAIT, MARCH 14, 2012

While preparing my comments for this session, I recalled the wise counsel of our gracious host, His Highness the Emir of Kuwait, whom I had the honor to meet in May 2006. I was advised that the OPEC Fund for International Development (OFID) should pay special attention to the least developed countries and especially those in Africa. This good piece of advice reminds us that the first priority as we work toward sustainable energy is universal access. Out of the 1.3 billion people living without the most basic of modern energy services, nearly 600 million are in Africa. So, in my remarks, I should like to emphasise that the Initiative of the UN Secretary-General, is indeed “for All”.

These two short words are sometimes overlooked, but for OFID, working toward universal energy access for the poor is the essential part of the Initiative. Our priority is always those many millions of people still reliant on fuel wood, candles and batteries for their daily cooking, light and contact with the outside world.

At OFID, we have been financing energy projects since our inception in 1976. Our efforts received greater impetus following the Riyadh Declaration endorsed by OPEC Member Countries’ heads of state in November 2007. This Declaration provided OFID with a new mandate, calling on us to work

toward the eradication of energy poverty together with other institutions and the energy industry. This was followed, in June 2008, by the Energy for the Poor Initiative launched by King Abdullah at the Jeddah Energy Meeting.

Since the Riyadh Declaration, OFID has increased the share of energy projects in total operations. In 2011, this share reached 25 percent as a wide variety of operations were approved.

These include public sector projects to finance electricity generation in Bangladesh and Nicaragua and help extend the national grid to rural areas of Ethiopia, The Gambia and Kenya.

In addition, the OFID private sector facility will partly finance a large-scale wind project in Pakistan and a greenfield power plant in Kenya. Our trade finance facility, meanwhile, provided assistance to help finance vital imports of oil and petroleum products for Bangladesh.

In 2011, OFID added a new energy facility to our Grants window. Grants will support small-scale projects in rural areas such as our cooperation with the Shell Foundation to improve the distribution of solar lighting.

Grants were also approved for three innovative projects in Cambodia, Tanzania and Ethiopia. These projects will provide affordable energy to a total of 40,000 people living in rural areas.

Thus, OFID has truly embraced the inclusive message of the Sustainable Energy for All Initiative: Our activity extends to all regions of the world, finances all types of cleaner and efficient technologies, and boost cooperation with all varieties of financial partners, without imposing any conditionality.

- OFID is technology neutral. Renewable solutions are appropriate where endowments and geography permit, but we also value the contribution of fossil fuels. Natural gas, LPG and diesel fuels are important elements of energy supply in developing countries. It will take years before renewable solutions can provide cost-effective productive power to all locations. We cannot deprive poorer countries of energy for development during this transitional period.
- We are practical and effective. There is sometimes a gap between what is promised and what is delivered. In today's uncertain financial climate, the value of a reliable development partner cannot be overestimated.

Going forward, OFID plans to expand; and, in this context, let me thank the OPEC Member Countries represented here today. In June 2011, the OFID Ministerial Council endorsed our fourth replenishment in the amount of US\$1 billion. This is the first replenishment in 30 years and it will greatly enhance our ability to work against energy poverty. The increased resources will be further leveraged by our cooperation with the Coordination Group of Arab National and Regional institutions and with international institutions including the World Bank and IFAD. Such strategic partnerships will combine our various strengths to produce better results on the ground.

In addition to expanding our financing, OFID is committed to raising the difficulty of energy poverty in the development debate. Sustained advocacy from OFID and other institutions has pushed energy poverty up the inter-

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*Sustained advocacy from OFID and other institutions has pushed energy poverty up the international agenda.*

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national agenda. Political leadership is a key requirement for tackling energy poverty. Heads of government and ministers should please support pro-energy policies. National Plans and Poverty Reduction Strategy Papers should include explicit targets for access and power supply capacity.

The energy industry can also do more. In the recent World Petroleum Congress in Doha, I addressed IOCs and NOCs and called for greater efforts to include energy poverty

as a core element in social responsibility programs. Such initiatives would make a significant contribution to human development and advance both the credibility and commercial interests of the industry.

Let me underline that the voice of the international community can also make a difference. Consider the Millennium Development Goals (MDGs), which have played a vital part in boosting social provision in many developing countries. We should build on the success of the MDGs as we prepare for the Rio+20 Summit. We should take advantage of the momentum provided by the Sustainable Energy for All and other initiatives to promote energy access in a comparable way. The concluding statement of the 12<sup>th</sup> IEF confirmed the commitment of energy ministers who stated that reducing energy pov-



erty should be added as the 9<sup>th</sup> MDG. This was important recognition of our mission and was greatly valued by those working to advance energy access. Unfortunately, it was not possible to add this MDG.

At the same ministerial meeting, Mr Nobuo Tanaka, former Executive Director of the IEA, underlined that energy poverty must be addressed alongside energy security and climate change. Rio will provide a new opportunity which must not go to waste. We must be ambitious and urge that universal energy access by 2030 should be recognised as a sustainable development goal by the United Nations community. Such recognition would anchor energy access as an important part of the post-2015 development agenda.

Visibility at summit level would provide genuine motivation for governments, the private sector and civil society to turn good intentions into solid achievement. Certainly, the many millions of people living in energy poverty deserve nothing less.

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## 'Energy is the golden thread'

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DELIVERED AT THE RIO+20 CONFERENCE ON SUSTAINABLE DEVELOPMENT, UN ENERGY DAY, SESSION 10: FINANCING ACTIONS TO SCALE UP FROM THE GROUND  
RIO DE JANEIRO, BRAZIL, JUNE 19, 2012

### Introductory remarks

This is OFID's coordinated session on "Financing actions to scale up from the ground."

We have the pleasure of having today on our panel high-level representatives from the public sector, the private sector and civil society. Before I introduce the panelists, let me provide some background information for our discussion. And I should begin by quoting a couple of sentences from the SE4ALL Global Action Agenda.

### MDGs and energy

"Energy is the golden thread that connects economic growth, social equity, and environmental sustainability."

UN SECRETARY-GENERAL, BAN KI-MOON

Development is not possible without energy, and sustainable development is not possible without sustainable energy. All of us here are aware that, in the year 2000, energy was not addressed directly by the UN as one of the MDGs. Since 2007, however, OFID, among other institutions, has advocated

for Energy Poverty Alleviation to be given the importance it deserves, for the reasons just quoted from the Global Action Agenda.

Today, within the framework of this significant UN Conference on Sustainable Development, we are pleased to see that the UN, through the SE4ALL Initiative, has finally and firmly put this key issue on the table.

## SE4ALL Initiative and OFID

OFID has been totally supportive of the SE4ALL Initiative since it was first proposed. After the initial launch of the High-Level Group in New York, OFID hosted SE4ALL's first technical meeting at its headquarters in Vienna.

We commend all the hard work that the UN, its Secretary-General, HE Mr Ban Ki-moon, and the staff involved have put into this initiative. The same goes for the efforts of the co-chairs, Mr Kandeh Yumkella and Mr Holliday. I feel honored to have been appointed a member of the High-Level Group established by the Secretary-General to address this important subject. We consider this recognition of the efforts of OFID in combating poverty in general, and specifically in eradicating energy poverty.

## OFID and the Energy Poverty Initiative

Our mission at OFID is to foster South-South cooperation with other developing countries worldwide with the aim of eradicating poverty in all its forms. Since its inception, OFID has committed more than US\$14 billion, reaching more than 130 countries.

Since 2007, energy poverty alleviation has gained impetus in OFID. At that time, OFID was mandated by the heads of states of its Member Countries in the Solemn Declaration of the Third OPEC Summit (the Jeddah Declaration) to sharpen its focus in this area. This mandate was substantiated in 2008 when in Jeddah, the Energy for the Poor Initiative was announced. Since then, OFID has provided around US\$1.2 billion in support of

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*Our Finance Ministers issued a Declaration to commit a minimum of US\$1 billion to address energy poverty alleviation.*

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more than 50 energy projects in some 30 countries. Our strong support to energy poverty alleviation was restated by our Ministerial Council five days ago, when our finance ministers issued a Declaration in which they committed a minimum of US\$1 billion to address energy poverty alleviation. This amount may be scaled up as needed.

OFID's strategy is to use a variety of mechanisms to meet a diverse range of energy needs. These include the construction and rehabilitation of energy infrastructure; institution strengthening; research funding; and the provision of low-cost grassroots solutions.

To achieve our goals, we partner with the public sector, the private sector and civil society.

### **The panelists**

Allow me now to initiate this panel by introducing our panelists: Mr Martin Hiller, Director-General of the Renewable Energy and Energy Efficiency Partnership (REEEP). He has over 20 years' experience in energy issues, with a focus on policy and business engagement. Last year, OFID cooperated with REEEP on a call for proposals that focused on innovative and income-generating energy projects in the developing world. The call drew more than 50 proposals worldwide.

Mr Alban Jacquin, who is in charge of the sustainable development department of Schneider Electric. The company has launched the business innovation People at the Base of the Pyramid Program, which aims at financing and assisting small and medium-scale enterprises that provide energy services in the developing countries. OFID took equity in the program last year.

Mr Damian Obiglio, a consultant in the field of energy. Prior to his current position, Mr Obiglio held several high-level positions in Jamaica, including CEO of the Jamaican Public Utility Company.

Mr Pham, Director-General at the Ministry of Planning and Investment in Vietnam. OFID has recently cooperated in financing two rural electrification projects in his country.

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## Sustainable energy: The missing MDG

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DELIVERED AT THE CLOSING CEREMONY, GLOBAL  
SOUTH-SOUTH DEVELOPMENT (GSSD) EXPO 2012  
VIENNA, AUSTRIA, NOVEMBER 23, 2012

It is an honor and a pleasure to address this closing ceremony of GSSD 2012. I would like to congratulate UNIDO and the UN Office for South-South Cooperation on a successful and well-organized event.

Our proceedings this week have been highly stimulating—especially for my institution, OFID (the OPEC Fund for International Development). As practitioners of South-South cooperation for over 35 years, we welcome wholeheartedly the increased drive to promote partnerships among the countries of the South. To that end, OFID stands ready to work with all organizations represented here today, as we know that we can achieve much more if we cooperate to leverage our ideas and our resources.

These past few days have been all about finding solutions—solutions to some of the many problems that confront developing countries as they strive to climb out of poverty.

Broadly speaking, this conference was about Sustainable Development, which for us at OFID is a long journey that does not have a deadline. Regardless of which definition of sustainable development we use, we can all agree that the balance between its three pillars—economic, social and environmental—is crucial. In fact, these three elements formed the basis for the Millennium Development Goals. However, the link between them, or the

“Golden Thread”—to use Mr Ban Ki-moon’s words—is missing. This link is sustainable energy.

This is why Energy Poverty is a cause so close to the heart of OFID. It is one that we have championed tirelessly for the past five years, since receiving a special mandate from our Member Countries. This mandate was reinforced in June this year through a Ministerial Declaration on Energy Poverty, and a minimum US\$1 billion resource boost to our institution; an amount which could be scaled up if demand warrants.

In recognition of our efforts in this field, OFID was invited to join the UN Secretary-General’s Sustainable Energy for All Initiative, whose work was concluded at the General Assembly in September of this year. In his closing remarks, Mr Kandeh Yumkella, now the Chief Executive of the Initiative, urged the international community “to turn commitments into kilowatt,” one of many slogans in his rich arsenal. Upon hearing this, I turned to my neighbor and told him: “Welcome to my agenda.”

Indeed, this is exactly what OFID has been doing for the past 37 years. In the past five years, we have approved almost 60 new energy projects, as part of our Energy for the Poor Initiative. As a result, the share of the energy sector in our total approvals has grown from 20 to 25 percent.

Allow me to bring to your attention two such projects, which also have the benefit of illustrating the interaction between the three pillars I mentioned earlier.

In **The Gambia**, we financed an electricity project with the objective of lighting the street between the airport and the capital city. I was delighted to note that by doing that, we also helped to reduce night time crime rates by 50 percent in this same area.

In **Armenia**, we connected a small rural village to the gas pipeline which provided its inhabitants with sustainable energy access. Among the inhabitants was an old lady who had lost her son who was killed by a falling tree while in the forest cutting wood to provide fuel for the house.

I will never forget her gratitude as she told me that she will not have to worry about her grandchildren suffering the same fate. And think of how much we could reduce the problem of deforestation with such projects!

When it comes to renewables, OFID’s position on this is unequivocal. Let me illustrate.

In **Haiti**, where 30 percent of the population relies on fuel wood and charcoal, we are rehabilitating a hydroelectric plant. Restoring the plant’s generating capacity will improve living standards for thousands of poor families.

In **Djibouti**, we are co-financing a geothermal installation, which will provide a secure and sustainable source of energy and reduce the country’s dependency on electricity imports.

**Yemen** is another recipient of financing for a wind farm project, with the objective of increasing generation capacity required to supply electricity at an affordable or subsidized price to selected rural areas.

In **Kenya** and **Tanzania**, we are supporting a pioneering, social business initiative that is distributing solar lanterns to poor rural communities.

Finally, in **East Africa** and **Latin America**, we have extended a grant to allow the rural population to have access to safe, clean and affordable energy services, specifically for lighting and clean cooking stoves.

All these examples are indicative of the wide range of energy sources we finance through our projects. We believe that efforts to eradicate energy poverty must be technology-neutral. And while renewable solutions are appropriate where economics permit, fossil fuels will continue to contribute 70–80 percent of the energy mix for the next 25–30 years. So for now, all viable options must be brought to bear. This includes both short-term and long-term solutions.

Traditional solutions take time to implement. Power plants and electricity grids can take years to build and bring on line. In the meantime, people continue to suffer. We cannot keep poor people in developing countries waiting for sustainable energy until we have clean technologies. After all, even if every one of the energy-poor people gains access to modern energy, global carbon dioxide emissions will rise by less than one percent.

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*Development solutions come in all shapes and sizes. As development practitioners, we have to consider and embrace all the options.*

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So by being open to all types of projects, even short-term solutions, we take satisfaction in knowing that we are providing real solutions that are making a real difference to real people.

But still we want to do more. In a bid to broaden our scope, we recently set up an energy for the poor project preparation facility with CAF in Latin America. Its purpose is to support the widespread identification and initiation of innovative energy solutions across the region. We expect to work with all stakeholders, from governments and the private sector to civil society organizations and grassroots communities. Negotiations are underway to establish a similar facility with BADEA for sub-Saharan Africa and with the Asian Development Bank.

Similar discussions are taking place with the government of Tunisia for the purpose of energy project identification within the framework of the *Deauville Partnership*.

We have seen this week that development solutions come in all shapes and sizes. They can be simple or complex. They can be traditional or innovative. And they can be short-term or long-term.

As development practitioners, we have to consider and embrace all the options. This is exactly what we do during our missions to our partner countries. In the last few months, I have been to the Kingdom of Lesotho, Sri Lanka, the Maldives and Albania, and I will be travelling to Tunisia and Mauritania next week.

Next year I have a schedule taking me from Kenya to Tajikistan, from Nicaragua to Colombia and Cuba. The purpose of all these travels is not only to find solutions, but also to fund them.



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# Energy poverty eradication: Unconventional demand, opportunities and constraints

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DELIVERED AT THE 9<sup>TH</sup> INTERNATIONAL ENERGY CONFERENCE  
TEHRAN, IRAN, FEBRUARY 21, 2013

It is an honor and a pleasure to address this important 9<sup>th</sup> International Energy Conference on the subject of energy and development. I would like to thank the Government of the Islamic Republic of Iran as well as the organizers of the Conference for inviting me to participate in this high-level event.

We hear a lot about new discoveries of unconventional energy supplies. We hear a lot about how these may constitute a threat to global oil markets, about how they may fundamentally alter the balance of oil markets.

Personally, I do not see these new reserves as a threat. On the contrary, I think we will need all the supplies we can get to power global economic growth in the 21<sup>st</sup> century.

The way I see it, global demand is set to rise on an unprecedented scale. So, today, rather than focus on unconventional supply, I would like to look at the opportunities presented by unconventional demand.

Ladies and gentlemen.

Unconventional demand is that huge potential for energy demand which exists in the poorest countries. Meeting this demand will help eradicate poverty and improve the lives of millions. Yet it also presents the energy indus-

try with the greatest opportunity of this century. It is an opportunity we must grab.

Today I will discuss three areas. First, I will briefly address the essence of the problems faced by the poorest nations. Second, I will go into a little more detail about OFID's efforts to tackle these problems. And third, I will look to the future and to the opportunities that exist for poor countries—and the energy industry—if we can unite in a common cause.

So first, the facts about energy poverty.

It is a depressing picture. As I stand here today, at the dawn of the 21<sup>st</sup> century, nearly 1.3 billion people live without access to electricity. What's more, around 2.6 billion people rely on wood, animal waste and other biomass to provide heat for cooking. The outcome of these shocking facts is that people in high-income nations use 13 times more energy than those in the world's poorest countries. It is not difficult to imagine how this wide disparity affects not only quality of life, but also life expectancy, income and prospects in the developing world.

When it comes to fighting energy poverty, it has become clear that business-as-usual policies are not sufficient. We need to spark effective change. Not least, because energy is the key to wider social and economic development and, for millions, the path out of poverty.

So what would access to modern energy mean in practice? Well, for a start, it would contribute to food security by improving irrigation and farm productivity, by powering food processing, and by enhancing food preservation.

It would reduce deforestation and emissions, improving indoor air quality and freeing women and children from the physically demanding task of collecting fuel wood. It would allow longer working and study hours, and better social participation. It would make possible refrigeration in village clinics. The list is endless. But these are not wildly ambitious goals. They are things that most of us, here today, take for granted.

It is our historic responsibility to do what we can to make them happen.

Ladies and gentlemen, this brings me to the second part of my talk here today: the efforts of OFID.

The OPEC Fund for International Development was conceived in 1975 at the First OPEC Summit in Algiers, and launched a year later with the

aim of helping to eradicate poverty. This mandate was reinforced in the year 2000, when the Heads of State of OPEC Member Countries, in their Second Summit in Caracas, identified human poverty as “the biggest environmental tragedy facing the globe.”

Our efforts have intensified since the Riyadh Declaration of November 2007. At this Third OPEC Summit, leaders identified the eradication of energy poverty in the developing countries as an objective of OPEC aid institutions. They called on these institutions to cooperate with the energy industry and other financial institutions to enhance this important endeavor.

In June 2008, OFID organized an Energy Poverty Workshop in Abuja, Nigeria. This workshop combined expertise from financial institutions, leading oil companies and development partners. The workshop emphasized the importance of an inclusive approach to eradicating energy poverty. The complete findings of this workshop were reported to OFID’s Ministerial Council, which convened in Isfahan, Iran shortly after.

Also in June 2008, at the Energy Producer and Consumer Emergency Meeting in Jeddah, the Kingdom of Saudi Arabia officially called for an initiative to help the poor have better access to modern energy. This call inspired the “Energy for the Poor Initiative” which was supported by Energy Ministers in May 2009 and G20 leaders at the Pittsburgh global summit later in the same year.

Since then, our efforts have intensified on many fronts, and 2012 was particularly important. Last year was designated by the UN as the “Year of Sustainable Energy for All” and used as a platform to launch a global initiative to achieve universal energy access by 2030.

As part of this initiative, the UN Secretary-General designated a High-Level Group to create an Action Agenda. OFID was nominated to this

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*In the Riyadh Declaration of November 2007, OPEC’s leaders identified the eradication of energy poverty in the developing countries as an objective of OPEC aid institutions.*

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High-Level Group and the agenda was formally presented to the Rio+20 Conference in June last year. In fact, just a few days prior to the Summit, OFID Ministers issued a Declaration on Energy Poverty which commits a minimum of US\$1 billion to augment OFID's work on energy poverty. They also confirmed that OFID stands ready to scale up this commitment if demand warrants. I had the honor to announce this Declaration in Rio in the presence of Mr Ban Ki-moon.

Thirdly, I would like to use my remaining time to look at the way forward.

There is no question that OFID has a proud record of achievement in the struggle against energy poverty, and—looking forward—we plan to further increase our commitments.

In fact, building on the momentum which energy poverty has gained in recent years, we have already begun to expand our operations. In the two years 2011–2012, the share of energy projects in OFID's total operations reached 28 percent, with a total value of US\$572 million, compared to a cumulative 20 percent since inception. In this context, I would like to thank our Member Countries represented here today for their support.

This increase in our commitments is substantial. But what stands out is the diversity of countries, technologies and financial structures. In 2011 and 2012, public sector projects included operations to increase electricity generation in many countries in Africa, Asia and Latin America and projects to extend the national grid to rural parts of Africa.

In 2012 approvals included a wind park project in Yemen, a solar project in Mauritania and a hydropower facility in Pakistan.

Transactions have also picked up under our Private Sector Facility, which is set to finance large scale wind projects in Kenya and Pakistan.

Kenya will also benefit from the construction of an oil-fired power plant. In Ghana and Côte d'Ivoire, we will finance the expansion of existing thermal power plants. Yet another instrument, our Trade Finance Facility, is providing assistance to help finance vital imports of oil and petroleum products for Bangladesh and Mauritania, among other countries.

Through our grants window, a new energy facility has been established to support small-scale projects in rural areas. An example is our cooperation with the Shell Foundation to improve the distribution of solar lanterns to remote off-grid communities.

Other recent grants are supporting innovative projects in Cambodia and Ghana to provide affordable energy, applying hybrid technologies. In Palestine, we are working with the Arab Fund to supply solar water heating systems.

Ladies and Gentlemen, OFID is fighting energy poverty in all regions of the developing world. We are financing a range of cleaner and efficient technologies, and we are cooperating with both public and private partners.

Through this experience, we have learned that to meet their energy needs, developing countries need to be able to tap into all available sources of energy that provide a more reliable and cleaner alternative to the current biomass.

OFID is pleased to finance renewable solutions when these are appropriate in terms of endowments and geography. However, we also value the contribution of fossil fuels.

Indeed, natural gas, LPG and diesel fuels are important elements of energy supply in developing countries. In 2012 we financed 25 energy projects, seven of which are based on renewable energy sources. However, it will take years before renewable solutions can provide cost-effective productive power to all locations.

We cannot deprive poorer countries of energy for development during this transitional period.

In addition, OFID has been—since inception—a strong partner to the developing world by financing a wide array of infrastructure projects to further bring energy access to the poorest countries.

However, the scale of the task facing us is much bigger than the efforts of any one organization alone. What we need are concerted efforts from all partners. I mentioned earlier the commitment of a minimum of US\$1 billion by our Member Countries to the eradication of energy poverty. These increased resources will be further leveraged by our cooperation with the Coordination Group of Arab National and Regional institutions and also international institutions including the World Bank and IFAD.

Besides these efforts of OFID and like-minded development institutions, the energy industry also has an important role to play. Developing countries provide the rare prospect of growing demand over the longer term. In this context, the energy industry could work with poor countries to improve their energy access by providing the necessary assistance to overcome technical and management problems. The industry's vast pool of resources and expertise puts it in the ideal position to do so.

What's more, the unconventional demand in the developing countries, which I alluded to at the beginning of my speech, provides the energy industry with an investment opportunity not to be missed.

I am convinced that combining our strengths in such a manner could create exceptional synergy that could make a real difference in the fight against energy poverty. In fact, at the 20<sup>th</sup> World Petroleum Congress back in 2011 in Doha, I offered to host a forum with energy industry representatives at our headquarters in Vienna to explore concrete ideas and proposals. Today, I would like to renew this invitation and assure you that the offer still stands, as I believe that we would draw great benefit from such a gathering.

After all, let's not forget that energy poverty is more than just an economic and social issue. There is a fundamentally human aspect to energy poverty that often gets lost in the numbers and theories dominating the debates on the subject.

I would therefore like to conclude with a story to remind us all that there are real people toward whom we have an ethical obligation to put an end to energy poverty.

During a mission to Armenia, where OFID had extended a loan to finance a gas pipeline, officials took us on a field visit to witness the success of the project. We were invited into the home of an elderly lady called Anahid, who had prepared dinner on her newly installed gas stove. In the house, I noticed a picture of a handsome young man. When I asked who he was, our host answered with tears running down her cheeks that the young man was her son. He had been killed by a falling tree while collecting wood to provide the house with fuel.

Despite the sadness of her own story, she thanked OFID for making sure that her grandchildren would not face the same fate, and I was relieved to see that our project would make a difference in the life of future generations. Like her, let us all think of our children and grandchildren, and work for a better future for them.

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# The importance of a technology-neutral approach to tackling energy poverty

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DELIVERED AT A MEETING OF THE SE4ALL ADVISORY BOARD  
WASHINGTON DC, USA, APRIL 19, 2013

I am delighted to have the opportunity to share the podium with such distinguished speakers to kick off the SE4ALL high impact initiative, *Energy and Women's Health*.

My participation in this event is yet further indication of OFID's support for the UN Secretary-General's Sustainable Energy for All Initiative, and the activities and actions in support of energy access. Indeed, while our work at OFID encompasses operations in all fields of development, energy poverty alleviation is the cause we have championed tirelessly since the Third OPEC Summit of November 2007. In the subsequent Riyadh Declaration, issued by that Summit, the leaders of OPEC Member Countries declared the eradication of energy poverty as an objective of all OPEC aid institutions.

It is, therefore, no surprise that OFID has been closely associated with Mr Ban Ki-moon's initiative, the first objective of which is the achievement of universal access to modern energy services by 2030. Being a member of the Secretary-General's High-Level Group, which created the Initiative's Action Agenda, I feel certain that OFID will continue its role in the Advisory Board promoting this noble objective.

Our commitment was further accentuated in June, last year, when OFID Ministers issued a Declaration on Energy Poverty which was announced at the Rio+20 Summit.

We have pledged a minimum US\$1 billion resource enhancement to our Energy for the Poor Initiative. The Ministerial Declaration, which also enables an increase of this amount, should demand warrant, allows us, among other operations, to expand the number of our grant recipients.

Through our Energy Grants Program, we are ready to extend meaningful grant funding to partners sponsoring tangible, on-the-ground projects that aim to deliver access to modern energy services, especially for productive use in poor countries. Indeed, OFID is seriously considering supporting plans to electrify rural health clinics in Africa.

At OFID, we support innovative solutions which address the problem of energy poverty, and which also provide additional benefits, such as protection of the environment and climate change mitigation. Hence, we will also be considering supporting a MicroGaz pre-pilot research project that will be a cornerstone in the Energy Initiative. We believe that renewable solutions are appropriate today where economics permit, and that renewable energy sources will have a far more important role in an imminent system of diversified energy mix. However, poor countries cannot be deprived of energy for development during the transition. Efforts to eradicate energy poverty must be technology-neutral.

Oil and gas have always been important contributors to the global energy supply system. Today, they provide a combined share of over 50 percent of the world's primary energy supply. Natural gas alone contributes more than 20 percent to global electricity generation. Because of their flexibility and convenience, oil and gas will continue, for the foreseeable future, to provide a significant portion of the world's energy requirements. Their efficient use will help reduce deforestation and clean the environment. At the same time, they provide affordable energy access for the poor. LPG clean cooking stoves have helped reduce health hazards to infants, and gas flaring reduction can help mitigate climate change. All of that while providing useful energy to those who lack it.

What should therefore be our primary concern is the provision of energy, not the color of it.



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# The role of oil and gas in the water–food–energy nexus

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DELIVERED AT THE 24<sup>TH</sup> OXFORD INSTITUTE FOR  
ENERGY STUDIES, BRAINSTORMING SESSION  
VIENNA, AUSTRIA, APRIL 25, 2013

On behalf of the OPEC Fund for International Development, I would like to welcome you all. OFID gladly accepted to host this brainstorming meeting here at its headquarters, in view of the importance of energy in our operations. OFID is the sister organization of OPEC and run by the finance ministers of its Member Countries. We are a development finance institution established 37 years ago by the Member Countries of OPEC, with operations in 134 countries.

Through separate financing windows, OFID delivers its assistance by means of concessional loans that support public and private sector projects and international trade financing. We also support local capacity building and other social needs through our grants window. As of the end of last month, the cumulative commitments of OFID totaled more than US\$15 billion.

OFID's activities cover a wide range of operations in various sectors: education, health, agriculture, rural development, transport, water supply, microfinance, industry and communication. However, the energy sector stands out, with a steadily rising share in annual commitments. In the two years 2011–2012, the share of energy financing in OFID's total operations reached 39 percent, with a total value of US\$790 million.

The importance that OFID accords energy projects is a manifestation of its recognition that energy is essential for poverty eradication and sustainable development. OFID firmly believes that access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services is crucial for developing countries and for energy security in general. Energy poverty alleviation is the cause we have championed tirelessly since the Third

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*OFID firmly believes that access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services is crucial for developing countries.*

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OPEC Summit in November 2007. In the resulting Riyadh Declaration, the leaders of OPEC Member Countries' set out the eradication of energy poverty as an objective of OPEC aid institutions.

The subsequent Energy for the Poor Initiative, announced in Jeddah in June 2008, provided the action plan for this noble cause. Since then, experience has taught that what is most needed in the fight against energy poverty is investment on the ground. No amount of plans and analyses will, of themselves, bring light or power to a single extra village.

Acknowledging the need for investment, and with a view to boosting ongoing efforts, OFID ministers issued a Declaration on Energy Poverty in June last year, which I had the honor to announce at the Rio+20 Summit. This Declaration announces OFID's commitment of a minimum of US\$1 billion to the Energy for the Poor Initiative, as well as the possibility of scaling up this amount if demand warrants. The amount will be further leveraged by cooperation with our sister organizations, as well as with other development partners like IFAD and the World Bank, with whom we have concluded MoUs.

To repeat, energy is essential to defeat poverty. It is therefore no surprise that the first objective of the UN Secretary-General's Sustainable Energy for All Initiative is the achievement of universal energy access by 2030. And I believe that OFID's nomination to the UN Secretary-General's High-Level

Group for the Initiative was in recognition of OFID's commitment to the eradication of energy poverty, as well as its delivery on the ground.

Furthermore, OFID has been invited to sit on the newly formed Advisory Board for the Initiative, co-chaired by the UN Secretary-General and the President of the World Bank. In fact, I have just returned from Washington DC, where I attended the inaugural meeting of this Board. It was gratifying for OFID to hear the President of the World Bank echoing a principle that OFID has always believed in and voiced: the fact that all sources, conventional or renewable, have to be used to cater to the energy needs of the poor.

This reality is now being acknowledged in many forums around the globe. People in the poorest countries in Africa, Asia and Latin America cannot wait for renewables to become affordable. Women and youth spending hours every day collecting firewood, a child exposed to the hazards of indoor pollution, a student studying in the night under street lighting—they all need energy today, not in one year, or five or ten years' time.

It is with this sense of urgency that we at OFID respond to partner countries' priorities and strategies. In doing so, we have always believed that efforts to eradicate energy poverty must be technology-neutral. It really does not make much sense to deprive poor countries of oil and gas to fuel their economic and social development while waiting for the transition to a more diversified energy mix. It is a fact that oil and gas have always been the main contributors to the global energy supply system. What's more, they will continue to play this role for the foreseeable future, given their abundance, flexibility and convenience.

In this context, fears that providing energy to those who lack it will exacerbate environmental concerns have been proven to be unfounded. Indeed, according to the World Energy Outlook 2009, if electricity were provided to all who lack it, global energy-related CO<sub>2</sub> emissions would increase by only 0.9–1.3 percent by 2030. In fact, I would argue that oil and gas can provide innovative solutions to the problem of energy poverty, while at the same time providing other benefits, such as the protection of the environment, the mitigation of climate change and the sustainability of other natural resources. And it is on this theme that I would like to focus the remainder of my speech.

The oil and gas industry has a good track record in reducing its environmental and emissions' footprints. And it is essential to ensure that the early development and deployment of cleaner fossil-fuels technologies continues;

indeed, it should be done at a swifter pace. In the battle against energy poverty, it is important to recall that in addition to securing energy supplies, water scarcity is also among the foremost long-term challenges facing many developing countries. Increasing populations and growing prosperity will place further stress on energy, water and food supplies, all of which are closely intertwined. The sustainable use of natural resources dictates that food security, water and energy need to be seen as interdependent and addressed through a holistic approach. Indeed, actions in one sector usually have profound impact on the other two.

In this connection, studies have shown that crude oil-based transportation fuels have, on an energy basis, by far the least requirement for water compared to all biomass-based feed stocks used in the production of biofuels. Furthermore, oil and gas have the second lowest water use among all other types of fuels employed in power generation. Moreover, Naphtha and natural gas are the key feedstock in the fertilizer industry necessary for food production.

So, if we look at the role of oil and gas in the water–food–energy nexus approach, and consider the vast potential for cleaner and more environment-friendly oil and gas-based fuels, we can conclude that these valuable sources of energy should not be dismissed offhand in the fight against energy poverty. I do hope that in your future meetings, you will consider and elaborate upon these ideas, allowing the cause of energy poverty eradication to benefit from your highly appreciated expertise.

Once again, I welcome all of you to OFID's headquarters and wish you a successful meeting.

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# Maintaining momentum and encouraging action in the fight against energy poverty

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DELIVERED AT THE VIENNA ENERGY FORUM  
VIENNA, AUSTRIA, MAY 28, 2013

Excellences, ladies and gentlemen: Welcome to Vienna. I am certain that this year's Forum will be highly productive, moving us from recommendations to action.

In my brief message, I would like to share with you three key points. Let me begin by referring to OFID as pioneers.

One year ago, the Rio+20 Summit placed energy at the core of the international development agenda by including it in the Sustainable Development Goals debate. At OFID, this was very welcome news, especially since energy was entirely left out of the Millennium Development Goals in 2000. Indeed, as many of you will know, energy poverty alleviation is something that we at OFID have championed tirelessly for five years already, and it is a great pleasure to see our efforts finally bearing fruit.

We are also proud to have played a key role in the implementation of Mr Ban Ki-moon's vision of an energy-for-all future.

The second point that I would like to share with you is what we have achieved by moving from words to action.

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*Our objective is to meet people's needs, not to waste time debating the pros and cons of fossil fuels versus renewables.*

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Over the past few years, OFID has transformed its words into action on the ground. This has led the share of energy projects in OFID's total operations to reach a record of 30 percent in 2012. This emphasis on energy poverty alleviation received a further push when OFID's Ministerial Council issued the Declaration on Energy Poverty, committing a minimum of US\$1 billion to this cause. As such, Mr Kandeh Yumkella, we have moved from "finding" solutions to "funding" solutions. In 2012 alone, we signed 27 energy projects. Of these, 10 projects were based on renewable energy sources, illustrating our belief in a technology-neutral approach to the problem.

Our objective is and should be to meet people's needs sooner rather than later, not to waste time debating the pros and cons of fossil fuels versus renewables.

Concluding, and this is my third point, I would like to refer to what we call maintaining the momentum.

As we plan for the Decade of Sustainable Energy for All, OFID is looking forward to building on this momentum and maximizing the impact of our Energy for the Poor Initiative. We are also looking forward to further developing partnerships with other stakeholders and utilizing these synergies to deliver on our mandate. I would encourage all of you here today, whether from the government, the private sector, the energy industry, NGOs or international organizations, to find a way to increase your relevance as well. OFID stands ready to work with you all.

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## Facing the challenges and finding solutions: Access to modern energy services

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DELIVERED AT A JOINT OFID–GIZ (*DEUTSCHE GESELLSCHAFT FÜR INTERNATIONALE ZUSAMMENARBEIT*) EXPERT MEETING ON ACCESS TO MODERN ENERGY SERVICES FOR RURAL COMMUNITIES  
VIENNA, AUSTRIA, SEPTEMBER 9, 2013

First of all, on behalf of the OPEC Fund for International Development, I would like to extend a warm welcome to you all. My thanks go to GIZ and Ms Tanja Gönner, Chair of the GIZ Management Board, for co-hosting this event. We are delighted to have had such a positive response to our joint invitation.

It is a pleasure to host you here in our boardroom at OFID headquarters, where more than 3,000 development projects have been approved. It may interest you to know that, a century-and-a-half ago, this magnificent room served as the grand dining hall for the Habsburg Archduke Wilhelm, Grand Master of the Teutonic Knights.

A few minutes ago, Ladies and Gentlemen, OFID and GIZ signed an agreement for a jointly financed Master's degree program on Water Resource Management. This bi-cultural academic program will be implemented by two specialized research institutions in Jordan and Germany. It will benefit young professionals from Arab countries, who will study alongside their German counterparts. This is the first agreement between our two institutions, and we hope that it will be followed by others for the benefit of poorer populations in developing countries.

I would like to take this opportunity to say a few words about OFID. First, about our general mandate, and, second, about our involvement in the topic of our discussions today: energy poverty eradication.

As many of you may know, OFID operates in a spirit of South–South cooperation to assist developing countries in their quest for social and economic progress. OFID has a presence in over 130 countries worldwide, with a specific focus on Africa and some of the least developed nations, including Arab countries. We deliver our financial assistance in an effective and unconditional manner.

In carrying out our mandate, we strive to take sustainable, pro-poor approaches, while respecting our partner countries’ development priorities. At the same time, we actively seek to ensure that the three pillars of sustainable development are addressed in a balanced way.

We are also a fully engaged partner in the international “Development Effectiveness” movement and have actively participated in the High–Level Forums in Paris, Accra and, most recently, Busan, with the aim of ensuring that our efforts deliver the best possible results within the global development paradigm.

In terms of a strategic framework, energy is, of course, our chief focus. However, we are keenly aware of the need to consider energy as part of a bigger picture. This means looking at its interrelation with other sectors,

most notably water and agriculture. For this reason, we are progressively integrating the water–food–energy nexus approach into our operations.

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*It was OFID that first labeled access to energy services as the Ninth Millennium Development Goal.*

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### **OFID and energy poverty**

Now to the issue of access to energy services: the reason for us being here today. At OFID, we firmly hold that energy is essential for poverty eradication and sustainable development. Indeed, we have been involved in the energy poverty debate since

long before it became a mainstream topic. It was OFID, in fact, that first labeled access to energy services as the Ninth Millennium Development Goal.



What’s more, our actions in the field—together with our high-profile advocacy, including our role in the UN Secretary-General’s Initiative, Sustainable Energy for All, has led to the UN calling OFID the “champion” of energy poverty alleviation. We consider this to be the greatest of compliments.

Our enhanced focus stems from the call by OPEC Member Countries at their Third Summit in November 2007. The outcome document, the Riyadh Declaration, called unequivocally upon OFID to take a lead role in the battle against energy poverty. Our response was to launch our Energy for the Poor Initiative in 2008. This has since evolved into a flagship program, which in 2012 alone delivered some US\$ 383 million in financing for the energy sector.

The program has both the moral and financial backing of OFID Member Countries. In June 2012, our Ministerial Council issued a Declaration on Energy Poverty, which pledges the provision of a revolving minimum of US\$1 billion to boost activities under the Initiative. We fully expect this amount to be leveraged through cooperation with partner organizations, such as the World Bank, the members of the Coordination Group, and, of course, GIZ.

In terms of global response, OFID takes great satisfaction in the fact that its actions combined with those of partners, including the UN, have helped thrust energy poverty into the global spotlight. Our reward—and we are confident that this will happen—will be to see universal access to energy services included in the post-2015 Sustainable Development Goals.

## Challenges of bottom-up solutions

The challenge of eradicating energy poverty in rural areas is daunting. Nevertheless, it is one that we must meet head on. There is no doubt that the availability of affordable energy services could help to stem the rural exodus, reinvigorate agricultural productivity and, in turn, strengthen food security.

The true challenge, however, lies in the implementation and sustainability of the proposed solutions, particularly bottom-up solutions. Having the suitable technology will not be enough. However, we should take heart that the necessity of cost-effective, technology-neutral solutions for the poor seems to have been acknowledged by all stakeholders. But, for solutions to function in the long term, we need a framework that includes the appropriate transfer of technology and know-how, together with sustainable financing schemes.

On the subject of financing, it is clear that all sources and mechanisms are valid and necessary. This will require a coordinated effort from all quarters:

concerned governments, the international donor community, civil society and the private sector. This suggests that development priorities will have to be modified, policies adjusted and attitudes changed. Some of these topics, I am certain, will be addressed at this meeting.

As I have outlined, the transition from traditional to modern energy use in rural communities poses a number of difficult problems. For this joint Expert Meeting we have set ourselves the important task of analyzing and discussing solutions that are practical, sustainable and effective, and that can be implemented efficiently: solutions that can really change the lives of poor people in rural areas.

Considering the quality of the participants, I am confident that this first joint OFID-GIZ Expert Meeting will be a useful and successful endeavor. I further hope that this gathering will initiate closer cooperation between our two institutions and indeed among all institutions represented here. I wish you fruitful deliberations.

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## Cooperating globally to raise resources

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DELIVERED AT THE THIRD ANNUAL MEETING OF THE CENTER  
FOR GLOBAL DIALOGUE AND COOPERATION, PANEL SESSION ON  
“SUSTAINABLE ENERGY FOR ALL”  
VIENNA, AUSTRIA, DECEMBER 4, 2013

Some of you may wonder why Sustainable Energy for All is among the topics at an event on global dialogue and cooperation. There are several reasons for this. Firstly, energy plays a fundamental role in the achievement of sustainable development. Secondly, energy poverty eradication was omitted from the Millennium Development Goals. And, thirdly, global dialogue and cooperation among all stakeholders is indispensable to tackle this challenge.

Today, I will begin by briefly defining the problem of energy poverty, and then move on to OFID's experience in this field.

### What is energy poverty?

Firstly, let me state a few key figures to illustrate the challenge before us. Some 1.3 billion people live without electricity; roughly 3 billion people rely on biomass for cooking; and there are close to four million deaths per year from the consequences of smoke inhalation. This lack of access to modern energy services has enormous implications for economic development, hindering the functioning of health facilities, schools and industry, to name just a few.

## Accessibility, affordability, reliability

Energy poverty is a complex challenge with three aspects. Affordability: keeping the cost low enough to fit meager household budgets. Accessibility: expanding electricity networks and finding quick, innovative solutions for off-grid communities. Reliability: ensuring a dependable, unbroken supply. Many countries in the developing world face problems in all three areas, further exacerbating their situation and making finding solutions increasingly challenging.

I have just returned from New York, where I attended the Advisory Board meeting of the Sustainable Energy for All Initiative, jointly chaired by UN Secretary-General Ban Ki-moon and World Bank President Jim Yong Kim. Their joint commitment to this initiative, together with the power of their institutions, is evidence of the importance accorded to the issue of energy poverty. In fact, the Secretary-General has previously labeled energy as “the golden thread” that connects the three pillars of sustainable development, namely economic growth, social equity, and environmental sustainability. I fully agree with this, and would add the importance of maintaining the balance between these pillars in our efforts to alleviate energy poverty.

## OFID as a pioneer

Let me turn to OFID’s role in fighting energy poverty, an issue we consider a fundamental pre-requisite of poverty eradication and sustainable development.

OFID was involved in the energy poverty debate long before it became a mainstream topic. In 2007, our advocacy received a substantial push when our Member Countries, at their Third Summit in Riyadh, called on us to work toward the objective of energy poverty eradication. This call became part of OFID’s mandate, leading us to pioneer the idea of Energy Poverty Alleviation as the “missing” ninth MDG. Later, in 2008, King Abdullah of Saudi Arabia launched the Energy for the Poor Initiative (EPI), which was recognized in various international forums, such as the G20 and the G8. We adopted this initiative as a concrete action plan, making the eradication of energy poverty the flagship campaign of OFID.

I am pleased to say that the EPI has the moral, political and financial backing of our 12 Member Countries. About eighteen months ago, they issued a Ministerial Declaration on Energy Poverty, which pledged the provision of

a revolving minimum amount of US\$1 billion to boost activities under the initiative. I announced this Declaration at the Rio+20 Summit in the presence of Mr Ban Ki-moon, and reiterated this commitment at the meeting in New York last week. We plan to use this money as efficiently as possible to contribute to the global Sustainable Energy for All campaign. After all, I consider sharing our resources with our fellow developing countries a prime example of global dialogue and cooperation.

In recognition of these efforts, I was included in 2011 in the Secretary-General's High-Level Group of the Sustainable Energy for All Initiative, and later in the Advisory Board responsible for its implementation. And it is also partly through our advocacy that energy access is to feature in the post-2015 global development agenda.

### Funding solutions

In the past two years alone—2012 and 2013—we have approved close to US\$1 billion for a total of 32 energy projects in our partner countries. In delivering our assistance, we insist on identifying and funding solutions that are appropriate to the circumstances.

This approach gives us the flexibility to choose from a broad range of financing mechanisms and energy sources so that we can find the solution that works best in each case.

Our operations include large projects, such as a new power plant in Egypt, or a rural electrification scheme in Mozambique, as well as small localized initiatives such as the distribution of solar lanterns in Kenya and Tanzania, or modern cook stoves in Nepal.

As a matter of principle, we do not prioritize fossil fuels over renewables or vice versa. Our experience shows that developing **all** sources of energy is the most efficient way of reaching those most in need.

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*Our experience shows that developing all sources of energy is the most efficient way of reaching those most in need.*

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## Resources needed from all stakeholders

Recognizing the challenges at hand is a first step in finding solutions. However, we cannot change the lives of the underprivileged without any resources.

In fact, it is estimated that US\$50 billion will be needed every year for the next 20 years to reach the goal of universal access. The sheer magnitude of these funds underlines the need for contributions from all stakeholders. Clearly, the UN, the World Bank and development finance institutions like OFID cannot find these resources on their own. Support will have to come from governments, civil society and, most importantly, the private sector as well.

OFID is already working on energy poverty with a full range of stakeholders. We have found the synergies from these partnerships very positive. I should point out that such alliances are not just a means of leveraging resources; they are also useful for pooling expertise and accessing new opportunities.

## Summary and conclusion

Energy poverty is something that concerns us all. As recent events on our own doorstep have shown, it is not something we can ignore or hide from.

Yes, the challenges are huge, especially on the financing side. But the bottom line is we do not have a choice. If we want to build a world free from want and human misery, we must find a way to end energy poverty and give poor people the chance to live safe, healthy and productive lives.

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**BIOSKETCH**

**GLOSSARY**

**ACKNOWLEDGEMENTS**

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## BIOSKETCH



**Suleiman Jasir Al-Herbish**

Suleiman Jasir Al-Herbish (Saudi) assumed office as Director-General and Chief Executive Officer of OFID in November 2003. His appointment followed a distinguished civil service career in the Saudi Ministry of Petroleum and Mineral Resources, where he rose to the rank of assistant deputy minister. Prior to joining OFID, Al-Herbish served as governor of Saudi Arabia at OPEC for 13 years.

Al-Herbish's interest in development cooperation was sparked early in his career, when he participated in the second general conference of UNCTAD in New Delhi, India, February 1968. As a member of the Saudi delegation on each occasion, he was active in helping to prepare the agendas for all three OPEC Summits—Algiers (1975), Caracas (2000), and Riyadh (2007). In this role, he was privy to the discussions in Algiers that led to the establishment of OFID, as well as to later pronouncements by the heads of state and governments of OPEC Member Countries that identified poverty eradication as a “global priority.”

Since assuming office, Al-Herbish has led a process of strategic repositioning, financial realignment, organization strengthening and capacity building to make OFID's work more relevant, efficient and visible. He was the driv-



ing force behind the fourth replenishment of OFID's resources in 2012, and has overseen the conclusion of cooperation agreements with a large number of bilateral and multilateral partners with a view to improving the coordination and impact of aid delivery. Under Al-Herbish's guidance, these combined initiatives have enabled OFID to substantially increase the level of its commitments and given it greater voice and recognition in the international development arena. His governance has also seen OFID assume an increasingly prominent—and often leading—role among its sister Arab development institutions.

Al-Herbish is a long-time supporter of people-centered development, a principle he has kept at the heart of OFID throughout his stewardship of the institution. He has been especially vocal on the issue of energy poverty alleviation, a cause he has championed tirelessly at the highest levels of government and diplomacy. His leadership on this subject is widely acknowledged, and he is currently serving as a member of the Advisory Board of the UN's Sustainable Energy for All initiative.

Over the years, Al-Herbish has received multiple honors, awards and decorations, both from Partner Countries and host nation, Austria. He holds a BA in economics and political science from the University of Cairo and an MA in economics from Trinity University, San Antonio, Texas. He is serving OFID in his third term, having been unanimously re-elected by the institution's highest authority, the Ministerial Council, in June 2013.

## GLOSSARY

### Agenda 21

Agenda 21 is a non-binding, voluntarily implemented action plan of the United Nations with regard to sustainable development.

### BADEA

Arab Bank for Economic Development in Africa

### CAF

Development Bank of Latin America, also known as Andean Development Corporation

### CFC

Common Fund for Commodities

### DFIs

Development Finance Institutions

### EPI

Energy for the Poor Initiative

### FAO

Food and Agriculture Organization of the United Nations

### FDI

Foreign Direct Investment

### FFPI

FAO Food Price Index

### G20

The European Union, Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, United Kingdom and the United States.

### G8

Canada, France, Germany, Italy, Japan, Russia, United Kingdom and the United States.

### GAFTA

Greater Arab Free Trade Area

### GDP

Gross domestic product

### GNI

Gross national income

### GNP

Gross national product

### HIPC

Heavily indebted poor countries

### HIV/AIDS

Human immunodeficiency virus infection / acquired immunodeficiency syndrome

### IEA

International Energy Agency

### IEF

International Energy Forum

### IFAD

International Fund for Agricultural Development

### IFC

International Finance Corporation

### IOCs

International oil companies

**IT**

Information Technology

**LDCs**

Least Developed Countries

**LICs**

Low-income countries

**LNG**

Liquefied natural gas

**LPG**

Liquefied petroleum gas

**mb/d**

million barrels per day

**MDGs**

Millennium Development Goals

**MENA**

Middle East and North Africa

**NEPAD**

New Partnership for  
Africa's Development

**NGOs**

Non-governmental organizations

**NOCs**

National oil companies

**ODA**

Official development assistance

**OECD**

Organization for Economic Co-  
operation and Development

**REEEP**

Renewable Energy and Energy  
Efficiency Partnership

**SE4ALL**

Sustainable Energy for All Initiative

**SMEs**

Small and medium enterprises

**SUV**

Sport utility vehicle

**UNCED**

United Nations Conference on  
Environment and Development

**UNCSD**

United Nations Commission  
on Sustainable Development

**UNCTAD**

United Nations Conference  
on Trade and Development

**UNFCCC**

United Nations Framework  
Convention on Climate Change

**UNIDO**

United Nations Industrial  
Development Organization

**WPC**

World Petroleum Council

**WTO**

World Trade Organization

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