

# Review

## Economic Cooperation and Development

VOL.1 NO.1 SEPTEMBER 2008

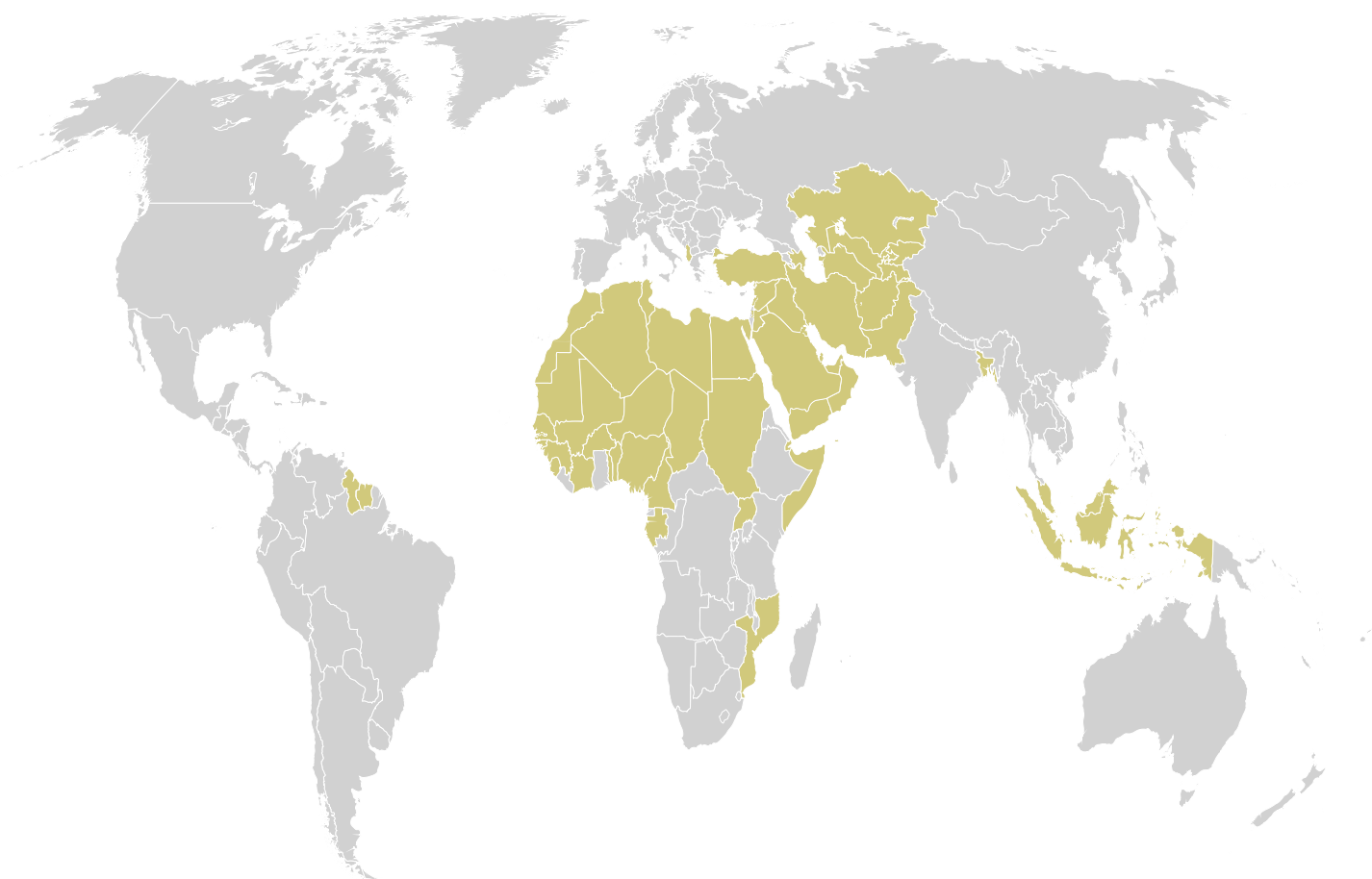


Organisation of the Islamic Conference

Statistical Economic and Social Research  
and Training Centre for Islamic Countries  
(SESRIC)

# Economic Cooperation and Development Review

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The Organization of the Islamic Conference (OIC), headquartered in Jeddah, Saudi Arabia, brings together 57 member countries inhabited by almost 1.5 billion people and spread over four continents in Asia, Africa, Europe and South America. As the second largest international organization after the United Nations, the OIC, since its establishment in 1969, has been following up a varied and ever-expanding agenda covering, besides political affairs, cultural, social, economic, technical and scientific issues of concerns to its member countries. With a distinct emphasis on the promotion of joint action and enhancement of cooperation amongst its member countries, the OIC aims at securing sustainable development and high welfare levels in the member countries through efficient utilization of their collective natural and human resources.

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 main economic research arm, statistics centre and training organ of the OIC. It has been engaged in statistical data collection, collation and dissemination on and for the member countries, undertaking the preparation of research papers, reports and studies on economic cooperation and development issues contained on the agenda of various OIC ministerial and other forums. SESRIC also gives great importance to the enhancement of human resources and in this context organizes training programs on subjects of immediate interest to the member countries in collaboration with the international organizations.

On the occasion of its Thirtieth Anniversary in the summer of 2008, the Centre decided to put out a new publication entitled *Economic Cooperation and Development Review*.



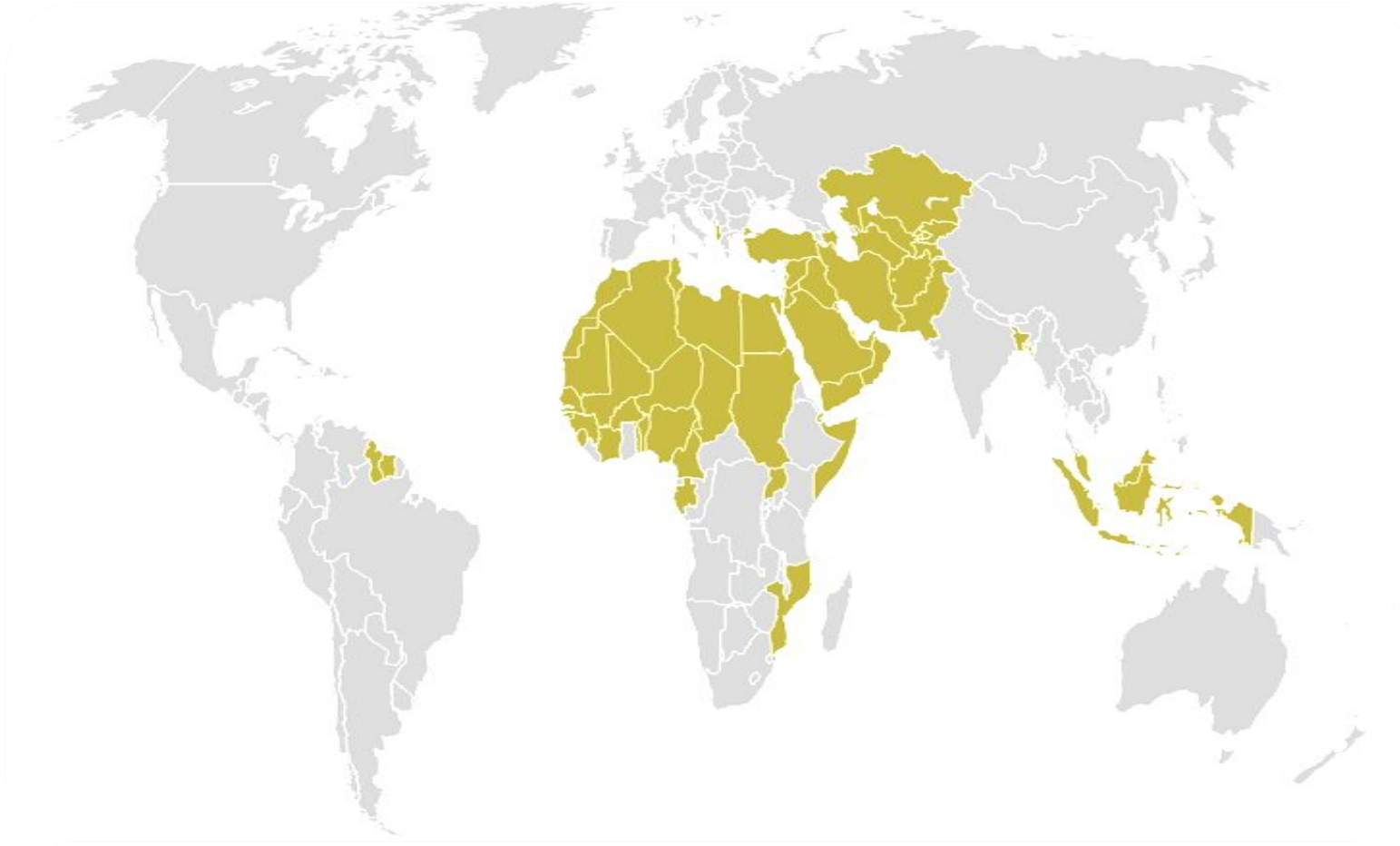
*Dr. Savas Alpay*  
*Director General, SESRIC*

This new periodical will feature interviews with eminent personalities, short articles on selected issues of economic growth, development and cooperation which are of immediate interest to the member countries, summaries of selected papers and reports prepared by the Centre itself, brief papers and news on current economic developments in

individual member countries, interviews with eminent personalities in the Islamic world and elsewhere, and a section on titles and reviews of recently published books.

*Economic Cooperation and Development Review* targets primarily economic policy-makers, government officials, academicians, researchers and other interested readers in the OIC and other developing countries. Consequently, *the Review* welcomes contributions from academicians, researchers and professionals in universities, government offices, research institutions and regional and international organisations on different issues of economic development and cooperation that are of primary interest and benefit to the member countries.

*The Review* will be circulated widely within the OIC community and elsewhere, particularly at the highest levels of the governments of the member countries, including the heads of states, ministries, economic policy-makers, senior officials, academicians, et al. In so doing, we are, at the SESRIC, confident that the *Economic Cooperation and Development Review* will be an effective means for enhancing the Centre's efforts to provide the necessary and up-to-date information and knowledge that would make the member countries better informed of each other's capacities and needs as well as challenges and potentials towards higher economic integration.



**Economic Cooperation &  
Development Review**

**September 2008**

**Volume I No.1**

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**ISBN: 978-975-6427-18-7**

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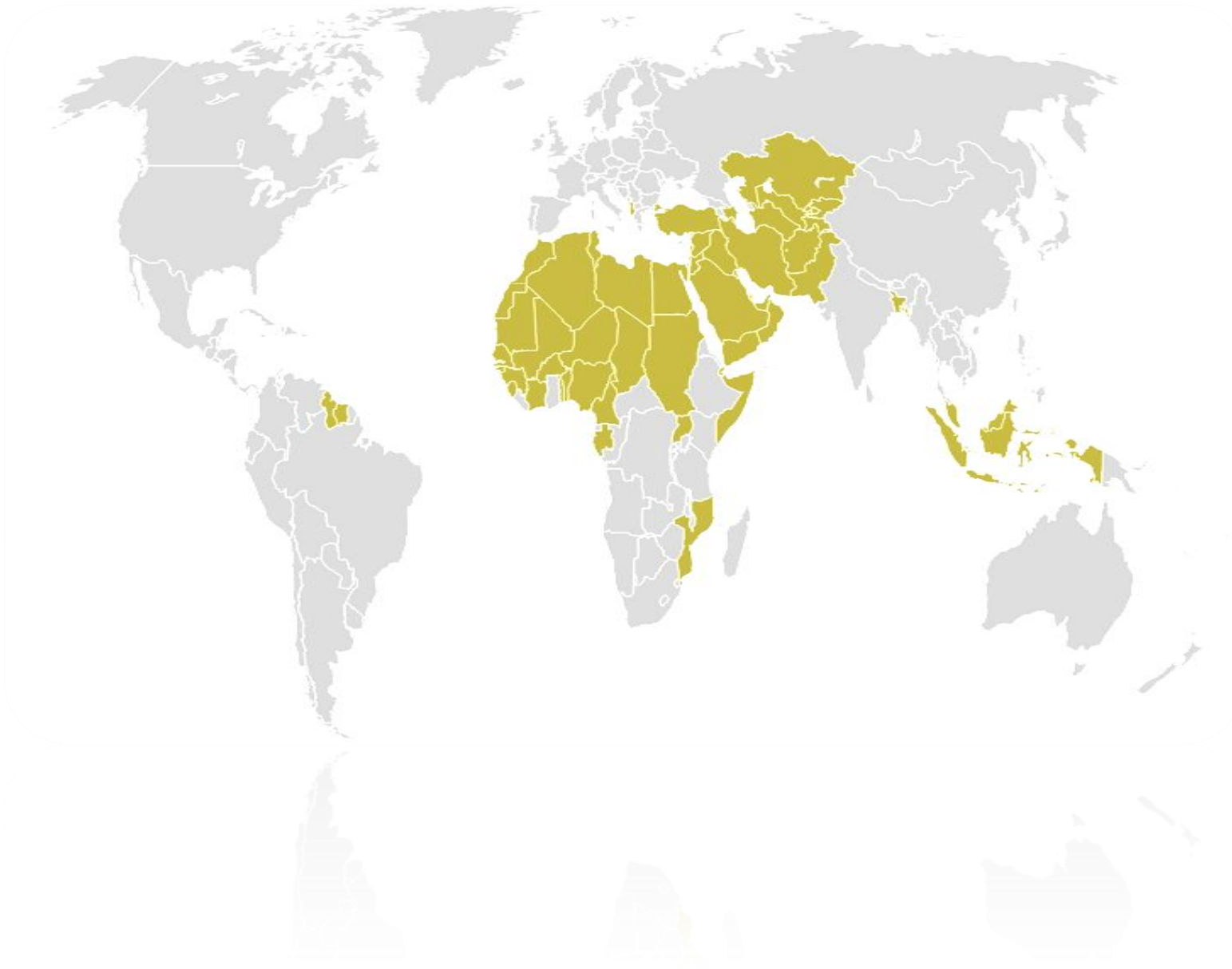
The Structure of the Economy in the OIC Member Countries

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Training Centre for Islamic Countries (SESRIC)  
Attar Sokak, No. 4, G.O.P., 06700 Ankara, Turkey  
Telephone +90 312 468 61 72  
Internet [www.sesric.org](http://www.sesric.org)  
E-mail [pubs@sesric.org](mailto:pubs@sesric.org)





Professor **Ekmeleddin Ihsanoğlu** of Turkey has been the first Secretary General of the Organization of the Islamic Conference (OIC) elected by vote and took office on 1 January 2005 as the Ninth Secretary General. He was the founding Director General of the Research Centre for Islamic History, Culture and Arts (IRCICA) in Istanbul, from 1980 to 2005, where he endeavoured to promote a better knowledge and understanding of Islam, its cultures and civilization in the West and throughout the world.

Prof. Dr. Ihsanoğlu was born in Cairo, Egypt in 1943. He received his B.S. in 1966 and master's degree in chemistry in 1970 at Ain Shams University, Cairo. After completing his Ph.D. studies at Ankara University, Turkey in 1974, he did his post-doctoral research from 1975 to 1977 at the University of Exeter, the United Kingdom. He became the first professor and founding Head of the Department of History of Science of Istanbul University. He is also the founding Chairman of Turkish Society for History of Science (TBTK) and ISAR Foundation (Foundation for Research on Islamic History, Art and Culture). He is member of various international societies; scientific councils, advisory boards of numerous academies, centres and institutes, and editorial boards of many journals in several countries. He is fluent in Turkish, English and Arabic languages and has a working knowledge in French and Persian.

*SESRIC- You have not only emerged in 2004 as the first Secretary General in the 35-year history of the OIC elected through actual voting by the Member States of the Organization, but you have also brought to the Office of the Secretary General your a quarter-century experience as the Director General of IRCICA, a subsidiary organ of the OIC. How do you view these factors as shaping your vision and mission in fulfilling your undertakings as the Secretary General?*

**SG E.I.-** Being a part of the OIC for 25 years enabled me to have first hand ideas about the ups and downs, successes and shortages, and peculiarities of the Organization. Therefore, I started my duty in Jeddah on 1 January 2005 from a position of knowledge and strength. I did not need initial briefing or orientation to start with. When I started, I already had a clear cut idea as to what should be done. I believe that this really helped us in formulating our

strategies in a way which steered us towards accomplishing some of our land mark achievements like the preparation and adoption of the OIC Ten Year Program of Action and the new Charter of the Organization.

*SESRIC- It is known that the OIC Ten-Year Programme of Action adopted by the Extraordinary OIC Summit in December 2005 is an initiative that is highly important for you and for the member states. What are the most important challenges faced by the OIC under this Programme and the ensuing targets for its successful implementation?*

**SG E.I.-** Today we find ourselves, more than ever, in an urgent need for a clear vision to bring a shift in the way of doing things in order to inspire and guide Muslim World towards diligent work, knowledge and lofty morality for the benefit of humanity. We are proud that the OIC now

has, and for the first time, adopted an all-embracing and successful programme i.e. the Ten Year Program of Action to achieve its noble goals, namely the development of the Member States and the improvement of their peoples' standards of living. Quite evidently, any work is bound to meet with difficulties, and the challenges being faced by the OIC are practically the same as are faced by any other international organization. They include, to name but a few: political, social, economic, cultural, scientific, media related issues and developmental ones.

Economic challenges for instance include important issues like poverty alleviation and special assistance for the Least Developed Countries. The Member States of the OIC are certainly in need of achieving higher levels of development and prosperity, and the OIC's priorities are to focus on the consolidation of economic cooperation, to increase intra-OIC trade and to deal with issues related to globalization and economic liberalization. All these challenges call for sincere commitments on our part to address them effectively. The OIC is pursuing effective strategies and paying particular attention to the African States, which are acutely affected by poverty, diseases, illiteracy, famine and foreign debts.

The OIC Ten-Year Programme of Action has also specified actions in the domains of, inter alia, Higher Education, Science and Technology, Health, and Environment. Implementation of these actions would require not only coordination and close cooperation between the OIC General Secretariat and the Member States but also with the relevant OIC institutions, and other international and regional

organizations. The OIC General Secretariat has been in close contact with the institutions concerned on a regular basis.

We have set up a working group and a steering committee at the General Secretariat to ensure an effective and expeditious implementation of the Ten-Year Programme of Action (TYPOA), and I have called upon all the Member States and the OIC institutions to take all the required steps and provide the necessary support for the implementation of the TYPOA so as to better prepare the Islamic Ummah to face the challenges of the 21st century.

*SESRIC- One major set of initiatives you have taken when you assumed your post in Jeddah in January 2005 relates to the functioning of the Organization, in particular affecting changes in the OIC Charter that were eventually adopted by the Islamic Summit in Dakar in March 2008. How, in your view, would these changes be reflected in the future operations of the General Secretariat and in the overall functioning of the Organization?*

**SG E.I.** With the unequivocal and overwhelming support of the OIC leaders, the new Charter for the OIC was adopted. It actually reflects the new vision of the OIC and put the organization on the right path to claim a very formidable and respectable position in the international community. From the issues of Middle East Peace, Iraq, Somalia, Darfur to Afghanistan and the Philippines, from poverty alleviation to sustainable development, from Islamophobia to interfaith dialogue, alliance of civilizations and relations between the Islamic and Western Worlds, from globalization to climate change, the OIC has a great potential to contribute positively to all these spheres. I believe that



in the new phase of the OIC, which is based on the new Charter, a restructured Secretariat, reformed and redefined relations between its institutions, new mandate and vision and reaffirmed political will from all its Member States, the OIC will be achieving more tangible and impressive results which will be felt by all.

*SESRIC- As you are kindly aware, economic cooperation schemes and integration activities have been of primary importance in the formation and development of the European Union. How do you view the possibility of realizing a similar economic, commercial and technical cooperation agenda for the OIC? In this connection, how could the implementation of the TPS-OIC and PRETAS agreements be developed further and new member countries be brought in to participate in these agreements?*

**SG E.I.** Since my coming to the office, I made it our pursued goal to promote economic and trade relations between and among the Member States. The main challenge that we are facing in this regard is that certain Member States which are more advanced economically, trade more and entertain greater economic relations with the countries outside the Muslim world. This reality has adverse effects on the efforts of relatively less developed Member States to notch up their economic progress and boost their share in the world economy.

However, I am always optimistic and it is my aspiration that we should attain the



same achievements as the European Union. And why not? We are endowed with great economic resources in terms of agriculture, energy, mineral resources, human resources, etc. Yet, our 57 Member States which account for 22% of the world population can generate only 6.1% of the world production, and 9.2% of the world exports. Nevertheless, I once again wish to express satisfaction with the growth achieved in the intra-OIC trade. As a matter of fact, it has

continued to grow since the Makkah Summit and reached to 16.3% in 2006 from 14.5% in 2004 and 15.5% in 2005. These figures certainly give testimony to the fact that our efforts have started to yield results.

Coming to the second part of the question, let me tell you that the General Secretariat is relentless in its efforts to bring in more Member States within the OIC Framework Agreement on the Trade Preferential System (TPS-OIC) and the Protocol on the Preferential Tariff Scheme (PRETAS). So far twelve Member States of the Trade Negotiation Committee, comprising 22 Member States parties to the TPS-OIC, signed the PRETAS.

The General Secretariat continues to urge the Member States to sign and ratify the Agreement and its protocol. Here, I would like to point out that PRETAS will enter into force once it is ratified by 10 Member States. The 23rd Session of the Standing Committee for Economic and Trade Cooperation (COMCEC) as well as the 35th Session of the Council of Foreign

Ministers, underlined that the Framework Agreement and its Protocol represent the groundwork for the achievement of the aspired goals set out in the TYPOA. I personally seize all opportunities to encourage the Member States to sign and ratify the Framework Agreement and the PRETAS; and we, at the OIC General Secretariat, shall spare no effort to ensure the entry into force of the PRETAS as soon as possible.

*SESRIC*- As you are kindly aware, poverty alleviation in the OIC Member States constitutes a major subject under the economic provisions of the Ten-Year Programme of Action, where the creation of a special fund is also foreseen to finance projects that will help combating poverty. What are your views on the subject, especially keeping in mind that 22 of the 57 members of the OIC are within the group of Least Developed Countries formally designated by the UN?

**SG E.I.-** Poverty is a harsh reality and to fight against it effectively one needs to acknowledge it first. It is a fact that the poverty situation in the OIC countries forms a real menace, with around 285 million people equivalent to some 26% of the Islamic world population living in real destitution. Their living conditions are known to all; and the poverty they are enduring has led to other problems such as illiteracy, malnutrition, diseases, crime, etc.

It is regrettable that 22, of which 18 are in Africa, of the total 49 least developed countries (LDCs) are among the members of the OIC. In this connection, I remember, in March 2005, very shortly after assuming the office, I undertook a tour to six least developed Member States in Africa. My aim was to obtain first hand information on the prevailing socio-economic conditions in these countries, and to discuss with the leaders what can be done to help them economically and socially.

The fact that almost half of all the LDCs are members of the Organization underlines the importance of the fight against poverty under the OIC umbrella and the significance of the need for increasing the efforts of the OIC to face the challenge of being the least-developed. The least developed countries are severely suffering conditions of extreme poverty; and exhibiting the lowest indicators of socio-economic development with the low-income levels, the inadequacy of their human resources and the very high economic vulnerability, that is, instability of food and agricultural production, instability of exports of goods and services, instability of foreign exchange earnings to finance the development projects and programs. At the core of all these, lies the phenomenon of poverty.

Therefore, we made poverty alleviation as one of the top priority areas within the TYPOA; and in our full awareness of the seriousness of the poverty situation in the OIC Member States, we have taken appropriate measures to alleviate



the economic difficulties faced by the least developed Member States. These measures comprise promoting concessional trade exchanges for such Member States; working for the inclusion of provisions envisaging special treatment of the least developed Member States within the framework of the preferential trade system being set up and the Free Trade Area to be established; extending economic and humanitarian assistance to the countries affected by drought and other natural disasters; developing capacity building projects in order to reduce poverty; encouraging donor Member States to cancel bilateral and multilateral debts to the least developed Member States; and most importantly, implementing the decision of Extraordinary Makkah Summit on effectively combating poverty.

In this regard, a poverty alleviation fund under the title “the Islamic Solidarity Fund for Development” has been established in May 2007 with a targeted start-up capital of US\$10 billion. The Fund's operations will be financed through the proceeds obtained from the investment of its principal resources. The objective of this fund is to alleviate poverty through combating illiteracy, eliminating epidemics, building capacities and creating job opportunities.

The resources already collected for the Fund will form a nucleus that will be enhanced with additional resources including joint financing from all other partners, from both the private and public sectors.

Out of 57 Member States, 32 have thus far announced preliminary contributions to the Fund, totaling around US\$ 2.6 billion. I feel duty bound to express here our thanks and appreciation to those states that have contributed to the Fund's resources. I would like to express my personal gratitude to the Kingdom of Saudi Arabia, the State of Kuwait, the Islamic Republic of Iran, the State of Qatar, the Republic of Algeria, and the other countries for their effective participation in the Fund to initiate action towards the achievement of the set goal of US\$10 billion by the year 2009 and thus help the Fund start implementing its programs.

*SESRIC- Being a scientist by formation and having worked on history of science and other related subjects for the duration of your academic life, what are your views on the current state of science and technology in the Islamic world and the potentials and possibilities of development and cooperation in these vital areas among the OIC Member States?*

**SG E.I.-** Let me start by answering the second part of your question first. As a man of science, the issue of science and technology is particularly dear to me and I can tell you that certainly the Islamic world

has all the potentials and possibilities of development in this sector. We should not forget that centuries ago, scholars from the Islamic world led much of the world in medicine, astronomy, mathematics and others. Today the picture is not that glorified. However, I firmly believe that there is a renewed interest in the Muslim world to develop science and technology and the OIC, with its visionary programs in the field would be able to usher a new era of innovation in the Islamic world.

The OIC TYPOA has detailed an ambitious plan to bring a desired level of development in the science and technology (S&T) sector of the Muslim World as it clearly lags behind in comparison to the West. We realize that in order to achieve our goal fast, there is no alternative to involve and invest more and more in research and development activities. Therefore, the OIC has set a target of achieving a spending of at least 1% of the GDP by the Member States in research and development (R&D) activities as compared to the present OIC average of some 0.4%.

Some other targets fixed by the OIC enumerated in "The OIC Vision 2020 (1441 H) for Science and Technology" includes achieving at least 14 % of the world's scientific output by the year 2020 through increased investments in S&T including R&D and producing a competent workforce of at least 1441 researchers, scientists and engineers per million by the year 2020 as compared to the present OIC average of 525 researchers and technicians per million people. We are sure that with the strong support of the Member States, private sector, philanthropists as well as NGOs, the OIC would be able to facilitate the Member States to become communities

which value knowledge and are competent in utilizing and advancing S&T to enhance the socio-economic well-being of the Ummah.

To my mind, the development of science and technology is intrinsically linked with the development of higher education system of the Muslim world. Therefore, we have initiated the project of ranking the Universities of the Muslim world and have set a target for 20 Universities from the OIC Member States to join the world's top 500 list. Here I would like to underline that brain drain or brain migration from the Muslim world to the West is a phenomenon which is adversely affecting our efforts to achieve expected development in S&T. To stop this phenomenon the OIC General Secretariat is working towards setting up the criteria and procedures for an OIC Award for Outstanding Scientific Achievements by Muslim scientists.

Environment is an issue that requires immediate attention as it relates to the survival of the humanity as a whole. This is also a matter which falls within the purview of the development of S&T; and the OIC Summit in Dakar has adopted required resolutions to enable us to work on the issue of climate change.

In short, the OIC General Secretariat along with the Member States, its Standing Committee, COMSTECH, and subsidiary and specialized organs like SESRIC, ISESCO, IDB is set to explore and utilize the full potential and possibilities for the development of S&T in the Muslim World.

*SESRIC- June 1<sup>st</sup>, 2008 is the 30<sup>th</sup> Anniversary of the foundation of the SESRIC. What are your views on the work and*

*contributions of this subsidiary organ of the OIC during the past three decades? How do you see the future role of the Centre in enhancing and expanding economic collaboration/cooperation among the OIC Member States?*

**SG E.I.-** Since its establishment as the first OIC subsidiary organ in economic field, SESRIC over the years has developed a reputation of systematic, serious work, publications and activities that address the needs of the OIC member countries. Now, I think, with the new premises to be hopefully completed in the near future, SESRIC will have a better and more conducive work environment, where, through its cadre of permanent staff of scholars and supporting staff, it will be able to expand its research, information, training and capacity-building activities at the service of the OIC Member States in line with their development efforts, aspirations and requirements.

Working on the premise that accurate data and statistics constitute the backbone of

well-informed decisions at the national, regional and international levels, collection, collation and dissemination of statistical data and information has been one area of its mandate where SESRIC made substantive efforts and recorded great progress towards the basic goal of becoming the definitive focal point of reliable statistics on and for the OIC Member States and the Muslim populations outside the OIC. In this connection, I am convinced that, with the help of its various databases, its website, its publications and its training programs, SESRIC will continue to serve our Member States in supporting efforts to contribute to the enhancement and expansion of cooperation among them as they strive to achieve rapid and sustainable growth and development within a highly competitive globalized environment.

I wish the Centre every success and continued progress.

*SESRIC-Thank you for your time, Your Excellency.*

## THE GROWTH REPORT STRATEGIES FOR SUSTAINED GROWTH AND INCLUSIVE DEVELOPMENT: OVERVIEW

Michael Spence, Nobel Laureate and Professor Emeritus Stanford University



The present document comprises the ‘Overview’ portion of the final report of the Commission on Growth and Development, published here with official permission. The Commission had the mandate to study how developing countries can achieve fast sustained and equitable growth, and worked under the Chairmanship of Prof. Michael Spence, Nobel Laureate and Professor Emeritus at Stanford University, and comprising Prof. Robert M. Solow, Nobel Laureate and Professor Emeritus Massachusetts Institute of Technology, Kemal Dervis, Administrator of the UNDP, together with 18 other well-known and experienced policy, government, and business leaders, mostly from the developing world. The report entitled *the Growth Report: Strategies for Sustained Growth and Inclusive Development*, was written over a two-year period from April 2006 to 2008 during which the Commission interacted, consulted with, and learned from leading academicians, business leaders, policy makers, and NGOs. The report reflects the learning over this period and is informed by the Commission members’ own experience.

Since 1950, 13 economies have grown at an average rate of 7 percent a year or more for 25 years or longer. At that pace of expansion, an economy almost doubles in size every decade. This report is about sustained, high growth of this kind: its causes, consequences, and internal dynamics.<sup>1</sup> One might call it a report on “economic miracles”, except that we believe the term is a misnomer. Unlike miracles, sustained, high growth can be explained and, we hope, repeated.

**Table 1: 13 Success Stories of Sustained, High Growth**

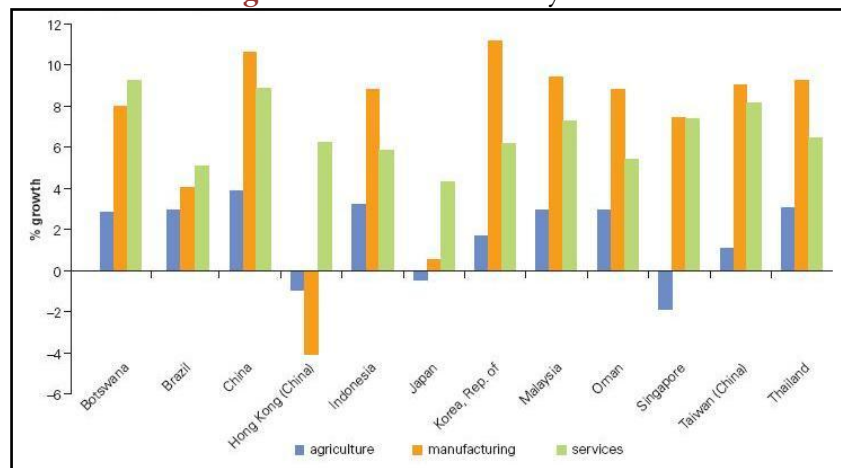
Country	Period of high growth**	Per capita income at the beginning and 2005	
Botswana*	1960-2005	210	3,800
Brazil	1950-1980	960	4,000
China	1961-2005	105	1,400
Hong Kong, China*	1960-1997	3,100	29,900
Indonesia	1966-1997	200	900
Japan*	1950-1983	3,500	39,600
Korea, Rep. of*	1960-2001	1,100	13,200
Malaysia	1967-1997	790	4,400
Malta*	1963-1994	1,100	9,600
Oman*	1960-1999	950	9,000
Singapore*	1967-2002	2,200	25,400
Taiwan (China)*	1965-2002	1,500	16,400
Thailand	1960-1997	330	2,400

<sup>1</sup> It reflects the views of a Commission consisting of 19 well-known and experienced policy, government, and business leaders, mostly from the developing world, and two renowned economists, both Nobel laureates, namely Prof. Michael Spence Commission Chairman and Prof. Robert Solow. It was written over two years during which the Commission interacted, consulted with, and learned from leading academics, business leaders, policy makers, and NGOs. The report reflects the learning over this period and is informed by the Commission members’ own experience.

Growth is not an end in itself. But it makes it possible to achieve other important objectives of individuals and societies. It can spare people *en masse* from poverty and drudgery. Nothing else ever has. It also creates the resources to support health care, education, and the other

Millennium Development Goals to which the world has committed itself. In short, we take the view that growth is a necessary, if not sufficient, condition for broader development, enlarging the scope for individuals to be productive and creative.

**Figure 1: Growth Rates by Sector**



### Growth Dynamics and the Global Economy

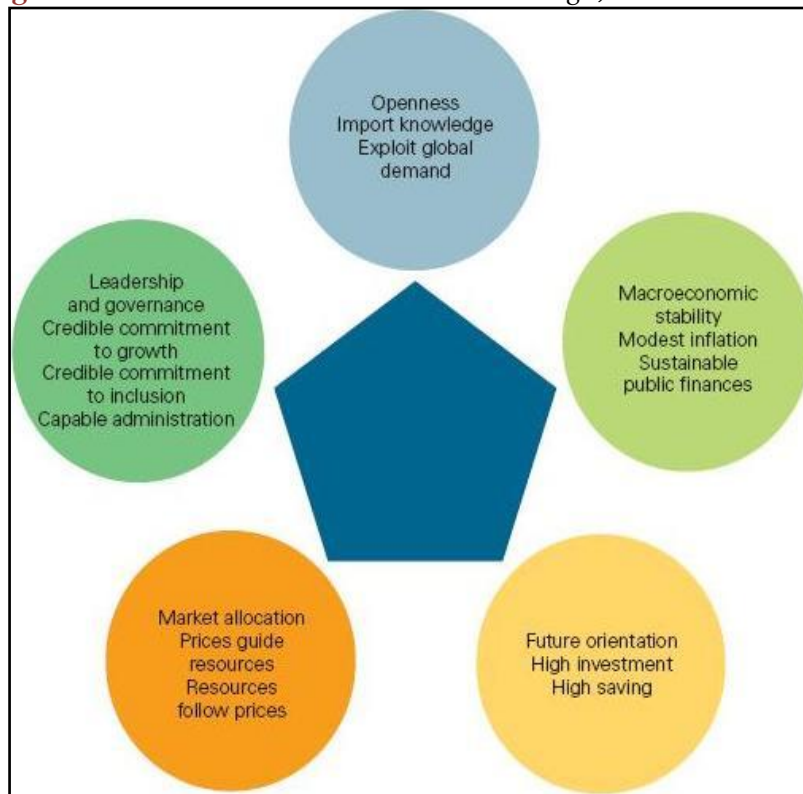
The report identifies some of the distinctive characteristics of high-growth economies and asks how other developing countries can emulate them. It does not provide a formula for policy makers to apply—no generic formula exists. Each country has specific characteristics and historical experiences that must be reflected in its growth strategy. But the report does offer a framework that should help policy makers create a growth strategy of their own. It will not give them a full set of answers, but it should at least help them ask the right questions. Fast, sustained growth does not happen spontaneously. It requires a long-term commitment by a country's political leaders, a commitment pursued with patience, perseverance, and pragmatism.

Growth of 7 percent a year, sustained over 25 years, was unheard of before the latter half of the 20th century. It is possible only because

the world economy is now more open and integrated. This allows fast-growing economies to import ideas, technologies, and knowhow from the rest of the world. One conduit for this knowledge is foreign direct investment, which several high-growth economies actively courted; another is foreign education, which often creates lasting international networks. Since learning something is easier than inventing it, fast learners can rapidly gain ground on the leading economies. Sustainable, high growth is catch-up growth. And the global economy is the essential resource.

The open world economy also offers developing countries a deep, elastic market for their exports. Since the division of labor is limited by the extent of the market, this extensive world demand allows countries to specialize in new export lines and improve their productivity in manifold ways.

**Figure 2:** The Common Characteristics of High, Sustained Growth



Is a turn outward the only route to growth? Some economies have instead looked inward, competing with imports in the home market, rather than competing for foreign custom in the world market. These strategies have occasionally succeeded in spurring investment, increasing the size and efficiency of domestic producers. They also avoid the risks and dislocations of opening up to foreign competition too abruptly. Nevertheless, growth strategies that rely exclusively on domestic demand eventually reach their limits. The home market is usually too small to sustain growth for long, and it does not give an economy the same freedom to specialize in whatever it is best at producing.

Catch-up growth is also made possible by an abundant labor supply. As the economy expands and branches out, new ventures draw underemployed workers out of traditional agriculture into more productive work in the cities. Resources, especially labor, must be

mobile. No country has industrialized without also urbanizing, however chaotically.

Economies in high-growth mode are transforming themselves structurally. To quote from the report, “The growth of GDP may be measured up in the macroeconomic treetops, but all the action is in the microeconomic undergrowth, where new limbs sprout, and dead wood is cleared away.” Most growth-oriented policies and reforms are designed to foster this microeconomics of creation and destruction, and, crucially, to protect people who are adversely affected by these dynamics.

Thanks to abundant labor and deep world demand, the speed of growth in the early stages of development is limited primarily by the pace of investment (public and private together). This investment is itself affected by the availability of savings. High-growth economies typically set aside a formidable



share of their income: a national saving rate of 20-25 percent or higher, is not unusual. In principle, countries could rely more on foreign capital to finance their investment needs. But capital inflows over the past several decades have a mixed record. Our view is that foreign saving is an imperfect substitute for domestic saving, including public saving, to finance the investment a booming economy requires.

### Leadership and Effective Government

Successful cases share a further characteristic: an increasingly capable, credible, and committed government. Growth at such a quick pace, over such a long period, requires strong political leadership. Policy makers have to choose a growth strategy, communicate their goals to the public, and convince people that the future rewards are worth the effort, thrift, and economic upheaval. They will succeed only if their promises are credible and inclusive, reassuring people that they or their children will enjoy their full share of the fruits of growth.

Such leadership requires patience, a long planning horizon, and an unwavering focus on the goal of inclusive growth. In several cases, fast-growing economies were overseen by a single-party government that could expect to remain in power for a long period of time. In other cases, multiparty democracies found ways to be patient and maintain a consistent focus over time. Rival political parties can, for example, agree on a bipartisan growth strategy, which they each follow during their term in power. Even if a formal pact is never made, a successful growth strategy, commanding the confidence of the public, may outlast the government that introduced it. Experience suggests that strong,

technocratic teams, focused on long-term growth, can also provide some institutional memory and continuity of policy. This stability and experience can be particularly valuable during political upheavals, because new systems of collective decision-making can take a long while to bed down and function efficiently.

Just as growth is not the ultimate objective, reforms aren't either. Both are means to ends. Reforms may be admirable and represent major achievements, but if growth does not accelerate, or if large numbers of people do not feel any improvement in their circumstances, then there is more work to do. Relying on markets to allocate resources efficiently is clearly necessary (there is no known, effective substitute), but that is not the same thing as letting some combination of markets and a menu of reforms determine outcomes.

Wedded to the goal of high growth, governments should be pragmatic in their pursuit of it. Orthodoxies apply only so far. This report is the product of two years of inquiry and debate, led by experienced policy makers, business people and two Nobel prize-winning academics, who heard from leading authorities on everything from macroeconomic policy to urbanization. If there were just one valid growth doctrine, we are confident we would have found it.

Economists know how markets work, and they can say with some confidence how a mature market economy will respond to their policy prescriptions. But mature markets rely on deep institutional underpinnings, institutions that define property rights, enforce contracts, convey prices, and bridge informational gaps between buyers and sellers.

Developing countries often lack these market and regulatory institutions. Indeed, an important part of development is precisely the creation of these institutionalized capabilities. Even without them, growth can occur, and these institutions can co-evolve with the economy as it expands. However, we do not know in detail how these institutions can be engineered, and policy makers cannot always know how a market will function without them. The impact of policy shifts and reforms is therefore harder to predict accurately in a developing economy. At this stage, our models or predictive devices are, in important respects, incomplete.

It is, therefore, prudent for governments to pursue an experimental approach to the implementation of economic policy. The principle is expressed well by Deng Xiaoping's oft-quoted dictum to "cross the river by feeling for the stones." Governments should sometimes proceed step by step, avoiding sudden shifts in policy where the potential risks outweigh the benefits. This will limit the potential damage of any policy misstep, making it easier for the government and the economy to right itself. Likewise, each footfall should represent a small trial or experiment, a "feeling about" for the best way forward.

Making policy is only part of the battle. Policies must also be faithfully implemented and tolerably administered. An effective government apparatus is not built overnight and requires constant attention. A culture of honest public service must be fostered and maintained. The administration must also



*Nobel Laureate Prof. Robert M. Solow  
Massachusetts Institute of Technology*

attract and retain talented people, by offering better pay, promotions, and recognition to officials who can measurably improve the public sector's performance.

Government is not the proximate cause of growth. That role falls to the private sector, to investment and entrepreneurship responding to price signals and market forces. But stable, honest, and effective government is critical in the long run. The remit of the government, for example, includes maintaining price stability and fiscal responsibility, both of which influence the risks and returns faced by private investors.

In recent decades governments were advised to "stabilize, privatize and liberalize." There is merit in what lies behind this injunction—governments should not try to do too much, replacing markets or closing the economy off from the rest of the world. But we believe this prescription defines the role of government too narrowly. Just because governments are sometimes clumsy and sometimes errant, does not mean they should be written out of the script. On the contrary, as the economy grows and develops, active, pragmatic governments have crucial roles to play.

Sustained, high growth is not easy. If it were, the list of successful cases would be longer. Some countries struggle to start growth; others fail to sustain it. Some grow quickly, but reach a plateau when they reach middle-income. A fast-growing economy is a moving target. Bad policies are often good policies applied for too long. And just as a country's growth strategy must evolve with the economy, a country's politics must as well. Prosperity will create a

middle class whose voice will need to be recognized in the political process.

Having described the art of policy making, we now turn to policy ingredients themselves. The number of desirable reforms and outlays a government might consider at any point of time will vastly exceed its reach and budget. A coherent growth strategy will therefore set priorities, deciding where to devote a government's energies and resources. These choices are extremely important. They should also be country- and context-specific, responding to widely varying initial conditions. This report cannot therefore set priorities for policy makers. It can only identify the policies that need attention.

The policy underpinnings of sustained, high growth create an environment for high levels of investment, job creation, competition, mobility of resources, social protections, equity, and inclusiveness. It would be going a little too far to describe them all as necessary conditions. Our view is that an understanding of the dynamics and a focused attention on the policy foundations will significantly increase the chances of accelerating growth. Conversely, persistent inattention to them will eventually harm it. There are many different recipes for pasta. The precise ingredients and timing are different for each. But if you leave out the salt or boil it too long, the results are distinctly inferior.

### Selected Policy Ingredients

No country has sustained rapid growth without also keeping up impressive rates of public investment—in infrastructure, education, and health. Far from crowding out private investment, this spending crowds it *in*. It paves the way for new industries to emerge and raises the return to any private venture that benefits

from healthy, educated workers, passable roads, and reliable electricity.

Unfortunately, we discovered, infrastructure spending is widely neglected. Often it is not even measured. We also found that the quantity of education (years of schooling, rates of enrollment) in many countries was more impressive than the results: literacy, numeracy, and other cognitive skills. Needless to say, it is the results that matter to growth.

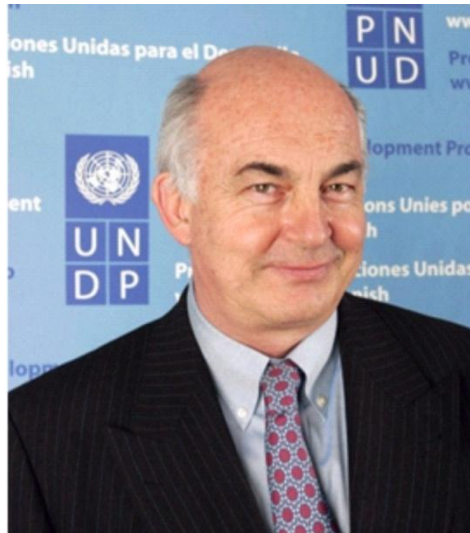
Health is of deep value to people, regardless of its impact on growth. Nonetheless, the economic consequences of hunger, malnutrition, and disease should not be forgotten. We wish to highlight one example in particular: if children are undernourished in the womb or in infancy, their cognitive development can be permanently impaired. This reduces their productivity and their ability to benefit from an education. It is also deeply unfair. The rapid rise in world food prices, which has made it harder for poor families to feed themselves adequately, therefore poses a first-order threat to long-term growth. While higher food prices may create long-run opportunities for developing countries, the suddenness of the increase and the inevitable lags in raising supply have produced an emergency in the short term that needs to be addressed.

Growth entails a structural transformation of the economy, from agriculture to manufacturing, from a rural workforce to an urban one. This transformation is the result of competitive pressure. Governments committed to growth must therefore liberalize product markets, allowing new, more productive firms to enter and obsolete firms to exit. They must also create room to maneuver in the labor market, so that new industries can quickly create jobs and workers can move freely to fill them. These reforms are easier to recommend

than to enact. If a wholesale overhaul of the labor laws is politically impossible, policy makers should instead seek a pragmatic compromise that fulfills the aspirations of jobseekers and is not vetoed by politically-influential jobholders.

While creative destruction is economically natural, it doesn't feel natural to those displaced in the process. Policy makers should resist calls to protect industries, firms, or jobs, but they should endeavor to protect *people*. Perhaps the best protections a government can provide are education, which makes it easier to pick up new skills, and a strong rate of job creation, which makes it easy to find new employment. Beyond that, governments should also establish social safety nets—which provide a source of income to people between jobs—and ensure uninterrupted access to basic services. These policies are both ethical and practical. Without them, popular support for a growth strategy will quickly erode.

Economic insecurity is not confined to the developing world. In a number of high-income countries, inequality is rising as median wages stagnate. The cause of these trends is disputed. But whatever the true culprit, the public tends to blame globalization. As a result, they are increasingly skeptical of the case for an open economy, despite the great gains it brings. The Commission thinks governments should try harder to spread the benefits of globalization more equitably and to protect people from economic dislocation, whatever the cause. Support for an open global economy depends on it.



*Kemal Derviş*  
*UNDP Administrator*

The Commission strongly believes that growth strategies cannot succeed without a commitment to equality of opportunity, giving everyone a fair chance to enjoy the fruits of growth. But equal opportunities are no guarantee of equal outcomes. Indeed, in the early stages of growth, there is a natural tendency for income gaps to widen. Governments should seek to contain this inequality, the Commission believes, at the bottom and top ends of the income spectrum. Otherwise, the economy's progress may be jeopardized by divisive politics, protest, and even violent conflict. Again, if the ethical case does not persuade, the pragmatic one should.

The education of girls provides one strong test of a government's commitment to equality of opportunity. Many formidable obstacles stop girls completing their schooling: family financial pressure, lack of safety, even things as basic as inadequate toilet facilities. But if these obstacles can be overcome, the payoff is very high. Educated women have fewer, healthier children, and they have them at older ages. Their children are then more successful in school, largely because they benefit from their mother's education. Educating girls and integrating them into the labor force is thus one way to break an intergenerational cycle of poverty.

Governments in the high-growth economies were not free-market purists. They tried a variety of policies to help diversify exports or sustain competitiveness. These included industrial policies to promote investment in new sectors, and managed exchange rates, shepherded

by selected capital controls and reserve accumulation. These policies are highly controversial. Within the Commission and the broader policy community, there is a wide range of opinion about their benefits and risks. We have tried to set out the rationale for these policies and to identify the potential problems they create. An awareness of both seems important and useful. If they try these expedients, governments should be clear about what they are trying to achieve and be quick to reverse course if the intended results do not materialize. The policies should also be transitory, unless there are compelling externalities or market failures that require their retention. Any profit-seeking activity that needs permanent subsidies or price distortions to survive does not deserve to do so.

The environment has often been neglected in the early stages of growth, leaving air thick with particulates and water contaminated with effluents. We believe this is a mistake, and one that is extremely expensive to fix in the future. The report argues that growth strategies should take account of the cost of pollution from the outset, even if they do not immediately adopt the toughest environmental standards upheld in rich countries. The report also calls on developing countries to wean themselves off fuel subsidies. These subsidies impose a mounting fiscal burden as energy prices rise, diverting money that would be better spent on neglected public infrastructure. They also skew patterns of private investment in the economy towards smokestack industries and energy-intensive techniques. Finally, these energy subsidies will inhibit the participation of developing countries in global efforts to cut greenhouse gases.

### Countries Facing Special Challenges

The countries to whom this report is addressed all share a need for faster growth. But they are not otherwise alike. Some are large, others small;

some rich in natural resources, others with nothing but their labor to sell. Some are keen to know how to start growth; others worried about how to recover it. The report identifies four groupings of countries that appear to face particular challenges in generating and sustaining high growth. These are:

1. *African Countries*: The countries of Sub-Saharan Africa must contend with unhelpful borders, bequeathed by colonialism, and the mixed blessing of unusually rich natural resources. A striking proportion of Africa's population lives in landlocked countries that under different historical circumstances would probably be provinces of a larger political unit. But Africa's immediate past is more hopeful. It has grown by 6 percent a year in recent years and its commodity exports are fetching high prices. We look at the steps required to sustain this momentum, focusing in particular on how African countries can raise investment and diversify their exports.
2. *Small States*: The world economy is dotted with a large number of very small states, where the per capita cost of government and public services is inevitably high. Because of their small size, they have little scope to diversify their economies, which leaves them highly vulnerable to economic shocks. The answers lie in embracing the world economy, forming regional clubs, and outsourcing some government functions.
3. *Countries rich in natural resources*: Economies blessed with abundant oil, minerals or other natural resources should be able to invest the "rents" or proceeds at home, raising their growth potential. But the historical experience has most often been the reverse. The pitfalls are well known. Sometimes the state sells extraction rights too cheaply or taxes resource revenues too lightly. Sometimes the money it raises is stolen or squandered by rent-seeking elites and vested interests. When the money is invested, it is not always invested wisely or transparently. And by

providing a ready source of foreign-exchange, natural resources can also reduce incentives for diversifying exports, a predicament known as “Dutch disease.” States will improve on this sorry historical record only if they capture an appropriate share of the resource rents; save a judicious amount overseas; and set clear, growth-oriented priorities for absorbing the remainder at home.

4. *Middle-income countries:* Economies often struggle to maintain their growth momentum as they narrow the gap with high-income countries. As wages rise, they steadily lose their comparative advantage in labor-intensive industries. Eventually those industries fade away. Increasingly, growth must spring from knowledge, innovation, and a deeper stock of physical and human capital. Services also assume a more prominent role in the economic mix. The growth strategies that served an economy well at lower income levels cease to apply. Instead of providing targeted support to labor-intensive sectors, governments must expand higher education to support the growing service sector of the economy. Skills must be upgraded across the spectrum of employment. Otherwise, the disappearance of unskilled manufacturing jobs will leave the less skilled and less educated part of the population stranded without good employment options.

### New, Global Challenges

Countries embarking on a high-growth strategy today must overcome some global trends their predecessors did not face. These include global warming; the falling relative price of manufactured goods and rising relative price of commodities, including energy; swelling discontent with globalization in advanced and some developing economies; the aging of the world’s population, even as poorer countries struggle to cope with a “youth bulge”; and a growing mismatch between global problems—in

economics, health, climate change, and other areas—and weakly coordinated international responses.

### Global Warming and Climate Change

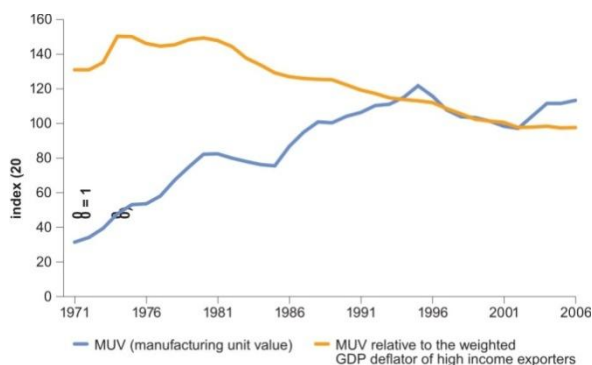
Climate change is the quintessential global challenge: the harm greenhouse gases do is not confined to the country that emitted them. Indeed, poorer countries, which have contributed least to the problem, may suffer the most. They may need to take defensive action against the consequences of climate change sooner rather than later. We don’t know how soon. But international contingency plans—to provide help to a country in case of need—are underway and should be speeded up.

Preventing climate change (or “mitigation” as the experts call it) is better than palliating its effects. But how can we cut carbon emissions to safe levels by mid-century while also accommodating the growth of developing countries? At the moment the debate has reached a conceptual impasse.

Technology offers one answer. Advanced economies should promote the creation of new techniques for cutting carbon and saving energy. The world needs to reduce radically the energy- and carbon-intensity of global growth. That is the only way developing countries can grow rapidly without subjecting the world to potentially catastrophic global warming.

Second, global mitigation efforts need to satisfy the dual criteria of efficiency (that is, cutting the most emissions at the least cost) and fairness. In the interests of fairness, advanced economies, which are responsible for most of the problem, should take the lead in setting medium-term targets for cuts in their own emissions.

Many people also argue that developing countries should commit to longer term, 50-year emissions targets. After all, these countries are



Source: Development Economics Prospects Group, World Bank.

responsible for a growing share of gases in the atmosphere. But this, we feel, is the wrong approach. Poor developing countries can make a bigger, quicker contribution by cooperating in cross-border mitigation projects. These projects meet the dual criteria of efficiency and fairness. The cuts are made in poor countries, which is efficient. But the costs are borne by richer countries, which is fair. Beyond this contribution, developing countries also need to improve energy efficiency, import new technologies rapidly, and eliminate energy subsidies.

Convergence in long-term per-capita emissions is both feasible and desirable. As countries approach high-income levels, they should be entitled to the same per capita emissions as other advanced economies. These entitlements must be consistent with a safe global level of emissions. This limit is currently estimated to be 14.8 gigatons per year, or 2.3 tons per person. The current global per capita CO<sub>2</sub> emissions are 4.8 tons, about double the safe level.

### Changing Relative Prices

In recent years, the relative price of manufactured goods has fallen, and commodity prices have risen. The rising price of food has created nutritional emergencies in some countries, which demand an immediate response. Looking forward, countries and international organizations need to be better prepared for sudden jumps in the price of

essential commodities. It will be an ongoing feature of the global economy.

There is some evidence that growth in developing countries, principally China, has depressed the relative price of manufactured goods. This has raised the question of whether the growth strategies outlined in this report—strategies based on rapid job creation in labor-intensive export industries—will work in the future. We believe they will. With help from experts, we examined the so-called “adding up” problem: if many developing economies expanded their exports of labor-intensive manufactures, would the world market be able to absorb them all? We reached a positive conclusion: the growth of developing countries, at least in the early stages, will not be blocked by further rapid declines in the relative price of manufactured goods, in part because the growth of emerging markets will help fuel future demand.

### Demographics

It is clear that the world population is aging rapidly, due to dramatically increased longevity combined with relatively low fertility rates. It is also clear that this trend will require many countries, both developed and developing, to change their pension and social security systems, and revise their expectations about retirement. What is not clear is whether aging will cause a slowdown in global growth and a narrowing of opportunities for developing countries. The answer depends on how quickly pension arrangements change and how quickly people adapt their behavior, by retiring later, for example. Timely adaptation will minimize the impact on global growth.

In a significant number of poorer countries, the demographics run directly counter to the global trend: high fertility; reduced longevity in some

cases, due to diseases like HIV/AIDS; and an increasingly youthful population. This raises the danger of widespread youth unemployment. To avert this danger, countries need to grow faster. Migration, while not alone sufficient to solve the problem of youth unemployment, would help alleviate it. It would also benefit those host countries with an aging population. Well-managed long-term migration and well-supervised programs of temporary migration for work should be part of 21<sup>st</sup> century globalization.

### Global Governance

A number of trends broached by the report demand a coordinated, multilateral response from the world's economies.

These trends include the growing clout of developing countries, international financial spillovers, and the unbalanced and probably unsustainable pattern of saving and spending in the world economy.

Developing countries cannot grow without the support of the advanced economies. In particular, they need access to the open global trading system. They may also need some latitude to promote their exports, until their economies have matured and their competitive position has improved. The successful completion of the Doha round is substantively and symbolically important.

**Table 2: Catching up with Industrial Countries**

	Per capita GDP* in 2006	Growth rate during past 10 yrs		Growth rate needed to catch up		Years needed to catch up****
		Maximum**	Average**	In 2050	In 2100	
China	6,621	10.1	8.3	5.7	3.7	23
Brazil	7,826	4.3	1.1	5.3	3.5	119
India	3,308	7.7	4.9	7.4	4.5	50
Mexico	9,967	5.2	2.4	4.7	3.3	55
Russian Federation	10,350	10.0	5.4	4.6	3.2	17
Argentina	13,652	8.1	1.7	4.0	2.9	17
Turkey	7,842	8.3	2.7	5.3	3.5	28
Indonesia	3,570	4.3	1.3	7.2	4.4	181
Poland	13,349	7.0	4.3	4.0	3.0	22
South Africa	10,338	3.9	1.7	4.6	3.2	135
Thailand	8,065	6.2	1.8	5.2	3.5	45
Venezuela, R. B. de	6,485	16.2	1.1	5.7	3.7	13
Iran, Islamic Rep. of	7,405	5.9	3.2	5.4	3.6	54
Egypt, Arab Rep. of	4,031	4.9	2.7	6.9	4.3	118
Malaysia	10,091	6.4	2.2	4.7	3.3	35
Colombia	6,886	5.4	1.0	5.6	3.7	68
Philippines	4,731	4.3	2.2	6.5	4.1	159
Pakistan	2,206	4.8	1.8	8.3	4.9	159
Chile	10,939	5.1	2.6	4.5	3.2	54
Algeria	6,376	5.3	2.4	5.8	3.8	75
Peru	5,725	6.5	2.3	6.0	3.9	51
Bangladesh	1,916	4.8	3.5	8.7	5.1	163
Nigeria	1,008	8.0	1.8	10.3	5.8	74
Hungary	16,928	5.5	4.7	3.4	2.7	26
Romania	8,722	8.7	3.1	5.0	3.4	24
	Per capita GDP* in 2006	Growth rate during past 10 yrs		Per capita GDP***		
		Maximum**	Average**	In 2050	In 2100	
OECD	30897	3.08	2.04	75130	206222	-



It will take time to develop a new “architecture” of institutions and rules to govern the world economy. In the meantime there will remain a mismatch between our deep interdependence and our limited capacity to coordinate our regulatory responses. This mismatch will create risks that countries will have to insure themselves against.

The recent success of many big developing countries raises an old question with renewed urgency: are there natural limits to growth? The rising price of commodities suggests that the world’s endowment of natural resources

may not easily accommodate the aspirations of poor countries. Likewise, the threat of global warming will grow as the developing world’s industry expands.

We do not know if limits to growth exist, or how generous those limits will be. The answer will depend on our ingenuity and technology, on finding new ways to create goods and services that people value on a finite foundation of natural resources. This is likely to be the ultimate challenge of the coming century. Growth and poverty reduction in the future will depend on our ability to meet it

## BETTER STATISTICS TO ACCELERATE PROGRESS IN THE MDGS

Francesca Perucci, United Nations Statistics Division

The views expressed in this article are those of the author and do not necessarily reflect the official position of the United Nations.

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### A NEW APPROACH TO DEVELOPMENT

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The adoption of the Millennium Declaration in 2000 by all member states of the UN was a defining moment for the international community. The Declaration, the culmination of a series of international conferences and summits beginning in 1990 with the World Summit for Children, embodied a synthesis of the goals set by these international development conferences and a body of international norms and laws that had been codified over the previous half-century.



The Declaration also represented a new approach to development, with a full recognition that development is not exclusively economic, but also embraces human social and environmental dimensions. The first seven of the MDGs provide development objectives to be achieved by the

developing countries. Goal 8, reflecting the partnership between developing and developed countries that is the cornerstone of the Millennium Declaration, contains targets for the various forms of assistance to be provided by the developed countries to support the developing countries' efforts to reach their goals. Collectively, the MDGs have achieved an unprecedented degree of recognition and a tangible commitment from all countries to use them as a framework for development.

The MDGs also reflect a shift in emphasis from inputs to results and, importantly, the Declaration set specific measurable and time-bound targets for each Goal. Also, the adoption of the Millennium Declaration was followed by the identification of an agreed set of targets and internationally-agreed indicators to measure achievements (see Table 1). The MDG indicators, based on established principles and practices of official statistics, have now become a broadly recognized framework for monitoring and for statistical development. They are now widely accepted and used in national, regional and international programmes for monitoring and evaluating implementation of the Goals and for developing statistical capacity building programmes and initiatives. Supplemented by more detailed national data, and with appropriate adaptation to national needs and circumstances, they are also increasingly being used to help design and manage national policies aimed at achieving the Goals.

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## THE IMPORTANCE OF MONITORING DEVELOPMENT

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The MDG monitoring requirements and their political importance have proved instrumental in achieving focus in the development debate. Systematic and sustained tracking of progress made is now widely recognized as a necessary condition for the achievement of the goals. Monitoring keeps the spotlight firmly on the MDGs, informing global and national campaigns and turning the goals and targets into widely recognized measures of successful international cooperation in support of sustainable development.



Failure to adequately assess progress made in some areas, lack of data from the poorest countries and inconsistencies across sources—both between national and international sources, and among international agencies—may undermine the overall development efforts and the formulation of necessary policies.

Improved coordination of the international statistical system and the delivery of clear

consistent messages from the international community on progress made and priorities that need to be addressed are prerequisites for the success of the MDGs.

The MDG monitoring requirements and their political importance have reversed the long period of neglect of statistics and highlighted the overall lack of adequate statistical capacity in many developing countries. There is now higher recognition and awareness of the urgent need to build national capacity to monitor and report on Goals and targets and to produce the statistics to inform the necessary development policies. This was the basis for launching important initiatives for statistical capacity-building. The Marrakech Action Plan for Improving Development Statistics<sup>2</sup> was a major step in this direction. Good statistics are now seen as an integral component of good governance at both national and international levels.

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<sup>2</sup> “Better Data for Better Results. An Action Plan for Improving Development Statistics”, Presented to the Second International Roundtable on Managing for Development Results, Marrakech, Morocco, February 4-5, 2004.

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## STRONGER STATISTICAL SYSTEMS: A PREREQUISITE TO ACHIEVING THE MDGS

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In 2001, in his report “Road map towards the implementation of the United Nations Millennium Declaration”, the Secretary-General committed to report annually on progress made in fulfilling the Millennium commitments.



As soon as the monitoring started, it became evident that many countries lacked the necessary capacity to produce all the necessary data for national monitoring and for reporting to the international system. It also became very clear that achieving full coordination and data consistency across international agencies and national statistical systems would have been a great challenge.

The United Nations Statistical Commission, the main decision making body for international statistical activities, has addressed these concerns a number of times. The commission reviewed the work done by the IAEG and the Statistics Division for the monitoring of the MDGs and requested that they regularly reported on the ability of countries to produce individual indicators, not imputations by international agencies, and on how metadata should be presented to accompany indicators on all Millennium

Development Goals. The Commission also recommended that strategies should be identified to bridge the information gap between users and producers of Millennium Development Goal indicators and the lack of adequate data sources.

In 2006, following the recommendations by the Statistical Commission, member states recommended to ECOSOC a resolution on statistical capacity building. The resolution, adopted by ECOSOC in July 2006, affirms that “that without a coordinated effort to enhance and sustain statistical capability in many developing countries and countries with economies in transition, effective monitoring of progress towards national as well as internationally agreed development goals, including the Millennium Development Goals, is being compromised”. It calls upon “the United Nations system, including the United Nations Statistics Division and the regional commissions and international agencies to support national efforts in building and strengthening national statistical capacity, in particular of developing countries”.

### 3.1 The work by the IAEG on MDG Indicators

International monitoring of the MDGs is based on international data series compiled by specialized agencies responsible for the different areas covered by the MDGs. To ensure full consultation and collaboration across the UN system, other relevant international agencies and national statistical services, a group of technical experts from various international and national agencies was

formed in 2002. The Inter-Agency and Expert Group (IAEG) on MDG Indicators includes representatives from specialized agencies, including the World Bank and IMF and the Organisation for Economic Co-operation and Development (OECD), United Nations regional commissions, national statistical offices, bilateral and multilateral donors and ad hoc experts on selected topics. The group is responsible for the preparation of data and analysis to monitor progress towards the MDGs and for reviewing methodologies and technical issues in relation to the indicators and supporting countries in data collection, analysis and reporting for MDG indicators. The United Nations Statistics Division coordinates the work of the group.

The IAEG on MDG Indicators and the UN Statistics Division in its role as coordinator of the group, have undertaken work to implement the recommendations made by the Statistical Commission and those contained in the ECOSOC resolution on statistical capacity building. The IAEG has taken important steps to fully engage countries, through regular participation in the yearly IAEG meetings and in regional and sub-regional workshops, in the assessment of data availability for the MDGs and the identification of priorities for action.

At the IAEG meeting in November 2006, over 60 representatives from national statistical offices, country line ministries, agencies' country offices and international agencies reviewed priorities and formulate recommendations to improve the availability of data to monitor the MDGs. They agreed that shortcomings in the availability and quality of data to monitor the MDGs were due to the following:

- Countries often lack the capacity to apply internationally agreed definitions;
- There is a general lack of coordination within national statistical systems and no clearly defined authority to oversee and verify data originating from different data providers and sources;
- Existing data collection programmes are often not sustainable and National Statistical Offices tend to rely on surveys driven by donors, with little national ownership;
- Countries lack a coordination mechanism and focal point on MDGs, responsible for centralizing all requests from international agencies and reporting to the international statistical system.

They further agreed on steps that need to be undertaken to improve countries' capacity to report on MDG indicators. They stressed the need to improve coordination within countries' national statistical system, bringing all data producers together through an efficient coordination mechanism. They also agreed that this in turn would facilitate the interaction with the international statistical system and bring closer together the national and the global monitoring system.

National statisticians also recommended increasing the sense of national ownership of the internationally driven and sponsored surveys. The statistical community is well aware of this concern and the various partners are working together towards a better coordinated way of delivering technical and financial assistance and more sustainable data collection programmes. International agencies are increasing their efforts to better coordinate their initiatives and to integrate their programmes and initiatives into the existing National Strategies for the Development of Statistics (NSDS).



Following the recommendations, the activities of the IAEG have focused on assisting countries to improve their coordination mechanisms within national statistical systems and their reporting mechanisms to the international system, and on improving the quality of data and metadata and other tools presented in the database on MDG indicators. As for capacity building activities, the work has concentrated on intensifying the dialogue between international agencies and countries in order to understand and define priorities and improve coordination at the international level.

In a continuous effort to reduce data gaps and data discrepancies between national and international sources, the UN Statistics Division undertook a survey, initially directed to countries participating in the IAEG work and later to a larger group of countries, to better understand existing ways of coordination within national statistical systems and reporting mechanisms to the international statistical system on MDG indicators, and to identify shortcomings and deficiencies in the communication between national statistical authorities and international agencies. The results, although limited in coverage, were used as a basis to recommend further work in this area. In particular, national statisticians in the IAEG recommended that workshops be held to review countries' experiences in coordination

and reporting mechanisms, identify best practices and develop guidelines for national statistical systems.

The IAEG also agreed that steps should be undertaken to reduce data gaps and the inconsistencies between the data available in national sources and used for national monitoring, on the one hand, and the ones available in international data series and used for global monitoring, on the other hand. To this end, the UN Statistics Division, in collaboration with the UN regional commissions, has started a series of workshops to bring together countries and international agencies, responsible for the production of the international data sources, to review and clarify data gaps and discrepancies.

National statisticians in the IAEG also agreed that imputations, if produced with the full involvement of the national statistical system and when accompanied by clear and transparent metadata, are useful to countries because they can be used when no official statistics are available. Statistical teams in the regional commissions have initiated work to help establish mechanisms to facilitate countries' involvement in the estimation and adjustment of national data and promote more extensive consultation processes between countries and international agencies.

The IAEG has also continued the review of methodologies for the production of MDG indicators and has addressed important methodological issues. One such issue relates to the use of population figures in the computation of the indicators and in the aggregation of national values to regional and global figures. The UN Statistics Division conducted a survey among all agencies producing MDG Indicators to better understand what population figures are being

used and issues of discrepancies. The IAEG reviewed and discussed the results and made specific recommendations. It was agreed that efforts should be made to improve the consultation process between the UN Population Division and the national statistical offices.



The IAEG has also devoted increased attention to ensure the achievement of the desired levels of consistency and transparency in reporting and presenting data and metadata for the international monitoring. In this respect, the group has agreed that the adoption of the common platform for data exchange, the Statistical Data and Metadata Exchange (SDMX) would be a good technical solution to this issue. The IAEG has established a task team on SDMX. The task team has already initiated its work to develop the data structure for MDG Indicators to be used to exchange data and metadata amongst agencies.

### **3.2 Development partners at work to build stronger statistical systems**

Since the adoption of the Millennium Declaration in 2000, development partners and international statistical agencies have increased their collaboration to assist countries in building stronger statistical systems to collect, manage and use statistics for evidence-based policy and decision-making and tracking progress made towards the achievement of development goals including the Millennium

Development Goals (MDGs). In addition, the UN Statistics Division and the Statistics Divisions of Regional Commissions have launched a number of initiatives to resolve discrepancies between national and international sources and to assist countries in improving the coordination of their national statistical systems and their reporting mechanisms to the international systems. But a lot more still needs to be done.

In many countries, data on MDGs at the national and local levels are still insufficient. This poses a challenge for formulating long-term development strategies, monitoring progress in the daily lives of people, and holding the international community to account for their commitments.

Difficulties in coordinating national statistical systems within countries and in countries' reporting to the international statistical system create a number of inconsistencies between national and international data, raising doubts about the reliability of statistics among policy makers and conflicts between national statistical authorities and government officials.

The importance of building stronger statistical systems has assumed a critical role in the development agenda. It is now fully and widely recognized that a lot more needs to be done if adequate data are to be available for national and international evidence-based monitoring and reviews of progress towards all development goals and for designing and implementing the policies and programmes needed to achieve them. Good statistics are now regarded as an integral part of good governance at both national and international levels.

In 2006, the UN System Policy Committee on MDGs agreed that "stronger national

statistical systems are needed to achieve the MDGs. Data are indispensable, at the national and local level, to inform policies, identify and measure the effectiveness of key interventions, and regularly monitor progress”. They further agreed that “building statistical capacity requires that financial and technical support from the international community be increased and better coordinated. Success depends on country ownership and government commitment to spur the necessary institutional changes and to ensure sustainability of capacity building initiatives.”

The decision of the policy committee culminated with the initiative by the Secretary-General to establish a Steering Group on MDGs in Africa, mandate with issuing recommendations on five key areas to be implemented to accelerate progress in the MDGs. Among the five key areas one relates to building statistical systems. The group has now finalized its recommendations which will be presented to donor countries and African governments for their implementation.

### 3.3 Progress in building statistical capacity in countries

The framework for international partners to assist countries in strengthening their statistical systems to better respond to new demands for official statistics has been provided by the Marrakesh Action Plan. The Plan, consisting of a coordinated series of six actions, was developed in 2004 to improve statistics to meet the measurement challenge of the international development agenda by 2010. Three of the actions are aimed at improving statistical work at the national level:

(i) Mainstream strategic planning of statistical systems in national development processes;

(ii) Ensure full participation in the 2010 round of population censuses; and

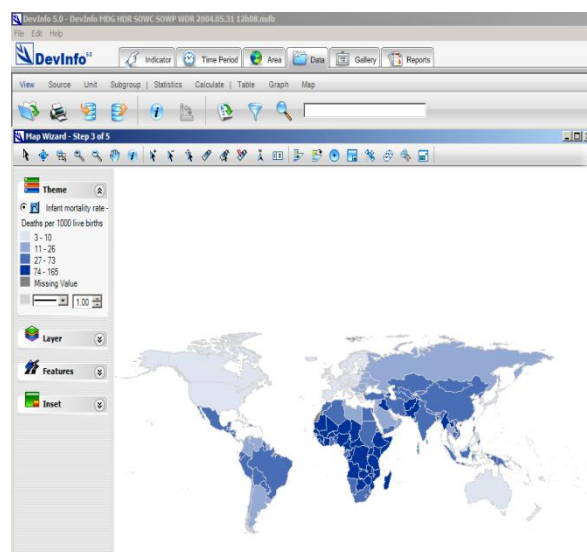
(iii) Increase financing for statistics and statistical capacity building by countries and partners.

The other three actions address the need to improve coordination and strengthen the international statistical system in support of a sustained improvement in the statistical capacity of developing countries:

(iv) Set-up an International Household Survey Network (IHSN) to improve the effectiveness of international household survey programs;

(v) Make improvements in data needed for MDG monitoring; and

(vi) Improve the accountability for international statistics.



Many developing countries, assisted by development partners, especially by Paris 21, have developed National Strategies for the Development of Statistics (NSDS). NSDS provide countries with a strategy for improving statistical capacity across the entire statistical system and have increasingly provided the framework for donors to contribute to countries statistical development in a coherent manner and in accordance with specific national priorities.



Progress has also been made towards one of the main objectives of the Marrakech Action Plan for Statistics: ensuring full participation to the 2010 World Population Census Programme. The UN Statistics Division, with financial contribution by the World Bank and in collaboration with key partners such as UNFPA and the UN Regional Commissions, has provided technical assistance to countries, expertise and improved and revised international standards.

Considerable progress has been achieved in improving the effectiveness of existing internationally sponsored data collection programmes. The establishment of the International Household Survey Network, in late 2004, aiming at better coordination and timing of internationally supported surveys, in order to maximize their effectiveness in providing comparable data, has been an important step in that direction. An inventory of survey instruments and datasets was established.

Developing statistical capacity programmes, especially when it requires substantive institutional changes, and obtaining the necessary data from them, takes time. With only a few years left before the moment when the international community will have to assess whether their commitments made with the MDGs have produced the expected results, there is a need for producing the necessary data in the short term. A pilot programme for accelerating data improvements was launched by the PARIS21 Secretariat, supported by the MAPS Development Grant Facility. The “Accelerated Data Program” (ADP), designed to implement action 5 of MAPS “improving the measurement of the MDGs in the milestone years of 2010 and 2015” is focused on household surveys and censuses. The work

focuses on microdata documentation and dissemination, harmonization and improvement of survey methods and programmes and support to data collection. Work is undergoing in a number of pilot countries.

Another important initiative focuses on enhancing the data dissemination infrastructure of National Statistics Systems in an effort to improve the use of data for evidence-based policy design and evaluation among users of official statistics, especially Millennium Development Goals statistics and indicators. As part of this effort, the DevInfo group to support countries in the use of common database systems and platforms for tracking national human development indicators. The DevInfo group has developed DevInfo, a technology specifically designed to support governments in MDG monitoring, which is now used by a large number of countries worldwide. The DevInfo platform has also been adopted by international agencies to facilitate data to create user-friendly statistical products and facilitate data dissemination. The UN Statistics Division collaborates with the DevInfo group to develop products for the dissemination of data, metadata and monitoring tools on MDGs and on gender indicator. MDGInfo, an adaptation of DevInfo to present the international dataset on MDGs, has been issued yearly since 2005 and the first issue of GenderInfo, presenting gender-based indicators, was produced in 2007.

Improving the effectiveness of capacity building initiatives and the accountability of the international statistical system demands that international partners develop ways to harmonize their efforts and establish standards for good practices, in full respect of the specific requirements of the countries with

which they work—especially taking into account the goals and priorities as set out in countries' NSDS. A good step in this direction was the agreement by international statistical agencies on a set of principles defining good practices by international statistical agencies.<sup>3</sup>

Other initiatives have been taken towards a better coordination of statistical capacity building efforts by agencies and donors. Paris 21 carried out a review of existing statistical capacity activities in Sub-Saharan Africa, collecting information from 56 development partners on ongoing projects and programmes over the years 2004-2005. Also, the Committee for the Coordination of Statistical Activities at its September 2006 session, established four task teams to produce specific recommendations on ways to improve coordination of statistical capacity building efforts, including on: reporting and exchange of information on statistical capacity building activities; capacity building through regional training initiatives for national statisticians; modalities for coordination of technical cooperation programmes at the sub-regional level; and assessment of the effectiveness of statistical capacity building activities in African countries.

### 3.4 The work of the UN Statistics Division

The statistical capacity building programme of UNSD is an integral part of the division's work programme and is closely intertwined to the division's work on international standard setting. The links across the three main elements of the UNSD statistical programme—normative, analytical and operational—

facilitate the efficient transfer of international standards and practices to countries that need assistance in developing their statistical system. The principles guiding the technical cooperation programme of the Division are that technical cooperation activities should be demand-driven, responsive to local conditions, nationally controlled and well coordinated.

The improvement of the coordination of development cooperation work among international partners has also become crucial to ensure the effective delivery of technical assistance. The UN Statistics Division is mandated by the Statistical Commission to assist in donor coordination in statistical capacity activities. The Division works in close partnership with a number of partners, including among others, the DevInfo Development Group, the World Bank, UNFPA, UNDP and several bilateral donors.



UNSD has also focused on improving south-south collaboration and building networks of statisticians in regions and sub-regions. This has been the approach adopted in the regional and sub-regional projects conducted by the Division, all relying on existing regional and sub-regional organizations and networks, in an effort to create strong communities of statisticians who can draw on each other's strengths and achievements.

The new monitoring requirements stemming from the MDGs have shaped the development

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<sup>3</sup> See Principles governing international statistical activities,

of indicators and related statistical capacity-building programmes over the past few years. The Division provides training on the production of the indicators, as well as on issues of statistical management that are necessary for countries to be able to coordinate effectively their statistical system

and report regularly to the international agencies. It provides advisory services to national statistical offices to help them develop their statistical system, recommending steps to deal with their organizational structure, legislative framework and required resources.

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## THE WAY FORWARD

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Over the last few years and development partners and agencies have increasingly worked together to accelerate progress in building stronger statistical systems. However, as we approach the target year of 2015 for the achievement of the MDGs, obtaining results in the improvement of available statistics has become increasingly urgent. Data collection programmes take some times years to materialize and once they are in place, data become available to users only after another year or two in the best cases. A number of challenges remain for partners to effectively deliver their assistance and for countries to fully benefit from existing initiatives.

First, development partners still need to improve their coordination mechanisms and to increase the number of opportunities for full cooperation in jointly-developed programmes. Initiatives by international agencies and donors should be built around the existing statistical national strategies and statistical master plans and always be in full accordance with the plans. Also, in order for capacity building activities to be sustainable, most of national statistical initiatives should be covered at least in part by national budgets and supported by a strong political commitment.

Coordination also needs to be improved within countries, bringing together statistical

sectors in a unified and coordinated statistical system (for instance, integrating health, education, employment records with survey data; strengthening the use of civil registration to improve the availability of vital statistics). One agency (preferably the NSO) should be mandated to validate all official statistics and ensure the release and dissemination of the necessary data to all users, including the international statistical system.

National statistical systems will need to strengthen their capacity to disseminate data, while at the same time improving access to data and building statistical skills within a large number of users across government and civil society. The development of data dissemination infrastructures—which will include an IT plan, data analysis and dissemination tools consistent with international standards and guidelines, and improved software and hardware—will be crucial to ensure that existing data are used effectively in planning and monitoring and are made available to users nationally and internationally.

Finally, national governments and donors need to recognize that although statistics are increasingly seen as an indispensable tool for development, resources devoted to statistics are still relatively poor as compared to funds

devoted to other development initiatives. Countries need to secure the necessary resources and technical assistance to fully implement their NSDS and their statistical master plans.

The Millennium Declaration established 2015 as the target date for achieving most of the Goals. As we approach this deadline, governments and the international community need to take practical steps to accelerate implementation of the MDGs. This will

require comprehensive programmes for human development, particularly in education and health, as well as building productive capacity and improved physical infrastructure. In each case, an effort should be made to quantify the resources required to implement these programmes and to monitor the effect of policies and strategies. A sound national statistical system and enhanced public accountability will be indispensable to support all these efforts.

**Table 1.** Official list of MDG indicators (Effective 15 January 2008)  
All indicators should be disaggregated by sex and urban/rural as far as possible.

Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for monitoring progress
<b>Goal 1: Eradicate extreme poverty and hunger</b>	
Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1.1 Proportion of population below \$1 (PPP) per day <sup>4</sup> 1.2 Poverty gap ratio 1.3 Share of poorest quintile in national consumption
Target 1.B: Achieve full and productive employment and decent work for all, including women and young people	1.4 Growth rate of GDP per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below \$1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment
Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1.8 Prevalence of underweight children under-five years of age 1.9 Proportion of population below minimum level of dietary energy consumption
<b>Goal 2: Achieve universal primary education</b>	
Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	2.1 Net enrolment ratio in primary education 2.2 Proportion of pupils starting grade 1 who reach last grade of primary 2.3 Literacy rate of 15-24 year-olds, women and men
<b>Goal 3: Promote gender equality and empower women</b>	
Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	3.1 Ratios of girls to boys in primary, secondary and tertiary education 3.2 Share of women in wage employment in the non-agricultural sector 3.3 Proportion of seats held by women in national parliament
<b>Goal 4: Reduce child mortality</b>	
Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	4.1 Under-five mortality rate 4.2 Infant mortality rate 4.3 Proportion of 1 year-old children immunised against measles
<b>Goal 5: Improve maternal health</b>	
Target 5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	5.1 Maternal mortality ratio 5.2 Proportion of births attended by skilled health personnel
Target 5.B: Achieve, by 2015, universal access to reproductive health	5.3 Contraceptive prevalence rate 5.4 Adolescent birth rate 5.5 Antenatal care coverage (at least one visit and at least four visits) 5.6 Unmet need for family planning
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	
Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	6.1 HIV prevalence among population aged 15-24 years 6.2 Condom use at last high-risk sex 6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS 6.4 Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years
Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	6.5 Proportion of population with advanced HIV infection with access to antiretroviral drugs
Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	6.6 Incidence and death rates associated with malaria 6.7 Proportion of children under 5 sleeping under insecticide-treated bednets 6.8 Proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs 6.9 Incidence, prevalence and death rates associated with tuberculosis 6.10 Proportion of tuberculosis cases detected and cured under directly observed treatment short course

<sup>4</sup> For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.

<b>Goal 7: Ensure environmental sustainability</b>	
Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	7.1 Proportion of land area covered by forest 7.2 CO2 emissions, total, per capita and per \$1 GDP (PPP) 7.3 Consumption of ozone-depleting substances
Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	7.4 Proportion of fish stocks within safe biological limits 7.5 Proportion of total water resources used 7.6 Proportion of terrestrial and marine areas protected 7.7 Proportion of species threatened with extinction
Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	7.8 Proportion of population using an improved drinking water source 7.9 Proportion of population using an improved sanitation facility
Target 7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	7.10 Proportion of urban population living in slums <sup>5</sup>
<b>Goal 8: Develop a global partnership for development</b>	
Target 8.A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system  Includes a commitment to good governance, development and poverty reduction – both nationally and internationally	<i>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing States.</i> <u>Official development assistance (ODA)</u> 8.1 Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income 8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
Target 8.B: Address the special needs of the least developed countries  Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction	8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied 8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes 8.5 ODA received in small island developing States as a proportion of their gross national incomes
Target 8.C: Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)	<u>Market access</u> 8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty 8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries 8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product
Target 8.D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	8.9 Proportion of ODA provided to help build trade capacity <u>Debt sustainability</u> 8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative) 8.11 Debt relief committed under HIPC and MDRI Initiatives 8.12 Debt service as a percentage of exports of goods and services
Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	8.13 Proportion of population with access to affordable essential drugs on a sustainable basis
Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	8.14 Telephone lines per 100 population 8.15 Cellular subscribers per 100 population 8.16 Internet users per 100 population

<sup>5</sup> The actual proportion of people living in slums is measured by a proxy, represented by the urban population living in households with at least one of the four characteristics: (a) lack of access to improved water supply; (b) lack of access to improved sanitation; (c) overcrowding (3 or more persons per room); and (d) dwellings made of non-durable material.

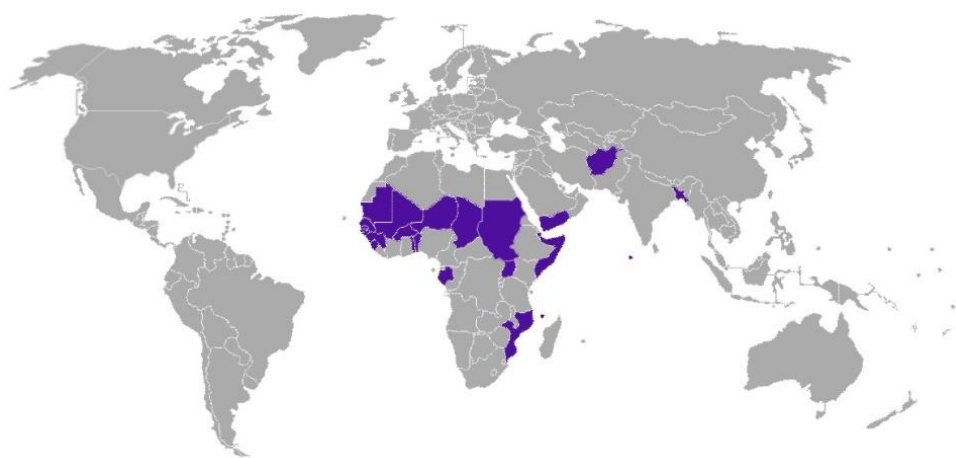
## ECONOMIC PROBLEMS OF THE LEAST-DEVELOPED AND LAND-LOCKED OIC COUNTRIES, 2007

Nabil Mohammed Dabour, Haytham Zeinelabdin, SESRIC

The least-developed countries (LDCs) comprise a group of countries that have been officially identified by the UN in 1971, and approved by the UN General Assembly, as “least-developed” in terms of low Gross Domestic Product (GDP) per capita, weak human resources and high degree of

classified as Heavily Indebted Poor Countries (HIPCs) and 28 are non-oil (mostly agricultural) commodity exporters.

Clearly, the development needs of the LDCs exceed the capacities of their economies and domestic resources, so that their economic and social development represents a major



economic vulnerability. Against the hopes that, as development efforts made an impact, countries would graduate from the LDCs group with the rise in their levels of development, the number steadily rose to presently stand at 50.

With a combined population of more than 730 million in 2006, or 11.4 percent of the world’s total population, these countries represent the poorest and weakest segment of the international community. They are distinguished by the weakness of their economic, institutional and human resources, often compounded by geophysical handicaps. While the majority of them (34 countries) are located in Africa, particularly in the region of sub-Saharan Africa, 16 are land-locked and 11 are mostly small island countries. Moreover, 34 countries among them have recently been

challenge not only for themselves but also for their development partners and the international community as a whole. Over the last three decades, the UN has been regularly monitoring the developments in these countries and their needs so that special concessions, particularly in the areas of finance, trade and technical cooperation could be secured in their favour to help them break out of the vicious circle of underdevelopment and the ensuing economic stagnation and poverty.

Out of the current 50 LDCs worldwide, 22 are OIC members. This Report analyses, on an annual basis, the developments in the economies of this group of OIC members and highlights their specific problems and needs for special action in financial, commercial and technical cooperation areas. It examines the

trends in major economic indicators using the latest available data in comparison with other groups of countries and sheds light on some development issues of immediate concern to these countries, such as external financial flows, official development assistance, external debt, human development and poverty eradication.

Although the original list of the LDCs in 1971 included 8 OIC member countries, this number increased steadily to reach 21 in 1997 and 22 presently, as both the OIC membership expanded to include new LDCs and some of the member countries lost ground to join the group.

The 22 OIC-LDCs, at a total population of 354.75 million in 2006, make up 48.5 percent of the total population of all 50 LDCs, while they account for 54.8 percent of the total output (GDP) of the latter and 39.1 percent of their total merchandise exports. Yet, as is the case with the other LDCs, structural weaknesses and lack of capacities needed for growth and development hamper their efforts

to improve the standards of living for the majority of their populations.<sup>18</sup> OIC-LDCs are located in sub-Saharan Africa and 4 in Asia, while 6 are land-locked, two are small island countries.

On the other hand, 14 OIC-LDCs are still classified as non-oil commodity exporters, who are able to produce and export only a few, mostly agricultural, commodities, while they are also extremely vulnerable to external shocks and natural disasters. With 17 OIC-LDCs having been classified as Heavily Indebted Poor Countries (HIPCs), this particular group of member countries constitutes the weakest and poorest segment of the OIC community. Although they made up 25.8 percent of the total OIC population in 2006, they accounted for only 6.4 percent of the total output and 3.1 percent of the total exports of all the OIC member countries. Their average per capita GDP (\$515) was less than one quarter of that of the overall group of OIC countries, which stood at \$2079.

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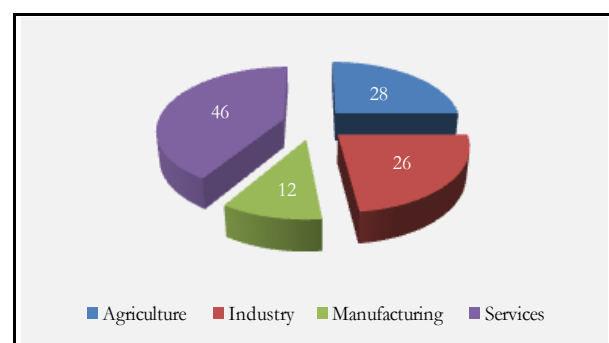
## STRUCTURE OF THE ECONOMY

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In terms of the shares of the main economic sectors in total output (GDP), Figure 1 shows that the services sector has the highest share in the GDP (46 percent) of these countries. It constitutes the most important source of income in 15 OIC-LDCs. Agriculture constitutes the second major economic activity in the OIC-LDCs with 28 percent of their total GDP. Though agriculture is still a primary economic activity in many of the OIC-LDCs, agricultural production in many of them remains largely underdeveloped and insufficient both for the domestic market and for exports. Industrial activity is only third in weight in these countries, and with 12 percent

share in the total GDP, manufacturing plays only a minor role within the industrial development of the OIC-LDCs.

*Figure 1: Structure of Output (value added as % of GDP (Average 2000-2005))*





This picture reflects, to a large extent, on the structure of their export earnings where 14 OIC-LDCs are classified as non-fuel primary product exporters, with only Yemen and Sudan classified as oil exporters. Consequently, the economies of these countries are dependent on a small number of

specific commodities, mostly agricultural. Yet, such a structure exposes the national economy

to the risks of external shocks, such as the fluctuating trends in international demand and prices, and adverse seasonal factors. This, in turn, would affect economic growth and long-term policy making.

## PRODUCTION AND GROWTH

The combined GDP of the OIC-LDCs accounted, on average, for only 7.0 percent of that of all the OIC countries, with the highest share (7.3 percent) in 2001 and 2002, while they make up 25.4 percent of the total population of the OIC countries as a group. The total GDP of the OIC-LDCs is even less than that of some individual OIC countries such as Turkey, Saudi Arabia, Indonesia and Iran. This is also reflected in the low levels of average per capita GDP.

*Table 1: GDP and GDP per Capita  
(Current Prices)*

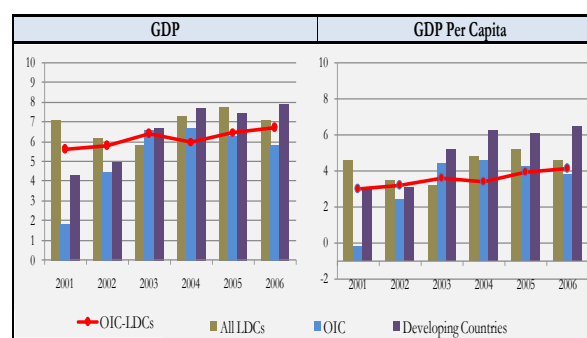
	2001	2002	2003	2004	2005	2006
<b>GDP (Billion US\$)</b>						
<b>OIC-LDCs</b>	104.7	112.3	129.5	147.5	164.3	187.1
As % of:						
All LDCs	59.3	59.7	60.0	59.1	56.4	54.8
OIC Countries	7.3	7.3	7.2	7.0	6.6	6.4
<b>Per capita GDP (US\$)</b>						
<b>OIC-LDCs</b>	334	339	380	425	463	515
All LDCs	273	280	314	354	404	462
OIC Countries	1148	1188	1361	1565	1818	2079
Developing Countries	1667	1671	1815	2051	2339	2639

Moreover it is also observed that the bulk of the total output, in terms of GDP, of these countries is produced only in a few countries. In 2006, only 3 countries (Bangladesh, Sudan and Yemen) produced 64.9 percent of the total GDP of the OIC-LDCs. The rest of the OIC-LDCs, which account for around 11% of the total OIC population, contribute only 2.26% of the total OIC GDP.

During the period under consideration, the OIC-LDCs maintained the highest average per capita GDP of \$515 in 2006, gradually increasing from the \$334 in 2001, a year of a slowdown in the world economy. The comparable figures were \$462 for all-LDCs, \$2079 for the total OIC group and \$2639 in the developing countries.

It is known that for a country to maintain the living standards for its population, its economy should be able to grow at least at the same rate as its total population. The relevant figures in this connection are given in Figure 2. There, in terms of the average real GDP growth rates, the OIC-LDCs seem to have performed quite better than the OIC group and the developing countries as a whole in the years of slowdown in the world economy. Yet, these countries failed to benefit sufficiently from the rebounding that was lived in the world economy between 2002 and 2004.

*Figure 2 Growth of real GDP (%)*



During the period under consideration, the group of the OIC-LDCs experienced a stable average real GDP growth rate around 6 percent. In 2006, they achieved the highest growth rate of 6.7 percent, with the whole of the LDC group performing markedly better during the last three years. The LDC growth rates were substantially above the world averages and comparable to those realised in the whole of the developing countries. As a consequence, the OIC-LDCs maintained a growth rate above 3 percent in their real per capita GDP throughout the

period, which reached 4.1 percent in 2006. Such a score surpassed the performance of the OIC group, but lagged behind that of the developing countries as a whole.

Overall, the developing countries, as a group, did much better than all-LDCs, including the OIC-LDCs, so that the latter countries could not grow by a large enough margin over their average population growth rates improve their level of living standards over and above those of the whole developing countries.

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## INFLATION

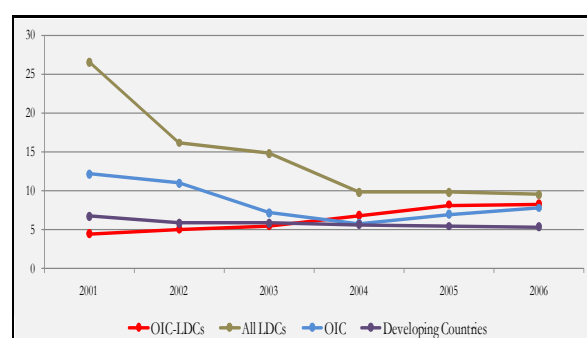
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Price stability and low levels of inflation rates are essential for macroeconomic stability in the economy. The governments of many developing and least-developed countries are paying special attention and applying different fiscal and monetary policies to control inflation and maintain price stability in their economies.

Figure 3 shows that, during the period under consideration, the performance of the OIC-LDCs was quite better than that of all-LDCs, as the former managed to curb the average inflation rate and bring it down to 4.4 percent in 2001. This was considerably lower than the 26.6 percent in all-LDCs, the 12.2 percent in the OIC countries, and 6.7 percent in the developing countries. Yet, unlike for the other groups, this rate followed an upward trend for the OIC-LDCs to reach 8.3 percent in 2006 and

stood higher than that of the average rates for the OIC group and the developing countries.

*Figure 3 Average Inflation Rates (%)*



At the individual country level, all of the OIC-LDCs experienced an increase in the general price levels in 2006, the highest inflation rates being recorded in Guinea (33.9 percent) and Yemen (21.6 percent) and the lowest in Niger (0.1 percent) and Gambia (1.5 percent).

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## EXPORTS AND IMPORTS

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In the area of foreign trade the OIC-LDCs are the weakest performers within the OIC group, as their total merchandise exports of

\$38.1 billion in 2006 made up only 3.1 percent of that of the OIC countries. Although this figure was more than twice

the amount recorded in 2001, a bad year all around globally (Table 2), during which the average rates of change in merchandise exports for all of the groups deteriorated sharply, this was corresponding to a decrease of 0.1 percentage point. One further reason of the poor export performance in 2001 was the fall in world commodity prices. The figures improved starting with 2002 as the global economy picked up and commodity prices followed suit.

*Table 2: Merchandise Exports*

	2001	2002	2003	2004	2005	2006
<b>OIC-LDCs (Billion US\$)</b>	15.9	15.9	18.9	24.0	29.7	38.1
<i>As % of:</i>						
All LDCs	45.8	43.5	44.7	43.8	40.1	39.1
OIC Countries	3.2	3.1	3.1	3.0	3.0	3.1
<i>Annual % change</i>						
OIC-LDCs	1.2	0.03	18.9	26.7	23.7	28.2
All LDCs	1.9	5.2	15.6	29.3	35.1	31.5
OIC countries	-7.7	1.8	20.8	31.4	23.9	22.6
Developing countries	-5.7	7.6	20.1	27.4	21.1	20.2
World	-3.9	4.8	16.8	21.5	13.5	15.4
<i>World Trade Prices<sup>(*)</sup></i>						
Oil	-13.8	2.5	15.8	30.7	41.3	20.5
Non-oil primary commodities	-4.9	1.7	6.9	18.5	10.3	28.4

It is apparent that the export performance of the group of OIC-LDCs is highly vulnerable to the fluctuations in world commodity prices, as their exports are generally dependent on a few commodities. Furthermore, the total exports of the group of these countries are heavily concentrated in a few of them, where, for example, only

Bangladesh, Yemen and Sudan accounted for 65.4 percent of this total in 2006. Nonetheless, analysis shows that quite a few of these countries managed to increase the ratio of merchandise exports to the GDP in 2006 as compared to the year 2000, a sign of opening up in their economies, while there were still others who failed to do so.

The total merchandise imports of the OIC-LDCs also peaked at \$65.5 billion in 2006 (Table 3), which was only 6.5 percent of the figures for the OIC countries as a group. Similar to the case for exports, imports were at their lowest in 2001, while their performance outdid other groups from 2002 on. Once again, the imports of the OIC-LDCs, albeit to a lesser extent, are also heavily concentrated in a few countries, where Bangladesh, Sudan, Yemen, and Afghanistan accounted for 56.8 percent of their total imports in 2006.

*Table 3: Merchandise Imports*

	2001	2002	2003	2004	2005	2006
<b>OIC-LDCs (Billion US\$)</b>	24.9	26.4	33.6	39.1	49.1	65.5
<i>As % of:</i>						
All LDCs	51.8	52.6	53.8	52.3	53.2	55.5
OIC Countries	6.5	6.2	6.7	5.6	5.9	6.5
<i>Annual % change</i>						
OIC-LDCs	4.8	6.0	26.9	16.4	25.6	33.4
All LDCs	3.8	4.4	24.0	19.8	23.5	27.8
OIC countries	-3.2	10.5	18.9	38.2	19.1	21.9
Developing countries	-2.6	6.5	18.7	28.9	17.2	19.6

## TRADE BALANCE, CURRENT ACCOUNT AND RESERVES POSITION

As a reflection of the above trade performance, the OIC-LDCs recorded deficits in their trade balances throughout the period 2001-2006 and on an increasing trend. The highest deficit at \$27.4 billion was again recorded in 2006, while both the OIC and developing countries as groups recorded trade balance surpluses over the same period, with a peak in 2006.

The combined current account balance of the OIC-LDCs' group, on the other hand, also recorded deficits throughout the period under consideration, with the peak of \$9.1 billion realized in 2006. In contrast, the total foreign reserves, excluding gold, increased steadily during the same period from \$9.6 billion in 2001 to \$21.9 billion in 2006 (Table 4).

The fact that for many of the OIC-LDCs, the foreign exchange reserves did not deteriorate in the face of continuing, even rising, current account balances indicate that many of these countries managed to finance these deficits through external financial channels.

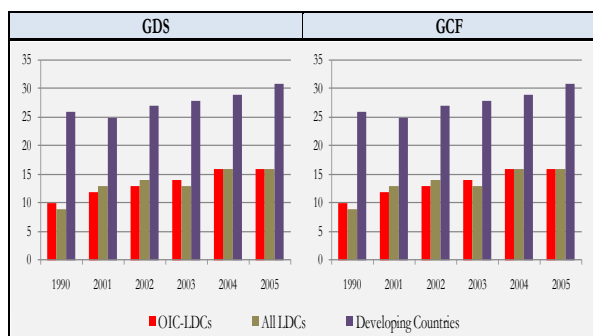
*Table 4: Trade Balance, Current Account Balance and Foreign Reserves*

	2001	2002	2003	2004	2005	2006
<i>Trade Balance</i>						
<b>OIC-LDCs</b>	-9.0	-10.5	-14.6	-15.1	-19.4	-27.4
All LDCs	-13.3	-13.7	-20.0	-19.9	-18.3	-20.6
OIC Countries	114.2	82.7	108.1	108.1	167.0	210.7
Developing Countries	72.5	102.9	154.0	156.5	326.6	419.5
<i>Current Account Balance</i>						
<b>OIC-LDCs</b>	-5.2	-5.5	-5.9	-5.6	-7.7	-9.1
All LDCs	-10.0	-9.0	-10.6	-8.9	-8.7	-9.2
OIC countries	62.6	42.1	81.1	113.9	215.5	258.7
Developing countries	39.4	77.3	147.6	212.6	428.0	544.2
<i>Foreign Reserves<sup>(*)</sup></i>						
<b>OIC-LDCs</b>	9.6	11.9	15.2	17.8	17.8	21.9
All LDCs	16.4	19.9	24.3	30.2	33.2	43.7
OIC countries	216.7	252.6	310.0	387.8	454.5	595.2
Developing countries	1277.5	1525.0	1932.0	2457.0	2901.6	3657.7

## TRENDS IN EXTERNAL FINANCIAL FLOWS

It is well known that small economic size, high population growth rates, vulnerability to external shocks besides other shortcomings result in very low income levels for the OIC-LDCs and, consequently, low levels of domestic savings and investments. The ratio of Gross Domestic Savings (GDS) to GDP was 10 percent for the OIC-LDCs in 1990 and rose to 16 percent in 2005 where it remained at twice these levels for the group of the developing countries as a whole. The ratio of Gross Capital Formation (GCF) to GDP was similarly placed, indicating to negative resource gaps for these countries throughout the period, while the developing countries as a group enjoyed small but positive surpluses throughout (see Figure 4).

*Figure 4: Gross Domestic Savings (GDS) and Gross Capital Formation (GCF) as % of GDP*



With such limited domestic financial resources, it becomes difficult for most OIC-LDCs to

finance new investments that will help them keep pace with population growth and realize development plans/programmes. Thus, education, health and other public services, which form the foundations of modern economic development, are held back. Consequently, most of the OIC-LDCs are trapped in a vicious circle of underdevelopment in which domestic resources fall short of development needs, and high population growth rates and increasing poverty mutually reinforce one another.

Thankfully, access to external financial resources could help break this vicious circle on scarcity of domestic resource availabilities for the developing and the least developed countries. In fact, external financial flows have always been of major importance for particularly the LDCs where official financial aid inflows figure substantially in national development budgets and financial resource balances.

The net external financial flows to all-LDCs increased from \$14.4 billion (15.5 percent of the total flows to the developing countries) in 1990 to \$16.5 billion (7.9 percent) in 2001 and to \$29.1 billion (5.8 percent) in 2005. As seen in Table 4, such flows to OIC-LDCs followed

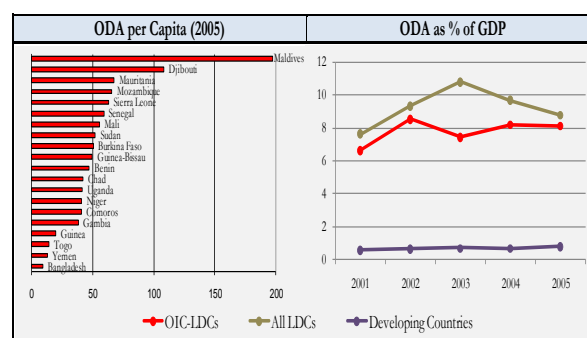
similar patterns during the same period. Yet, these flows were concentrated only in a few of them, so that inflows to only 5 countries (Sudan, Bangladesh, Mozambique, Uganda, and Chad) accounted for 67.8 percent of the total flows to the whole group of the OIC-LDCs.

Table 5: Total Financial Flows (Net Billion US\$)

	1990	2001	2002	2003	2004	2005
All LDCs	14.4	16.5	19.1	29.7	30.0	29.1
As % of DCs	15.5	7.9	9.9	12.0	7.8	5.8
OIC-LDCs	7.5	7.8	9.7	9.8	12.9	13.6
As % of:						
All LDCs	52.1	47.0	51.1	32.8	43.2	46.5
Developing countries	8.1	3.7	5.1	3.9	3.4	2.7

On the other hand, although there had been declines in the 1990s, official development assistance (ODA) flows to the LDCs continued to make up a significant part of the total net financial flows into these countries and play a key role in their economic growth and development. The net ODA disbursements to the OIC-LDCs amounted to almost \$7 billion in 2001 against \$9.5 billion in 1990 and reached \$13.4 billion in 2005. It is also observed once again that the ODA flows to the OIC-LDCs concentrated in a few countries, where Afghanistan, Sudan, Bangladesh, Mozambique, and Uganda received 50 percent of the said flows in 2005. In terms of per capita ODA receipts in individual OIC-LDCs, the figure was less than \$70 in 18 countries in 2005. While Maldives and Djibouti realized \$197 and \$108, respectively, Bangladesh (\$9.3) and Yemen (\$13.0) recorded values at the lowest end (see Figure 5)

Figure 5: ODA per Capita and ODA as % of GDP



In contrast, net foreign direct investment (FDI) flows to all-LDCs have been increasing over the past decade. Similar trends were also observed in the OIC-LDCs. In nominal terms, net FDI flows to these countries in 2001 (\$2.1 billion) were more than 17 times their level in 1990 (\$122 million). They continued to rise in the following years to reach \$4.6 billion in 2005. Yet, this accounted for only 9.1 percent of the total flows to the OIC countries, as compared to 17.7 percent in 2001 (Table 6). As is the case for other types of financial flows, the FDI flows to the OIC-LDCs are highly concentrated in a few countries. In 2005, 3 countries only (Sudan, Bangladesh, and Chad) accounted for 83 percent of the total FDI inflows to all OIC-LDCs

Table 6: Net FDI Flows

	1990	2001	2002	2003	2004	2005
All LDCs (Million US\$)	548	6874	6349	10807	9511	7663
As % of DCs	2.2	3.9	4.0	6.8	4.4	2.7
OIC-LDCs (Million US\$)	122	2131	2967	3446	3729	4574
As % of:						
All LDCs	22.3	31.0	46.7	31.9	39.2	59.7
OIC countries	2.1	17.7	15.7	13.5	10.5	9.1

## EXTERNAL DEBT

Despite the serious efforts so far made by the international community and the LDCs themselves to reduce the burden of their external debt, the severe indebtedness of the majority of the LDCs, including many OIC

members amongst them, still constitutes a serious obstacle to their development efforts and economic growth. Debt service takes up a large part of the already scarce resources of these countries that could be directed to productive

and social sectors, and the debt overhang harms their internal and external investment climate. This situation is often aggravated by the effects of the volatility of external financial flows, export earnings and increases in the prices of their essential imports, particularly oil.

As shown in Table 7, the total external debt stock (EDT) of the OIC-LDCs increased from \$62.3 billion in 1990 to \$70.6 billion in 2001, representing a 1.2 percent increase per annum. It went on to reach \$84.4 billion in 2004, and dropped slightly to \$80.7 billion in 2005. In 2005, the total external debt stock of the OIC-LDCs still accounted for 51.3 percent of that of all-LDCs and 11.2 percent of that of the group of OIC countries. Furthermore, the OIC-LDCs managed to keep their debt service liabilities more or less around the same level during the same period. Thus, in 2005, the total debt service of the OIC-LDCs amounted to only \$2.5 billion compared to \$2.3 billion in 1990. Accordingly, the share of the OIC-LDCs in total debt service of all-LDCs decreased from 53.1 percent in 1990 to 40 percent in 2005.

*Table 7: Total External Debt (EDT) and Total Debt Service (TDS)*

	1990	2001	2002	2003	2004	2005
<b>Total External Debt (EDT)</b>						
All LDCs (Billion US\$)	124.7	138.7	147.0	157.0	163.0	157.4
As % of DCs	9.4	6.1	6.2	6.1	5.9	5.7
<b>OIC-LDCs (Billion US\$)</b>	62.3	70.6	75.5	80.9	84.4	80.7
As % of:						
All LDCs	50.0	50.9	51.4	51.5	51.8	51.3
OIC countries	15.1	11.5	11.6	11.5	11.3	11.2
<b>Total Debt Service (TDS)</b>						
All LDCs (Billion US\$)	4.3	5.4	5.3	5.2	6.0	6.3
<b>OIC-LDCs (Billion US\$)</b>	2.3	2.1	1.9	2.1	2.4	2.5
As % of all LDCs	53.1	38.9	36.1	40.5	40.5	40.0

The composition of the external debt stock is an important factor in debt analysis since it has a direct bearing on debt repayment, rescheduling and relief. The total external debt stock is made up, in general, of long-term debt (LDOD), short-term debt (STD), and the use of IMF credits (IMF CR). The LDOD, in turn, includes private non-guaranteed debt and public and publicly

guaranteed debt. According to the figures in Table 8, long-term debt remained the largest component of the external debt of the group of all LDCs, including the OIC members. In 2005, the share of the long-term debt in the total external debt stock was 84.8 percent in the OIC-LDCs. The share of the short-term debt in the total external debt stock did not show a significant change over 1990. In 2005, it realized as 12 percent in OIC-LDCs (with a decrease of 0.7 percentage points). On the other hand, with a share of around 4 percent, the use of IMF credits continued to constitute the smallest component of total external debt stock. It is also worth noting that more than 83 percent of the long-term debt stock of all the LDCs, including the OIC members, is still in the form of public and publicly guaranteed debts.

*Table 8: Composition of Total External Debt Stock (% of Total)*

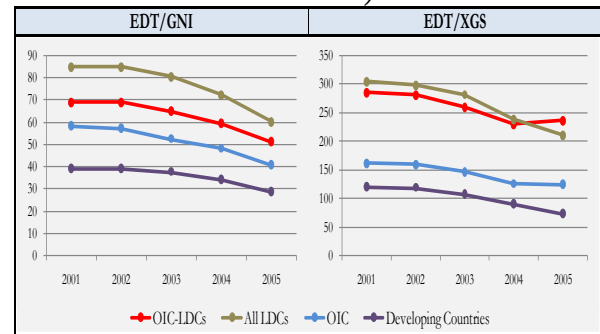
	1990	2001	2002	2003	2004	2005
<b>All LDCs</b>						
Long-term Debt (LDOD)	85.2	83.6	86.0	86.7	85.8	85.2
Short-term Debt (STD)	10.5	12.1	10.2	9.7	10.3	11.4
Use of IMF Credits (IMF CR)	4.3	4.0	4.1	3.9	3.9	3.5
<i>Public and Publicly Guaranteed</i>	84.5	81.9	84.2	85.3	84.3	83.4
<b>OIC-LDCs</b>						
Long-term Debt (LDOD)	82.6	84.1	84.2	85.1	84.9	84.8
Short-term Debt (STD)	12.7	11.8	11.8	11.1	11.6	12.0
Use of IMF Credits (IMF CR)	4.7	4.2	4.0	3.8	3.6	3.2
<i>Public and Publicly Guaranteed</i>	81.2	81.0	81.4	83.3	83.1	83.1

The levels of indebtedness and repayment burden are also an important factor in monitoring and analysing the external debt situation in the LDCs. In general, the capacity of a debtor country for the repayment of its external debt and debt service obligations depends largely on its own production capacity and, ultimately, on its earnings of foreign exchange through exports. In measuring a country's level of indebtedness and repayment capacity, certain ratios are used, where the indebtedness level is measured by the debt-GNI ratio and debt-export ratio, while the debt repayment burden is measured by the debt-service ratio and interest-service ratio.

The debt-GNI ratio (EDT/GNI) of a particular country estimates the burden of that country's external debt on its productive capacity and gives an indication of the degree of its solvency. A high ratio signifies that the rate of growth in external debt is higher than that of GNI, implying that the debt burden is heavy. This suggests a deterioration of creditworthiness as the country is supposed to sacrifice an increasing part of its total production capacity to pay back its debt. On the other hand, since the repayment of external debt is mostly financed by export earnings, it follows that the capacity of a debtor country for repayment is shown by external debt as a percentage of its total exports of goods and services, i.e. by the debt-export ratio (EDT/XGS). The debt-export ratio gives an estimate of the equivalent number of years of exports required to repay a country's total outstanding external debt.

Thus, Figure 6 shows that although the average debt-GNI ratio of all-LDCs as a group showed a slightly decreasing trend since 1990, it was, until 2003, higher than the critical limit of 80 percent<sup>6</sup> defined by the World Bank for severe indebtedness, before it declined to 72.3 percent in 2004 and 60.2 percent in 2005. Following a similar trend, the average debt-GNI ratio of the OIC-LDCs as a group was significantly lower than that of all-LDCs and the critical limit of 80 percent. However, the average debt-GNI ratios of the two groups were still significantly higher than those recorded by the OIC countries and the developing countries in the same period. Furthermore, the debt-GNI ratio of 6 of the OIC-LDCs in 2005 was still higher than the critical limit of 80 percent

Figure 6: Indebtedness Ratios (EDT/GNI & EDT/XGS)



Moreover, although the averages of the debt-export ratios of both all-LDCs and the OIC-LDCs as groups decreased steadily since 1990, they were still significantly higher than those recorded by the groups of OIC and developing countries as a whole. As of 2005, while the group of all-LDCs managed to decrease this ratio to 211 percent below the critical limit of 220 percent defined by the World Bank for severe indebtedness<sup>7</sup>, the group of OIC-LDCs was still beyond that limit with a ratio of 237 percent. In the same year, the debt-export ratio for showed that, on average, almost three years' exports earnings would have been required to repay the external debt for the OIC-LDCs. At the individual country level, the highest debt-export ratios in 2005 were recorded at 621 percent in Sierra Leone and 308 percent in Sudan, while the lowest rates were 65.3 and 75.1 percent for Yemen and Maldives, respectively.

In contrast, Figure 7 shows a quite better performance of all LDCs in terms of debt payment burden ratios, particularly the OIC members, when compared to the OIC and the developing countries. The debt-service ratio (TDS/XGS) decreased from 16.6 percent in 1990 to 7.5 percent in 2005 in the OIC-LDCs. In fact, as a traditional indicator of creditworthiness that reflects the ability of a country to continue borrowing, the higher is the debt-service ratio, the greater will be the

<sup>6</sup> World Bank, Global Development Finance 2005, p. xxxi.

<sup>7</sup> Ibid.

possibility that, in case of a severe decline in exports earnings, the country will no longer be able to meet its debt service obligations and will seek a rescheduling of its external debt payments.

Figure 7: Debt Payment Burden Ratios (TDS/XGS & INT/XGS)

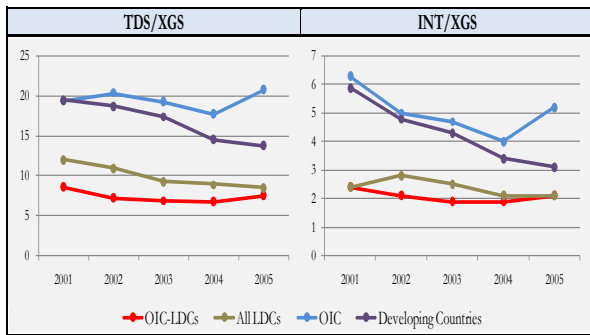


Figure 7 also shows that all LDCs, particularly the OIC members performed considerably better than the OIC and the developing countries in terms of interest-service ratio (INT/XGS). This ratio decreased from 6.0 percent in 1990 to 2.1 percent in 2005 in the OIC-LDCs. In this context, it is worth mentioning that the interest-service ratio is perhaps a better indicator of the debt-servicing capacity than the debt-service ratio, because creditors are more concerned with the debtor country's ability to service its interest obligations than to pay back the principal amount of debt. Yet at the level of individual countries, the situation is more complicated than what is reflected to especially the aggregate figures. It should only be mentioned in this context that 17 out of the 22 OIC-LDCs are currently classified as heavily-indebted poor countries (HIPC).

In fact, the slight improvements achieved since 2000 in the external debt situation of the LDCs,

including the OIC members, were due to debt relief grants and other actions taken in 1999 in the context of the HIPC initiative. Since most of the external debt of the LDCs is owed to multilateral official creditors in the form of official loans, the HIPC initiative is vital to the LDCs, particularly those with unsustainable external debt levels. Reaffirming and accelerating the international community's support regarding aid and debt relief is, therefore, an important requirement for promoting economic growth and poverty reduction in the LDCs, including the OIC members.

The serious debt problems of the LDCs, including the OIC members, necessitate a comprehensive solution, including the full, speedy and effective implementation of the enhanced HIPC initiative and other multilateral official debt relief measures, with a view to addressing the structural causes of indebtedness and the issues relating to the provision of ODA. The actions and measures taken by the donor community, particularly by the members of the Paris Club and other bilateral creditors, to provide faster, deeper and broader debt relief for the HIPCs, including a moratorium on debt service payments by the LDCs, are useful steps towards solving the serious debt problems in these countries.

On the other hand, the debtor LDCs themselves should aim at maximizing benefits from debt relief by creating a conducive national framework, including fiscal reforms, a budgetary framework, sectoral adjustments, contributing to poverty eradication and faster economic growth, export growth, increased savings and investment, enhanced productive capacities, employment and international competitiveness.



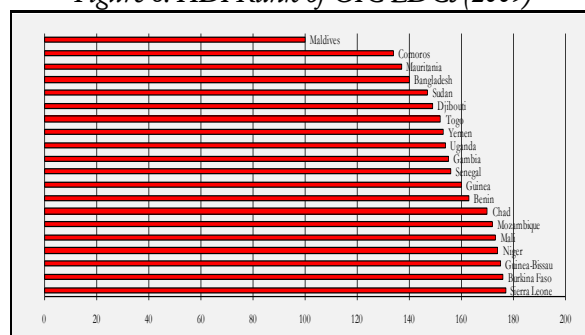
## HUMAN DEVELOPMENT AND POVERTY ERADICATION

The social dimension of the development process has gained special importance in recent decades on the grounds that people should be actively involved in the process with greater access to better social services, mainly education and health. Human development through more investment in people leads to a more efficient and productive resource allocation and, thus, acts as a growth generating mechanism. In fact, human development contributes directly to the well-being of the people through raising their living standards and eradicating poverty in the society. Indeed, like many developing countries, the LDCs, including the OIC members, continued to pay special attention to human development and eradication of poverty over the last decade. However, their experience in this regard shows that, although a few of them have made a relatively impressive progress in human development, including poverty alleviation, many others have met with serious setbacks in their efforts.

Regarding the recent overall picture of human development in the OIC-LDCs measured in terms of their UNDP's Human Development Index (HDI)<sup>8</sup>, out of the 20 OIC-LDCs for which the index was calculated in 2005, 10 are classified as medium human developed countries (MHDCs), while the remaining 10 are seen as low human developed countries (LHDCs), which shows an improvement in five countries since these figures were 5 and 15, respectively, in 2004. On the other hand, the HDI rankings of 170 countries around the world show that 10 of

the OIC-LDCs were ranked within the bottom 20 ranks globally. Maldives was the only OIC-LDC that managed to find a place among the top 100 countries in the index (see Figure 8). The real GDP per capita ranking appears to be better than the HDI ranking in 17 OIC-LDCs, which highlights the need for more investment in human resources and provision of enhanced and improved social services in these countries.

Figure 8: HDI Rank of OIC-LDCs (2005)



To gain a better understanding of the OIC-LDCs' human development performance in terms of their HDI, the main elements of this Index in these countries could be taken up individually. Life expectancy at birth is one of the most important aggregate indicators on human development since it reflects the level of access to health services in the society. Indeed, although the average life expectancy at birth of the group of OIC-LDCs (55.5 years) was almost the same as that of all-LDCs (55.6 years) in 2005, it came out to be lower than the average of the developing countries (66.1) and the world (68.1).

On the other hand, the access of people to knowledge through education and training plays a central role in human development which, in turn, contributes to higher standards of living by boosting economic growth. Overall progress in this area can be evaluated through two major indicators on access to knowledge: adult literacy

<sup>8</sup> An attempt to quantify the social dimension of the development process. It is a composite index of life expectancy at birth as a proxy for longevity, adult literacy rate and gross enrolment ratio as a proxy for knowledge, and real GDP per capita as a proxy for income.

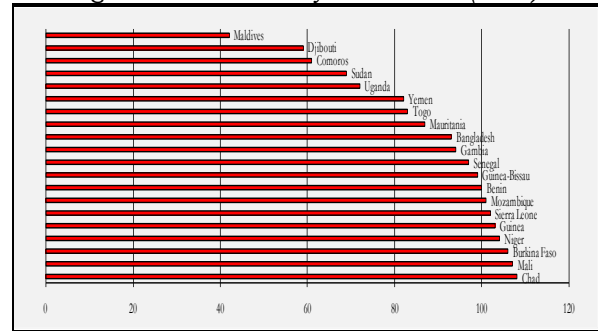
rate and gross enrolment ratio. In this connection, the average adult literacy rate in the OIC-LDCs (35.5) were found to be much lower than the average of all-LDCs (58.6), with only Maldives (96.3), Uganda (66.8) and Sudan (60.9) recording higher averages. Among OIC members and Burkina Faso, Niger, Mali, Chad and Guinea remaining below 30 percent. Moreover, the average gross enrolment ratio of the group of OIC-LDCs (44.8 percent) was also lower than that of all-LDCs (49.4 percent). In 8 of the OIC-LDCs, this ratio was higher than the latter, while it was lower than 30 percent in Djibouti, Burkina Faso and Niger.

The problem of poverty in many OIC-LDCs seems to emanate in general from the fact that large segments of their populations are still unable to fulfil their basic social and human needs, and to access the means to improve their incomes. Poverty is a complex multi-dimensional phenomenon associated with fragile economies and underdeveloped and insufficient human resources and social services and inadequate economic and social policies. In this context, the UNDP Human Poverty Index (HPI) is an attempt to quantify the human dimension of poverty. It is a composite index based on three essential aspects of human deprivation: longevity measured by the probability at birth of not surviving to age 40; access to knowledge measured by adult illiteracy rate; and standard of living measured by the percentage of population not using improved water sources and the percentage of underweight children under age 5 .

According to the HPI figures for 2005, an average of 42.5 percent (147.14 million) of the total population in the 20 OIC-LDCs suffered from poverty. The HPI was higher than 50 percent in 7 OIC-LDCs, namely Chad, Mali, Burkina Faso, Niger, Guinea, Sierra Leone and Mozambique, which means that more than half of the population of these countries suffered

from human poverty. Moreover, it is also observed that in terms of the HPI rankings calculated for 108 countries, 9 of the OIC-LDCs were globally ranked within the bottom 10 ranks (Figure 9).

Figure 9: HPI Rank of OIC-LDCs (2005)



When the progress of the OIC-LDCs in terms of the main indicators of human poverty is considered, many of these countries are still found to be far from achieving satisfactory levels in terms of poverty alleviation. The probability at birth of not surviving to age 40 in 2005 was still more than 30 percent in 6 of the OIC-LDCs. The adult illiteracy rate was still more than 50 percent in 10 of the OIC-LDCs. The percentage of the population without access to improved water sources was more than 30 percent in 13 of the OIC-LDCs and 50 percent and more in 5 of them. The percentage of underweight children under age 5 was still 30 percent and more in 9 of the OIC-LDCs.

Since poverty is one of the world's greatest challenges and a major obstacle to economic and social development, the international community has considered its reduction and improving access to basic health and education services as major goals for development. In this respect, the international community agreed at the World Summit for Social Development in 1995 on the need for time-bound goals and quantitative targets for reducing poverty, and put a special emphasis on elaborating definitions, indicators and measurements of poverty. Consequently, the Millennium Development

Goals (MDGs) were set at the Millennium Summit in 2000. The main targets set for 2015 were to halve the proportion of people suffering from hunger, achieve universal primary education, reduce infant and child mortality rates by two thirds, and halve the proportion of people without access to

improved water sources. All in all, the actual state of human development and poverty alleviation as discussed above reflects clearly the slow progress made so far by the majority of the OIC-LDCs in their efforts towards achieving the MDGs of human development.

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## CONCLUSION

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With more than 700 million people, the current 50 LDCs (including the 22 OIC-LDCs ) represent the poorest and weakest segment of the international community. They are particularly less equipped to develop their domestic economies which are extremely vulnerable to external shocks and natural disasters. The structural weakness of their economies and the lack of capacities relating to growth and development, often compounded by geophysical handicaps, impede the continuous efforts they make to improve effectively the standards of living of their populations. Therefore, the economic and social development of those countries represents major challenges for themselves and their development partners as well as the whole international community.

With a total population of 354.75 million in 2006 (48.5 percent of the total population of all LDCs), the 22 OIC LDCs accounted for 54.8 percent of the total output (GDP) of all LDCs' and 39.1 percent of their total merchandise exports. The majority of the OIC-LDCs (18 countries) are located in the region of sub-Saharan Africa and 4 in Asia. 6 of these countries are land-locked and two are small island countries.

The OIC-LDCs, especially those in sub-Saharan Africa, are particularly less-equipped to develop their domestic economies and ensure a sustainable and adequate standard of living for their populations. Their economies are also

extremely vulnerable to external shocks and natural disasters where 14 of them are still classified as non-oil commodity exporters, depending for their growth and development on producing and exporting a few commodities, mostly agricultural. Moreover, 17 of them are also classified as Heavily Indebted Poor Countries (HIPC).

The economic performance of the LDCs as a group, including the OIC-members, in terms of real GDP growth rates, remained solid during the period since 2000. The encouraging growth of these countries, particularly since 2003, was underpinned by a significant increase in the external resource flows to them. This increase was driven particularly by increased private financial flows, including FDI, and Official Development Assistance (ODA) during the said period. Progress was also made in terms of increasing the value of their exports due to the increase in world commodity prices in the same period.

However, despite this overall encouraging picture of economic growth performance, there still exists a tendency for increasing divergence amongst these countries. In this context, it is observed that the bulk of output, exports and resource flows are still concentrated in a limited number of countries. Indeed, some important issues regarding sustainable development continue to be a cause for concern. These include, among others, the high dependency on

external aid inflows and primary commodity exports with volatile world prices, the heavy external debt burden and the slow progress in human development and poverty eradication fronts.

Considering those vulnerabilities and constraints, the group of LDCs receives special attention of the UN and other aid organizations since their development needs are greater than those of other developing countries (DCs). In this connection, it was recently recognised that commitment to provide more effective international support for all the LDCs is required. To this end, the Third UN Conference on the LDCs adopted, in May 2001, the Programme of Action for the LDCs for the decade 2001-2010. The Programme articulates policies and measures to be undertaken by the LDCs, on the one hand, and their development partners, on the other, to promote the sustainable economic growth and development of the LDCs and their beneficial integration into the world economy.

The States and Governments participating in the Third UN Conference on LDCs committed themselves to working together to assist these countries by providing them access to financial resources and paying special attention to their specific needs. In this context, the developed countries, particularly the

development partners of the LDCs, i.e. the creditors and donors, should do their best to fulfil their commitments to the agreed targets, policies and measures, and extend adequate support, especially financial and technical, for their implementation. In particular, they should make concrete efforts towards meeting the internationally-agreed levels of ODA and debt relief for all of the LDCs.

The implementation and follow-up of the Programme of Action for the LDCs for 2001-2010 are also of primary importance. Indeed, effective mechanisms and arrangements for the implementation, follow-up, review and monitoring of those policies and measures are to be established at the national, regional and international levels. At the national level, the OIC-LDCs may undertake this task within their respective national development plans and with the involvement of the civil society, including the private sector. At the OIC-regional level, the OIC countries may continue and accelerate their cooperation efforts to extend technical, financial and other forms of aid to the least-developed members. In this connection, the Report ends with a set of broad policy recommendations under each of the seven priority areas set out in the Programme of Action for the LDCs for 2001-2010.

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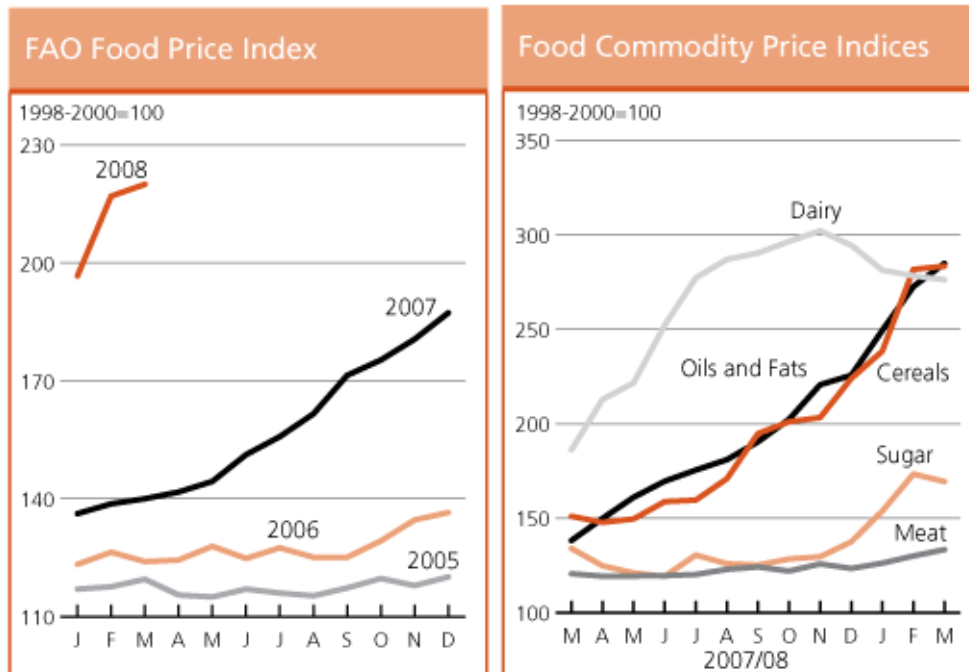
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## SHARP RISES IN FOOD PRICES: CAUSES, IMPACTS AND POLICY ACTION

İlhan Uğurel, SESRIC

Since 2005, and especially during the past year, sharp and sustained price increases for some of the most basic foodstuffs traded on international commodity markets have hit with little warning, so that, from March 2007 to March 2008, the price of wheat has more than doubled (130 percent), corn rose by 31 percent, rice by 74 percent and soya by 87 percent, all of which were well above their average levels for the 1990s. Rice

and coffee prices are running at 10-year highs, and, in some countries, prices for milk and meat have more than doubled. Furthermore, once the price of rice or wheat has risen, the ensuing panic led to hoarding by speculators and export controls imposed by food producing countries. So, less was available to be exported to countries that rely on food imports.



Source: FAO

In the individual member countries of the Organization of the Islamic Conference (OIC), rice prices more than doubled in Cote d'Ivoire from March 2007 to March 2008, while in Senegal, wheat prices doubled in one year from February 2007 and sorghum went up by 56 percent. In Nigeria, prices of sorghum and millet have doubled in some regions in five months. The price of wheat flour in northern Somalia has almost tripled during last year, while in Sudan

wheat prices were 90 percent higher in February 2008 than a year earlier. In Uganda, prices of maize in March 2008 have risen by 65 percent since September last year, while in Mozambique they were 43 percent higher than a year ago. Price of rice in Bangladesh, an import, increased by 66 percent in the same period, while in Tajikistan prices of bread in February 2008 were twice their levels in 2007.

This came as a shock since these peaks followed a period stretching back more than 30 years, during which the prices of basic foodstuffs have remained relatively constant. For most of this period, the cost of staples such as wheat, corn and soya has actually fallen in real terms. Moreover, food buffer stocks were also reduced to all-time lows as countries saw no need to accumulate them. Furthermore, apparently this long period of stability is turning into a new era of volatile

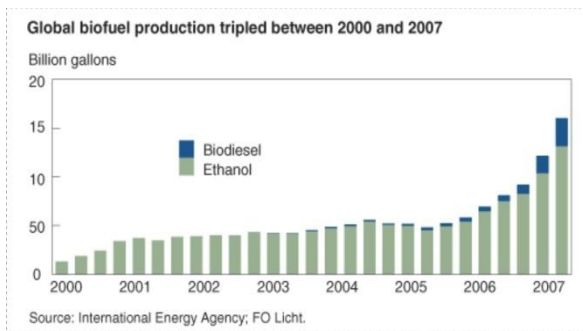
and rising prices that will extend into the near future.

Unlike in the case of other price increases, the food shortages emanating from the sharp price rises pushed an additional 100 million people into poverty, leading to civil unrest in Egypt, Cameroon, Cote d'Ivoire, Senegal, Burkina Faso, Indonesia, Madagascar and Haiti in the past month. In Pakistan and Thailand, army troops have been deployed to avoid seizing of food from the fields and from warehouses.

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## REASONS FOR THE PRICE INCREASES

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The basic reason for these price rises is the growth in world population which will reach 8 billion in 2025 and nine billion by 2050. This creates a pressure on many key resources such as land, water and oil, as well as the food supply.

The recent surge in demand for more meat and processed foods from the rising middle classes of the emerging economies, headed by

China and India, figure as a major additional factor here. For example in 1980 meat consumption in China was 20 kilos per head, while it rose to 50 kilos in 2007.

These figures are critical because although 1,000-2,000 litres of water is needed to produce 1 kilo of wheat, 10,000 to 13,000 litres are needed to produce a kilo of beef.

High fuel costs, bad weather in key food producing countries, the increase in land allocated from food production to bio-fuels, the impact of climate change, droughts and desertification in various producing regions, more frequent flooding and changing patterns of rainfall are also having a significant impact on agricultural production.

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## THE IMPACTS

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Food price inflation hits the poor hardest, as the share of food in their total expenditures is much higher than that of wealthier populations, food representing about 10-20 percent of consumer spending in industrialized nations, but as much as 60-80

percent in developing countries, many of which are net-food-importers. 21 of 36 countries in a food security crisis are in Sub-Saharan Africa, according to FAO. The region imports 45% of its wheat and 84% of its rice. West Africa, the Horn of Africa, and

fragile states are especially vulnerable. Weather-related shocks and civil strife worsen the impact in some countries. Most countries in Asia are net food importers and have suffered severe trade shocks. A 2 kg bag of rice now costs half the daily income of a poor family in Bangladesh. In Indonesia, a 10% rise in rice prices means 2 million more people will be plunged into poverty, according to a recent assessment.

Thus, the main losers appear to be the poor people who live in cities in the developing countries, who are facing higher prices for

imported food. This is happening above and beyond the fact that the continuing global credit crisis was already threatening to reverse the progress made so far in alleviation of poverty in many of these very countries and regions. The problem is widespread misery and malnutrition, more than famine. The World Food Program (WFP) has been helping 70 million people living on 50 cents a day with food aid, but the sharp rise in costs brought about a \$750m budget shortfall the WFP that needs to be replenished rapidly, if the future programs are to be sustained.

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### SHORT-TERM ACTION TAKEN

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The 82-country list of Low-Income Food-Deficit Countries (LIFDC) of the FAO and World Bank includes food deficit countries (those remaining below the eligibility level for IDA assistance of USD 1,575 and are to be given priority in the allocation of food aid). It is important to note that in addition China, India and Philippines, large OIC countries like Egypt, Indonesia, Nigeria and Pakistan, none of which are Least Developed Countries (LDCs), are also among the 82 LIFDCs.

As for the OIC member countries, 36 out of the 57 members are in this list, of which 21 are LDCs (only data for Maldives is missing). Out of the 36, 22 are from Africa (18 LDCs plus Cameroon, Côte d'Ivoire, Morocco and Nigeria), 13 from Asia (3 LDCs plus Azerbaijan, Egypt, Indonesia, Iraq, Kyrgyzstan, Pakistan, Syria, Tajikistan, Turkmenistan, Uzbekistan) and one, Albania, from Europe.

As policy response against civil unrest and social upheaval reacting to sharp price increases, different governments have taken

various measures to limit the effects international price hikes on domestic prices. Within the OIC group of countries, Afghanistan, Azerbaijan, Bangladesh, Burkina Faso, Cameroon, Indonesia, Kazakhstan, Kyrgyzstan, Maldives, Morocco, Pakistan, Sudan and Tunisia, reduced taxes on food grains, Bangladesh, Burkina Faso, Indonesia, Maldives, Morocco, Pakistan, Sudan, Tunisia and Yemen, increased supply using food grain stocks, Bangladesh, Egypt, Niger, Pakistan, Sudan and Uzbekistan imposed export restrictions, Azerbaijan, Bangladesh, Cameroon, Egypt, Indonesia, Kyrgyzstan, Maldives, Morocco, Niger, Pakistan, Tunisia, Uzbekistan and Yemen applied price controls and/or consumer subsidies. At a more micro level, the Malaysian government continued to regulate the price of rice and made plans to increase its stocks, the Senegalese government subsidized the purchase of wheat flour, waived tariffs and imposed price controls, while in Cote d'Ivoire, the authorities suspended the import duties on essential foods temporarily.

The FAO has put out certain key forecasts relating to the cereals outlook for the LIDFDC group of countries, where it is foreseen that (i) aggregate cereal production will increase in 2008, but by less than the population growth, leading to lower stocks, higher imports and reduced consumption per head, (ii) the cereal import bills will rise

considerably due to the increases in global prices, freight and the price of oil, especially for those in Africa, (iii) all of these factors will bring about sharp increases in domestic food prices, with serious reflections on especially the urban poor and food deficit farmers.

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## LONGER TERM POLICY RESPONSES

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As mentioned above, many countries are subsidizing the price of food, and there are calls for targeted subsidies to help the poor, but in the longer term, international aid agencies have called for support for increasing food production in the developing countries. Many feel that the world could produce the food needed, but it will take time, effort, long term global investment in the food supply chain to help out especially the small farmers, most of whom are in the developing countries and are suffering from rapidly rising fertilizer prices, poor land, inadequate tools and lack of transport facilities.

Although some poor farmers are also benefiting from higher food prices, the main gainers are farmers in rich and emerging market nations like the US, Brazil, Argentina, Canada and Australia, who are getting record prices for their harvests. So, they should act quickly to take up the slack in the global emergency food aid. Also assistance to agriculture in Africa and other developing regions should also be increased.

On the other hand, while food makes up about 10–15 percent on average of consumption in rich countries, it constitutes 50 to 80 percent of the family budget in many of the poorer developing countries.

This means that the same global increase in the prices of corn, wheat, milk, and meat is being reflected as higher inflation in these countries. Furthermore, the need to spend more for food imports than before in these countries will end up diverting substantial amounts away from imports of real development needs. All in all, the gains to be made by farmers in the developing countries from higher food prices will be much outweighed by the overall losses of their countries and the sufferings of their urban compatriots that will eventually be realized.

Despite the overall gloomy atmosphere, for especially the Developing and the Least Developed Countries, some analysts argue that the present crisis has created the right opportunity for the developed countries to ease out their farm subsidies, and improve access to their protected agricultural markets, since high food prices are already making subsidies mostly unnecessary, as seen in the European Union's decision to suspend the export subsidies for milk.

It is also argued that tariffs on the import of bio-fuels (e.g. ethanol produced from sugar) into rich countries should also be eliminated, allowing freer trade, which would generally help agricultural sectors everywhere and bring benefits to poor, rural



societies and the developing and the least developed countries as a whole. Opportunities to expand land use will be greater and a substantial enhancement of value-added in the agriculture sector will be ensured, if all the countries are given incentives to produce bio-fuels for a truly global market.

Finally, many analysts argue that the rising food prices also create opportunities for the producing countries, especially the developing ones, to

encourage, with support from their international development partners, the expansion of domestic agricultural production by improving infrastructure, distribution and storage systems, and removing distortions and barriers to trade by providing the correct incentives and non-distorting support measures to the farmers.

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## TRENDS IN INTERNATIONAL MERCHANDISE TRADE: A REVIEW OF THE OIC MEMBER COUNTRIES

Esat Bakımlı, SESRIC

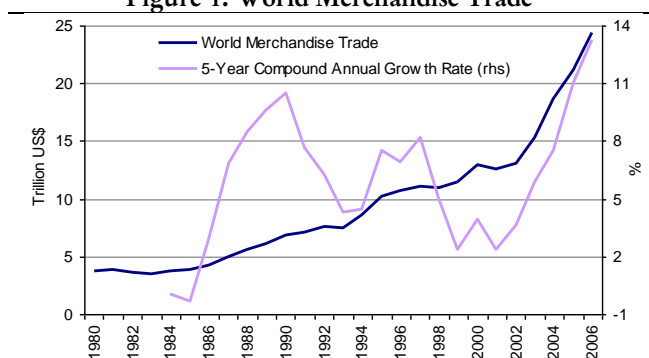
### Introduction

The volume of merchandise trade among countries has been rapidly increasing in the recent two decades along with the tidal wave of globalization that began in the late 1980s. In this respect, the growing levels of economic integration through the emergence of economic blocks in addition to the increasing number of trade agreements around the world, the formation of more flexible global production systems thanks to the developments in information and telecommunication technologies accompanied by the proliferation of multinational firms and foreign direct investments, and the improvements in modes of transportation that have resulted in lower costs have been the major contributors to the expansion in the global merchandise trade.

1980-2006, the second half of the 1980s and the mid-1990s witnessed booms, while the recent years also recorded unprecedented growth rates that are likely to extend into the future.

This study presents the developments in the structure and patterns of international merchandise trade of the member countries of the Organisation of the Islamic Conference (OIC) for the period 2000 – 2006 that began with a global economic slowdown but ended with a great resurgence. It should be noted that all the trade figures in this study are expressed in current prices and cover only the “visible trade” –the exports and imports of physical goods– leaving out the “invisible trade” that comprises expenditures on services, property income payments, and transfer payments. On the other hand, exports are valued at f.o.b. prices while imports are valued at c.i.f. prices.

Figure 1: World Merchandise Trade



Source: Estimates from IMF's Direction of Trade Statistics, December 2007.

With these in mind, estimates show that world merchandise trade –exports plus imports of goods– amounted to US\$ 24.4 trillion in 2006, more than six times that of the 1980 level of US\$ 3.8 trillion (Figure 1). During the period

In addition to the OIC level aggregation comprising all member countries, an aggregation into sub-groups has also been employed in the study where necessary in order to better reflect their situations: the Fuel Exporting Countries (FECs), major export incomes of which come from fuel, the Least Developed Countries (LDCs), as classified by the United Nations, and the remaining ones as the Middle-Developed Countries (MDCs)<sup>9</sup>.

### *Total Exports and Imports*

Total exports of the OIC member countries was US\$ 539 billion in 2000 and, after a decline in the following year, they showed an

<sup>9</sup> See Appendix 1 for this classification.

increasing trend and arose to US\$ 1221 billion in 2006 (Figure 2).

**Figure 2: Total Exports and Imports**

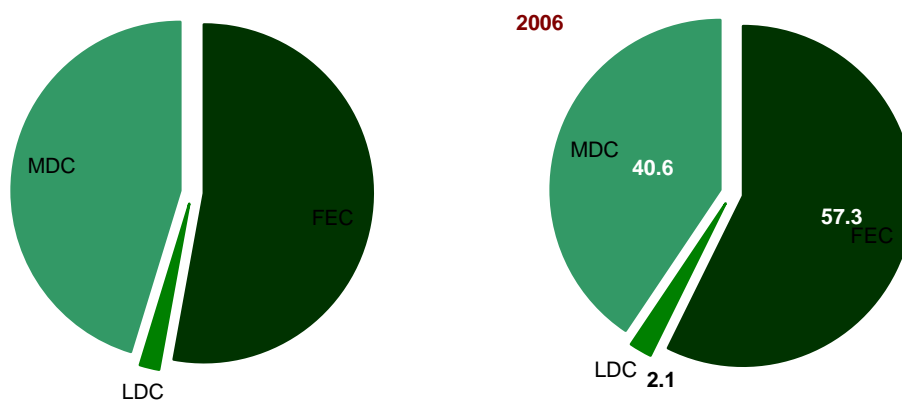


Source: SESRIC, BASEIND Statistical Database.

On the other hand, total imports also followed the same trend in this period, reaching up 2001 was obviously due to the global economic downturn experienced in 2000-2001, mainly induced by a sharp increase in oil prices in 2000 (57%) but followed by a decline in the prices of all commodities including oil (13.8%) in 2001, which all had an important effect on the global economic performance at that time. Although the 17 fuel-exporting countries of the OIC account for more than half of its total exports, it is not straightforward to argue that they may have

been benefited from high oil prices of the year 2000 so as to generate an increase in the total exports in that year. Part of their export earnings was, by nature, offset by losses from decreased demand for exports due to economic recession experienced by their trading partners. Considering the negative impacts also on the oil-importing members, it seems that the gain of the oil-exporting countries provided by high oil prices was less than the loss of the oil-importing countries, resulting in net negative effect on the total exports of the OIC. The signs of lower global demand are also clear from the decrease in prices of all commodities in the following year, which was reflected as lower exports and imports as well. As shown by Figure 3, the share of FECs in total exports of the OIC was 52.9% in 2000 and even higher in 2006 (57.3%), indicating to an increasing share of the exports of the OIC coming from these countries. At the other extreme, the 20 LDCs of the OIC constituted only 1.9% and 2.1% of the total exports in the respective years. The remaining countries that are classified as MDCs accounted for 45.3% of the total exports in 2000, but this share decreased to 40.6% in 2006.

**Figure 3: Distribution of Total OIC Exports by Groups of Countries: 2000 vs 2006 (%)**

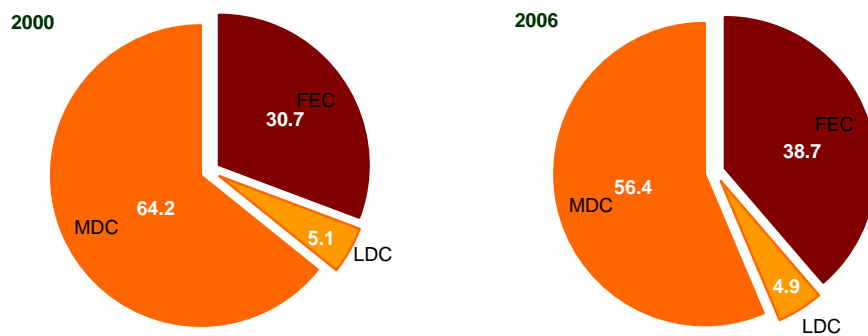


Source: SESRIC, BASEIND Statistical Database.

As for imports, it is clear from Figure 4 that the greater part of the imports of the OIC belonged to the MDCs, though their share fell from the 2000 level of 64.2% to 56.4% in 2006. All of this decrease was reflected in a boost in the share of the FECs from 30.7% to 38.7% as the share of the LDCs also slightly decreased from 5.1% to

4.9%. Considering the developments in exports and imports together, the shares of the FECs and the MDCs in total trade of the OIC became almost equal in 2006 –48.9% and 47.7% respectively– while these shares were 43.5% and 53.3% respectively in 2000.

**Figure 4: Distribution of Total OIC Imports by Groups of Countries: 2000 vs 2006 (%)**



Source: SESRIC, BASEIND Statistical Database.

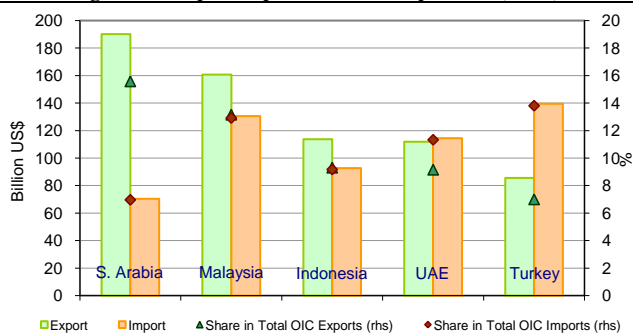
At the country level, Saudi Arabia was the leading exporter of the OIC with US\$ 190.2 billion, constituting 15.6% of the total OIC exports in 2006 (Figure 5). Together with Malaysia, Indonesia, United Arab Emirates, and Turkey, the exports of the top five countries accounted for 54.2% of the total OIC exports. On the other hand, Turkey was the leading importer of the OIC with US\$ 139.5 billion of

imports, constituting 13.8% of the total OIC imports. Together with the other four countries, the top five importer countries accounted for 54.2% of the total OIC imports. Such a concentration of trade in a few countries is a clear sign of the vast difference among the OIC member countries in terms of economic size and level of development.

### Trade Balance

Considering the period from 2000 to 2006, the trade balance of the OIC was always positive (Figure 6). Given the downward conjuncture in the world economy in the early 2000s, it decreased considerably to US\$ 82.7 billion in 2002, compared to the 2000 level of US\$ 143 billion, but then turned to an increasing trend and reached up to US\$ 210.7 billion in 2006.

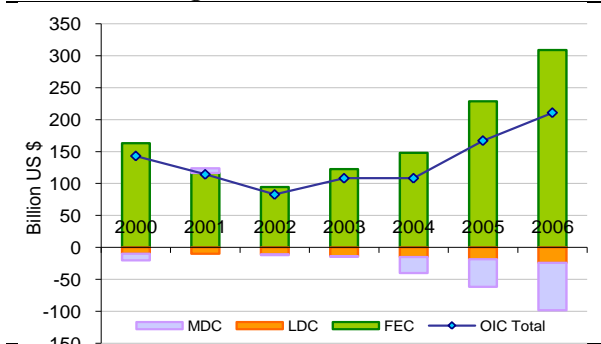
**Figure 5: Top 5 Exporters and Importers (2006)**



Source: SESRIC, BASEIND Statistical Database.

The highest contribution to this trade surplus came from the FECs. The trade surplus of this group reached up to US\$ 308.9 billion in 2006, almost doubling the 2000 level of US\$ 163.3 billion despite the shrinkage in 2001 and 2002 down to US\$ 94.6 billion (Figure 6). Surprisingly, the MDCs turned out to have improvement in the years of slowdown in global economic activity. Having a deficit of US\$ 10.3 billion in 2000, the MDCs created a surplus of US\$ 7.3 billion in 2001. In the following recovery period, however, these countries started to experience increasing deficits that reached US\$ 74.1 billion in 2006. On the other hand, the LDCs that had a deficit of US\$ 10 billion in 2000 continued to have increasing levels of deficits in the following years to reach up to US\$ 24.1 billion in 2006. Consequently, it is obvious that, thanks to their high amount of surplus, it is the FECs that give direction to the trade balance of the OIC as a whole.

**Figure 6: Trade Balance**

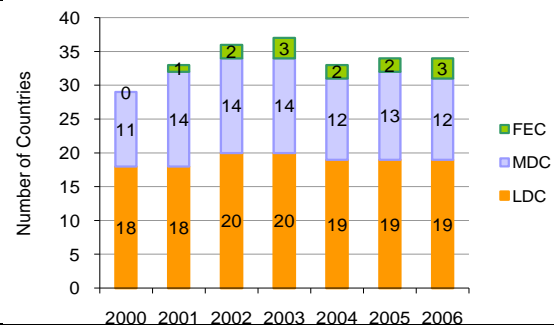


Source: SESRIC, BASEIND Statistical Database.

The trend in the number of countries with trade deficits was parallel to the developments in the trade balance of the OIC. Overall, there were 29 member countries suffering trade deficits in 2000 (Figure 7). This number increased in the following years to reach 37 in 2003. As of 2006, there were 34 member countries which had trade deficits ranging from US\$ 67.7 million by Guinea-Bissau to US\$ 54 billion by Turkey. At country-groups

level, the number of countries with trade deficits showed a parallel trend in all the groups –an increase between 2000 and 2003, a decrease in 2004, and relatively stable trend in the recent years (Figure 7). Among the 17 FECs, there was no country with trade deficit

**Figure 7: Countries with Trade Deficit**



Source: SESRIC, BASEIND Statistical Database.

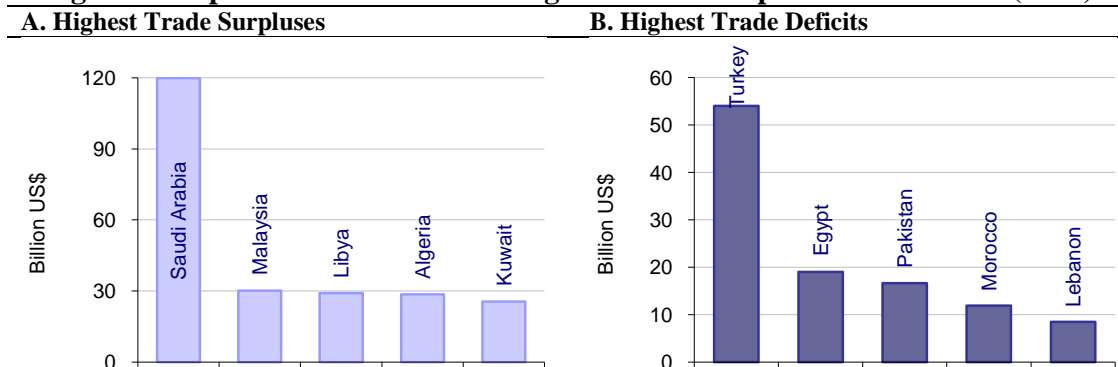
in 2000, while three of them –Sudan, United Arab Emirates, and Yemen– were experiencing trade deficits as of 2006. Actually, the trade balance of Sudan, which is also classified by the United Nations as an LDC like Yemen, was always negative in the period 2001-2006. As for the MDCs, 11 out of 19 countries had trade deficits in 2000, and this number was 14 in the following three years before reaching down to 12 in 2006. The unexpected trade surplus of this group in 2001 despite the increasing number of countries with deficits was the result of the higher level of contraction in deficits than in surpluses. On the other hand, among the 20 LDCs, Guinea and Guinea-Bissau were the only countries with a positive trade balance both in 2000 and 2001. In the next years, only Chad achieved a trade surplus, from 2004 to 2006.

Figure 8A shows that Saudi Arabia was by far the top country with the largest trade surplus of US\$ 119.9 billion in 2006. It was followed by Malaysia, Libya, and Algeria, each with around US\$ 30 billion of trade surplus. Four of the top five countries are from the FECs. Moreover, the surplus of only Saudi Arabia

was even more than the sum of the trade deficits of all the member countries -US\$ 111 billion- excluding Turkey, which experienced the largest trade deficit in the OIC in 2006 (US\$ 54 billion). The deficit of Turkey was

larger than the sum of the deficits of 28 member countries. Figure 8B shows the other four countries as well as Turkey that had the largest trade deficits in 2006.

**Figure 8: Top 5 Countries with the Highest Trade Surpluses and Deficits (2006)**

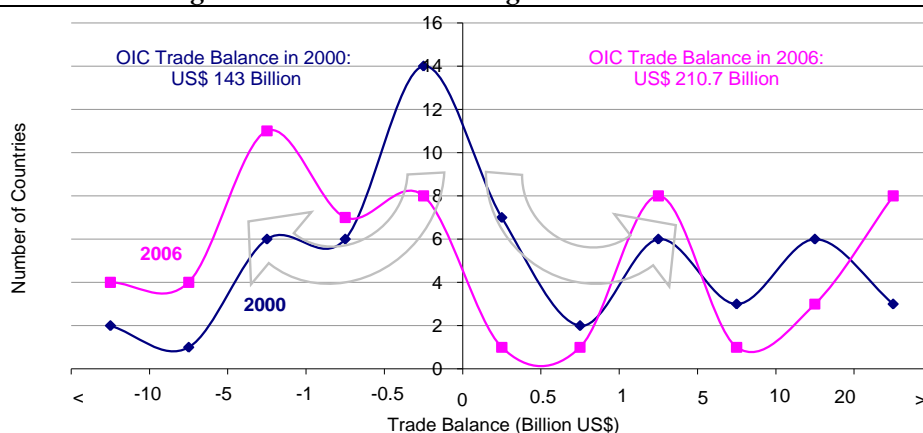


Source: SESRIC, BASEIND Statistical Database.

However, it was not only the change in the number of countries with deficit/surplus that characterized the overall trade balance of the OIC, but also the change in the size of these deficits/surpluses. As shown earlier by Figure 6, both surpluses and deficits increased remarkably in 2006 as compared to 2000, but the faster growth of surpluses gave occasion to the trade balance of the OIC to improve its 2000 level of + US\$ 143 billion up to + US\$ 210.7 billion in 2006. However, the number of

countries with trade deficit also increased from 29 to 34 in this period. In this respect, Figure 9 enlightens an important aspect of the change in the trade balance of the OIC that mainly originated from the substantial and rapid expansion of the global trade volume in the recent years. The comparison of frequencies of net trade volumes between 2000 and 2006 for the member countries revealed that the majority of countries formerly used to have quite small volumes of trade balances -up to

**Figure 9: Dimensional Change in the Trade Balance\***



Source: Source: SESRIC, BASEIND Statistical Database.

\* For the horizontal axis, the data points reflect the intervals they fall in, not the actual volume.

±US\$ 1 billion. However, the latter situation is that more countries with higher deficits and more countries with even higher surpluses.

As shown by Figure 9, the number of countries with trade deficit of less than US\$ 500 million was 14 in 2000 but this number decreased to 8 in 2006. The other 6 countries and the 5 new countries with deficit turned out to have larger deficits in 2006: 1 with up to US\$ 1 billion, 5 with up to US\$ 5 billion, 3 with up to US\$ 10 billion, and 2 with more than US\$ 10 billion. On the other hand, the number of countries with trade surplus of less than US\$ 500 million was 7 in 2000 but this number decreased, as well, to 1 in 2006. There was also a decrease in the number of countries which had a surplus of US\$ 0.5-1 billion (1 country), US\$ 5-10 billion (2 countries), and US\$ 10-20 billion (3 countries). This was reflected such that 5 more countries gave deficits in 2006, 2 more countries increased their surpluses up to US\$ 5 billion, and, most importantly, 5 more countries had a surplus of more than US\$ 20 billion. Briefly, the result is more losers with more loss vis a vis more winners with more gains.

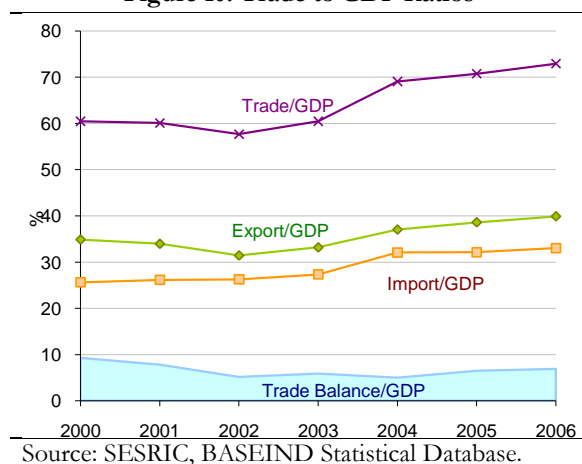
### *Trade to GDP Ratio*

Trade to GDP ratios are frequently used indicators to measure a country's "openness" or "integration" in the world economy, reflecting, to some extent, the foreign trade policy of the country. Figure 10 presents the development of the total exports and imports of the OIC as a percentage of its total GDP in the period from 2000 to 2006. Accordingly, it is observed that the exports constituted 34.9% of the GDP in 2000 while this ratio increased up to 39.9% in 2006 despite the decline in 2001 and 2002. On the other hand, the share of imports also increased from 25.6% to 33.0% in this period, but without any interruption. This implies that the openness ratio (the sum

of exports and imports divided by GDP) of the OIC increased from 2000 level of 60.5% to 72.9% in 2006, indicating fairly high openness and integration in the world economy.

On the other hand, the trade balance to GDP ratio presented by Figure 10 shows that the share of net foreign expenditures/demand (exports minus imports) in the GDP of the OIC decreased from 9.3% to 6.9% in the period 2000-2006, though it was always positive due mainly to the high surpluses of the FECs. The decrease in the trade balance during this period can be explained by higher growth rates of imports than exports, as described below.

Figure 10: Trade to GDP Ratios



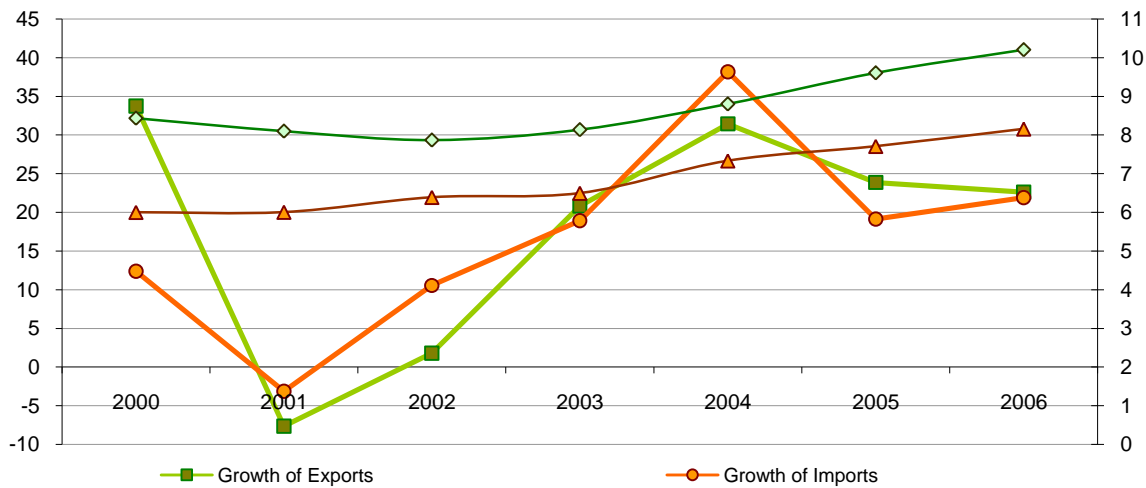
### *Growth Rates and World Market Shares*

During the recessionary years of the early 2000s, the annual growth rate of both exports and imports of the OIC showed a considerable decline, and even a negative growth in 2001 (Figure 11). While the annual growth rate of exports was %33.8 in 2000, there was a 7.7% decrease in 2001. Moreover, the growth rate in 2002 was only 1.8%, which was insufficient to bring the exports to their 2000 level. However, in the following two years, there was a significant increase in the exports, and, despite the declining trend in the recent two years, it still remained over 20% in 2006. On

the other hand, the annual growth rate of imports was also negative, but less than that of exports (-3.2%) in 2001 while it was 12.4% in 2000. Unlike in the case of exports, the 10.5% growth in imports in 2002 was high enough to exceed the 2000 level of imports. Given the

high growth rates also in the following two years, it is obvious that the import performance of the OIC was better than that of exports in 2001, 2002, and 2004, which clearly explains the decline in the trade balance in those years (Figure 10).

**Figure 11: Annual Growth of Exports and Imports and the World Market Share (%)**

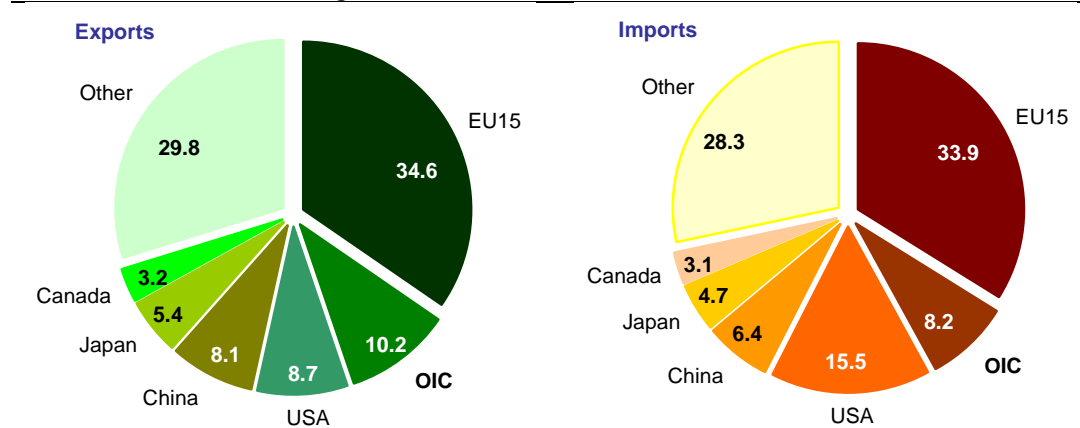


Source: SESRIC, BASEIND Statistical Database; IMF, Direction of Trade Statistics, December 2007.

The growth performance of exports and imports also gave direction to the course of the world market share of the OIC. As displayed by Figure 11, the exports of the OIC accounted for 8.4% of world exports in 2000, but this rate decreased down to 7.9% in 2002. Along with the recovery, world export market share of the OIC improved in the following

years and reached up to 10.2% in 2006. The imports of the OIC, on the other hand, constituted 6% of the world imports in 2000, and with a steady growth path, it reached up to 8.2% in 2006. Taking exports and imports together, the OIC member countries as a whole accounted 9.3% of world trade in 2006, compared to 2000 level of 7.2%.

**Figure 12: World Market Shares, 2006**



Source: IMF, Direction of Trade Statistics, December 2007.



Despite the improvement in the OIC member countries' share in world exports and imports, it appears that there is still a long way ahead to go, when compared to the leading economies in the world. As Figure 12 presents, the world export market share of the OIC lags well behind that of the 15 members of the European Union (EU15). Moreover, USA and China each have a share of more than 8% in world exports. As for imports, EU15 also has almost as high a market share as its export share, quite higher than the share of the OIC. Furthermore, the share of the USA alone is also higher than that of the OIC. Of course, lower import shares cannot be interpreted as a disadvantage unless the domestic economies are heavily dependant on imports.

### *Commodity Composition of Exports and Imports<sup>10</sup>*

Fuel constitutes more than half of the total exports of the OIC and, in the recent past, its share has been rising (Figure 13). In 2006, the share of fuel in the total exports was as high as 56.9% while it was 52.7% in 2000, indicating higher dependency on this commodity and thereby on fluctuations in oil prices in particular. On the contrary, the share of manufactures fell from 2000 level of 37.7% to 32.1% in 2006 and this decline was seen in all the sub-categories except chemicals, the share of which rose from 3.6% to 4.6%, yet again constituting the lowest share in manufactures.

Machinery & transport equipment took the lead in exports of manufactures in 2006 with a share of 13.9% in the total exports in spite of the decline from 2000 level of 17.4%. Miscellaneous manufactured goods and basic manufactures accounted for 7.2% and 6.5%, respectively, of the total exports in 2006, compared to 2000 level of 8.6% and 8.1%. Compared to the year 2000, the share of the other commodities in the total

exports of 2006 remained at the same low levels without a significant change: 5.8% for food, 3.4% for ores & metals, and 1.8% for agricultural raw materials.

In summary, the commodity composition of exports of the OIC did not change much in the analysed period, except the declining share of manufactures in favour of fuel, and, to a negligible extent, food and ores & metals.

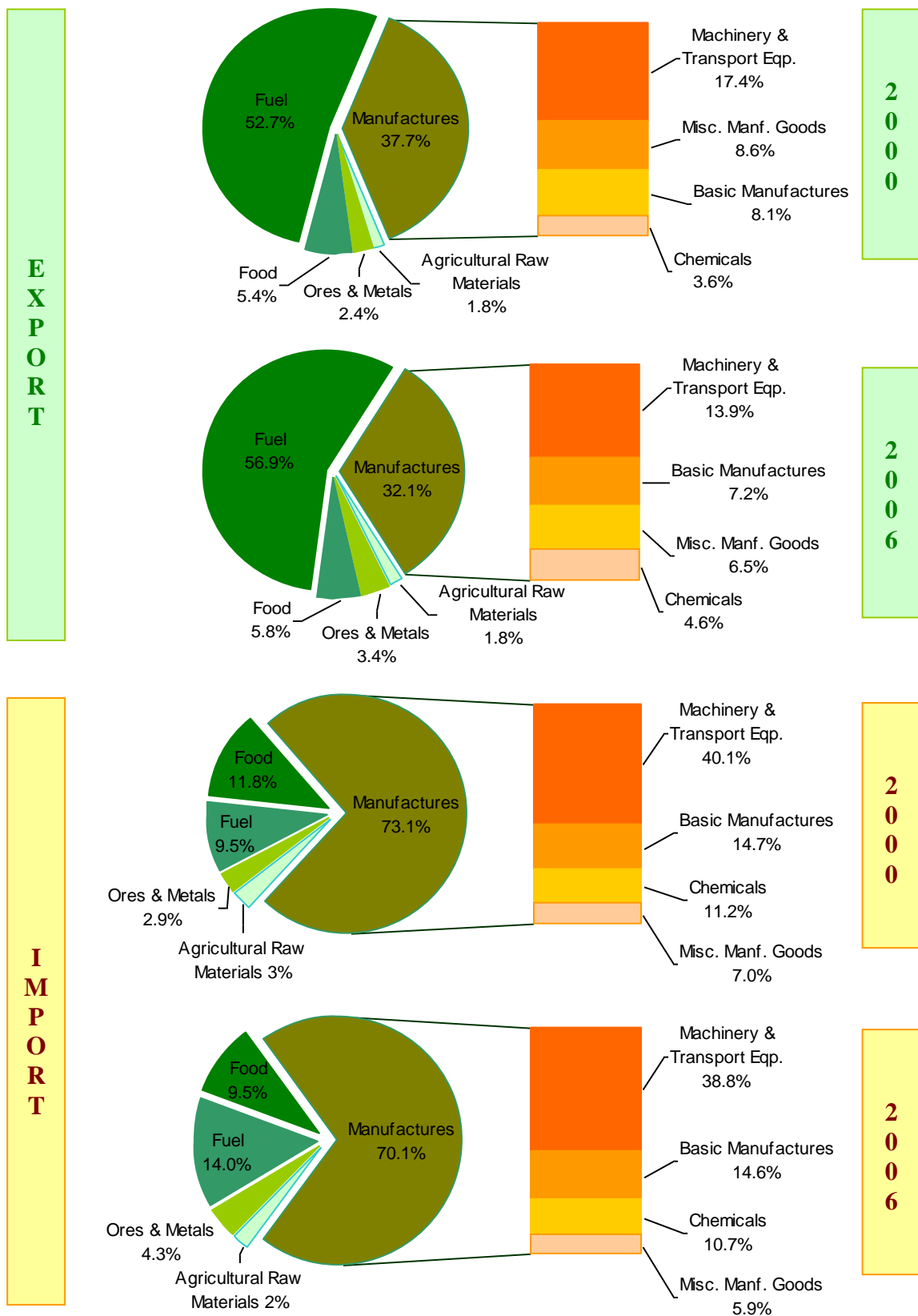
As for imports, it is clear from Figure 13 that the OIC member countries are heavily dependent on manufactured products. In 2006, manufactures constituted 70.1% of the total imports of the OIC, with a small decrease from the 2000 level of 73.1%. Among the manufactures, machinery & transport equipment had the highest share in total imports (38.8%) despite the decline from its 2000 level of 40.1%. Following were basic manufactures (14.6%) and chemicals (10.7%) with a slight decrease of less than 1 percentage point from their 2000 level. Compared to the 2000 level of 11.8%, food accounted for only 9.5% of the total imports of the OIC in 2006. Instead, the share of fuel increased from 9.5% to 14.0% in this period –with some contribution from the increased oil prices– in addition to the increase in the share of ores & metals as well, from 2.9% to 4.3%. On the other hand, the share of agricultural raw materials fell from 2.6% to 2.1%.

Overall, such a high share of manufactures in imports –more than twice as high as its share in exports– is an apparent sign of weak domestic industry, which may be explained by the low level of industrialization accompanied by insufficient developments in science and technology. However, this is undoubtedly problematic when it comes to ensuring low dependency on imports and thereby relieving the pressure on trade balance.

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<sup>10</sup> See Appendix 2 for definitions of the commodity groups analysed in this section.

Figure 13: Composition of Exports and Imports: 2000 vs. 2006



Source: Estimates from United Nations Commodity Trade Statistics Database (UN COMTRADE).

Further analysis into groups of countries reveals a better picture of the commodity composition of trade for countries with similar economic structure or level of development. In this context, Figure 14 presents the commodity composition of exports and imports of the year 2006 for OIC member countries grouped into FECs, MDCs, and LDCs.

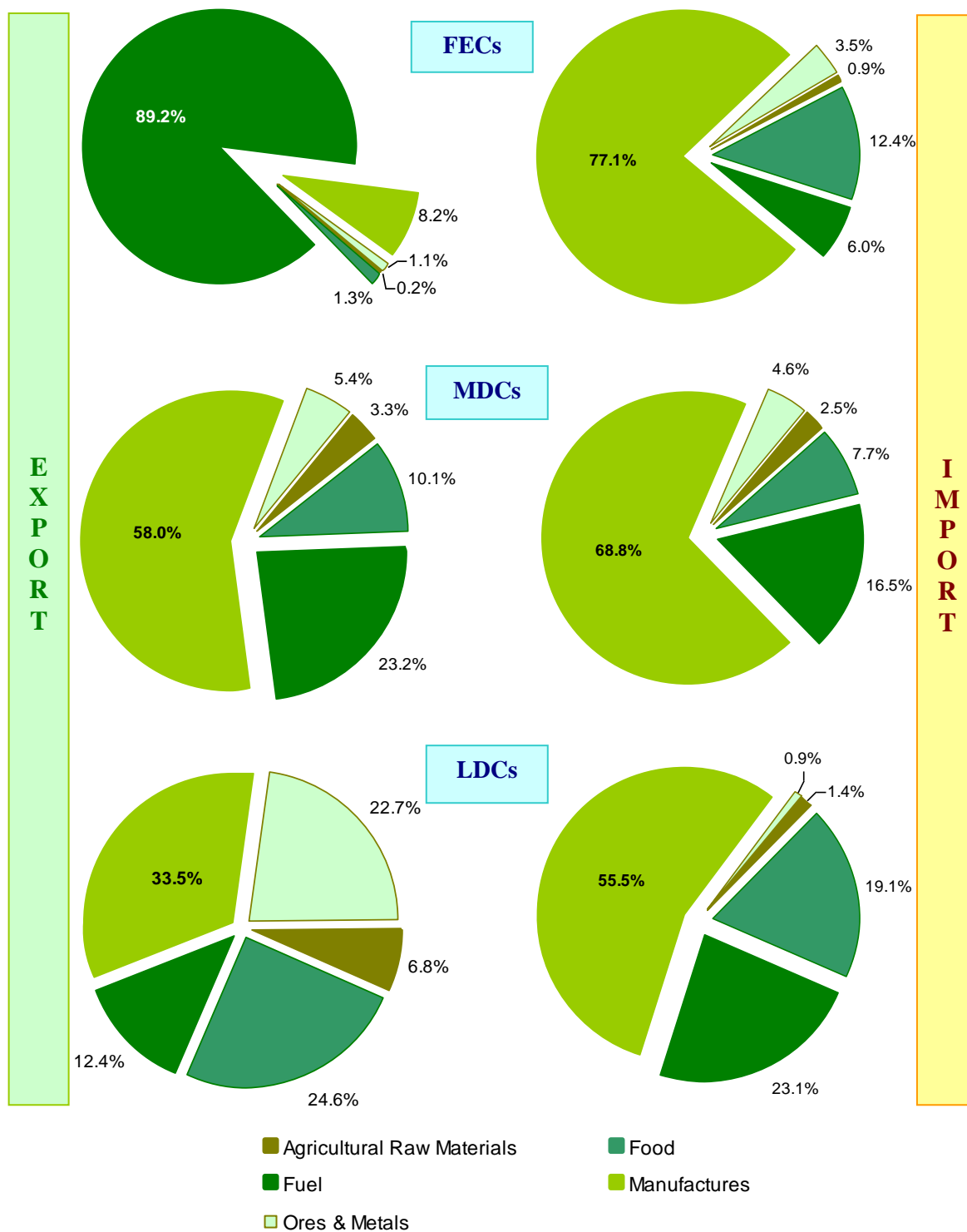
In this picture, the situation of the FECs stands out as a particular case, for their fuel exports accounted for almost 90% of their total exports of 2006, leaving only around 10% for exports of all other commodities. On the other hand, more than three-quarters (77.1%) of their imports consisted of manufactures. Briefly, the trade of the FECs is concentrated on selling fuel in exchange for other commodities, mainly manufactured products.

As for the MDCs, exports are proportionate to imports in terms of the relative shares of commodities; manufactures taking the lead, followed by fuel, food, agricultural raw materials, and ores & metals. In this structure of 2006, Manufactures accounted for 58% of their total exports and 68.8% of their total imports. Unlike the case of the FECs, the concentration in manufactures in both exports and imports of the MDCs may be due to intra-industry trade –simultaneous imports and exports of differentiated but similar products.

In a parallel manner, fuel constituted 23.2% of the total exports and 16.5% of the total imports of the MDCs. Of course, this cannot be simply explained by product differentiation but by the fact that there are fuel exporting countries –though it is not their primary export commodity– as well as fuel importing countries in the group of MDCs. On the other hand, food, ores & metals, and agricultural raw materials constituted, in turn, 10.1%, 5.4%, and 3.3% of their total exports and 7.7%, 4.6%, and 2.5% of their total imports.

The exports of the LDCs are more heterogeneous compared to the exports of the other two groups. The highest share in exports, which belongs to manufactures, is 33.5%. Moreover, the shares of food (24.6%), ores & metals (22.7%), and agricultural raw materials (6.8%) in their exports are, as expected, higher than in the case of the other two groups. Under the current conditions, these countries have no other choice than relying on their natural resources and agricultural products. Although manufactures account for 55.5% of their imports, fuel (23.1%) and food (19.1%) also constitute an important portion of their total imports. Given these ratios and considering the rapid increase in oil prices and the recent crisis experienced in food prices, obviously, it is the group of LDCs that suffers the most.

Figure 14: Composition of Exports and Imports in Groups of Countries (2006)



Source: Estimates from United Nations Commodity Trade Statistics Database (UN COMTRADE).

## Concluding Remarks

Recent developments in the world economy characterized by tremendous globalization with higher levels of economic integration and developments in information and telecommunication technologies have brought about many challenges and opportunities in all aspects of life, including international trade in particular. Parallel to the trends in world merchandise trade, both exports and imports of the OIC member countries increased rapidly in recent years after an interruption in 2001 due to the global economic slowdown in the early 2000s accompanied by fluctuations in oil prices.

More than half of the total exports of the OIC belong to the group of FECs, and this share has been steadily increasing in recent years. Their share in total imports, on the other hand, has also been on the rise to the detriment of the group of MDCs, whose share accounted for almost two-third of the total imports in 2000. These developments point out to the increasing weight of the FECs in total trade of the OIC.

In contrast, considering that the group of LDCs –consisting of 20 members– accounted for only 3.4% of the total trade of the OIC in 2006 with only 0.2 percentage point increase from its 2000 level, the development in these countries obviously remained quite limited. However, the historically high share of primary goods in their exports along with high fuel imports has inevitably been rendering them vulnerable to fluctuations in fuel and commodity prices in the international market.

Despite the increasing number of countries suffering trade deficits and the accumulating level of these deficits –particularly from the LDCs and MDCs– in the last few years, the overall trade balance of the OIC has been positive and even increasing since 2002 as a result of high surpluses of the FECs due to rising fuel exports that constitute almost 90% of their total exports. In fact, the trade surplus of only three of the FECs was enough to meet the deficits of all 34 members in 2006, pointing out huge gaps among the member countries in terms of their trade performance.

Given the increasing share of trade in GDP up to 73% in 2006, besides their rising share in global trade, the economy of the OIC appears to be more open and integrated in the global economy. However, the fact that manufactures account for only one-third of the exports (the remaining is mostly fuel and some other primary products), as compared to three-fourth of the imports, cast a shadow on this accomplishment, since such a structure is a sign of industrial dependency on imports. Although this is more evident in the case of fuel exporters, the other member countries should also pay attention to their industrialization process if they are to relieve the pressure on their trade balance, reduce their dependency on other countries, and close the gap with the industrialized nations of today.

## Appendix 1: Aggregation of Countries

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<b>Fuel Exporting Countries (FECs)</b>	Algeria, Azerbaijan, Bahrain, Brunei, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Sudan*, Turkmenistan, United Arab Emirates, Yemen*.
<b>Least Developed Countries (LDCs)</b>	Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Togo, Uganda.
<b>Middle-Developed Countries (MDCs)</b>	Albania, Cameroon, Cote d'Ivoire, Egypt, Guyana, Indonesia, Jordan, Kazakhstan, Kyrgyz Republic, Lebanon, Malaysia, Morocco, Pakistan, Palestine**, Suriname, Syria, Tajikistan, Tunisia, Turkey, Uzbekistan.

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Source: SESRTCIC (2007), *Annual Economic Report on the OIC Countries 2007*, [[http://www.sesric.org/research\\_reports.php](http://www.sesric.org/research_reports.php)].

\* Classified by the United Nations among the LDCs but included among the FECs for the purpose of this study.

\*\* For consistency reasons, national data obtained from the country has not been included in the analysis.

## Appendix 2: Definitions of the Commodity Groups

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<b>Agricultural Raw Materials</b>	Correspond to the commodities in SITC section 2 (crude materials except fuels) excluding divisions 22, 27 (crude fertilizers and minerals excluding coal, petroleum, and precious stones), and 28 (metalliferous ores and scrap).
<b>Food</b>	Corresponds to the commodities in SITC section 0 (food and live animals), 1 (beverages and tobacco), and 4 (animal and vegetable oils and fats) and division 22 (oil seeds, oil nuts, and oil kernels).
<b>Fuel</b>	Corresponds to the commodities in SITC section 3 (mineral fuels).
<b>Manufactures</b>	Correspond to the commodities in SITC sections 5 (chemicals), 6 (basic manufactures), 7 (machinery and transport equipment), and 8 (miscellaneous manufactured goods), excluding division 68 (nonferrous metals).
<b>Ores &amp; Metals</b>	Correspond to the commodities in SITC divisions, 27, 28, and 68.

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Source: World Bank (2007), *World Development Indicators 2007*, p.205, 209.

## DEMOGRAPHIC DYNAMICS OF THE POPULATION IN OIC MEMBER COUNTRIES

Sıdıka Başçı, Esat Bakımlı, SESRIC

*The developing world including the OIC member countries suffers from relatively poor living conditions (environmental, economic, and social) and low quality health care. This situation is reflected in many vital demographic indicators, showing that the developing countries are undergoing unfavorable conditions relative to the*

*developed countries. This study aims to shed light on a few of these indicators such as infant mortality rate, life expectancy at birth, total fertility rate, and crude growth rate of population in order to present a picture of the demographic dynamics in OIC member countries with comparison to the world.*

### INFANT MORTALITY RATE

Infant mortality, corresponding to deaths within the first year of life, is one of the major health and socioeconomic problems of our time. Although it may be linked to a number of factors, the primary causes of high infant mortality are generally listed as diarrhea, infectious diseases, malnutrition, neglect, maternal stress, and unsafe water, all of which can in many ways be attributed to a bad environment and poverty. In addition, low birth-weights, preterm births, and very low or high maternal age may also contribute to high death rates because of their higher risk of infant mortality.<sup>11</sup>

*“A nation may waste its forests, its water power, its mines and, to some degree, even its land, but if it is to hold its own in its struggle for supremacy its children must be conserved at any cost. On the physical, intellectual and moral strength of the children of today the future depends... Unless the infants are saved there will be no children to educate.” L. Emmett Holt, 1913<sup>1</sup>*

Under these aspects, infant mortality rate (IMR), which is defined as the number of

live newborns dying under a year of age per 1,000 live births<sup>12</sup>, is an important indicator of a country’s level of health or development, reflecting, to an appreciable extent, the standard of living in that country. In this respect, it is not surprising that, though infant deaths are a rare event in all developed countries, developing countries including the OIC members, –particularly the least developed African members– continue to experience high rates of infant mortality.

*Figure 1: Infant Mortality Rates in the World (Per 1000 Live Births)*

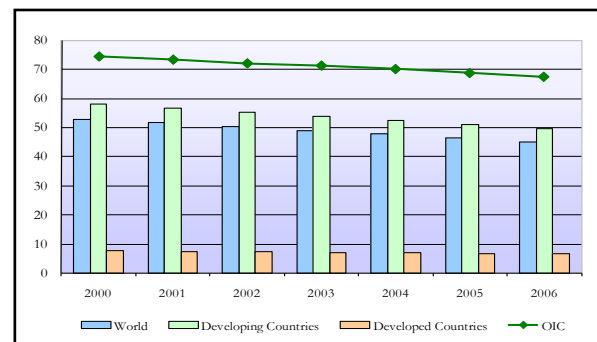


Figure 1 presents the infant mortality rates in the world during the period from 2000 to 2006. Accordingly, the IMR slightly decreased in all over the world from 53.0 to 45.2 infant deaths per 1000 live births. This development was mostly resulted from the

<sup>11</sup> “Infant Mortality, Ancient and Modern, An Historical Sketch”, presidential address before the American Association for the Study and Prevention of Infant Mortality, at the Fourth Annual Meeting, held at Washington, D.C., November 14-17, 1913. Published in *Archives of Pediatrics*, 30: 885-915, 1913.

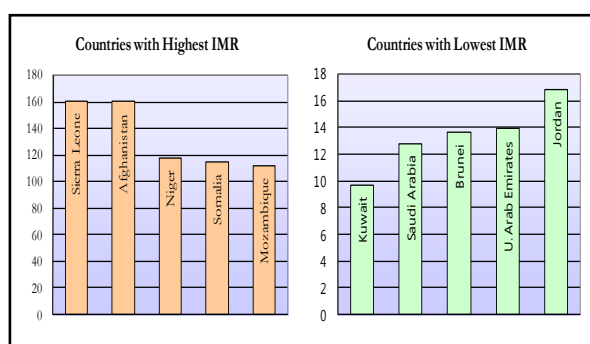
<sup>12</sup> US Census Bureau, International Data Base/Glossary.



improvement in the developing countries, where the IMR in this period declined from 58.1 to 49.6, while in the developed countries, where the IMR was already at a very low level, it decreased 1 point in this period to reach 6.7 in 2006. Although the average rate in the OIC member countries during this period was always higher compared to the world and developing countries, it showed a parallel downward trend, from 74.6 to 67.5, implying that there is still long way ahead to go in order to close the gap with the world.

At country level, the IMR was more than one hundred in 9 of the member countries in 2006, Sierra Leone and Afghanistan taking the lead with 160 deaths per thousand (Figure 2). At the opposite end of the spectrum, the lowest IMR among the member countries was recorded for Kuwait as 9.7, the only member country below a rate of ten<sup>13</sup>.

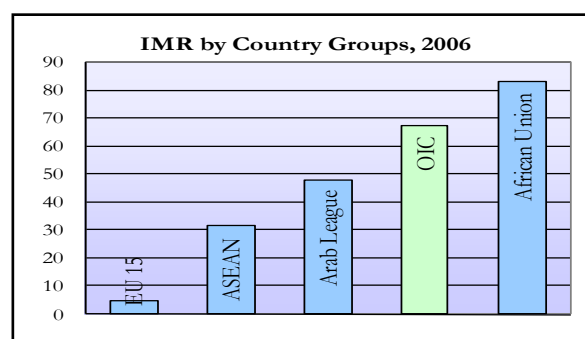
Figure 2: IMR in OIC Member Countries, 2006



On the other hand, while the average IMR in OIC member countries is lower than that of the African Union, which suffers the highest IMR in the world (83.2), it is still far above that of the European Union as well as the ASEAN group and the Arab League. In 2006, almost 68 of every 1000 babies died during their first year of life in the OIC region while this figure was only about 5 for the EU 15 (Figure 3). These differences

among the groups of countries obviously reflect the negative relationship between the IMR and development level.

Figure 3: IMR by Groups of Countries, 2006

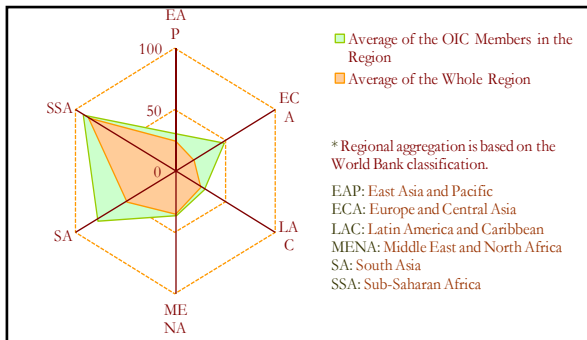


Consequently, considering that the countries constituting the OIC are spread up around the world with a wide spectrum of development levels, it is evident that the IMR may differ at the regional level. As presented by Figure 4, in all of the regions, the average of the OIC members in the region is higher than the average of the whole region. In addition, similar to the overall picture presented on the basis of the whole regions, the average of the OIC members as well is highest in Sub-Saharan Africa (SSA) and then in South Asia (SA). OIC members in SSA experienced, on average, the highest IMR rates of all the regions with almost 94 deaths per thousand, followed by the members in SA with an average of 79 deaths per thousand. On the other hand, the highest difference between the average of the OIC members and that of the whole region –the relative worst case– was recorded in SA and ECA, OIC members outweighing with 30 deaths per thousand in both regions<sup>14</sup>.

<sup>14</sup> Since all of the MENA countries except Israel and Malta are OIC members, the average of the OIC members in this region does not differ much from the average of the whole region.

<sup>13</sup> See Appendix 1 for data on all OIC member countries.

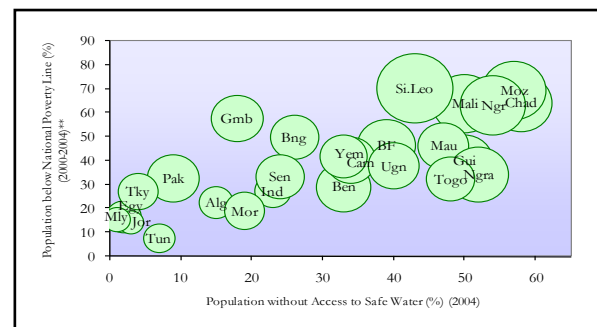
Figure 4: IMR at Regional Level: OIC Members vs. the World, 2006\*



As stated above, unsafe water and poverty are among the main factors behind high IMRs. Figure 5 presents an immediate comparison among these three variables regarding OIC member countries for which data is available. It is clear that poverty and access to safe water are in close relationship, and the higher the rate of population below national poverty line and the higher the rate of population without access to safe water, the higher the IMR. As shown in Figure 5, Sierra Leone, Mali, Niger, Mozambique, and Chad –the countries with a significant proportion of their population

suffering from poverty and unavailability of safe water– have the highest IMR while, on the other hand, Jordan, Malaysia, Tunisia, and Egypt –the countries with a small rate of their population below poverty line and without access to safe water– have the lowest IMR. This situation obviously indicates that improvement in these fields will no doubt help decrease the IMR in the suffering countries.

Figure 5: Poverty, Access to Safe Water, and the IMR\*



\* The size of the bubbles indicates the intensity of IMR:2000-2006 average.  
 \*\* Latest year available.

## LIFE EXPECTANCY AT BIRTH

Life expectancy is generally defined as the average number of years a person or a given group of population is expected to live before death. Traditionally, it is calculated from the time of birth, but also can be calculated from any specified age. Life expectancy at birth (LEAB) is described by the UNDP<sup>15</sup> as the number of years a newborn infant would live if prevailing patterns of age-specific mortality rates at the time of birth were to stay the same throughout the child's life. Accordingly, it is a measure of the average life span of the newborns given the health and living conditions at the time of their birth. In this

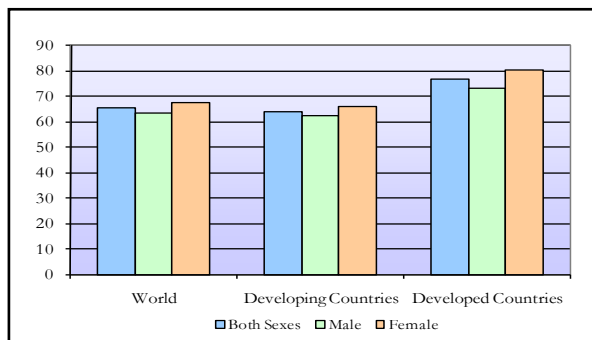
respect, the state of food security and access to primary health care –including safe water, sanitation, medicines, and immunization– explains much of the factors influencing the life expectancy in a given country.

The mean length of life for the newborns in the world today is 65 years –63 years for males and 67 years for females. Not surprisingly, newborn babies in the developed countries are expected to live more than those in the developing world – 76 years vs. 64 years, respectively– and this difference is even larger for females. Under the current conditions, female babies in the developed countries are likely to live up to 80 years compared to 66 years in the

<sup>15</sup> UNDP, Human Development Report 2003.

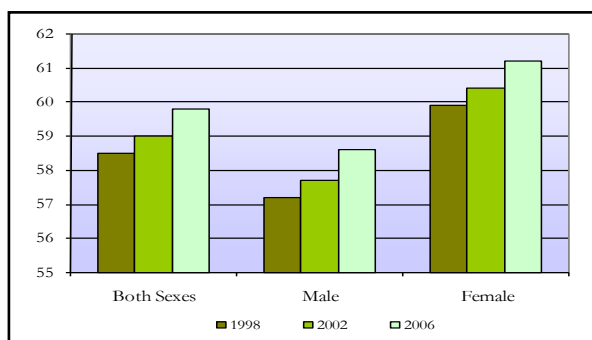
developing countries, while these figures for male babies are 73 and 63, respectively (Figure 6).

Figure 6: Life Expectancy at Birth in the World, 2006



As for the OIC region, the situation is even worse, yet it seems to improve slightly over time (see Figure 7). As of 2006, the average life expectancy at birth in the OIC region was 60 years, with females having a two-year advantage (61 years) over males (59 years). Figure 7 indicates that though the average LEAB for both sexes increased 1.3 year in the period from 1998 to 2006, the difference between males and females remained at the same level of 2.3 years.

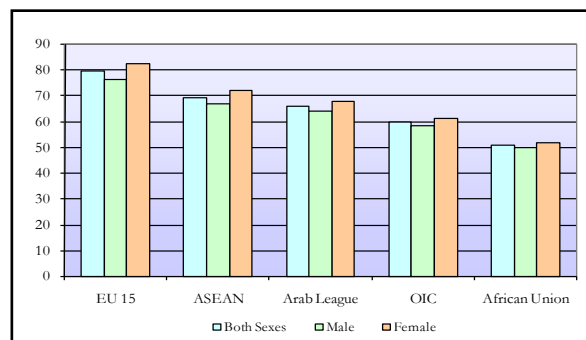
Figure 7: Life Expectancy at Birth, OIC Average



Under the present conditions, the average LEAB in the OIC region is well below of those in the world and even in the developing countries. On the other hand, as in the case of the IMR, life expectancy at birth in the OIC region is better than that in the African Union, where the newborn babies are expected to live up to only 51

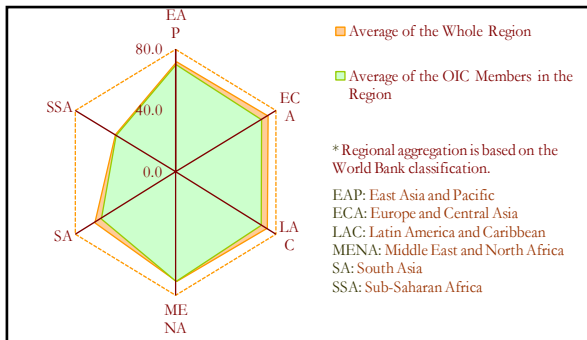
years, yet again worse than that in the European Union (79 years) as well as the ASEAN group (69 years) and the Arab League (66 years) (see Figure 8).

Figure 8: Life Expectancy at Birth by Groups of Countries, 2006



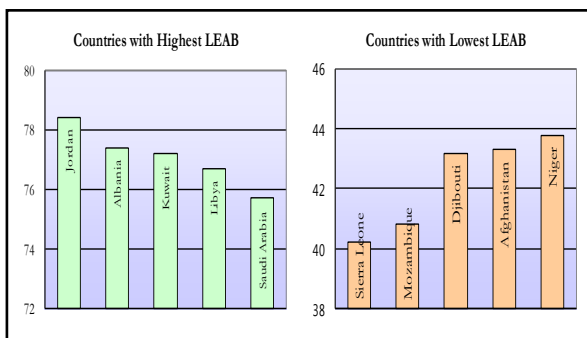
To better understand the relative status of the LEAB in the OIC members compared to the world, it is useful to compare them within their regions. As presented by Figure 9, the highest regional averages were recorded for ECA and LAC in 2006 while the average of OIC members was highest for MENA and EAP. As expected, the lowest average LEAB –both for the OIC members and the whole regions– was recorded for SSA due to unfavorable conditions prevailing in the region, particularly in food security and access to primary health care. Consequently, the average LEAB in OIC members in MENA (see footnote 4), EAP, and SSA is not so different from the regional averages –up to 1.6 year–, implying that the case is not specific to the OIC members but to the whole regions. On the other hand, the OIC member countries in the other regions, namely LAC, SA, and ECA, lag behind the regional averages with 4-5 years.

Figure 9: LEAB at Regional Level: OIC vs. the World, 2006\*



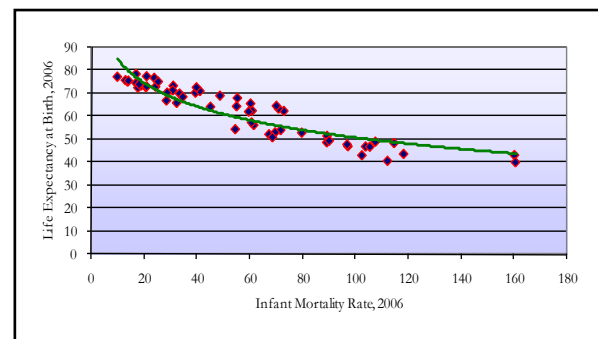
At regional level, it is obvious that the OIC region lags slightly behind the rest of the world in achieving improvements in life expectancy. However, large differences exist among the member countries within the OIC. At one end, there are countries where the newborn babies are expected to live more than 77 years, such as Jordan and Albania, while at the other end, there are countries where these babies are expected to live no more than 42 years, such as Sierra Leone and Mozambique (see Figure 10)<sup>16</sup>. This situation once more emphasizes the need to take action especially in member countries in Sub-Saharan Africa, which in many ways lag behind the world, which are usually unable to overcome their problems on their own with limited resources, and which therefore need help and assistance at least to provide their people with secure living conditions.

Figure 10: LEAB in OIC Member Countries, 2006



It should be mentioned here that since life expectancy at birth is highly affected by the infant mortality rate, any measure or attempt to decrease infant mortality will ultimately contribute to higher life expectancies. This is fairly clear from Figure 11, which presents the existence of high correlation between IMR and LEAB in the OIC member countries, implying that the higher the IMR, the lower the LEAB. However, the life expectancy at birth becomes less sensitive to IMR as IMR rises, which implies that in countries with high IMRs, the life expectancy at birth depend not only on the characteristics of infant mortality but also on the characteristics of the mortality rates of other age groups. This situation obviously reflects the severe living conditions in these countries that affect the life expectancies of people from all age groups.

Figure 11: IMR and LEAB in OIC Member Countries, 2006



<sup>16</sup> See Appendix 1 for data on all OIC member countries.

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## FERTILITY, MORTALITY, AND POPULATION GROWTH

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The Crude Birth Rate (CBR) and the Total Fertility Rate (TFR), though with different dimensions, are frequently used measures of the rate of population growth. The CBR represents the average annual number of births during a year per 1,000 persons in the population at midyear<sup>17</sup>. It is called “crude” because it does not take into account the age-sex structure of the population, which should be kept in mind while interpreting it. For example, the birth rates will actually be higher in a population with more women of childbearing age but the calculation of the CBR sticks to per 1000 persons regardless of male-female decomposition and age specific fertility rates. Therefore, the Total Fertility Rate (TFR) is generally accepted as a more direct measure of fertility than the CBR as it represents births per woman. Technically, the TFR is described as the average number of children that would be born per woman if all women lived to the end of their childbearing years and bore children according to a given set of age-specific fertility rates<sup>18</sup>. From this definition, however, it is clear that the TFR, unlike the CBR, shows the “potential” for population growth in the country under the present conditions rather than measuring the actual births.

In addition to age-sex structure of the population, there are a number of factors which directly or indirectly affect birth rate in a country, such as access to contraceptive measures and abortion, lifestyle preferences, social and religious beliefs including attitudes towards family size, female literacy levels, participation of women in the labor

force, and economic welfare which also includes “the need for children as labor force”. Moreover, high IMRs may also have an effect on birth rates; a family may tend to have more children for fear that some of these children may suffer death at early ages. Under these conditions, it is understandable and expectable for the CBR and the TFR to be higher in economically less developed parts of the world.

As for mortality, the Crude Death Rate (CDR) is a commonly used measure that represents the average annual number of deaths during a year per 1,000 persons in the population at midyear<sup>19</sup>. The determinants of death rates, though they differ between developed and developing countries, range from the age structure of the population and the prevalence of diseases (infectious diseases, AIDS, cancer etc.) to the quality of health standards –including the sanitary conditions, food security & malnutrition, and access to primary health care and medical technology– to the frequency of accidents, violent crimes, armed conflicts, and also wars.

With these in mind, statistics presented by Figure 12 show that, as of 2006, the CBR for the world was 20.2 per 1000 population, corresponding to 131 million babies in a year for a world population of 6.5 billion. This rate in the developing countries was twice as high as the rate in the developed countries –22.3 and 11.0, respectively. On the other hand, the average CBR in the OIC region was even higher with 28.6 live births per 1000 people, which, for a total OIC population of 1.35 billion, comes to 38.6

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<sup>17</sup> US Census Bureau, International Data Base/Glossary.

<sup>18</sup> US Census Bureau, International Data Base/Glossary.

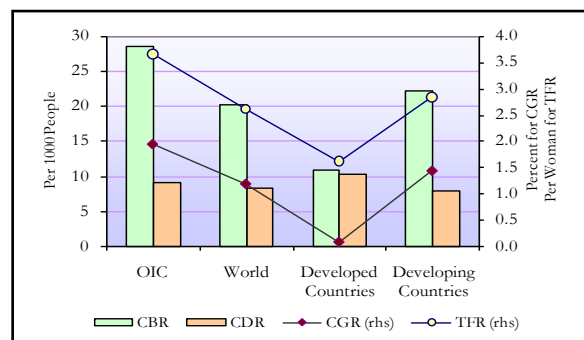
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<sup>19</sup> US Census Bureau, International Data Base/Glossary.

million babies in a year. These birth rates reflect themselves almost in the same manner in the TFR as well. As presented by Figure 12, the TFR for the world was 2.6 per woman while it was again higher for the developing countries (2.8) than the developed countries (1.6)<sup>20</sup>. The TFR in the OIC region (2.8 children per woman) was again higher than that of the developing countries, ranging at country level from 1.7 in Iran and Kazakhstan to 7.4 in Niger and Mali<sup>21</sup>.

Unlike birth rates, death rates do not differ much at high aggregation levels. The CDR was 8.4 per 1000 people for the world, 10.3 for the developed countries, 8.0 for the developing countries, and 9.2 for the OIC region. However, it should be noted here that the CDR applied to a whole population can give a misleading impression. That the number of deaths per 1000 people is higher for the developed countries should not be interpreted such that these countries are suffering from the bad conditions described above, while they obviously have quite better standards of health. The reason is that the developed countries have relatively more old population, which implies that the overall mortality rate can be higher while the mortality rate for any age group is lower.

Figure 12: Fertility, Mortality, and Population Growth in the World, 2006



Taking CBR and CDR together, the crude growth rate of population (CGR) can be easily measured<sup>22</sup>. Since the CDR is almost the same for both the developed and developing countries as well as the OIC, it is the CBR that determines the difference in CGR among these groups<sup>23</sup>. Accordingly, the world population grew %1.18 in 2006 while this rate was quite higher in the developing countries (%1.43) than in the developed countries (%0.07)<sup>24</sup>, indicating that the developing countries accounted for almost %99 of the world population growth in 2006.

Population growth in the OIC group was even higher compared to developing countries (%1.94), corresponding to %36 percent of the increase in the world population in 2006. This implies that if the growth rate remains constant, the population of the OIC will double from its current 1.35 billion to 2.7 billion by 2042. Despite the young generation they will have, the OIC member countries, with such a high rate of growth in their population, may face the risk of worsening the hunger and poverty problems most of them

<sup>20</sup> A total fertility rate of less than 2 indicates that the population cannot reproduce itself. This is because a woman needs to have, on average, at least two children – the replacement rate – to compensate for herself and her partner so as to maintain the current level of population (zero growth). Considering the possibility of death before having children or those who do not want or unable to have children, this replacement rate, in practice, is slightly higher than two and a bit more for the developing countries due to high mortality rates at early ages.

<sup>21</sup> See Appendix 1 for data on all OIC member countries.

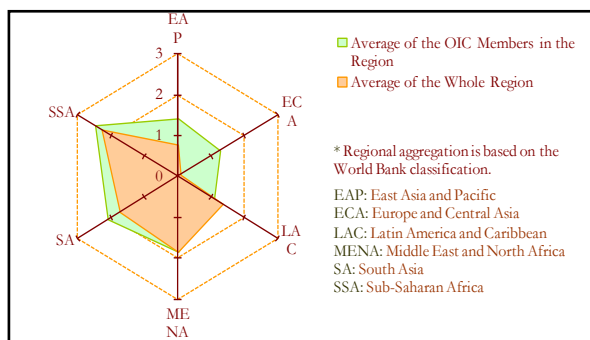
<sup>22</sup>  $CGR = (CBR - CDR) / 10$

<sup>23</sup> As seen from Figure 12, TFR is closely related to CBR and also CGR, rendering it a good indicator of population growth rate.

<sup>24</sup> Such a low rate of population growth in the developed countries is often interpreted such that the population growth will come to a stop in the near future due to low share of reproductive population –but high rate of aged population – in addition to the low fertility rates.

already have unless they manage to achieve high rates of real economic growth so as to accommodate the new generations.

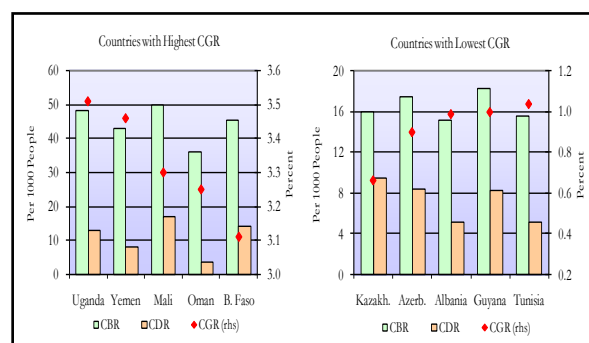
Figure 13: CGR at Regional Level (%): OIC vs. the World, 2006\*



Regional decomposition of the world growth rate of population, as presented by Figure 13, reveals that the regional average CGR is highest in SSA (%2.30) followed by MENA (%1.85), and SA (%1.75). Though slightly

higher, the OIC members in these regions have almost the same growth rates; %2.50, %1.86, and %2.12, respectively. The lowest regional averages are recorded for ECA (%0.08), as expected, and EAP (%0.78), where, on the contrary, the highest differences exist with the average of the OIC members. On the other hand, OIC members only in LAC recorded a lower rate than the regional average.

Figure 14: CGR in OIC Member Countries, 2006



## EVALUATION AND POLICY IMPLICATIONS

Most of the OIC member countries, especially the 22 LDCs, suffer from high rates of infant mortality and low life expectancy at birth compared to the developed and even developing world due to unfavorable living conditions. Given that health is indispensable for every human being, however, any possible measure should be taken by every country to guarantee a healthy population. Indeed, this intention today has evolved into a global effort with the Millennium Summit, from which the Millennium Declaration and, subsequently, the Millennium Development Goals (MDGs) emerged, focusing on human development and poverty reduction with health at the center.

It is true that most of the member countries experience persistent poverty and do not have strong economies to implement every kind of measures in the health sector, especially which

impose financial burden on the governments. There are certain ways, however, through which countries can save lives and improve the quality of life, though their benefits are obtained more comprehensively in the long term but their costs are thus outweighed.

First of all, ex ante measures focusing on eliminating the causes of infant mortality are crucial in reducing the risk of infant deaths. In this respect, education and training materials and programs or campaigns can be provided for expectant and new parents, health and human service professionals, and child care providers to create awareness against infant mortality. Mothers and particularly the expectant ones should be encouraged towards good nutrition and healthy lifestyles, reducing the use of harmful substances associated with high risk births. Nevertheless, it is important to note that while most interventions focus on

women, the role of male partners is also critical in supporting the health of women and their infants since today's world is still patriarchal.

Moreover, since food security and unsafe water or –to sum up to a single factor– poverty is the main factor behind high infant mortality rates, any improvement in these fields and any poverty reduction policy will undoubtedly help decrease infant mortalities in the suffering countries.

Other efforts to promote infant health and prevent infant illness and mortality may include programs to improve access to prenatal and newborn care to safeguard the health of the mothers and infants. Nevertheless, it should not be ignored that access to health insurance is a critical component of assuring healthy births through public health services in many countries. What about the poor and unemployed people who are uninsured? A lack of health insurance often results in late or no entry into prenatal care, which may bring about various pregnancy complications and late diagnosis of treatable cases.

On the other hand, since the infant mortality rate correlates very strongly with life expectancy at birth, reducing infant mortality rate will inevitably contribute to longer life expectancies. However, when it comes to countries with quite high infant mortality rates, it seems that life expectancy at birth is heavily dependent on the mortality characteristics of the other age groups as well since over all mortality rates are already high in these countries. Therefore, given the fact that improvement in the living standard through enhancements in nutrition, sanitation, medical knowledge along with scientific and technological progress, and access to basic health care has brought about significant changes in life expectancy

throughout the world, initiatives to support and further improve these aspects are of crucial importance. Of course, countries which suffer from HIV/AIDS, especially in Sub-Saharan Africa, need additional special treatment to increase life expectancy.

As for the higher birth and fertility rates and thereby higher growth rates of population in the OIC region, any population policy should take into account the major factors behind these phenomena as mentioned above. High growth rates may lead to difficulties for poor families to feed and educate their children and for women to participate in the labor force. In other words, the OIC member countries with high rates of growth in their population may face the risk of worsening the hunger and poverty problems most of them already have unless they take the necessary measures or manage to achieve high rates of real economic growth so as to accommodate the new generations. On top of all, fertility is more or less a *preference* –of parents, society/culture, or governments– and therefore it has to do with family planning initiatives.

Spread up around the world with a wide range of development levels, the OIC member countries present vast differences in the demographic aspects analyzed in this study. It is therefore critical to focus on countries that suffer most, particularly the members in Sub-Saharan Africa or, to a broader extent, the ones classified as the least developed countries because these are the ones which in many ways lag behind the world, which are usually unable to overcome their problems on their own with limited resources, and which therefore need help and assistance at least to provide their people with secure living conditions.

Of course, all these initiatives and strategies towards a healthier population cannot be implemented successfully by governmental or



non-governmental organizations alone. Ensuring the sustainability of these initiatives over the long term requires partnership and cooperation at national and international level among agencies, civil society organizations and

the media along with governments through legislative activities and funding and supporting mechanisms for research, education and training programs.

## THE STRUCTURE OF THE ECONOMY IN THE OIC MEMBER COUNTRIES

Haytham Zeinelabdin, SESRIC

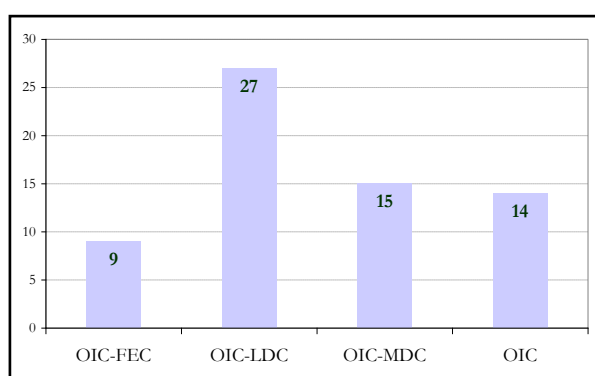
*Value added of a sector means the sector's contribution to the total GDP and is calculated as production minus intermediate consumption in that sector. This short report investigates the value added structure of three major sectors (agriculture, industry and*

*services) for the OIC Member Countries. The analysis has been carried out at an aggregate level based on differences in the level of economic development but the individual country performances have also been highlighted when it is striking.*

### AGRICULTURE

Agriculture is widely known to be the primary economic activity and is assumed to play a major role in the economies of the developing countries. This argument is valid for some OIC member countries, especially for Least Developed Countries (LDCs), as well.

*Figure 1: Agriculture Value Added as % of GDP  
Average 2000-2005*



In Figure 1, it can be seen that agriculture accounted for 14%, on average, of the total GDP of the OIC countries during the six-year period of 2000-2005<sup>25</sup>. Among the sub-groups of OIC, the LDCs have the highest share of 27% as expected, followed by the Middle Developed Countries (MDCs) with 15%,

while the Fuel Exporting Countries (FECs) are lagged behind with only 9%.

Coming to the individual countries, Kuwait, which is an FEC, recorded the lowest rate of 1% within the group of OIC member countries. In contrast, Guinea-Bissau is at the top with a rate of 60%. Agriculture is also the dominant sector in 7 countries, 5 of which belong to the LDCs sub-group, namely Chad, Guinea-Bissau, Mali, Sierra Leone and Togo, and 2 to the MDCs sub-group, Cameroon and Kyrgyz Republic (see Table 3 below). Hence, as the income level increases, the share of the agricultural value added in total GDP decreases.

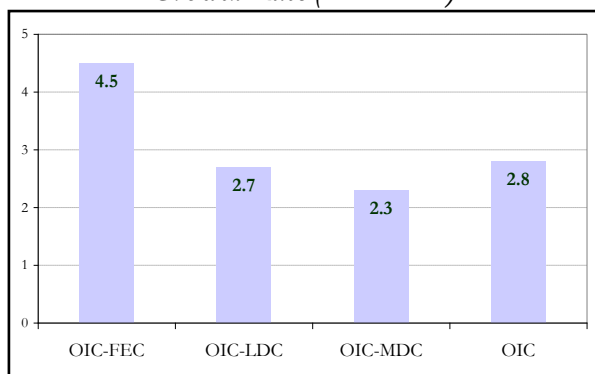
Figure 2 shows the average growth rates of the agriculture value added of the OIC and its sub-groups in the period 2000-2005<sup>26</sup>. The highest average growth rate of 4.5% was recorded by the OIC FECs while the lowest (2.3%) was recorded by the OIC MDCs. In the same period, the average growth rate of the agriculture value added of the OIC countries as a group was only 2.8%. Looking Figure 1 and 2 together, a negative relation is

<sup>25</sup> The calculation was made based on the countries for which the data are available (see Table 3).

<sup>26</sup> The average was calculated using the formula for CAGR (Compound Annual Growth Rate):  $[(FV/IV)^{1/n} - 1] \times 100$ , where FV is the value at the end of the period, IV is the value at the beginning of the period and n is the number of years.

observed between the share of agriculture in GDP and its growth rate (i.e. for the countries where the agricultural share is low/high, the average growth rate is high/low).

*Figure 2: Agriculture Value Added Average Growth Rate (2000-2005)*



However, in overall picture, the performance of agriculture in OIC countries is not promising. In fact, a combination of both internal and external factors has recently contributed to the continued weak performance of the agriculture sector in many OIC countries. Externally, these include the fluctuations in world agriculture commodity prices and trade difficulties that most of these countries are still facing in the international commodity markets. Internally, among other, the scarcity of water resources in many of these countries, inadequate agricultural investments and technologies and the increasing migration of agriculture labour force from the rural areas to the urban areas seeking higher wages in other sectors can be listed.

## INDUSTRY

Industry recorded an average value added share of 39% of the total GDP of the OIC countries during the period under consideration. Since oil and gas production are categorized under industrial activities, the high rate of the OIC FECs (50%) and low rate (26%) of the OIC LDCs are simply anticipated (Figure 3). The OIC sub-group of LDCs might even had a lower rate if countries such as Yemen (42%) and Sudan (29%), which are also FECs although they are classified under the OIC LDCs, are excluded from that sub-group. The OIC MDCs recorded an average rate of 34% and ranked second after the OIC FECs. At the individual country level, Iraq is the country with the highest rate of 70% and Guinea-Bissau, which has the leading position in share of agriculture, is at the bottom with 12%. Among other OIC countries, industry is the dominant sector in 13 countries, 2 of which, namely Malaysia and Indonesia, are MDCs. The remaining 11 countries are FECs (see Table 3).

*Figure 3: Industry Value Added as % of GDP Average 2000-2005*

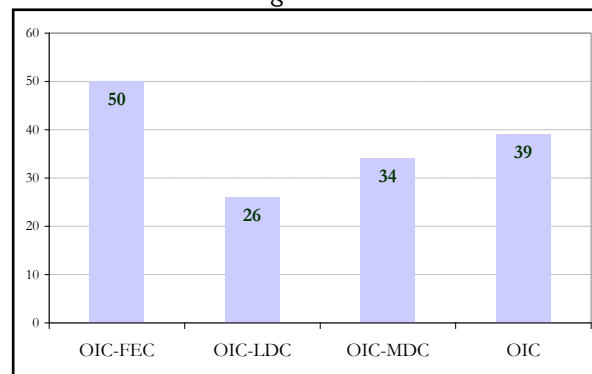
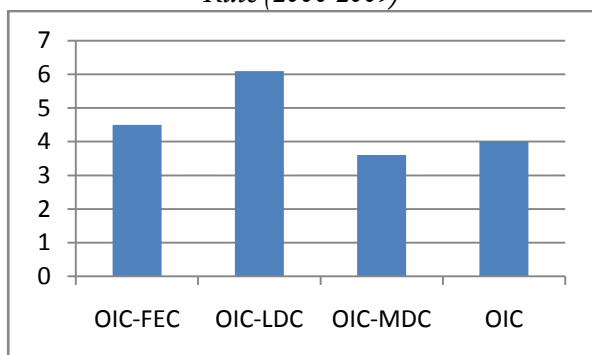


Figure 4 shows the average growth rates of the industry value added of OIC and its sub-groups in the period 2000-2005. It is observed that the OIC LDCs subgroup recorded the highest average growth rate of 6.1% followed by the OIC FECs with 4.5% and the OIC MDCs with 3.6%. Meanwhile, the average growth rate of the industrial value added of the OIC countries as a group was 4%.

Figure 4: Industry Value Added Average Growth Rate (2000-2005)



However, since the production of gas and oil is classified under the industrial activities, the share of industry in the GDP of an economy, per se, does not exactly reflect the industrialisation level of that economy. Therefore, the performance of the manufacturing sector must also be considered in order to have a clear picture of the performance of the industrial sector as a whole. This can be seen in Table 1 below.

Table 1: Manufacturing as a Sub-sector of Industry

	MANUFACTURING VALUE ADDED AS % OF GDP (AVERAGE 2000-2005)	MANUFACTURING VALUE ADDED GROWTH RATE (AVERAGE 2000-2005)
OIC-FEC	9	6.9
OIC-LDC	12	5.7
OIC-MDC	20	2.8
OIC	15	1.6

Within the subgroups, the highest average share of the manufacturing sector in the GDP (20%) was recorded by the OIC MDCs and the lowest (9%) was recorded by the OIC FECs. In contrast, OIC FECs and OIC MDCs have the the highest (6.9%) and lowest (2.8%) average growth rate of the manufacturing sector, respectively. On the other hand, OIC LDCs show a moderate structure with the manufacturing sector accounted for 12% of their total GDP and by an average growth rate of 5.7% during the period under consideration.

## SERVICES

Services have become major economic activities and one of the main economic sectors in most of the developing economies in recent years. Figure 5 shows that the average share of the value added of the services sector in the OIC countries as a group accounted for 47% of their total GDP in the period 2000-2005. The services sector is the dominant sector in 27 OIC countries, almost all of them are MDCs and the LDCs (see Table 3). Among the individual countries, Sierra Leone had the lowest share of 19% while the contribution of services sector was as high as 71% for Lebanon. At the OIC sub-groups level, the OIC MDCs are at the top with an average share of 51%, which

is higher than the OIC average of 47%, while the OIC FECs show the lowest performance with 41% share. The share of OIC LDCs is equal to that of the OIC average.

Figure 5: Services Value Added as % of GDP Average 2000-2005

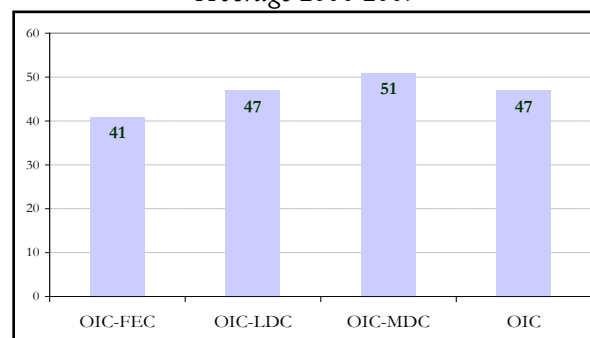


Figure 6: Services Value Added Average Growth Rate (2000-2005)

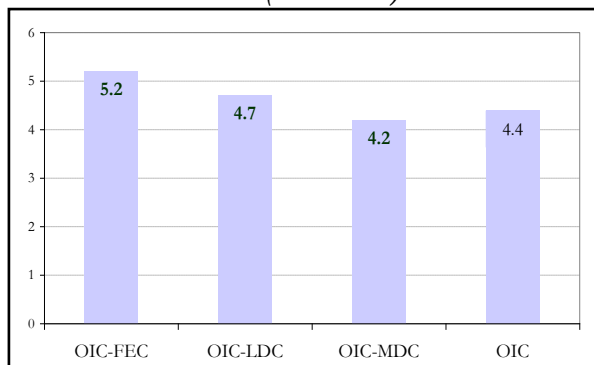


Figure 6 above depicts the average growth rates of the value added of the services sector of the OIC and its subgroups in the period 2000-2005. The highest average growth rate of 5.2% was obtained by the OIC FECs, followed by the OIC LDCs with 4.7% and the OIC MDCs with 4.2%. In the same period, the average growth rate of the value added of

the services sector of the OIC countries as a group was 4.4%.

When the average growth rates of the three sectors in the group of the OIC countries are compared to each other in the period under consideration, it is observed that the highest growth rate occurred in the services sector with 4.4%, followed by industry with 4% and agriculture with 2.8%.

Table 2: Structure of the Economy in the OIC Member Countries

	VALUE ADDED AS % OF GDP OIC-TOTAL (AVERAGE 2000-2005)	VALUE ADDED GROWTH RATE OIC-TOTAL (AVERAGE 2000-2005)
Agriculture	14	2.8
Industry	39	4.0
Services	47	4.4

## CONCLUDING REMARKS AND POLICY IMPLICATIONS

The above picture about the sectoral composition of GDP in OIC member countries shows that the services sector with a share of 47% has started to play a very important role in the economies of most OIC member countries. On the country level, we see that out of the 46 countries, for which data is available, the services sector is the leading sector in 26 countries. This sector has at the same time recorded the highest average growth rate for the period 2000-2005.

Although there is a considerable number of OIC member countries whose economies are dependent on agriculture, this sector has fallen behind with respect to the services and the industry sector. The rate of growth in the mentioned period for agriculture is the lowest with 2.8% and the overall contribution of the sector to the OIC economy is only 14%.

The industry sector has a share of 39%, half of which is contributed by 15 member countries belonging to the FEC's sub-group. The progress of this sector is close to that of services sector and is more satisfactory than agriculture in the period under consideration. The high share of industry in the total GDP of OIC can be explained by the classification of the production of oil and natural gas as industrial activities. Because these are the main production commodities in countries that make up the highest share of the total OIC GDP.

The fluctuation of prices in the international markets, and the lack of water have resulted in the deterioration of agriculture sector within the OIC member countries. This deterioration has led to occupational problems that have caused an increase in the level of poverty in some OIC member countries. It should be

highlighted that agricultural productivity is an important aspect of alleviating poverty and developments in the field of agriculture will generate positive results for overcoming poverty in the OIC member countries.

In LDCs, particularly, and in other countries, where agriculture is the dominant sector and where migration from rural areas to urban areas has followed an upward trend, strict actions should be taken for the development of a proper system of policies to support and improve agriculture. In order to control migration and maintain sustainability in agriculture, measures that will create opportunities for farmers or small agricultural enterprises should be introduced. Stress should be laid on investment in irrigation, roads, and other rural infrastructure along with maintaining stable output prices for commodities and subsidies in irrigation, fertilizers and pesticides. Low pay-back development credits and financing can be considered as an aid for farmers to continue their production. Some of these actions have been undertaken in Indonesia and have succeeded. Some drawbacks were recognized during the process but solutions will differ from country to country.

In the OIC MDC's , the services sector has the highest share of GDP. On the other hand, when compared to other subgroups, the MDC's have the lowest growth rate in all 3 sectors of the economy. As already stated, most LDC's used to be dependent on agriculture. From the distribution of sectors on the country level, we can see that LDC's and MDC's both have 13 countries in which the services sector has the biggest share.

Among countries for which data is available only 2 MDC's , namely Cameroon and Kyrgyzstan , are dominant in a sector other than services which is agriculture. In the light of the fact that these countries are highly dependent on the services sector, measures to be introduced should be towards developing this sector in these countries and maintaining a higher growth rate in the years to come.

In FECs and in other countries where the economies are bound to the international markets and international price fluctuations, measures should be taken based on the idea of creating a safe environment for these economies against international fluctuations to overcome any drawbacks.

The contribution of production is what determines the export commodities of the countries. 15 of the OIC member countries are classified as non-fuel primary product exporters and 17 are classified as fuel exporters (IMF 2007, UNCTAD 2004).

The impact of production on exports should be studied carefully and stress should be laid for the development and sustainment of the achieved development in the sector that has the highest contribution to the economy. This does not mean that countries should rely on only one sector for development. All sectors of the economy should be considered as important but the sector with the highest contribution and continuous productivity should be kept alive. This will help in overcoming other socio-economic problems as unemployment, reducing gaps among income groups and alleviating poverty.

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## COUNTRY NEWS

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### \$ 25 BILLION INVESTMENT IN ABU DHABI GAS FACILITIES

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It was announced that Abu Dhabi Gas Industries (Gasco), 68 percent owned by Abu Dhabi National Oil Co (Adnoc), is investing around \$ 25 billion in gas processing plants and

pipelines as it develops more new fields, like the Shah, with huge sour gas reserves. In this context, two major gas-processing plants in Habshan and Maqta together with a total of 1,500 kilometres of on-shore pipelines are being built over a period of 5-6 years at a total cost of approximately \$ 25 billion.

Gasco can presently process 5.3 billion cubic feet per day of natural gas by operating around two-thirds capacity, and it operates 2,500 kilometres of pipelines to move crude oil, condensates, liquid natural gas and water.

*Reuters, Qatar Gulf Times.*

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### EGYPT'S POPULATION REACHED 78.7 MILLION

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The Central Agency for Public Mobilization and Statistics (CAPMAS) announced the final results of the 13th national census of 2006 have, offering detailed statistics gathered over 16 months by almost 120,000 employees and covering streets, buildings, and, most important, people.

As of May 2008 the number of Egyptians had increased to 78.7 million, an almost 25 per cent increase over the 1996 census. There are 37 million males in Egypt and 35.5 million females. Out of the 17 million family units, 7.8 million live in urban centres and the rest in rural areas. Cairo remains the most populous city, home to 6.7 million families, followed by Sharqiya with 5.3 million and Daqahliya with 4.9 million. Fifty per cent of the population is aged between 15 and 45, and just 12 per cent aged between 45 and 60. The census records a decrease in illiteracy rates to 29 per cent, spread equally between genders, down from 39 per cent in 1996. The number of people holding university degrees or other higher education qualifications has grown to 9.5 per cent of the total population from 5.6 in

1996. The 2006 census places unemployment at 9.7 per cent of the workforce, up from 8.9 in 1996. Of the current number of unemployed, 92 per cent have never had a job.

Electricity reaches 99 per cent of families. Only 47 per cent, however, are connected to the general sewage network, while 8.6 per cent have access to local networks.

*Al-Ahram Weekly Online at:*

<http://weekly.ahram.org>

## GCC STATES ARE TO SORT OUT THE PENDING COOPERATION ISSUES



The GCC Leaders Advisory Summit that met in early May, reiterated the importance of implementing the economic agreements

concluded earlier by the grouping, especially those relating to the unified GCC customs tariff and the Common Gulf Market. Some independent observers view the delays as being caused mainly by the usual bureaucratic impediments, although the governments and the people in the member countries are ready and eager for advanced forms of cooperation to start and take root. In the area of Unified Customs Tariff, issues such as distribution of customs revenues, substitution of customs tariff to be cancelled by an equivalent percent

VAT, and several other await joint action, while regarding the Common Market agreement several areas of cooperation are still pending such as ownership of stocks, opening up of national bank branches, property ownership, and the like.

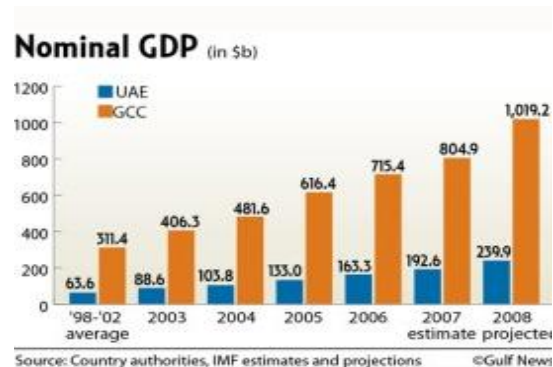
It is feared that the opportunities created in the Gulf countries by the rising oil prices to enhance regional cooperation and investment greatly might be missed due to such delays within the GCC framework, forcing the Gulf investors to seek avenues elsewhere. Also the existing delays in implementation are likely to hinder new decisions relation to GCC integration schemes such as those relating to a unified Gulf currency to be issued by 2010. *Gulf News.*

## GCC FREE TRADE AGREEMENT WITH THE EUROPEAN UNION



Qatari Minister of State for Foreign Affairs said that the States of the Gulf Cooperation

Council, comprising Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates, are getting ready to sign a free trade agreement with the European Union by the





end of the year that has started to be negotiated 18 years ago. The EU side also confirmed that a conclusion was about to be reached. It was reported that a number of “technical questions” remained to be settled. Besides aiming to boost trade and investment among the two blocs, issues such as human rights, illegal immigration and fight against terrorism are also covered by the agreement.

Earlier the GCC side expressed their frustration for the long period it has taken to negotiate the agreement on account of the

many conditions set by the EU. As a result, while the EU companies won very big contracts in the GCC countries, the latter could not export their products to the European markets. Although the negotiations had started in 1990, they were slowed when the GCC agreed to form a Customs Union in 1999, and the EU adopted a strategy to include the services sector into the negotiations in 2001.

*Khaleej Times.*

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## INDONESIA TO WITHDRAW FROM OPEC

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Indonesian Energy minister confirmed that his country, which was Opec's sole member in South East Asia, will withdraw from the oil producers' body when its membership expires later this year. The decision was taken since Indonesia was no longer a net exporter of the commodity as a result of the drop in production, particularly in northern Sumatra. Indonesia joined Opec in 1962, two years after the organisation was founded. Gabon was the last country to pull out of Opec in 1995. Ecuador left the organisation in 1992 but returned last year.

Indonesia is currently producing about 860,000 barrels of oil a day but growth in demand is expected to continue to outstrip output, increasing the need for imports over time. In recent times, the government has increased financial incentives for foreign firms to invest in exploration and extraction but has found itself forced to import more supplies from countries like Iran, Saudi Arabia and Kuwait. The Indonesian government reduced direct fuel subsidies over the weekend for financial reasons, immediately sending prices up 30%.

*BBC NEWS,*

<http://news.bbc.co.uk>

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## MALAYSIA AIMING TO ATTRACT GCC INVESTMENTS

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Malaysian Industrial Development Authority (MIDA) is trying hard increase the investments from the Middle East through four economic corridors, namely the Iskandar Development Region (IDR) (also called South Johor Economic Corridor), facing Singapore, the Northern Corridor around Penang, the Eastern Corridor around

Kelantan and the Sabah Corridor. The idea is to divert GCC capital going to the more expensive Singapore (also constrained by land space, lack of labor and higher costs) to especially the IDR through various incentives. Already, a number of investors from the Gulf have signed MOUs with the IDR to invest US\$ 1.2 billion in three zones in the initial phase of the US\$ 45 billion overall project.

Furthermore, Malaysia rebranded its Islamic finance sector as the Malaysia Islamic Finance Centre (MIFC) to develop Malaysia as the preferred choice for Sukuk issuances and for other Islamic financial products and services. In order to attract foreign banks to the sector, is allowing for 100 percent foreign ownership and 10-year tax holidays for various offshore activities.

*Arab News.*

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## OIL WEALTH IN MENA IS FINALLY BENEFITTING THE REGION AS WELL

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The additional wealth flowing into the oil-producing countries in the Middle East and North Africa (MENA) started lately to benefit more than before the non-oil exporters in the region, according to IMF's regional outlook. In this context, especially the Gulf countries are directing growing amounts of financial resources to the region as both foreign direct investments (FD) linked to privatizations, but also for infrastructure projects and new equity investments. GCC investments into the

broader MENA region during 2002-06 reached US \$60 billion or 11 percent of total GCC capital outflows and one-fifth of their investments in the US. They have mostly FDI injected in Algeria, Egypt, Jordan, Morocco and Tunisia. There were also purchases of private equity in private companies in stock markets and portfolio flows, but they have yet been in relatively modest amounts.

*Gulf News.*

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## BUDGET-MAKERS FOR TOUGH STEPS TO STEM INFLATION IN PAKISTAN

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The national budget for fiscal 2008-09, which begins on July 1, will keep the fiscal deficit within a sustainable limit in pursuit of a 6.5% growth rate, which will have to be achieved by managing new resources for pro-poor expenditures and growth. The foreseen sectoral growth rates are for agriculture (4%), manufacturing (8.5%) and services sector (6.7%). The inflation target of 6.5% set for 2007-08, as, due to the rising food and energy prices, the Consumer Price

Index (CPI) inflation has gone into double digits at 10.3% from 7.9%.

To attain the growth target, total investment will have to increase by 19.66% to reach 22.4% of GDP in 2008-09. Savings ratio meanwhile is projected to increase from 13.9% of GDP in 2007-08 to 15.9% in 2008-09. This implies that about 71% of total investment requirements of the new budget will be financed from National Savings and the remaining 29% from external resources. This in turn will mean a

current account deficit of 6.5% of the GDP. During the fiscal 2008-09, exports (fob) are projected to grow by 15.0% and Imports by 12% owing to higher volume of imported food items, edible oil and fertilizer, leading to a trade account deficit of 8.3% of GDP in 2008-09.

The main thrust of fiscal policy during 2008-09 will be on keeping the fiscal deficit within a sustainable limit by furthering

reforms in the tax system, broadening tax base, improving tax compliance and minimizing tax evasion. The main objective of the policy will be to allocate resources for development activities, particularly pro-poor expenditures with a view to reducing unemployment and poverty and improving social indicators.

*Internews.*

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## 5.6 BILLION-DOLLAR ALUMINUM PLANT IN QATAR ON SCHEDULE FOR COMPLETION

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Norwegian aluminum group Norsk Hydro's massive new aluminum plant in Qatar is destined for completion at the end of 2009. The Qatar smelter will have a capacity of 585,000 tons. Hydro sought to expand through acquisitions, with aluminum markets stronger than expected and prices more likely to rise than fall. The strong Chinese demand appears to be more than offsetting the effects of a weak US economy, and the global aluminum demand

is projected to be up 8%-9% in 2008. The price of primary aluminum has risen above \$3,000 per ton from about \$2,400 at the end of 2007 and an average level far below \$2,000 in the past decade. The market appears to look better than anticipated before on the demand side, with a greater likelihood that prices will be on a rising trend, when one look beyond the short-term movements.

*Reuters, published in Gulf Times.*

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## ARAMCO PLANS TO INVEST \$129 BILLION IN 5 YEARS

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Saudi Arabian Oil Co, the world's biggest oil company, will spend \$129bn between 2009 and 2014 on expanding and upgrading its oil and gas infrastructure as a part of its

largest-ever capital expenditure program in response to rapidly rising domestic and international energy requirements. The investment will turn the company into one of the world's top-five refiners and a major petrochemical producer. The state-owned Aramco has so far allocated \$70bn for domestic and international refining and petrochemical joint ventures with partners such as Dow Chemical Co and Total. Aramco, which last week celebrated its 75th anniversary, will spend another \$59bn on its own projects, both in upstream and downstream. In addition, the Dhahran,

eastern Saudi Arabia-based company, which presently pumps more than 10% of total global crude consumption, already has projects amounting to \$65bn under implementation. Thus, Aramco's crude oil production capacity will reach 12mn bpd by the end of next year from about 10.5mn bpd at present.

Spending under Aramco's new five-year plan involves the expansion of its 400,000 bpd refinery at Ras Tanura on the Arabian Gulf coast and building jointly with ConocoPhillips and Total two export refineries with the same capacities. Other projects include the Petro Rabigh and Ras Tanura integrated refining and petrochemical complexes with Sumitomo Chemical Co and Dow respectively that

will meet product specifications in markets with stringent environmental regulations such as the US and Europe. Outside Saudi Arabia, Aramco and its joint venture partner Royal Dutch Shell will invest in raising capacity at its US Motiva Enterprises refinery at Port Arthur, Texas, by 325,000 bpd to 600,000 bpd. Aramco's worldwide refining capacity will increase by more than a third to 6.5mn barrels a day in the next five years. Investments in new refining and petrochemical capacity are needed to provide fuels for energy-intensive industries such as chemicals and aluminum, which in turn are set to help diversify the Saudi economy and create jobs for a growing local population.

*Zawya Dow Jones, Qatar Gulf Times.*

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## US \$4 TRILLION CAPITAL FROM THE MIDDLE EAST SOVEREIGN WEALTH FUNDS AFTER EQUITY INVESTMENTS

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US \$4 trillion capital at the hands of the Sovereign Wealth Funds (SWFs) is targeting new investments around the world. These funds, strengthened by increasing oil revenues especially in the Middle East region and by the expanding reserves of some Asian countries, comprise both private and public funds. Besides Abu Dhabi Investment Authority (ADIA), the world's largest SWF, and Kuwait Investment Authority (KIA), they include a variety of government agencies that manage funds like pension funds, ministries, fully government-owned companies. Half of the total amount under their management being from the Middle East, the global assets that the SWFs will command are estimated to reach US \$5 trillion in 2010 and US \$15 trillion by 2015.

As these SWFs are under a growing pressure to invest in risk-averse financial assets, they have recently been favoring equity-type investments in search of higher revenues, as well as to gain access to strategic companies in world business. At a time when especially the developed countries are facing slowdowns, the SWFs are being seen more and more as providing opportunities to help absorb global liquidity, in the short run, and become partners of Western companies for growth and innovation, in the long run. On the other hand, since private equity investments are known to be effective in job creation and development, the investments by the SWFs are also set to benefit the regional economies on the one hand and developing countries on the other.

*KhaleejTimes.*

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## UAE COMPANY PLANS HOUSING PROJECT IN LAHORE

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The UAE-based Khamas group of companies is about to finalize a US\$ 100 million housing project in Lahore, Pakistan. The project consists of commercial markets, residential schemes, playgrounds, swimming pools, a

community centre, a recreational park and other modern facilities. Khamas finds Pakistan economic situation sound with groups of population with high incomes and investment potentials already existing, other cities including Karachi and Islamabad also suited for similar construction projects. The company is planning in the next phase to launch a housing project for the lower income groups. In both projects one other major aim is to help create jobs and inject additional resources into the domestic economy by hiring the manpower required and purchasing the material needed locally.

*Khaleej Times.*

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## UAE TOURISM DRAWS US \$70 BILLION IN INVESTMENTS

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The UAE Minister of Trade told a tourism conference that more than DH 257 billion (US \$70 bln) has been invested into the country's hotel and tourism sector. The UAE has been ranked as the leading Arab tourism destination and among the top 20 in the world among the 24 countries surveyed by the World Economic Forum. Thus, the travel and tourism sector has become a



major generator of growth and a major instrument of the diversification efforts in the UAE economy. The sector is estimated to generate revenues of DH 286.2 billion (US \$78 bln) in 2008 (6.4 percent of GDP) which is expected to grow to almost Dh500 billion (US \$136 bln) in ten years time, with the easy access provided by its six international airports and 15 ports.

<http://archive.gulfnews.com>

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## NEW FAO SUB-REGIONAL OFFICE FOR GULF STATES AND YEMEN

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The FAO and the Government of the UAE have signed an agreement to establish a new Sub-regional Office of the FAO in Abu Dhabi for the Gulf Cooperation Council (GCC) States, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen. The office will

have as its staff a multidisciplinary team of international experts in areas of agricultural policy, land and water management, fisheries, plant production and protection, animal health and agricultural investment. According to the agreement the UAE government will provide the facilities for the

office and an annual contribution of US\$ 2 million to facilitate its activities and ensure the adequate availability of expertise for

technical assistance needs of the countries in the region *FAO, Media Relations.*

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## AFRICAN DEVELOPMENT BANK AND LIBYAN INVESTMENT AGENCY SIGN MOU ON JOINT FINANCING

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**AFRICAN DEVELOPMENT  
BANK GROUP**

The African Development Bank (AfDB) Group and the Libya Africa Investment Portfolio (LAIP) signed a Memorandum of Understanding (MOU) on June 5, 2008 that would enable the two parties to enter into partnership in co-financing and information sharing. The LAIP is a US\$ 50 billion state-owned investment fund created in 2006 to foster investments in African countries.

The MOU aims, among other things, to facilitate the establishment of the legal framework for a strategic partnership especially in co-financing and information sharing as the Bank is looking forward to greater cooperation with its founding member and major shareholder Libya, especially in the development of the private sector, improvement of the business climate, furtherance of regional cooperation and expansion of technical assistance activities in the African continent.

*African Development Bank,*

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## AFRICAN DEVELOPMENT BANK SUPPORT TO AGRICULTURE IN MOZAMBIQUE

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The African Development Bank (AfDB) has made a grant of US\$ 140 million to be used in the agricultural sector during 2009-10 to strengthen the government's financial capacity to face the on-going food crisis, without cutting resources from other sectors and areas where needs are equally great and pressing. The AfDB

has promised that it will allocate to the agricultural sector 20 percent of its investment funds. The Bank is currently committed to provide US\$ 3.8 billion in this vein, which represents an increase of one billion US dollars.

*AllAfrica.com*

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## PROJECT TO BOOST RICE PRODUCTION IN AFRICA

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A partnership among the Alliance for a Green Revolution in Africa (AGRA), the New Partnership for Africa's Development (NEPAD) and the Japan International Cooperation Agency (JICA) launched a project called the Coalition for African Rice Development (CARD) on May 29, 2008 to

provide a number of measures to increase the rice production in the continent and help reduce dependence on expensive rice imports by distributing new resilient rice varieties to small farmers. The new initiative hopes to build on successful programs in Uganda and Nigeria to pass on the rich experience in rice farming that has been accumulated in the Asian



countries over the years/ AGRA investments

aim to improve seeds, soil health and linkages to markets, by means of training programmes in relevant subjects in 14 African countries. There will also be funding on fertilizers and soil fertility, investments in fertilizer supply chain approaches, new post-harvest technologies, irrigation systems, market information for grain traders and introduction of renewable energies to process the rice.

*AllAfrica.com*

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## THE MANO RIVER UNION SUMMIT

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The Heads of State and Government of the Mano River Union Countries met for a one-day Summit in Monrovia on May 15, 2008. Cote d'Ivoire joined Guinea, Liberia and Sierra Leone as the fourth member of the organization. The conference went on to consider its agenda which aimed, after years of civil war within the Mano River Basin, to promote socio-economic and regional cooperation among the member states, as had been set out originally when the Union was established back in 1973. While, on the one hand, the leaders agreed to harmonize

strategies to ensure peace and stability to prevail in the region, they resolved, on the other, to place a sub-regional focus on the production of rice as a way to confront the effects of the recent global food crisis. In this connection, the leaders adopted a set of strategies and operational plans as recently developed by their agriculture ministers in order to tackle the food crisis, although there was no specific reference made on the possible negative effects on such cooperation of the food export ban decisions the members had taken earlier at the national level to avoid food scarcity for the local populations..

*AllAfrica.com*

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## MALDIVES PLANS TO OPEN 11 NEW ISLANDS TO FOREIGN INVESTMENT

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The Indian Ocean island country of Maldives plans to open 11 new islands to foreign investors to be developed as high class tourist resorts, some to be built on reclaimed land. The new islands will be added to the 33 resort islands currently under development. The government wants to build resorts on the outskirts of some of the highly populated islands to bring tourism

development closer to the local communities. Potential investors will also win the right to 100 hectares of coral reef, from which they can reclaim up to 15 hectares of additional resort land. The government is also building 10 new regional airports to compliment resort development and to enable locals to commute easily between the chain of 1,192 islands. About 700 kilometers southwest of Sri Lanka, Maldives

has become a magnet for well-to-do tourists, where guests pay up to US\$ 14,500 to scuba dive and sleep in wooden cabin built over water.

Tourism accounts over a third of the Maldives' economy of just under a billion dollars.

*Dawn Internet Edition: <http://www.dawn.com>*

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## AFRICAN DEVELOPMENT FUND LOAN FOR MAURITANIA WATER PROJECT

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The African Development Fund (ADF), the concessional window of the African Development Bank (ADB) Group, approved on May 28, 2008 a supplementary loan of US\$ 5.6 million to finance the provision of safe drinking water from the Senegal River to Nouakchott, the capital of Mauritania bringing the total ADF funding for the project to US\$ 42 million. The project aims to ensure availability of drinking water in the city over the next 30 years by

increasing gradually the daily supply pumped from the river by 350 percent by 2030, benefiting 1.8 million people, as compared to one million in 2008, also catering to the needs of 40.00 people living in the rural areas through which the pipeline is passing. The AfDB group started operations in Mauritania in 1972 and its cumulative commitments in the country adds up to US\$ 560 million in 59 operations.

*AllAfrica.com*

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## OVER 2.6 MILLION COULD GO HUNGRY IN SOMALIA

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FAO warned that more than 2.6 million Somalis (35 percent of the total population) need food assistance on account of the deteriorating human situation caused by sharp increases in food prices, the weak national currency (devalued by 125 percent during the last four months) and the worsening drought. The delayed seasonal *Guu* rains will apparently lead to poor harvest, shortages and still higher prices. Cereals prices have shot up by 375 percent during the past year

in Somalia which is a net importer of cereals. It is necessary not only to increase production, but also to bring incomes into the rural and peripheral urban areas. Worse still, lack of a functional government since 1991 and the ensuing internal violence and lack of security displaced a total of one million people mostly from the capital Mogadishu, with an additional 60,000 rural people also requiring food aid due to two consecutive years of drought.

*FAO, AllAfrica.com*

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## BUSINESS OPPORTUNITIES IN IRAQ?

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Iraqi Finance pointed out in a special meeting that his nation was in urgent need of some \$400 billion in foreign investment to rebuild its infrastructure through projects such as roads, bridges, housing, water and power plants. Hundreds of Iraqi, Arab and foreign entrepreneurs gathered in Cairo recently to review business opportunities in Iraq which so far

has been deterred by the severe lack of security, a weak government, an absence of political reconciliation, regional tension, and administrative corruption.

The meeting is the second of a series of meetings planned by the Iraqi government to lure foreign investment, following last year's meeting in Dubai which had focused on the development of



Iraq's all-important engineering and oil services industry.

Yet, Arab entrepreneurs don't appear to be ready to take the risk to do business in a country which is still mired in violence. Later, the Iraqis moved their campaign to the World Economic Forum on the Middle East in Sharm El-Sheik to try to persuade the foreign investors that it is safe now to do business in their country. There is also the

still unresolved issue of the future of oil revenues, Iraq's main resource to pay for the projects of reconstruction, which, since the first Gulf War of 1991, have been under the supervision of a special UN committee to ensure paying war compensation and paying food rations to Iraqis.

*Al-Abram Weekly Online at:*

<http://weekly.abram.org>

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11TH SESSION OF THE ISLAMIC SUMMIT CONFERENCE

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The 11th Session of the Islamic Summit Conference was held in Dakar, Senegal on March 13-14, 2008. The Conference took up a heavy agenda relating to substantial issues of common interest and immediate concern to the member countries and the Muslim world in political, economic, cultural and scientific areas. There was also a special focus on the following items:

- Implementation of the OIC Ten-Year Program of Action (TYPOA)
- Adoption of the revised OIC Charter
- The special problems of the Least Developed Countries and the African Members, especially in relation to poverty alleviation.

Regarding the TYPOA, adopted by the Third Extraordinary Session of the Islamic Summit Conference in December 2005, the Conference reaffirmed the commitment of the Member States to the visions and mandates of the TYPOA, as a blueprint document in preparing the Muslim World for the challenges of the 21st century in solidarity in

action. It also underlined the pivotal role of the OIC General Secretariat in coordinating the implementation of the TYPOA and appreciated the progress achieved so far.

The Conference appreciated the launching of the Islamic Solidarity Fund for Development (ISFD) in May 2007 and extended its thanks to the Member States which have announced contributions to the Fund, inviting others to do so, in order to achieve 10 billion US Dollars by the 2009 and at least US\$6.0 billion by 2008 so that the Fund can implement its programs especially to benefit poverty alleviation programs and the Special Program for the Development of Africa (SPDA) also foreseen in the TYPOA. The Conference applauded the pivotal role of the Islamic Development Bank (IDB) in financing development projects in Africa and its initiatives relating to the launching of the ISFD.

The Conference also expressed its appreciation for the efforts exerted by different parties in realizing the amendment of the Charter, which was a provision contained in the OIC Ten-Year Program of Action. The new OIC Charter stands to mark the launching of a new era in the OIC's history and a new vision. At the closing Session, the Summit re-elected the Secretary General of the Organization of the Islamic Conference, Professor Ekmeleddin Ihsanoğlu for a new term of office of five years.

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## FIRST MEETING OF THE STATISTICAL WORKING GROUP

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The Islamic Development Bank (IDB) organized the First Meeting of the Statistical Working Group (SWG) at the OIC level on March 25- 26,

2008 at its Headquarters in Jeddah. The meeting was attended by the representatives of the OIC General Secretariat, SESRIC, ICCI, ICDT and IDB. The SWG has been initiated in accordance with the recommendation of the Expert Group Meeting on Statistical Capacity Building that had been organized by IDB on April 29, 2007 calling on IDB to “establish a working group, in collaboration with the relevant OIC Institutions, to meet regularly in order to harmonize statistical activities, exchange experiences and best practices, to develop common methodologies for collecting and processing data from Member Countries”.

The Inaugural session was addressed by the Vice President of the IDB, Dr. Amadou Boubacar Cisse and Dr. Savas Alpay, the Director General of SESRIC. A presentation entitled “Setting the Scene: The Big Picture” by Dr. Abdullateef Bello, the Division Chief, Statistics (Data Resource Center, IDB) followed.

The discussions during Working Sessions focused on four themes namely

i. Institutional Statistical Capacity and Activities

- ii. Statistical Needs-Assessment: Where Do We Stand?
- iii. A Framework for Statistical Coordination: Institutional Niches; and
- iv. Statistical Working Group: Functions, Membership and Modus Operandi

In terms of data collection, the SWG agreed to give priority to sourcing primary data directly from member countries and decided to avoid sending multiple questionnaires from different OIC institutions to member countries. The SWG also agreed to coordinate data collection from member countries by the OIC institutions, in order to realize a more cost efficient system. In terms of data processing, the SWG agreed to standardize definitions of various indicators used in databases and publications of OIC institutions. In terms of data dissemination, the SWG agreed to create a common database as a one-stop platform for accessing reliable and consistent statistics on indicators of OIC member countries. Finally, SESRIC offered to host the Second Meeting of the SWG (SWG- 2) at its Headquarters in Ankara, Turkey, before the COMCEC Meeting in October 2008.

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## FIRST MEETING OF THE STEERING COMMITTEE FOR THE IMPLEMENTATION OF THE OIC COTTON COOPERATION PROGRAMME

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The First Meeting of the Steering Committee for the implementation of the OIC Cotton Cooperation Programme was held on 12 May 2008 in Antalya, Republic of Turkey. In addition to Burkina Faso, the Islamic Republic of Pakistan and the Republic of Turkey, the OIC General Secretariat, the COMCEC Coordination Office (CCO), Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), Islamic Development Bank (IDB), Islamic Chamber of Commerce and Industry (ICCI) and Islamic Centre for the Development of Trade (ICDT) attended the Meeting.

After being briefed by the Chairman on the background and the progress so far achieved regarding the OIC Cotton Cooperation

Programme, the Meeting adopted an eight-item agenda on different implementation and organisation matters relating to the Programme, agreed on the date of the 1st Project Committee Meeting to consider the submitted project proposals, the project proposal format, and the procedures on project proposal, approval, financing and implementation. The Meeting also discussed the activation, improvement, translation and financing issues related to the OIC Web Portal on the Cotton Sector.

During the Meeting, six Centres of Excellence representing the three OIC regions have also been identified. The Meeting further decided that the Steering Committee prepare an Implementation Plan, while the IDB was requested to prepare a project proposal format to be included in this Plan, together with the implementation period and, where possible, the executing agencies.

The Meeting decided that the OIC Cotton Fair be organised in 2009 in Benin, as offered, by the ICDT, in collaboration with the IDB, along with the buyer/seller workshop on cotton and textile at an appropriate time and place. Finally, the Meeting decided that the final report of the 1st Meeting of the Steering Committee be presented to the 24th Meeting of the Follow-up Committee of the COMCEC.

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## FOUR TRAINING COURSES BY SESRIC

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During the first half of 2008, the Centre organized four training courses in various areas and subjects of statistics. These courses were held in four different countries as a part of the Centre's capacity-building activities, whereby needs expressed through questionnaires that were sent to member countries are matched with capacities existing in other member countries. The aim in each of the courses was to improve the capacity-building efforts and performances of the member state agencies where these courses were given.

The four courses organized were as follows

- The training course on “Census and Survey Processing System (CSPRO) & Statistical Package for Social Sciences (SPSS)” organized at the Central Bureau of Statistics of the Republic of Sudan on February 4-6, 2008. The course was provided by an expert from the Department of Statistics in Jordan

and was attended by 12 staff members of the Central Bureau of Statistics of the Republic of Sudan.

- The training course on “Agriculture Statistics and Food Safety Analysis” organized at the Uganda Bureau of Statistics of the Republic of Uganda on 26-27 May, 2008. The course was provided by an expert from the Turkish Statistical Institute in Turkey and was attended by 15 staff members of the Uganda Bureau of Statistics.
- The training course on “Quality in Statistics” organized at the State Committee on Statistics of the Republic of Tajikistan on 26-28 May, 2008. The course was provided by an expert from the Turkish Statistical Institute in Turkey and was attended by 20 staff members of the State Committee on Statistics of the Republic of Tajikistan.
- The training course on “Agriculture Statistics” organized at the Kazakhstan Statistical Agency of the Republic of Kazakhstan on June 24-26, 2008.
- The course was provided by an expert from the Turkish Statistical Institute in Turkey and was attended by 20 staff members of the Kazakhstan Statistical Agency.

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## TOURISM STATISTICS WORKSHOP

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A Tourism Statistics Workshop was held on 16-18 June 2008 in Ankara, Turkey. It was jointly organized by SESRIC, Ministry of Culture and

Tourism of the Republic of Turkey, Turkish Statistical Institute and World Tourism Organization. 36 participants from ten different countries, namely Azerbaijan, Brunei,

Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Syria, Tunisia and Turkey attended to the workshop.



The workshop was inaugurated with a speech by Dr. Savas Alpay, the Director General of SESRIC. The workshop adopted the proposed agenda and proceeded in 10 sessions being moderated by two researchers at SESRIC.

Mr. Nabil Dabour, Acting Director of the Research Department, initiated the workshop by giving an overall presentation about the current situation of international tourism in the OIC countries. The representative from the Turkish Ministry of Culture and Tourism then informed the participants about the accommodation and border statistics, while experts from the Turkish Statistical Institute

summarized the methodology and contents of the tourism-related surveys they have been conducting.

Mr. Juan Falconi, a consultant and coordinator at the World Tourism, presented the Tourism Satellite Accounts (TSAs) and the Accommodation Kit developed by the UNWTO as a preliminary attempt to solve the data problems about tourism. Within this framework, the participants exchanged views and emphasized the need for and the importance of sharing country-wise experiences in the tourism statistics field, especially about the transition and implementation process of TSAs in various OIC countries.

Throughout the discussions, a deep interest was expressed on the continuation of these workshops in the future for the benefit of the concerned staff in the OIC member countries. In this context, a tourism statistics workshop email group was formed as a base platform of coordination in the future.

After the conclusion of the last session, the participants were welcomed at the SESRIC headquarters, where they were briefed about the activities and future plans of the Centre.

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## THE 35TH SESSION OF THE COUNCIL OF FOREIGN MINISTERS (CFM)

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The 35th Session of the Council of Foreign Ministers (CFM) was held on 18-20 June 2008 in Kampala, Uganda and was attended by representatives from 53 Member States, the General Secretariat of the OIC and its subsidiary, specialised and affiliated institutions. Dr. Savas Alpay, Director General of the SESRIC, represented the Centre at the Session. In the opening session, H.E. Mr. Makhdoom Shah Mahmood Qureshi, the Foreign Minister of the Islamic Republic of Pakistan and Chairman of the 34<sup>th</sup> ICFM started the

proceedings. The Meeting unanimously elected H.E. Hon. Sam Kutesa, Minister of Foreign Affairs of Uganda, as Chairman of the 35th Session of the Council of Foreign Ministers, and approved the composition of the Bureau as follows: Islamic Republic of Iran, Syrian Arab Republic and the State of Palestine as Vice-Chairs, and Islamic Republic of Pakistan as Rapporteur.

The Meeting listened to a welcome address by H.E. Hon. Sam Kutesa, Foreign Minister of the Republic of Uganda who expressed the honor



done to his country to host the first CFM after the adoption of the revised Charter. The representatives of the three geographic groups also addressed the session, where the Foreign Minister of the Islamic Republic of Iran for the Asian Group, the Foreign Minister of Chad for the African Group and the Deputy Foreign Minister of Syria for the Arab Group, thanked Uganda for hosting the Meeting and for its generous hospitality. The Foreign Minister of Senegal, H.E. Dr. Cheikh Tidiane Gadio conveyed to the meeting a message of H.E. Maitre Abdoulaye Wade, President of the Republic of Senegal and Chairman of the 11th Summit, where President Wade remarked that the adoption of the new Charter would enable the OIC to confront the serious challenges facing the Ummah, and called for the effective implementation of the Ten Year Program of Action, particularly the Special Program for the Development of Africa.

H.E. Prof. Ekmeleddin Ihsanoglu, Secretary-General of the Organization of the Islamic Conference, in his speech to the inaugural session, thanked H.E. Yoweri Kaguta Museveni, President of the Republic of Uganda for hosting the 35th Session of the CFM and for personally gracing the opening ceremony of the meeting. He went on to state that the reform of the OIC had then taken roots by the adoption of the Charter which had heralded a new dawn in the Organization. Therefore, he appealed to Member States to urgently sign the

Charter. He further spoke of the rising profile of the Organization and pointed out that the Organization had emerged as an indispensable international player. Prof. Ihsanoglu identified the Ten Year Program of Action as a key framework for achieving sustainable economic and social development. He strongly emphasized the commitment of the OIC in addressing poverty alleviation, food security and agricultural development in its Member States, and for combating the issue of defamation of Islam and the scourge of Islamophobia.

The Opening Session was finally addressed by H.E. Youweri Kaguta Museveni, President of the Republic of Uganda, where he emphasized the need for unity, dialogue and peaceful coexistence. He also noted that the diversities in the Member States if properly harnessed and managed could be a source of great strength. He referred to the huge resources and potentials available in the OIC Member States and stressed the importance of enhancing intra-OIC cooperation by facilitating trade and investment. In this regard, he urged investors from the Member States to take advantage of abundant natural resources in Uganda and invest in this country. He insisted that what developing countries needed was “trade and not aid”.

The Council of Ministers adopted the report of the preparatory Senior Officials Meeting (SOM) for the current session, held in Jeddah from 17 to 19 May 2008, the Draft Agenda and Work Program submitted to it by the SOM, as well as the reports of the Islamic Committee on Economic, Social and Cultural Affairs.

Guided by the Final Communiqué of the 11th Summit held in March 2008 in Dakar, Republic of Senegal, a wide range of issues of interest to Member States were discussed including the

situation in Kosovo. The Council has adopted various resolutions, inter alia, in the following areas: the Cause of Palestine, the City of Al-Quds Al-Sharif and the Arab -Israeli Conflict, the Implementation of the OIC Ten Year Programme of Action, the Situation in Iraq, the Jammu and Kashmir Dispute, the Situation in Somalia, the Situation in Cyprus, the Situation in Afghanistan, the Situation in Cote D'Ivoire, Combating International Terrorism, Combating Islamophobia and raising awareness of its implications on global peace and security, United Nations Reform, Disarmament issues, Security and Solidarity among Member States, Situation at the border between Djibouti and

Eritrea, Questions of Muslim Communities and Minorities, Legal and Organic, Information, Cultural, economic, Science and technology, and Administrative and Financial Affairs.

The Council decided to hold the 36<sup>th</sup> Session of the Council of Foreign Ministers (CFM) in the Arab Republic of Syria in the second half of May 2009. It also took note of the proposal made by Tajikistan to host the 37<sup>th</sup> CFM Session in Dushanbe, in 2010. The Council further supported the proposal of the Republic of Kazakhstan to host the 38<sup>th</sup> CFM in 2011 in Astana.

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## 6TH SESSION OF THE ISLAMIC CONFERENCE OF TOURISM MINISTERS

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The Sixth Session of the Islamic Conference of Tourism Ministers (ICTM) was held in Damascus, Syrian Arab Republic, on 29 June - 2 July 2008. Representatives from 32 member countries, the World Tourism Organization (WTO), the Arab Tourism Organization, Iran Cultural Heritage, Handicrafts and Tourism Organization, the General Secretariat of the OIC and its subsidiary, specialized and affiliated institutions attended the Conference.

The Meeting of the Senior Officials on 29-30 June, preparatory to the Ministerial Session, reviewed and discussed the progress achieved in the implementation of the resolutions and decisions of the 5th Session of the ICTM, held in Baku in 2006. They also reviewed and discussed a set of common issues of concern to the member countries regarding cooperation in the field of tourism as contained in the background reports submitted to the Conference by the OIC General Secretariat and various OIC institutions. In this connection, while the representatives of the Islamic Republic of Iran, Republic of Indonesia and

Malaysia made their respective presentations on the three main themes of Tourism Research and Training, Tourism facilitation and Tourism Marketing, respectively, the representatives of Bangladesh, Senegal, Turkey, Syria, Palestine, Malaysia and Egypt presented reports on tourism activities in their respective countries.

Dr. Savas Alpay, Director General of the Centre, in his statement, highlighted the activities of the Centre related to the tourism sector in the OIC countries, while Mr. Nabil Dabour presented the Centre's Report, "International Tourism in the OIC Countries: Prospects and Challenges". Mention was also made of the training workshop on tourism statistics organized by the Centre in Ankara on 16-18 June 2008, in collaboration with the Ministry of Culture and Tourism of the Republic of Turkey, the Turkish Statistical Institute and the World Tourism Organization (UN WTO).

During their Meeting, the Senior Officials also examined the Strategic Plan for Development of Tourism in OIC Member States, which was



developed by the OIC Second Experts Group Meeting on Tourism Development, held in May 2007 in Istanbul. The Meeting adopted the document with amendments under the title of “Framework for Development and Cooperation in the Domain of Tourism between OIC Member States” and approved the Draft Resolution on Tourism Development. The Senior Officials also examined and approved the Draft Agenda and

Work Program of the Ministerial Sessions of the 5th ICTM.

All of the above documents were subsequently deliberated upon and formally adopted by the Ministerial Session. At the conclusion of the Conference, the Ministers welcomed the offer of the Government of the Islamic Republic of Iran to host the Seventh Session of the ICTM in 2010.

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## EXPERT GROUP MEETING ON ENHANCING INTRA-OIC TRADE

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The Experts Group Meeting (EGM) on Enhancing Intra-OIC Trade was jointly organized by the SESRIC, the International Islamic Trade Finance Corporation (ITFC) of the Islamic Development Bank (IDB), the Union of Chambers and Commodity Exchange (TOBB) of the Republic of Turkey and the COMCEC Coordination Office in Ankara on 5-6 July 2008. The Meeting aimed at exploring ways and means of facilitating the realization of the target to achieve 20% intra-OIC trade by 2015 as stipulated by the OIC Ten-Year Program of Action.

Experts from OIC member countries, national trade promotion agencies, OIC institutions, some international and regional organizations participated in the Meeting. The main themes of the Meeting were trade financing, trade

promotion, trade facilitation, capacity-building, and promoting and developing strategic commodities originating from member countries.

Mr. Nabil Dabour, Acting Director of the Research Department at SESRIC made a presentation on “Facilitating Trade through OIC Multilateral Agreements on Economic and Commercial Cooperation and Potential Gains from these Agreements” during the first Session of the Meeting on the theme of “Trade Facilitation”.

There was a Brainstorming Session in the second day in which all the participants took part in the discussions and exchanged views on the possible effective and efficient ways and means of enhancing intra-OIC trade, with the aim of preparing a Road Map on the subject, including specific recommendations, scenarios and modalities.

The final report, including the recommendations, of the Meeting will be submitted to and presented at the 24th Session of the COMCEC, which will be held in October 2008 in Istanbul, for consideration by the ministers of economy and trade of the OIC member countries.

## A SELECTION OF RECENT TITLES

**World Investment Directory, Volume X, Africa 2008, UNCTAD/ITE/IIT/2007/5.**

Available in electronic version only, 726 pages.

Foreign direct investment (FDI) continues to gain in importance as a form of international economic transactions and as an instrument of international economic integration. The rate of growth of worldwide FDI inflows in the past two decades has substantially exceeded that of worldwide gross domestic product (GDP), exports and domestic investment. Transnational corporations (TNCs) account for an increasing share and, in some cases, a substantial part of the assets, employment, domestic capital formation, research and development, sales and trade of many countries and have become one of the driving forces of integration in the world economy. The World Investment Directory aims at becoming a standard reference series for policymakers, especially in developing

countries, and for researchers and others in academia, governmental, intergovernmental and non-governmental organizations and the private sector. The purpose of the World Investment Directory and its database is to assemble comprehensive data and information in individual countries on (i) FDI, (ii) Operations of TNCs, (iii) Basic financial data on the largest TNCs, (iv) The legal framework in which such investment takes place and (v) Selected bibliographic information about FDI and TNCs. The present publication covers 53 economies of the African region. Profiles on all these countries are contained in this volume, based on data available to the Secretariat. These are based on information available as of December 2007.

Baldwin, Robert E. and L. Alan Winters, editors, **Challenges to Globalization: Analyzing the Economics.** 560 pages, National Bureau of Economic Research Conference Report, 2007.

There has always been disagreements about the nature of the globalization process, especially over such issues as labor rights, environmental standards, and tariff-cutting rules. Furthermore, developing countries complain about the burdens of adjustment placed on them and the fact that they are not matched by commitments from developed countries. *Challenges to Globalization* evaluates the arguments of pro-globalists and anti-globalists regarding issues such as globalization's relationship to democracy, its

impact on the environment and on labor markets including the brain drain, sweat shop labor, wage levels, and changes in production processes, and the associated expansion of trade and its effects on prices by looking at multinational firms, foreign investment, and mergers and acquisitions. The book also includes papers on financial opening and on the relationship between international economic policies and national economic growth rates.

Harrison, Ann, editor **Globalization and Poverty**. 536 p., 10 halftones, 108 line drawings, 98 tables. 6 x 9 2006 Series: (NBER-C) National Bureau of Economic Research Conference Report, University of Chicago Press.

Over the past two decades, the percentage of the world's population living on less than a dollar a day has been cut in half. How much of that improvement is because of—or in spite of—globalization? While anti-globalization activists raised loud critiques, economists have largely remained silent, in part because of an entrenched institutional divide between those who study poverty and those who study trade and finance. *Globalization and Poverty* brings

together experts on both sides of this divide to provide a detailed view of the effects of globalization on the poor in developing nations, answering such questions as: Do lower import tariffs improve the lives of the poor? Has increased financial integration led to more or less poverty? How have the poor fared during various currency crises? Does food aid hurt or help the poor?

**Economic Aspects of Adaptation to Climate Change: Costs, Benefits and Policy Instruments**, OECD Publishing, 2008.

Climate change poses a serious challenge to social and economic development. Efforts to reduce greenhouse gas emissions need to be in line with policies and incentives to adapt to the impacts of climate change. How much adaptation might cost, and how large its benefits might be, are issues that are increasingly relevant both for on-the-ground projects and in international development co-

operation and negotiations contexts. This report provides a critical assessment of adaptation costs and benefits in key climate sensitive sectors, as well as at national and global levels. It also moves the discussion beyond cost estimation to the potentials and limits of economic and policy instruments for adaptation.

OECD Development Centre, **Black Sea and Central Asia: Promoting Work and Well-Being**, OECD Publishing, 2008, 140 pages.

The Black Sea and Central Asian regions command much interest because of their political, cultural and economic diversity. With the exception of OECD members Greece and Turkey, all the countries in this region are emerging from transition from the centrally planned economies of the Soviet era into market-based societies. This transition has created opportunities for development, but has also introduced new problems and fresh challenges for governments and society. Issues such as migration, gender relations, social

protection, job creation and ethnic relations need to be tackled, and ways to consolidate development, while not excluding sectors of society, need to be found. This book addresses some of these challenges. It analyses the opportunities and conditions of employment throughout the Black Sea region and Central Asia. It examines how different countries deal with social issues affecting well-being. It presents both a country-based view and a whole-region analysis that will be useful for policy makers and civil society in responding

to the challenges ahead. Countries covered are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Kazakhstan, the Kyrgyz

Republic, Moldova, Romania, Russia, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan.

OECD Development Centre, **Business for Development 2008: Promoting Commercial Agriculture in Africa**, OECD Publishing, 2008, 122 pages.

The changing pattern of international agricultural trade has profound implications for Africa. The book's authors discuss these trade flows, map the corporate landscape of agro-food, (including the emergent indigenous sector), and assess trends in international development co-operation in the corporate sector. Particular focus is given to "aid for

trade" programmes that try to foster private-sector development and trade-capacity building. A final chapter, drawing lessons from five country case studies provides evidence of the (in)effectiveness of government intervention and donor programmes to promote the marketing of African agriculture.

**The Euromoney Emerging Markets Handbook 2008/09**, April 2008.

Growth in countries such as Russia, Brazil, Singapore, India and China, that is, the emerging markets have generated far greater returns than developed economies during the last five years. Emerging market assets have been proving resilient in the face of a weakening US dollar and lower global growth expectations on account of the recent turmoil in financial markets that has

originated from the US mortgage markets. *The Euromoney Emerging Markets Handbook 2008/09* brings together articles from a selection of emerging markets specialists that offer guidance on prediction, management and reaction to the volatility, risk and opportunities for which these markets have become renowned.