

OPEC Fund for International Development

TRADE FINANCE WORKSHOP

Welcome Address

By

Mr. Suleiman J. Al-Herbish

Director-General

OPEC Fund for International Development

Vienna, Austria

March 8, 2008

OPEC Fund for International Development

Distinguished Participants Ladies and Gentlemen

On behalf of OFID, the OPEC Fund for International Development I am pleased to extend to all participants of this two-day trade finance workshop, a warm welcome to Vienna and to our headquarters.

OFID gives great importance to this meeting, the first workshop hosted by OFID in the trade financing field, where OFID is still a newcomer.

I am delighted to see so many participants from different horizons and note the diversity of the organizations that have responded to our invitation. I am sure that this will contribute to the success of our meeting and I very much look forward to the presentations of the workshop and the discussions thereon.

This workshop should offer a good opportunity for all of us to expand and intensify our business networks and to share ideas on products and programs. OFID stands to gain a great deal from your experience as we are at the beginning on what appears to be a long road.

OPEC Fund for International Development

The large number of attendees, from as many as twenty five organizations of such different cultures and regions, clearly demonstrates the paramount importance of trade finance and the need for cooperation among institutions for the greater benefit of our Partner Countries.

Cooperation among us is indeed essential in particular in situations as today's, when worldwide financial markets are in turmoil and some of the existing syndicating procedures are not as relevant as they were in a recent past.

OFID has now some 32 years of experience operating as a multilateral development finance institution. Its objectives, as defined under its mandate, are to promote cooperation between OPEC Member states and other developing countries; As an expression of South-South solidarity, OFID provides financial support to developing countries in pursuit of their social and economic advancement.

OFID's strategies emphasize the need to remain relevant to the needs of its Partner countries and to continuously improve the service it provides them. With time and experience, the Fund is becoming more diversified in its activities and hopefully of greater service to its Partners.

OPEC Fund for International Development

By the end of 2007, OFID has conducted operations in over 120 countries. One significant feature of OFID's Policies is that the priorities among the Partner country programs are determined by the Partner Countries themselves. In other words our programs are demand driven.

In its concessional lending, OFID assistance is primarily directed towards Low Income Countries, with particular emphasis on the poorest among them, but, to some extent also to lower Middle Income Countries.

Our lending and operational policies are carried out in three-year Lending Programs, the 17th of which is now under progress. These programs determine the priority countries of the period and our lending objectives. Despite ongoing diversification, most of our financing is still concessional and addresses mostly government programs.

Countries "graduating" from OFID's concessional financing remain eligible to what we call the "Blend Facility" which offers lending terms that are less concessional but still below commercial rates.

OPEC Fund for International Development

As for OFID's outright grants, our operations are focused on the social and humanitarian development needs of the poorest segments of the population in the poorest countries.

Another opportunity is offered to our Partner Countries through OFID's Private Sector Facility, which provides financing to private sector entities. This facility was created in 1998 at the request of our Partner countries, the majority of which are now placing much emphasis on the private sector for their sustainable development.

Here again we are committed to supporting low-income countries. OFID finances alone or in any form of syndication investments in industrial and infrastructural projects which help to promote economic development and improve living standards. The facility supports particularly small and medium sized companies directly or more frequently through loans to regional and local financial intermediaries.

Our most recent facility, established in 2006, is the Trade Finance Facility (TFF). By engaging in trade financing, OFID is providing an additional and affordable finance mechanism to assist partner countries with their overall growth and economic development.

OPEC Fund for International Development

International trade has constituted the bedrock of a long period of prosperity and stability in the world. In general, trade is crucial to development of countries. It is a first and the supporting step of the economic build up ladder. It is the means by which technology is often acquired; it is the forerunner of capital investments; it helps to create jobs and raise incomes; it encourages competition and leads to more economic efficiency thus leading to lower prices for goods and services and as such trade improves the welfare of people.

In recent years the world economy has expanded at historically high rates. The highest rates of growth have been achieved in those developing countries which have been able to take advantage of the upsurge in world trade. Examples where trade was an important factor for industrialization are China, India, Mexico and Korea.

The economic progress of the developing countries can thus be measured by its share in international trade. Their efforts to gain a higher share is however constrained by lack of infrastructure, quality control of their products and lack of financing. OFID ambitions to help alleviate all these constraints through all its financing windows including trade financing.

OPEC Fund for International Development

Of course, trade financing is largely the domain of predilection of the commercial banks but this does not exclude a role for Multilateral Development Institutions.

Development finance organizations started to provide trade financing as early as 1977, when the Islamic Development Bank started their Import Trade Finance Operations Program, to finance the import of its member countries. Other development finance institutions followed with different programs, such as EBRD, IFC, Asian Development Bank and IADB.

The DFIs rationales for entering the field of trade financing are various. I am sure that we will be hearing more on these in the forthcoming presentations.

The strengthening of the local banks to provide trade financing and help promotion of trade will certainly be a common feature of these rationales. It is certainly the view of OFID that one of the main objectives is to build local capacities by all available means.

Although OFID has been in existence since 1976, it is on a continuous learning curve, adapting its operations model to the challenges of an ever-changing development landscape.

OPEC Fund for International Development

This workshop presents an excellent opportunity for all of us, to share experience and to expand cooperation in trade financing.

Let me conclude, by again welcoming you all to OFID. It is our pleasure and privilege to host this meeting, and our hope that we shall continue to work closely together. Not only will our respective organizations benefit from the pooling of our knowledge, and competence, but also our cooperation will help enhance the delivery of improved products and services.

I would not close without expressing our gratitude to all the institutions present here that have cooperated with us over the years, in many countries and in many programs.