The OPEC Fund for International Development

An Overview

11th June 2004, Parma Italy

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Investment Officer

THE OPEC FUND
Parkring 8
A-1010 Vienna
Austria
1 barrel [oil] = 159 litres

One Barrel (42 Gal.) of Oil Yields:

- Gasoline 43%
- Distillate 21.5%
- Residual 11.5
- Jet fuel 6.9%
- Feed Stocks 4.7%
- Still gas 3.8%
- Asphalt 3.1%
- Coke 2.6%
- LPG 2.3%
- Kerosene 1.3%
- Lubricants 1.3%
- Miscellaneous 0.67%
OPEC

OPEC SECRETARIAT
• ALSO BASED IN VIENNA

CONCERNED WITH OIL
• PRICE, PRODUCTION, MARKET ANALYSIS & OIL STUDIES

OPEC CONFERENCE OF MINISTERS
(HIGHEST POLICY MAKING BODY)

THE OPEC FUND

• MULTI LATERAL DEVELOPMENT FINANCING INSTITUTION

• ESTABLISHED IN 1976 BY OPEC MEMBER COUNTRIES

• 12 MEMBER COUNTRIES

• BENEFICIARIES: 111 COUNTRIES WORLDWIDE
OPEC FUND
ORGANIZATIONAL STRUCTURE

- Ministerial Council
- Governing Board
- Director General
- Administration & Personnel
- Corporate Secretariat & Protocol
- General Counsel
- Internal Auditor
- Information & Economic Services Dept.
- Finance Dept.
- Private Sector Operations Dept.
- Public Sector Operations Dept.

*Total staff as of end May 2004: 125 (nationals of 28 countries)

OPEC FUND OBJECTIVES

- PROMOTE COOPERATION BETWEEN OPEC MEMBER STATES AND OTHER DEVELOPING COUNTRIES
- STRENGTHEN SOUTH-SOUTH SOLIDARITY
- HELP PARTICULARLY POORER, LOWER INCOME COUNTRIES IN PURSUIT OF SOCIAL AND ECONOMIC ADVANCEMENT
CONCESSIONAL PROJECT, PROGRAM & BOP SUPPORT LOANS

GRANTS: TECHNICAL ASSISTANCE, FOOD AID, RESEARCH, EMERGENCY AID

CONTRIBUTION TO ELIGIBLE INTERNATIONAL AGENCIES

PRIVATE SECTOR FINANCING

OPEC FUND RESOURCES

VOLUNTARY CONTRIBUTIONS BY OPEC MEMBER COUNTRIES

LOAN REPAYMENTS

INCOME DERIVED FROM FUND'S INVESTMENTS AND LOANS

- PLEDGES BY MEMBER COUNTRIES at May 31, 2004: US$ 3.44 billion

- PAID-IN CONTRIBUTIONS at May 31, 2004: US$ 2.46 billion
ALL DEVELOPING COUNTRIES, WITH EXCEPTION OF OPEC MEMBER STATES, ARE ELIGIBLE - WITH LEAST DEVELOPED COUNTRIES ACORDED HIGH PRIORITY

INTERNATIONAL INSTITUTIONS WHOSE ACTIVITIES BENEFIT DEVELOPING WORLD

NGOs

RECENTLY - PRIVATE SECTOR ENTITIES (since 1999)

OPEC FUND OPERATIONS (end April 2004)

LOANS

NUMBER 1041
VALUE US$ 5.47 billion

GRANTS

NUMBER 668
VALUE US$ 309.5 million
<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>48</td>
</tr>
<tr>
<td>Asia</td>
<td>35</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>24</td>
</tr>
<tr>
<td>Europe</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>111</strong></td>
</tr>
</tbody>
</table>

OPEC FUND : PROJECT LENDING BY SECTOR (as of end April 2004)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Lending US$ million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Agro-industry</td>
<td>656.5</td>
<td>15.4</td>
</tr>
<tr>
<td>Education</td>
<td>555.4</td>
<td>13.0</td>
</tr>
<tr>
<td>Energy</td>
<td>816.8</td>
<td>19.2</td>
</tr>
<tr>
<td>Health</td>
<td>271.4</td>
<td>6.4</td>
</tr>
<tr>
<td>Industry</td>
<td>92.7</td>
<td>2.2</td>
</tr>
<tr>
<td>National Development Banks</td>
<td>174.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>18.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,101.3</td>
<td>25.9</td>
</tr>
<tr>
<td>Water Supply &amp; Sewerage</td>
<td>322.6</td>
<td>7.6</td>
</tr>
<tr>
<td>Multi-sectoral</td>
<td>250.0</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,259.6</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
OPEC FUND SECTORAL PRIORITIES

- THE FUND DOES NOT FIX SECTORAL PRIORITIES
- THE FUND LENDS ON THE BASIS OF THE NEEDS AND PRIORITIES OF A PARTICULAR COUNTRY AS THAT COUNTRY ITSELF PERCEIVES THEM

OPEC FUND: PUBLIC SECTOR LOANS BY REGION (in percent)

- Africa: 51%
- Asia: 36%
- Latin America: 12%
- Europe: 1%

Cumulative lending as of 04/2004: US$ 45.47 billion
**OPEC FUND: USE OF RESOURCES**
(in US$ millions)

- **Public sector project financing**: 4,260
- **Private sector financing**: 112
- **Grants**: 310
- **IMF Trust Fund**: 111
- **IFAD**: 861
- **HIPC Initiative debt relief**: 174
- **BOP support**: 724
- **Public sector program financing**: 315

**Total Commitments as of 04/ 2004: US$ 7.0 billion**

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**OPEC FUND & POVERTY ALLEVIATION**

- **57% of total lending goes to LDCs**
- **Increased share of project lending to social sectors**
- **HIPC Debt Relief**
  - All HIPC countries within Fund’s scope of operations
  - 27 countries processed or under processing
- **Special areas of poverty reduction**
  - LoCs to poorest population segments
  - Private sector micro-finance schemes
- **Grants**
OPEC FUND: COOPERATION NETWORK

- WORLD BANK GROUP
  EBRD, IDA, IFC

- REGIONAL IFIs
  AfDB, AsDB, IADB, EBRD, EIB

- SISTER ORGANIZATIONS
  AFESD, BADEA, IsDB, Kuwait Fund, Saudi Fund, Abu Dhabi Fund

- UNITED NATIONS AGENCIES
  FAO, IFAD, UNDP, UNESCO, UNOPS, WHO, UNICEF, UNHCR, UNAIDS, ILO, UNFSTD, IAEA, WFP

- OTHER MULTI- & BI LATERAL DFI s
  CAF, CDC, FMO, KfW, NORDIC GROUP, PROPARCO

OPEC FUND: RECENT DEVELOPMENTS

- INCREASE IN NUMBER OF BENEFICIARY COUNTRIES

- EMPHASIS ON PROJECT LOANS

- CONTRIBUTION TO FORMULATION OF HIPC FACILITY & IMPLEMENTATION IN THE OPEC FUND

- EXPANSION OF SCOPE OF OPERATIONS TO PRIVATE SECTOR ENTITIES IN ELIGIBLE COUNTRIES
PRIVATE SECTOR: RATIONALE & STRATEGY

- Respond to growing demand of beneficiary countries for private sector assistance
- Private sector: a dynamic engine of growth and development
- Focus on micro, small and medium enterprises
- Direct and co-financing modes of operation
- Additionality: a key element

PRIVATE SECTOR: OBJECTIVES

- Respond to private sector demands of traditional beneficiary countries (in addition to financing government investments)
- Cooperate with countries graduating out of concessional window
- Support funding demands originating in higher income countries
PRIVATE SECTOR: ELIGIBILITY

- Income level (in principle all developing countries)
- Signature of agreement - a prerequisite
  As well as a no-objection commitment from host government
- Beneficiary’s ownership structure
- Commercial viability of projects
- Ethically non-objectionable projects only
- Developmental impact of projects

PRIVATE SECTOR FACILITY - A SUMMARY

- Extends OPEC fund support to private sector
- Objectives are developmental, although projects must also be commercially viable
- Fund terms are advantageous but not concessional
- Additivity of resources - not displacing those of other FDIs
CORPORATE PLAN: THE VISION

- Maintain position of the Fund as a leading multilateral DFI
- Development issues: a priority
- Build and strengthen financial resources
- Improve quality and standards of services
- Allow flexibility in all operations
- Develop capability to be more pro-active
- Strengthen relationships with like-minded DFIs.

CORPORATE PLAN: OBJECTIVES

- favourably respond to calls by the donor community
- expand operations into middle-income countries
- further expand and develop private sector facility
- develop financial instruments and operational products
- enhance the Fund’s institutional capability
- develop the Fund’s IT and office automation systems
- resolve technical issues of HIPC program
- enhance management approach and organizational structure
DEPARTMENT OF FINANCIAL OPERATIONS

18 STAFF INVOLVED IN:

- INVESTMENT OPERATIONS
- DISBURSEMENT OPERATIONS
- REPAYMENT FOLLOW UP
- BUDGET OPERATIONS
- MEMBER COUNTRIES
- PENSION FUND

INVESTMENT OPERATIONS

- PORTFOLIO MANAGEMENT
- INTERNALLY MANAGED PORTFOLIO
- EXTERNALLY MANAGED PORTFOLIO
- RISK CONTROL
- INVESTMENT GUIDELINES
- BONDS
- EQUITIES
- ALTERNATIVE INVESTMENTS
- INVESTMENT RESEARCH
- CUSTODY AND SECURITY LENDING OPERATIONS
PORTFOLIO MANAGEMENT

- PORTFOLIO DIVERSIFICATION
- ASSET DIVERSIFICATION
- CURRENCY DIVERSIFICATION
- INTEREST RATE RISK
- ASSESSMENT AND QUANTIFICATION OF OVERALL RISK
- DERIVATIVE INSTRUMENTS

INTERNALLY MANAGED PORTFOLIO

- LIQUID RESOURCES OF THE OPEC FUND
- BUDGETARY REQUIREMENTS
- SHORT TERM INVESTMENT INSTRUMENTS
- FIXED DEPOSITS
- TOP 100 BANKS
- BACK OFFICE / FRONT OFFICE
- TAX
EXTERNALLY MANAGED PORTFOLIO

- GEOGRAPHICAL DIVERSIFICATION
- MANAGER SIZE AND STYLE DIVERSIFICATION
- REGULATION
- BENCHMARKS
- GLOBAL FIXED INTEREST PORTFOLIOS
- GLOBAL EQUITY PORTFOLIOS
- HEDGE FUNDS

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SOWING THE SEEDS OF HOPE

Sowing the seeds of hope

This page contains a film that commemorates the 25th anniversary of the organization. The film explores the impact of hope on communities and individuals, highlighting stories of resilience and recovery. The film is available for viewing and further discussion on the organization's website.