

OPEC FUND NEWSLETTER

Vol. X, No. 5, May – August 2002



Fund Ministerial Council holds 23rd Session

Cuba: a first loan from OPEC Fund

Fund HIV/AIDS Program takes off

Saudi economy makes progress with reforms

UNDP and Arab Fund publish Arab Development Report

Venezuela holds exhibition at Fund

Fostering partnerships for development

The challenges of the 21st century are many. Governments and people, worldwide, face a widening gap between rich and poor, rising poverty levels, environmental degradation and the rapid spread of epidemics such as HIV/AIDS. To address these and related global challenges, 150 Heads of State and Government endorsed the *United Nations Millennium Declaration* at the September 2000 UN Millennium Summit, the largest gathering, until then, of world leaders. The Declaration sets out several important development goals for the international community to achieve by 2015, including the target of reducing world poverty by half.

The accomplishment of these ambitious objectives is far beyond the capacity of any one government or organization. Rather, it requires a long-term structural and strategic approach in concerted action with all stakeholders in the process. A global consensus, therefore, emerged that sustainable growth and development must be broadly based, and that partnerships at all levels have to play a central role in resolving the many complex, cross-border issues of our time.

In recognition of the growing importance of partnerships for development, a string of multilateral and bilateral conferences have been organized since the start of the new millennium to create synergies and strengthen collaboration among stakeholders in development at all levels. These include the United Nations International Conference on Financing for Development in Monterrey, Mexico in March 2002, the Fourth Ministerial Conference of the World Trade

Organization in Doha, Qatar in November 2001, and the UN Conference on the Least Developed Countries (LDCs) in Brussels, Belgium in May 2001.

The OPEC Fund welcomes the renewed emphasis on creating new, and promoting existing, partnerships for development based on *mutual rights and obligations*, which is an encouraging trend toward more effective forms of global governance.

Established in 1976, by the Member States of the Organization of the Petroleum Exporting Countries (OPEC), the primary focus of the OPEC Fund has been on South-South cooperation, particularly in the economic and technical fields, and on helping especially the poorer, low-income countries in the pursuit of their social and economic advancement. More recently, the Fund has worked to strengthen strategic partnerships with like-minded groups, notably the UN organs and specialized agencies, the Bretton-Woods institutions, the sister development organizations of OPEC countries, the G-24, and the G-77 and China.

Partnerships for development can exist at the global level, the North-South level, and among and within developing countries themselves.

On the one hand, the new focus on partnerships has heightened the awareness that development must be locally based and homegrown, underpinned by sound policies and strategies. It also should be participatory and transparent. The responsibility for reaching the millennium targets lies first and foremost with national governments, which should be in the driver's seat in eradicating

poverty by creating and maintaining a conducive environment for sustainable development at the country level.

On the other hand, strengthened efforts at the national and regional levels to reach the millennium targets could do with additional support from those in a position to do more. Financial resources need to be mobilized to raise the estimated US\$100 billion that will be required each year to reach the millennium goals – about twice the amount currently available in the form of official development assistance (ODA).

An important step in the right direction would be to increase the level of ODA, which is still nowhere near desirable levels. Furthermore, greater endeavors need to be made to accelerate the smooth integration of developing countries into the global economy by speeding up the process of trade liberalization, in particular market access in areas where the developing countries have a comparative advantage, such as agriculture and textiles.

More specifically, progress is required in liberalizing trade in agriculture and in removing agricultural subsidies currently provided to farmers in the developed world. Durable solutions to the problem of external debt would also go a long way toward easing financing bottlenecks in developing countries, as would greater participation by those countries in global decision-making.

The international community would do well to continue its common quest for genuine and lasting partnerships for sustainable growth and development, which may hold the promise of a better world for all. ■



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The *Newsletter* welcomes articles, reviews and photos on development-related topics, but cannot guarantee publication. Manuscripts should be typed and double-spaced, and should include a brief biographical note on the author. Unsolicited material will be acknowledged only if accepted for publication and will not be returned. Please direct letters to the Editor at the above address.

Front Cover:

Drying laundry in Havana. The first OPEC Fund loan to Cuba will co-finance the rehabilitation of the capital city's sewerage network and wastewater treatment facilities.
PHOTO: MICHAEL WESSELY

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HE Dr. Yousef H. Al-Ebraheem, Ministerial Council Chairman (center), with HE Dr. Saleh A. Al-Omair, Governing Board Chairman (left), and HE Dr. Y. Seyyid Abdulai, Director-General, at the meeting.

OPEC FUND EVENTS

Ministerial Council holds 23rd Session

The Fund's highest policy-making body, the Ministerial Council, met June 12 in Vienna, Austria for its 23rd Annual Session. Finance ministers, their representatives and other ranking officials of Fund member states, discussed and set fresh policies to guide the institution through the next 12 months. The Council re-elected the State of Kuwait to the Chair and the United Arab Emirates as Vice-Chair for a period of one year.

Renewed enthusiasm for development

In his opening address, Council Chairman, H.E. Dr. Yousef H. Al-Ebraheem reflected on one of the most important events of 2002 – the United Nations Conference on Financing for Development (FfD), a meeting attended by a record number of sovereigns and heads of state, including representatives from all OPEC Fund member countries. The FfD, said the Chairman, had “brought out the best in all participants.” Donor countries had not only pledged larger amounts of their resources towards the global aid effort, but had also displayed a “renewed enthusiasm” for development activities, accepting that there was “no workable alternative to lifting the world's masses out of poverty.”

Dr. Al-Ebraheem pointed to “increasing marginalization, weak policies and governance, civil conflict and ill health” as some of the greatest problems facing developing countries today. Growing external debt and decreases in official development assistance, he added, were creating further obstacles. There remained a need, he continued, to find sustainable solutions that focused on the *quality* of growth rather than just the *rate* of growth. For the OPEC Fund's part, he said, the institution had diligently kept pace with current trends by adjusting its mode of operation and expanding its range of activities in order to “keep up with new thinking.”

Fund committed to fighting poverty and marginalization

In his own statement to the Council, H.E. Dr. Saleh A. Al-Omair, Chairman of the Fund's Governing Board, gave a brief overview of developments in the world economy during 2001. Although a number of events had adversely affected economic growth, he pointed out that the ensuing slowdown had been less severe than anticipated. Nevertheless, he said, “the slide in global output and demand resulted in job losses, falls in income and hardship for millions of people.” Against

this background, the Fund had remained steadfast in its solemn promise to fight poverty and marginalization “by making optimal use of all tools and instruments at its disposal.”

Dr. Al-Omair referred, with satisfaction, to the successful conclusion of the Fund's 14th Lending Program, under which, for the first time, 100% of allocated resources had been committed. The Chairman described this achievement as testimony to the Fund's “ever-increasing capacity for judicious planning and careful monitoring of resources.”

Dr. Al-Omair also announced the imminent launch of an OPEC Fund Initiative against HIV/AIDS in Africa, which he depicted as a “major, groundbreaking scheme.” The initiative will benefit 12 severely affected countries in sub-Saharan Africa by delivering prevention, care, training and equipment. (See story, page 8.)

Tribute to member countries

H.E. Dr. Y. Seyyid Abdulai, Director-General of the Fund, presented Ministers with an overview of the institution's operational status. Cumulatively, and to the end of 2001, he reported, commitments had reached US\$6.2 billion and benefited 109 developing countries. Furthermore, over one half of the Fund's public sector lending approvals in 2001 had been directed towards the least developed countries. This “remarkable record,” he said, was largely due to the “unflinching support” of member countries, who had helped the Fund evolve into “a dynamic, highly respected development partner, with the experience, the drive and the means to provide real solutions to real needs.”

In addition, Dr. Abdulai drew attention to the “significant progress” made during 2001 with respect to the Fund's private sector window, which he said had expanded to include directly financed projects in sectors such as agro-industry, industry and services. “Such diversification is wholly in line with our stated objective to support a wide range of operations,” he stated. Private sector commitments in 2001, he informed Ministers, had been more than double those of the previous year, and solid steps had been taken to set up “strategic partnerships that would greatly enhance the Fund's operational capacity [in the private sector].” ■

Annual Report highlights Fund's accomplishments

The 2001 *Annual Report* of the OPEC Fund was released June 12, following its adoption by the Ministerial Council. Published in four languages – English, Arabic, French and Spanish – the Report details the Fund's activities during 2001, and gives a summary of operations since the institution's inception in 1976.

As detailed in the Report, some US\$396.1 million was committed through the Fund's lending and grant windows in the course of 2001, and US\$187.2 million was disbursed. Cumulatively, by the end of that year, total commitments and disbursements stood at US\$6,209.1 million and US\$4,108.2 million respectively.

Foreword of the Director-General

In his foreword to the Report – in a year that marked the 25th anniversary of the Fund's establishment – OPEC Fund's Director-General, H.E. Dr. Y. Seyyid Abdulai, paid tribute to the “generous support” of member states, which, he said, reflected the “unambiguous commitment of OPEC nations to South-South cooperation and the ideals of solidarity among developing countries.” The flexibility endowed on the Fund by its members, he continued, had placed it in a “key position to respond to the changing needs of its beneficiaries” and made it a valued development partner. One of the Fund's other strengths, he said, was its “diversified and long-established network of cooperating agencies, including sister institutions.” The goodwill of beneficiary countries, he noted, was also worth highlighting.

Dr. Abdulai spoke about some of the Fund's major achievements in recent years, describing them as a “clear indication of its [the Fund's] ability to stay relevant and adapt easily to current and new thinking in development cooperation.” These successes include the opening up of a private sector window, participation in the HIPC Initiative aimed at alleviating the debt burdens of the heavily indebted poor countries, and the launch of an HIV/AIDS Special Account to finance activities addressing the pandemic.

Looking to the future, the Director-General acknowledged the inevitability of new problems and fresh challenges, but asserted that the Fund would “anticipate the next 25 years with optimism . . . by broadening partnerships . . . and keeping its focus on issues of vital concern to cooperating countries.”

Public sector lending

In 2001, resources committed through the Fund's public sector lending window totaled US\$332.33 million. Of this amount, US\$273.83 million was extended as project lending and supported 47 development operations in 39 countries. A range of sectors benefited from this financing, with transportation (37.5%), education (22.2%), and water supply and sewerage (9.6%) taking the largest shares. Substantial resources were also directed towards the sectors of health and agriculture, as well as energy and telecommunications projects. Nine loans valued at US\$58.5 million were approved to provide debt relief within the framework of the HIPC Initiative.

Cumulatively to the end of 2001, the Fund had approved 913 loans, amounting to US\$4,873.7 million. In all, 109 countries spread throughout the developing world have been the recipients of Fund assistance. Africa has received 521 loans, Asia 245 loans, Latin America and the Caribbean 140 loans and Europe seven loans. Although all economic sectors have been covered by the Fund's operations, emphasis has been placed in recent years on the socially important sectors of education, health, water supply and sewerage and transportation.

Private sector operations

By the end of December 2001, cumulative private sector approvals had reached US\$111.73 million. Approvals for 2001 comprised five lines of credit worth a total of US\$20 million to private entities in Bolivia, India, the Maldives, Paraguay and Peru. The financing will be used to provide credit facilities to small, medium and micro enterprises in the concerned coun-

tries. In addition, two lines of credit in the amount of US\$20 million were approved for regional development banks in East and West Africa to allow these institutions to provide medium-term funding to development projects in their sub-Saharan Africa member countries. Private sector financing totaling US\$18.6 million was also approved for activities in the agro-industry, services and industrial sectors.

Grants

During 2001, the Fund approved 37 grants in the total amount of US\$5.21 million, of which US\$3.04 million was allocated to finance technical assistance schemes, US\$671,000 went to fund research and similar activities and US\$1.5 million was committed in emergency relief operations. On a cumulative basis, by the end of December 2001, the Fund had approved 568 grants valued at US\$251.8 million. Of this sum, US\$99.1 million was made available as technical assistance; US\$44.1 million was approved in support of emergency relief operations; US\$4.7 million sponsored research and similar activities; and a further US\$327,000 was committed for project preparation. In addition, a special grant of US\$20 million was extended to the *International Fund for Agricultural Development* (IFAD), and a contribution of US\$83.6 million was made to the *Common Fund for Commodities*.

Support to other Institutions

Among the various international institutions which have received OPEC Fund support since 1976 are IFAD, which supports rural development (US\$861.1 million), and the IMF Trust Fund, which benefits low-income member countries (US\$110.7 million). ■



First Fund loan to Cuba

US\$10 million to upgrade sanitation system in Havana

The OPEC Fund has joined forces with the government of Cuba to implement an extensive water supply and sanitation project in the capital, Havana. A US\$10 million Fund loan, the first to the Caribbean republic, will help finance rehabilitation of the city's wastewater treatment and disposal system, expanding coverage to 70% of the 2.2 million-strong population.

The project is an integral part of an ongoing investment program that aims to improve the quality and reach of water supply and sanitation services across the country. Nationwide, success to date has been substantial, with all but a fraction of Cubans receiving piped, clean water. On the sanitation front, however, the picture is not quite so impressive. Although over 90% of the population enjoy access to wastewater disposal services, not all are connected to a proper sewerage system. In fact, more than half makes do with inadequate septic tanks and latrines. Moreover, only one-third of wastewater is treated.



Havana's Vento Basin pumping station and water treatment plant (top), and wastewater treatment facility in Maria del Carmen.

Water pollution a health risk

Havana itself remains a special problem because of concerns over contamination of the city's main water source, the 402-km² Almendares-Vento watershed. Located directly beneath the Almendares River, the Vento aquifer provides Havana with around one-third of its potable water. Over the years, though, the improper disposal of industrial and residential waste has led to the watershed and its tributaries becoming polluted, resulting in serious health risks for the city's inhabitants. One of the major goals of the proposed project is therefore to improve wastewater management and protect this valuable water source.

New wastewater treatment plants

The project will target three municipalities in Havana – *Cotorro*, *Maria del Carmen* and *Puentes Grandes* – carrying out extensive improvements to the sanitation infrastructure. Both *Puentes Grandes* and *Cotorro* will receive new wastewater treatment plants, while the existing facility in *Maria del Carmen* will be upgraded to increase processing capacity. Additionally, distribution and adduction networks in all three project areas will be rehabilitated through the installation of some 260 km of new sewage pipes. These efforts, together with a considerable number of new connections, will eventually afford an estimated 1.55 million of Havana's population access to a reliable and efficient sanitation service.

Boost to tourism

Once the new system is operational – hopefully by the end of 2006 – the proper disposal of wastewater will reduce pollution of the Almendares River and alleviate the infiltration of contaminated water into the Vento aquifer. This will improve and protect the city's drinking water quality and curtail the risk of waterborne disease. Better environmental conditions are also expected to help strengthen local economic activities, particularly tourism, which represents an increasingly important revenue source for the country. ■

After 40 years of embargo and isolation, housing and infrastructure in Havana are in deteriorated condition. A Fund loan will help finance improvements in the municipal sewerage system.



PHOTO: MICHAEL WESSELY

SOURCE: RRI BELLER GIMBH CONSULTING ENGINEERS DORTMUND



Scenes from a Fund-supported CARE project in the West Bank. Since the Intifada began, the Fund has stepped up its grant assistance to Palestine in an effort to help relieve hardship and human suffering.

OPEC FUND EVENTS

Fund steps up aid to Palestine

Over the past few months, the Fund has significantly boosted its assistance to Palestine in response to the growing hardship faced by the beleaguered population of the West Bank and Gaza Strip. Between March and August, some US\$1.3 million in grant aid was approved to finance a number of humanitarian operations, the majority with a health care focus.

Since the onset of the *Intifada* in September 2000, living conditions among Palestinians have deteriorated drastically. The increased use of military force has resulted in widespread loss of life as well as the destruction of homes and essential infrastructure. Movement restrictions have undermined Palestinians' access to food, medical supplies and health care services, a situation compounded by soaring unemployment and poverty.

Medical services under pressure

With the recent escalation in violence and the attendant increase in serious in-

juries, hospitals and emergency services are struggling to cope. Indeed, the entire health care sector is under siege, as supplies of medicines, equipment and specialized staff dwindle to crisis levels.

Since March 2002, the Fund has given several grants to boost the delivery of vital medical care to Palestinians. In some cases, assistance has gone directly to hospitals. In others, grants have helped support projects for the provision of psychological counseling and physical rehabilitation services. For the most seriously injured, though, treatment abroad is often the only solution.

One organization making this possible is the *Austrian Committee for the Holy Land*. With assistance from the Austrian Federal and Provincial governments, as well as other donors including the OPEC Fund, the Committee arranged for the hospitalization and successful treatment of 54 critically wounded Palestinians in Austrian hospitals during 2001. This initiative is continuing, with Fund help, throughout 2002.

The plight of women

While few remain unscathed by the effects of Israeli occupation, it is often the women of Palestine that are most vulnerable, with the loss of male family members exposing them to greatly increased social responsibility. Nowhere is this situation more grave than in the West Bank governorate of Jenin, where economic activity has ground to a virtual standstill. Because of movement restrictions and infrastructure damage, farmers are physically unable to move their produce to market, leaving families desperately short of food.

A Fund-sponsored project, implemented in conjunction with *CARE West Bank and Gaza Strip*, has stepped in to address this problem. The initiative is providing some 375 households headed by women with domestic livestock, seeds and tools, as well as training in animal husbandry, gardening and food processing to enable them to engage in small-scale farming, become self sufficient in food, and eventually sell excess produce for profit.

A childhood of trauma

For many of these women, of paramount concern is the protection of their children, who are growing up with the legacy of the extreme violence that surrounds them. As well as witnessing killings and horrific injuries, large numbers of youngsters have seen their homes destroyed and family members arrested. The long-term impact of such experiences on their emotional, social and psychological wellbeing is almost too appalling to contemplate.

Working with the Jerusalem-based NGO, *Early Childhood Resource Center*, the Fund is supporting a project to help train teachers, parents and community leaders to care for traumatized children across Palestine. Through therapy and workshops, the primary aim is to re-integrate affected children into the community by developing their self-esteem, strengthening their coping mechanisms, and providing them with the skills to overcome trauma and loss.

In total, the Fund is currently co-financing eight separate operations to relieve social and physical suffering in Palestine. Cumulative grant assistance to Palestinians stands at over US\$18 million and the Fund aims to increase this level of support still further over the coming months. ■

Fund HIV/AIDS program gets underway

In June, the Fund announced the launch of the first operation within its HIV/AIDS program, approving a US\$8.11 million grant to finance an *OPEC Fund Initiative against HIV/AIDS in Africa*. Targeting 12 sub-Saharan countries, namely, Burkina Faso, Burundi, the Central African Republic, Ethiopia, Kenya, Malawi, Mozambique, Rwanda, Togo, Uganda, Tanzania, and Zambia, the scheme aims to scale-up prevention, support and care to the infected and to reduce vulnerability to the disease. It will be implemented in cooperation with the World Health Organization (WHO).

Impact on development

In recent years, the Fund has grown increasingly distressed by the human suffering and extensive loss of life caused by HIV/AIDS, and is particularly troubled by the developmental impact of the disease. By destroying human capital, eroding productivity and reducing growth, AIDS is undermining decades-long efforts to promote economic and social development, reduce poverty and improve living standards in the most disadvantaged regions of the world.

Africa worst hit region

Africa, particularly south of the Sahara, is the region of the world most severely affected by the virus. The statistics speak for themselves. In 2001 alone, the disease claimed the lives of 2.3 million people. With an estimated 3.4 million new infections that year alone, over 28 million Africans are now living with the virus. Without adequate treatment, most of them will not survive the next decade.

Economically, the disease has had a profound impact on growth, income and poverty, especially among the poorest segments of the population. Preying largely on young men and women – the productive backbone of society – AIDS is systematically decimating the labor force, robbing families of breadwinners, and forcing untold hardship upon communities already struggling to survive. Already, it is estimated that the annual *per capita* growth in half the countries of



WHO Director-General Dr. Gro Harlem Brundtland (right) and Fund Director-General HE Dr. Y. Seyyid Abdulai. The Fund will cooperate with WHO to fight AIDS.

sub-Saharan Africa is falling by 0.5-1.2% as a direct result of AIDS, a figure that could reach 8% in some of the hardest hit countries by 2010.

Support to national action plans

In acknowledgement of the cataclysmic ramifications of the epidemic, the majority of affected countries in Africa are expanding and upgrading their responses, many through the development of a national HIV/AIDS strategic plan. And it is in this area that the Fund is directing its contribution.

Working closely with WHO and the concerned national health authorities,

the Fund aims, as a first step, to help participating countries update their HIV policies and set guidelines for appropriate interventions. The next stage will involve capacity building to ensure that the necessary infrastructure for successful execution is in place across each country's health care sector. Once all the essential groundwork has been completed, the Fund will support implementation of key, targeted activities, primarily at district level.

Areas of focus

Each country has already identified fields of need that are most relevant to its actual context. In broad terms, these include the following: youth-friendly services for information and education; voluntary counseling and testing; mother-to-child transmission prevention strategies; provision of care and support to those infected; prevention and treatment of sexually transmitted infections; ongoing provision of safe blood supplies; and monitoring and surveillance measures at both national and district levels.

The Fund has been involved in the international dialogue on HIV/AIDS for many years, helping to broaden awareness and mobilize human and financial resources to fight the disease. The establishment of its Special HIV/AIDS Account in June 2001 marked a shift from dialogue to action, paving the way for the Fund to broaden its intervention and play a more "hands-on" role in the battle against the epidemic. With an initial endowment of US\$15 million, the Account aims to provide much needed financing for targeted mitigation efforts on the ground. ■



In Malawi, 15% of the children have already been orphaned by AIDS. By decimating the "middle generation," AIDS leaves affected families even poorer than before.

May – August 2002

May 2

Agreements signed

NAMIBIA. Encouragement and protection of investment agreement.

RWANDA. Encouragement and protection of investment agreement.



PHOTO: SEBRA FILM

With Fund assistance, Sri Lanka will rebuild damaged infrastructure, including dams and irrigation systems, in its war-torn provinces.

May 16

Loan agreement signed

SRI LANKA. US\$4 million. North-East Community Restoration and Development. Interest rate of 1.5% *per annum*. Executing agency: Ministry of Provincial Councils and Local Government. Loan administrator: Asian Development Bank (AsDB). Total cost: US\$38.6 million. Cofinanciers: AsDB, beneficiaries, governments of Germany, the Netherlands and Sri Lanka.

This loan will help finance a multi-faceted community development scheme that comprises capacity building and replacement of vital infrastructure in Sri Lanka's war-torn northern and eastern provinces. Health facilities will be rehabilitated, water supply and sanitation services restored and schools rebuilt. Other measures include the provision of agricultural extension services, the repair of irrigation systems and the development of inland and coastal fisheries. Transportation will be improved with the construction and upgrading of rural roads and bridges. Additionally, a voluntary resettlement program will be created for the displaced.

Agreement signed

SRI LANKA. Encouragement and protection of investment agreement.

May 17

Research grants approved

THIRD WORLD ACADEMY OF SCIENCES (TWAS). US\$100,000. This grant helped finance the continuation of a research program that aims to establish a permanent network among leading research institutions of the South and foster cooperation in tackling scientific and technological problems of common interest to developing nations. The Fund grant will be used towards the purchase of scientific apparatus, materials and specialized literature, and will also help cover the costs of researchers' exchange visits.

UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION (UNESCO). US\$40,000. This grant co-financed the project *Population and Perspectives for Development in the Arab World*, which aimed to produce pedagogical materials designed to enhance the understanding of basic demographics and population issues. A range of didactic material was prepared for use by curriculum developers, university lecturers, schoolteachers and other elements of civil society involved in both the formal and informal education sectors. The Fund grant was used to cover consulting expenses, the translation and reproduction of pedagogical items, as well as the organization of a seminar.

UNIVERSITY CHILDREN'S HOSPITAL, VIENNA. US\$75,000. This grant supports the two-year research study *Postnatal Transmission of Hepatitis C Virus (HCV)*, which aims to prove that infants cannot contract HCV from their infected mothers via breast milk. The study will have vital implications for developing countries, where breastfeeding is the safest, most economical and efficient means of providing infant nutrition, as well as preventing infant morbidity and mortality from diarrhea and other infectious diseases. The two-year study will be conducted by the University Children's Hospital in Vienna, Austria.

May 22

Loan agreements signed

ANGOLA. US\$9.39 million. Education II. Interest rate of 1% *per annum*. Executing agency: Ministry of Education and Culture. Loan administrator: African Development Bank (AfDB). Total cost: US\$24.43 million. Cofinanciers: African Development Fund (AfDF), Technical Assistance Fund of the AfDF, government of Angola.

This loan will help finance a scheme to strengthen the country's education system. Four of the neediest provinces will be targeted, namely, Luanda, Kwanza Sul, Benguela and Namibe. Works will include the construction of 244 primary school classrooms and rehabilitation of 122 existing ones, along with the provision of learning materials. The Skills Training Center in Luanda, which provides technical and vocational training and adult literacy programs, will also be refurbished and equipped. Over 7,000 teaching personnel will attend in-service training workshops in new course curriculum. A special job skills training program will also be developed for in/out-of-school youth, particularly girls and street children.

NIGER. US\$10 million. Public Works II. Interest rate of 1% *per annum*. Executing agency: *Agence Nigérienne de Travaux d'Intérêt Public pour l'Emploi*. Loan administrator: OPEC Fund. Total cost: US\$11.10 million. Cofinancier: government of Niger.



HE Mr. Ali Badjo Gamatie, Minister of Finance and Economy of Niger, signs the loan agreement. Right: HE Dr. Y. Seyyid Abdulai, Fund Director-General.

This loan will help finance the second phase of a scheme for the construction and/or rehabilitation of urban infrastructure. A series of sub-projects will use simple, labor-intensive methods to create employment opportunities for the country's large number of unskilled workers. Measures to increase the local production of building materials include the rehabilitation of an industrial brickyard and exploration of Niger's natural resource potential. A training and development component will strengthen the technical and managerial capacity of local consultancy and construction firms, and help small and medium enterprises learn how to be more competitive.

Agreement signed

NIGER. Encouragement and protection of investment agreement.

Debt relief agreement signed

NICARAGUA. US\$10 million. The agreement is within the context of the Enhanced Heavily Indebted Poor Countries (HIPC II) Initiative. Under the initiative, the OPEC Fund will provide Niger with extra financing to help the country focus on reconstruction efforts after the damage sustained by Hurricane Mitch and move towards a stable, long-term development strategy.



Professor Dr. Alberto José Altamirano Lacayo, Chargé d'Affaires, signed the HIPC Agreement at the OPEC Fund on behalf of Nicaragua.

May 29

Agreement signed

DJIBOUTI. The OPEC Fund and Djibouti signed an agreement for a grant of US\$1 million to cover the country's subscription to the Common Fund for Commodities.

June 12

Twenty-third Session of the Ministerial Council held

See story, page 4.

Ninety-ninth Session of the Governing Board held in Vienna

- Approval of seven loans worth a total of US\$36.31 million and two grants totaling US\$600,000.
- Approval of a grant of US\$8.11 million to finance the *OPEC Fund Initiative against HIV/AIDS in Africa*.
- Discussion of various matters related to the Private Sector Facility, including new investments and pipeline proposals.
- Consideration of various financial matters and operations under active consideration.

Project loans approved

- BOLIVIA.** US\$5.6 million. Otorongo-Cerro Pucara Road.
- ERITREA.** US\$0.91 million. Hirgigo Thermal Power Plant Rehabilitation.
- ETHIOPIA.** US\$4.8 million. Metu-Gore Road.
- GUINEA.** US\$5 million. Telimele Integrated Rural Development.
- JAMAICA.** US\$5 million. Rural Roads Rehabilitation.
- TANZANIA.** US\$5 million. Singida Water Supply.
- UZBEKISTAN.** US\$10 million. Karshi Pumping Cascade Rehabilitation.

The above loans have a 20-year maturity, including a grace period of five years, and carry interest rates ranging from 1% to 3.5%. There is an annual service charge of 1% on amounts withdrawn and outstanding.

Technical Assistance Grants approved

ARAB ORGANIZATION FOR AGRICULTURAL DEVELOPMENT (AOAD).

US\$400,000. This grant is to support a Rift Valley Fever (RVF) surveillance and control scheme in six affected Arab countries, namely Egypt, Mauritania, Saudi Arabia, Somalia, the Sudan and Yemen. RVF is a virus spread by mosquitoes and other biting insects, and its effects are particularly severe among livestock. Humans are also susceptible. Under the initiative, an early warning system will be established and advanced technological equipment used to help predict potential epidemics. In addition, Egypt's RVF vaccine-manufacturing facility will be expanded to boost production. The Fund's grant will be used for purchasing operational supplies for the early warning system and vaccine-producing facility.

INTERNATIONAL DEVELOPMENT ENTERPRISES (IDE).

US\$200,000. This grant is for a scheme to develop sustainable smallholder market systems in field locations across



Demonstrating a pump in Zambia. The IDE helps small farmers gain skills and knowledge needed to raise productivity.

Bangladesh, China, India, Nepal and Zambia. The first step will be to identify and develop suitable technologies to help increase agricultural productivity, followed by training and capacity building to help strengthen the farmers' knowledge and skills. Other activities include the establishment of farmers' associations, setting up links between smallholders and marketplaces and the design and provision of credit services.

June 13

Emergency assistance grant approved

PALESTINE. US\$200,000. This grant supported an initiative launched by the Arab Gulf Program for United Nations Development Organizations (AGFUND), to strengthen local health care services in the West Bank and Gaza Strip. Specific objectives include providing clinics and major health centers with drugs, medical supplies, equipment and ambulances; boosting the delivery of rehabilitation services to the injured; extending psychological counseling particularly to children; and, training health care personnel.

June 21

Debt relief agreement signed

SÃO TOMÉ AND PRÍNCIPE. US\$3.5 million. The agreement is within the context of the Enhanced Heavily Indebted Poor Countries (HIPC II) Initiative. Under the initiative, the OPEC Fund will provide São Tomé and Príncipe with extra financing to help free up resources to fund expenditures in education and health care, basic infrastructure development, and poverty reduction schemes.

June 24

Emergency assistance grant approved

I.R. IRAN. US\$200,000 This grant helped purchase relief items for victims of an earthquake that struck the Qazvin and Hamedan provinces in the northwest portion of the country on June 22. The quake left over 230 people dead, around 1,000 injured and at least 25,000 homeless. The OPEC Fund's contribution was used to help procure urgently needed items such as blankets, tents, food, stoves, shovels and lanterns, and was channeled through the International Federation of Red Cross and Red Crescent Societies.

June 27

Humanitarian aid grant approved

UNITED NATIONS FUND FOR POPULATION ACTIVITIES (UNFPA). US\$200,000. This grant was approved to help finance a program to restore basic health services in Palestine's West Bank and Gaza Strip. Activities include the rehabilitation and reconstruction of hospitals, clinics, family planning and women's health centers and nursing schools, as well as the provision of medical supplies and equipment. Integrated psychosocial counseling and support programs for traumatized women and their families will also be established.

July 11

Agreement signed

HONDURAS. Encouragement and protection of investment agreement.

July 31

Loan agreements signed

ALBANIA. US\$2.7 million. Water Supply Rehabilitation. Interest rate of 1.75% *per annum*. Executing agency: Ministry of Public Works. Loan administrator: OPEC Fund. Total cost: US\$11.27 million. Cofinanciers: International Development Association, government of Albania.



HE Mrs. Shpresa Kureta, Ambassador of Albania, visited the Fund to sign the loan agreement for a new water supply project.

This loan will support an initiative to rehabilitate distribution networks throughout the entire country, but the bulk of the work will take place in the municipalities of Durres, Fier, Lezhe and Saranda, areas experiencing the most acute shortages. Wells, reservoirs, central pumping stations and transmission mains will be repaired and reconstructed, and water quality will be brought up to World Health Organization standards through the installation of water purification chlorinators.

BENIN. US\$5.8 million. Akpro-Kpedekpo Road. Interest rate of 1% *per annum*. Executing agency: Ministry of Public Works and Transport. Loan administrator: Islamic Development Bank (IsDB). Total cost: US\$19.74 million. Cofinanciers: IsDB, government of Benin.

This loan supports an initiative to rehabilitate the 89-km long Akpro-Kpedekpo Road, an important corridor that passes through key agricultural territory. The road will be upgraded to bitumen standard and have drainage systems installed to curb flooding. Two 45-m bridges will also be constructed. Once completed, the movement of people and goods will be greatly improved, and those living in remote regions will benefit from better access to jobs and social services.

CUBA. US\$10 million. Almendares River Basin Rehabilitation. Interest rate of 3% *per annum*. Executing agency: National Institute of Hydraulic Resources. Loan administrator: OPEC Fund. Total cost: US\$17.83 million. Cofinancier: government of Cuba.

This loan will help finance a water supply and sanitation project in the capital city Havana. (See story, page 6.)

ETHIOPIA. US\$15 million and US\$4.8 million. Gore-Gambella and Gore-Metu Road. Interest rate of 1% *per annum*. Executing agency: Ethiopian Road Authority. Loan administrators: Arab Bank for Arab Economic Development in Africa (BADEA), OPEC Fund. Total cost: US\$33.83 million and US\$5.6 million. Cofinanciers: BADEA, government of Ethiopia. These two loans will help upgrade connecting stretches of the Metu-Gore-Gambella Road, which traverses rich agricultural land and is one of the country's chief west-east links. This 171-km gravel stretch will be upgraded to double bitumen standard, drainage structures installed, and worn bridges repaired. Once completed, thousands of families living in the project area will enjoy safer, more efficient travel, and the entire country will benefit from the expected boost to the economy from increased agricultural activity.

GHANA. US\$6.67 million. Anyinam-Kumasi Road Rehabilitation. Interest rate of 1% *per annum*. Executing agency: Ghana Highway Authority. Loan administrator: AfDB. Total cost: US\$22.17 million. Cofinanciers: AfDF, government of Ghana.



PHOTO: MONICA LADURNER

Ghana plans to upgrade the Anyinam-Kumasi Road and build a bridge with Fund financing.

This loan will support an initiative to upgrade the country's 85-km Anyinam-Kumasi route, an important stretch that passes through major agricultural and commercial areas, and forms an integral part of the corridor linking the capital city Accra with neighboring Burkina Faso and Côte d'Ivoire. Under the project, damaged sections will be repaired and the entire stretch asphalted. As well, a two-lane bridge will be constructed in Anyinam, and flood protection measures installed.

MALAWI. US\$9.5 million. Liwonde-Naminga Road. Interest rate of 1% *per annum*. Executing agency: National Road Authority. Loan administrator: OPEC Fund. Total cost: US\$10.51 million. Cofinancier: government of Malawi.

This loan will support a project to upgrade a 23 km-long section of the strategic Liwonde-Naminga Road. The road will be rehabilitated to bitumen standard and three km of new road built to serve as the Liwonde bypass. A new bridge will be constructed over the Nubuzi River, and an existing one repaired. Road safety will be enhanced through the provision of new traffic signs, road markings and guardrails, and culverts installed to prevent flooding.

MAURITANIA. US\$3.5 million. Multisectoral Poverty Alleviation. Interest rate of 1.25% *per annum*. Executing agencies: Project Implementation Unit, Commissariat for Human Rights to Combat Poverty. Loan administrator: United Nations Office for Project Services. Total cost: US\$22.94 million. Cofinanciers: International Fund for Agricultural Development (IFAD), beneficiaries, government of Mauritania.

This loan will help finance a multi-pronged scheme that aims to provide under-served communities with access to potable water and safe sanitation as well as education, health facilities and housing. Works will take place in the provinces of N'Bout, Kankossa and Ould Yenge in the southern part of the country. Institution strengthening across all sectors will complement the infrastructure development component. Twelve micro-credit institutions will be established to assist landless individuals and women in setting up their own small businesses.

MOROCCO. US\$15 million. Water Supply. Interest rate of 3.5% *per annum*. Executing agency: Department of Water within the Ministry of Public Works. Loan administrator: Arab Fund for Economic and Social Development (Arab Fund). Total cost: US\$87.9 million. Cofinanciers: Arab Fund, government of Morocco. This loan will help finance a project to alleviate water shortages along the coast between Rabat and Casablanca. The Sidi Mohammed Ben Abdullah dam will be raised by approximately 7.5 meters through the installation of a second 42 km-long spillway, more than doubling its current storage capacity. A new retention dam will be built at Bou Khmis on the Grou River, along with an outlet canal for transporting water to distribution centers in neighboring villages. The resulting reservoir will be capable of holding up to 180 million m³ of water. The extra storage volume will help meet present and future water needs, and provide flood protection in high-risk provinces.

MOZAMBIQUE. US\$9.2 million. Education IV. Interest rate of 1% *per annum*. Executing agency: Ministry of Education. Loan administrator: AfDB. Total cost: US\$24.29 million. Cofinanciers: AfDF, government of Mozambique. This loan will help finance a multi-faceted scheme that aims to improve education standards in four under-served rural provinces, Cabo Delgado, Nampula, Niassa and Zambezia, where six secondary schools will be upgraded and two new ones constructed. Each will be supplied with books and laboratory equipment, and dormitories built to house some 200 female students. Three Technical and Vocational Education facilities will be rehabilitated, while another will be converted into a teacher training college. Teachers and trainees across all levels will receive pre- and in-service instruction. A number of capacity-building programs will also be implemented to strengthen the entire education system.

SENEGAL. US\$6.25 million. Rural Roads. Interest rate of 1.25% *per annum*. Executing agency: National Implementation Unit, under the aegis of the Steering Committee. Loan administrator: AfDB. Total cost: US\$26.13 million. Cofinanciers: AfDF, rural communities, government of Senegal. This loan will help finance an initiative to rehabilitate deteriorated rural roads in the Diourbel, Louga, Fatick, Kaolack, Kolda, Saint-Louis, Tambacounda, Thiès and Ziguinchor regions. In total, some 1,800-km of roads will be upgraded, with the communities themselves defining the level of service re-



PHOTO: THE HAGAR PROJECT

Three beneficiaries at a soja plant operated by the Hagar Project, an NGO that helps destitute women and children in Cambodia.

quired through the help of training programs. This information, along with a study to evaluate which roads are in most critical need of rehabilitation, will determine the type of works to be undertaken. In all, some 90 rural communities, representing around 1.4 million people, are expected to benefit from the project.

Debt relief agreement signed

GHANA. US\$6 million. The agreement is within the context of the Enhanced Heavily Indebted Poor Countries Initiative. Under the initiative, the OPEC Fund will provide Ghana with extra financing which will help free up resources for funding expenditures in education, health, rural infrastructure development and other key poverty-reduction schemes.



PHOTO: CARE AUSTRIA

Carrying water in Jenin. A grant to CARE will help provide assistance to families headed by women in the West Bank.

Humanitarian aid grants approved

CARE, WEST BANK AND GAZA STRIP. US\$150,000. This grant provided assistance to

marginalized women in Palestine, with the aim of promoting food security and self-sufficiency. (See story, page 7.)

EARLY CHILDHOOD RESOURCE CENTER. US\$160,000. This grant supported a project designed to provide psychosocial support to Palestinian children traumatized by conflict. (See story, page 7.)

Research grants approved

INTERNATIONAL LAW INSTITUTE (ILI). US\$100,000. This grant helped finance an initiative that aims to establish a network of *Centers for Legal Excellence* in countries of the South, in order to help promote economic development and solve legal problems faced by developing countries. ILI plans to establish a global network of campuses that will link local needs with the knowledge and experience of international experts. As the campuses will be interconnected through the use of the Internet and other interactive technologies, educational opportunities will be expanded, helping reduce the "digital divide" that exists between developed and developing nations.

ISLAMIC ACADEMY OF SCIENCES (IAS). US\$35,000. This grant was approved to help finance the conference *Bridging the Science Divide* in Islamabad, Pakistan on October 14-17, 2002, which will focus on the subject of materials science and technology, highlighting, in particular, the influence of materials on healthcare, environment, communications and education. A series of sub-topics will examine the importance of developments in materials research to an improved quality of life. The event will bring together around 100 scientists working at the cutting edge of new materials research.

THE HAGAR PROJECT. US\$100,000. This grant helped finance a scheme to expand the activities of the Hagar Project, a non-governmental organization that provides social support to destitute Cambodian women and children. The Project has created small enterprises that offer poor women on-the-job training and employment opportunities. In order to reduce its dependency on donor contributions and insure the programs' sustainability, the Hagar Project will be privatizing one of its enterprises, Hagar Soya. The aim is to expand production through the construction of a new manufacturing plant, then channel the profits back into the Hagar Project's social programs.

August 1

Loan agreement signed

CAMEROON. US\$9 million. Abong Mbang-Bonis Road. Interest rate of 1.25% *per annum*. Executing agency: Ministry of Public Works. Loan administrator: Saudi Fund for Development (Saudi Fund). Total cost: US\$31.05 million. Cofinanciers: IsDB, Saudi Fund, government of Cameroon. This loan will help finance rehabilitation of the Abong Mbang-Bonis Road, which lies in the country's Eastern Province and passes through areas with enormous agricultural potential. This 103-km gravel road will be upgraded and two new bridges built in order to better support current traffic loads. Drainage systems and culverts will be constructed, and signaling devices installed. The scheme is expected to reduce vehicle-operating costs and make travel safer and more efficient.

Agreement signed

CAMEROON. Encouragement and protection of investment agreement.



PHOTO: MS. A. TARTIER

Inspecting a new bridge. Cameroon will upgrade the Abong Mbang-Bonis Road in its Eastern Province with co-financing from the Fund.



PHOTO: AUSTRIAN RED CROSS

In August, parts of Austria experienced the worst floods in a century. A grant to the Fund's host country helped provide emergency relief.

August 14

Emergency assistance grant approved

AUSTRIA. US\$200,000. This grant assisted victims of the extreme flooding in the Fund's host country, the Federal Republic of Austria, one of several European nations severely affected by the heaviest rains to sweep the continent in more than a century. Bridges were washed away, communication lines severed, utilities disrupted, agricultural land inundated, and homes and historical buildings destroyed. Entire communities were displaced, with many families forced from their homes to temporary accommodations. The Fund's grant helped contribute to the government's relief and rehabilitation efforts.

August 23

Humanitarian aid grant approved

PALESTINE. US\$200,000. This grant helped provide the *El-Wafa Medical Rehabilitation Hospital* in Palestine with urgently needed financing to allow it to cope with the growing number of patients who have been wounded as a result of the increased use of Israeli military force in the West Bank and Gaza Strip. The Fund grant helped purchase essential medical supplies and covered the remuneration of additional health care professionals for a period of 12 months.



PHOTO: EL-WAFA MEDICAL REHABILITATION HOSPITAL

A grant to the El-Wafa Hospital is helping save lives and relieve suffering by providing medical supplies and much needed additional personnel.

Meetings attended by the OPEC Fund

May – August 2002

May 3-12

SHANGHAI, CHINA
Thirty-fifth Annual Meeting of the Asian Development Bank.

May 25-31

ADDIS ABABA, ETHIOPIA
Annual Meeting of the African Development Bank.

June 23-26

DUBAI, UNITED ARAB EMIRATES
Fifty-third meeting of the Coordination Group of Arab/OPEC/Islamic Aid Development Institutions.

July 7-12

BARCELONA, SPAIN
Fourteenth Annual AIDS conference.

August 26-Sep. 4

JOHANNESBURG, SOUTH AFRICA
World Summit on Sustainable Development.



HE Dr. Y. Seyyid Abdulai, Fund Director-General (left), and HE Dr. Alvaro Silva Calderón, OPEC Secretary-General, at the Summit.

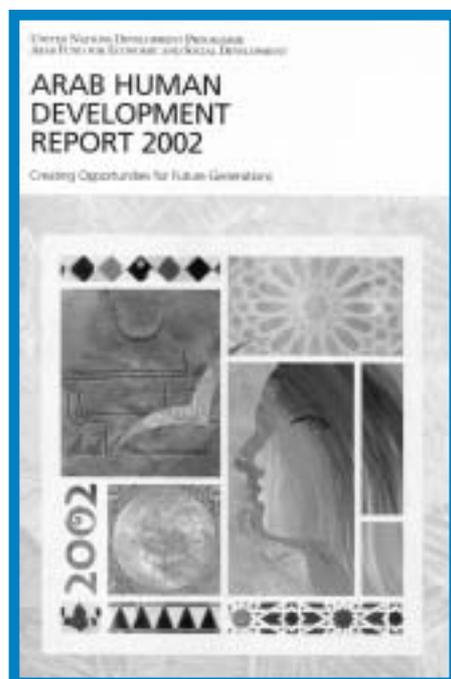
Arab Human Development Report, 2002 published

The United Nations Development Program (UNDP) and the Arab Fund for Economic and Social Development released in June a new report titled "Arab Human Development Report 2002." The Report, authored by a team of well-known Arab intellectuals, is the first UN Human Development Report devoted to a single region.

It deals, in eight chapters, with a wide range of social, political and economic issues in the Arab World. The first chapter outlines the basic methodology, definitions and concepts of development. Following the general approach adopted in the annual UNDP "Human Development Report," the Report defines development in terms of broadening the human choices and opportunities. The Human Development Index (HDI), commonly used in UNDP Reports, is a composite index that takes into account three broad categories of income, health and education. However, due to the limitations of relying on HDI alone, the authors have decided to consider in the case of the Arab World, additional development criteria such as human rights and knowledge (as measured in terms of computer literacy and connectivity).

Chapter 2 reviews the general state of human development in the Arab World, and cites a number of data deficiencies that are encountered in the region. In terms of HDI alone, the Arab World does not seem to be less favorable than other developing regions of the world. However, looking at other indicators, the Arab world was found to be lagging behind. In particular, the Report highlights the lack of progress in implementing reforms aimed at achieving civil and political rights, and improving women's role in the society.

Chapters 3-5 provide a detailed discussion of the basic conditions necessary for human development in the Arab countries. First, it analyzes the demographic profile, together with issues related to population health and physical environment. In this context, it is revealed



that the Arab world has one of the highest growth rates and that about 38% of its population falls below the age of 14. Second, it examines the current education system in the region, emphasizing its quality aspects, and making suggestions for future reforms. The Report concludes that about 65 million people in the Arab world are illiterate, of whom two-thirds are women. Third, the Report looks at the current mode for the utilization of human capabilities and the creation of a knowledge intensive society in the Arab World. In this regard, two areas are examined in detail: scientific research and development (R&D) and information and communications technology (ICT). Both aspects, R&D and ICT, are seen as key elements in the fights against poverty and unemployment in the region. The Report concludes that the region has a weak system of scientific research, and low access to ICT. Investment in R&D is less than one-seventh of the world average, and access to ICT is the lowest in the world: only 0.6 per cent of the population uses the Internet, and personal computer spread is 1.2%.

The focus of Chapter 6 is on a number of economic issues ranging from factor productivity and physical capital formation to income growth and distribution, employment, and poverty. At its ongoing rate of growth, it is expected that the Arab population will rise from its current level of 280 million to 449 million by 2010, leading to swelling unemployment, particularly among the youth. In order to bring unemployment to a manageable level by the year 2010, at least five million new jobs have to be created every year. This would require taking measures to reinvigorate economic growth through economic and institutional reforms aimed at promoting a strong private sector, eliminating regional conflicts, and deepening economic integration.

Chapter 7 discusses the issue of governance, considered as another essential element for improving human capabilities and reducing poverty in the Arab world. Good governance is characterized by wide-ranging political participation (including women's participation), the dominance of the rule-of-law, transparency, accountability, equity, and strategic vision among policy makers. The chapter looks at issues of political participation, legislative representation and civil-society action as channels of expressing popular will, and at the state of judicial reform as an aspect of accountability.

The last chapter deals with Arab cooperation and integration. It reviews Arab cooperation and joint action with regard to its underlying rationale (particularly in view of the new forces shaping the world geopolitical landscape), current state, institutions and achievements, and obstacles. The Report suggests that achievements in this area fell short of institutional and organizational structures elaborated over the past half-century. However, it also argues that increased cooperation among the Arab countries is both feasible (given the necessary commitment and political will) and necessary.

The main conclusion of the Report is that the Arab World is a region of great, but largely unrealized, potential. Several major causes are listed as being responsible for creating the development gap between Arab countries and other regions of the world that have fewer resources. While the Report's conclusions were critical of Arab society, it was, nevertheless, not entirely negative. It acknowledged that the standard of living in Arab countries, on the whole, is advanc-

ing; that life expectancy is longer than the world average of 67 years; and that education spending is higher than in many other developing countries. Other noteworthy observations made by the Report are those concerning the shortage of water resources and the declining amount of agricultural land available per capita in the area; from 0.4 hectare in 1970 to 0.24 hectare in 1998.

As expected with a Report of this nature, opinions vary widely. One line of criticism centers around the balance of presentation of various issues, and the degree of emphasis placed on each. Other critics charge that by aggregating the 22 Arab countries in a single group, the Report tends to produce broad generalizations that do not realistically reflect the situation of a number of individual countries. A third group questions the value of the Report's findings (and the timeliness of its data), and whether it leads to any conclusions or issues that were not known before. However, despite all the controversies, the Report remains a valuable and stimulating contribution to the the debate among intellectuals and policy-makers in the Arab World on how best to confront the challenges of human development. ■

Education for All campaign gains momentum

On June 2002, the World Bank announced its approval of 23 countries for its Education For All (EFA) fast track program, which aims at providing millions of children around the world access to quality primary education by 2015. Eighteen of the selected countries are from Sub-Saharan Africa, East and South Asia, Eastern Europe, Latin America and the Middle East. They will be eligible to receive additional financing to support their primary education programs.

The aid package to these countries will enable some 17 million children, who do not now attend school, to have the opportunity to complete primary education. The selection of the 18 countries was based on two criteria: having a full Poverty Reduction Strategy in place (by

the end of August 2002) and a sector-wide plan for education that has been approved by the donors and is being implemented effectively.

The other five countries are those with the largest numbers of children not in school – India, Pakistan, Bangladesh, Democratic Republic of Congo, and Nigeria. These countries were approved for an “analytical” fast track, rather than immediate financial aid. They will be receiving support to build capacity and establish the policies that are needed to enable them to eventually become eligible for the program.

Together, these 23 countries account for 50 million of the estimated worldwide total of 113 million children out of school. They are part of a larger group of 88 low-and middle-income countries, which will need special national and global efforts in order to achieve the goal of a complete primary education system for every girl and every boy by 2015. The World Bank plan calls for increasing annual education spending from US\$10 billion to US\$20 billion in the 88 poor countries, most of it financed by developing countries themselves. But the plan also requires a three- to five-fold increase in G-7 aid for education, totaling US\$7 billion a year. While almost every G-7 country supports the effort, the latest figures show that only a fraction of what is needed has been securely pledged.

Education is a fundamental instrument in the struggle to reduce poverty and inequality and achieve sustainable economic growth. Broad-based education is also essential for the creation of stable societies and knowledge-based, globally competitive economies. In today's interdependent world, economic prosperity and the reduction of global poverty cannot be accomplished unless all children in all countries can, at a minimum, complete primary education of good quality.

Some 113 million children worldwide are out of school, and 60% of these are girls. One in four children does not complete five years of basic education. ►



PHOTO: DAPP/HUMINA

A classroom in Zambia. The Education for All plan calls for doubling education spending in 88 countries, where 113 million children are growing up without the benefits of a basic education.

◀ Nearly one billion adults are illiterate. Almost all of these people live in developing countries. HIV/AIDS and violent conflicts compound the problem.

The issue of universal basic education was first introduced about 50 years ago with the *Universal Declaration of Human Rights*. Article 26 of the Declaration states that “Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages.” However, the immediate history of the campaign dates back to 1990, when the *World Conference on Education for All* was convened in Jomtien, Thailand by the UN and other major international organizations. The event was held in response to widespread concern over the deterioration of education systems during the 1980's. The conference ended with the adoption of the *World Declaration on Education for All* and a subsequent *Framework for Action to Meet Basic Learning Needs*, which placed the provision of basic education high on the world's political agenda and set the Year 2000 as the target date for achieving this goal.

By 1995, it had become clear that the targets would not be met by 2000. It was therefore decided at the *World Summit for Social Development* in Copenhagen, to shift the deadline to 2015. The lack of progress in implementation, numerous delays and the vague commitments by major countries caused a group of NGOs and teachers' unions to establish the *Global Campaign of Education* in late 1999. The aim of the campaign was to mobilize public pressure on governments and international institutions to expedite the implementation of the recommendations of the EFA declaration so that all children and adults would have access to free, quality public education.

Another milestone event was the *UN World Education Forum*, held in Dakar, Senegal, in April 2000. The Forum took stock of the achievements and renewed earlier commitments, particularly in pursuit of six comprehensive goals:

- improving early childhood care and education;
- ensuring by 2015 that all children have access to free, compulsory primary education of good quality;
- ensuring equitable access to life skills programs;
- achieving a 50% increase in adult literacy by 2015;
- eliminating gender disparities in primary and secondary education by 2005; and



PHOTO: UNESCO

Girls make up 60% of the children who are not getting an education, a fact the EFA campaign wants to change by 2005.

- improving all aspects of the quality of education.

During the *Genoa Summit* in July 2001, international efforts to achieve EFA came closer to becoming a reality. The major industrial countries of the world came under increased pressure to affirm their commitments to help countries meet these goals and decided to estab-

lish a task force to advise them on how the G-8 could best support the goals of the *Dakar Framework for Action*, particularly, the goal of achieving universal primary education and equal access for girls. The Report, which was completed in June 2002, was endorsed by the leaders during the *2002 Summit*, in Kananaskis, Canada. The main recommendations of the task force focused on the need for strong political commitment to education on the part of developing countries, backed by adequate resources, increased and more effective aid by donors and improved monitoring and assessment of progress. Consequently, the G-8 pledged to significantly increase support from their bilateral aid agencies to countries that demonstrated a strong policy and financial commitment to education, and to take the World Bank's list of fast track countries fully into account in its efforts to achieve universal primary education. ■

DEVELOPMENT NOTES

Islamic finance instruments: issues and trends

Islamic finance is emerging as a rapidly growing segment of the financial sector in the Islamic world, as well as in many other countries with a sizable Muslim community. According to some estimates, more than 100 financial institutions in over 50 countries practice some form of Islamic finance. The market's current annual turnover is estimated to be about US\$200 billion, compared with a mere US\$5 billion in 1985.

The main feature of Islamic financing is the prohibition of transactions involving fixed or predetermined interest payments. Other defining principles include the prohibition of unnecessary risk or gambling-like behavior and the exploitation of ignorance; therefore making speculative activities unacceptable. Equally important, for a financial transaction to be labeled as Islamic, it must be confined to economic activities that are themselves lawful and conform to certain religious standards (e.g., equity investment must not be made in firms which produce alcohol).

Currently, retail banking is the most developed part of the Islamic financial system. In some countries, like IR Iran and Pakistan, the State requires banks to be fully compatible with Islamic law. In others, such as Egypt, Indonesia, Malaysia, the Sudan and the GCC countries, Islamic banking exists alongside conventional banking.

The range of financing instruments provided by Islamic Banks are varied, matching to some extent those offered by traditional commercial banks. For example for debt financing, there is *Qard Al-Hasanah* which provides service-charge-only loans for humanitarian or welfare needs, and the *Murabaha* and *Bai' Muajal* based on the sale of goods on a deferred payment basis, or the cost-plus sales *Bai' Salam* for forward contracts. There are also a number of non-debt instruments that include the *Mudarab*, a form of financing based on contractual profit sharing agreement, and direct equity participation financing

labeled as *Musharakah*. Other instruments include leasing financing (*Ijarah*) and insurance (*Takaful*).

One of the problems facing Islamic financing has been the lack of liquidity-management instruments. However, in recent years, more such instruments have emerged through the increased use of asset-backed securities. The process of securitization involves the unbundling and repackaging of a financial asset to enhance its marketability, negotiability and liquidity. Islamic funds represent the initial application of securitization. Funds managed by Islamic banking and financial institutions are currently estimated at more than US\$140 billion worldwide. There are three types of Islamic funds: equity, commodity and leasing. Equity funds represent the largest share of the Islamic funds market. They are conventional mutual funds that deal exclusively in shares of companies that have their mode, operation, and capital structure conforming to Islamic law. Commodity funds invest in base metals. Leasing funds pool auto, equipment, and aircraft leases and issue tradable certificates backed by the leases.

Islamic financing can play a vital role in the economic development of Islamic countries by mobilizing dormant savings that are being kept out of interest-based financial channels and by facilitating the development of capital markets. However, further growth and development of the Islamic financial system will largely depend on the pace and the nature of innovations in the market. Most of the developments in the field of Islamic finance so far have been in areas related to retail banking. There are many challenges that still need to be addressed to enable the expansion of Islamic financing into a well-functioning full-fledged system.

Apart from the need to continue to keep the pace of financial innovations at par with fast developments in commercial banking, there are also other important areas that need further development. These include improved prudential regulations and supervision, risk and liquidity management, accounting standards, secondary markets for Islamic securities,

and Islamic monetary and public debt management instruments.

One earlier collective attempt to cover some of the deficiencies was the establishment of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in 1990. Its stated function is to prepare accounting, auditing, governance, ethics and *Sharia'a* standards for Islamic financial institutions.



The Islamic Development Bank in Jeddah, Saudi Arabia has played a leading role in promoting Islamic banking since 1975. The Bank awards prizes in Islamic banking and Islamic economics.

PHOTOS: ISDB

rates, Saudi Arabia, Indonesia, Iran, the Sudan, Pakistan, Bahrain and Lebanon (observer) – in collaboration with the Islamic Development Bank and AAOIFI.

The IMF has also participated in these efforts by coordinating the group and convening several consultative meetings to facilitate the exchange of views among Fund governors on the objectives and structure of the IFSB. The IFSB will be governed by a council of governors made up of founding members, and will be chaired on a rotation basis in alphabetical order of the member countries.

Its main tasks will be to: (1) set and disseminate standards and core principles – as well as adapt existing international standards – for supervision and regulation, consistent with the *Sharia'a* principles governing the industry, and for voluntary adoption by member countries; (2) coordinate and cooperate with other standard-setters in the areas of monetary and financial stability; and (3) promote good practices in risk management in the industry through research, training, and technical assistance. By so doing, it is expected that the Board will contribute to ensuring the soundness and stability of the Islamic financial system, and promote confidence in the integrity of the system that will pave the way for its global development.

The second body, the IIFM, seeks to facilitate the establishment of a structured global Islamic financial market, and enhance the cooperative framework and cross-border financial transactions among Islamic countries and financial institutions. The

operational framework of the IIFM can be broken down into several parts: I) issuing Islamic financial instruments, II) trading of instruments, III) liquidity facility, and IV) clearing and settlement. A Board composed of the four member countries and the Islamic Development Bank will supervise the activities of the IIFM. The organization will also have a Market and Product Development Committee (MPDC) in charge of research on *Sharia'a* compatible financial products, and a *Sharia'a* Supervisory Committee (SSC) to endorse products to be traded in the IIFM. ■

Two more recent attempts to remedy some of the shortcomings are the establishment of the Islamic Financing Supervisory Board (IFSB) in Malaysia in May 2002 and the International Islamic Financial Market (IIFM) in Bahrain in August 2002. The IFSB will serve as an association of institutions that are responsible for the regulation and supervision of the Islamic financial services industry. The decision to establish the IFSB is the culmination of an extensive two-year consultative process initiated by central banks from 10 countries – Malaysia, Kuwait, the United Arab Emi-

IsDB steps up development financing

The Islamic Development Bank (IsDB) increased its development assistance dramatically in 2001, according to figures published in the organization's most recent Annual Report. The total amount approved by the Jeddah-based Bank for various forms of development and trade financing amounted to more than US\$2.6 billion in FY 2001, up from approximately US\$2 billion in the preceding year.

Established in 1973 to foster social development and economic progress in Islamic countries and communities worldwide, the IsDB extends development financing to its member countries¹ in ways compatible with Islamic principles. The Bank is also charged with promoting trade, especially among and between its member states, and with providing technical assistance to member countries. In addition to project lending, technical assistance, trade financing and special assistance, the Bank has in recent years initiated other windows for encouraging development, including the Islamic Corporation for Private Sector Development and the Infrastructure Fund.

Strong increases in trade financing

While all its divisions performed strongly during FY 2001, the most outstanding increases were recorded by the Bank's trade financing operations, which, together, commanded the largest share of the year's total commitments. In all, 115 trade financing operations were approved for a total of US\$1.719 billion, more than double the amount in FY 2000 (US\$873.5 million).

The IsDB's two most important trade-financing windows registered especially impressive rates of increase during FY 2001. The largest by volume of financing, the *Import Trade Financing Operations* (ITFO), achieved a growth rate of 80% (from US\$674.8 million in FY 2000 to over US\$1.2 billion in FY 2001). The *Export Financing Scheme* (EFS) grew by an even more astonishing rate of 201% (soaring from US\$73.1 mil-

lion to US\$222.7 million). Together, net approvals for ITFO and EFS amounted to some US\$1.4 billion, a 91% increase over the preceding year.

The ITFO scheme finances imports of raw materials, intermediate goods and capital goods by member countries, thus enabling them to purchase goods needed for development. The EFS promotes exports from member countries by providing short- and long-term financing of exports to both member and non-member countries. Encouraging trade among the member countries is a special objective of both schemes, however, and in 2001, such intra-trade operations proved highly successful, growing by 103% over the previous year. ITFO financing for imports from member countries was up 80% over FY 2000, from US\$479.8 million to US\$976.5 million, while the EFS operations approved in 2001 financed intra-trade exclusively.

The *Unit Investment Fund* (UIF) and the *Islamic Banks Portfolio* (IBP), which are responsible for raising additional market resources to facilitate private sector development and promote interna-

tional trade in member countries, also registered remarkably large increases in trade financing in 2001. UIF approvals increased no less than five-fold, jumping from US\$19 million in 2000 to US\$95 million in 2001; while IBP approvals increased by 78%, from US\$106.6 million to US\$190 million.

Traditional development operations

During FY 2001, the Bank also financed 82 projects and 30 technical assistance programs, amounting to US\$855.7 million. The amount for these "traditional operations" exceeds the figure for the previous year by 5.2%.² Of the total amount approved, US\$824.5 million (98.5%) was allocated to project financing, while US\$13.2 million went for technical assistance. Project loans accounted for 31% of the Bank's total financing for the year.

The *Waqf Fund*, which supports various worthwhile causes and emergency assistance operations, financed 47 such operations in 2001, benefiting five member and 20 non-member countries, for a total US\$13.33 million. Established in 1979, the *Waqf Fund* not only extends grants to provide humanitarian relief, but also aids Islamic communities throughout the world. It also finances training and technical assistance to help recipient countries re-orient their banking and financial systems to conform to Islamic law.



The Maloso Irrigation Project in Indonesia was co-financed with a project loan from the Islamic Development Bank.

PHOTO: ISDB

Geographical and sectoral distribution

In 2001, IsDB loans, technical assistance and various trade-financing schemes benefited a total of 40 member countries and five regional bodies. Of these recipients, 18 are classified as least developed member countries (LDMCs).³ In all, 16 of the loans to these countries were financed through the Bank's Special Account for LDMCs.

The 53 member countries of the IsDB exhibit widely differing levels of development and financial status; the spectrum ranges from wealthy Gulf states to least developed, sub-Saharan African or southeast Asian countries. Most of the traditional development projects financed by the Bank benefit the LDMCs and low-income member countries, which are eligible for highly concessional financing. In 2001, financing extended to the LDMCs and the countries in the Commonwealth of Independent States (CIS) constituted about 32% of the total approvals, up from 24% in 2000.

About 30% of the 112 traditional operations approved in 2001 went to projects in the social sectors, particularly health and education. Public utilities took 36%

of the total financing; transport and communications 19%; and agriculture 11%; while financial services and Islamic banks, together, received 4% of the total.

Cumulative figures

By the end of March 2001,⁴ the 2001 approvals had brought the Bank's cumulative net commitments to US\$23.5 billion. Of that amount, US\$7.1 billion (98%) was earmarked for project loans, US\$135.15 million for technical assistance operations, US\$15.7 billion for trade financing, and US\$511.1 million for donations to various causes through the *Waqf* Fund.

Gross disbursements from the Bank's "ordinary operations," including import trade financing operations, came to US\$796 million in FY 2001, as compared with US\$1 billion in the previous year. The total disbursements in FY 2001 bring the Bank's cumulative disbursements to US\$14.7 billion.

Other developments in 2001

At its 197th meeting, the Board of Executive Directors approved a proposal for establishing an International *Waqf* Foundation (IWF) to provide IsDB financing for a variety of charitable projects in support of the Moslem *Ummah* (communi-

ty) worldwide. The IWF will help relieve poverty, assist students and grant scholarships, especially in the sciences and technology, establish and support educational, health and social institutions and programs, and undertake other activities "in line with *Waqf* objectives."

The year also saw the Bank adopt new policies designed to encourage better utilization of its lines of financing by national development banks and to expand its involvement in financing micro, small and medium-sized enterprises in LDMCs. It also decided to continue its policy of ranking Albania, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan and Turkmenistan as low-income countries, thus making them eligible for concessional financing. ■

1 All IsDB member countries are also members of the OIC, the Organization of the Islamic Conference.

2 This percentage assumes that a special, one-time allocation of US\$158 million, which was made in FY 2000, is excluded from the comparison.

3 Twenty-three IsDB member countries are classified as LDCs, namely, Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, the Gambia, Guinea, Guinea-Bissau, the Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, the Sudan, Togo, Uganda and Yemen. The Bank also regards Palestine as an LDC.

4 The IsDB fiscal year 2001 corresponded to the lunar *Hijra* year 1421, which ended March 25, 2001.

+++ Diary of other OPEC aid institutions +++ May - August 2002 +++

BADEA

May 24

Loan agreements signed

Angola. US\$3.4 million. Construction of the Secondary Technical School in Lobito. Interest rate of 1%. Maturity of 28 years, including a six-year grace period.

The loan will co-finance the construction of a school for secondary technical education and training, which is needed to increase the country's qualified labor force.

Gambia, The. US\$10 million. Construction of the Farafenni - Laminkoto Road. Interest rate of 2%. Maturity of 25 years, including a five-year grace period.

The project will construct a 115 km-long road to improve transport efficiency and road safety, and to link the country's isolated eastern region with other areas.

Malawi. US\$5 million. Naminga - Mangochi Road (supplementary loan). Interest rate of 2%. Maturity of 25 years, including a four-year grace period.

The project will construct a single-lane, asphalt road 143 km in length, equipped with drainage and safety structures. When completed, the new road will facilitate the transport of agricultural products to markets and export centers.

May 31

Loan agreement signed

Ethiopia. US\$1 million. Gore - Gambella Road Project. Interest rate of 1%. Maturity of 28 years, including a six-year grace period.

The project will rehabilitate and upgrade a 145 km-long stretch of gravel road, construct bridges and drainage structures, and install traffic signs and other safety features.

June 26-28

Board of Directors meeting held

Project loans approved

Benin. US\$3.15 million. Akpro - Misserete - Kpedekpo Road.

Niger. US\$3.2 million. Food security project in the Dosso and Tilla Berry provinces.

Rwanda. US\$5 million. Rehabilitation of three hydroelectric stations.

Senegal. US\$3.8 million. Reclamation of irrigated areas in Ba-keel Province.

Tanzania. US\$5.5 million. Singida Water Supply.

Technical assistance approved

Mozambique. US\$350,000.

Feasibility study for a solid waste disposal project in Maputo.

Niger. US\$300,000.

Institutional support for the Permanent Secretariat of the National Committee for Early Warning and Management of Catastrophes.

Regional. US\$250,000.

Institutional support for the Lake Chad Basin Authority.

Senegal. US\$170,000.

Participation in the Arab-Afro Exhibition and the Conference of the Construction and Building Industry in Dakar.

Tanzania. US\$460,000.

Institutional support for the Meteorological Agency.

Uganda. US\$185,000.

Institutional support for the Ministry of Public Works, Housing and Communication.

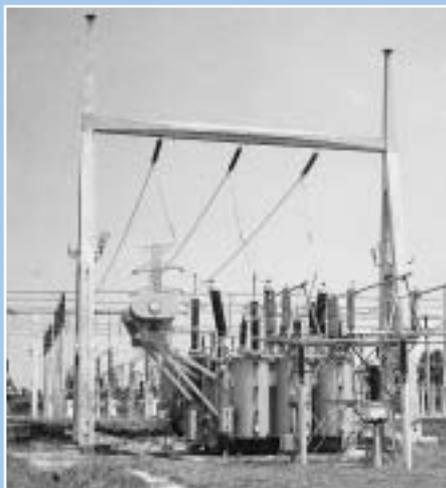
July 26

Loan agreements signed

Burkina Faso. US\$9.3 million. Bobo Dioulasso - Dedougou Road. Interest rate of 1%. Maturity of 30 years, including a ten-year grace period. The project will help improve transport conditions in the northwest of the country. By providing a link to the city of Bobo Dioulasso, the road, which also will also connect the project area with Mali and Côte d'Ivoire, will encourage the development of economic activities and tourism.

Cameroon. US\$14 million. Ayou - Bonis Road. Interest rate of 2%. Maturity of 24 years, including a five-year grace period. The project will rehabilitate a 190 km-long earth road that is part of a link between Douala, the main seaport, and the city of Garwa Boulai on the border with the Central African Republic (CAR). The road will facilitate travel and transport between the eastern part of Cameroon, an area with great agricultural potential, and markets in the capital Yaounde and the landlocked CAR.

Mali. US\$5.2 million. Development of Fisheries Resources in Selinji Lake. Interest rate of 1%. Maturity of 28 years, including a six-year grace period. The project will develop traditional fishing in the area along the border with Guinea. It aims to increase fish production, create employment opportunities, and raise incomes and food security. It will also contribute to sustainable utilization of fisheries resources and help reduce rural emigration.



A BADEA project in northern Mozambique will expand the electricity network.

Mozambique. US\$8.6 million. Power Transmission in Cabo Delgado Province. Interest rate of 1%. Maturity of 30 years, including a ten-year grace period. The project will expand the electricity network in the north of the country, thus helping to create new job opportunities for the rural population and reducing poverty. By offering an alternative to burning fuelwood, electricity will contribute to environmental protection. Small and medium-scale industries and agricultural activities are also expected to benefit.

Namibia. US\$6.7 million. Brakewater - Okahandja Road Rehabilitation. Interest rate of 3%. Maturity of 24 years, including a four-year grace period. The project will contribute to a government program for improving transportation by upgrading a section of the national road network to reduce traffic congestion, strengthen safety and efficiency, and lower travel time and transport costs.

Niger. US\$3.2 million. Food Security in Dosso and Tillaberi. Interest rate of 1%. Maturity of 28 years, including a six-year grace period. The project will help increase food security, alleviate poverty, create agricultural jobs, protect natural resources and reduce the need for food imports. It will also provide potable water, improve social services and construct classrooms and health centers.



Niger will work to boost food security in Dosso and Tillaberi with BADEA financing.

Seychelles, The. US\$4.4 million. Maritime Training Center. Interest rate of 2%. Maturity of 25 years, including a five-year grace period. The loan will help develop a technical training center for artisanal and semi-industrial fishing and maritime sciences by financing the procurement of facilities and equipment. Some 120 trainees will benefit annually.

Uganda. US\$9.41 million. Water supply and Sanitation for Small Towns. Interest rate of 1%. Maturity of 30 years, including a ten-year grace period. The project aims to meet current and future demands for potable water for Soroti, Seronko and Cabira Maidu, three cities in the eastern part of the country, and to provide water and sewerage systems in a number of smaller towns in that area.

ISLAMIC DEVELOPMENT BANK

May 6

Meeting of the Board of Executive Directors held

Project loans approved

Azerbaijan. US\$9 million.

Reconstruction of physical and social infrastructure damaged by the earthquake.

Chad. US\$6.2 million.

Construction of 20 health centers in Biltine.

Egypt. US\$7.5 million (instalment sale financing). Development of the Nile Navigation Route (Cairo - Aswan).

Egypt. US\$21.3 million

(loan and instalment sale financing). Construction of a teaching hospital at Al Azhar University in Cairo.

Iran, I.R. US\$12.5 million.

Line of financing to the Keshavarzi Bank.

Pakistan. US\$9 million

(instalment sale financing). For the Karachi University Third World Center for Chemical Sciences.

Sudan, The. US\$27.5 million

(lease financing). For a load dispatching center.

Syria. US\$5 million.

For the Tannery Waste Collection and Treatment Project in Damascus.

Technical assistance approved

Algeria. US\$375,000.
Capacity building for the Pasteur Institute.

Togo. US\$305,000.
Feasibility study for a rural electrification project.

Asset management financing approved

Bahrain. US\$5 million.
Participation (by the IsDB Unit Investment Fund) in the share capital of the Liquidity Management Center.

Special (Waqf Fund) assistance approved

China. US\$615,000.
Reconstruction of eight schools damaged by recent floods.

India. US\$190,000.
Construction of a primary school and vocational training center for girls in Anjar, Gujarat State (from the IsDB Relief Grant for the Victims of the Gujarat Earthquake).

India. US\$300,000.
Reconstruction of three model schools destroyed by the earthquake in Gujarat State (from the IsDB Relief Grant for the Victims of the Gujarat Earthquake).

Trade financing operations approved

Algeria. US\$24 million.
For wheat imports.

Bangladesh. US\$25 million.
Imports of crude oil and refined petroleum products.

Bangladesh. US\$25 million.
Imports of crude oil and refined petroleum products.

Egypt. US\$25 million.
Imports of basic commodities.

Egypt. US\$25 million.
Imports of basic commodities.

Iran, I.R. US\$10 million.
Imports of crude palm oil (by the Kesht Va Sanat Shomal Company).

Iran, I.R. US\$15 million.
Imports of prilled urea and NPK fertilizer from Saudi Arabia.

Iran, I.R. US\$3.76 million.
Imports of granular triple super phosphate from Tunisia.

Kuwait. US\$20 million.
Export financing in favor of the Commercial Bank of Kuwait.

Pakistan. US\$25 million.
Imports of petroleum and petroleum products.

Pakistan. US\$25 million.
Imports of petroleum and petroleum products.

Pakistan. US\$25 million.
Imports of petroleum and petroleum products.

Pakistan. US\$15 million.
Imports of fuel oil from the United Arab Emirates (UAE).

Pakistan. US\$15 million.
Imports of fuel oil from the UAE.

Technical assistance and other projects approved

Bahrain. US\$163,800.
Study and development of the Zakat Management System to enhance the role of Bahrain Zakat Fund.

Palestine. US\$640,000.
Emergency assistance grant to supply essential food items, tents, water tanks, fire extinguishers and first aid kits to the besieged population.

Sahel countries. US\$180,000.
Preparation of a standard primary school design for future IsDB-financed school projects.

Turkey. US\$3,941,194.
Exercise of pre-emptive rights in the equity capital increase of the Kuwaiti-Turkish Evkaf Finance House.

July 22

Meeting of the Board of Executive Directors held

Project loans approved

Bangladesh. US\$3.76 million.
Islamic University of Technology (Phase II).

Burkina Faso. US\$7.5 million.
Education Project III.

Malaysia. US\$27.9 million.
Ministry of Health Hospital.

Technical assistance grant approved

Niger. US\$285,000.
Feasibility study for the Goure - Djadjiri Road Project.

Special assistance grants approved

Bosnia and Herzegovina. US\$50,000.
Grant to Bosnian students to establish private projects after graduation.

Burundi. US\$215,000.
Construction of a secondary school.

Côte d'Ivoire. US\$144,000.
Construction of the Abdullah Ibn Masoud School.

India. US\$110,000.
Construction of a girls' school and hostel in Assam.

Kosovo. US\$307,000.
Construction of a school within the King Fahd Cultural Center in Pristina.

Nigeria. US\$200,000.
Construction of a school for the First Islamic English Education Foundation.

Thailand. US\$221,000.
Construction and equipping of a career training center.

USA. US\$243,000.
Construction of the Al Huda Academy in Little Rock, Arkansas.

Trade financing approved

Egypt. US\$25 million.
Imports of basic commodities.

Egypt. US\$5 million.
Line of import trade financing to the Principal Bank for Development and Agricultural Credit.

Indonesia. US\$10 million.
Line of import trade financing to Bank Rakyat.

Iran, I.R. US\$3.67 million.
Exports from Tunisia.

Pakistan. US\$25 million.
Imports of crude oil.

Pakistan. US\$25 million.
Imports of crude oil.

Turkey. US\$10.89 million.
Imports of raw materials for the paint and paper industries.



PHOTO: GCC

By simplifying customs procedures, the GCC Customs Union will promote the flow of goods, help make Gulf area products more competitive, and open the way for a Free Trade Agreement with the EU.

MEMBER STATES' ROUNDUP

GCC: further progress toward customs union

The Gulf Cooperation Council (GCC), during the recent 56th meeting of the *Economic and Financial Cooperation Committee* held in Oman on March 9, 2002, have cleared the last hurdle toward the creation of a *customs union* by 2003. The ministers of finance and economy of the GCC member states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – reached a draft agreement on the mechanism for the collective distribution of import duties, and a possible compensation Fund.

Several possibilities have been discussed, including a distribution of revenue based on percentages. Final details of the revenue sharing formula have not been made available, but it is understood it would be based on the average size of imports, GDP, and the population of each member country.

The draft agreement would be presented to the cabinet in each member state for approval before year-end. The agreement would be provisionally adopted for a period of three years, at the end of which it would be re-evaluated by

GCC members. At the same meeting, it was revealed that the finance ministers had tentatively approved the proposal to create a monetary union by 2005 and a single currency union by 2010. It was also reported that during these discussions, the ministers also considered various fiscal discipline measures – such as imposing a ceiling on public debt and the budgetary deficit – that are customarily needed to achieve a successful monetary union.

The GCC was formed in 1981 by the six Arab Gulf states, with the primary aim of promoting security and stability in the region, particularly through the integration of foreign and security policies. Other important goals are the coordination of economic, financial and monetary policies as described in the *Unified Economic Agreement* of 1983.

The varying level of import tariffs within the six-member GCC has been one of the major stumbling blocks toward GCC's economic integration. The process toward tariff unification among the member states was set in motion in

1994. In June 1998, following the agreement on the classification of most goods for external tariff purposes, it was tentatively agreed to set March 2001, as the date for the establishment of GCC customs union. At the 20th Session of the GCC Supreme Council in November 1999, the GCC leaders decided to postpone the introduction of the customs union until March 2005.

Meanwhile, they approved the rate for a common tariff at 5.5% for essential goods, notably foodstuffs, and 7.5% for luxury products including electronics, while some 50 products were given duty-



PHOTO: GCC

Most GCC states have already brought their import duties on a par, thus spurring trade and removing one of the obstacles to a customs union.

Indonesia: slow but steady recovery

free status, notably raw materials and products for industry and agriculture.

To expedite tariff unification, most of the GCC states have, in recent years, moved individually to bring their custom tariffs on a par. Some countries, like Bahrain, Oman and Saudi Arabia, had to lower their import duties, while others, such as the UAE, had to increase them. The distribution of import duties was the last problem the GCC finance ministers were required to overcome before moving ahead with the task. The latest move agreed in December 2001 in the Omani capital, Muscat, to bring forward the date for establishing the GCC customs union from March 2005 to January 1st, 2003 was motivated by increased urgency for creating a customs union with the EU.

The GCC member countries are keen to put a customs union in place as quickly and efficiently as possible. The customs union will allow goods that enter from any member country port to move freely into other member countries, therefore simplifying customs clearance procedures and promoting the flow of goods into the GCC. The union will also strengthen the GCC negotiating position with international economic blocs, improve the competitiveness of national products and expand the scope of the Gulf market.

The latest developments will also lead to restarting the negotiations for EU-GCC Free Trade Agreement (FTA), which were initiated over 13 years ago. The EU has insisted in the past upon a GCC customs union accord as a pre-condition for any further talks on FTA. Among the issues that the GCC members are looking forward to addressing is the high level of taxation imposed by the EU on Gulf petrochemical and aluminum products. The proposed FTA would provide for a progressive and reciprocal liberalization of trade aiming at assuring a comparable level of market access opportunities, consistent with the relevant provisions of the WTO. An FTA agreement would be beneficial to both sides.

The EU is the GCC's largest market and its second largest supplier after Japan. For the EU, apart from the evident strategic importance of the Gulf Region in terms of energy supply, the GCC is also the EU's sixth largest export destination. In 2001, EU exports into GCC reached US\$29 billion. The future agreement is expected not only to increase trade between the parties but also to diversify it both in goods and services. ■

While Indonesia's economy has not fully recovered from the 1998 crisis, some encouraging signs have emerged during the first half of 2002 showing that it is steadily improving. A recent strengthening of the *rupiah* against the dollar, a relatively manageable inflation rate, a downward trend in the benchmark interest rate, and a moderate rate of growth are among recent positive indicators.

In 2001, domestic political uncertainty and a global slowdown in trade and capital flows caused the Indonesian economy to relapse after the strong expansion in the year 2000. The GDP registered a modest growth of 3.3% as compared to 4.8% a year earlier, net exports were down on a national accounts basis by 26%, while inflation figures remained high at about 12%. However, despite the modest growth performance in 2001, the economy has managed to outperform most neighboring countries.

Strong growth in private consumption and public expenditures accounted for most of the growth in 2001, while business spending remained muted in response to political difficulties, despite the peaceful change in the presidency in July, which provided for a moment of calm

before the events of September 11th in the US and the subsequent rise in tension that again unnerved businesses.

During the first half of the 2002, and on account of growing political stability and the continued pace of economic reforms, markets have showed renewed strength. The *rupiah* exchange rate against the US dollar improved steadily during the first six months of 2002 from about 10,900 at the beginning of the year, to about 9,200 on May 31st. Inflation figures have edged up slightly during the first two months of the year to about 15%, partly in response to hikes in administrative prices in January and the impact of the floods in the first two months of the year, but later moderated to about 12%.

Since the peaceful power transition in July 2001, the Megawati Government has shown determined efforts towards implementing policy reforms. The government concluded a new *Memorandum of Economic and Financial Policies* on December 13, 2001, and has since successfully completed a number of reviews of the Extended Fund Facility (EFF) program; the latest of which, the sixth, was completed in June 2002, allowing the program to be extended until the end of 2003. ►

Bustling, modern Jakarta. Key policy reforms, initiated by the Megawati Government, are paving the way for further economic recovery and sustainable growth in Indonesia.



PHOTO: MINISTRY OF INFORMATION OF INDONESIA

◀ Smooth relations with the IMF will serve to ensure continued support from the Paris Club and strengthen the confidence of foreign investors. At the conclusion of the IMF's Executive Board discussion on Indonesia's economic and structural reform program, the First Deputy Managing Director and Acting Chair remarked in an upbeat statement about the economy:

The conclusion of the sixth review under the Extended Arrangement between Indonesia and the IMF is based on the continued strong performance under the program since the fifth review. Market sentiment and the macroeconomic outlook have improved. With continued implementation of the reform agenda, Indonesia has the opportunity to create the conditions for more rapid economic growth and a sustained reduction in poverty.

In its latest statement on the status of on-going reforms released under the sixth review of the EFF program, the government reported progress in implementing a number of structural measures related to the banking and financial sectors, corporate governance, the judi-

cial and legal systems, privatization of some banks, as well as measures to restore the health of the fiscal sector. In addition to these measures, the government has also continued its efforts to create a more conducive environment for sustainable development. Focus has been directed towards areas related to governance, decentralization, poverty alleviation, public education and health care, and the environment.

On *education*, new measures were introduced to strengthen basic education services, particularly to the nation's poorest communities. Efforts were intensified to bring about a more participatory process into the design of the national strategy, to develop and establish minimum service standards for a wide range of decentralized education services, and to develop financing and investment plans to improve basic education.

On *poverty*, the government established a *Poverty Reduction Committee*, involving local government institutions, and other governmental and non-governmental organizations. On *forestry*, crucial steps were taken toward improved forestry governance, particularly in areas such as forest law enforcement and forest industry re-structuring.

Further efforts are expected in the areas of illegal logging, forest fires, re-structuring the forest industry, rehabilitation and plantation development.

On *decentralization*, continued progress was achieved in dealing with issues arising from fiscal decentralization. Measures were taken to strengthen the framework of decentralization and regional autonomy and to create an equitable and efficient intergovernmental fiscal framework, to create effective supervision of regional regulations and to build capacity to support decentralization.

The macroeconomic outlook depends on a number of domestic and international factors. Domestically, political stability and increased consumer confidence will help boost spending and increase demand. Continued progress in implementing key policy areas such as fiscal sustainability, small-medium enterprise development, governance, justice, forest management, education, poverty agenda and aid effectiveness are expected to pay off, especially with regard to attracting foreign investment. The most crucial factor for future improvement will remain linked to the recovery of the world economy, which is needed to boost export performance. ■

MEMBER STATES' ROUNDUP

Saudi economy: moving ahead with economic reforms

With oil prices rebounding since early this year, the Saudi economic outlook in 2002 seems brighter than it appeared when the current budget was released late last year. However, despite the current improvement, the government of Saudi Arabia is determined to continue with the reform program it started in 1999.

Saudi Arabia has the largest oil reserves in the world (26% of the proven reserves), and ranks as the largest exporter of petroleum. Nevertheless, the economic and social policies of the past two decades have seen high population growth, a dependence on foreign labor, a weak private sector, and a narrowly diversified economic base. As a result, the

oil sector accounts for roughly 75% of government revenues, 40% of GDP, and 90% of export earnings. The Kingdom is host to roughly five million foreign workers; while by some estimates, unemployment among its own nationals is as high as 15%.

In an effort to address these problems, recent development plans and reform efforts have focused on objectives such as reducing unemployment and dependency on foreign labor, inducing economic diversification and increasing the role of the private sector as the main engine of growth and source of employment. Under the seventh five-year plan (2000-04) issued in 1999, the emphasis is put firmly on job creation, with the aim of

raising the proportion of Saudis in the total workforce from 44.2% to 53.2% by 2004. The private sector is expected to contribute some 71% of total investment, while overall average real GDP growth is targeted at 3.16% over the period of the plan. In an effort to stimulate growth and attract foreign investment, the Saudi government has taken several important measures to liberalize the economy.

A number of important reforms have been taken over the past three years. These include the establishment of a *Supreme Economic Council*, and the opening the stock market to foreign investors in 1999. In 2000, the government adopted a comprehensive privatization strategy, took steps to restructure some of the vital sectors such as power and transportation, approved a new foreign direct investment law, amended the real estate law to allow foreign ownership, and established new policy bodies such as the *General Investment Authority*, the *Supreme Tourism Authority*, and the *Supreme Council for Petroleum and Mineral Affairs*.

These efforts continued in 2001, with the establishment of regulatory bodies for telecommunications, electricity, and



PHOTO: MINISTRY OF INFORMATION OF SAUDI ARABIA

A resort in Saudi Arabia's Eastern Province. The Kingdom plans to expand its tourism sector with a view to eventually becoming a larger net importer of tourism.

investment in industrial parks; the separation of the ministries of agriculture and water; and the introduction of lower import tariffs in preparation for the impending GCC customs union.

Work continued in the first half of 2002 toward privatization and institutional reforms. Efforts are currently under way to complete the privatization of telecommunications (shares are expected to be floated in the second half of this year), postal services, railways, airlines, petrochemicals, water desalination and a number of other smaller state-owned enterprises. A number of imminent legal reforms are also expected in various areas such as capital markets, insurance, mining, competition, labor, commerce, intellectual property rights and taxation. The government is also actively pursuing its earlier efforts to encourage foreign capital by opening up new sectors to foreign investors, including a new gas development project and tourism.

Higher allocations for education sector

Saudi Arabia's fiscal policy has also witnessed important changes in recent years. Since 1999, the government has introduced a number of important revenue-

raising measures, therefore allowing higher income, derived from fees and charges, to be factored into its annual budget. On the expenditure side, the government imposed more stringent spending measures, particularly on the wage bill, and increased allocations for human resources development (in the Education and Vocational Training sectors), which has witnessed the highest increase of all (27% in 2002).

Another area that saw a substantial spending increase was the Health and Social Development sector, which saw a major jump in its share from 8.4% in 2001 to 11.3% in 2002. Other important fiscal policy measures that were outlined in the Seventh Five-Year Development Plan include the strict adher-

ence to approved expenditure limits and the use of surplus revenues to finance the public debt.

Tourism to increase

One potential new source of non-oil government revenue and job creation for the Saudi economy is the tourism sector. Official figures show that the Kingdom attracted about 20 million tourists in 2001, including religious tourists, with a combined spending of about US\$9.3 billion. The current drive to open the country to foreign visitors began in 1999, with the establishment of the Supreme Commission for Tourism (SCT). The Commission is promoting tourism in selected markets, planning for

substantial investment in infrastructure facilities, and encouraging private investment in hotels and other recreation facilities. It is also pursuing various alternatives that will ease entry curbs on foreign visitors. Saudi Arabia's main aim is to diversify its oil-dependent economy and generate jobs for its fast-growing population. The hope is that the Kingdom, which was once one of the world's largest net exporters of tourism, will eventually become a net *importer* of tourism. ■

In the past 25 years, the number of Saudi children attending school has grown sevenfold.



PHOTO: ARAMCO

Fostering the exchange of science and technology in the South

In recognition of the need to support developing countries in their quest for food security and self-sufficiency in food production, the OPEC Fund promotes scientific schemes aimed at achieving these goals without jeopardizing the environment. The Fund supports agricultural research programs and encouraging the sharing and exchange of scientific information.

Among the major recipients of such Fund support is the Trieste, Italy-based *Third World Academy of Sciences (TWAS)*.

Established in 1985, TWAS is a non-governmental, non-profit organization and the first international forum to facilitate contact between scientists from the South, with a view to strengthening their work and fostering collaboration. Some of this work has concerned the conservation and wise use of indigenous and medicinal plants, effective water management policies and the protection and conservation of biodiversity in arid and semi-arid lands.

Scientific Centers of Excellence

In many parts of the South, scientists work in relative isolation, and are unable to benefit from the sharing of expertise and resources. It was to fill this need that an *Associate Membership Scheme at Centers of Excellence in the South* was set up by TWAS in 1994. The scheme accomplishes its goals in the following way: an institution in the South, recognized for its scientific excellence, selects a promising scientist from another institution in a developing country and invites him/her to conduct research at its center for several months. TWAS provides a small stipend, and the scientists' transport costs to and from the institution are covered by additional grants, such as those provided by the OPEC Fund. Thus, a network of specialists is created in a broad cross-section of science and technology fields that will facilitate

communication not just during the project, but long afterwards as well.

Morocco

Over the years, the Fund has provided US\$200,000 to help finance exchange visits for 60 candidates. One such visiting associate, Jamal Ibijbjen, a Moroccan-born microbiologist and professor at the Faculty of Sciences at Moulay Ismail University in Meknes, Morocco, was able to hone his skills in advanced microbiological and biochemical techniques from his research trip to the National Research Center for Agrobiology (CNPAB/EMBRAPA) in Rio de Janeiro, Brazil. One of Ibijbjen's fields of study is helping develop an environmentally-friendly, inexpensive means of improving soil fertility.

Morocco meets Brazil. Microbiologist Dr. Jamal Ibijbjen (right) with fellow researcher Dr. Segundo Urquiaga from the Center for Agrobiology in Rio de Janeiro.



PHOTO: TWAS

Bio-fertilizers

Although essential for boosting crop yields, chemical fertilizers can have an adverse effect on soil and water, endangering, over the long term, both public health and the well-being of ecological systems. At CNPAB/EMBRAPA, Ibijbjen and other scientists were able to work together on developing "biofertilizers" – biological techniques designed to increase the robustness of plants without resorting to expensive, and often harmful, pesticides. The challenge lies in nurturing the growth of helpful bacteria and fungi that help plants in a *symbiotic* (mutually beneficial) way, which will not only improve the health of the plants, but also increase their resistance to disease.

Most plants, for example, have a symbiotic relationship with *micorrhizal fungi*, which live beneath the soil's surface. The host plant provides the fungi with nutrients, while the fungi, in turn, aerate the soil and help protect roots from water loss, all of which promote the host's uptake of micro-nutrients. One naturally-occurring, complex process vital to most plants' survival is *nitrogen fixation*. Although nitrogen is a primary nutrient for all green plants, it must be modified before it can be readily utilized.



PHOTO: TWAS

In the laboratory. Thanks to a TWAS exchange program, Dr. Ibijbjen has learned new ways to improve plant species in his homeland.

Ibijbjen has, so far, been able to apply chitin analysis to plant species found in abundance in Morocco, such as common beans and other legumes, native shrubs and trees such as the acacia and eucalyptus. Long term goals of his research are to perfect a way to “infect” plants with extra fungi and bacteria to produce viable, heartier species. Ibijbjen plans

to continue his work during future exchange visits to CNPAB/EMBRAPA next year (with sponsorship from the same program), where he intends to learn how Brazilian scientists are moving their findings from the laboratory to the field. Once he brings his newly-found knowledge home, Ibijbjen anticipates publishing his findings in professional journals, which will also benefit other countries interested in pursuing similar research. ■

SOUTH-SOUTH

Algeria and Libya to work on joint water exploitation

Algeria and the GSP Libyan Arab Jamahiriya report working on an agreement to jointly exploit water resources straddling the border regions of both countries, *Ghadames* and *Deb-Deb*. A joint technical commission, to consist of experts from the two countries, is to be set up. Various water schemes will be established to be operated by partnerships grouping relevant firms from both sides. Water resources management is a priority issue in Libya, which, a few years ago, completed a showcase, [great] man-made river and desalination plant. The river has, over the years, attracted attention in neighboring countries, where fresh water is often scarce. Earlier this year, the two countries signed a bilateral cooperation agreement, which included the creation of a free trade area. ■

IR Iran and Venezuela discuss economic ties

IR Iranian and Venezuelan officials have discussed ways of boosting economic ties to enhance cooperation between enterprises in both countries. The two states would like to see a broadening of partnerships in areas such as industries, mines, oil and petroleum. They would encourage an exchange of experts and facilitate frequent consultations between local firms. Already identified are joint efforts in the production of steel, aluminum and pharmaceutical products. An *Iran-Venezuelan Economic Commission* has already held its first meeting at which strategies to promote trade ties were discussed. Current transactions in trade between the two countries amount to less than US\$2 million, annually. Bilateral cooperation has, for long, been limited to the framework of ties within OPEC as an Organization. ■

Nigeria and Benin to establish Chamber of Commerce

With trade and economic relations growing between Nigeria and neighboring Benin Republic, the authorities in both countries have agreed to establish a joint *Chamber of Commerce* to help ease flows and transactions and, indeed, assist in increasing trade across the entire West Africa sub-region. Most of the current trade between Nigeria and Benin, as well as within the sub-region, is informal and usually not recorded in trade balances. Nigeria and Benin will also sign a formal treaty on trans-border cooperation “to manage and utilize the inseparable socio-economic links between the two countries, so as to promote stronger trans-border cooperation.” Officials speak of close cultural and traditional affinities between the communities along their common border... “and these should be mobilized to promote understanding and greater cooperation.” ■

Algeria and UAE set up property investment company

A joint property investment company has been established by the Algerian Office for Property Development (OPGI) and the United Arab Emirates’ (UAE) conglomerate, Arab Investors. The new company has a capital of about US\$23 million and has been charged with the implementation of a housing program in the region of Algiers. It is also to create trade centers around Algiers. The company will, furthermore, acquire and renovate old buildings across the West and East of Algeria, particularly in Oran and Annaba. ■

Nitrogen fixation is carried out by *nitrogen-fixing bacteria*, which are present in soils, and convert the nutrient to ammonia in a form the plant can use.

In poor quality soils, however, these biological mechanisms are undermined, resulting in sparser, less robust plants, a problem that is prevalent in Ibijbjen’s home country, Morocco. This, in combination with over a decade of drought has necessitated the import of nearly one half of the country’s foodstuffs, placing a large burden on the economy. However, if the nitrogen fixation and other biological processes could be enhanced in Morocco’s native plants, farmers would enjoy higher crop yields, thereby increasing food security, and the country would be less reliant on imported products.

Techniques through collaboration

Ibijbjen’s research collaboration with fellow scientists at CNPAB/EMBRAPA has helped him master the microbiological and biochemical techniques that lie at the heart of plant mycorrhization and nitrogen fixing processes. The first skill was learning to calculate the amount of mycorrhizal fungi in a plant using *chitin analysis* and using this data to determine what would be an ideal number of fungi for the plant to achieve optimal growth. Then, practical strategies were devised to improve and strengthen the relationship between the plants and the fungus. This technique has been successful in Brazil for helping to improve nitrogen fixation among important plants such as maize, wheat, soybean and sugarcane.

University City of Caracas Exhibition at OPEC Fund

The *University City of Caracas*, which was declared a World Heritage Site by UNESCO in November 2000, was the subject of a traveling exhibition, "The Future of the Past," that went on display from June 20th at the Fund's headquarters. Sponsored by the Venezuelan Embassy in Vienna, the exhibit featured photographs, drawings and models of some of buildings designed by the late Venezuelan star architect Carlos Raúl Villanueva for the Central University of Venezuela (CUV).

The exhibition was officially opened by H.E. Dr. Gustavo Márquez Marín, Ambassador of the Bolivarian Republic of Venezuela, Prof. Abner J. Colmenares, Dean of the Faculty of Architecture at the CUV, and H.E. Dr. Y. Seyyid Abdulai, Director-General of the OPEC Fund, at a reception attended by members of the diplomatic corps, Austrian officials and the international community.

Born in London in 1900, Villanueva studied architecture in Paris at the *Ecole Nationale des Beaux Arts* under Gabriel Héraud. In 1928, he traveled for the first time to his ancestral home in Venezuela. Until 1939, he worked in Caracas for the Ministry of Public Works, designing, in that position, many well-known public buildings, including the Museum of Fine Arts in Los Caobos. In the late 1930s, Villanueva began to develop the modernist style for which he is famous. In 1942, he won a competition for the urban renewal of *El Silencio*, a historical section of Caracas.



From left to right: HE Dr. Y. Seyyid Abdulai, Fund Director-General; Prof. Abner J. Colmenares, Dean of the Architecture Faculty at CUV; Dr. Bernhard Denscher, Head of the City of Vienna's Cultural Affairs Department; Ms. Elvira Torres; and HE Dr. Gustavo Márquez Marín, Ambassador of Venezuela, at the opening of the exhibition.

The design and construction of his masterpiece, University City, began two years later and occupied Villanueva for 30 years. Although parts of his plan were never realized, University City provides one of the finest examples of the synthesis of modern architecture and the arts in Latin America. In this work, Villanueva succeeded not only in designing a functional university campus that is optimally adapted to the climate and topography, but also in totally integrating murals, mosaics and sculptures from leading modern artists in his designs.

Through his masterful combination of materials, finishing techniques and works of modern art, Villanueva's designs became flowing compositions of form and space, light and shadow, peaceful continuity and dynamism. Significantly, only two other modernist projects have been hon-



One of the wooden models of Villanueva's designs on display.

ored as World Heritage Sites, Walter Gropius' *Bauhaus* in Dessau, Germany and the Brazilian capital city of Brasilia.

In addition to his architectural achievements, Villanueva lectured extensively and wrote numerous articles and books. He was a founding professor of the CUV School of Architecture and Urbanism and a recipient of many honors and prizes. He died in Caracas in 1975. ■

