



***THE ROLE OF BADEA IN ENHANCING ECONOMIC
COOPERATION BETWEEN AFRICA AND THE ARAB WORLD***

Paper Presented

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***Honorable Officials of the Government of South Africa,
Honorable Chairperson of the National Council of Provinces of the Republic of
South Africa,
Excellency Mr. Secretary – General of ASSECAA,
Heads and Delegates of Participating National Chambers of Commerce and
Industry,
Ladies and Gentlemen,***

***It is my great pleasure to deliver this statement on "The Role of BADEA in
Enhancing Economic Cooperation Between Africa and the Arab World" on
behalf of The Arab Bank for Economic Development in Africa (BADEA) on
the occasion of the opening of this distinguished gathering for the First
Meeting of Chambers of Commerce and Industry in Africa and the Arab
World, organized by ASSECAA and co-sponsored by BADEA under the
theme "The Strengthening and Institutionalizing of Effective Economic
Cooperation between Africa and the Arab World".***

I would like, first of all, to thank the Government and the National Council of Provinces of the Republic of South Africa, ASSECCA, and the Organizing Committee for convening this meeting which reflects a strong resolve and joint commitment to further consolidate South-South cooperation. Through economic cooperation between African and Arab commercial and industrial counterparts and business communities, higher levels of economic development can be realized. Therefore, contributing to promoting African and Arab economies and strengthening regional trade, products, resources, and service linkages. Moreover, this meeting aims to deliberate on practical modalities for cooperation in mutual foreign direct investment and entrepreneurship opportunities.

For BADEA, this meeting comes within the framework of its stated objectives to develop and strengthen Afro-Arab cooperation on the economic and financial levels through participating in financing economic development in sub-Saharan African countries, stimulating the contribution of Arab capital to African development, and helping provide the technical assistance required for the development of Africa.

Introduction

The early 1970s of the last Century has witnessed the evolution of the concept of the political Afro-Arab solidarity and investing in it to serve mutual interests as well as to open new horizons for mutual economic and social relations.

To this end, BADEA was accorded the role of strengthening economic, financial and technical cooperation between the Arab and African regions.

Since then, BADEA has been devoted to the economic development and the Arab integration into Africa through fostering economic growth, trade

capacity building, and infrastructure development. It has oriented its financing modalities in recent years to be in line with the changes witnessed in the area of development finance and to better serve the emerging global social objectives of which combating poverty and promoting human development are the two main axes. In addition to coping with the changes that engulfed the economies and economic development of the African developing countries recipient of its aid, and on matching its funding with the objectives and needs of these countries.

BADEA continues, within the framework of its establishing agreement and the guidelines of its Five Year Plan (2005-2009), to finance development projects and provide technical assistance on the national and regional levels, stimulate the contribution of Arab capital in African development, and provide support to the private sector due to its leading role in economic development of its nations. Among other activities, BADEA gives special emphasis for funding national development banks and institutions that directly benefit the private sector, funding components of government projects which support the private sector including small and micro credit schemes, supporting the development of new partnerships between Arab and African service providers, supporting the participation of Arab consulting firms and contractors in implementing development projects financed by BADEA in many African beneficiary countries, and export trade promotion from Arab to African countries through lines of credit. In the same context, BADEA accorded special attention to expanding and diversifying its technical cooperation activities to include organizing and sponsoring forums and meetings for Arab and African counterparts from different sectors of the African and Arab economies, aiming at strengthening Afro-Arab economic relations thus serving the mutual interest of the Arab and African regions.

Presenting BADEA, Role and Scope of Services Offered in the Context of Afro-Arab Cooperation

Let me take this opportunity to present, briefly, the historical context and justification for the creation of BADEA.

Emanating from the historical, geographical and cultural relations that bond the Arab and African nations, and in order to enhance Afro - Arab cooperation in the economic fields and foster investment in the human and natural resources for achieving sustainable development of the people of the Arab and African regions, the Arab Bank for Economic Development in Africa (BADEA) was established pursuant to the resolution of the 6th Arab Summit Conference in Algeria (28th November 1973). The Bank began its operations in March 1975. Its headquarters is based in Khartoum.

BADEA is a financial institution owned by eighteen Arab countries, members of the League of Arab States (LAS) which signed its Establishing Agreement in 18th February 1974. The Bank is an independent international development finance institution having full international legal status and complete autonomy in administrative and financial matters.

The Bank was created for the purpose of strengthening economic, financial and technical cooperation between the Arab and African regions and for the embodiment of Arab-African solidarity on foundations of equality and friendship. To achieve this end, the Bank was given mandate to:

- Participate in financing economic development in African countries,
- Stimulate the contribution of Arab capital to African development,
- Help provide the technical assistance required for the development of Africa.

Prospective Glance At BADEA's Priorities for Economic Cooperation and Sustainable Development in Africa

How does BADEA's South-South cooperation policy implemented benefit Afro-Arab Cooperation?

The following represents the strategic emphasis of BADEA as it relates to the allocation of its development resources:

- * Agricultural, rural development and infrastructure sectors are accorded priority without neglecting the other sectors like industry, energy, health, education, and environment.
- * Focusing assistance on operations targeting poverty alleviation, food security and encouraging women's participation in development. In addition to maintaining support to social sector projects and projects in countries that face disasters.
- * According special attention to countries that suffer local or regional conflicts.
- * Increasing support to the private sector through lines of credit, while providing technical assistance which includes institutional support, feasibility studies, and training.
- * Utilizing Arab and African expertise, commodities, services and technology transfer in the execution of projects financed by BADEA.
- * Trade capacity building and financing expanded trade among the two regions through funding Arab Exports to African countries, in addition to funding related studies in the field of promoting PPPs and improving foreign investment climate.
- * Paying special attention to regional coordination and integration projects connecting African countries and those linking African with Arab ones, in addition to the NEPAD initiative projects (New Partnership for African Development).

Highlight of BADEA's Sectoral Lending Activities and Technical Assistance Commitments

In addition to the strategic direction mentioned earlier, BADEA tries to be a highly demand direction institution. It finances government priority projects in beneficiary countries which usually form part of their strategic development plans. In some instances, these projects are of a regional character, benefiting several countries simultaneously thus helping in their economic coordination and integration.

BADEA also provides technical assistance in the form of non-repayable grants to finance the preparation of techno-economic feasibility studies for projects, institutional support to execute training courses for national cadres, the provision of equipment and Arab experts to the African countries, and organising 6 Afro-Arab trade fairs, 2 businessmen weeks and forums. BADEA also finances trade from Arab countries to African Countries, in addition to its contribution in the capital of the African Export and Import Bank.

In terms of BADEA's development financing operations, the total cumulative commitments during the period 1975-2007 stood at US\$ 3354.127 million allocated to finance 427 development projects, of which 30 projects were allocated to the private sector (19 loans were granted to small and micro credit schemes), 438 operations for technical assistance which included techno-economic feasibility studies and institutional support operations (training courses, provision of Arab experts, and providing tools, instruments and equipment), 14 special loan commitments under the Urgent aid Programme to countries affected by natural catastrophes to ameliorate their impact, and 59 loans provided to African countries under the Urgent Arab Aid to Africa in support of their balance of payments.

BADEA's activities in the field of technical assistance operations have registered a notable increase during the last decade. Since its establishment

BADEA has granted over US\$ 104 million in technical assistance operations, funding over 178 feasibility studies and 229 institutional support operations in the form of purchasing equipment, funding the services of Arab Experts, and sponsoring more than 161 training sessions benefiting more than 3889 African trainees; 43 African countries, 5 regional groups and 17 regional institutions. These training sessions serve the purpose of building the capacities of the human resources available, enhance skills with the purpose of achieving sustainable economic growth; and aid African countries in facing the new policy challenges and performing to the satisfaction of their development partners and other donors, as well as to implement their respective economic and social development programmes more effectively.

BADEA's financing modalities have expanded to benefit 43 sub-Sahara African countries and 17 regional organizations. In appreciation of the needs of the beneficiary countries, BADEA's projects aim to contribute to improving living conditions and standards, contributing to food security, reducing poverty, and providing work opportunities. Allocations cover areas of food security, agricultural and rural development sectors, infrastructure (roads, water supply and sanitation), rural irrigation, land rehabilitation, animal resource development, agricultural drainage to combat desertification and improve conservation of the environment, as well as the industry and energy sectors. BADEA continues to provide its loans in concessionary and flexible terms that suited funded projects and economic realities of the borrowing countries, mostly low-income countries and has continued to increase its lending grant element and its contribution to the HIPC initiative. An indication of BADEA's effort to reduce debt burden on the African countries in recognition of their economic and financial situation and supporting their human resources development.

BADEA also accords great importance to co-financing development projects with various development financing institutions due to the possibility such approach provides for in financing large programmes proposed for funding by

beneficiary countries. BADEA's contribution with the Arab and non-Arab IFI (International Funding Institutions) in such projects amounts to around US \$ 13405 million. Such institutions include: The Saudi Fund for Development, Kuwait Fund for Arab Economic Development, Abu Dhabi Fund for Development, Islamic Development Bank, African Development Bank, World Bank and OPEC Fund for International Development, representing around 35% of the total cost of financed projects.

In order to better achieve BADEA's objectives to strengthen Arab-African economic cooperation and to maximize the benefit from Arab and African expertise, resources as well as goods and services available in the two regions, BADEA's procurement guidelines and procedures have been oriented to stipulate that consultancy services for BADEA's operations (projects and techno-economic and financial feasibility studies, contracting, supervising engineering works, and project management) be done through Arab, African or Arab-African joint venture firms; except for special cases depending on the nature of the project, and also provides for a defined margin of preference to Arab and African contractors and suppliers in international competitive biddings.

Exploring New Avenues of Economic Cooperation for Improved and Veritable Afro-Arab Business Partnerships

*Mr. Secretary – General of ASSECAA,
Delegates of National Chambers of Commerce and Industry,*

It is BADEA's sincere hope that this meeting shall be a platform that will provide first hand account of investment climate and opportunities in the two regions; and that its deliberations would reach recommendations for establishing practical economic cooperation modalities together with concrete proposals for establishing an institutional framework between Arab and

African Chambers of Commerce and Industry that shall help promote the level of business, entrepreneurial, direct investment and trade relations between the two regions; as an additional enduring business knowledge channel for the development of Africa, foster Arab-Afro cooperation, and find new means to avail communication and networking channels and facilitate information flow between the Arab and African commercial and industrial economic communities for better Afro-Arab partnership, thus contributing to promoting the economic interests of both regions.

I conclude by assuring you that BADEA shall continue to support organizing similar forums, meetings and trade expansion schemes to bring various economic, commercial, and industrial communities together to deliberate on the different matters related to development issues and stakes in Africa in its continuous efforts to promote Afro-Arab economic cooperation.

Thank you for your attention.