

OPINION

OFID FINANCING SUSTAINABLE DEVELOPMENT GOALS IN ARAB COUNTRIES**Suleiman Al Herbish****Financing the SDGs**

The 2030 Agenda for Sustainable Development aims to address social, economic and environmental challenges and requires considerable investments to do so. The Addis Ababa Action Agenda of the third International Conference on Financing for Development highlighted that implementation must be based on frameworks for international cooperation, economic and technical support for poor countries.

While Partner Countries have primary responsibility for achieving the SDGs, they can't achieve the Goals alone. Donor countries and Development Finance Institutions (DFIs), therefore, would have a particularly important role to play in supporting a global partnership for development. Partner Countries must set their own economic, social and environmental objectives and measure their own progress. By doing this, they can optimise their own domestic resources as well as the public and private resources of the international community.

However, the development needs are in trillions, rather than billions of dollars. According to UNCTAD the current SDGs-related investments in developing countries by the public and private sector combined are in the order of USD 1.4 trillion per year, and the total annual investment needed to achieve the SDGs by 2030 are around USD 3.9 trillion. This leaves an annual gap of USD 2.5 trillion. This is why all available means and resources must be mobilized to meet the challenges of this ambitious agenda. "Business as usual" is no longer appropriate. There must be partnerships and policy cohesion among all stakeholders.

The public sector alone cannot fill this gap, in particular in low-income countries, and therefore private sector investment, including foreign direct investment, should be mobilized for SDG-related projects. The "financial inclusion"¹ is another tool to boost access to finance for low-income individuals and small businesses in developing countries.

The role of OFID in financing the SDGs

At the OPEC Fund for International Development (OFID), we have already recognised how crucial financial inclusion is in delivering equitable opportunities for all, reducing poverty and driving sustainable growth. Today, however, two billion adults across the globe still don't have access to formal financial services. We provide financial inclusion through our public sector, private sector and trade finance windows.

We help the governments of partner countries to launch and sustain their own microfinance programs and support small and medium-sized enterprises (SMEs) in both the formal and informal sector. For example, we have worked with the UN (UNRWA) to extend micro- and SME-related financial services to poor Palestinians in the West Bank and Gaza.

Through private sector lending, we channel resources through commercial and microfinance banks around the world, strengthening local financial institutions and increasing their capacity to lend on and expand. The Microfinance Enhancement Facility, for example, supported by OFID and other DFIs, is recognized as efficient and responsible, providing funding and stability to the microfinance market.

However, government lending is the main pillar of OFID's operations, with the public sector window accounting for more than two thirds of our cumulative commitments since inception. The private sector window is another complementary means of providing assistance to partner countries by supporting the activities of their private investors.

By the end of last year, OFID's total commitments since inception reached USD 21 billion to support more than 3,600 development operations in 134 countries in Africa, Asia, Latin America and the Caribbean, the Middle East and Europe. The Arab world has been allocated 20 percent of these commitments, or more than USD 4 billion. More than 30 percent of this, or USD 1.26 billion, has been provided to 11 Arab countries through OFID's Private Sector Window since its inception in 1998. Examples include the following:

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- In Sudan, OFID contributed USD 3 million to fund a USD 30 million capital in the newly established Arab Leasing and Investment Company. The company's main activity is providing leasing and other short-term financing facilities to customers in Sudan, and it has since grown to be a strong and reliable player in the financial sector in Sudan, promoting financial inclusion and access.
- In the Republic of Djibouti, OFID provided USD 15 million financing (in Islamic finance compliant) as part of a debt package of USD 400 million for the construction of the new Doraleh Container Terminal. It was the first ever PPP style financing in the country and the new terminal has helped to improve the efficiency of the port and relieve vital capacity constraints while also generating local employment and revenue.
- In Mauritania, OFID has provided financing and invested equity totalling USD 13 million in Mauritania Leasing (now known as Banque Populaire de Mauritanie). OFID thus participated in successfully establishing the first leasing company in Mauritania, which has played a major role in funding SMEs.

These examples are a small part of our operations in supporting the private sector in the Arab world, especially SMEs.

Energy Key to Implementing the SDGs in Arab World

Access to modern energy services is a vital precondition to achieving sustainable development, including the industrialization of developing countries. Indeed, the benefits of achieving universal access to modern energy services are transformational: lighting for schools and health clinics, pumps for water and sanitation, and more income-generating opportunities.

Despite very positive developments in electricity access since the 1990s, some significant gaps in access to energy remain in the Arab region. Overall, access to electricity is close to universal in cities across the Arab region but remains fixed at approximately 80 percent in rural areas, with a total of around 36 million Arabs who did not have any access to electricity in 2014, primarily in the Arab least developed countries (LDCs), and small numbers of people without electricity access in North Africa and the Mashreq. Planned and unplanned service disruptions, on the other hand, are a challenge for electricity users, irrespective of the urban-rural divide.

OFID is an early pioneer and champion of energy poverty eradication in developing countries. This year marks the tenth anniversary of OFID's Energy for the Poor Initiative, financed through a revolving fund of

USD 1 billion pledged by our Ministerial Council in June 2012. This commitment originates from a mandate from the heads of state of our Member Countries in 2007. Our actions are based on a strategy with three pillars: Advocacy, expanding operations on the ground, and partnerships.

OFID advocated strongly in international forums to include combating energy poverty in the Post-2015 Development Agenda, and was among those whose efforts culminated in placing energy as SDG 7 in the 2030 Agenda.

On the operations level, over the last decade, OFID has committed more than USD 3.5 billion to energy operations, representing around 27 percent of the total value of all our commitments in that period. This amount supports more than 240 operations worldwide, leveraging a total of over USD 35 billion. Arab countries accounted for approximately 45 percent of OFID's total contribution to energy, or more than USD 1.5 billion, to finance 14 traditional energy projects, as well as 15 renewable energy projects, in a number of countries including Egypt, Sudan, Jordan, Yemen, Tunisia, Morocco, and Palestine. Recognizing the era of energy transition, our operations are technology neutral.

For example, in Jordan, OFID provided a USD 20 million loan to build the 117 MW Tafila Wind Farm in 2013. It was the country's first renewable energy project and first private wind energy project to reach financial close in the MENA region outside of Morocco. At completion, the Tafila Wind Farm's generated electricity accounted for 6.5 percent of Jordan's renewable energy target of 1,800 MW by 2020, generating an estimated annual 400 gigawatt hours.

In Morocco, we provided a USD 39 million loan to expand Quneitra power plant facilities to overcome the power shortage, to meet the growing demand for electricity and to deliver modern energy to the poor. We also assisted the government in supporting the Rural Electrification Program, which combines electricity generation through the construction of wind farms, two hydropower plants and transmission and distribution lines, by contributing a USD 60 million loan.

Our strategy recognizes that energy poverty is a difficult challenge that needs to be overcome through strategic partnerships.

An example of this partnership is the Oil and Gas



Industry Energy Access Platform (EAP), which is collaboration between OFID, the WPC, TOTAL, SHELL, Saudi Aramco, OMV, Schlumberger, IGU, GLPG, BCG and other strategic partners like the Shell Foundation. The EAP aims to leverage the oil and gas industry's capabilities and is open to all companies within the oil and gas industry, as well as to other stakeholders, including development funds and business developers.

In conclusion, OFID's full commitment to supporting sustainable development plans in Arab countries, particularly energy projects, should be emphasized. OFID's vision includes a key role for the private sector in this field, especially in achieving the SDGs in general. Therefore, we are ready to work with partner Arab countries and with investors to finance projects in the Arab world in various economic fields, especially energy, in order to achieve economic integration among the Arab countries. We are also interested in financing projects for local industries and to provide services, as well as providing credit lines through local banks to finance the SMEs.

NOTE

1. According to the World Bank Group: "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way."