

Arab Bank for Economic Development in Africa (BADEA)

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Established by Arab oil-rich countries in the aftermath of the 1973-74 petroleum crisis, BADEA (Banque Arabe pour le développement économique en Afrique) seeks to promote economic, financial and technical cooperation between African and Arab countries.

BADEA has a dual role: it is an instrument dispensing and coordinating Arab aid to non-Arab Africa as well as a forum for broad discussion of cooperation between African and Arab countries.

BADEA finances economic development in African countries, stimulates the contribution of Arab capital to African development, and helps provide technical assistance. Forty-one member states of the Organization of African Unity that are not members of the League of Arab States are eligible for aid from BADEA. By the end 1996, 39 of them had benefited from BADEA's operations. From 1975 to 1996, the Bank financed 226 loans/projects totalling US\$1.63 billion and technical assistance grants for US\$36 million.

BADEA is funded by Arab governments. It provides both project loans on concessional terms and technical assistance, mainly for project feasibility studies.

Its lending terms vary according to the nature of the project and the economy of the recipient country. The weighted average of its loans to the end of 1995 indicates an interest rate of 3.26% and a maturity of 18.5 years including a 4.4 year grace period. This weighted average corresponds to a grant of 43%.

BADEA's share in the financing of a project must not exceed 50% of its total cost or a ceiling of US\$15 million. In exceptional cases, however, BADEA's share can be raised to 80% on the condition that the total cost of the project does not exceed US\$10 million.

During its Board meeting held in Marrakech March 10-12, 1996, the existence of an "Action Plan 1995-1999" for 40 non Arab African countries was unveiled. At its May 1997 annual meeting in Abu Dhabi, BADEA's Board of Governors approved the allocation of US\$50 million to finance foreign trade between Arab and African countries. The funds are administered by the Islamic Development Bank on BADEA's behalf, in accordance with rules, regulations and procedures determined by the Board of Directors.