



ENERGY, THE SDGs AND THE NEXUS: OFID RECORDS

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The world is confronted with significant challenges in the way it manages and consumes its resources. Traditionally, energy, water and food have been looked upon—and managed—as if each existed in its own self-contained silo. Counter to this outdated concept, the Energy–Water–Food (EWF) nexus approach recognises the dynamic and complex interlinkages between energy, water and food security, all of which are key goals in the context of sustainable development. OFID is helping to overcome these barriers through innovative EWF-nexus projects that support the agriculture and water sectors by expanding access to modern energy services.

It also important to note that to meet the projected increase in global energy demand, enormous amount of investments will be required. This underlines the necessity of a sustainable and stable energy market. According to many energy related centers, energy demand will increase and the hydrocarbon will remain as the main source of energy for decades to come.

OFID's main objective as a multilateral development finance institution is to spur sustainable development in its 134 partner countries. To this end, we have committed a cumulative US\$20bn over the past 42 years. That said, we are widely recognized in the international development community for our pioneering *Energy for the Poor Initiative* and our lead role in helping to secure a prominent position for energy access in the 2030 Global Development Agenda.

Despite the achievements of the MDGs, one of the most prominent shortcomings was the absence of energy as a distinct development goal. To highlight this omission, OFID initiated the campaign in international fora to advocate for the inclusion of universal energy access on the global development agenda. This campaign stems from a direct mandate from the heads of state of our Member Countries in 2007. Since then, our institution remains committed to using all resources at its disposal and pursuing every viable solution in a bid to make modern energy universally available. The strategic framework for these activities is OFID's Energy for the Poor Initiative, now in its 10th year of implementation, which is funded through a revolving endowment of US\$1bn pledged by the institution's supreme body, the Ministerial Council, in its June 2012 Declaration on Energy Poverty.

OFID was pleased when energy access had finally gained the recognition it deserves. Embedded as SDG7 in the 2030 *Agenda for Sustainable Development*, access to modern energy services is now universally accepted as one of the most powerful catalysts for both human and economic advancement.

Without energy, it is impossible to provide healthcare and education, end hunger, supply clean water, or, more broadly, eradicate poverty. The enabling power of energy access is strengthened by its direct links to the 16 other SDGs. This is well documented in *"The 2030 development agenda: Energy access a keystone"* (OFID Pamphlet Series 40, 2016, <https://goo.gl/YfuYC4>). Since 2008, OFID has committed more than US\$3.5bn to energy operations, representing around 27% of the total value of all our commitments for the period. This amount leverages more than 200 operations worldwide, leveraging total value of over US\$35bn.

The energy-water-food nexus: as he described as follows;

Energy sits at the core of our strategic framework, but it does not sit in isolation. Alongside it—and just as important—the security of the water and food supply, both of which are essential to sustain a global population expected to increase to 9.7 billion by 2050.

Sustaining a growing population requires securing increasing supplies of energy, water and food, all of which are interlinked. Water is needed for almost all forms of energy production; energy is needed to treat and transport water; and both water and energy are needed to produce food and to transport and distribute it. Agriculture accounts for 70 percent of total global freshwater withdrawals, making it the largest user of water. At the same time, the food production and supply chain account for about 30 percent of total energy consumed globally.

As demand grows, there is increasing competition for resources between energy, water and food production, as well other sectors, with unpredictable impacts on livelihoods. How best to allocate resources between competing needs in order to support development is facilitated through integrated planning and decision-making.

Over the past four decades, OFID has co-financed countless projects in these three sectors, in a multitude of different settings across 120 countries. This broad and diverse experience has taught us that energy, water, and food are intimately linked, and that uncoordinated interventions in one sector can inadvertently create risks and uncertainties in another.

The interdependencies and interlinkages between the Energy-Water-Food (EWF) sectors are well-documented (see, for example *"The energy-water-food nexus: Managing key resources for sustainable development"* (OFID Pamphlet Series 41, 2017, <https://goo.gl/Gs1AKf>). In order to ensure that development takes place within sustainable levels of resource use, it is necessary to consider these interdependencies when formulating strategy and policy.

It thus became evident to OFID that for energy access

to take its full effect in sustainable development it has to be related to the food and water dimensions. The “silo thinking” of the past is no longer an option; there is a need for a new paradigm that views these issues as a “system.” This means the implementation of a holistic approach that explicitly defines the links between the single components of the EWF nexus and understands the effect each one has on the others. This interlinkage is illustrated in the study *“Biofuels and Food Security”* (OFID Pamphlet Series 38, 2010, <https://goo.gl/EFPiAo>). This analysis highlights that taking over large swathes of land previously dedicated to food crops in favour of first generation biofuels significantly contributed to the global food crisis of 2007–2008, when shortages of basic staples and the consequent price hikes sparked hunger and ugly riots across developing regions.

To soften the negative effects of such shortages and to increase the synergy among all the related sectors, OFID is putting into practice the nexus-led sustainable development.

By positioning the EWF nexus at the heart of our Corporate Plan 2016–2025, we have made clear our readiness to mobilise all means at our disposal to tackle energy, water and food security in an integrated way. Over the coming decade, we are committed to channelling 70 percent of our funding to these critical sectors (including transportation).

Guiding this strategy is our commitment to people-centred development, with poverty eradication as our driving and important goal. So, when it comes to the nexus, we are especially mindful of the people “on the front lines:” the roughly two billion small farmers and their families who depend on the land and its ever-dwindling resources for survival. For example, OFID cooperated with the Renewable Energy and Energy Efficiency Network (REEEP) to partially fund two energy access projects that also impact the water and food sectors. With nexus-led interventions, we can promote the development of climate- and resource-smart agriculture and potentially give these vulnerable populations the opportunity to escape poverty once and for all. ■

OFID-REEEP energy access program, Kenyan smallholder using solar powered pumps to irrigate his crops.



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