

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

1) QUANTITY OF AID

1.1. Current/Recent Quantity Performance:

OFID Commitments and Disbursements for 2005

Commitments US\$ mio	431.9
Disbursements US\$ mio	261.7

Source: OFID (2006a, p21).

Total Disbursements in 2005 were US\$ 261.7 mio, down from US\$ 287.7 mio in 2004. Of a total commitment of 7.9 billion representing 264 loans disbursed on a total of 661, total disbursements amounted to US\$ 3.9 billion at the end of 2005.

1.2. Future Quantity Intent

Information on OFID's future quantity intent is currently being assembled.

2) KEY AGENCIES/MECHANISMS

2.1 Agencies and Structures

The OPEC Fund for International Development (OFID) was founded by the members of OPEC in 1976 as an intergovernmental development finance institution which sought to “*reaffirm the natural solidarity which unites OPEC countries with other developing countries in their struggle to overcome underdevelopment*”, and more broadly, as an expression of South-South cooperation (OFID, 1980, 2007a).

OFID supports the socio-economic progress of low-income countries. In an effort to carry through its mission, it gives loans at favourable conditions to finance development programmes and projects, as well as grants in the form of technical assistance, food aid, research assistance and emergency aid. It further contributes to the funding of other development institutions whose work benefits developing countries (e.g. IFAD and the PRGF trust fund). Its resources come from the voluntary contributions of member states and the accumulated reserves accruing from its diverse operations. At the close of fiscal year 2005, the announced total contributions of member countries was USD 3,435 million including USD 2,455 million of direct contributions into the OPEC Fund. The amount in the reserve account was USD 2,470 million (OFID, 2006a).

2.2 Key Policies and Documents

Making a Difference: OFID and the Fight Against Poverty (OFID, 2006b)

This document, published in its second edition for the 30th anniversary of OFID, outlines the organization's broad goals, and the various means of assistance it uses to achieve them. A majority of the document consists of case studies of individual

projects with which OFID was involved from a wide range of countries and regions. It also outlines some of the features of OFID's broader development agenda, including support for microfinance projects, the MDGs, increased trade, and improved harmonization of aid.

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

In principle all developing countries are eligible for OFID assistance. In practice, the least developed countries received 53.5% of total OFID assistance in 2005.

Distribution of Public Sector Project Loans Approved by Country 2005

Country	% of concessional loans	US\$m
Egypt	8.1%	23.4
Tunisia	6.9%	20.0
Bangladesh	5.2%	15.0
Madagascar	4.7%	13.5
Guatemala	3.8%	11.0
Bolivia	3.7%	10.7
Cameroon	3.6%	10.5
Colombia	3.5%	10
Cuba	3.5%	10
Jordan	3.5%	10
Mali	3.5%	10
Pakistan	3.5%	10

Source: OFID (2006a).

OFID approved loans for 33 countries in 2005, 16 of which are in Africa. Regionally, the OFID's approvals were distributed as follows:

Distribution of Public Sector Project Loans Approved by Region 2005

Country	% of concessional loans	US\$m
Africa	52%	149.11
Asia	25%	73.35
Latin America	22%	64.7
Europe	1%	2.42

Source: OFID (2006a).

3.2. Allocation Criteria

3.2.1. *Pre-selection criteria*

In principle, all developing countries are eligible for OFID assistance, with the exception of OPEC memberstates (OFID, 2007a).

3.2.2. *Allocation criteria:*

Highest priority is given to Least-Developed Countries (OFID, 2007a).

Information on OPEC's allocation criteria is currently being assembled.

4) AID POLICIES

4.1. Concessionalality

OFID loans are concessional with a grant element generally equal to or more than 40%. The loan is refundable in US dollars and the interest rate ranges between 1 and 3.75%. The repayment period is between 20 to 30 years with a grace period of 4 to 10 years.

OFID grants are in the form of technical assistance and emergency aid with OFID being the only aid agency that provides emergency aid by means of a new loan with a higher than usual grant component.

Of the countries surveyed in the HIPC-CBP exercise, only Burundi gets all of its OFID aid in grants (top score). Mali was the only country getting the score just below that, with all other countries (20 in total) getting no grants at all.

4.2. Types of Assistance

Activities by type 2005

Type of Assistance	% of total Disbursements	US\$m
Project Financing	60.4%	158.1
HIPC Initiative Financing	6.3%	16.6
Private Sector Operations	23.9%	62.5
Grant Program	9.3%	24.4
Of Which: Technical Assistance	0.9%	2.3
Research	0.3%	0.9
Emergency Aid	0.4%	1.0
HIV/AIDS Special Account	2.9%	7.5
Palestine Special Account	2.9%	7.6
Common Fund for Commodities	1.9%	5.0

Source: OFID (2006a).

Cumulatively, 51% of OFID's resources have gone to projects, 22.4% has been in the form of programme/balance of payments support and 20.5% has gone to co-financing and private sector support. It provided budget support for 4.25% of its disbursements at end-2005. A steadily increasing importance is being given to the financing of private sector activities in developing countries.

OFID's project focus is borne out by the HIPC-CBP survey, where only 1 country (Guyana) gives the top score (=all aid in the form of budgetary/Balance of payments support), and 1 country gets the next best score (the Gambia), implying all other countries surveyed get less than 50% of their OFID assistance in Budget/BoP/sectoral support.

As for Technical Assistance, few HIPCs report that OFID TA is well aligned with Government priorities and strategies. Best practice for this indicator can be found in Guyana, which gives the top score, and in Mozambique (just below the top score).

4.3. Channels of Assistance

Close to 100% of the programme-support (BOP) provided is channeled via the budget of the finance ministry. The remainder passes through the sector ministries or through public and in some cases private organizations.

This is well reflected in the HIPC-CBP survey, with only 3 (out of 19) countries not giving one of the two top scores, implying that for the 16 other countries maximum 25% of OFID's aid is not on-budget.

4.4. Sectors and Projects

Distribution of Public-Sector Loans by sector 2005 (Commitments)

Sector	% of Loans	US\$m
Transportation	30.0%	86.9
Energy	22.4%	64.8
Water Supply and Sewage	14.7%	42.6
Education	11.8%	34.2
Health	10.8%	31.3
Agriculture and Agro-Industry	8.2%	23.7
Multi-sector and other	2.1%	6.1

Source: OFID (2006a).

Cumulatively, at end-2005, OFID's aid loan allocation was channeled to transport (26%), energy (18%), agriculture (15.1%), education (12%), health (6.9%), sanitation (8.3%); then, to support to development banks, industry, telecommunications and multi-sector activities.

The HIPC-CBP indicator measuring alignment to PRS sectors has quite a high variance, but some top scores (all OFID aid aligned to partner countries' PRSPs) are given, notably by Gambia, Guyana and Sierra Leone.

4.5. Flexibility

In general, OFID shows great readiness in financing balance of payments deficits. It is also a staunch supporter of the Common Fund for Commodities (CFC), which it helped finance since its inception in 1989 (OFID, 2006b, p5).

We get however, a completely different message from the HIPC-CBP survey, where 14 out of the 20 countries give the lowest score possible on the indicator measuring flexibility. OFID's support to the CFC does not pass through individual country systems, so this intervention does not really qualify for the type of "flexible support to respond to external shocks" that typical Ministry of Finance officials would think of when filling out the HIPC-CBP survey. Nevertheless, Mozambique gives OFID a score just below the top one on this indicator, with Ethiopia, Guyana and Sao Tome scoring just below Mozambique.

4.6. Predictability

While many of OFID's project loans are disbursed over a number of years, there is no multi-year programming mechanism which guarantees a certain level of aid over the course of a certain number of years.

In the HIPC-CBP survey, more than half of the countries surveyed give the lowest score on this indicator. However, Ethiopia, Mali and Rwanda report that all of their OFID aid is part of multi-year programming frameworks (top score). Ethiopia, Gambia, Guyana, Rwanda and Mali give top scores on the HIPC-CBP indicator measuring whether disbursements are made in the intended fiscal year.

4.7. Conditionality

OFID does not impose additional conditions on project implementation nor does it impose macro-economic conditionalities. However, its disbursements are suspended whenever the debt service payment time periods are not respected. OFID considers itself as respecting ownership of partner countries: *“Throughout its existence the Fund has avoided imposing ‘conditionalities’ that do not match the wishes and aspirations of the borrowing countries”* (OFID, 2006b)

More than two thirds of surveyed countries report one of the two top scores in the HIPC-CBP indicator measuring how strictly conditionality is enforced (top score=not very strictly enforced). The top score is given by Guyana and Honduras. For the indicator measuring delays related to the implementation of conditionalities, only one country gives the top score (Mali), followed by 8 other countries which give the score just below the top one.

4.8. Policy Dialogue

The Fund does not engage in macro-economic policy dialogue or in discussions with partners like the IMF and World Bank. It may continue disbursements on balance of payments support and ongoing projects in case of suspension of a programme with the IMF, but will not in such case take on fresh loans.

Burundi and Guyana give OFID the top score for the HIPC-CBP indicator measuring donor engagement (top score=very active in dialogue and full engagement in support of Government policies and programmes), followed by Rwanda, Gambia and Sao Tome. Still, according to the HIPC-CBP survey, OFID takes all of its disbursement decisions independent of the BWI's in Burundi, Gambia, Mali, Malawi and Sierra Leone.

5) AID PROCEDURES

5.1 Conditions Precedent

The only condition here is to submit an application, and no form of presentation is required for that. A number of elements must feature in the assistance application file or accompany it, namely: a technical, financial, economic and legal description; the importance of the operation for economic development and its priority level in the applicant country's development policy; the economic justification and financial validity of the operation; the estimation of the necessary costs denominated in both hard and local currencies; the availability of additional resources needed to carry through the whole operation; an assessment of the situation of bodies responsible for the operation and the quality of their management.

For the convention to become effective, a legal announcement is required declaring that the agreement is in conformity with the fundamental provisions of the recipient country's national law. In case of retrocession, the same announcement will be demanded and must be issued by the legal adviser of the party benefiting from the retrocession. Upon receipt of these documents and after their acceptance, OFID will send to the borrower a correspondence (by telex or fax) setting the effective date. The recipient's financial participation in the funding of the project is not mandatory.

The HIPC-CBP indicator measuring ‘conditions precedent – number & type’ reports best practice in Gambia, where only a legal opinion is required (top score). In Sao Tome and Zambia, OFID demands only 1 extra condition next to the legal opinion. Delays seemed to be kept in check reasonably well with more than half of the countries surveyed giving one of the two top scores. Best practice is in Sao Tome which gives the top score. The HIPC-CBP indicator on counterpart funds shows that in the majority of cases, OFID demands them. However, in Gambia and Sao Tome no OFID programmes/projects request counterpart funding (=top score).

5.2 Disbursement Methods

Two methods are used:

- 1) *The request for direct payment to supplier* is the most widely used procedure. FSD pays directly to the supplier the amount requested by the recipient and accepted by himself.
- 2) *The request for refund*. The application contains proof of a payment made by the Borrower (bank statement, copy of cheque approved by a bank)

According to the HIPC-CBP survey, best practice regarding disbursement methods can be found in Gambia, where OFID apparently gives most of its aid in the form of cash advance (=top score). Next best are Honduras, Nicaragua and Zambia. Delays related to disbursement methods are best kept in check in Guyana, which gives the top score. Most other countries surveyed give the next best score.

5.3 Disbursement Procedures

The loan agreement gives the OFID a permanent right of inspection over the project and an obligation to communicate information on the running of the project. Added to this is a monitoring by documents demanded during subsequent disbursements of the loan. OFID demands strict accounting of expenditure and to be informed of the functioning of the project, of all ensuing or future profits, of the borrower’s performance of his contractual obligations and of the achievement of the loan objectives.

According to the HIPC-CBP survey, there are no additional (to Government’s own) disbursement procedures in Gambia and Malawi (=top score). Next best are Honduras, Mali, Rwanda and Zambia.

5.4 Procurement Procedures (OFID, 1982)

The acquisition of goods and services financed by OFID is based on international bidding procedures, but this principle may be waived by mutual agreement if the circumstances make another procedure more appropriate. OFID claims all its aid is untied (OFID, 2006b, p75). In practice, it is mostly restricted to member states. In the HIPC-CBP survey, only half of the countries surveyed indicate all OFID aid is untied (Gambia, Guyana, Mauritania, Rwanda and Zambia).

Procurement procedures are outlined in OFID (1982), with also joint guidelines produced together with other Arab aid institutions (World Bank, 2005). In general procurement procedures are quite long and cause delays of 12 to 20 months. OFID gives preference to suppliers of goods and services from Member States. In the HIPC-CBP survey, some countries do indeed report delays, with only 1 country (Guyana) giving the top score on this indicator.

5.5 Coordination

In 1975, the “Coordination Group” was set up, with the aim of harmonizing operational linkages among 8 Arab aid institutions, which often act as co-financers of the same projects. The members are: (i) The Islamic Development Bank (IsDB), (ii) the Arab Gulf Program for UN Development (AGFUND), (iii) the Arab Fund, (iv) Arab Bank for Economic Development in Africa (BADEA), (v) OPEC Fund for International Development, (vi) Kuwait Fund for Arab Economic Development, (vii) Abu Dhabi Fund for Arab Economic Development and (viii) the Saudi Fund for Development. The Group publishes common guidelines and procedures (e.g. the ones listed in World Bank, 2005). However their adoption is not obligatory as it is left to the discretion of each individual institution to utilize the guidelines as appropriate.

OFID does not directly execute projects it finances, but requires the setting up of a public or private execution agency, clearly indicated in the loan agreement. It participates much in consultation forums with Arab financial institutions (see higher), mostly because these rules do not allow it to finance 100% of a project.

Harmonisation with other donors is considered best in Gambia and Zambia (mid-way score), whilst Gambia and Malawi give the top score on the alignment indicator.

Key Sources *(all internet sources were accessed on 5 April 2008)*

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