During the recent global financial crisis, there was almost international consensus on the need to work out measures for restructuring the international financial architecture. Many voices were even calling for rethinking of other alternative financial systems. It was widely felt that the conventional financial system has failed and should be replaced or, at least, supplemented by more ethical and socially responsible banking and finance system. A financial system based on Islamic principles was among these alternatives, and it was widely argued that such a system could avoid the fundamental problems and shortcomings of the conventional financial system that led the world into crisis. However, so far, no strong action has been taken towards reforming the global financial system. Without any doubt, leaving the system as is, will lead to repetition of the crisis in the future, and it seems that we would be talking more about “sustainable crisis” instead of sustainable development.

In this connection, SESRIC has recently co-organized the 8th International Conference on Islamic Economics and Finance jointly with the Qatar Foundation’s Faculty of Islamic Studies (QFIS) through its Islamic Economics and Finance Centre, the Islamic Development Bank Group through its Islamic Research and Training Institute (IRTI) and the International Association for Islamic Economics (IAIE). The 8th International Conference on Islamic Economics and Finance, which was held in Doha, Qatar on 19-21 December 2012, provided a distinct opportunity for researchers, practitioners and policymakers in the field of Islamic economics and finance to deliberate, among many other important issues, on how to develop a framework for facilitating the Islamic financial system to take its deserved place in the global financial arena.

Under the theme “Sustainable Growth and Inclusive Economic Development from an Islamic Perspective”, the Conference brought together economists, central bankers, senior professors, and young researchers from 35 countries. Over 120 research papers on the field of Islamic economics, banking and finance, with a focus on issues related to growth, equity, and stability have been presented and discussed during the Conference.

The series of the International Conference on Islamic Economics is among the most prestigious academic events in this field, and has made a significant contribution to conceptualizing the theory and practice of contemporary Islamic economics and finance through research and intellectual dialogue. It is a great honour for us, at SESRIC, that at the closing ceremony of the Conference, our Centre has been elected to host the 9th edition of this prestigious research conference in the field of Islamic Economics and Finance in 2013.

In the same context, our Centre has recently participated in the 10th Harvard University Forum on Islamic Finance, which was organized by Harvard Law School’s Islamic Finance Project (IFP) and held at Harvard Law School in Cambridge, Massachusetts, on 24-25 March 2012, under the theme “Islamic Finance and Development”. We contributed to the said forum through participating in the Roundtable Session, which was chaired by Mr. Samuel L. Hayes, III Professor Emeritus, Harvard Business School under the title “The Islamic Financial Sector’s Contribution to Global Economic Development”. Since 1997, the Harvard University Forum on Islamic Finance has been providing a venue for the
critical and objective examination of the purposes, theory, practice, structure, and institutions of the emerging field of Islamic finance. In this regard, the 10th Forum has set the evolution of the Islamic financial industry within the context of the economic and political development of Muslim majority markets. The Forum also examined the conventional frameworks under which Islamic finance had been developed as well as the new challenges raised by recent events, including the global financial crisis and the “Arab Spring” movements in the Middle East. Our presentation during the forum has triggered a very lively discussion and the details are presented in the OIC News section of this issue.

The present issue of the Economic Cooperation and Development Review includes an interview with H.E. Dr. H. Susilo Bambang Yudhoyono, President of Republic of Indonesia. The interview focused on the views of H.E. the President on various national, regional and global issues such as the role of Indonesia, as one of the 30 founding Member States of the OIC, in promoting and fostering economic cooperation and development at the OIC level and the role and performance of the OIC as the collective voice of the Muslim world considering the current global and regional geopolitical and economic challenges.

This issue of the Economic Cooperation and Development Review also includes articles by Mr. Robert B. Zoellick, the President of the World Bank Group, and Mr. Juan Somavia, Director-General of the United Nations International Labour Organization (ILO).

In his article titled “Why we Still Need the World Bank: Looking Beyond Aid”, Mr. Zoellick presents his views on the role of the World Bank over the last six decades as a part of the Bretton Woods multilateral system, particularly as an international developmental institution covering monetary and currency issues, trade, investment, development, and the reconstruction of broken states. He emphasises that although the current international economic architecture conditions are vastly different, the challenges of dealing with the causes of the global financial breakdown remained similar to those in 1930s.

On the other hand, in his article titled “Decent Work for Social Justice and Sustainable Development”, Mr. Somavia argues that the prevailing model of globalization widened income inequality and amplified a global jobs crisis. In the light of this argument, Mr. Somavia presents his views on the concept of ‘decent work’ as an essential approach and integral component of social justice and sustainable development. He underlines some building blocks for a globalization with social justice through the realization of decent work for all, including employment promotion, extension of social protection, respect for fundamental rights at work, and freedom from discrimination, forced labour and child labour.

In addition to these two articles, SESRIC also contribute with three recent reports, namely: (1) Explaining Income Disparity among the OIC Member Countries; (2) OIC Countries and Natural Disasters: Assessment of Risks; and (3) Assessment of Sustainability and Insolvency of the External Debt in OIC Countries.

While wishing a pleasant and useful reading to all the readers, I would like to express my deep thanks and appreciation to H.E. Dr. H. Susilo Bambang Yudhoyono, President of Republic of Indonesia, and all the contributors to this issue of the Economic Cooperation and Development Review.

Dr. Savaş Alpay
Director General
SESRIC
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President of the World Bank Group

Juan Somavia
Director-General of International Labour Organization (ILO)
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OIC Countries & Natural Disasters: Assessment of Risks

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**OIC OUTLOOK**

Explaining Income Disparity among the OIC Member Countries

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Assessment of Sustainability and Insolvency of the External Debt in OIC Countries

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SESRIC CALENDAR

03-04 April 2012  37th Session of the Council of Governors of the Islamic Development Bank (IDB), Khartoum – Sudan

09-10 May 2012  28th Meeting of the Follow-up Committee of the COMCEC, Ankara – Turkey


14-15 May 2012  Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries, Istanbul – Turkey

23-24 May 2012  5th Astana Economic Forum, Astana – Kazakhstan

12-14 June 2012  Workshop on Enhancing the Competitiveness of Small and Medium Sized Enterprises in the OIC Member States, Ankara – Turkey

19 June 2012  Side Event on “Building Resilience for Sustainable Development in the OIC Member Countries: Accelerating Actions for Comprehensive Disaster Risk Management” during the UN Conference on Sustainable Development, Rio de Janeiro, Brazil

8-11 October 2012  28th Session of the Standing Committee for Economic Cooperation of the Organisation of Islamic Cooperation (COMCEC), Istanbul, Turkey
Interview With H.E. Dr. Susilo Bambang Yudhoyono, President of the Republic Of Indonesia

Dr. H. Susilo Bambang Yudhoyono is the first directly-elected President of the Republic of Indonesia. He is currently serving as the 6th President of the Republic of Indonesia, following his re-election to a second term in the 2009 presidential elections. Born in Pacitan, East Java, on 9 September 1949, President Yudhoyono is a soldier, an academic, and a government official. He graduated from the Military Academy in 1973 at the top of his class. Quickly rising through the ranks in the Army—he earned the reputation as “a thinking General” with strong reformist credentials. He served a very distinguished military career, which included a tour as chief of United Nations military observer in Bosnia and Herzegovina. Retiring 5 years earlier from the military service, he was appointed as Minister of Mining and Energy, and later served as Coordinating Minister for Political and Security Affairs during both President Abdurrahman Wahid (2000-2001) and President Megawati Soekarnoputri (2001-2004).

Since 2004, President Yudhoyono has led Indonesia through a time of great challenge and crisis: tsunami, natural disasters, terrorism, financial crisis, the rise of oil price and separatist conflict. At the peak of the global financial crisis in late 2008, President Yudhoyono steadfastly implemented economic policies, including new counter-cyclical and monetary measures, which allowed Indonesia’s economy to remain robustly driven by domestic consumption. President Yudhoyono’s economic policies have also led to increases in and balance among domestic consumption, government spending, exports, and investments. As such, Indonesia has attained sustainable and inclusive growth which centers upon strategies that are pro-growth, pro-poor, pro-job and pro-environment. The 4-track philosophy has uniquely characterized President Yudhoyono’s economic construct and is aptly coined “SBY-nomics”. Indonesia's economy had maintained an average 6.5% growth and remains the largest economy in South East Asia and the world’s 17th largest economy.

President Yudhoyono is a visionary architect of the Indonesian democracy. He crafted a blueprint for professionalizing the Indonesian military long before the 1998 national reform era. To continue the transformation and democratization process, he has also launched the most progressive anti-corruption campaign in Indonesian history. President Yudhoyono’s commitment to peace and stability in Indonesia and abroad is unequivocal. He pursued a peaceful road to resolve the 30 year conflict in Aceh; and injected new vigor into political reforms and a prosperity approach to bring about tangible progress in Papua.

President Yudhoyono has further promoted Indonesia’s active role in regional and international affairs. Regionally, he chaired ASEAN in 2011, hosting ASEAN 18th and 19th Summits, ASEAN related Summits and also the East Asia Summit in Bali. Globally, he has participated actively in meetings of the United Nations General Assembly, Security Council meetings, and UNFCCC 13. Continuing the active role of Indonesia in UN peacekeeping missions, he deployed Indonesian contingents to the Congo (DRC) and Lebanon. He was also named by the UN as the “Global Champion for Disaster Risk Reduction” for making disaster risk reduction an integral part of Indonesia’s development process. President Yudhoyono is committed to bridging the West and The Islamic World and has played a critical role in the establishment of global inter-media dialogue and in drafting the Organization of the Islamic Conference (OIC) charter on the promotion of Human rights and democracy. Through the G20, President Yudhoyono had been active in all its Summits and shared insights to create a strong, balanced, sustainable and inclusive global economy.

As an intellectual and prolific writer, President Yudhoyono has authored a number of books and articles. As an eloquent speaker, President Yudhoyono is also a poet and a songwriter. In 2004 he published an anthology titled Taman Kehidupan (Garden of Life). President Yudhoyono is married to First Lady Kristiani Herawati, and is blessed with two sons, Agus Harimurti Yudhoyono and Edhie Baskoro Yudhoyono.

SESRIC: With 57 Member States, the Organisation of Islamic Cooperation (OIC) is the second largest inter-governmental organisation after the United Nations. After 42 years of its establishment, how do you view the performance of the Organisation of the Islamic Cooperation as the collective voice of the Muslim World? Are you satisfied with the current level of socio-economic cooperation and integration among the Member States?
Considering the current global and regional geopolitical and economic challenges, how do you think the OIC can become more effective in fostering international peace, security and development?

H.E. Dr. H. Susilo Bambang Yudhoyono: The OIC has worked hard for peace since its establishment for more than 4 decades ago. Understandably, challenges faced by the global world have constantly shifted since then, and have affected various areas beyond the political realm. I am pleased to witness the transformation of OIC following the adoption of its Charter in 2008 in Dakar. The Charter has elevated the level of our cooperation and OIC's preparedness to embrace global shifts.

I commend OIC for engaging constructively on a wide array of pressing issues of today such as development, economics, as well as science and technology. With the adoption of the OIC Ten Year Program of Action at the Extraordinary Islamic Summit in 2005, OIC member countries are better equipped in responding to the many facets of challenges faced by the Ummah. Indonesia fully supports this Program of Action.

I foresee a growing contribution of OIC to the attainment of global peace and security. For this, OIC can take lessons from its experience in mediating peace process between the Government of the Philippines and the Moro National Liberation Front. Indonesia had the privilege to chair this particular OIC committee.

Internationally, OIC member countries need to prove themselves effective at promoting peace and security within their national borders. We must avoid conflicts among fellow Muslims and thus project Islam as Rahmatan-lil-alamin.

SESRIC: Indonesia is the largest OIC Member State in many important respects. It accounts for more than 15% of the total population of the OIC Member States, 13% of their GDP, 10% of their FDI, and almost 10% of their total exports. Given this state of affairs, how do you view the role of Indonesia, as one of the 30 founding Member States of the OIC, in promoting and fostering economic cooperation and development at the OIC level?

H.E. Dr. H. Susilo Bambang Yudhoyono: Being one of the founding Member States of the OIC, Indonesia remains committed and focused on advancing cooperation among the Member States of OIC. I am pleased that through its transformation, the OIC has prepared itself to respond to the challenges of our time. We must make sure that we are better equipped in responding to the current global economic situation, considering that the IMF has revised the global growth rate downward from 4.0% to 3.3%.

Indonesia has enjoyed positive and consistent economic growth since the second half of 2000s. And Alhamdulillah, this demonstrates our economic resilience to the global crisis. This is also true for some other OIC member countries.
We should enhance economic cooperation among OIC member states, and explore our potentials, including through intra-OIC trade and investment. We must harness solidarity among OIC members to empower the less developed.

However, promoting economic cooperation amongst OIC Members should not be viewed as inward-looking; but rather as an outward-looking policy. The growth generated from a closer economic cooperation among OIC Members should be shared with other countries. Our goal is to make OIC as an engine of global growth. For this purpose, it is important that we make progress in the implementation of “Trade Preferential System among the Member States of the Islamic Cooperation” as well as the OIC Ten Year Program of Action.

SESRIC: Indonesia was one of the few countries which did not suffer a severe decline in growth as a result of the global financial crisis of 2008-2009. GDP growth rate was recorded at 6.1% in 2010 compared to 4.6% in 2009 and 6% in 2008. These figures indicate that the Indonesian economy has successfully weathered the global financial crisis. Indonesia’s debt-to-GDP ratio in recent years has also declined steadily because of increasingly robust GDP growth and sound fiscal policy. However, as in the case of many countries in the region, the challenges of poverty, unemployment and unequal income distribution persist. Would you kindly brief us on how you envisage the necessary future strategies and plans at the national level in order for Indonesia to overcome these challenges and sustain the current trend of its economic growth? What are your views on the position of Indonesia in the region in the next few decades?

H.E. Dr. H. Susilo Bambang Yudhoyono:
The current economic outlook in Indonesia is indeed promising. In 2011, we reached an economic growth of 6.5%, with a GDP per capita of US$ 3,400, amounting to a total GDP of over US$ 820 billion. We were also able to maintain the inflation rate below 3.79%. Indonesia has also been given investment grade by both Moody’s Investors Service and Fitch Ratings. Naturally, we want to sustain this positive trend.
However, I must admit that there remains much to be done.

First, we still have to work hard to promote equity. To address this challenge, I have subscribed to the economic development approach that combines growth with equity. In this context, in order to sustain economic growth, I have adopted sound macroeconomic policies. Fiscal position should be kept healthy while exchange rate and inflation should also be kept stable. Furthermore, economic growth can be spurred by de-bottlenecking high cost economy through better regulations and infrastructure.

Indonesia has also launched a national development plan for a time frame of 15 years which is known as the Master Plan for the Acceleration and Expansion of Indonesia’s Economic Development (MP3EI). It seeks to accelerate and expand the country’s development, especially in the sectors of industry, mining, agriculture, marine, tourism, telecommunication, energy, infrastructure, and regional development.

Through the master plan, I believe that by 2025 the GDP per capita in Indonesia can reach US$ 14,250 to 15,500. For the more immediate future, Indonesia strives to reach an economic growth rate of 6.7% with an inflation rate of no more than 5.3% in 2012, and a growth rate of 7% by 2014.

Second, we continue to deal with the challenge of unemployment and poverty. In 2011, the unemployment rate in Indonesia was 6.56%, and the poverty rate was 12.36%. I also realize that development and income gaps among the population are also one of the major challenges faced by Indonesia. To address these particular issues, I have developed the Master Plan for the Acceleration and Expansion of Indonesia’s Poverty Alleviation (MP3KI). The master plan comprises programs such as education and health funds for the poor; employment provision; affordable housing and transportation provision; clean water and electricity provision; and microcredit schemes for small and medium enterprises. In 2012, my target is to reduce unemployment rate to 6.4% and poverty rate to 10.5 - 11.5%. By 2014, Indonesia’s poverty rate should go further down to 8% and insya Allah lower.
I am optimistic that a synergy between MP3EI and MP3KI will provide Indonesia with a sustainable, inclusive, balanced, and just economic growth. With the proper implementation, this growth will also be equitable across the country and create more employment opportunities, so that development gaps can be narrowed and poverty can be alleviated.

With regard to Indonesia’s position in the region, I believe that our economic achievement has helped strengthen our capacity to contribute positively to regional and global development. I am pleased that during our Chairmanship in ASEAN in 2011, Indonesia was able to achieve its three objectives. First, to ensure progresses for the attainment of the 2015 ASEAN Community; second, to develop regional architecture; and third, to chart ASEAN’s future role within the global community of nations.

By nature Indonesia wishes to have a region which is peaceful and stable. And this is a prerequisite condition for our national development. Therefore, Indonesia will continue to promote regional peace and stability through diplomacy and cooperation.

**SESRIC:** It is well known that increasing the level of intra-OIC trade is a crucial factor for OIC Member States to reach a desirable level of economic integration. In fact, enhancing the level of intra-OIC trade is one of the main goals and objectives of many OIC institutions working in the economic domain. This has also been emphasised and targeted in many recent OIC programmes and plans of action, particularly in the OIC Ten-Year Programme of Action, which has been adopted by the 3rd Extraordinary Summit in 2005. Yet, in spite of all the efforts made so far in this regard, intra-OIC trade was recorded at a 16.8% level in 2010. In this context, with 7% of the total intra-OIC trade, Indonesia is among the top 5 intra-OIC trading Member States, and together with Saudi Arabia, United Arab Emirates, Turkey and Malaysia, they have accounted for 56.4% of the total intra-OIC trade in 2010. Considering this state of affairs, how do you evaluate the role of Indonesia in enhancing intra-OIC trade? In your view, what are the most important policies that should be taken at the OIC level to address this problem?

**H.E. Dr. H. Susilo Bambang Yudhoyono:** Trade and investment within the OIC is one of the most important components of the organization’s wide ranging cooperation. They glue and strengthen relations among members of the OIC. The policy of promoting intra-OIC openness to trade and investment will eventually support our economic growth. OIC Members should be more open to intra-trade and investment, as stipulated in the Ten Year Programme of Action. With greater intra-OIC trades, member countries will be more encouraged to embark on establishing a Free Trade Area.

Indonesia is working together with other OIC member countries to increase our intra-OIC trade to 20% by 2015. In order to achieve this target, the most important policies that should be taken at the OIC level include:
Expanding trade financing facilities for all OIC members; Developing strategic commodities; Promoting international trade in each OIC country; Eliminating non-tariff trade barriers amongst OIC countries; and Enhancing trade facilitation which will make international trade easier. Trade facilitation in this sense also includes developed financial and physical infrastructures.

To complement the efficacy of policies to be adopted at the OIC level, it is pertinent for OIC Member States to have the political will to implement them at the national level. With the right policies, strong political will and implementation we will be able to see an increase in our intra-trade.

I believe that national policy to accelerate growth will also have impacts on intra-OIC economic cooperation. From 2011-2014—which is the first phase of Indonesia’s MP3EI—the Government of Indonesia in partnership with State-Owned Enterprises and private sectors are planning to spend US$468 billion on infrastructure development. These massive projects will certainly require partnership with governments and private sector abroad, including from OIC member countries. As such, foreign investors from OIC Members are welcome to take this opportunity.

By 2025, Indonesia also aims to lift its per capita income from around US$3,000 today to more than US$14,000. With this level of income, and having more than a quarter billion of population, Indonesia will need more products and services from other OIC member countries.

Last but not least, I believe that OIC can also work to boost its partnership with various international organizations, development partners and the private sectors. This also includes supporting OIC Member States who are currently seeking to accede to the World Trade Organization (WTO).

SESRIC: In addition to OIC Member States, Indonesia has a long experience of cooperation with other countries in its region through its active role as a member in important organizations and cooperation schemes such as Asia-Pacific Economic Cooperation (APEC) and Association of Southeast Asian Nations (ASEAN). How do you view the role of
Indonesia in these organizations? In your view, what would be the most successful cooperation examples that could be transferred to the OIC?

H.E. Dr. H. Susilo Bambang Yudhoyono:
In my opinion, APEC is an important forum to conduct economic diplomacy to promote an environment conducive for growth and development in the Asia Pacific region. APEC member countries also seek to raise their resilience against global economic downturns. This is in line with Indonesia’s own economic policy. Indeed, many of Indonesia’s interest can be promoted on a global scale by voicing them through APEC.

For example, in the 2011 APEC Summit in Hawaii, I had the opportunity to share Indonesia’s experience in reducing the use of fossil fuel by converting it into liquid propane gas. The Summit also discusses issues that are important to Indonesia, such as food and energy security.

The way APEC seeks to strengthen its members collectively in the face of global economic challenges and addresses issues of common concern is a good practice. I believe the OIC also moves along the same lines.

As I indicated earlier, during Indonesia’s Chairmanship of ASEAN in 2011, we focused on efforts to garner support for the consolidation of the ASEAN Community by 2015. We also developed guidelines on ASEAN’s way forward as a community beyond 2015. In particular, Indonesia stressed the significance of ensuring greater ASEAN contribution in addressing some of the most pressing global issues.

Through ASEAN-led processes such as ASEAN+1, ASEAN+3, EAS, and the ARF, Indonesia is optimistic about ASEAN’s centrality in shaping the regional architecture in East Asia. By involving all relevant parties in active and productive discussions on thematic issues of common concern, we aim at establishing a dynamic equilibrium that is conducive for peace, stability, and prosperity. In this regard, Indonesia views positively the
inclusion of the USA and Russia in the EAS as a means to further shape the evolving regional architecture.

ASEAN’s continued ability to manage and resolve conflicts over the years constitute a positive contribution towards the maintenance of global peace and security. Nevertheless, we are now facing challenges different from eras before. ASEAN must also evolve. We must strive to strengthen a culture of peace by cultivating the promotion and protection of human rights. And in the way forward, we must envisage developing a conflict resolution mechanism in the region.

I believe that ASEAN’s outward-looking approach towards the international community is something that OIC can emulate. While ASEAN has maintained its membership to the same amount of countries since 1999, we have continually stressed the need to engage dialogue partners on multiple issues. Such engagement provides a way to strengthen not only ASEAN’s consolidation as a community, but also ASEAN’s role in regional and international affairs.

**SESRIC:** Indonesia has a long history of contributing troops to the UN missions. And, within the framework of OIC, your country has been successful to facilitate the peace process in the southern part of the Philippines. And recently you inaugurated the Indonesian Peacekeeping and Security Center in Sentul, West Java. What is the rationale behind the establishment of the Center?

**H.E. Dr. H. Susilo Bambang Yudhoyono:** First and foremost, Indonesia is mandated by its Constitution to always contribute towards the maintenance and promotion of global peace. Through our diplomacy in many forums, including within the Southeast Asia region, we generate culture of peace through a set of norms and principles such as the ASEAN Treaty of Amity and Cooperation (ASEAN TAC), the Zone of Peace, Freedom and Neutrality (ZOPFAN), and the Bali Principles for Mutually Beneficial Relations. Moreover, Indonesia has always and will continue to support UN peacekeeping efforts to develop a stable, peaceful, and just world.

It is true that Indonesia has always been active in UN peace missions such as in Congo, Cambodia, Sudan, Lebanon and Bosnia Herzegovina. Personally, I feel privileged to have commanded the UN Mission in Bosnia Herzegovina (UNMIBH). The experience taught me the values of not only peacekeeping and humanitarian assistance, but also the camaraderie developed among military personnel from many nations. Furthermore, it inspired me to create a peacekeeping center in Sentul, West Java that can train our troops for immediate deployment.

With a strengthened capacity building, Indonesian military and police personnel can make significant contribution to international
In my opinion, the relationship between art and politics can be seen from one perspective. Freedom of expression in art is similar to the freedom of expression that we see in politics in a democratic country. In art, the freedom of expression brings about a particular kind of emotional reaction, including good feelings. In politics, freedom of expression will lead to social progress and maturity. However, such expression must be well guarded to avoid misunderstanding and even social tension. There must be a careful balance between freedom of expression and its impacts on society.

SESRIC: Mr. President, as you know, the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) is a subsidiary organ of the OIC operating in Ankara, Turkey, since June 1978 as the economic and social research arm, statistics centre and training organ of the OIC. How do you evaluate the contribution of our Centre to the social and economic development of the OIC Member States and its future role in enhancing economic cooperation and collaboration among the OIC Member States?

H.E. Dr. H. Susilo Bambang Yudhoyono: I take note that SESRIC plays an important role in supporting the OIC member countries to improve their capacity in responding to their own socio-economic development. SESRIC is valuable as a forum for OIC member countries to share information about each other's experiences, resources and expertise as well as best practices in economic development. I believe that there are more potential of OIC member states that can be discovered and developed with the assistance of SESRIC.

To Indonesia, SESRIC has been contributing to the increase of capacity of Indonesian statistical experts. SESRIC's trainings and technical cooperation also allows our experts to share best practices on development issues that are relevant to OIC member countries. I appreciate the 2011 MoU between Indonesia, Turkey, and SESRIC in the field of technical cooperation to enhancing cooperation in vocational, technical and art education and training among the three parties. Indonesia also supports technical activities within the framework of Vocational Education and Training Programme for OIC Member Countries (OIC-VET).
DID YOU KNOW?

- Carbon dioxide emissions are the emissions stemming from the burning of fossil fuels and the manufacture of cement. They include carbon dioxide produced during consumption of solid, liquid, and gas fuels and gas flaring. As CO2 emissions are positively correlated with climate change, integrating principles of sustainable development into country policies and programmes is accepted as one of the targets of the Millennium Development Goals (MDGs) to ensure environmental sustainability in the future.

- In 2008, the OIC member countries as a group emitted 3,778,080 kt of CO2, corresponding to only 12.7% of the world total. Iran, Saudi Arabia and Indonesia produced 37% of the OIC total with emission levels above 400,000 kt. Together with Turkey, Kazakhstan, Egypt and Malaysia, the emissions of these seven OIC countries alone accounted for more than 60% of CO2 emissions of the OIC total.

- When per capita levels are considered, with an emission level of 2.5 metric tons, OIC average was even less than the average of developing countries of 2.7 metric tons in 2008.

- Yet, per capita emissions in 15 member countries is higher than the world average of 4.5 metric tons. Eight of them, namely Qatar, Kuwait, Brunei, UAE, Bahrain, Oman, Saudi Arabia and Kazakhstan, even produced more than the average of developed countries, 11.9 metric tons per capita.

Source: CDIAC, World Bank

Carbon Dioxide Emissions per Capita
(Metric Tons, 2008)
WHY WE STILL NEED THE WORLD BANK
Looking Beyond Aid *

Robert B. Zoellick
President of the World Bank

On July 1, 2007, Robert B. Zoellick became the 11th President of the World Bank Group, which works with 187 member countries.

Prior to joining the Bank, Mr. Zoellick served as Vice Chairman, International of the Goldman Sachs Group, Managing Director, and Chairman of Goldman Sachs’ Board of International Advisors from 2006-07. In 2005-06, Mr. Zoellick served as the Deputy Secretary of the U.S. State Department. He was the Department’s Chief Operating Officer and policy alternate for the Secretary of State, in addition to having lead policy responsibility in a number of areas.

From 2001 to January 2005, Mr. Zoellick served in the U.S. cabinet as the 13th U.S. Trade Representative. He forged an activist approach to free trade at the global, regional, and bilateral levels, while securing support for open markets with the U.S. Congress and a broad coalition of domestic constituencies. He worked with Ministers from nearly 150 economies to launch the Doha Development Agenda in the World Trade Organization (WTO) in 2001 and then to complete the framework accord for opening markets in 2004. Zoellick was instrumental in completing the accession of China and Chinese Taipei to the WTO. He also completed or substantially advanced the accessions to the WTO of Cambodia, Saudi Arabia, Vietnam, Russia, and others.

Mr. Zoellick graduated Phi Beta Kappa from Swarthmore College in 1975. He earned a J.D. magna cum laude from the Harvard Law School and a MPP from the Kennedy School of Government in 1981.

In 2007, the World Bank was in crisis. Some saw conflicts over its leadership. Others blamed the institution itself. When the International Bank for Reconstruction and Development, the cornerstone of what became the World Bank Group, was founded in 1944, poor and war-torn countries had little access to private capital. Sixty years later, however, private-sector financial flows dwarfed public development assistance. “The time when middle-income countries depended on official assistance is thus past,” Jessica Einhorn, a former managing director of the World Bank wrote in these pages in 2006, “and the IBRD seems to be a dying institution.”

In roundtable discussions and op-ed pages, the question was the same: Do we still need the World Bank?

I took the helm of the World Bank in 2007, bringing with me a different vantage point, gained from historical perspective, personal experience, and my sense of the international landscape: that institutions matter. The creators of the Bretton Woods multilateral system had designed an international economic architecture to deal with the causes of the global financial breakdown in the 1930s and with the economic and security problems they thought would

follow World War II. The World Bank was part of that framework, which covered monetary and currency issues, trade, investment, development, and the reconstruction of broken states.

In 2007, those challenges remained, although the conditions were vastly different. The rise and diffusion of private capital and free enterprise around the world now offered developing countries a great opportunity. Yet that did not obviate the need for the World Bank, because it was never simply about loans and grants: its role has been to contribute to the development of market economies in an open international system -- fostering growth, opportunity, and hope and overcoming poverty within a better political and security order.

Not only had the world changed, but the World Bank had changed, too. It now encompassed four policy and financing arms: the IBRD; the International Development Association, or IDA (the bank’s special fund for the poorest 79 countries); the International Finance Corporation, or IFC (its private-sector arm); and the Multilateral Investment Guarantee Agency (which offers investors insurance against political risk).

To accomplish its mission, the World Bank needed new directions, firmer guidance, and better execution. It had to adapt to shifts in economic influence, with emerging markets becoming new economic engines and development no longer being about a North-South hegemony. In developing countries, it needed to assist the private sector -- whether investors from abroad or companies at home -- to clear away obstacles to entrepreneurship. It needed to foster inclusive and sustainable growth, and shared responsibilities, within a changed international system. The job for our leadership team was to point out the new directions, build support and partnerships, translate the overarching vision into specific actions, remain alert to opportunities to innovate, and execute, execute, execute.

Before long, the institution was shifting from debating existential questions to asking new, practical ones. What could it do to promote food security and better nutrition in the face of rising food and fuel prices? How could it help China complete its transition to a market economy and to a growth model less dependent on exports and investment? How could it help countries in the Middle East meet the demand for jobs today and build sustainable political economies in the future? What could it teach cities dealing with climate change?

Communicating this new mission has remained a challenge. One of the problems of the World Bank is that it is called a bank. Most people associate banks with lending money (at least they have until recently), but financing is only one part of what the organization does. When it is most effective, the World Bank shares knowledge; develops long-lasting markets, institutions, and capacities; and offers diverse financing (whether it takes the form of equity, guarantees, loans, grants, or risk management). Combining all three elements, the bank can improve lives and countries.

“The World Bank’s aim should be to help countries move beyond aid… [It] should help developing countries create the conditions that stimulate business, jobs, productivity, and links to global supply and logistics chains.”
These were the challenges before us in 2007. In a larger sense, the World Bank was one part of a bigger strategic question: How should the United States and others in the world modernize multilateralism? The world had inherited its regimes and institutions from the “Wise Men” who created them after World War II; after the Cold War, multilateralism was expanded but only slightly retooled.

Since 2007, the international economy has witnessed tectonic shifts and a reordering of power relationships as it has struggled to recover from the greatest blow since the 1930s. Developing countries have provided two-thirds of all economic growth over the last five years, helping compensate for the stumbling industrialized world. Developing countries have also become the source of economic ideas, development models, investment, and even foreign aid. The institutions, national and international, designed for the old order have been straining at their seams to accommodate this new dynamic.

Today, some of those who see only the weaknesses and failures of multilateral organizations advocate abandoning them altogether. But the world’s multilateral bodies offer a thin but vital tissue connecting sovereign nations that pursue common interests. The pragmatic approach, then, is to make these institutions, with all their imperfections, work better. Over the past five years, the World Bank has customized its services to solve problems for diverse developing clients in the public and private sectors; expanded its capital base and innovative financing tools; emphasized the importance of good governance and anticorruption efforts; democratized development through openness and transparency; and updated its representation and operations to increase the voice and responsibilities of developing countries. Although the bank has made progress on all these fronts, it can -- and should -- do much more.

Working for Clients

Developing countries are the World Bank’s clients -- not the objects of old “structural adjustment” policies. This notion may seem obvious, but it represents an important shift in mindset. The bank should be a seeker of solutions, not a purveyor of prescriptions. If the best textbook solution does not fit the client’s political economic context, the bank has not helped solve the problem. At the same time, the bank’s experts need to be able to share knowledge about how other countries are solving similar problems. As one senior Indian official told me, “I don’t need another expert on India. I’ve got more than a billion of them. I need world-class experts on pension systems, public-private infrastructure ventures, and...”
educational attainment.” Finance alone is rarely the answer.

Clients have vastly different needs. Countries struggling to break out of cycles of violence, poor governance, instability, and poverty need much more than development theories. During my time in the U.S. government, I saw how the fields of security, economics, and diplomacy often worked together fitfully in countries struggling with conflict. The World Bank can help connect these disciplines. In 1944, the “R” in IBRD stood for the reconstruction of Europe and Japan; today, it represents the World Bank’s work in such troubled places as Afghanistan, Haiti, and Liberia.

Middle-income countries -- Brazil, China, India, Indonesia, Mexico, Turkey, and others -- face entirely different problems. These countries, which are still home to two-thirds of the world’s population living on less than $2 a day, have stark development challenges of their own. At the same time, they are playing an increasingly important role in the world economy and in the development of other countries. Their actions will be indispensable to crafting sustainable solutions to transnational problems, whether they involve health, trade, the environment, or financial integration. The bank needs to not only assist middle-income countries but also share their experiences with others and encourage them to assume greater international responsibilities.

An early challenge revealed the bank’s new problem-solving approach. At the end of 2007, food prices surged. Soaring fuel prices exacerbated the stress. Some World Bank economists, thinking in aggregate terms, said that returns from high commodity prices would allow most countries to offset the danger. Others suggested that the problem would be best handled by humanitarian agencies, not long-term development institutions. But tens of millions of poor people had no cushion to soften the blow. Families went without meals. Farmers could not get the inputs they needed. Food riots broke out. It made no sense to speak of the long term unless populations and governments could address the short-term crisis.

The World Bank moved swiftly, working with UN agencies to set up the Global Food Crisis Response Program and creating a rapid financing facility to support farmers. At the same time, higher prices and greater demand for farm products from growing populations offered an opportunity to promote growth if the bank could help boost productivity and production. Today, the bank’s crisis program has helped 40 million vulnerable people in 47 countries. Its investments extend across the agricultural value chain, involving research, property rights (including for female farmers), seeds, irrigation, fertilizer, storage, and marketing -- always encouraging private-sector development. The bank’s financial expertise can help farmers and food buyers manage risks through weather derivatives, crop insurance, and futures markets.

When the food and fuel crises were overtaken by a global financial crisis, the World Bank...
in real terms), and even to make multibillion-dollar contributions to the IDA. The countries that received the IDA’s investments supported fundraising by sharing the World Bank’s focus on results and accountability, including through the use of new lending tools that connect payments to specific achievements.

There is room for more innovation. With adjustments in the terms offered to recipients and through the flow of repayments from them, the IDA should move toward greater self-sustainability. Just as important, there are huge opportunities for the World Bank to cultivate private investment. Many countries in Africa have enjoyed high growth rates for a decade. They are taking steps to foster regional integration and infrastructure, and the bank is working with them to improve their business and investment climates. The bank’s Doing Business report, for example, enables countries to assess how hospitable they are to small enterprises.

In 2009, the IFC created the IFC Asset Management Company, which adds to the IFC’s traditional model of raising money in bond markets and then investing it. The AMC taps the substantial financial resources held by sovereign wealth funds, pension funds, and other institutional investors and channels them to profitable investment opportunities identified by the IFC. The AMC now totals over $4 billion, almost $3 billion of which comes from outside investors that have had little exposure to Africa and other less recognized emerging markets. For now, these investors are relying on the IFC’s strong track record of combining development with returns. Over time, their ranks will expand as they become more familiar with these growth markets.

The World Bank has taken the lead in developing novel ways to use finance to tackle other global problems. Encouraged by former U.S. Treasury Secretary Henry Paulson, the bank raised over $6 billion from governments for new “climate investment funds” to help countries improve energy efficiency and technology, lower their emissions, and protect themselves against climate change. These funds have mobilized about $50 billion worth of projects in 45 developing countries. As negotiators debate what a UN “green fund” might look like, the World Bank already has one up and running. The bank has also brought financial innovation to bear on plans to develop medicines, protect wildlife, lower the costs of humanitarian food and supplies, and create natural-disaster insurance.

The bank’s approach is to “crowd in” others. The bank has multiplied support for projects and benefited from each partner’s comparative advantage. It has deepened its ties with regional development banks (including several Arab funds and banks), private investors, governments, and foundations. The IFC, for its
part, can work with commercial banks and others to share risks, for example, by keeping trade finance flowing through operational partnerships with banks. The IFC is also committing around $3 billion through about 180 private equity funds in developing countries to build markets through which investors can supply longer-term risk capital to owners of local companies. Over time, the World Bank aims to build market infrastructure and experience, whether for local currency bond markets, equities, or financing for small and medium-sized companies.

**Promoting Good Governance and Preventing Corruption**

Promoting good governance and combating corruption are an integral part of development. When I arrived at the bank, its anticorruption work was mired in frustration, suspicion, and conflict. An independent review panel headed by former U.S. Federal Reserve Chair Paul Volcker provided an invaluable “wiring diagram” to enable the bank’s integrity staff to work more effectively with field operators, clients, donors, and the bank’s own board of executive directors.

Yet the bank needs to do more than just investigate, prosecute, and penalize those who engage in fraud and theft. In many resource-rich countries, the primary challenge is for the government to use income wisely, counter corruption, and broaden the benefits of growth. Applying its experience, the bank needs to implement corruption-prevention measures, improve transparency, and involve civil society in supporting good governance. It also must help governments – increasingly, at the subnational level – strengthen financial management, procurement systems, auditors, and other checks.

The World Bank will need new tools to break through harder obstacles. In 2010, the bank pushed through an agreement with the regional development banks that makes sure that individuals and companies found guilty of stealing from one of these banks are punished by all. The bank’s integrity unit has introduced settlements for the guilty that combine sanctions with restitution payments and contributions to anticorruption groups. The Stolen Asset Recovery Initiative is assisting governments in recovering funds stolen by leaders who looted their countries’ Treasuries.

The bank also refers cases to national criminal authorities, and although governments exercise prosecutorial discretion, those that consistently fail to prosecute will jeopardize their relationship with the bank. To support the investigators, prosecutors, judges, and others who take on this often dangerous work, in 2010 the bank set up the International Corruption Hunters Alliance, a network of more than 200 anticorruption officials from 134 countries. The bank is also developing a fund to assist local citizens and civil-society groups that support accountability.
Democratizing Development

The World Bank does not have all the answers. When making decisions that can have an enormous impact on people’s lives, it must listen to those closest to the issues. One of the many messages of the crowds that shook the Middle East in 2011 was that global economic freedom must be combined with good governance, citizen voice, and social accountability.

Inclusive and sustainable development depends on shifting from an elite, top-down approach to one that democratizes development. This means giving people the tools to gather data and better understand development issues, along with opportunities to share insights. Institutions resist opening up. Information is power. Opening up means revealing mistakes and addressing critics, which is difficult, but it ultimately makes institutions more effective. In the case of the World Bank, making the organization accessible improves performance and shows people what the bank does and how it works. Transparency is the best antidote to conspiracy theories.

In 2010, the World Bank rolled out a new access-to-information policy, which releases vast numbers of documents and gives the public more information than ever before about the bank’s projects, its analytic and advisory activities, and the proceedings of its executive board. Modeled on freedom-of-information programs in India and the United States, the policy marks a groundbreaking change in how the bank deals with information and is the most extensive such policy of any multilateral organization.

The Open Data Initiative may turn out to be even more important. Under this program, the bank is making thousands of data sets freely available to anyone with an Internet connection. Anyone from a Ph.D. student in Australia to a farmer in Kenya can now analyze the bank’s data. In 2010, the Apps for Development competition encouraged software developers around the globe to come up with new uses for this wealth of data, and World Bank researchers are building software applications to further increase the data’s accessibility. The bank is also creating an “integrity app” to give citizens online access to information about the bank’s projects and a means of instantly reporting corruption relating to them. The bank plans to work with communities to map their own social infrastructure -- such as health clinics, schools, and water sources -- so villagers can hold officials to account. The next step is to allow people to use hand-held devices to let the bank know, from any location, what is really going on with its projects.

All these programs represent a very different

“The bank needs to not only assist middle-income countries but also share their experiences with others and encourage them to assume greater international responsibilities.”
model from the “bank knows best” attitude of the past. Recognizing the World Bank’s efforts, last year the organization Publish What You Fund ranked the IDA first among 58 multilateral and bilateral development agencies for transparency.

**A More Representative Bank**

Finally, as developing countries rightly demand a bigger say in how the world is run, the World Bank must reflect this change. In 2010, the bank increased the representation of developing countries on its board of executive directors from 44 percent to just below 50 percent. But since the board rarely votes, the addition of a new board chair for sub-Saharan Africa was probably more important, adding another voice around the table. Some countries advocate that control be split 50-50 between developed and developing countries. This preoccupation raises thorny questions: Which countries belong in the “developing” category? As more countries become “developed,” should 50 percent of the votes still be reserved for the remainder? Should voting power also reflect countries’ enhanced contributions to the IDA or other funds? Do these divisions reinforce a North-South logic that reflects an old paradigm? The bank management’s aim has been to base voice and representation on how the bank does its work, starting with treating clients with dignity and respect and better reflecting the bank’s membership in its workforce. It helps to be local: offices in more than 100 countries bring staff closer to clients and other shareholders. The bank’s employees come from 167 countries, and nearly two-thirds of its staff members come from developing and transitional states. Its chief economist, the Chinese scholar Justin Lin, is the first person from a developing country to hold that position. Fifty percent of the bank’s senior executives are now women, and about 45 percent of its senior executive hires come from developing countries.

The World Bank is also gradually expanding the global footprint of its efforts to share knowledge. It has built a center in Nairobi that assists post-conflict countries and a hub in Singapore that focuses on urban and public-private infrastructure development. As these institutional changes reflect, development today is as much about knowledge as lending, and knowledge needs to flow south to south, east to west, from the grass roots to the corridors of power, no longer limited by the old hierarchies.

**Beyond Aid**

My experience before coming to the World Bank led me to place a premium on results. The focus on outcomes may seem obvious, but public policy assessments are often driven by intellectual debates, political positioning, and current ideological fashions. International organizations in particular can become so self-absorbed with process and discussions that they overlook the vital role of effectiveness. A focus on practical outcomes is especially important in public organizations such as the World Bank, where checks and balances and procedures and committees can stymie initiative. Accomplishments build morale, support, accountability, and legitimacy.
The bank has made a concerted effort to become faster and more flexible. Yet there is much more to do. Executives need to help their teams connect the dots between the concerns of various stakeholders (about safeguards, sound procurement practices, governments’ cooperativeness, and other issues) and the country counterparts whose problems they are trying to solve. They need to continually learn and improve, without letting process become paralysis.

Over the past five years, the World Bank’s efforts to modernize have been part of the larger drive to modernize multilateralism. That push reflects a world economy shifting toward multiple poles of growth, an evolution that will boost opportunities, livelihoods, and innovation. At the same time, the world will need a healthy multilateral system to encourage more countries to tackle common concerns with increased shared responsibilities.

Over time, the World Bank’s aim should be to help countries move beyond aid. There will always be a need for humanitarian aid, and for some time to come, poor and conflict-riven countries will require development assistance. The goal, however, should be to get past dependency. The World Bank should help developing countries create the conditions – through public health, education, and nutrition, as well as financial investment – that stimulate business, jobs, productivity, and links to global supply and logistics chains. It can assist with better governance, the rule of law, economic freedom, environmental sustainability, and social accountability. All countries, meanwhile, should open their markets to developing countries. And all countries should tap the energies and genius of all their people, especially girls and women, who represent an emerging source of growth everywhere.

Much of the World Bank’s history has been associated with the Third World. The Third World is an outdated concept. But development is not. In fact, lessons of development – just like principles of sound economics – are increasingly applicable to all countries. Today, the world urgently needs to move beyond the economic crisis and lay the foundations for a world beyond aid. To do so, the world still needs the World Bank.
**DID YOU KNOW?**

- **Electric power consumption** measures the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants.

- In 2009, OIC member countries accounted for only 8.6% of global electric power consumption (18,477 billion kWh), though in that year the population of OIC member countries as a group makes up more than one fifth of the world population. In contrast, with 14.7% of the world population, developed countries accounted for more than half the global electric consumption.

- The total electric power consumption of 6 OIC member countries alone, namely Saudi Arabia (199 bn. kWh), Turkey (165 bn. kWh), Iran (164 bn. kWh), Indonesia (140 bn. kWh), Egypt (124 bn. kWh), and Malaysia (101 bn. kWh) accounted for 56% of the total OIC countries’ electric power consumption.

- As per capita, the average electric power consumption of OIC (1,038 kWh) is well below that of the developing countries (1,546 kWh) and less than half of the world average (2,732 kWh).

- The electric power consumption per person is higher than the world average in 11 OIC member countries. Among them, the per capita levels of Kuwait, Qatar, UAE are even higher than the average of developed countries (9,348 kWh).
DECENT WORK FOR SOCIAL JUSTICE AND SUSTAINABLE DEVELOPMENT

Juan Somavia
Director-General International Labour Organization

Juan Somavia, a Chilean national, and Director-General of the International Labour Organization since March 1999, was the first representative of the southern hemisphere to hold this position. As Chilean Permanent Representative to the UN (1990-1999) he proposed the 1995 World Summit for Social Development and chaired its Preparatory Committee.

Under his leadership, the ILO established “Decent Work” as its primary goal. This contemporary application of its historic mission to promote social justice through the world of work emphasized the role of policy coherence in realizing Decent Work. Recurring motifs of Mr. Somavia’s multifaceted career have been social justice, peace, human rights and democracy.

When the World Commission on the Social Dimension of Globalization, established by the ILO, published its groundbreaking report “A Fair Globalization: Creating Opportunities for All” in 2004, a fundamental message was that the deep-seated and persistent imbalances in the workings of the global economy were both “ethically unacceptable and politically unsustainable”. The global financial and economic crisis of 2008, its aftermath and the growing global discontent around the world today are all unfortunate testaments to the accuracy of those predictions.

The prevailing model of globalization has produced the most profound economic and financial crisis since the great Depression, widening income inequality as well as amplifying a global jobs crisis that predated the financial crisis. This model has demonstrated clear limitations in its capacity to allow women and men to secure a decent life for themselves and their families, in the circumstances of each society, through their own work. The prevailing environment is one in which the integrity of work and principles such as solidarity in building cohesive societies and balanced economies have come under great pressure.

Work is central to human dignity, the well-being of families and the stability of communities and societies, beyond its role in economic processes. It is situated at a point where the economics of the market intersects with values such as justice and fairness, dignity and respect. In the words of the ILO’s Constitution “labour is not a commodity.”

1 World Commission on the Social Dimension of Globalization (2004), A Fair Globalization: Creating Opportunities for All, ILO.
The multidimensional nature of work that respects human dignity is captured in the concept of “decent work” covering employment promotion and enterprise development, extension of social protection, respect for fundamental rights at work – freedom from discrimination, forced labour and child labour, freedom of association and collective bargaining - and engagement in social dialogue. Together they assure the dignity of work and the worker. Anchored in a productive framework and the needs and aspirations of people, a decent work approach is transformational and must be an integral component of a sustainable development agenda. The principles of decent work can be respected at all levels of development, the threshold advancing as societies and economies progress. It is the sustainable route out of poverty.

**Present patterns**

Without work itself there can be no decent work. On this front, global employment trends are not reassuring: unemployment stands at more than 200 million and continues to rise. In addition, more than 400 million new jobs will be needed in the next 10 years for new labour market entrants just to avoid a further increase in unemployment. This means that to begin to rise to the challenge of generating sustainable growth with social cohesion 600 million productive jobs need to be created over the next decade.

However, unemployment rates alone do not adequately reflect the scope of the problem since millions have part-time jobs for lack of a better alternative, are postponing entry into the labour market, fall into the informal economy or have given up looking for work altogether. In 2011, some 30 per cent of all workers or 910 million were counted among the working poor with an estimated 456 million workers around the world living in extreme poverty below the US$1.25 a day poverty line. Of deep concern is the situation of young people: some 75 million young people are now unemployed, an increase of more than 4 million since 2007. They are nearly three times as likely as adults to be unemployed. This is the foundation for the prospect of a “lost generation” which comes with an individual, societal and economic cost.

Organization for Islamic Cooperation (OIC) member countries are not isolated from these global patterns. For example, approximately 31 million people, equivalent to 4.9 per cent of the OIC countries’ labour force was not able to find a job in 2010. In the Middle East and North Africa regions, youth are around four times as likely as adults to be unemployed, with youth unemployment rates well in excess of 25 per cent in both regions. The Middle East and North Africa regions have also seen falling labour force participation rates, the most affected group being adult women. In the Middle East the unemployment rate for women in 2011 was 19.0 per cent on average and 41 per cent for young women while women’s participation in the labour force was estimated to be 18.4 per cent compared with 74 per cent for men.

The global employment situation presents only a partial picture of the world of work. Every year around 337 million people are victims of work accidents and more than 2.3 million people

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3 2011 Annual Economic Report on the OIC Countries, SESRIC.
4 Global Employment Trends 2012, ILO.
5 Global Employment Trends 2012, ILO.
die because of occupational injuries or work-related diseases. In addition many deaths and injuries are unrecorded. Only one out of every five persons has adequate social security coverage. Many workers also do not enjoy fundamental rights at work – resulting in an estimated 12.3 million in forced labour and 215 million children in child labour, over half of whom are in hazardous work; the persistence of discrimination in employment and occupation; and lack of freedom of association and collective bargaining.

Growing inequality is compounding the situation. Today 61 million individuals, less than one per cent of the world’s population, have the same income as 3.5 billion people, 56 per cent of the world’s population. Rising inequalities and shrinking opportunities are two sides of the same coin. Social mobility is lower in countries with high inequality. It is not only socially destabilizing, but it also constrains options for sustainable growth, weakening aggregate demand and the financing of growth.

The situation has provoked growing dissatisfaction reflected in the rising swell of social and popular movements across continents and regions, often led by youth. It was seen in the profound upheavals of the Arab world. In these movements and elsewhere there have been strong demands for justice and freedom, and for jobs that enable young people as well as adults to work out of poverty and to progress. Decent work – work done in conditions of freedom, equity, security and human dignity straddles these demands and is essential in securing new sustainable patterns of growth.

**Realizing new patterns of growth with social justice**

Employment has long been on national and international agendas. Yet current growth models have progressively shown their limitations in responding adequately to people’s aspirations for decent work. If the policy dead ends are to be overcome, clearly action must go beyond simply recovering growth through business as usual – because applying old policies in unchanged models will lead to familiar outcomes.

In the midst of great global diversity there are many sources of inspiration that can be drawn upon in moving to new paths and policies that better connect growth with the aspiration of people everywhere for decent lives through decent jobs. In forging a new vision of work, a rich source to be tapped resides in a number of major religions and spiritual traditions. In particular there is great convergence of values on the subject of work seen from the angles of human dignity, solidarity and security and social justice. A common demand for respect for the dignity of work can be forged, providing can be a powerful ethical force for decent work policies.

Action to realize decent work for all is an imperative in people-centred policy making. Social, economic, financial and environmental policies all contribute to determining the nature and conditions of work as well as the quantity of jobs. A key challenge is to ensure that there is coherence of policies and that they converge on the goal of decent work.
The building blocks for a globalization with social justice through the realization of decent work for all must include:

- Revaluing work, to reflect the role of work in its entirety - in respecting human dignity, securing the stability of families, communities and societies, in contributing to sustainable enterprises and sustainable economic development.
- Pursuing a more efficient, job rich growth pattern in both developed and developing countries with full employment a central target of economic policies.
- Committing to financial sector reform that works in favour of the real economy and sustainable enterprises.
- Unlocking the potential of small and medium-sized enterprises (SMEs) by easing their access to credits and loans and facilitating production by SMEs based on innovation, technology and driven by the green economy.
- Supporting the development of green jobs and a just transition to green economies with decent work.
- Paying particular attention to decent employment opportunities for youth within overall policies for employment promotion. The school to work transition should be facilitated through effective apprenticeships, orientation services and entrepreneurship training to enable youth to have better prospects for the labour market.
- Ensuring gender mainstreaming to close the gap between men and women in the labour market.
- Building and strengthening social protection floors to protect and empower, particularly the most vulnerable, enabling them to work out of poverty and sustaining the incomes of families.
- Establishing more inclusive and fairer labour markets respecting international labour and migration standards and rights at work with social dialogue at the core.
- Promoting and strengthening robust social dialogue structures and institutions at all levels and thus ensuring the enforcement of fair and participatory governance of labour markets and economies in general.
- Supporting regional cooperation and integration to generate common and coherent responses to negative and adverse consequences of economies not only in time of crises but also when economies are functioning smoothly.

The goal of decent work for all defined by the ILO has been widely endorsed nationally, regionally, in the UN System and other international forums. There are important initiatives in many areas to realize decent work principles but isolated initiatives will be inadequate to bring about the transformation required. To globalize social justice through decent work, the vision, the policies and the core tools to achieve the latter must be fully integrated in the economic and developmental agenda at all levels. Pursuing the broad policy orientation described above with the necessary policy coherence, the full benefit of the decent work approach can be realized.

At this time of great global disarray there is a real opportunity to change course and opt for patterns of growth that are socially, economically and environmentally efficient – ushering in an era of growth with social justice.
DID YOU KNOW?

- **Outbound mobility rate** gives the number of students from a given country studying abroad as a percentage of the total tertiary enrolment in that country.

- The average mobility rate is around 1.9% for the world and 1.8% for the developing countries.

- The 53 OIC member countries with available data after 1999 has an average outbound mobility rate of 2.6%, which is greater than that of the developed countries 2.4%.

- Except for 8 member countries whose rates are below that of the developing countries, 1.8%, the outbound mobility rates of all of the member countries are higher than the world average, 1.9%. Excluding Algeria, their mobility rates are above the average developed countries, as well.

- Among the member countries, the outbound mobility rate is strikingly high in Maldives: The number of students studying abroad is more than 15 times of the total tertiary enrollment in the country.

- The outbound mobility rates of Comoros, Djibouti, and Brunei are also above 50%.

- Guinea-Bissau, Gabon, Kuwait, Albania, Mauritania and Suriname are the other countries where the tertiary students studying outside the country are more than one fifth of those studying in the country.
All throughout history, natural disasters have been one of the greatest challenges against development of human societies. Many races, cultures, and civilizations were formed, evolved, or demised depending on their knowledge, technology, and capability to cope with adversities of nature. While this may seem to be history, natural or human-caused disasters are still among the serious threats to societies’ socio-economic and political development around the world, even today. Floods, storms, epidemics, earthquakes, droughts, wild fires, and many more interrupt and distort the lives of many around the world again and again, in many instances taking lives, ruining investments, and forcing major relocations. Global warming, a human-caused global-scale natural hazard, will soon, if not already, severely and irreversibly impact our civilisation and its future if no serious actions are taken in near future.

Disasters are one of the major obstacles in the way of sustainable development in developing countries, especially among the least developed ones. The tragic earthquake and tsunami that struck Japan in March of 2011 is estimated to have caused between $122 to $235 billion in physical damage, of which only $14 to $33 billion is likely to be borne by the private insurers leaving a substantial part to be borne by households and the government. Damages of such magnitude and only for one incidence of natural hazard are equivalent or more than the gross domestic product (GDP) of 146 of the 184 countries covered in the International Monetary Fund’s 2011 World Economic Outlook. In other words, a single disastrous event of the magnitude of the earthquake and tsunami in Japan in 2011 (which also led to other adversities), with a financial cost of about only 4% of Japan’s GDP in 2010, may easily gobble up more than 100% of many countries’ whole economy and their many years of investment in socio-economic and political development and, thus, their futures.

Such disastrous threats to sustainable development, with such potential adverse impacts, should leave no doubt for any policy maker in any developing country that disaster risk reduction ought to be an integral part of any national or local economic development strategy and plan. Substantial investments in institutional and legal frameworks, physical infrastructures, education and awareness, and beyond are required to educate people and organisations, and create capacities for prevention, preparation, response and recovery, with emphasis on prevention and preparation. The OIC Countries, if not the most in need of such provisions, are no exceptions. This report is the first effort to evaluate the status of OIC member countries (MCs) with regard to natural disaster risks with the aim of identifying two main drivers of risk: being relatively more prone to natural hazards and/or vulnerabilities.
This report clearly illustrates that while different OIC countries suffer from different types of natural hazards, with various frequencies and magnitudes, it is in fact their vulnerability to risks, or the lack of conditions and capacities for properly managing and reducing the risk of disasters, that is the main culprit. Almost 100% of natural disasters and their impacts (fatal, non-fatal, and financial) in low income OIC countries (OIC-LI) during 1960-2009 took place in countries that are also identified as OIC countries with low capacities for risk reduction (OIC-LRRC). There is clearly no doubt that there is a real need for cooperation among all OIC countries, with assistance from outside, to offer a hand to the people and governments in these countries to reduce their vulnerabilities to natural disasters, and save lives. Investments in response mechanisms and capacities are quite important. However, effective risk management of disasters requires, and involves, more than just a response mechanism. Reducing the risk of disasters requires viewing disasters as major barriers to sustainable socio-economic development, and managing the risks through investing in and enhancing the capacities for preserving the environment and ecosystems, eradicating poverty and inequality, appropriate rural and urban development, and improving the quality of governance, all of which contribute to vulnerabilities. Viewing risk of disasters as barriers to sustainable development necessitates the inclusion of a disaster risk management strategy as an indispensable and integral part of the overall development strategy, which has its roots in environmentally friendly socio-economic and political development and at the same time serves as the guardian of all developmental efforts and investments.

This study is not free of shortcomings and, all in all, is an initial attempt at bringing the importance of the issue at hand to the attention of the policy makers in OIC countries. Further efforts are on the way for improving upon the existing shortcomings.

OVERVIEW OF TRENDS IN NATURAL DISASTERS & THEIR IMPACTS

Trends in Natural Disaster Occurrence

During 1960-2010, the number of natural disasters around the world (Table 1, [A]) significantly increased, from about 600 occurrences in the 1960s to almost 4,500 during the 2000s; an increase of about 7.5 times. The number of natural disasters per year at the world level increased from 81 incidences in 1970 to a record high of 528 in 2000, and to 426 in 2010 (Figure 1). The increasing trend in the number of natural disasters was mostly driven by the increase in incidences of floods, storms, and epidemics, perhaps in direct relation to the impacts of global warming (Figure 2).

The OIC countries experienced a steeper trend in the occurrence of natural disasters during 1960-2010 (Table 1, [A]), significantly increasing from around 134 incidences in the 1970s to 1,178 in the 2000s; an increase of about 9 times, which is quite larger than that of the world. The number of natural disasters per year increased from 13 in 1970 to a record high of 135 in 2000 and slightly lower to 113 in 2010 (Figure 1). While OIC countries had a constant share of 23% in total number of natural disaster incidents in the world all throughout the 1960-1999, their share in fact increased to 26% during 2000-2009 (Table 1, [A]). The major drivers of such a fast increase in the number of natural disaster incidents among the OIC countries were floods, epidemics, earthquakes, storms, wet mass earth movements, droughts, and extreme temperatures, respectively in order of importance, with floods and epidemics having become the most frequent ones during the last forty years (Figure 3).
Figure 1 – Natural disasters significantly increased in the world and OIC countries during 1970-2010.

![Total Number of Natural Disasters Over Time](chart.png)


Table 1 – Natural disaster trends & distribution

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>World</strong></td>
<td>582</td>
<td>910</td>
<td>1,829</td>
<td>2,964</td>
<td>4,493</td>
</tr>
<tr>
<td><strong>Non-OIC countries</strong></td>
<td>448</td>
<td>711</td>
<td>1,409</td>
<td>2,283</td>
<td>3,315</td>
</tr>
<tr>
<td><strong>OIC countries</strong></td>
<td>134</td>
<td>199</td>
<td>420</td>
<td>681</td>
<td>1,178</td>
</tr>
<tr>
<td><strong>OIC % of world</strong></td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td><strong>OIC-LRRC % of OIC</strong></td>
<td>46%</td>
<td>52%</td>
<td>59%</td>
<td>62%</td>
<td>64%</td>
</tr>
<tr>
<td><strong>OIC-LI % of OIC</strong></td>
<td>32%</td>
<td>37%</td>
<td>38%</td>
<td>42%</td>
<td>43%</td>
</tr>
</tbody>
</table>

[A] Total number of natural disasters

[A-1] Distribution of natural disasters within OIC (unweighted, per country per year)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Average</strong></td>
<td>0.24</td>
<td>0.36</td>
<td>0.76</td>
<td>1.24</td>
<td>2.14</td>
</tr>
<tr>
<td><strong>Standard deviation</strong></td>
<td>0.66</td>
<td>0.93</td>
<td>1.57</td>
<td>2.11</td>
<td>3.09</td>
</tr>
<tr>
<td><strong>[min , max]</strong></td>
<td>[0 , 6]</td>
<td>[0 , 12]</td>
<td>[0 , 12]</td>
<td>[0 , 15]</td>
<td>[0 , 19]</td>
</tr>
</tbody>
</table>

* OIC-LRRC indicates OIC countries with low risk reduction capacity: Afghanistan, Bangladesh, Benin, Burkina Faso, Cameroon, Chad, Comoros, Côte d’Ivoire, Djibouti, Guinea, Guinea-Bissau, Iraq, Libya, Mali, Mauritania, Mozambique, Niger, Nigeria, Pakistan, Senegal, Sierra Leone, Somalia, Sudan, Tajikistan, Gabon, Gambia, Togo, Turkmenistan, Uganda, Yemen.

** OIC-LI indicates OIC countries with low income: Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Gambia, Guinea, Guinea-Bissau, Kyrgyzstan, Mali, Mozambique, Niger, Sierra Leone, Somalia, Tajikistan, Togo, Uganda.

**Figure 2** – Major drivers of the increasing trend in natural disasters in the world are floods, storms, and epidemics.


**Figure 3** – Major drivers of the increasing trend in natural hazards among the OIC countries are floods, epidemics, earthquakes, storms, wet mass earth movements, droughts, and extreme temperatures.

While the OIC-level facts and figures regarding natural disasters are alarming on their own, the distribution within OIC reveals a more dramatic picture. In average, each OIC country experienced about 0.24 natural disasters each year in the 1960s, 0.36 in the 1970s, 0.76 in the 1980s, 1.24 in the 1990s, and 2.14 in the 2000s. To the extent that the averages could be misleading, it is important to note that among the OIC countries with reported natural disasters during the fifty years since 1960, the standard deviation around the reported averages was also increasing; from 0.66 in the 1960s to 3.09 in the 2000s. In other words, there has been a substantial and increasing disparity in terms of the number of natural disasters experienced by each country per year in each decade. Some OIC countries experienced substantially higher number of incidents relative to others and this discrepancy widened over time. As a result, the distance between the OIC country with the maximum number of natural disasters per year and the one with minimum number in each decade grew from about 6 disasters per year in the 1960s to 12 in the 1970s, 12 in the 1980s, 15 in the 1990s, and 19 in the 2000s (Table 1, [A-1]).

Such trends in the number of natural disasters among OIC countries are very concerning, especially that a high share of these incidences are increasingly happening in OIC countries with low capacities for disaster risk reduction (indicated by low DARA’s Risk Reduction Index) or in low income OIC countries (identified by the World Bank). Out of total natural disasters occurring among OIC countries, about 46% in the 1960s, 52% in the 1970s, 59% in the 1980s, 62% in the 1990s, and 64% in the 2000s were in the OIC countries identified with low capacities for disaster risk reduction (OIC-LRRC), and about 32% in the 1960s, 37% in the 1970s, 38% in the 1980s, 42% in the 1990s, and 43% in the 2000s were in the low income OIC countries (Table 1, [A]).

**Trends in Natural Disaster Impacts**

Table 2 reports different aspects of the impacts of natural disasters in the world and OIC countries. In terms of the number of people non-fatally affected (Table 2, [A]) the overall trend has been increasing in OIC countries from 50 million people in the 1960s to a high of 220 million in the 1980s and declining to 175 million in the 2000s. Even though the share of OIC countries in the total non-fatally affected people in the world has been declining, the magnitude of people affected is still undeniably high.

Within OIC, the majority of non-fatel disaster impacts during 1960-2009 took place in countries that are identified both as low income (OIC-LI) and with low capacities for disaster risk reduction (OIC-LRRC); i.e. in the most vulnerable of all OIC countries. The OIC member countries with low capacities for risk reduction have suffered the most; in average about 88% of people non-fatally affected by natural disasters within OIC have been in the OIC-LRRC member countries during 1960-2009. The more vulnerable low income OIC countries have had an average of 72% share in non-fatally affected people among OIC countries during the fifty years since 1960. Only during 2000-2009, of the 175 million non-fatally affected

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1 DARA is an independent organization committed to improving the quality and effectiveness of aid for vulnerable populations suffering from conflict, disasters and climate change. This index assesses capacities and conditions for effective risk management policies, strategies and activities for reducing the impact of hazards on vulnerable local communities.
people among OIC countries, 154 million were in OIC-LRRC and 128 million in OIC-LI countries. Of the 18 OIC countries identified as OIC-LI, only one is not identified as OIC-LRRC.\(^3\) There is clearly no doubt that there is a real need for cooperation among all OIC countries, with assistance from outside, to offer a hand to the people and governments in these countries to reduce their vulnerabilities to natural disasters, and save lives. (Table 2, [A])

The average number of people non-fatally impacted by disasters per country per year across the five decades since the 1960 (Table 2, [A-1]) has been increasing fast. In average in each OIC country about 90,000 were non-fatally affected per year in the 1960s; this number increased to 320,000 in the 2000s. At the same time, while the maximum number of people affected in a country in the 1960s was 16 million people, in the 2000s this number was about 37 million people.

Sadly, similar patterns are also observed with regard to fatal impacts of natural disasters within OIC (Table 2, [B]). Over the fifty years since 1960, more than 1,500,000 people were killed by natural disasters in OIC countries. While the decadal number of people killed by natural disasters was declining in the world, the OIC countries experienced an opposite trend. As a result, the share of OIC countries in total number of deaths by natural disaster in the world increased from 10% in the 1960s to more than 40% in the 2000s. Within OIC, a high majority of the people who lost their lives due to natural disaster were living in countries identified as both OIC-LRRC and OIC-LI countries, while increasingly more are getting killed in non-LRRC and non-LI countries.

The trend in financial cost of damages due to natural disasters in OIC countries is also very concerning (Table 2, [C]). The average total cost of damages across all OIC countries has followed a steep trend. It rose from just more than one billion dollars in the 1960s to almost 50 billion dollars in the 2000s. Despite the decreasing trend, the low income countries in OIC have in average endured close to 30% of these costs. It is to be noted that the decreasing trend in the share of OIC-LI in total financial damages caused by natural disasters in OIC over the last fifty years is concealing a bleaker reality: 52% of about 1.2 billion dollars in the 1960s versus 17% of about 50 billion dollars in the 2000s. Even including the inflation rate over these years is not going to substantially change this comparison.\(^4\) The average financial cost of natural disaster born by a country in year within each decade has also been increasing fast. In fact, the maximum estimated cost of natural disaster born by an OIC country within any year in the 2000s is about 26 times that of the 1960s.

The worrying trends in frequency and magnitude of impacts of natural disasters in OIC countries call for action. It is crucial for the purpose of risk management to know whether the difference in frequency of natural disasters across countries is due to being relatively more prone to higher number of natural hazards, which is beyond control, or due to lack of capacities and conditions for reducing risks and vulnerabilities that lead natural hazards to become disasters, which can be improved. The next section addresses this matter for OIC countries.

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\(^3\) Only Kyrgyzstan in the group of OIC-LI is not identified as OIC-LRRC.

\(^4\) $1 in the 1960 was worth about $7 in 2009. In other words, $1.2 billion in 1960 was equivalent to about $8.4 billion in 2009.
### Table 2 – Impacts of natural disasters

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>[A] Population non-fatally affected (millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>200</td>
<td>544</td>
<td>1,242</td>
<td>2,023</td>
<td>2,279</td>
</tr>
<tr>
<td>OIC countries</td>
<td>50</td>
<td>94</td>
<td>220</td>
<td>193</td>
<td>175</td>
</tr>
<tr>
<td>OIC % of World</td>
<td>25%</td>
<td>17%</td>
<td>18%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>OIC-LRRC % of OIC</td>
<td>92%</td>
<td>92%</td>
<td>96%</td>
<td>71%</td>
<td>88%</td>
</tr>
<tr>
<td>OIC-LI % of OIC</td>
<td>79%</td>
<td>70%</td>
<td>85%</td>
<td>53%</td>
<td>73%</td>
</tr>
<tr>
<td><strong>[A-1] Distribution within OIC (unweighted, millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average per country per year</td>
<td>0.09</td>
<td>0.17</td>
<td>0.40</td>
<td>0.35</td>
<td>0.32</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>0.97</td>
<td>1.87</td>
<td>3.27</td>
<td>2.30</td>
<td>2.03</td>
</tr>
<tr>
<td>[min, max]</td>
<td>[0, 16]</td>
<td>[0, 38]</td>
<td>[0, 56]</td>
<td>[0, 37]</td>
<td>[0, 37]</td>
</tr>
<tr>
<td><strong>[B] Population fatally affected (thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>1,730</td>
<td>987</td>
<td>794</td>
<td>525</td>
<td>838</td>
</tr>
<tr>
<td>OIC countries</td>
<td>169</td>
<td>414</td>
<td>316</td>
<td>296</td>
<td>340</td>
</tr>
<tr>
<td>OIC % of World</td>
<td>10%</td>
<td>42%</td>
<td>40%</td>
<td>56%</td>
<td>41%</td>
</tr>
<tr>
<td>OIC-LRRC % of OIC</td>
<td>69%</td>
<td>89%</td>
<td>96%</td>
<td>75%</td>
<td>37%</td>
</tr>
<tr>
<td>OIC-LI % of OIC</td>
<td>62%</td>
<td>87%</td>
<td>45%</td>
<td>65%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>[B-1] Distribution within OIC (unweighted, thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Average per country per year</td>
<td>0.31</td>
<td>0.75</td>
<td>0.37</td>
<td>0.54</td>
<td>0.62</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>2.66</td>
<td>13.64</td>
<td>7.71</td>
<td>6.36</td>
<td>7.86</td>
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<td>[0, 300]</td>
<td>[0, 150]</td>
<td>[0, 142]</td>
<td>[0, 167]</td>
</tr>
<tr>
<td><strong>[C] Cost of damages (current prices, million dollars)</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>World</td>
<td>18,446</td>
<td>53,847</td>
<td>187,980</td>
<td>699,539</td>
<td>891,227</td>
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<td>OIC countries</td>
<td>1,118</td>
<td>3,277</td>
<td>15,963</td>
<td>67,003</td>
<td>45,363</td>
</tr>
<tr>
<td>OIC % World</td>
<td>6%</td>
<td>6%</td>
<td>9%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>OIC-LRRC % of OIC</td>
<td>64%</td>
<td>80%</td>
<td>44%</td>
<td>17%</td>
<td>36%</td>
</tr>
<tr>
<td>OIC-LI % of OIC</td>
<td>52%</td>
<td>30%</td>
<td>24%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>[C-1] Distribution within OIC (unweighted, million dollars)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average per country per year</td>
<td>2.2</td>
<td>5.6</td>
<td>29.0</td>
<td>122</td>
<td>83</td>
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<tr>
<td>Standard deviation</td>
<td>14.8</td>
<td>48.9</td>
<td>286.5</td>
<td>1,068.7</td>
<td>480.6</td>
</tr>
<tr>
<td>[min, max]</td>
<td>[0, 201]</td>
<td>[0, 662]</td>
<td>[0, 5,200]</td>
<td>[0, 21,000]</td>
<td>[0, 5,230]</td>
</tr>
</tbody>
</table>


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**Disaster Risk & Its Drivers**

Disaster or its risk arises when hazards (such as flood, storms, droughts, etc.) interact with physical, social, economic and environmental vulnerabilities and considerably impact systems societies rely on. The Earth is shaped by a wide variety of natural processes, many of which can occur in ways that can pose a threat to such systems and hence form a natural hazard. Natural hazards generally cause death, injury, relocation and destruction of or damage to houses, agricultural land, buildings, infrastructure and communities. However, these impacts substantially escalate when hazards impact a vulnerable system, in which case the
natural hazard becomes a natural catastrophe or a natural disaster.

The effects of a natural disaster on an area or community depend on many factors. These include those related to the event itself – its magnitude and frequency – as well as those related to the community: its size and density of population and assets, how prepared the affected population is, and their economic resources to either mitigate a potential disaster and/or recover afterwards.

Risk of disaster is defined here in terms of the potential number of people killed as a result of natural hazards interacting with vulnerable conditions over a given period of time. Specifically, natural disaster risk (NDR) is modeled here as a function of risks induced by being prone to natural hazards (NHR), the size of population (Pop), and risks induced by vulnerabilities (VR) according to the following equation (UNDP, 2004):

\[
NDR = NHR \times Pop \times VR
\]

In the absence of any natural hazard, there would be no risk of a disaster. At the same time, if a natural hazard occurs in an area with no population, the disaster risk would also be zero. Given the occurrence of natural hazards and the population, it is the vulnerabilities that determine the scale of impacts; lower levels of vulnerability induce milder impacts.

Assessing the risks induced by being prone to hazards and the risks induced by vulnerabilities are integral parts of disaster risk assessment. A geographic region that is more prone to natural hazards face higher risk of disasters. At the same time, for a similar hazard happening in two different regions, the entailed risk of a disaster (total number of people potentially impacted) depends on the vulnerabilities of each region. The “vulnerability” in this sense is defined as the physical, social, economic, and environmental capacities and conditions of each country for devising effective risk management policies and strategies, and implementing measures for reducing the impact of hazards on vulnerable local communities (ISDR, 2011), which determine the scale of damage from the impact of a given hazard (UNDP, 2004). Therefore, in assessing the risk of natural disasters for any geographic division (e.g., a country or a group of countries), especially with the purpose of reducing risks, it is necessary to take account of the risks induced by vulnerabilities as well as those induced by being prone to natural hazards.

The current report uses the EM-DAT database, the only global disaster database that covers all types of disaster and many countries over long period of time and is freely available, to assess the three types of risks: disaster risks, and its two sub-components – the risk of being prone to natural hazards and risk induced by vulnerabilities. The Centre for Research on the Epidemiology of Disaster (CRED) maintains the EM-DAT database at the University of Louvain in Belgium. Events that conform to a consistent definition of a disaster are included in the database. Such events meet at least one of the following criteria: 10 or more people reported killed; 100 people reported affected; a call for international assistance; and/or a declaration of a state of emergency. These criteria exclude smaller events which are not considered disasters here. The low number of required deaths for an event to be considered a disaster guaranties that unavailability of information on frequency and magnitude of natural hazards does not severely bias the calculations here.

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5 Please see the 2009 UNISDR Terminology on Disaster Risk Reduction, United Nations. (Accessible via http://www.unisdr.org/we/inform/terminology.)

6 This is an important point because, for instance, incidences of drought (per occurrence and per unit of population) rarely impact the population in the developed countries but severely impact in the developing countries, due to their higher levels of vulnerability.


8 The EM-DAT database does not provide information on frequency of natural hazards (some of which can become natural disasters) and the
The following sub-sections assess the three types of risk separately for each OIC country. Section 3.1 assesses the manifested disaster risks; that is, based on the number of people actually impacted. By preparing a Natural Disaster Risk Index, this section identifies the member countries that are faced with higher risks of natural disaster. Section 3.2 assesses the natural disaster risks induced solely by being prone to natural hazards, following the all-hazard approach. This section essentially measures the would-be impact of disasters in OIC countries if their vulnerabilities were at the lower levels of countries with high capacity for risk reduction (HRRC). The ranking of countries based on the assessments in this section illustrates which OIC countries are more prone to natural hazards. An essential step in doing so is to make the comparison of different types of natural disasters possible. While it is often said that a country with, for instance, one disastrous incidence of flood and one of mass earth movement during a year has experienced two natural disasters, since these two types of disasters have different innate potentials for impacting the surrounding environment, it is necessary to make them comparable. For each type of disaster, the average impact (total affected people, or deaths, or damages) per occurrence of disaster and per million of population in HRRC countries can be used to convert the different types of natural disaster in OIC countries into equivalent terms. To the extent that the HRRC countries have lower vulnerabilities than OIC countries, this conversion is independent from the internal vulnerabilities of each OIC country, and therefore indicates the would-be total impact if each OIC country had vulnerabilities at the level of the HRRC countries. Section 3.3 combines the results of the preceding two sections to assess the vulnerabilities of countries.

Calculation of the two subcomponents (or drivers) of disaster risk, especially the risks induced by vulnerabilities, will help to understand the reasons behind high risk of disaster in some countries and identify areas of focus for the purpose of risk reduction.

### Natural Disaster Risks

Figure 4 ranks the OIC countries based on the disaster risks, the measurement of which is explained in Information Box 1. This measure essentially ranks the countries according to the number of people killed by natural disasters in each country during 1970-2009. Given the unit of measurement, the ratios between countries’ values have a clear meaning: relative risks.

Bangladesh tops the list with more than 528 thousand deaths reported during the 40 years from 1970 to 2009, followed by Indonesia (195,894 deaths) and Sudan (160,704). Other than these three countries the number of deaths due to natural disasters in Iran, Mozambique, Pakistan, Turkey, and Somalia were all above the OIC average (24,816 deaths).

The first look at this graph (Figure 4) makes one to think that the impact of natural disasters in terms of people killed is only serious in a handful of OIC countries; it is not correct. It is important to note the average deaths from natural disasters during the same period in the 18 countries that form the top 10% of the ranking of countries based on capacities for risk reduction (DARA’s Risk Reduction Index) is 3,067 with the total of 55,213 deaths. In other words, during the forty years since 1970 only in the top 18 countries in the ranking in Figure 4 with highest number of deaths, about 1,289,749 people could have been saved if these countries had the same level of exposure to natural hazards.
and vulnerabilities as those of the top 10% HRRC countries. This number is more than the average population of Gambia, Guyana, Djibouti, Surinam, Comoros, Brunei, Bahrain, or Maldives during 1970-2009, all of which are among the least risky countries according to Figure 4.

This raises the question that to what extent the deaths shown in Figure 4 are driven by exposure to natural hazards and vulnerabilities. Are the countries that seem to be among the safest during the forty years since 1970 according to Figure 4, placed there due to not being as exposed to natural hazards compared to others? Or is it because they are much less vulnerable but have similar physical exposure to natural hazards? Answering this question is critical in the sense that if the reason is the absence of vulnerabilities in spite of similar exposures, then it is really only the handful of countries with the highest risks shown in Figure 4 that should be concerned and the rest of the OIC countries could focus their attention on any areas other than risks of disasters. To address these questions, the next two sections will decompose the disaster risk into risks driven generated by being prone to natural hazards and risks induced by vulnerabilities.

Information Box 1 – Calculation of Disaster Risk
Disaster risk for a country \( NDR_c \) is measured according to the following formula:

\[
NDR_c = \sum_h N_{ch} \times \frac{Pop_c}{1,000,000} \times a_{ch},
\]

where summation is over different types of natural hazard \( h \), \( N_{ch} \) indicates the number of natural hazards of type \( h \) in country \( c \) during 1970-2010, \( Pop_c \) is the average population of country \( c \) during the same period, and \( a_{ch} \) is the average number of people killed per occurrence of natural hazard of type \( h \) per 1,000,000 population during 1970-2009. Essentially, this formula measures how many people were fatally affected by all types of hazard during the period:

\[
a_{ch} = \frac{A_{ch}}{N_{ch} \times Pop_c / 1,000,000} \quad \Rightarrow \quad DR_c = \sum_h A_{ch},
\]

where \( A_{ch} \) is the total number of fatally affected people in country \( c \) by natural hazards of type \( h \) during 1970-2009.

Ideally, it would have been appropriate to include for each incidence of natural hazard its magnitude and its impact per occurrence per million of population given its magnitude. However, the EM-DAT database does not provide any information on the magnitude of each event. Therefore, acknowledging the shortcoming imposed by the lack of access to needed information and as a way to address this shortcoming, the manifested impacts and the number of natural disasters instead of the number of natural hazards are used to calculate the risk. This approach guaranties that only natural hazards with magnitudes beyond the thresholds that make them potentially disastrous are included and their magnitudes are accounted for in a way in terms of their impacts.

13 Taking into account the differences in frequency of natural hazards and populations between the two groups of countries will not change this result substantially, resulting in 1,136,926 saved lives in the top 18 OIC countries in Figure 4.
Figure 4 – Natural Disaster Risk Index for OIC countries based on the number deaths by all disasters during 1970-2009: Bangladesh, Indonesia, Sudan, Iran, Mozambique, Pakistan, Turkey, and Somalia faced higher risks than the average of OIC (24,816 deaths).

Natural Disaster Risk Index for OIC Countries
(based on number of deaths)


Natural Disaster Risks Induced by Exposure to Natural Hazards

To figure out the extent to which natural disaster tolls are solely due to being prone to natural hazards, it is necessary to take account of vulnerabilities and take out their effect. This is done here by answering the following question: what would have been the toll of disasters in an OIC country if it had had vulnerabilities similar to a reference group of countries that are deemed to have lower vulnerabilities than majority of OIC countries? This question can be addressed by recalculating the disaster risk using tolls per occurrence per million people (a’s) that belong to the reference group of countries rather the country itself, as explained in Information Box 2. The reference group is made up of the top 10% countries with highest capacities and conditions for risk reduction (HRRC) based on DARA’s Risk Reduction Index.¹

Figure 5 ranks the countries based on disaster risks induced solely by being prone to natural hazards, in the sense that their own vulnerabilities are excluded from calculations. Of the total 1,364,904 deaths due to natural disasters in OIC countries, only 227,978 (17%) seem to be due to being prone to natural hazards. In other words, if all OIC countries had lower vulnerabilities similar to the reference group, about 1,136,926 deaths would have been saved during 1970-2009. In Bangladesh, while the actual number of deaths due to natural disasters was about 528,627 (Figure 4), in the absence of vulnerabilities that Bangladesh is suffering from, the toll of natural disasters on lives would have become about 85,040 (Figure 5). Bangladesh, Pakistan, Indonesia, Turkey, Nigeria, Egypt, and Afghanistan faced higher natural hazard risks than the average of OIC (4,145 deaths).
The changes in the order of ranking between Figures 4 and 5 are also of interest. While Bangladesh tops the rankings in both, some countries have moved to the left while others to the right. The left-movers are the countries that face higher risks, when only taking the exposure to natural hazards into account, and the right-movers vice versa. For instance, while Iran has an overall natural disaster risk ranking of 4 out of 55 OIC countries covered during 1970-2009, taking into account only exposure to natural hazards it has a ranking of 8.

Natural Disaster Risks Induced by Vulnerabilities

The ratio between NDR and NHR indicates the impact of vulnerabilities, which amplify the tolls taken by natural hazards and lead them toward becoming disasters. Figure 6 provides a ranking of OIC countries based on their vulnerabilities. Three messages clearly rise to the surface: firstly, other than a handful of countries on the right of the graph the rest are faced with considerable vulnerabilities (values of higher than one); secondly, some countries are faced with staggeringly high levels of vulnerability (the countries on the left); and thirdly, the ranking of countries in Figure 6 based on vulnerabilities is quite different from the rankings in Figures 4 and 5.

Information Box 2 – Calculation of Disaster Risk Induced by Being Prone to Natural Hazards

Natural Hazard risk for a country \( NHR_c \) is measured according to the following formula:

\[
NHR_c = \sum_h N_{ch} \times \frac{Pop_c}{1,000,000} \times \bar{a}_{rh},
\]

where summation is over different types of natural hazard \( (h) \), \( N_{ch} \) indicates the number of natural hazards of type \( h \) in country \( c \) during 1970-2010, \( Pop_c \) is the average population of country \( c \) during the same period, and \( \bar{a}_{rh} \) is the average number of people killed per occurrence of natural hazard of type \( h \) per 1,000,000 population during 1970-2009 in a reference group of countries that are deemed to have lower vulnerabilities than the majority of the OIC countries: \( \bar{a}_{rh} < \bar{a}_{ch} \) for all disaster types. Essentially, this formula measures how many people would have been fatally affected by all types of hazard during the period had they had vulnerabilities at the levels of the average of the reference group – i.e., only because of the extent of their exposure to natural hazards – inasmuch as such a counterfactual can be approximated.

\[
\bar{a}_{rh} = \frac{A_{rh}}{N_{rh} \times Pop_r / 1,000,000},
\]

where \( A_{rh} \) is the total number of fatally affected people by natural hazards of type \( h \), \( N_{rh} \) is the total number of hazards of type \( h \), and \( Pop_r \) is the average total population in the reference countries during 1970-2009.

The reference group is made up of the top 10% countries with highest levels of capacities and conditions for risk reduction (HRRC), based on DARA’s Risk Reduction Index. These countries in decreasing order of risk reduction capacity are: Switzerland, Sweden, Denmark, Ireland, Norway, Finland, United Kingdom, Austria, Spain, Estonia, Iceland, Canada, Germany, Australia, New Zealand, France, Hungary, and the Netherlands.

\textsuperscript{14} Data for Qatar and UAE is not available.
Figure 5 – Natural Hazard Risk Index for OIC countries based on the would-be number deaths by all disasters during 1970-2009 had all countries have similar and lower vulnerabilities: Bangladesh, Pakistan, Indonesia, Turkey, Nigeria, Egypt, and Afghanistan faced higher risks than the average of OIC (4,145 deaths).

Other than Albania, Brunei, Egypt, Jordan, Kazakhstan, Libya, and Palestine, the rest of the 47 OIC countries covered in this review are facing vulnerabilities that amplify the death tolls of natural hazards by a factor of 1.1 in the case of Uzbekistan up to a factor of 1,234 in the case of Maldives. In the case of Bangladesh, which is identified as one of the countries with high risk of natural disasters and topped the rankings in Figures 4 and 5, the vulnerabilities multiply the death tolls of natural disasters by a factor of 6.2 compared to 1,139 for Bahrain, which was among the lowest natural disaster risk laden countries according to Figure 5.

While based on the ranking in Figures 4 it seemed like natural disaster risk is only a matter of concern in a handful of OIC countries and not for the others, combination of Figures 5 and 6 indicate that in fact if it does seem so, it is only because the time has not arrived yet. The time will hopefully never arrive, but any governments among the OIC countries cannot afford the consequences if it arrives, because then the staggering levels of vulnerabilities will substantially put their populations at fatal risk.

It is very important to note that the countries with high vulnerabilities are not necessarily the ones who have already suffered the most in terms of the absolute number of death tolls. As highlighted before, a country like Bahrain with only 111 deaths over the forty years since 1970 – one of the lowest levels among OIC countries – can suffer the most given its level of vulnerabilities – that is second only to Maldives – if the pattern of occurrences changes not in favour of this country. This argument not only applies to Bahrain but to all of the 47 OIC countries with a vulnerability index of higher than one. This message is clearly illustrated in Figure 7, which decomposes the natural disaster risks based on the share of natural hazard risks (blue) and vulnerabilities (orange). In majority of countries (30 out of 55), the risks induced by vulnerabilities forms more than 50% of the natural disaster risks.
Figure 6 - Vulnerability Index for OIC countries based on the ratio of Natural Disaster Risk Index to Natural Hazard Risk Index: 45 out of 55 OIC countries are facing staggeringly high vulnerabilities.


Figure 7 - Decomposition of Natural Disaster Risk for OIC: In 40 out of 55 OIC countries vulnerabilities, rather than being prone to natural hazards, is the main cause (more than 50%) of death tolls in natural disasters.¹


¹ Egypt, Kazakhstan, Albania, Jordan, Brunei, Libya and Palestine all have lower vulnerability than the reference group according to data, and only for that matter they are assigned a value of 100% deaths due to being prone to natural hazards. It should be noted that death tolls of natural disasters in Brunei, Libya, and Palestine are reported to be zero during 1970-2009.
CONCLUSION

For a similar hazard happening in two different regions, the entailed risk depends on the vulnerabilities of the two regions. In other words, the capacities and conditions of each region for devising effective risk management policies and strategies, and implementing measures for reducing the impact of hazards on vulnerable local communities. Accurate, well-in-advance prediction of the time, place, and intensity of natural disasters may be almost impossible. Nevertheless, their long term behaviour is well-known and is being continuously measured and modelled. While the location, severity, and frequency of hazards put a limit to reduction in vulnerability, many governments have yet to find effective ways of reducing and managing the risks they pose, or are procrastinating investments in this regard. The consequence has been and will be nothing but natural hazards increasingly becoming disaster risks.

This report clearly illustrated that while different OIC countries suffer from different types of natural hazards, with various frequencies and magnitudes, it is in fact their vulnerability to risks, or the lack of conditions and capacities for properly managing and reducing the risk of disasters, that is the main culprit. It was shown that in majority of countries (30 out of 55), the risks induced by vulnerabilities form more than 50% of the natural disaster risks. Moreover, it was explained that almost 100% of natural disasters and their impacts (fatal, non-fatal, and financial) in low income OIC countries (OIC-LI) during 1960-2009 took place in countries that are also identified as OIC countries with low capacities for risk reduction (OIC-LRRC). There is clearly no doubt that there is a real need for cooperation among all OIC countries, with assistance from outside, to offer a hand to the people and governments in such countries to reduce their vulnerabilities to natural disasters, and save lives. Investments in response mechanisms and capacities are quite important. However, effective risk management of disasters requires, and involves, more than just a response mechanism. Reducing the risk of disasters requires viewing disasters as major barriers to sustainable socio-economic development, and managing the risks through investing in and enhancing the capacities for preserving the environment and ecosystems, eradicating poverty and inequality, appropriate rural and urban development, and improving the quality of governance, all of which contribute to vulnerabilities. Viewing risk of disasters as barriers to sustainable development necessitates the inclusion of a disaster risk management strategy as an indispensable and integral part of the overall development strategy, which has its roots in environmentally friendly socio-economic and political development and at the same time serves as the guardian of all developmental efforts and investments.

The quality of a country’s capacities and conditions for disaster management appears to have a significant influence on the underlying drivers of risk. When similar numbers of people are affected by hazards of similar severity, wealthier and poorer countries generally experience radically different losses and impacts (Anbarci et al., 2005; Kahn, 2005; Kellenberg and Mobarak, 2008; UNISDR, 2009; Keefer et al., 2011). Whereas relative wealth is a key determinant, other factors such as the strength of democracy (Kahn, 2005; Keefer et al., 2011), inequality (Abranci et al., 2005; Kahn, 2005; UNISDR, 2009), corruption (Escaleras et al., 2007; Keefer et al., 2011), and voice and accountability (UNISDR, 2009), also play roles in the social construction of risk. Countries with higher income, lower inequality, lower corruption, and more democratic regimes have been found to experience less casualties from
disasters. Drivers of inadequate capacities for risk management include, among others, badly planned and managed urban and regional development, the degradation of hazard-regulating ecosystems such as wetlands, mangroves and forests, increasing poverty and inequality, and lack of democracy and rule of law (i.e., lack of effective governance). These drivers interact through multiple feedback loops and together translate hazards into disaster risk.

Quality of governance – the actions, processes, traditions and institutions by which authority is exercised and decisions are taken and implemented – is the key factor in understanding the vulnerabilities. Although the causes and impacts of natural hazards are increasingly well understood, and despite almost 20 years of internationally orchestrated awareness and education programmes by various international organisations such as the United Nations and World Bank, the escalating losses associated with natural hazards indicate that the right institutional environment and appropriate governance is still lacking.

Most OIC countries still rely on the traditional disaster management structures that are mainly international post-disaster response and relief agencies, and lack the capacities for effective risk reduction. This grim fact is reflected in the poor risk reduction capabilities indicated by the Risk Reduction Index. According to the latest release in 2011 (GAR 2011), about 75% of the OIC member countries are identified as having low or extremely low capacities for effective risk management policies, strategies and activities for reducing the impact of natural hazards on vulnerable local communities. On the other hand, individual efforts particularly for mitigation and preparedness have so far lacked the systemic facilitation and enhancement of collective disaster risk reduction capacities among the member countries as an effective mechanism for assisting the low income member countries that lack the required capacities and are the most at the risk of human and capital losses due to disasters.

**REFERENCES**


In its capacity as the Secretariat of the annual meetings of the Central Banks and Monetary Authorities of the OIC Member Countries, SESRIC convenes the governors of the central banks and monetary authorities of the OIC member countries since 2009, with a view to enhancing and strengthening cooperation and coordination among these important institutions in critical issues of concern to the member countries such as mitigating the impact of the global and regional financial and economic crises on the economies of the member countries. The 2011 Meeting of the Central Banks and Monetary Authorities was held in Kuala Lumpur, Malaysia.

The 2012 Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries will be organized by SESRIC, in collaboration with the Central Bank of the Republic of Turkey, and held in Istanbul on 14-15 May 2012 under the theme “Promoting Strong and Stable Capital Flows among OIC Countries: The Roles of Financial System and Central Banks”.

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EXPLAINING INCOME DISPARITY AMONG THE OIC COUNTRIES

INTRODUCTION

There is a widening income and productivity gap between the rich and poor countries. According to the World Bank statistics, output per worker in the United States was 102 times higher than output per worker in Democratic Republic of Congo in 2008. In OIC member countries, output per worker in Qatar was almost 26 times higher than output per worker in Niger. In other words, on average, it takes only 3.5 days for a worker in the United States to produce the same value of output produced by the worker in Democratic Republic of Congo in an entire year, and 14 days for a worker in Qatar to produce the same value of output produced by the worker in Niger in an entire year.

Figure 1 plots output per worker relative to the world average in 2008 against its value in 1991 and draws the 45 degree line for comparison. Countries above the line represent the countries that grew faster than world average. Although some outliers exist including China and Albania as gainers and Zimbabwe and DR Congo as losers, majority of observations are around the 45 degree line, indicating that the world income distribution has been relatively stable and the dispersion of income has not changed much over this period (Figure 1a).

The performance of the OIC countries in narrowing their income gap with the average world income is mixed. Income per worker in Azerbaijan, Kazakhstan, Malaysia and Turkey were already above the world average and these countries further increased their income. In spite of being below the world average, Uganda, 

Figure 1a: Income Distribution in the World

Source: World Bank WDI

* This report was prepared by Mr. Kenan Bagci, Researcher at the Economic and Social Research Department, SESRIC.
Mozambique and Albania are among the countries that shrank the gap with the world average. A significant number of the OIC countries, however, have fallen back in terms of output productivity. Kuwait, Oman, Saudi Arabia, Syria and UAE retain income levels per worker above the world average but during the last two decades their distance with average world income has narrowed down (Figure 1b). Tajikistan, Kyrgyz Republic, Algeria, Iran and Niger are among the other countries that had income below the world average but could not improve their stance over the last two decades.

This preliminary exercise on the world income distribution clarifies that some countries are extremely richer than others and there is not a strong convergence among these countries, at least during the last two decades. This raises the questions of why there are such large differences in income across countries and why they are not converging. Explaining such huge differences in economic activities is one of the major challenges of economics. Various theoretical models are developed and empirical studies are conducted to understand the factors leading to income divergence. As a result, differences among countries are generally attributed to differences in wide range of factors including human capital, physical capital, and productivity.

This report focuses on the case of OIC countries and tries to encompass the major determinants of income disparity among the OIC member countries. In so doing, the simple association between income growth and main determinants of growth is investigated. In line with the outcomes of this investigation, some recommendations are listed at the end of the report.

EXPLAINING THE DISPARITY IN OIC COUNTRIES

The distribution of income in the OIC member countries between 1960 and 2009 is depicted in Figure 2. It can be clearly observed that the disparity between the OIC member countries has been widening since 1975 (Figure 2a), but the real surge in disparity started after 2000, where some countries got extremely rich compared to others. Some of the increase in wealth can be attributed to increase in commodity prices, especially oil and gas. Dropping the major commodity exporting countries, Figure 2b still reveals that there is a widening of income disparity in the OIC member countries, starting around 1975 and accelerating after 2000. Identifying the exact factors to explain the broadening disparity in income levels among the countries is not an easy work. Factors ranging from good governance to geography, from human capital accumulation to natural resource abundance may have significant impact on the economic growth of countries.

In search of dynamics to explain growth differences among countries, theoretical literature broadly concentrated on several important variables including investment, technology and human capital. Alternative specifications have been used in empirical literature to test the significance of various elements. These variables include initial income, investment, schooling, openness, macroeconomic stability (measured commonly by inflation), financial depth, institutional quality, ethnic diversity, climate, geography, rule of law and some other variables.
In explaining the growth differences among the OIC member countries, the quantitative analyses are avoided to keep the report plain for general readers. Instead, we categorize the major factors that are used in the related literature in explaining the income differences into two groups and then study the relationship between particular variables and income over a certain period of time. These variables fall into groups of endogenous (controllable by policy-makers) and exogenous (uncontrollable) factors. Specifically, we investigate the relationship of income growth with investment, schooling, macroeconomic stability, institutional quality and openness under the category of endogenous factors. There are exogenous factors that cannot be controlled by policy-makers and these factors may have provided certain advantages in development for some countries, but can be a source of misfortune for other countries. Under this category, we consider geography and climate, natural resources, colonization and ethnic diversity.
**Endogenous Factors**

**Investment:** Economic theory considers the investment rate as one of the key determinants of economic growth. Countries that grow quickly are the countries that invest a substantial portion of their GDP. Figure 3 supports this proposition in the case of OIC countries. The average investment rates in the OIC countries over the period 1980 to 2005 are commonly high compared to the averages in developed countries and an increase in investment rate is positively associated with growth in income. Indonesia, Malaysia and Chad are the countries with high investment and growth rates. Low investment rates in Sierra Leone, Cote D’Ivoire and Niger apparently weakened the growth process in these countries. Despite having rates of investment over 20 per cent, Gabon and Guyana could not grow over 2 per cent during the period under consideration. For these countries, necessary conditions to transform investments into higher productivity appear to be missing.

**Schooling:** Another important determinant of the growth is human capital and development in human capital is generally captured by level of schooling. Importance of schooling comes from its impact on productivity growth. Figure 4 shows the relationship between average years of schooling in 2005 and average productivity growth between 2005 and 2009. A slightly positive relationship can be observed between average years of schooling and productivity growth. On average, one year increase in average schooling is associated with 0.1% increase in productivity, though this is a relatively poor improvement. It is clear that labour productivity backwardness and low school enrolment rate in
higher education is closely correlated. Turkmenistan and Uzbekistan are among the top countries that attained high growth in productivity due to high level of schooling. Cote D’Ivoire and Yemen are among the worst performers with respect to human capital development and productivity growth.

Figure 5 compares the change in schooling between 1995 and 2000 with change in income between 2000 and 2005. Except few countries, increase in schooling is associated with an increase in GDP growth and this impact is particularly strong in low income countries including Gabon, Togo and Comoros. On the other hand, Kazakhstan and Kuwait attained positive growth rates despite the reduction in average schooling over 1 year, which can be explained by resource windfalls in these countries. Overall, human capital development is an important component of economic development; therefore, further efforts are needed to promote participation and quality in education systems.

**Openness:** There is hardly any disagreement that trade liberalization is associated with better economic performance. Sachs and Warner (1995) found that open economies experienced annual growth rates 2% more than closed economies in the period 1970-1989. Using geographic variables as an instrument for openness, for instance, Frankel and Romer (1999) estimated that a 1% increase in the trade to GDP ratio causes almost a 2% increase in the level of per capita income. The most basic measure of trade openness is the ratio of exports plus imports to GDP. In OIC member countries, greater openness does not seem to support growth (Figure 6). 100 per cent change in openness is associated with only 0.4 per cent change in growth. Therefore, in explaining income disparity in OIC countries, openness to foreign trade appears to be a relatively insignificant factor. Further analyses with alternative measures of openness may be needed to deepen the discussion on the association of openness and growth.

**Macroeconomic Stability:** A stable macroeconomic framework is necessary but not sufficient for sustainable economic development. The macroeconomic framework can be described as stable when inflation is low and predictable, real interest rates are appropriate, fiscal policy is stable and sustainable, and the balance of payments situation is perceived as viable. Nonetheless, inflation rate is the most commonly used indicator of macroeconomic stability. It is usually found that growth is
negatively related with inflation and positively related with good fiscal performance (Fischer, 1993).

In the case of OIC countries, higher macroeconomic stability measured by inflation is associated with higher growth rates (Figure 7). Turkey emerges as an exception to this rule as it reached to average growth rate over 4 per cent despite an average inflation rate of almost 50 per cent. Some other countries including Benin, Niger, Saudi Arabia and Cote D’Ivoire could grow below 2 per cent despite average inflation rates below 5 per cent. Macroeconomic stability alone is not sufficient to explain growth differences among OIC member countries, but provides important insights on overall income discrepancies.

**Institutional Quality:** In explaining the causes of the large differences in income per capita across countries, differences in institutions and property rights have received considerable attention in recent years. Countries with better institutions and more secure property rights will invest more in physical and human capital, and will use these factors more efficiently to achieve a greater level of income (Acemoglu et al. 2001).

Figure 8 shows the relationship between average economic growth and rule of law as an indicator of institutional quality and good governance. It is evident that countries with better governance on average have grown faster than other countries. Malaysia and Oman are among the top performers with respect to institutional quality and income generation. Low growth rates in Cote D’Ivoire and Sierra Leone can be explained by poor institutional quality in these countries.

**EXOGENOUS FACTORS**

*Geography:* It is well-established that a country’s geography may directly affect economic development through its effect on disease burden, agricultural productivity, and the availability of natural resources. Geography can also indirectly affect economic development through its influence on institutional quality (Rodrik et al., 2004; Gallup et al., 1999) or by determining a country’s transport costs (Limao and Venables, 2001) and market access (Bosker and Garretsen, 2009). There is also a strong empirical relationship between ecological zones and per capita income. Economies in tropical ecozones are almost all poor, while those in temperate ecozones are generally rich. Tropical and landlocked regions, such as Chad, Niger, Mali, Burkina Faso, Uganda and some other non-OIC countries including Bolivia, Rwanda, Zimbabwe, Laos are among the very poorest in...
the world. Sachs (2001) explains the gap in incomes between the temperate and tropical regions by means of the lagged technologies in the critical areas of agriculture and health and the ability to mobilize energy resources in tropical zones. This initial gap was then amplified through economic, demographic and political-military forces.

Being located in tropic and subtropical regions compared to temperate zones has important implications for growth (Figure 9a). Countries with higher share of population living in tropic and subtropical regions (shown with triangle symbol in the Figure) have grown lesser, while countries with higher share of population living in temperate zones (shown with square symbol in the Figure) have grown faster. The suitability of soil is also strongly correlated with growth rates (Figure 9b). Countries with very suitable soil have grown on average faster than other countries. The low income OIC countries including Sierra Leone, Cote D’Ivoire, Niger and Gabon have generally unsuitable soil and this fact potentially explains an important part of the income disparity among the OIC member countries.

**Natural Resources:** Despite the importance of natural resources for development, findings indicate that increasing economic dependence on natural resources can be a hindrance to growth and development in the majority of developing countries. Recent empirical research shows that resource-abundant countries have experienced growth rates that are lower than resource-poor countries during the last four decades.

Dutch disease, rent seeking and neglect of education are regarded as main factors hampering economic development in resource-abundant countries. However, weak average performance does not necessarily indicate that all resource-abundant countries failed to foster economic growth. In contrast, resource-abundant countries constitute some of the richest and some of the poorest countries in the world. Instead of cursing natural resources, it is vital to identify the dimensions along which these countries differ.

Role of institutions play once again a major role in managing resource windfalls. As shown by Acemoglu et al. (2001, 2002), the countries with the best quality of institutions were industrialized first. Therefore, these countries had quality institutions in place that prevented the negative growth effects of resources, while those that used their resources at a later stage did not have such institutions in place (Torvik, 2009). Emergence of entities managing resource windfalls before developing strong institutions to regulate them and manage the money they generate paved the way for inefficiency and corruption. In the presence of better protection of property rights and little corruption, more natural resources provide private agents with productive investment opportunities, in turn creating positive externalities for other agents

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1 Consider Botswana and Sierra Leone, two major diamond exporters. Botswana has managed to use the rent stream from diamond export in a way to generate impressive welfare and maintain sustainable development since its independence. Sierra Leone, on the other hand, has remained stuck in poverty and shrunken into internal conflicts to have control over the diamond trade.
and contribute to growth. On the other hand, with poor protection of property rights and much corruption, more natural resources may hinder growth through stimulating predation, rent-seeking, and other destructive and/or non-productive activities (Mehlum et al., 2006).

Figure 10 shows the correlation between resource exports as a share of total exports for OIC countries and their average GDP growth between 1980 and 2005. Resource exports are composed by the sum of fuel, mineral ore and metals, food and agricultural shares in total exports and obtained from WDI. The regression line shows that on average there is a negative correlation between resource abundance and economic growth. It is apparent that countries with abundant natural resources on average tend to perform worse than countries with fewer natural resources in terms of economic growth.

Colonization: Civilizations in Mesoamerica, the Andes, India, and Southeast Asia were richer than those located in North America, Australia, New Zealand, or the southern cone of Latin America. The intervention of Europe reversed this pattern (Acemoglu et al. 2002). Colonization has strongly supported the countries that were able to take-off, but the colonized territories were left underdeveloped over centuries. The economic consequences of colonization for the colonized regions were substantial. Paths of economic development in African countries have been remarkably divergent since European colonization.

The theories about the colonial origins of economic development emphasize the institutional impacts of settlers. When Europeans encountered national resources with lucrative international markets and did not find the lands, climate, and disease environment suitable for large-scale settlement, they tended to create authoritarian political institutions to extract and exploit natural resources, such as in Congo, Tanzania and Malawi. On the other hand, when Europeans failed to find extractable minerals and cash crops with large international markets or found lands and endowments, including a tolerable disease environment, suitable for smaller scale agriculture, they tended to settle and formed more democratic political institutions, such as in United States, Australia, and New Zealand (Acemoglu et al. 2001). On average, democratic political institutions were more supportive of long-run economic development than authoritative political regimes.

As depicted in Figures 9a and 9b, colonized members of OIC in Africa have generally unsuitable land and climate. In line with above proposition, settlers have left behind only a poor institutional structure after extracting the resources (Figure 8). While other countries have grown faster, with much of their resources extracted and institutions remained poor, these countries left underdeveloped for centuries. This fact explains some of the growth differences between colonized and non-colonized member countries.

Ethnic Diversity: The effects of ethnic heterogeneity on economic development can be substantial. There is a growing body of literature showing that cross country
differences in ethnic diversity can explain a substantial part of the cross-country differences in public policies, political instability, and other economic factors associated with long-run growth (Easterly and Levine, 1997) and a high level of ethno-linguistic diversity implies a lower level of investment (Mauro, 1995). Ethnic diversity may increase polarization and thereby impede agreement about the provision of public goods and create positive incentives for growth-reducing policies that create rents for the groups in power at the expense of society at large.

In order to analyse the impact of ethnic diversity on growth in OIC countries, the share of largest ethnic group in total population\(^2\) is regarded as a measure of ethnic fragmentation. As depicted in Figure 11, the share of largest ethnic group in total population is positively correlated with average growth rates. This implies that low ethnic fragmentation increases the probability to attain high growth rates. The impact of ethnic diversity on average growth is, however, not particularly strong. This leads to argue that exogenously determined ethnic fragmentation has not severe consequences for economic growth and negative outcomes can be avoided if further supported by public policies and political stability. Malaysia and Indonesia are the two major countries with significant ethnic fragmentation that attained high growth rates.

**Reducing Income Disparity**

This report investigates the empirical relationship between economic growth and a wide array of factors using data over 25 years in search of income disparity among the OIC member countries. We consider standard variables such as investment, schooling, macroeconomic stability, openness, quality of institutions, natural resources, geography, colonization, and ethnic diversity. It is found that high investment rates, high school attainment, better institutions and better macroeconomic stability are significantly correlated with higher economic growth. Higher openness does not necessarily related with better economic performance. Apart from endogenous factors, being located in tropical zones, having unsuitable soils, exporting large share of natural resources, being colonized and hosting significant ethnic fragmentation in general deteriorated growth and development in the member countries. All these variables potentially account for bulk of the growth differential between the OIC member countries.

It is evident that the income disparity between the countries has many dimensions. In this respect, policies should be developed to improve the impacts of endogenous factors, such as investment and schooling, and to manage the diverse impacts of exogenous factors, such as geography and climate. Given the above analysis, some of the major recommendations can be listed as below:

- As investment plays a major role in economic development, the share of investment in GDP should remain high and resources for investment must be properly and efficiently distributed between promising sectors and industries.
- Investment in human capital is vital for long-run growth. Accessibility and quality of education must be warranted for all people. Skills and competencies

\(^2\) Data is obtained from Ellingsen (2000).
must be developed in a way to ease the absorption and utilization of the knowledge developed elsewhere, especially in the areas where countries have potential comparative advantage.

- Macroeconomic stability promotes investment and growth by increasing predictability and confidence. Macroeconomic policies must be prudently adopted and implemented and excessive fluctuations in prices, exchange rates, interest rates must be avoided.

- Openness to foreign trade appears to be not necessarily growth-inducing. A potential explanation would be the large share of natural resource exports in trade, which is found to be negatively correlated with growth. Importance of openness is well acknowledged in theoretical and empirical studies using larger datasets. It is, therefore, important to strive not only for higher trade but also for better competitiveness and productivity in tradable goods and services.

- Countries with better institutions and governance grow faster. Therefore, special efforts should be made to improve the quality of institutions. Aside from the status of institutions in own-country, the institutional quality in neighbouring countries is also important for a country’s economic development (Bosker and Garretsen, 2009). Specifically, low institutional quality in neighbouring countries may increase the chance of armed conflict, political turmoil and refugee flows. It also deters trade not only with these neighbours, but also with other countries. Since majority of OIC member countries have borders with other member countries, it seems important to promote institutional quality at OIC level to stimulate growth and prosperity in the OIC countries.

- Natural resource intensity may under certain conditions dampen incentives to save and invest and thereby reduce economic growth. In order to avoid the curse of natural resource abundance, institutions must be in place to manage resource windfalls efficiently. Weakly performing countries must carefully analyse the dimensions along which they differ from other resource abundant countries with respect to growth and development.

- Ethnic fragmentation may hinder economic growth if public policies extensively support particular groups in favour of others. Although the impact is not severe, higher ethnic diversity in OIC countries is associated with lower economic growth, but to mitigate this impact, policies should be developed to warrant economic and political participation of all groups and political stability must be ensured.

What is more, Hall and Jones (1999) explain the income differences by so-called ‘social infrastructure’, that is, the institutions and government policies that determine the economic environment within which individuals accumulate skills and firms accumulate capital and produce output. Accordingly, a favourable
social infrastructure provides an environment that supports productive activities and encourages capital accumulation, skill acquisition, invention, and technology transfer. Developing a favourable social infrastructure must be a priority to narrow income disparity and foster economic growth and development in OIC countries.

REFERENCES


Rio+20 — the short name for the United Nations Conference on Sustainable Development — will take place in Rio de Janeiro, Brazil, in 20-22 June 2012. Thousands of participants from governments, the private sector, NGOs and other stakeholders will gather in Rio at the end of May and beginning of June 2012 for a strong push towards sustainable development.

The official discussions will focus on two main themes: How to build a green economy to achieve sustainable development and lift people out of poverty, including support for developing countries that will allow them to find a green path for development; and how to improve international coordination for sustainable development.

In parallel with and between the official events, there will be numerous side events, exhibitions, presentations, fairs and announcements by a wide range of partners. In order to contribute to the global efforts towards sustainable development, SESRIC will organize a side event, in collaboration with the Islamic Development Bank, on Disaster Risk Management in OIC Countries on June 19, 2012 at RioCentro Convention Center.

As the outcome of the conference, governments are expected to adopt clear and focused practical measures for implementing sustainable development, based on the many examples of success we have seen over the last 20 years.

The official website of the conference:

www.uncsd2012.org
www.un.org/sustainablefuture
ASSESSMENT OF SUSTAINABILITY AND INSOLVENCY OF THE EXTERNAL DEBT IN OIC COUNTRIES

INTRODUCTION

Sovereign debts, their sustainability and debt crises have been one of the foremost issues for the international policy makers over the past decades. At present, the global credit system is again going through a state of instability. The current instability, however, also stems from the recent “sub-prime crisis” in the United States of America (USA) and financial meltdown of several European economies. The current trends of the sovereign debt of several European countries have led to the possibility of the financial institutions to collapse. The European sovereign debt crisis started in 2008, with the collapse of Iceland’s banking system, and it further spread to Greece, Ireland and Portugal during 2009. Similarly the public sovereign debt of the USA has also crossed the critical levels and it may lead to another global financial crisis. These developments will severely impact the OIC member states already in debt stress. Therefore, it is important that policies are being devised now in order to minimize the negative consequences of such an international crisis.

Furthermore, questions have been raised at the academic level about the sustainability of US public debt and a possible crash of the US dollar. In this background, it is pertinent that a review of the current state of sovereign debt of the OIC is being undertaken and to identify those member states which are going through external debt stress and also present some measures to spot those member states that are considered as vulnerable to an external debt crisis in future.

In order to achieve minimum standards of living, address the issues of poverty alleviation, and promote economic growth by creating employment and building infrastructure, developing countries have been using external finance for resource mobilization. However, developing countries have also gone through repeated episodes of unsustainable increase in their external indebtedness and excessive burdens of debt-service that have impeded the economic growth and caused severe financial crises. It is in this context that the Monterrey Consensus of the International Conference on Financing for Development (United Nations, 2002) has highlighted the significance of sustainable debt levels in the process of the mobilization of resources for development.

A wide range of traditional mechanism and instruments have been employed to address the debt burden of the poor countries, in particular the poor economies of the Sub-Saharan region. In the 1980’s, the approach adopted by the international financial institutions had been to condition any relief to be provided by the debtor country through a bilateral arrangement, on the implementation of structural and stabilization programs that have been supported by the IMF and World Bank. It normally involved debt rescheduling through the Paris Club. However, this approach failed to provide debt sustainability and/or improvement in economic growth of these poor economies. Later, in 1996, the IMF and World Bank implemented the Highly Indebted Poor Countries (HIPC) initiative to deal with overall debt burden of the poor economies. The international institutions were very optimistic about the success of this new initiative. Among the 42 countries that initially qualified under the HIPC, 34 were from the Sub-Saharan region. However, the process of implementation was too slow and only four countries could qualify

* This report was prepared by Mr. Syed Tahir Mahmud, Researcher at the Economic and Social Research Department, SESRIC.
to get any debt relief in the first HIPC initiative (Uganda and Mozambique were the first OIC member states to get debt relief under the HIPC initiative). The terms and conditions of the HIPC had been revised to incorporate some of the criticism and pressure from the international civil society. There is still no consensus on how to establish a transparent and effective mechanism to address the debt stress of many developing and underdeveloped economies. One of the difficult questions is the determination as to when sovereign debt restructuring and/or any relief is inexorable.

In order to address this issue, several approaches to analyze external debt sustainability have been extensively discussed in both theoretical and empirical literature. The key determinants of such analyses include the prevalent stocks of external debt, the dynamics of fiscal and external repayment abilities that are linked to the economic growth and access to additional external financing. Two general approaches to debt sustainability analysis have been pursued beside other theoretical and empirical models. The first one focuses on the financial sustainability (a borrower based approach) in which a fiscal deficit is considered sustainable if it is being able to generate a constant debt-to-GDP ratio [Cuddington, 1996]. The condition implies that it is possible to run a sustainable fiscal deficit as long as the growth rate of the economy is higher than the interest rate, which will in turn ensure the stability of debt-to-GDP ratio. The second approach evaluates if there is a present value borrowing constraint that could limit the quantities to borrow. Gupta (1992) presents a good review of the concept. This concept has been extensively used by the IMF and World Bank in the recent years. The concept has been outlined as a group of indicators with specified thresholds. The indicators and their respective thresholds are based on the premise: “An entity’s liability position is sustainable if it satisfies the present value budget constraint without the major correction in the balance of income and expenditure, given the costs of financing it faces in the market” (IMF, 2002). The concept has been derived from the work of Hamilton and Flavin (1986). Beside these two main approaches, more recently Meltem Ocal and Serhan Oksay (2011) have developed the concept of Solvency Ratio, normally used to assess the ability of a firm to pay its long-term loans, to monitor country’s ability to meet its external debt obligations. The Solvency Ratio of the External Debt (SRED) has been calculated for Turkey, employing the time series data.

In this report, beside a brief review of the overall external debt situation at the aggregate and regional levels of the OIC, the present value approach and SRED approach have been used to assess the external debt sustainability situation of the OIC member states. The SRED approach has been applied for the first time in this report to classify the member states with respect to their vulnerability to a possible future financial crisis.

**TRENDS**

Several indicators have been proposed in determining the sustainable levels of external debt. However, there has not been any consensus among the economists on one single indicator. Most of the proposed indicators are in the form of ratios, considering the stock of country’s debt in relation to its ability to service the debt. Prior to the HIPC initiative in 1996, external debt-to-GDP or -to-Exports, and debt service-to-exports have been employed by the creditors.

The total external debt of all the OIC member states in 2009 is 1,051.67 billion US dollars. The distribution of the total external debt in the six regions of OIC has been reported in Table 1.
Three regions – East Asia and the Pacific (EAP), Europe and Central Asia (ECA) and Middle East and North Africa (MENA) – account for over 80% of the total external debt of the OIC members in 2009. However, the share of EAP has increased from 16% in 1990 to 38% in 2009. Similarly, the share of external debt in the total has increased significantly in the ECA region (from 5% to 32%). On the other hand, the share in the total external debt of South Asia (SA) region has stayed fairly constant through these years. There has been substantial decrease in the shares of MENA and SSA in the total (See Table 1).

Generally, total external debt is further classified into several heads. These include: Public and Publicly Guaranteed External Debt (PPG), Privately Non-Guaranteed, Central Bank Deposits and IMF loans. The total external debt reported in Table 1 only includes PPG and Privately Non-Guaranteed external debt. Private Non-Guaranteed external debt includes the long-term external obligations of private debtors. These debts are not guaranteed for repayment by a public entity.

Overall, the proportion of PPG in the total external debt of OIC is around 42% of the total external debt. However, in the two regions, EAP and ECA, PPG only constitutes 28% and 26%, respectively, in the year 2009. In all other regions, a very significant proportion (around 80%) of the total external debt is PPG (See Figure 1).

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>EAP</td>
<td>51.38</td>
<td>81.67</td>
<td>135.69</td>
<td>216.74</td>
<td>277.53</td>
<td>342.40</td>
<td>384.68</td>
</tr>
<tr>
<td>ECA</td>
<td>49.42</td>
<td>79.55</td>
<td>134.33</td>
<td>215.52</td>
<td>276.39</td>
<td>341.66</td>
<td>383.85</td>
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<tr>
<td>MENA</td>
<td>151.44</td>
<td>179.07</td>
<td>154.99</td>
<td>162.45</td>
<td>154.75</td>
<td>166.84</td>
<td>156.71</td>
</tr>
<tr>
<td>SA</td>
<td>32.95</td>
<td>46.05</td>
<td>48.47</td>
<td>52.04</td>
<td>57.56</td>
<td>64.79</td>
<td>74.16</td>
</tr>
<tr>
<td>SSA</td>
<td>89.76</td>
<td>104.19</td>
<td>93.21</td>
<td>81.53</td>
<td>52.72</td>
<td>55.22</td>
<td>57.49</td>
</tr>
<tr>
<td>LA</td>
<td>1.96</td>
<td>2.12</td>
<td>1.36</td>
<td>1.22</td>
<td>1.14</td>
<td>0.74</td>
<td>0.83</td>
</tr>
<tr>
<td>OIC Total</td>
<td>376.93</td>
<td>492.64</td>
<td>568.06</td>
<td>729.49</td>
<td>820.10</td>
<td>971.64</td>
<td>1,057.72</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on the data from Global Development Finance, World Bank

**Table 1: PPG and Privately Non-Guaranteed External Debt of the OIC Regions, 1990-2008**

**Figure 1: Composition of the External Debt of the OIC Regions, 2009**

Source: Author’s calculations based on the data from Global Development Finance, World Bank
A further summary of growth patterns of PPG and total external debt, both the total and at the regional level have been reported in Table 2. In the same table ratios of the debt with respect to Gross National Income (GNI) have also been reported. The overall average growth rate in the External Debt of all member states, in two time periods has dropped significantly from 22% (2000-2005) to 11% (2005-2009). However, at the regional level the average change in the levels of external debt has varied considerably. The average increase in the debt during 2000-2005 has been highest in ECA of 75% while the total external debt of the SSA region decreased by 16% during the same period (See Table 2).

The overall average debt ratios of total external debt to GNI have increased to 41% in 2009 from 34% in the preceding year (Table 2). One of the explanations for this increase is attributed to the impact of the global economic and financial crisis resulting in slower growth rate in majority of the developing countries (GDF, 2011). At the regional level, the ratios of external debt measured against GNI and exports have been lowest in MENA and EAP regions in 2009. On the other hand, the member states in ECA and SSA experienced significant increases in the ratio to GNI in 2009.

### Table 2: Growth Patterns of PPG and Total External Debt

<table>
<thead>
<tr>
<th>Variable</th>
<th>Observations</th>
<th>Mean</th>
<th>Stdev</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
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<td><strong>All Members with data through 2009</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total External Debt/GNI</td>
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<td>0.41</td>
<td>0.41</td>
<td>0.03</td>
<td>2.53</td>
</tr>
<tr>
<td>PPG/GNI</td>
<td>43</td>
<td>0.30</td>
<td>0.24</td>
<td>0.02</td>
<td>1.15</td>
</tr>
<tr>
<td>Growth in external debt (2005-2009)</td>
<td>45</td>
<td>0.11</td>
<td>0.55</td>
<td>-0.71</td>
<td>1.53</td>
</tr>
<tr>
<td>Growth in PPG (2005-2009)</td>
<td>45</td>
<td>0.03</td>
<td>0.46</td>
<td>-0.81</td>
<td>1.26</td>
</tr>
<tr>
<td>Growth in external debt (2000-2005)</td>
<td>45</td>
<td>0.22</td>
<td>0.57</td>
<td>-0.75</td>
<td>2.50</td>
</tr>
<tr>
<td>Growth in PPG (2000-2005)</td>
<td>45</td>
<td>0.18</td>
<td>0.44</td>
<td>-0.69</td>
<td>1.71</td>
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<td><strong>Countries in EAP</strong></td>
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<td>Total External Debt/GNI</td>
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<td>0.33</td>
<td>0.04</td>
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<td></td>
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<tr>
<td>Growth in external debt (2005-2009)</td>
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<td>0.22</td>
<td>0.07</td>
<td>0.17</td>
<td>0.28</td>
</tr>
<tr>
<td>Growth in PPG (2005-2009)</td>
<td>2</td>
<td>2.06</td>
<td>0.15</td>
<td>1.95</td>
<td>2.16</td>
</tr>
<tr>
<td>Growth in external debt (2000-2005)</td>
<td>2</td>
<td>0.09</td>
<td>0.22</td>
<td>-0.06</td>
<td>0.24</td>
</tr>
<tr>
<td>Growth in PPG (2000-2005)</td>
<td>2</td>
<td>2.12</td>
<td>0.07</td>
<td>2.07</td>
<td>2.17</td>
</tr>
<tr>
<td><strong>Countries in ECA</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Total External Debt/GNI</td>
<td>8</td>
<td>0.42</td>
<td>0.36</td>
<td>0.03</td>
<td>1.13</td>
</tr>
<tr>
<td>PPG/GNI</td>
<td>8</td>
<td>0.18</td>
<td>0.17</td>
<td>0.02</td>
<td>0.52</td>
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<tr>
<td>Growth in external debt (2005-2009)</td>
<td>8</td>
<td>0.75</td>
<td>0.75</td>
<td>-0.46</td>
<td>1.53</td>
</tr>
<tr>
<td>Growth in PPG (2005-2009)</td>
<td>8</td>
<td>0.14</td>
<td>0.60</td>
<td>-0.47</td>
<td>1.26</td>
</tr>
<tr>
<td>Growth in external debt (2000-2005)</td>
<td>8</td>
<td>0.48</td>
<td>0.93</td>
<td>-0.58</td>
<td>2.50</td>
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<tr>
<td>Growth in PPG (2000-2005)</td>
<td>8</td>
<td>0.14</td>
<td>0.52</td>
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Table 2: Growth Patterns of PPG and Total External Debt (Cont.)

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<th>Minimum</th>
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<td>0.04</td>
<td>0.71</td>
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<td>0.18</td>
<td>0.02</td>
<td>0.61</td>
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<tr>
<td>Growth in external debt (2005-2009)</td>
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<td>-0.68</td>
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<tr>
<td>Growth in PPG (2005-2009)</td>
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<td>0.37</td>
<td>-0.81</td>
<td>0.54</td>
</tr>
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<td>0.77</td>
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<td>1.84</td>
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<td>Growth in PPG (2000-2005)</td>
<td>10</td>
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<td>1.71</td>
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<td><strong>Countries in SA</strong></td>
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<tr>
<td>Total External Debt/GNI</td>
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<td>0.60</td>
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<tr>
<td>PPG/GNI</td>
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<td>0.31</td>
<td>0.13</td>
<td>0.22</td>
<td>0.25</td>
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<tr>
<td>Growth in external debt (2005-2009)</td>
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<td>0.35</td>
<td>0.30</td>
<td>0.99</td>
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<tr>
<td>Growth in PPG (2005-2009)</td>
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<td>0.45</td>
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<td>0.73</td>
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<tr>
<td>Growth in external debt (2000-2005)</td>
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<td>0.37</td>
<td>0.47</td>
<td>0.02</td>
<td>0.90</td>
</tr>
<tr>
<td>Growth in PPG (2000-2005)</td>
<td>3</td>
<td>0.35</td>
<td>0.38</td>
<td>0.09</td>
<td>0.79</td>
</tr>
<tr>
<td><strong>Countries in SSA</strong></td>
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</tr>
<tr>
<td>Total External Debt/GNI</td>
<td>18</td>
<td>0.48</td>
<td>0.55</td>
<td>0.05</td>
<td>2.53</td>
</tr>
<tr>
<td>PPG/GNI</td>
<td>20</td>
<td>0.39</td>
<td>0.28</td>
<td>0.03</td>
<td>1.15</td>
</tr>
<tr>
<td>Growth in external debt (2005-2009)</td>
<td>21</td>
<td>-0.16</td>
<td>0.34</td>
<td>-0.71</td>
<td>0.85</td>
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<tr>
<td>Growth in PPG (2005-2009)</td>
<td>21</td>
<td>-0.16</td>
<td>0.38</td>
<td>-0.79</td>
<td>0.93</td>
</tr>
<tr>
<td>Growth in external debt (2000-2005)</td>
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<td>0.11</td>
<td>0.25</td>
<td>-0.42</td>
<td>0.58</td>
</tr>
<tr>
<td>Growth in PPG (2000-2005)</td>
<td>21</td>
<td>0.15</td>
<td>0.26</td>
<td>-0.33</td>
<td>0.59</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on the data from Global Development Finance, World Bank

The trends in these ratios at the aggregate and regional levels have been reported in Figure 2. The OIC member states in the SSA region have made significant improvements in the main sustainability indicators. For example, the debt-to-GNI ratio has come down from 122% in 1990 to 47% in 2009, similarly debt-to-exports ratio declined from 569% in 1990 to 80% in 2009. The other OIC region making good progress is the MENA, where the ratio of debt-to-GNI came down from 87% in 1990 to 29% in 2009. There has been some improvement in the debt-to-exports ratio (from 615% to 111%), but the ratio is still on the high side and is a matter of concern.

After this brief review of the general trends in external debt and its ratios, two approaches have been employed to address and further analyze the debt sustainability at country level.
Figure 2: External Debt Stocks of OIC Regions to GNI (left) and Exports (right), 1990-2009

Source: Author’s calculations based on the data from Global Development Finance, World Bank

**Present Value Approach**

After the introduction of the HIPC, the IMF and World Bank have started using the concept of present value of the external debt in determining the sustainable thresholds. The concept is based on the theoretical work of Gupta (1992) and the proposals made by Hamilton and Flavin (1986). The indicators based on the concept have been employed to assess sustainability. Theoretically, these indicators are based on the present value of fiscal budget in relation to the present value of the interest paid on the debt: “An entity’s liability position is sustainable if it satisfies the present value budget constraint without a major correction in the balance of income and expenditure, given the costs of financing it faces in the market” (IMF, 2002a). Practically what it means is that the debt sustainability is assessed on the basis of the ratios of present value of debt stocks to GNI, exports or government revenue. In its further development, another important question had to be addressed, should there be one single threshold for all countries? Based on the empirical research, it was evident that debt stress not only depends on the level of debt itself but on number of other macroeconomic factors and on the quality of policy institutions. Therefore, using a single threshold for all countries was deemed too restrictive. The Country Policy and Institutional Assessment (CPIA), developed by the World Bank, has now been used to classify countries into three groups: Strong, Medium and Weak. The classification is based on the score of the CPIA. [World Bank, IEG (2009)]. The CPIA rankings of the member states that have been documented by the World Bank have been reported in the Appendix for reference (See Table A1).

The thresholds of various debt sustainability related indicators are based on these CPIA rankings. The thresholds of some of the key indicators based on these ranking are as follows:
Table 3: PPG and Privately Non-Guaranteed External Debt of the OIC Regions, 1990-2008

<table>
<thead>
<tr>
<th>Policy Type</th>
<th>PV OF DEBT/EXPORTS</th>
<th>PV DEBT/ GNI</th>
<th>DEBT SERVICE/EXPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak Policy (CPIA ≤ 3)</td>
<td>100</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Medium Policy (3 &lt; CPIA &lt; 3.9)</td>
<td>200</td>
<td>45</td>
<td>25</td>
</tr>
<tr>
<td>Strong Policy (CPIA ≥ 3.9)</td>
<td>300</td>
<td>60</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: The World Bank’s Country Policy and Institutional Assessment

Most of the countries classified as having weak policies and institutions are from Sub-Saharan region with the exception of Maldives from South Asia. At the same time many member states from Sub-Saharan region have also been assessed as having strong in terms of their CPIA rankings and these include: Burkina Faso, Mali, Mozambique, Niger, Nigeria, Senegal and Uganda. Three countries from the ECA, Azerbaijan, Kyrgyz Republic and Uzbekistan are also in the list of countries with strong policies. Some of the member states, who were initially classified as having strong institutions have been moved to the medium list, they include Maldives, Mauritania, Pakistan, Tajikistan and Yemen.

We have used the latest classifications according to CPIA rankings in 2009 and have examined the trends of the three important indicators of debt sustainability: Present Value of External Debt to Gross National Income, Present Value of External Debt to Exports and Debt Service to Exports. The results of these ratios with their respective “Thresholds” have been reported in Table 4. All countries that have been assessed as having strong policy institutions had their ratio under the limits of the thresholds of the three indicators, so the results for these countries have not been reported. However, some of the member states in the weak and medium groups do seem to have some issues. Among the weak countries from SSA region, Guinea-Bissau, Sudan, Comoros, Guinea, Togo and Djibouti have the ratios of Present-Value of External debt above the thresholds. Comoros is the only member state from SSA where all three ratios are above the specified limits.

Among the member states classified as having medium policy institutions (3 < CPIA < 3.9), only Mauritania and Tajikistan have some of the indicators above the threshold values.

Based on the data reported in Table 4, among the weak group of members, most of the countries are from the Sub-Saharan region, except Sudan. Countries like Guinea-Bissau, Comoros, Guinea, Togo and Djibouti have PV to GNI and PV to Exports ratios much higher than the threshold values.
### Table 4: Ratios Based on the Present Value of External Debt

#### A. WEAK POLICY (CPIA ≤ 3)

<table>
<thead>
<tr>
<th></th>
<th>PV-ED/GNI</th>
<th>PV-ED/Exports</th>
<th>Debt Service/Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guinea-Bissau</td>
<td>646.61</td>
<td>Guinea-Bissau</td>
<td>202.62</td>
</tr>
<tr>
<td>Sudan</td>
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<td>Sudan</td>
<td>73.08</td>
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<tr>
<td>Comoros</td>
<td>337.63</td>
<td>Maldives</td>
<td>53.70</td>
</tr>
<tr>
<td>Guinea</td>
<td>152.13</td>
<td>Togo</td>
<td>49.64</td>
</tr>
<tr>
<td>Togo</td>
<td>136.43</td>
<td>Djibouti</td>
<td>49.04</td>
</tr>
<tr>
<td>Djibouti</td>
<td>132.80</td>
<td>Côte d’Ivoire</td>
<td>46.06</td>
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<td>Gambia</td>
<td>29.53</td>
</tr>
<tr>
<td>Chad</td>
<td>40.85</td>
<td>Chad</td>
<td>21.84</td>
</tr>
<tr>
<td>Cameroon</td>
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<td>Cameroon</td>
<td>3.59</td>
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#### B. MEDIUM POLICY (3 < CPIA < 3.9)

<table>
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<tr>
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<th>PV-ED/Exports</th>
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<td>Tajikistan</td>
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Source: Author’s calculations based on the data from Global Development Finance, World Bank

### Solvency and Liquidity

Both in the theoretical and empirical research, economists have tried to develop ‘Early Warning System’ (EWS) that would provide signals in advance that a currency crisis or debt crisis will occur. Several indicators have also been identified to facilitate such analysis. Some of the traditional indicators, such as slowing down of export growth, over-valued exchange rate and worsening current account deficit were not found to be very reliable in predicting a forthcoming crisis. Some authors have recently developed the “exchange market pressure index” to predict whether currency to exposed to a serious risk of devaluation (Kaminsky, Lizondo and Rienhart (1998)). An extensive review of EWS models can be found in Berg et al (2004). The main problem with such models stems from the fact that liquidity and solvency concepts are interrelated and sometimes it is difficult to determine whether the incapacity to pay is short-term or enduring.
Meltem Ocal and Serhan Oksay (2011) have recently employed the concept of Solvency Ratio, normally used to assess the ability of a firm to pay its long-term loans, to monitor Turkey’s ability to meet its external debt obligations. They have proposed Solvency Ratio of External Debt (SRED) defined as the ratio of the sums of current and capital account to the debt service (sum of principal and interest payments) to predict the crisis. They calculated these ratios for Turkey for the years 1980-2009 and have argued that trend of the ratios seems to explain the build ups to several financial crisis that Turkey has gone through during these years. SRED greater than 1 or close to 1, shows that the country is in a comfortable position to service its foreign debt obligations. On the other hand ratios below one are indicative of shortage of foreign currency and possibility of crisis in future. A negative ratio will obviously indicate that there is a serious liquidity problem and may result in insolvency. In this report, SRED for the member states have been calculated to identify the countries may be facing

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<th>2008</th>
<th>2009</th>
<th>Trend</th>
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<td>2.87</td>
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<td>0.50</td>
<td>6.59</td>
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</table>

Source: Author’s calculations based on the data from Global Development Finance, World Bank
liquidity/solvency problems based on the trends of SRED during recent years. Such an analysis for member states have not been performed before and this is the first time that these results have been provided for the OIC member states.

Given the availability of data, SRED have been calculated for the member states and been reported in Table 5.

The top four countries in the list are from the Sub-Saharan region. Three of these member states have already qualified for HIPC initiative, Guinea-Bissau has yet to reach the completion point before getting full relief under the program. The rest of the countries in the high risk group are mostly from MENA region except for Turkey and Maldives. The ratios of these countries, in the high risk group, have been negative in most of the recent years. A negative ratio on the one hand indicates that foreign exchange inflows, based on the current and capital account in the balance of Payment (BOP), have been negative. And the absolute magnitude of the ratio suggests the intensity of the problem in relation to the obligations of their external debt. For example, although Turkey has been experiencing negative ratios in the years 2008 and 2009, the magnitude of these ratios is low. On the other hand the ratio for Burkina Faso in the year 2008 was -25.56, suggesting a very severe state of their balance of payment and ability to service their external debt. Furthermore, in some cases the ratio seems to increase through time. This would indicate that conditions are worsening and the country may be approaching towards a financial crisis.

**CONCLUDING REMARKS**

Two approaches, present value and solvency ratio, have been employed to review the external debt situation in the OIC member states. Furthermore, some of the key indicators of external debt have also been presented at the regional level. Most of the low income member states in the Sub-Saharan region have been suffering from external debt stress and been struggling to sustain their external debts. Sachs (2002, 2004) has argued that most of the African countries have been facing poverty trap. Debt servicing further reduces their per capita income and make it more difficult for these countries to accumulate capital. In most of the cases, the situation can be described through “debt overhang”, where the private sector is discouraged to invest because they realize that most of the income generated will be taxed to pay for the external debt. Given the present state of debt stress of many member states, particularly in the Sub-Saharan region, external borrowing should not be one of the best options to utilize foreign savings. Foreign direct investment (FDI) should have been a better solution, in which investor holds the responsibility of the investment. However, in order to attract FDI, member states will need to improve overall environment through better governance and political stability.

The Heavily Indebted Poor Countries (HIPC) initiative that was introduced in 1996 to address the external debt of low income developing countries went through several modifications. By 2009, 42 countries have been identified and 22 countries have benefitted from the HIPC initiative by receiving debt relief. Among the member states; Benin, Burkina Faso, Cameroon, Guyana, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone and Uganda have received debt relief under the program so far. Although the enhanced HIPC program is more ambitious, it does not seem to be grounded realistically as to how much debt reduction is required for most of heavily indebted poor countries in order to achieve a sustainable course to growth and poverty reduction (Sachs, 2002, 2004). It has been suggested that the HIPC initiative should further be approached from a
sustainable development perspective instead of an ad hoc thresholds of some ratios. The approach should also be rationalized on the basis of the proportion of large population that are below poverty line. Furthermore, servicing of the publicly guaranteed debt is basically a public finance issue. However, the HIPC criterion seems to look at the debt issue as a balance of payment problem. In order to correctly evaluate the sustainability problem, domestic public debt should be incorporated into the analysis of the HIPC.

It has been pointed out in the introduction that there seems to be lack of consensus in determining as to when debt restructuring is unavoidable. There is also disagreement on the mechanism of a proposed debt restructuring and/or debt relief. One of such proposals calls for “Collective Action” in the event of a default. IMF outlined a Debt Restructuring Mechanism (SDRM) by Anne Krueger in 2001. The SDRM proposal outlined a more orderly restructuring process of sovereign debt. One of the novelties of the proposal was to get the involvement of the private sector in the resolution of the crisis. It also required the establishment of an independent and international arbiter to decide on the burden sharing in case of default. However, it did not get the support of the US Treasury and some other important stakeholders. A counter proposal had been tabled in the form of Collective Action Clauses (CACS) [Regina Bernhard and Christian Kellermann (2008)]. One of the shortcomings of the proposal was that it did not address the pre-existing debts. The proposal did not get the support of IMF. There is an urgent need to identify a comprehensive solution by reviewing and evaluating some of the existing proposals that have been presented. In this regard, the OIC and IDB can play a pivotal role in formulating a framework in which better support can be provided to the member states in case of external debt stress.

This report has presented some of the measures of debt sustainability of the member states for the first time. It is also hoped that more thorough analysis of these results will be carried out in future.

REFERENCES

### Table A1: CPIA Rankings of the OIC Member states, 2005-2009

<table>
<thead>
<tr>
<th>Country</th>
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<th>2009</th>
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The Tenth Harvard University Forum on Islamic Finance, hosted by Harvard Law School’s Islamic Finance Project (IFP), was held at Harvard Law School in Cambridge, Massachusetts, during March 24-25, 2012, under the theme “Islamic Finance and Development”.

Since 1997, the Harvard University Forum on Islamic Finance has been providing a venue for the critical and objective examination of the purposes, theory, practice, structure, and institutions of the emerging field of Islamic finance. Continuing in this direction, the Tenth Forum has set the evolution of the Islamic financial industry within the context of the economic and political development of Muslim majority markets. The Forum examined the conventional frameworks under which Islamic finance had developed as well as the new challenges raised by recent events, including the global financial crisis and the “Arab Spring” movements in the Middle East.

The Forum was structured around three plenary roundtable discussions and six smaller parallel sessions, and brought together discussants from a carefully selected set of senior scholars, faith leaders, and practitioners. The Forum is tailored to engage diverse perspectives on a common set of questions and ideas, and to generate thought-provoking discussions. Additionally, a number of research papers were presented in various sections from leading academics, legal and shari’a experts, and practitioners.

Dr. Savaş Alpay, Director-General of SESRIC, addressed the Tenth Forum as a plenary speaker in the first roundtable session titled “The Islamic Financial Sector’s Contribution to Global Economic Development”. The Roundtable was chaired by Mr. Samuel L. Hayes, III Professor Emeritus, Harvard Business School, and featured two discussion papers. Authored by Mr. Volker Nienhaus, Visiting Professor at the Reading University, and Mr. Neil Miller, Global Head of Islamic Finance, KPMG, the discussion papers were titled “Islamic Financial Sector: Is it Contributing to Economic Development?” and “The Role of Islamic Finance in Development”, respectively. In his address to the Forum, Dr. Alpay stressed that, despite all the criticism that the Islamic finance industry had so far been lacking innovative risk sharing products, the industry had already served a good purpose by mobilizing financial resources of many devout Muslims that would otherwise be hoarded outside the financial sector, thereby increasing financial inclusion. In terms of the industry’s questioned contribution to economic development, Dr. Alpay argued that the concept of development itself was not easy to quantify and, therefore, even the earlier empirical findings favouring the positive impact of finance on development might have to be revisited.
Reiterating the question of whether finance, in any form, can foster economic development or not, Dr. Alpay posited that we should rather ask the question of whether it was possible to have a financial system which would not be flawed by structural weaknesses that lead to financial crises, and thus provide a stable environment for economic development. With reference to a quote by the former IMF Managing Director and World Bank Chief Economist Anne Krueger, Dr. Alpay made the case that the existing financial system was prone to financial crises, and therefore it was not possible to avoid their repetition.

Dr. Alpay also referred to the Islamic teachings of fair competition, interest-free operation, elimination of contractual uncertainty, avoidance of excessive risk-taking, and balance in wealth distribution through a number of ayat and hadith, and emphasized that a financial system based on such principles would certainly be more conducive to development as it would not allow for disruptive financial innovation that would lead to an unstable economic environment. In this context, Dr. Alpay quoted some of the past and recent statements by world renowned intellectuals that indicated danger associated with the uncontrolled system and warned of the devastating socio-economic damages it could generate for the society. The Director-General first referred to Thomas Jefferson, third President of the United States, who had been quoted in 1800s as saying “I sincerely believe that banking establishments are more dangerous than standing armies, and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale.” While explaining how the greed for quick profit has gripped much of the business community, he quoted Shoshanna Zuboff, a retired Harvard Business School Professor, who wrote: “Under the flag of “shareholder value,” (a concept honed by HBS faculty and glorified in many of our courses), firms also turned to “financialization,” another specialty of the curriculum. Since the 1980s, goods-producing firms have made more of their revenue and profits from finance than from selling their products.” (Bloomberg Businessweek, July 2009) Finally, the Director-General dwelled on the growing influence of the financial sector on policy-makers by citing a passage from the article “Quiet Corp” authored by Simon Johnson, MIT Professor of Economics and a former IMF Chief Economist: “The crash has laid bare many unpleasant truths about the United States. One of the most alarming is that the finance industry has effectively captured our government—a state of affairs that more typically describes emerging markets, and is at the centre of many emerging-market crises.” (The Atlantic, May 2009) According to Dr. Alpay, all these indicate that the basic function of the financial system is to serve the real economy and therefore the society must make sure that the financial industry is kept regulated in order to avoid any future decouplings from the real economic activity. His comments were very well received by the audience and triggered an interactive dialogue among the panellists.

The succeeding two plenary sessions deliberated on the role of Islamic finance in the development of SMEs and the prospects for its future success as an alternative economic thinking.
The Third Islamic Conference of Ministers of Health (ICMH) was held in Astana, Republic of Kazakhstan, during the period 29 September – 1 October 2011 and hosted by the Ministry of Health of Kazakhstan.

During the working sessions of the Conference, the Ministers of Health of the Member States of the Organization of Islamic Cooperation (OIC) discussed and elaborated on the following four health-related issues of concern to the OIC Member Countries: (1) Cooperation among OIC member states towards achieving Millennium Development Goal (MDG) No 4: Reduce child mortality and MDG No 5: Improve maternal health; (2) Global Eradication of Polio; (3) Self Reliance on supply and production of drugs including vaccines; and (4) The Fights against HIV/AIDs, Tuberculosis and Malaria. During these working sessions, presentations on various subjects related to these issues were made by presenters and speakers from various relevant international organizations and institutions such as the WHO, USAID, UNICEF, UNFPA, WHO/GPEI and Bill Gates Foundation.

Second, Dr. Alpay made a presentation titled “The State of Polio in OIC Member Countries: Enhancing Multilateral Cooperation to Eradicate Polio” during the panel discussion on “Global Eradication of Polio”. Other presentations were also made during the Panel by representatives of the following international organizations: WHO/GPEI, UNICEF, and Bill Gates Foundation. The third presentation made by Dr. Alpay was on “Pharmaceutical Industry in OIC Member Countries: Production, Consumption and Trade” during the panel discussion on “Self Reliance on supply and production of drugs including vaccines”. Other presentations were also made during the Panel by representatives of the following OIC and international institutions: ICCI, IDB, DNDi, and US Department of Health.

The Conference also elaborated on and discussed the following documents: (1) Report of the Secretary General of the OIC on Implementation of the OIC Ten-Year Programme of Action in the Health Sector and Implementation of the recommendations of the First and the Second Islamic Conferences of Health Ministers; (2) Report of the Third Meeting of the Steering Committee on Health; and (3) Draft Strategic Health Programme of Action of the OIC Member States for 2012 – 2022. Statements were delivered by the Health Ministers and high-level representatives of the member countries highlighting their national commitments to the issue of health and actions taken by their governments for the strengthening of public health systems and access to public health care for people. The need for closer cooperation among OIC member countries was also emphasized.

The Director General of SESRIC, Dr. Savas Alpay, participated in three discussion panels on various health-related issues of concern to the member countries. First, Dr. Alpay made a presentation on “The State of Maternal and Newborn Health in OIC Member Countries” during the Brainstorming Session on “Cooperation among OIC Member States towards achieving Millennium Development Goal (MDG) No 4: Reduce child mortality and MDG No 5: Improve maternal health”. Other presentations were also made during the Session by representatives of the following international organisations: USAID, UNICEF, and UNFPA.
countries was stressed in all the national statements.

The Health Ministers took note of the ongoing activities and projects of the OIC General Secretariat and relevant OIC institutions, including IDB, SESRIC and COMSTECH in the health sector. They expressed their support for further strengthening of international partnership to address various health challenges, including the ongoing cooperation between the OIC and the Global Polio Eradication Initiative, Global Fund to Fight HIV/AIDS, Tuberculosis and malaria, and International Atomic Energy Agency (IAEA). The Conference welcomed the implementation of national health plans by the member countries and the measures being adopted for preventing and combating epidemics and diseases. The Conference took note of the convening of capacity building and training events by the OIC institutions for the benefit of the member countries.

Based on the findings and recommendations of the three brainstorming sessions and the three panel discussions, the following four resolutions were adopted by the Conference: (1) Resolution on Maternal and Child Health Care; (2) Resolution on Global Polio Eradication; (3) Resolution on Self Reliance on Supply and Production of Drugs, including Vaccine; and (4) Resolution on the Fight against HIV/AIDS, Tuberculosis and Malaria. At the end of the Conference, the Health Ministers adopted the Astana declaration which reaffirmed the centrality of health issues for the socio-economic development of the OIC member countries, reaffirmed the commitment of the member countries to attach high priority to health issues, foster intra-OIC and international health cooperation and reflected the recommendations emanating from the Conference.

SIXTH OIC MINISTERIAL CONFERENCE ON FOOD SECURITY AND AGRICULTURE DEVELOPMENT

3 - 6 OCTOBER 2011, ISTANBUL, REPUBLIC OF TURKEY

The 6th OIC Ministerial Conference on Food Security and Agricultural Development was held in Istanbul, Republic of Turkey on 03–06 October 2011, on the theme “Agricultural Development and Access to Food and Nutrition in OIC Countries”. The Conference was hosted by the Ministry of Food, Agriculture and Livestock of the Republic of Turkey. The objectives of the Conference included, among others, the evaluation of the outcomes of a number of recent actions, programmes and activities undertaken by the OIC and some
Member Countries with a view to assisting the Member Countries in their efforts to alleviate hunger and foster agricultural development and food security. The Conference was attended by Ministers and Delegates from 36 OIC Member States and two OIC observer States. The Conference was also attended by the representatives of the OIC General Secretariat and its relevant institutions as well as representatives of various regional and international organizations.

The first two days of the Conference were dedicated for the Senior Officials Meeting (SOM) as preparation for the Ministerial Session, which held in the third day (06 October).

During the first plenary session, the representative of FAO made a presentation on South-South Cooperation scheme to promote agricultural development and food security in OIC Member States. Delegates from the Member Countries also made presentations in which they highlighted the actions and challenges in the various areas such as state subsidies to farmers, natural resource management, water saving, information sharing, diversification of crop production, climate change, establishment of grain reserves, as well as exchange agricultural experts, researchers, planners and policy makers, among others.

During the second plenary session, the COMCEC Coordination Office presented a progress report on the work of the COMCEC Task Force on Agriculture, Rural Development and Food Security. In this session, the representative of the SESRIC also made a presentation on “The State of Food Security and Agriculture Development in OIC Countries: Opportunities for Cooperation”. The presentation highlighted the current state of food security and agriculture development in OIC Member Countries and identified major challenges faced by the agriculture sector and proposed policy actions and project proposals for enhancing Intra-OIC cooperation to tackle these challenges and improve the food security situation in the OIC Member Countries.

The SOM also discussed and approved the draft resolution and the draft agenda of the Ministerial Session. The recommendations of the SOM were included in the draft resolution which together with the report of the SOM was presented to the Ministers in the Ministerial Session.

In the opening ceremony of the Ministerial Session on 6th October, H.E. Mr. Mohammed Ahmed Alloba, Minister of State for Agriculture of the Republic of Sudan, in his capacity as chairman of the 5th Ministerial Conference, delivered his opening statement.
H.E. Mr. Mehmet Mehdi Eker, the Minister of Food, Agriculture and Livestock of the Republic of Turkey and Chairman of the Conference, addressed the Ministerial Session and emphasized the need for measures to tackle the challenges of price volatilities in the agricultural commodity markets and determine the causes of this phenomenon. In this regard, he suggested that SESRIC could be entrusted with the task of compiling and updating the inventories on agricultural production in OIC Member States. He also informed the Conference that Turkey has launched a campaign for humanitarian assistance to Somalia, emphasizing that an amount of $320 million has been collected as at 3rd October 2011.

The Ministers and Heads of Delegation of Afghanistan, Palestine and Nigeria addressed the Conference on behalf of the Asian, Arab and African OIC Regional Groups respectively. They all dwelt on the urgent actions and interventions required in order to address the current challenges to food security and inadequate agricultural productivity in OIC Member States. Dr. David Nabarro, the Special Representative of the Secretary General of United Nations on Food Security and Nutrition, elaborated on the diverse areas of possible cooperation between the OIC and United Nations family towards ensuring sustainable agricultural development and food security in OIC Member States.

During the Ministerial Session, the Ministers deliberated on various issues related to theme of the Conference by presenting their national programmes on food security and agricultural and rural development, detailing their respective Countries’ experiences and recommending required actions for active intra-OIC cooperation. The Conference also reviewed the various presentations on possible areas of collaboration between OIC and other international organizations and institutions like World Food Programme (WFP), Economic Cooperation Organisation (ECO) and International Fund for Agricultural Development (IFAD). The participants also reviewed with admiration the documentary film on the Turkish experiences on agriculture and food security.

The Conference considered the Report of the Senior Officials Meeting, including the Draft Resolution OIC/ICAM-6/2011/D.RES and unanimously adopted both the Resolution and the Report of the Sixth OIC Ministerial Conference on Food Security and Agricultural Development. The Conference also welcomed the offer made by the Republic of Senegal to host the 7th Ministerial Conferences on Food Security and Agricultural Development in Dakar in 2012.

**The 27th Session of the OIC Standing Committee for Economic and Commercial Cooperation (COMCEC)**

**17-20 October 2011, Istanbul, Republic of Turkey**

The 27th Session of the COMCEC convened in Istanbul on 17-20 October 2011 with the participation of delegates from 48 OIC member countries. Bosnia-Herzegovina, Russian Federation, Kingdom of Thailand and Turkish Republic of Northern Cyprus participated in the Session as observers. The OIC General Secretariat, subsidiary, specialized and affiliated organs of the OIC also participated in the Session.
A number of international and regional organizations, including GCC, ECO, ECOBANK, UNIDO, FAO, ITC, WAEMU, and D-8, attended the Session.

The Meeting of the Senior Officials of the 27th Session of the COMCEC was held on 17-18 October under the Chairmanship of H.E. Kemal Madenoglu, Undersecretary of the Ministry of Development of the Republic of Turkey. During the Meeting, the delegations of the Member States and the OIC institutions considered and deliberated on a number of agenda items related to various issues of enhancing economic and commercial cooperation among the Member States. The issues include: Review of the implementation of the OIC Ten-Year Program of Action and the Plan of Action to Strengthen Economic and Commercial Cooperation among the OIC Member States; World economic developments with special reference to the OIC member countries; Recent developments in intra-OIC trade, the Trade Preferential System among the OIC Member States (TPS-OIC), Priority Sectors (agriculture, tourism and transportation) and exchange of views on the theme “The Impact of Transportation Networks on Trade and Tourism”; Financial cooperation among the OIC member countries: cooperation among Stock Exchanges, Central Banks and Capital Markets’ Regulatory Bodies of the OIC member countries; Poverty alleviation: ISFD, SPDA, OIC-Cotton and OIC-VET programs; Enhancing relations with the private sector.

In addition to the presentation made by SESRIC on the Annual Economic Report on the OIC Countries 2011, the Centre also made presentations and briefed the Committee on the following agenda items: (1) Cooperation among the Central Banks of the OIC member countries; (2) Vocational Education and Training Programme for OIC Member Countries (OIC-VET); and (3) Results of the Questionnaire Circulated by the SESRIC to the Member Countries on the Proposed Themes for the COMCEC Exchange of Views Sessions. In their deliberations on all these issues, the Senior
Officials discussed and considered the recommendations and policy implications of many technical and background reports prepared and presented by various relevant OIC institutions as well as those of some related international and regional organizations. They also prepared the Draft Resolutions on these issues for consideration by the Ministerial Meeting, which was held on 19 October 2011. The Ministerial Meeting of the 27th Session of the COMCEC was held on 19 October 2009. The Opening Ceremony of the Meeting was held under the chairmanship of H.E. Abdullah GÜL, President of the Republic of Turkey and the Chairman of the COMCEC. The Heads of Delegation of the State of Kuwait, Mali and Afghanistan made statements on behalf of the Arab, African, and Asian groups of Member States, respectively.

The Ministerial Working Session was held under the Chairmanship of H.E. Dr. Cevdet YILMAZ, Minister of Development of the Republic of Turkey. The Ministers exchanged their views on the theme “The Impact of Transportation Networks on Trade and Tourism”. The Ministers and Heads of Delegations expressed their views on the presentations made by the key-note speakers, shared their countries’ experience in the field of transport and made comments on the problems of the OIC region in this sector. In addition, the Ministers underlined the importance of enhancing technical cooperation in the field of logistics and emphasized the necessity of developing a transport map which comprises information on the transport corridors and transport modes in the OIC Member States.

The Closing Session of the 27th Session of the COMCEC was held on 20th October 2011 under the Chairmanship of H.E. Dr. Cevdet YILMAZ, Minister of Development of the Republic of Turkey. Dr. Yousaf JUNAID, Counsellor General of Pakistan in Istanbul and Rapporteur of the Session, presented the Draft Resolutions which have been, then, adopted by the Ministerial Session. A special signing ceremony was also held at the Closing Session. During this ceremony, Kuwait signed the Agreement on Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS) and TPS-OIC Rules of Origin, and Mali signed the Statute for the Islamic Civil Aviation Council. The Session ended with a closing statement made by H.E. Dr. Cevdet YILMAZ, Minister of Development of the Republic of Turkey.

DR. SAVAŞ ALPAY, DIRECTOR GENERAL OF SESRIC, DELIVERED A SPECIAL ADDRESS DURING THE 'FOURTH WIEF-Uitm GLOBAL DISCOURSE ON NANOTECHNOLOGY'

14 OCTOBER 2011, KUALA LUMPUR MALAYSIA

The “Fourth WIEF-Uitm Global Discourse on Nanotechnology” was held in Kuala Lumpur, Malaysia on 14th October 2011. Dr. Savaş Alpay, Director General of SESRIC participated in the event and delivered a special address on the “Current Stance of Science and Technology in OIC Countries”.

The 4th WIEF-Uitm Global Discourse was organized by World Islamic Economic Forum (WIEF), Universiti Teknologi Mara (UiTM), in cooperation with SESRIC and it focused on
nanotechnology’s interdisciplinary nature, highlighting cutting-edge R&D in nanomedicine, nanoelectronics, and nanomaterials. The discussions explored the current factors fueling nanotechnology’s growth, start-up opportunities and potential bottlenecks to viable commercialization. It also examined predictions for future societal, environmental, ethical, and privacy issues as well as the impact of nanotechnology on the future warfare.

Keynote Address on “Nanotechnology: Engineering a Better Future” was presented by Dr. Mehmet Bayindir, Deputy Director, National Nanotechnology Research Center (UNAM), Turkey. The session was moderated by Dr. Gunawan Witjaksono, Director, Photonics, Micro Energy & Green Technology, MIMOS Berhad, Malaysia and Prof Ille C Gebeshuber, Institute of Microengineering and Nanoelectronics, Universiti Kebangsaan Malaysia & Vienna University of Technology, Austria; Prof. Jackie Y. Ying, Executive Director, Institute of Bioengineering and Nanotechnology, Singapore; Prof. Sirirurg Songsivilai, Executive Director, National Nanotechnology Center, Thailand and Assoc. Prof. Dr. Mohamad Rusop, Head, NANO-SciTech Centre (NST), Institute of Science, Universiti Teknologi MARA (UiTM), Malaysia participated as commentators.

THE MEETING OF THE CENTRAL BANKS AND MONETARY AUTHORITIES OF THE OIC MEMBER COUNTRIES 2011

14 - 16 NOVEMBER 2011, KUALA LUMPUR, MALAYSIA

The Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries- 2011 was organized by SESRIC, in collaboration with the Central Bank of Malaysia (Bank Negara Malaysia) and held in Kuala Lumpur, Malaysia on 16th November 2011 under the theme
“Central Banking and Financial Sector Development”. The Meeting was preceded by an Experts Group Workshop on 14th November, where experts from central banks in OIC and non-OIC countries discussed and exchanged their views and experiences on issues related to the role of central banks in financial sector development and economic growth in emerging economies and strategies towards fulfilling their mandates.

Prior to the Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries, the 5th Annual Islamic Financial Intelligence Summit was held on 15th November 2011. The Summit, hosted by the Bank Negara Malaysia and organized by the Banker Magazine and Financial Times Business, provided a platform for private sector players to discuss the latest developments and opportunities in the global Islamic finance space.

The Summit brought together some 300 invited guests from both the advanced and emerging economies, including senior members of the financial and corporate community and senior central bankers.

At the end of the Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries 2011, the Governors of the Central Banks of the participated member countries adopted a Final Communiqué in which they expressed that Central Banks in collaboration with the relevant Government agencies should play a critical role in facilitating a nation’s developmental agenda towards achieving sustainable and non-inflationary economic growth and highlighted the importance of Islamic finance in this context. The Governors affirmed their commitment to enhance technical cooperation among their institutions, and their support for SESRIC’s initiatives in this respect, including the Capacity Building Programme for Central Banks of OIC Member Countries. The Governors also welcomed the offer of the Republic of Turkey to host the 2012 meeting, and Saudi Arabia and Indonesia to host the meeting in 2013 and 2014, respectively.

**SESRIC HAS BEEN ELECTED TO HOST THE 9TH INTERNATIONAL CONFERENCE ON ISLAMIC ECONOMICS AND FINANCE**

At the closing ceremony of the 8th International Conference on Islamic Economics and Finance, which was held in Doha, Qatar on 19-21 December 2011, the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) has been elected to host the 9th edition of this prestigious research conference in the field of Islamic Economics and Finance.

The series of the International Conference on Islamic Economics is among the most prestigious academic events in this field, and has made a significant contribution to conceptualizing the theory and practice of contemporary Islamic economics and finance through research and intellectual dialogue. The first conference was held in Makkah, Kingdom of Saudi Arabia in 1976 under the auspices of King Abdulaziz University. Other conferences in this series were hosted by
International Islamic University Islamabad (1983), International Islamic University Malaysia (1992), Loughborough University, UK (2000), University of Bahrain (2003), Indonesian Ministry of Finance and the Central Bank of Indonesia (2005), and the King Abdul Aziz University (2008).

The 8th Islamic Conference on Islamic Economics and Finance was jointly organized by Qatar Foundation’s Faculty of Islamic Studies (QFIS) through its Islamic Economics and Finance Centre, the Islamic Development Bank Group through its Islamic Research and Training Institute (IRTI), the International Association for Islamic Economics (IAIE) and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC). The Conference was held on 19-21 December 2011 in Doha, Qatar at the Qatar National Convention Centre in the Education City. Other sponsors of the event include the Qatar National Bank, the Qatar Financial Centre Authority, the Qatar National Research Fund and Qatar Airways signed on as the Official Carrier.

Under the theme “Sustainable Growth and Inclusive Economic Development from an Islamic Perspective”, the Conference brought together economists, central bankers, senior professors, and young researchers from over 35 countries to present their research papers on the field of Islamic economics, banking and finance, with a focus on issues related to growth, equity, and stability. In addition to keynote speeches, the Conference included thematic plenary sessions as well as parallel working sessions. Over 120 research papers were presented during the course of the three days of the Conference. These papers, which were selected from approximately 815 submissions, focused on various Islamic Economics and Finance related issues, including: the economic doctrines and values of Islam; methodology and scope of Islamic economics; history of Islamic economic thought and economic management; effects of Islamic principles on fiscal and monetary policies; access to financial services in Muslim countries; the progress of OIC member countries with respect to the UN Millennium Development Goals; the experiences of Islamic microfinance institutions; the role of Zakah and Awqaf; financial stability and risk management; the link between Islam and socio-economic development; the design of Islamic contracts and legal framework; Islamic business ethics and values; and the efficiency of Islamic banks, institutions and markets.
**MALAYSIA ATTRACTIVE INVESTMENT DESTINATION FOR HI-TECH, KNOWLEDGE-DRIVEN FIRMS**

Malaysia is an attractive premier investment destination, particularly for high technology and knowledge-driven companies, International Trade and Industry Minister Mustapa Mohamed said. He said the conducive business environment in the country has given birth to many globally-competitive companies such as Petronas, Malayan Banking Bhd and CIMB Group. "Malaysia is going through a very exciting transformation, which will make the country even more open for business," he told a dialogue with global corporate, government and media leaders on the sidelines of the World Economic Forum 2012 in Davos, Switzerland.

Members of the dialogue who include former Deputy Prime Minister of the United Kingdom Lord Peter Mandelson, Indonesia's Garuda Airlines chief executive officer Emirsyah Satar and global advisory PricewaterhouseCoopers vice-chairman Juan Pujadas, urged the government to be more aggressive in highlighting Malaysia's success stories. Mustapa also told the attendees that Malaysia enjoyed political stability, with minimal political risks and has clear plans for the future. Meanwhile, Khazanah Nasional Bhd managing director Tan Sri Azman Mokhtar, who also spoke at the dialogue, stressed on the transformation that has been happening in Malaysia, particularly on how the Malaysian Government-Linked Companies have become more competitive and professionally managed. He said the 1997-98 Asian financial crisis has made many Malaysian companies stronger and resilient following lessons learnt during that period.

Source: NNN-Bernama

**GCC RAIL NETWORK MOVES CLOSER TO REALITY**

The GCC markets had a stellar year in 2011, culminating in a series of multibillion-dollar contract awards. The major schemes awarded included the main construction contracts for the first phase of the UAE's $11bn national railway, the $7.9bn Haramain high-speed railway in Saudi Arabia and the public-private partnership (PPP) contract for the expansion of Medina International airport, also in the kingdom. This year, rail is expected to be the main area of focus in the GCC transport sector. In October 2011, the $898m construction contract for civil and track works for the first phase of the UAE's Etihad Rail project was awarded to a consortium led by Italy's Saipem. Other members of the group include Italy's Tecnimont and the local Dodsal Engineering & Construction.

In 2012, the group will carry out the design, procurement and construction of the railway.
infrastructure, as well as the testing and commissioning. It will also be responsible for the earth works and track site grading, bridge structures, communication systems and the development of a depot at Mirfa. In late November last year, Etihad Rail said the preliminary engineering for the second phase of the project was nearing an end and it would soon be inviting expressions of interest for the second construction contract. The deal is expected to be awarded in early 2012, with construction on the second phase beginning later this year.

Rail projects are also moving forward in Saudi Arabia. The final construction contract for phase two of the Haramain high-speed railway was awarded in mid-2011 and construction will progress in 2012. Last year also saw the full opening of the Mecca metro in time for the annual Haj pilgrimage. There are also plans to build a Mecca Mass Railway Transit (MMRT) system, potentially on a PPP basis.

In March 2011, Mecca Municipality appointed the UK’s consultancy firm Ernst & Young and law firm Ashurst as transaction advisers for the MMRT project. Meanwhile, feasibility studies for a light rail in Jeddah were completed in August so this project should move forward in 2012. With just 10 years left in which to build the rail network required to transport football fans around Qatar for the 2022 Fifa World Cup, Doha will also be prioritising rail projects in the year ahead. Among the key transport contracts awarded in 2011 was the appointment of the US’ Parsons Brinckerhoff in September as the strategic programme manager for the $35bn Qatar Integrated Rail Programme.

The development of rail projects across the GCC is ultimately intended to link the six member states, so that both passengers and freight can be easily and quickly transported around the region and beyond. But the lack of significant progress elsewhere in the bloc is likely to delay the realisation of this vision.

Source: AMEinfo

**SAUDI GOVERNMENT SET TO INVEST $100BN IN TRANSPORT SECTOR BY 2020**

Due to rising oil prices and increased foreign investments, Saudi Arabia’s national economy has grown exponentially over the last ten years - having doubled in size since 2002 to $481.6bn. In addition, the Kingdom’s government announced a $400bn plan last year to improve the country’s energy and water production systems, transportation, housing and education sectors over the course of the next five years.

John Sfakianakis, Chief Economist at Banque Saudi Fransi, noted that these upward trends and projections signify that “Saudi Arabia is becoming a significant emerging economy able to attract substantial foreign direct investment (FDI). Since 2000, the investment environment has benefited from significant progress on structural reform involving liberalisation and greater transparency. The real estate sector represented the major recipient of foreign investment, with a share of total FDI to the Kingdom expected to be more than 20%. This
reflects the importance of the construction activities in the national economy.”

With the Saudi Arabian government looking to invest $100bn by the year 2020 - the vast majority of which in to its transport sector - the upcoming Kingdom Mass Transit Summit is a timely initiative. Organised by French business information group Naseba, it aims to drive the necessary changes to the country’s infrastructure and provide an exclusive platform for specialists in the industry. Up to 100 transportation experts, consultants, insurance bodies and support providers have the chance to network, share knowledge, showcase projects and raise capital for planned and future projects throughout Saudi Arabia.

The two-day summit is taking place on 1-2 April 2012, and highlights the Kingdom’s engagement in massive transportation projects and initiatives as a way to drive sustainable economic growth. The platform has a targeted focus on Saudi Arabia’s transport industry, with a specific focus on the road and railway sectors.

Managing Director Product Development at Naseba Mr. Fabien Faure commented: "According to industry estimates, investment in Saudi Arabia's entire transport sector is set to reach $100bn by 2020, with over $30bn allocated for new transport projects in the government’s next five-year plan. This is why we feel the Kingdom Mass Transit Summit is coming at the right time - with the Saudi government aggressively planning to improve existing transportation infrastructure."

Source: AMEinfo

"Blue Revolution" Needed To Boost Dry Season Harvest In Burkina Faso

The Burkina Faso government is attempting for the first time to implement a nationwide dry-season agricultural campaign to counteract possible food insecurity in areas that received poor or erratic rainfall in 2011. The Ministry for Agriculture and Water will invest 1.2 billion CFA (US$2.4 million) to distribute high-yield seeds and give a stipend of $150 to each farmer who participates in the dry-season campaign to minimize the risk of food insecurity in 2012.

But in order to make the dry season harvest work, the government also needs to invest in a “blue revolution” - small-scale irrigation systems to help farmers grow crops in drought-prone zones - according to the International Food Policy Research Institute (IFPRI)

Some 146 out of 351 communes across 10 of Burkina Faso’s 13 regions were affected by low grain outputs. Government projections put 2011’s harvest at 3.8 million tons - 16 percent lower than previous year’s- with millet down by 21 percent and sorghum down by 18 percent. The rice harvest is estimated to be more or less the same as in 2010, though some 44 percent of the nation’s needs would still have to be imported.

Source: IRIN News,
NIGERIA TARGETS 2.1 MILLION TONS OF RICE

Dr Akinwumi Adeshina, the Minister of Agriculture and Rural Development, said during his appearance before the House of Representatives Committee on Rural Development to defend the Ministry’s budget estimates for 2012 that Nigeria will produce over 2.1 million metric tons of rice before the end year.

Dr. Adeshina said that in addition to the assemblage of experts in the field, Nigeria is partnering with a Chinese farming conglomerate to meet the rice target. According to the Minister, a pilot programme to test-run the exercise had already commenced with the engagement of about 50,000 Nigerian youths from Taraba State using 30,000 hectares of land. He also said that N2.2billion has been earmarked for the development of rural roads and other infrastructure across the nation.

Source: The Nation

TURKEY'S TUSKON HOSTS COMMERCIAL MEETING IN SENEGAL

For the fourth time in Senegal a commercial meeting took place in the Chamber of Commerce of Dakar. More than 180 Turkish firms came to Dakar for an interview tête-à-tête with the Senegalese businessmen in February 2012.

The volume of commercial trade between Senegal and Turkey esteemed at 184 million Dollars. The manager of the Chamber of Commerce in Dakar Makhary Diakhaté greeted the interest which the Turkish economic operators concerns Senegal. In spite of the world difficult situation the commercial links between Senegal and Turkey go up.

The head of the Turkish delegation and the vice-president of TUSKON asserted that new opportunities of new commercial partnerships are born between Senegal and Turkey. Almost 1000 persons of this association visited Senegal underlined by the vice-president of TUSKON. Turkey possesses a very competitive economic dynamism with 10 % of growth rates.

After three editions of TUSKON in the beam of the success, the representative of the Senegalese government Ismaela DIOP hopes that this fourth edition will be a success, more creations and new doors of investment between both countries.

SUDAN HOSTED THE 4th ARAB FORUM OF IMPORT AND EXPORT IN MARCH 2012

The Arab Federation of Exporters and Importers held the Arab Forum for import and export of the 4th edition of the Arab Economic Union’s conference under the title “The present, the future and the challenges of development” in the Sudanese capital, Khartoum on 28 and 29 March 2012.

President of the Arab Federation of exporters and importers Amal Hassan Zaki said in a statement on that the forum aims to open Sudanese and Arab markets the Arab states need and to find Arab and Sudanese business partners in order to develop trade, industry and investment inside the Arab countries. She pointed out that the forum also seeks to activate the Arab common market within an Arab Free Trade Zone, and it also aims to provide a network of contacts and information at both official and private manufacturers and traders, as well as the organization of the pre-arranged bilateral meetings between the Arabs traders and manufacturers and the future partners of importers and investors in Sudan and to provide mechanisms and services for the success of the Forum.

Some 17 Arab States participated in the forum, namely Qatar, Egypt, Sudan, Algeria, Bahrain, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia, UAE and Yemen in addition to a number of African countries as well as representatives of international and Arab free zones.

Source: MENAFN News.

KAZAKHSTAN INCREASES THE VOLUME OF EXPORTED GRAIN TO 1.2 MILLION TONS PER MONTH

Kazakhstan increased the volume of exported grain to 1.2 million tons per month for the last three months of 2011, the Minister of Agriculture Asylzhan Mamytbekov said on 3rd February 2012.

"The volume of grain shipments was increased significantly. Some 3.6 million tons of grain crops including the flour were sent for export during the last three months of 2011, so we reached the average volume of 1.2 million tons a month," Mamytbekov said. Kazakhstan is one of the largest grain exporters in the world. Record harvests of grain - almost 27 million tons in net weight were registered in 2011. Kazakhstan plans to export 15 million tons of grain in the 2011-2012 marketing year.

Source: en.trend.az
Turkey says to lend Tunisia $500 million

Three co-operation agreements were signed by Tunisia and Turkey on January 23 in the northern suburb of Gammarth on the occasion of the Tunisian-Turkish forum of investment and trade.

Under these agreements, Turkey will provide a credit line worth 500 million dollars (750 million Tunisian dinars) to boost Tunisia’s economy and develop bilateral co-operation.

All the loans allocated as part of this credit line will be repayable over a period of up to 10 years with very low interest rates. It is first a memorandum of understanding providing for "co-operation in the field of free trade zones ", secondly a document entitled "decision of the Turkey-Tunisia association council " quoting the amendments to the definition of the concept regarding "the origin of products" and methods of administrative co-operation and thirdly a document including amendments to the exchange of concessions on farm produce. The point is thus to raise the quota of Tunisian dates exported to Turkey and exempted from VAT, from 2000 to 5000 tonnes a year.

Besides, Turkey has promised to take care of the training of Tunisian youths operating in the field of foreign trade and tourism.

The forum of investment and trade is organised by the Confederation of Citizen Enterprises of Tunisia (CONECT), the Turkish Employers' Union and the embassy of Turkey in Tunis.

Source: TAP

Egypt Tourism Industry Recovering, Despite Clashes

Egypt’s tourism ministry hopes to see a recovery in tourist numbers to between 12 and 13 million in 2012, bringing in $11bn, despite ongoing street violence, Reuters has reported. "The future of tourism in Egypt will be great," said Samy Mahmoud, undersecretary of the ministry and head of the International Tourism Sector. In 2010, 15.7 million tourists visited Egypt, adding around $12.5bn to the country's economy, he said, noting that figures from last year are not yet available. Asked about what the authorities could do to convince tourists that Egypt was safe, Mahmoud said: "By the end of June we will have a president and a strong government. This will boost tourism in Egypt."

Source: AMEinfo
MOROCCO OPENS NORTH AFRICA’S BIGGEST CAR PLANT

The biggest car factory in North Africa has been officially opened in Morocco by the French firm Renault. The plant is in Melloussa, a small town on the Mediterranean near Tangiers, in an area close to Europe which offers tax benefits to manufacturers. Morocco’s King Mohammed VI attended the inauguration in Melloussa, along with the country’s trade minister and the head of Renault.

Renault has invested $1.5bn (£946m) in the factory, which currently has the capacity to produce 147,000 cars annually. Low-cost cars will be produced under the Dacia brand for emerging markets and Renault executives say up to 10% of the production could be sold locally.

It employs about 2,000 local staff and intends to triple production by 2015. This could boost staff numbers to 6,000 and create up to 35,000 jobs indirectly. BBC says a number of other foreign car companies aim to open up near the Renault plant, such as Ford and Chinese and Indian manufacturers.

Source: BBC

LIBYA TO INVEST $9.5 BILLION IN DEVELOPMENT

Abdurrahim El-Keib, the Prime Minister of the Libyan Transitional Government, announced that his government is working on a number of developmental projects. The projects particularly focus on infrastructure, which was badly damaged in the war against ousted dictator Muammar Gaddafi. The government, he added, has allocated 12 billion dinars ($9.5 billion) to these projects.

Three billion dinars from the project budget will go towards rebuilding and maintaining demolished or damaged homes, the prime minister said in a statement on the sidelines of the first national conference on local municipalities. The conference was titled “Local Management – Present Challenges and Future Horizons.” The conference aims to lay the foundation for an objective assessment of the current conditions of the Libyan economy. The International Monetary Fund recently expressed deep concern regarding the fragility of the Libyan economy. The fund stated in a recently released report that the economy remains fragile despite the lifting of international sanctions due to the low levels of oil production.

Nevertheless, the IMF remains optimistic regarding the future of the Libyan economy, as fuel production is continuing to approach pre-war production levels. The government is also showing strong signals of its commitment to financial development programs and to driving the economy forward.

Source: Nuqady
**ONE MILLION CHILDREN IN SAHEL AT RISK**

More than 1 million children in the Sahel are at risk of severe malnutrition and urgent action is needed to avert starvation akin to that in Somalia, the United Nations Children's Fund (UNICEF) warned.

The agency appealed for $67 million for 8 countries in the region where it said instability fuelled by increasing activities of al-Qaeda and Boko Haram was compounding humanitarian needs. They are Burkina Faso, Chad, Mali, Mauritania, Niger and the northern regions of Cameroon, Nigeria and Senegal.

Acting UNICEF deputy executive director Rima Salah emphasized that in the Sahel there is a nutrition crisis of a larger magnitude than usual with over 1 million children at risk of severe, acute malnutrition. If there is no attention to the countries in the Sahel, it will become like Somalia and other countries. The reference was to the anarchic Horn of Africa country where the U.N. says 250,000 still live in famine conditions due to drought and conflict and a total of 4 million need aid.

More than nine million people in five countries in Africa's Sahel region face food crisis next year, following low rainfall, poor harvests, high food prices and a drop in remittances from migrants, aid agency Oxfam said. The funds for the Sahel, for an initial six-month phase, will provide therapeutic feeding to malnourished children and campaigns to prevent the spread of epidemics including cholera. Some families will receive cash to cover higher food prices. It is part of UNICEF's overall appeal of $1.28 billion for 98 million women and children in 25 countries.

Somalia and other Horn of Africa countries (Djibouti, Ethiopia and Kenya) account for nearly one-third of the total amount sought.

Source: Reuters

**JAPAN TO PROVIDE $65 MILLION LOAN FOR HEALTH SECTOR DEVELOPMENT IN BANGLADESH**

The Japan government will provide nearly US$ 65 million worth of credit for development of the health sector in Bangladesh. The Bangladesh government signed a loan deal in Dhaka with the Japanese donor - Japan International Cooperation Agency (JICA) in this connection.

The Japanese 5.04 billion yen of ODA loan will be utilized for checking maternal and neonatal mortality and improving child health under the Health, Population and Nutrition Sector Development Program (HPNSDP) of the health and family welfare ministry. The aid will be spent to finance trainings and the upgrade of the facilities and equipment related to Maternal, Neonatal and Child Health (MNCH).
JICA said within the five-year period of the BDT 569.94 billion HPNSDP, it is expected that child mortality will be cut to 31 in every 1,000 births and maternal mortality to 144 in every 100,000 births. Some other development partners including World Bank and Asian Development Bank are also financing the program. The government has to repay the loan to JICA at a 0.01 percent rate in 40 years inclusive of a 10-year grace period.

Source: Bangladesh Business News (BBN)

**IDB SIGNS US$ 60 MILLION POWER PROJECT WITH PAKISTAN**

The Islamic Development Bank (IDB) has signed US$ 60 million lease finance (Ijara) agreement with Pakistan for the development of the Patrind hydropower project.

Once operational in 2016, the environment-friendly project is expected to add a net generation capacity of 147MW to the national grid. It will help Pakistan increase the utilization of its renewable resources to generate power in an economically sustainable manner and reduce dependency on imported fuel.

Pakistan is the second largest beneficiary of IDB Group financings among IDB member countries. Since inception, total IDB Group commitment to the country has reached US$7.6 billion, including 85 projects for US$2.2 billion. Sector-wise, the distribution of IDB financing indicates a substantial share has gone to power generation and transportation.

IDB Group’s Member Country Partnership Strategy (MCPS) for Pakistan for the period 2012-2015 focuses on numerous development priorities including improvements in the fields of energy, transport, agriculture, health, education, private sector and capacity building.

Source: International Islamic News Agency (IINA)

**ADB ADDS $754 MILLION TO INFRASTRUCTURE PROJECTS IN AFGHAN ROAD AND RAIL SECTOR**

The Asian Development Bank (ADB) has approved $754 million in assistance to rebuild Afghanistan’s shattered road and rail network, bringing to more than $1.7 billion the amount it has contributed to reconstruction of the country’s infrastructure over the past decade.

The $754 million multitranche financing facility (MFF) will fund improvements to 600 kilometers of roads—some 7% of the total national and regional highway network—as well as new tracks and stations between Mazar-e-Sharif and Andkhoy. A $33 million co-financing grant from the Afghanistan Infrastructure Trust Fund, with contributions from Japan and the United Kingdom, will be administered by ADB.
ADB’s focus on Afghanistan’s transport and energy networks will enable the country to fulfill its role as a key player in the Central Asia Regional Economic Cooperation (CAREC) Program, the 10-country partnership that promotes the implementation of regional projects in energy, transport, and trade facilitation.

Source: Asian Development Bank (ADB)

**MOZAMBIQUE: DEATH TOLL FROM STORMS RISES**

Maputo — The known death toll from tropical depression “Dando” and cyclone “Funso”, which hit southern and central Mozambique in January 2012, has risen from 37 to 40, according to the government spokesperson, Deputy Justice Minister Alberto Nkutumula. Nkutumula said that the government’s new estimate of the number of people directly affected by the torrential rains, high winds and flooding brought by the two storm systems is 119,000.

In Maputo City, five accommodation centres remain open for people whose homes collapsed during the January storms. 459 people are living in these centres, They are waiting to be allocated plots of land on which they can build new houses. All the food needs of the people displaced by the flooding are being met by the government in coordination with the UN World Food Programme (WFP).

Nkutumula warned that the situation could deteriorate further since the rainy season is far from over. The weather forecast for February and March is for normal to above normal rainfall for much of the country. Following the partial opening of a floodgate on the CahoraBassa dam, and the contribution from major tributaries such as the Revobue and the Shire, the Zambezi River has risen above flood alert level on its lower reaches, at Caia and Marromeu.

Source: Agencia de Informacao de Mocambique

**GUYANA AND SURINAME COLLABORATE ON CLIMATE CHANGE**

A working visit was held in Guyana which marks the beginning of a series of bilateral engagements being undertaken as part of an enhanced bilateral assistance framework agreed to by former President Bharrat Jagdeo and Suriname’s President Desi Bouterse, when the latter came to Guyana last September, just weeks following his election to office. Guyana and Suriname have been working closely in the international climate change negotiations and are committed to the sharing of information and experiences, as the two countries seek to strengthen bilateral relations. As part of this visit, a number of specific initiatives on climate change are being discussed, whereby the two countries will collaborate. Neighboring Suriname, like Guyana, is also formulating policies to counter the impact of Climate Change. As such, a Climate Compatible Development Agency (CCDA) has been established by the Suriname Government to help formulate a more structured approach to climate change matters.

Source: Guyana Chronicle Online
IRAQ OPENS FIRST OF FOUR NEW OFFSHORE OIL FACILITIES TO RAMP UP PRODUCTION

Falah al-Amri, chairman of Iraq's State Oil Marketing Organisation (SOMO) has announced the opening of the first of four planned offshore mooring facilities in the Gulf, which would add 200,000 bpd to the country's capacity for loading tankers there. The new single-point mooring unit, extending into the sea from the southern oil terminal of Fao, has a potential export capacity of 850,000 bpd, he said. "We are ready to market these new capacities, particularly in promising markets in Asia where our crude exports to China currently average 500,000 bpd," he said. The four units would increase the country's export capacity by a combined 3.4m bpd by 2013.

Source: AMEinfo

SAUDI BANKS PROFITS AT 5-YEAR HIGH, ASSETS AT SR 1.54 TRILLION

Saudi banks, having the second largest asset base in the Arab region after UAE banks with their combined assets standing at SR1.54 trillion at the end of 2011, have earned nearly SR30.9bn in net last year on account of lower provisions for bad debt and growth in lending. The net earnings by the country's 12 commercial banks were around 18% higher than the 2010 income of about SR26.1bn. Credit reached around SR856bn and deposits with the banks stood at nearly SR1.1 trillion by the end of the year. Lenders operating in the kingdom netted their highest profits of SR34.6bn in 2006 before the income slumped to SR30.2bn in 2007. It continued to decline to reach SR29.9bn in 2008 and SR26.8bn in 2009.

Source: AMEinfo

INDONESIA, PAKISTAN SIGN PREFERENTIAL TRADE AGREEMENT

Indonesia’s Trade Minister and Ambassador of Pakistan in Jakarta signed the Preferential Trade Agreement (PTA) between both countries. Minister Wirjawan said that going beyond bilateral gains, stronger relations between Indonesia and Pakistan will allow both countries to benefit from overall market optimism of the Asian region. Ambassador Sanaullah stated that "both sides have agreed to provide market access by granting tariff concessions and removing non-
tariff barriers and also help both countries to match the economic and trade relations to their true potential."

Under the PTA, Indonesia has agreed to offer market access to Pakistan on 216 tariff lines on preferential rate. Indonesia offers a list includes the products of export interest of Pakistan such as fresh fruits, cotton yarn, cotton fabrics, ready-made garments, fans (ceiling, table, pedestal) sports goods (badminton and lawn tennis rackets), leather goods and other industrial products. Pakistan’s offer list to Indonesia under the agreement includes a total of 287 tariff lines for market access at preferential tariff. This includes edible palm oil products (crude oil, palm stearin, RBD palm oil, palm olein, crude oil of palm kernel), sugar confectionery, cocoa product, HS 33, HS 34, consumer goods (toothpaste, soap, deodorant), chemicals (polycetals polycarbonates, sorbitol), tableware, kitchenware, rubber products, wood products, glassware products, and electronic products.

The Agreement shall enter into effect 30 days after the date on which the parties exchange written notifications for completion of their respective legal procedures. According to Indonesian statistics, trade between Indonesia and Pakistan in 2010 amounted to 787.4 million U.S. dollars, with a declining trend of 2.33 percent for the past five years. However, the trade performance showed a strong recovery in the period of January-November of 2011, booked the amount of 1.018 billion dollars and representing a 50.18 percent year-on-year growth.

Source: NNN-Xinhua

**Mali Scales Up Its Renewable Energy Sector**

Mali’s USD 40 million investment plan to scale up renewable energy was approved in principle by the Climate Investment Fund (CIF) governing bodies during their annual meetings from 31 October to 4 November 2011 in Washington, D.C. As an implementing agent of the CIF, the African Development Bank (AfDB) has worked closely with Mali to develop the plan under the CIF’s Scaling up Renewable Energy Program in Low Income Countries (SREP).

The plan proposes three projects to expand Mali’s solar PV, mini-hydro, and bio-fuel technologies, with important provisions for capacity building and project management critical to the success of this program and the long-term transformation of Mali’s renewable energy sector.

Targeted technical assistance in the bidding process, resource assessment, stakeholder consultations, legal and corporate arrangements, and other related activities will help government authorities build the necessary foundations from which to engage private investors. The Strategic Coordination Unit, named to oversee the investment plan’s implementation, will ultimately improve M&E systems, expand communications and deepen lessons-sharing and knowledge management.

Source: African Development Bank (AfDB)
Qatar Group Eyes Stake in Turkish Airport Operator

Qatar Investment Authority (QIA), the country’s sovereign wealth fund, has partnered with US private equity firm Carlyle Group to bid for a near 40% stake in Turkish airport operator TAV Havalimanlari Holding. TAV shareholders, construction firm Tepe Insaat and Akfen Holding are selling 18% stakes each. Minority shareholders holding 3.5% of the shares will also sell their stakes in a deal which values the firm at around $2bn. TAV is the leading airport operator in Turkey according to 2010 passenger statistics and the largest duty-free operator. The company runs 10 airports, including Turkey’s biggest airport Istanbul Atatürk, and its operations also include ground handling unit Havas, a duty free unit, and catering business BTA.

Source: AMEinfo

Kuwait Donates $300 Thousand to UN Relief Fund

Kuwait has donated $300,000 to the United Nations Central Emergency Response Fund to deal with emergencies in the year 2012. The State of Kuwait, considering the significant role of the UN, its agencies and funds in the sector of humanitarian and relief aid, has decided to increase its annual donations to a number of these agencies.

The declaration was made in a statement addressed by the Kuwaiti delegation at the annual UN convention on the UN donations for nations at times of emergencies. It has increased the financial allotments for the UN CERF from $50,000 to $300,000 per year, the statement said, noting that the Gulf state opted to grant more aid to needy nations through the international fund despite repercussions of the global financial-economic crisis.

Elaborating, the Kuwaiti statement noted necessity of aiding nations at times of catastrophes for saving lives and minimizing damage. UN Secretary General Ban Ki-moon, addressing the session, said the fund had donated up to USD two billion worth of aid.

The fund was founded five years ago with the aim of enabling relief teams to act immediately in case disasters happen throughout the world. At the end of the session, donors, totally, pledged $375 million for the fund.

Source: Kuwait Times
50,000 Saudi Graduates From Top Universities By 2020

The Saudi higher education ministry has unveiled a plan to ensure that 50,000 Saudis graduate from the world’s top 500 universities by the year 2020, Saudi Gazette has reported. The plan is the 10th stage of the King’s Overseas Scholarship Programme to ensure that students are trained in skills needed by the kingdom’s economy, said Dr Abdullah Bin Abdul Aziz Al-Mousa, undersecretary at the higher education ministry for scholarships. Currently, there are 130,397 students studying abroad. Of these, 87,844 students were sent on scholarships by the ministry, 11,854 are studying English, 14,103 are civil servants sent on scholarships and 16,596 students are studying at their own expense.

Source: AMEinfo

Gulf States to Spend $100bn on Water Production by 2016

Global management consultancy firm Booz & Co has said GCC countries are set to spend $100bn by 2016 to increase water production for a regional population that is growing by more than 2% a year. According to the report of the firm, Saudi Arabia and the UAE consume 91% and 83%, respectively, more water than the global average and about six times more water than the UK. Desalination plants provide more than two-thirds of potable water in UAE, Kuwait, Qatar and Bahrain, but costs remain higher than tapping other traditional water sources.

Source: AMEinfo

Tajikistan: Energy Shortage Accelerates Deforestation

In the mountains of Tajikistan, summer is the season for collecting wood. In winter, when many settlements throughout the country receive less than four hours of electricity per day from the state’s power grid, a wood stove becomes the main source of heating for many families. Every year, the deforestation spreads farther as the need for wood outpaces the number of newly planted trees.

The increasing price of fuel has made many Tajiks reliant on wood. According to a report by the United Nations Development Program, Household energy supplies and integrated rural development in Tajikistan , a 2010 study by the German government’s development agency
(GIZ) found that, due in large part to use of wood for fuel, Tajikistan’s mountainous regions have lost up to 70 percent of their forest cover since the late 1990s. The naked landscapes created by deforestation are prone to natural disasters, in particular mudslides. Almost 70 percent of Tajiks living in rural areas use wood as their primary source of fuel, according to estimates prepared by the GIZ.

The government is addressing the problem. The country now has a relatively modern forest law, revised recently, that is based on sustainable forest management. The next step would be to develop a forestry policy, which would establish mechanisms to implement the new legislation. Due to the lack of government funding, there is a need for donor support and the development of a forestry management system that generates income. GIZ is urging the government to privatize forests in the Pamirs, where farmers would be given 70 percent of the revenues from the forests in return for managing them in sustainable way. But like many donor-driven initiatives in Tajikistan, progress and effectiveness requires commitment of the government to the reforms.

Source: Eurasianet.org

MALAYSIA RECORDS 24.7 MLN TOURIST ARRIVALS IN 2011

Malaysia recorded 24,714,324 tourist arrivals last year, with tourism receipts climbing to RM58.3 billion, a remarkable notch over the previous year. In 2010, 24,577,196 arrivals were recorded with RM56.5 billion in tourism receipts. Tourism Minister Dr Ng Yen Yen has attributed the showing to be in line with the Malaysia Tourism Plan 2020 target of achieving 36 million tourist arrivals and RM168 billion in tourism receipts by 2020. She said double-digit growth in arrivals were recorded mainly from medium and long-haul countries like Kazakhstan, New Zealand, Russia, Iran, South Africa, France, Myanmar, Taiwan, China and Brunei.

Dr Ng said that the 25 million tourist arrival target set for 2011 could not be achieved due to a decline in tourist arrivals from countries like Indonesia, Thailand, Japan and the Philippines. "Indonesia showed a decline of 14.8 per cent due to the abolition of its fiscal fee which allowed Indonesian travellers to go abroad without making a stop-over in Malaysia. "The number of tourists from Japan was down by seven per cent due to the tsunami, Thailand due to the floods and Middle East countries due to the Arab Spring, which all happened last year," noted Dr Ng.

Source: NNN-Bernama,
Turkish Airlines Fastest Growing Airlines in Europe.

Turkish Airlines (THY) is among Europe’s best three airlines, and the fastest growing airlines in the continent, Anadolu News Agency quoted its Director General Temel Kotil as saying. THY has a young fleet of 178 airplanes, said Kotil, adding that the national carrier want to be among the world’s top ten airlines. "By end of this year, we plan to carry 38 million passengers annually. In 2012, we plan to add at least 18 new destinations to our global flights," he said. "We have made orders for 55 new airplanes in the next three years as the THY plans to fly to all corners of the world. We do wish to be the most important player in Africa. We already have 18 destinations in Africa and plan to add an additional 8 destinations in 2012," he added. THY is the national flag carrier airline of Turkey, headquartered in Istanbul. It operates scheduled services to 150 international and 41 domestic cities (38 domestic airports), serving a total of 187 airports, in Europe, Asia, Africa, and the Americas.

Source: NNN-Bernama

AfDB Promotes Improved Access to Water, Sanitation and Health Services in Uganda

The African Development Bank (AfDB) and the Government of Uganda signed two separate agreements on 12 January 2012 to finance projects to improve health services delivery and access to water and sanitation in both urban and rural areas of Uganda, with a total investment of USD 155.8 million. This double deal is expected to boost the country’s efforts to meet the 2015 Millennium Development Goals for health, water and sanitation.

Both projects are in line with Uganda’s National Development Plan as well as the Bank’s 2011-2015 priorities for promoting economic growth and reducing poverty in Uganda.

Up to 2.4 million people in rural areas and small towns across Uganda should have improved access to water supply and sanitation by 2016 following African Development Bank approval of USD 67 million to finance the implementation of Uganda’s Water and Sanitation Program.

Furthermore, access to quality and affordable health care services for the Kampala and metropolitan area will be improved following the simultaneous signing of a project for the improvement of service delivery. Immediate project beneficiaries are estimated at 3 million people, the majority being women and children under 15 years of age. The project will be co-financed by the African Development Fund (USD 72.9 million) and the Nigeria Trust Fund (USD 15.9 million).

Source: African Development Bank (AfDB)
MALAYSIA-ARAB BUSINESS FORUM TO ENHANCE ECONOMIC TIES

The upcoming Malaysia Global Business Forum-Strategic Partners-Malaysia & The Arab World, scheduled to be held on 22 February 2012 in Kuala Lumpur at Menara Matrade, is set to discuss possible ways to bring economic ties between the two nations to new heights. The conference will look at the various business opportunities that the Arab world has for Malaysians and how structural changes in some of the Arab governments will affect the business climate. In a joint statement, the Malaysia Global Business Forum and Arab Malaysian Chamber of Commerce said the Secretary General, Council of Arab Economic Equity, The Arab League, Mohammed Al-Rabee will be a keynote speaker at the forum. Deputy Minister of International Trade and Industry Mukhriz Mahathir is also slated to speak at the one-day conference. The Chairman of Malaysia Global Business Forum, Nordin Abdullah, said that the attendance of the Secretary General of the Council of Arab Economic Unity at the event was indicative of "how serious the Arab World is about working with Malaysia and Malaysian companies for development." "Mukhriz will be speaking to companies from the 16 member countries (of the Arab League) that are attending. The role that the Ministry of International Trade and Industry and its related agencies play are vital to the success of this event," Nordin said. Malaysia is a great example for the developing world especially in the key areas of healthcare, tourism, construction and food security, energy and finance, he said. "Malaysia is the leading country in the world for raising capital and this makes Kuala Lumpur an obvious choice for Arab companies to set up regional headquarters," he added.

Source: NNN-Bernama

SAUDI ORGANIC FARM PRODUCTS A HIT AT JANADRIYA FESTIVAL

The pavilion of organic agricultural products at the Janadriya Festival displays organic food produced on the Kingdom’s farms. The Kingdom ranks fourth regionally and 54th globally in terms of the area of land used in organic agriculture. The first national campaign to educate society about organic agriculture and its healthy products was launched recently under the patronage of the Saudi Organic Farming Association (SOFA).

Dr. Saad Abdullah Al-Khalil, general supervisor of the project for developing organic farming and SOFA acting secretary-general, said the volume of sales of organic products in the Kingdom is more than SR1 billion. Dr. Al-Khalil expects sales to increase 10 percent annually in the Kingdom due to the increasing public awareness about the advantages and benefits of organic farming. Consumers can tell whether a product is organic or not by the “Saudi Organic” sticker which will be placed on each plant or animal product, he said.

SOFA has been authorized by the Ministry of Agriculture to give this sticker to farmers whose
organic products have met all SOFA standards and regulations, Dr. Al-Khalil said. SOFA and relevant government agencies will inspect markets to ensure that organic products are free of fertilizers and chemical products and that organic meat products are free from hormones and medicines Dr. Khaled Bin Nasser Al-Rudaiman, faculty member at the School of Agriculture and Veterinarian Medicine at Al-Qassim University, said that according to the Institute of Organic Farming Research in Switzerland, 12 Arab countries are practicing organic farming. Tunisia ranks first in organic farming among Arab states followed by Sudan, Egypt and the Kingdom, Dr. Al-Rudaiman explained.

Source: Saudi Gazette.

**President of Benin Becomes the New Chair of African Union**

The Assembly of heads of state and government of the African Union (AU) in January 2012 elected the President of Benin, Boni Yayi, as the new chairperson of the AU. He succeeds the President of Equatorial Guinea, Teodoro Obiang Nguema, who held the post throughout 2011.

The chair rotates from region to region, and in 2012 it is the turn of West Africa to provide the chairperson. Giving his acceptance speech, Yayi declared that Africa would be the continent of the hope and peace if all countries in Africa work in solidarity. He also stressed the need for greater economic integration and intra-African trade.

Source: AllAfrica.com

**Oil Forum in Uganda**

Uganda Revenue Authority (URA) conducted an open mind forum about Uganda’s immense oil wealth in February 2012. In the event, the matters were discussed by scholars and experts around the theme: “Black Gold in Uganda-Matching Expectations with Opportunities”.

According to statistics, the Lake Albertine basin in Western Uganda is believed to contain up to 2.5 billion barrels of oil. The barrels are anticipated to put Uganda among the top 50 producers of oil in the world and top 10 in Africa. Only 30% of the 22,000 sq km Lake Albert basin, where petroleum prospecting is taking place has been explored. The basin is subdivided into 11 exploration areas out of which five are licensed.

There have been fears that if the oil resource is not managed well, Ugandans may not benefit. Such a forum aims to generate knowledge about the valuable resources and raise awareness about the future opportunities.

Source: AllAfrica.com
FOREIGN TOURISTS SPEND 723 MILLION EUROS IN TURKEY

In Turkey, foreign tourists spent a total of 723 million Euros in the period from September to December 2011, according to the Visa Europe Mediterranean Countries Tourism Report. British tourists spent the most in Turkey with 103.8 million Euros, followed by Russians (69.2 million Euros), Americans (64.6 million euros), Germans (56.8 million Euros) and French (53 million Euros). The group that had the largest increase in spending in Turkey was Saudi Arabian tourists, with a 49.7 percent increase from the same four month period in 2010. Tourists from Saudi Arabia spent a total of 15.3 million Euros. Other tourist groups which witnessed large increases in spending were the Swedes at 31.1 percent, the Germans at 28.7 percent and the Russians at 25.4 percent.

FOREIGN TOURISTS SPENT MOST ON THE ENTERTAINMENT SECTOR

Foreign tourists spent most on the entertainment sector, which witnessed a 41 percent increase from the same period in 2010. Spending on airline tickets was also up by 32.8 percent, while spending on hotels increased by 20.3 percent.

Source: Hürriyet Daily News.

BENIN AND TOGO JOINING FORCES TO FIGHT PIRACY IN THE GULF OF GUINEA

West African states are pledging to work together to fight the piracy spreading across the Gulf of Guinea, where it is damaging local economies and starting to impact on the region’s trade. Some 53 piracy attacks have been reported in 2011, up from 47 in 2010. Four of the reported attacks occurred off Togo and 22 off Benin, which share 177km of coastline.

The International Maritime Organization (IMO) says the real figures are likely to be higher as attacks often go unreported when the value of goods and money stolen is below insurance minimums and the ships do not wish to be delayed by lengthy investigations.

IMO is working with 15 coastal states - all members of Maritime Organization of West and Central Africa (MOWCA) - to introduce a coast guard network, and is trying to draw on lessons learned elsewhere. To help plan a coordinated regional response, Economic Community of West African States (ECOWAS) sub-committee of chiefs of defence staff gathered together in Benin’s economic capital, Cotonou, at the end of November 2011.

A further ECOWAS summit met in February 2012 to mobilize political support to combat piracy. An assessment, co-led by UN Office on Drugs and Crime (UNODC) and the UN Department of Political Affairs (DPA), is also underway in West Africa to examine the scope of the threat and make recommendations for UN support to regional efforts to halt piracy.

Source: IRIN News

Country News
April 2012
**Book Reviews – Recent Titles**

**Innovation Communities: Teamworking of Key Persons as a Success Factor in Radical Innovation**


Self-organising networks have become the dominant innovators of complex technologies and radical innovation. The growing need for co-operation to ensure innovation success calls for a broader understanding of what makes innovation projects successful and requires new concepts. The book introduces the new concept of “innovation communities”, defining them as informal networks of like-minded individuals who act as innovation promoters or champions. These key figures come from various companies and organisations and will team up in a project-related fashion, jointly promoting a certain innovation, product or idea either on one or across different levels of an innovation system. The publication presents findings from surveys that demonstrate that networks of champions are a success factor in radical innovation. Five case studies of noteworthy innovation projects illustrate why the collaboration of champions can make innovation projects more successful. Furthermore, the book presents hands-on methods and includes best-practice cases and guidelines on how to develop innovation communities. This publication comprises empirical findings and practical experiences that are valuable for the following groups in particular: Entrepreneurs; Innovation, R&D, and network managers; Innovation and strategy consultants; Innovation and start-up intermediaries; Innovation researchers; Government officials and politicians responsible for R&D and innovation programmes and funding.

**Making Health Policy: A Critical Introduction**

Andy Alaszewski, Patrick Brown, 208 pages, Polity, 2012

This new textbook opens up the policy-making process for students, uncovering how government decisions around health are really made. Starting from more traditional insights into how ministers and civil servants develop policy with limited knowledge and money, the book goes on to challenge the conception of policy as a rational process, revealing it to be something quite different. The book draws on historical and contemporary examples to highlight that though challenges to policy-makers may seem in some ways novel, in many senses key processes endure and indeed are rooted in historical contexts. The book’s theory-driven approach is applicable across national contexts especially for countries where uncertainty, risk and resource pressures create significant dilemmas for policy-makers. The book’s multi-perspective, thematic approach will be especially relevant to students, as will the broad range of case study examples used.
Export Consortia in Developing Countries: Successful Management of Cooperation Among SMEs


This volume presents an analysis of export consortia from a strategic management perspective. It builds on the empirical study of nine export consortia promoted by UNIDO in developing countries between 2004 and 2007. Drawing heavily on the experience of actual export consortia, the book combines a rigorous research approach with a more pragmatic view of the phenomenon. Although aimed primarily at academics in the field of management, the material will be of interest to a variety of readers. A comprehensive literature review combines the topics of SME internationalization, strategic networks, and those issues, which relate specifically to SME alliances in the form of export consortia. For entrepreneurs and executives, a number of business models and management tools for the successful design and implementation of export consortia are included. Insights into the functioning of export consortia will also be of interest to policy-makers and institutions involved in the development of support programs for the growth of SMEs in developing countries.

New Structural Economics: A Framework for Rethinking Development and Policy


Economic development is a process of continuous technological innovation and structural transformation. Development thinking is inherently tied to the quest for sustainable growth strategies.

This book provides a neoclassical approach for studying the determinants of economic structure and its transformation and draws new insights for development policy. The market is the basic mechanism for effective resource allocation at each level of development. However, economic development as a dynamic process entails structural changes, including industrial upgrading and diversification and corresponding improvements in hard and soft infrastructure. Such upgrading and improvements require coordination and go hand in hand with large externalities to firms' transaction costs and returns to capital investment.

Thus, in addition to an effective market mechanism, the government should play an active role in facilitating structural changes. The book provides empirical evidence in support of this framework as well as concrete advice to development practitioners.
Can Emerging Technologies Make a Difference in Development?


In this innovative and entirely original text, which has been thoughtfully edited to ensure coherence and readability across disciplines, scientists and practitioners from around the world provide evidence of the opportunities for, and the challenges of, developing collaborative approaches to bringing advanced and emerging technology to poor communities in developing countries in a responsible and sustainable manner.

Society 3.0: How Technology Is Reshaping Education, Work and Society


Higher education in the U.S. has traditionally prepared students for work and social success, but with families, work, and society itself undergoing revolutionary change, is this preparation sufficient to develop the 21st-century workforce? This book explores how evolving family structures, new ways of balancing work and personal lives, and rapid technological advancements will transform the ways that U.S. colleges and universities develop well-educated, career-oriented citizens. Society 3.0 will help higher education providers and industry leaders understand these potentially disruptive variables and design appropriate programs and career paths for tomorrow’s workers. The book presents and explores the following insights: A wider range of family members, not just older children, now attend college, a decision that shapes—and is shaped by—21st-century demographics. Older students, recognizing degrees as vital for competing in the global workforce, now outnumber those entering college before starting careers. Today’s workers are increasingly likely to be women, working outside the office or self-employed, or applying their education to innovation and entrepreneurship as small business owners.

Technology is remaking the campus experience via smartphone learning apps, social networking among professors and students, and immersive engagement in virtual worlds—and even games. Society 3.0 will provide higher education and industry stakeholders a guide for understanding the emerging societal forces that are shaping the future.
Global Crises and the Crisis of Global Leadership


This ground-breaking collection on global leadership features innovative and critical perspectives by scholars from international relations, political economy, medicine, law and philosophy, from North and South. The book’s novel theorization of global leadership is situated historically within the classics of modern political theory and sociology, relating it to the crisis of global capitalism today. Contributors reflect on the multiple political, economic, social, ecological and ethical crises that constitute our current global predicament. The book suggests that there is an overarching condition of global organic crisis, which shapes the political and organizational responses of the dominant global leadership and of various subaltern forces. Contributors argue that to meaningfully address the challenges of the global crisis will require far more effective, inclusive and legitimate forms of global leadership and global governance than have characterized the neoliberal era.

The State of the World's Land and Water Resources for Food and Agriculture: Managing Systems at Risk

Food and Agriculture Organization of the United Nations, 320 pages, Routledge, 2012

The State of Land and Water Resources (SOLAW) is FAO’s first flagship publication on the global status of land and water resources. It is an ‘advocacy’ report, to be published every three to five years, and targeted at senior level decision makers in agriculture as well as in other sectors. SOLAW is aimed at sensitizing its target audience on the status of land resources at global and regional levels and FAO’s viewpoint on appropriate recommendations for policy formulation. SOLAW focuses on these key dimensions of analysis: (i) quantity, quality of land and water resources, (ii) the rate of use and sustainable management of these resources in the context of relevant socio-economic driving factors and concerns, including food security and poverty, and climate change. This is the first time that a global, baseline status report on land and water resources has been made. It is based on several global spatial databases (e.g. land suitability for agriculture, land use and management, land and water degradation and depletion) for which FAO is the world-recognized data source. Topical and emerging issues on land and water are dealt with in an integrated rather than sectoral manner. The implications of the status and trends are used to advocate remedial interventions which are tailored to major farming systems within different geographic regions.
New Perspectives on Asset Price Bubbles


This volume critically re-examines the profession’s understanding of asset bubbles in light of the global financial crisis of 2007-09. It is well known that bubbles have occurred in the past, with the October 1929 crash as the most demonstrative example. However, the remarkably well-behaved performance of the US economy from 1945 to 2006, and, in particular during the Great Moderation period of 1984 to 2006, assured the economics profession and monetary policymakers that asset bubbles could be effectively managed with little or no real economic impact. The recent financial crisis has now triggered a debate about the emergence of a sequence of repeated bubbles in the NASDAQ market, housing market, credit market, and commodity markets. The realities of the crisis have intensified theoretical modelling, empirical methodologies, and debate on policy issues surrounding asset price bubbles and their potentially adverse economic impact if poorly managed. Taking a novel approach, the editors of this book present five classic papers that represent accepted thinking about asset bubbles prior to the financial crisis. They also include original papers challenging orthodox thinking and presenting new insights. A summary essay highlights the lessons learned and experiences gained since the crisis.

The Right to Development as Normative Framework for the Human Rights Obligations of International Financial Institutions


The right to development emerged in the 1970s as part of the struggle of developing countries for a new international economic order. This move culminated in the formal recognition of the existence of a human right to development through the UN Declaration on the Right to Development in 1986. Since then, efforts to implement the right to development could not achieve the desired result due to the high politicization of the subject. Academic literature on the right to development has also focused on the conceptual underpinnings of the subject rather than on giving operational substance to the principles of the RTD. This book analyses the human rights obligations of International Financial Institutions through a right to development paradigm. In doing so, it argues that both Customary International Law and the various human rights treaties impose a legal duty on International Financial Institutions to respect the human right to development.
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**Average consumer prices**

1. IMF WEO September 2011
2. GDP growth rate reflects the data of year 2010 (Palestinian Central Bureau of Statistics)

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**ECONOMIC and FINANCIAL INDICATORS**

**April 2012**
### Economic and Financial Indicators

---|---|---|---|---|---
Afghanistan | 46.45 | 2,297 | n.a. | -152 | -0.85
Albania | 103.94 | 4,736 | 2,541 | -1,450 | -10.91
Algeria | 74.39 | 5,276 | 170,461 | 25,156 | 13.72
Azerbaijan | 0.79 | 6,974 | 6,409 | 15,525 | 22.66
Bahrain | 0.38 | n.a. | 2,006 | 3,321 | 12.57
Bangladesh | 74.15 | 24,963 | 11,175 | 114 | 0.10
Benin | 471.87 | 1,221 | 1,200 | -989 | -7.59
Brunei | 1.26 | n.a. | 1,563 | 7,560 | 48.47
Burkina Faso | 471.87 | 2,053 | 1,068 | -158 | -7.59
Cameroon | 471.87 | 1,733 | 632 | -1,824 | -18.92
Comoros | 353.90 | 485 | 146 | -80 | -13.73
Côte d’Ivoire | 471.87 | 11,430 | 3,624 | 245 | 1.03
Djibouti | 177.22 | 751 | 249 | -137 | -10.81
Egypt | 5.62 | 34,844 | 37,029 | -4,407 | -1.90
Gabon | 471.87 | 2,331 | 1,736 | 2,476 | 14.85
Gambia | 28.01 | 470 | 249 | -137 | -10.81
Guinea | 572,607 | 3,923 | 97 | -916 | -19.76
Guinea-Bissau | 1.26 | n.a. | 1,563 | 7,560 | 48.47
Guyana | 203.64 | 1,354 | 782 | -321 | -12.94
Indonesia | 877,042 | 170,064 | 98,211 | 1,540 | 0.19
Iran | 106,144 | n.a. | n.a. | n.a. | n.a.
Iraq | 117,000 | n.a. | n.a. | n.a. | n.a.
Jordan | 178.70 | 751 | 249 | -137 | -10.81
Kazakhstan | 146,62 | 118,723 | 28,265 | 10,656 | 5.92
Kuwait | 3.64 | n.a. | 31,182 | 56,462 | 32.60
Kyrgyzstan | 3.64 | n.a. | 31,182 | 56,462 | 32.60
Lebanon | 150,50 | 24,293 | 44,476 | -8,087 | -14.68
Libya | 1.27 | n.a. | 106,144 | n.a. | n.a.
Malaysia | 86.34 | 56,773 | 17,256 | 437 | 0.21
Palestine | 24.29 | 778 | 321 | -243 | -3.59
Qatar | 3.64 | n.a. | 31,182 | 56,462 | 32.60
Saudi Arabia | 3.64 | n.a. | 31,182 | 56,462 | 32.60
Senegal | 117.00 | n.a. | 50,642 | -938 | -0.86
Somalia | 2.67 | n.a. | 1,563 | 7,560 | 48.47
Sudan | 2.67 | n.a. | 1,563 | 7,560 | 48.47
Syria | 117.00 | n.a. | 50,642 | -938 | -0.86
Tajikistan | 471.87 | 1,221 | 1,200 | -989 | -7.59
Togo | 471.87 | 1,733 | 632 | -1,824 | -18.92
UAE | 3.64 | n.a. | 31,182 | 56,462 | 32.60
Uzbekistan | 3.64 | n.a. | 31,182 | 56,462 | 32.60
Yemen | 213.80 | 6,324 | 5,939 | -1,932 | -5.27

1. NCU per USD reflects the data of 2010.
2. Total reserves excluding gold reflects the data of previous years.
3. Current Account Balance reflects the data of year 2010 (Palestinian Central Bureau of Statistics)

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**Country** | **Total External Debt Stock (TEBS)** | **Share of OIC in World (rhs)** | **TEBS of OIC as a share of GDP (rhs)**
---|---|---|---
Kuwait | 0.28 | | |
Oman | 0.38 | | |
Bahrain | 0.38 | | |
Jordan | 0.71 | | |
Azerbaijan | 0.79 | | |
Brunei | 1.26 | | |
Tunisia | 1.41 | | |
Turkey | 1.67 | | |
Saudi Arabia | 2.67 | | |
Malaysia | 3.06 | | |
Communication around the OIC

Previously involved the usage of visual signs, telecommunication today includes the use of various technologies for the transmission of information over significant distances to communicate. This graphOIC, an infographics with a focus on an OIC related issue, displays ten OIC Member Countries with the highest Internet users and total telephone subscribers (fixed-line plus mobile) per 100 people.

Internet Users (🌐) per 100 People