

The OPEC Fund

Type of Engagement: Allocation Review

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Introduction

In January 2023, the OPEC Fund for International Development (“The OPEC Fund”) issued an SDG bond (the “2023 SDG Bond”) to finance and refinance projects that are expected to help increase access to basic services and infrastructure and foster inclusive economic growth in low- and middle-income countries. In 2024, the OPEC Fund engaged Sustainalytics to review the projects and assets funded with proceeds from the 2023 SDG Bond (the “Nominated Projects”) and provide an assessment as to whether the projects and assets met the use of proceeds criteria outlined in the OPEC Fund SDG Bond Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in October 2022.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2023 SDG Bond based on whether the projects and programmes met the use of proceeds and eligibility criteria of the Framework.

Table 1: Use of Proceeds, Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
Access to essential services & food security	<p>Loans financing:</p> <ul style="list-style-type: none"> i. Sustainable agriculture development, small-scale irrigation and agriculture value chain development, and provision of farm infrastructure, financial services and agricultural inputs such as non-GMO seeds, organic or natural pesticides and fertilizers, farm machinery, storage facilities and warehouses³ for smallholder scale farmers, <p>or,</p> <ul style="list-style-type: none"> Medical nutrition projects for vulnerable groups <p>Target population: excluded and/or marginalized population and communities, people with low incomes, smallholder farmers, ageing populations, vulnerable youth, and victims of natural disasters. Projects aiming to improve sustainable productive practices, food security, or access to financial services and agricultural inputs directly target small sized farmers, and, indirectly, populations vulnerable to food insecurity</p>
Access to essential services: health & affordable basic infrastructure	<p>Loans financing:</p> <ul style="list-style-type: none"> i. Medical equipment, or ii. Vaccination campaigns, or iii. The development or expansion of health infrastructure iv. Capacity building⁴

¹ The OPEC Fund, “SDG Bond Framework”, (2022), at: <https://publications.opecfund.org/view/796185242/>

² Sustainalytics, “Second-Party Opinion, the OPEC Fund”, (2022), at: <https://publications.opecfund.org/view/796510684/>

³ Loans financing the use of synthetic/chemical fertilizers/ pesticides/ and mechanization primarily reliant on fossil fuels/ GMO seeds are excluded.

⁴ The capacity building programs will include training related to healthcare, such as healthcare worker training, training households on first aid, and safe water and sanitation practices.

	<p>Target population: Excluded and/or marginalized populations and/or communities, people with disabilities, undereducated, people with low incomes, ageing populations and vulnerable youth.</p>
<p>Access to essential services: education</p>	<p>Loans financing education infrastructure construction/expansion, refurbishment and capacity building⁵ for all types of education (early childhood, primary, secondary and higher education, as well as vocational training).</p> <p>Target population: Excluded and/or marginalized populations and/or communities, people with disabilities, undereducated, populations with low income.</p>
<p>Access to essential services and affordable basic infrastructure.</p>	<p>Loans financing basic infrastructure, such as:</p> <ul style="list-style-type: none"> i. Water and sanitation projects such as construction, extension and operation of water collection, treatment and supply systems; ii. Transport projects such as construction or improvement of public transport infrastructure for better access to the entire territory or public transportation systems, including vehicles such as trams and buses; all vehicles financed will be electric or comply with local emissions requirements; iii. Transmission & Distribution related to energy projects will be limited to areas where there is no access to electricity or access is not stable. The transmission grids will not be dedicated to fossil fuel power plants. <p>Loans supporting fossil fuel (oil and gas extraction and refining, infrastructure used primarily for the transportation of fossil fuels etc.) and natural gas are excluded</p> <p>Target population: Underserved, owing to a lack of access or minimum quality access to essential goods and services.</p>
<p>Employment generation & socio-economic advancement and empowerment.</p>	<p>Loans to micro, small, medium-sized enterprises and job trainings to generate income for low-income people and vulnerable populations and fostering economic growth, social stability, and contributing to growth of a dynamic private sector.</p> <p>Target population: Underserved micro, small and medium-sized enterprises, low-income and vulnerable populations.</p>
<p>Renewable energy</p>	<p>Loans dedicated to Energy projects such as basic infrastructure for local low-carbon energy to ensure access to reliable, sustainable and modern energy services at an affordable cost.</p> <ul style="list-style-type: none"> i. Electricity generation using solar photovoltaic technology ii. Electricity generation using concentrated solar power (CSP) technology iii. Electricity generation from wind power iv. Electricity generation from ocean energy technologies v. Electricity generation from hydropower <ul style="list-style-type: none"> a. the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh b. Maximum of 25MW in installed capacity vi. Electricity generation from geothermal energy

⁵ Capacity building may include training related to education, such as staff training for all types of education, adoption and implementation of new technologies aimed at increasing the education coverage or the efficiency of how educational services are delivered, training related to institutional management.

	<ul style="list-style-type: none"> a. Geothermal power plants with direct emissions <100g CO₂/kWh vii. Electricity generation from bioenergy <ul style="list-style-type: none"> a. Bioenergy with 80% GHG emission reduction compared to fossil fuels, and sourced from sustainable feedstock b. Or, Biomass that does not deplete existing terrestrial carbon pools, does not compete with food production, not grown now or currently in areas of high biodiversity and in which facilities produce GHG emissions that are below 100gCO₂e/kWh
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Issuer’s Responsibility

The OPEC Fund is responsible for providing accurate information and documentation relating to the projects funded, including description of projects and amounts allocated.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings to investors, conducted the verification of the use of proceeds from the OPEC Fund’s 2023 SDG Bond. The work undertaken as part of this engagement included collection of documentation from the OPEC Fund and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and facts presented by the OPEC Fund with respect to the funded projects. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by the OPEC Fund.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not meet the use of proceeds criteria outlined in the Framework. The OPEC Fund has disclosed to Sustainalytics that the proceeds from the 2023 SDG Bond were allocated as of 31 December 2023 and the remaining proceeds expected to be allocated before January 2026.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2023 SDG Bond in 2023 to determine if the projects meet the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects, including description, estimated and realized costs, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

In 2023, the OPEC Fund issued the 2023 SDG Bond and raised USD 1 billion, the proceeds from which were used to finance and refinance the following projects.

Table 3: Allocation reporting from 2023 SDG Bond

Use of Proceeds Category	Net Proceeds Allocated (USD million) ⁷
Access to essential services & food security	118.43
Access to essential services: health & affordable basic infrastructure	51.21
Access to essential services: education	80.26
Access to essential services and affordable basic infrastructure.	402.67
Employment generation & socio-economic advancement and empowerment.	174.17
Renewable energy (solar photovoltaic technology)	35.38
Total Amount Allocated	862.13
Amount Remaining to be Allocated	137.87

Table 4: Country-wise Allocation

Country	Percentage of amount allocated
China	12.8%
Argentina	10%
Jordan	9.4%
Nicaragua	9.3%
Morocco	9%
Uzbekistan	6.6%
Honduras	5.6%
Dominican Rep.	4.6%
Vietnam	4.1%
Uganda	3.8%
Nepal	3.6%
Paraguay	3.5%
Egypt	3.3%
Tanzania	3.3%
Ethiopia	2.3%
Senegal	1.9%
Other countries	6.8%
Total	100

⁷ The amounts have been rounded off to the nearest million.

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