BADEA 2030
A Strategic Framework for Arab-Africa Cooperation and Shared Prosperity

Arab Bank for Economic Development in Africa
December 2019
A Strategic Framework for Arab-Africa Cooperation and Shared Prosperity

INTRODUCTION: BADEA IN CHANGING TIMES

In the decades since its founding in 1974, the Arab Bank for Economic Development in Africa (BADEA) has gained recognition as a reputable partner in Arab–Africa cooperation. It offers sub-Saharan Africa extensive professional networks, insightful knowledge of the region, unique products, and innovative collaborations. Now, as not only the Arab region and African continent but also the entire world undergo rapid and radical change, BADEA is positioning itself as a flexible, effective, and reliable development partner in Africa’s transformation in the 21st century.

Today BADEA is undertaking a far-reaching reform of its development programs and organizational structure, as well as charting a comprehensive strategy to achieve its goals.

This report explores the past and future of BADEA, the economic outlook for the Arab and African world, and the bank’s strategic challenges and methodology. Finally, it presents for the first time BADEA’s new long-term strategy, BADEA 2030, while laying out a path for implementation and, ultimately, shared prosperity.
BADEA VALUES

BADEA as a development institution operates and delivers its service underpinned by a strong value system. BADEA recognizes that its value system binds its organizational behavior and is reflecting in strengthening its relationship with its clients and partners.

BADEA’s value system is **AFRICA**:

- **Ambition** — aspiring to lead Arab-Africa economic cooperation for development
- **Fairness** — impartial treatment to all recipient countries without favoritism or discrimination
- **Responsiveness and professionalism** — fast and prudent decision making in addressing stakeholders’ needs
- **Integrity** — responding to clients’ needs with the highest degree of quality, honesty, and anticorruption measures
- **Cooperation** — catalyzing partnerships and networks to enhance financing and knowledge sharing
- **Accountability** — dedication to consistently delivering reliable development results
CONTENTS

BADEA VALUES ................................................................................................................... 4

EXECUTIVE SUMMARY ..................................................................................................... 6

45 YEARS OF BADEA ......................................................................................................... 8

ECONOMIC OUTLOOK: AFRICA AND THE ARAB WORLD ...................................... 10

THE STRATEGY PROCESS ............................................................................................. 14

STRATEGIC CHALLENGES AND OPPORTUNITIES ................................................. 16

BADEA 2030: THE NEW STRATEGY ........................................................................... 18

MANAGING FOR RESULTS ............................................................................................ 26

FIGURES

Figure 1  BADEA Products and Services ................................................................. 6
Figure 2  Real GDP Growth in Africa, 2009–2019 (Projected) ............................... 8
Figure 3  Agenda 2063, Key Transformation ......................................................... 9
Figure 4  China’s Belt and Road Initiative ............................................................... 10
Figure 5  Strategy Methodology ................................................................................ 12
Figure 6  BADEA 2030 Strategy Framework ......................................................... 17
Figure 7  Arab-Africa Development Platform Concept Design ............................. 18
Figure 8  BADEA Arab-Africa Investment Catalyst Fund Investment Flow .......... 19
Figure 9  BADEA Agro Industry Development Value Chain Program Management Framework ................................................................. 21
Figure 10 BADEA SEZ Program Design ................................................................. 21
Figure 11 BADEA Entrepreneurship Development Program ............................... 22
Figure 12 BADEA’s Scorecard Structure ................................................................. 24
Figure 13 BADEA 2030 Scorecard Design ............................................................... 25

TABLES

Table 1  The Game Changers ....................................................................................... 11
Table 2  Top Three Challenges ............................................................................... 14
Table 3  BADEA’s Vision, Mission, and Objectives ............................................... 16

THE ROAD TO 2030 ....................................................................................................... 28

ABOUT BADEA .............................................................................................................. 29

BADEA 2030

Contact information
EXECUTIVE SUMMARY

Founded in 1974, the Arab Bank for Economic Development in Africa (BADEA) has gained recognition as a reputable partner in Arab–Africa cooperation. It offers sub-Saharan Africa extensive professional networks, insightful knowledge of the region, unique products, and innovative collaborations. With its new long-term strategy, BADEA 2030, the bank is undertaking a far-reaching reform of its development programs and organizational structure.

BADEA offers a wide array of products and services, including loans to public and private entities that finance trade, infrastructure, agriculture, rural development, and social sectors, as well as grants that provide technical assistance. Annual commitments have risen steadily to an estimated US$350 million in 2019; cumulative commitments to date approach US$6 billion. In addition, the bank is able to crowd in financing, particularly from other Arab development institutions.

In 2017, BADEA began the process of developing a longer-term strategic framework chiefly driven by (1) the changing scale and scope of Arab-Africa cooperation; (2) the United Nation's 2030 Sustainable Development Goals (SDGs) and the African Union's Agenda 2063 initiatives; (3) ongoing multilateral development bank reforms; and (4) shifts in the government aid landscape.

Africa’s real gross domestic product (GDP) is expected to grow by 4 percent this year. Plans are underway to double the size of the economy in 10 years; the African labor force is increasing by 29 million new entrants annually; and an estimated 22 percent of the working-age population is starting new businesses, the highest rate of entrepreneurship in the world. Connecting the African economies through trade and industry will be the key to unlocking the continent’s potential.

At the same time, Arab countries—particularly the oil-producing Gulf states that make up the majority of BADEA’s shareholders—are diversifying their economies rapidly. GDP growth is much slower in the oil-exporting region than among the oil-importing states, an estimated 2.1 percent versus 5.3 percent on average. Still, the oil-importing Arab countries are implementing structural reforms to encourage private sector activity and to promote more dynamic and competitive economies.

These regional trends are compounded by global economic forces that include the expanding role of China in Africa, rising urbanization and migration across the continent and, perhaps most importantly, the Fourth Industrial Revolution, the convergence of the Internet and emerging technologies such as artificial intelligence, robotics, nanotechnology, and biotech.

Currently BADEA has neither the scale nor the complexity to address these challenges and opportunities. It must bring to bear a different mindset, toolkit, and approach in the coming decades. The transition set forth in BADEA 2030 is designed to smoothly build on the bank’s existing infrastructure and network even as it adapts to the 21st century. New tools and competencies will be developed over time in response to changing market conditions.

The bank developed its new long-term strategy through a three-part process. The first stage, situational analysis and context, involved desk research into economic trends and the changing roles of development agencies, as well as extensive interviews with stakeholders and experts. In the second stage, strategic positioning, BADEA pinpointed its three top challenges/opportunities, rewrote its vision and mission statements, and identified its core competencies on which to focus, along with key levers of transformation. The third stage mapped out the implications for BADEA’s business and financial, operational, and organizational implementation of the strategy.

BADEA’s vision: To be the lead platform for Arab-Africa economic cooperation for development. To realize this vision, the bank will take advantage of its relatively small size to focus on four specific development market niches: infrastructure; agriculture value chain; trade and private sector; and small and medium-sized enterprise (SME) and entrepreneurship. Under the new strategy, any projects the bank takes on should have components in each of these categories—with capacity development as a crosscutting enabler. Each of the central elements of the strategy will be expressed through strategic initia-

1 Excluding Trade Transactions
tives that will help BADEA differentiate itself and attract value-added partnerships.

Cooperation between the Arab and African countries is not only the core engine of BADEA 2030 but also its chief differentiator in the development finance marketplace. The primary strategic initiative will be to create an integrated online gateway for Arab-Africa cooperation. This hub would become a market maker—creating networking opportunities by sharing information and ideas—which may lead to joint projects, trade prospects, or investment links.

Other strategic initiatives:

- Arab-Africa Investment Catalyst Facility—structured not just to extend financing for ready infrastructure projects but also to develop bankable future projects that enable BADEA to mitigate risk and crowd in other financiers.
- Arab-Africa Agriculture Value Chain Program—takes a market-driven rather than the ubiquitous production-driven approach to the agro ecosystem, and will begin with a pilot with a seasoned development partner.
- Arab-Africa Special Economic Zone—designed to maximize synergistic opportunities of location and industry preferences, again starting by partnering with other development agencies.
- Arab-Africa SME and Entrepreneurship Venture—would build BADEA’s experience in the social entrepreneurship and SME sectors through a small pilot, partnering with existing incubators and accelerators.

Finally, in keeping with current practice in the field, BADEA 2030 has introduced a results-based scorecard for its management, operations, and delivery of products and services. This will take note selective development goals relevant to BADEA’s key stakeholders, consider the results its programs deliver to clients, and report on operational and organizational efficiencies and effectiveness.

BADEA 2030 positions the bank as a niche international development finance organization ready to take on the challenges of the decade to come. Ten years from now, BADEA expects to be a leading Arab-Africa institution in the eyes of its shareholders, development partners, clients, and target markets in African countries. It will bridge the Arab and African economies, using innovation to achieve prosperity.
Established in 1974, BADEA is a multilateral development bank (MDB) owned by the 18 Arab countries that are members of the League of Arab States. Through decades of growth as the Arab-Africa relationship evolved, it has adhered to its core mandate in providing a platform to assist the development of the sub-Saharan economies by transferring resources from the Arab region. From US$231 million in initial subscribed capital at inception, shareholder capital has increased to US$4 billion as of December 2019.

BADEA offers a wide array of products and services, including loans to public and private entities that finance trade, infrastructure, agriculture and rural development, and social sectors, as well as grants that offer a variety of technical assistance such as consulting, training, and feasibility studies. The bank’s offerings are summarized in Figure 1.

In 1983, BADEA adopted a long-term plan, complementing its yearly operating plans with a series of new five-year plans. This evolution in its planning horizon and financial tools reflects the bank’s readiness to invest for the longer term, better suiting the nature of the challenges Africa faces—and enhancing BADEA’s reputation as a trusted long-term partner in the development of African economies.

In the current (seventh) five-year plan, spanning 2015 through 2019, total allocations reached US$1.6 billion, an increase of US$600 million over the previous five-year plan (2010–2014). Annual commitments under the current plan rose yearly to US$350 million in 2019, up from US$250 million in 2015.

A trusted bridge between the Arab and African economies, BADEA has made cumulative commitments approaching US$6 billion, of which about 55 percent funds infrastructure projects, 30 percent goes to agriculture and rural development, and the remaining 15 percent underwrites key social sectors such as education and health services. The bank offers highly concessional financing terms (that is, far below market rates) as well as substantial grants, allowing BADEA to focus on projects that drive strategic transformation in the countries it serves. It has promoted the use of Arab expertise and resources through programs that are closely aligned with the priorities of African nations. In 2015, BADEA expanded its private sector window and trade-financing facility, which is slated for a significant increase in the near future to meet the requirements of fast-growing and diversifying Arab and African economies.

In addition, BADEA is able to crowd in development financing, particularly from other Arab-based bilateral and multilateral development institutions through the Arab Coordination Group (ACG). This was founded in 1975 to enhance development assistance and foster greater cohesion by harmonizing financing efforts and procedures. Besides BADEA, the ACG consists of the Islamic Development Bank, the OPEC Fund for International Development, the Arab Fund for Economic and Social Development, the Saudi Fund for Development, the Kuwait Fund for Arab Economic Development, the Arab Monetary Fund, the Abu Dhabi

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Figure 1  BADEA PRODUCTS AND SERVICES

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<tr>
<th>BADEA Development Activities</th>
<th>Technical Assistance (Grants)</th>
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<tr>
<td>Loans</td>
<td>Arab Experts</td>
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<td>Private Sector and Trade</td>
<td>Feasibility Studies</td>
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<td>Public Sector</td>
<td>National and Regional Trainings</td>
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<td>Trade Finance</td>
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<td>Infrastructure</td>
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<td>SMEs and Entrepreneurship Development</td>
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2  http://www.arabdevelopmentportal.com/node/6142
Fund for Development, the Qatar Development Fund, and the Arab Gulf Program for Development. This platform lets BADEA present opportunities directly to the group for possible joint financing. Collectively, the ACG’s financial resources amount to US$3.5 billion annually.

In 2017, BADEA embarked on a fast-track process to forge a longer-term directional framework that will guide its operations for the next decade. This was driven by four major factors:

1. The changing scale and scope of Arab-Africa cooperation
2. The global focus on Africa, in keeping with the United Nation’s 2030 Agenda for Sustainable Development
3. The ongoing MDB reforms to meet 21st-century challenges
4. The changes in the official development assistance (government aid) landscape

This rapidly shifting global context and agenda, with huge implications for both the Arab and African economies, is spurring the bank to reposition itself to meet the new challenges. Development agencies in the 21st century should be agile, dynamic, and forward-looking. BADEA needs to further promote itself as a flexible, value-added platform for strengthening the collaboration between Arab and African countries.

Therefore the bank is presenting in this report its first 10-year strategy, BADEA 2030. Its five-year operational plans going forward will now fit within a longer timeframe that matches the planning horizons of the African Union’s Agenda 2063. It also identifies the bank as a partner in implementing the United Nations’ 2030 Sustainable Development Goals (SDGs), allowing BADEA to benefit from SDG-related events, resources, and activities.
ECONOMIC OUTLOOK: AFRICA AND THE ARAB WORLD

African economies have shown considerable resilience—underpinned by sound macroeconomic policies and structural reforms, particularly in infrastructure development—in adjusting to events in the global economy over the past decade. Although global and regional shocks slowed growth in Africa, signs of recovery were evident by 2017. Real growth in gross domestic product (GDP) on the continent reached 3.6 percent in 2017 and 3.5 percent in 2018, up from 2.2 percent in 2016, and it is expected to reach 4 percent in 2019 and 4.1 percent in 2020.1

Figure 2, based on statistics from the African Development Bank (AfDB), compares African GDP growth since 2009 to the emerging and developing countries as well as India and China. Recoveries in commodity prices, especially oil and minerals, together with sustained domestic demand due to slowing inflation, import substitutions, and advances in agricultural production, contributed to the improvement in real GDP growth since 2016.

Once seen simply as home to the world’s poorest billion people, Africa now represents a market of 1 billion—and one that is growing rapidly. Africa’s GDP at the end of 2018 stood at US$2.5 trillion, roughly equivalent to India’s. Clearly much can be done to transform the continent. Plans are underway to double the size of the economy in 10 years. Africa comprises more than 50 countries with enormous natural resources that can be turned into productive economic assets. Connecting the African economies through trade and industry will be the key to unlocking the continent’s potential.

African countries have adopted a 50-year plan, Agenda 2063, with seven long-term aspirations (see Figure 3).4 The agenda’s action plan and flagship initiatives present many exciting development opportunities. The African economies are poised to take advantage of these opportunities and achieve their development goals.

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2 https://au.int/en/documents/20141012/key-documents-agenda2063

Figure 2 REAL GDP GROWTH IN AFRICA, 2009–2019

Source: African Development Bank statistics
Union is coordinating this effort and thus will be an important partner for BADEA.

Another important trend in Africa is the expanding economic role of India and China, compared with the continent’s traditional investors from Europe and North America. Particularly significant is China’s Belt and Road Initiative, which would add to its already substantial presence in Africa. Once operational, this plan will reframe international trade and open up opportunities not just between China and Africa but also among all countries along the Belt and Road trade routes (see Figure 4). This in turn should hasten Africa’s industrialization, a process that BADEA can participate in strategically and leverage for Arab-Africa partnerships.

Figure 3  AGENDA 2063, KEY TRANSFORMATION

Source: BADEA, based on Agenda 2063, African Union Commission

5 http://english.gov.cn/beltAndRoad/
To enable growth and industrialization in Africa, jobs need to be created. AfDB’s Africa Economic Outlook 2018 provides highlights some of the employment trends:

- From 2015 through 2030, 29 million new entrants will join Africa’s labor force every year.
- 22 percent of Africa’s working-age population is starting new businesses, the highest rate in the world.
- Firms with fewer than 20 employees and that have been in business for fewer than five years provide most of the jobs in Africa’s formal sector.
- 44 percent of African entrepreneurs start businesses to exploit opportunities in the market, while 33 percent do so because they cannot find jobs.

On the other side of BADEA’s equation are the Arab countries. Those in the Gulf Cooperation Council (GCC)—Saudi Arabia, Kuwait, the United Arab Emirates (UAE), Qatar, Bahrain, and Oman—are rapidly diversifying their economies, which were once almost entirely dependent on oil exports. The GCC is implementing ambitious strategies to effect a comprehensive economic and societal transformation. Saudi Arabia and the UAE are implementing especially significant economic reforms using state-of-the-art technology and advanced management approaches.

Despite improvements in the global economy, however, the wealthiest Arab countries are being buffeted by low oil prices and the impact of ongoing regional conflicts. In the oil-exporting Arab states that are the chief shareholders of BADEA, low oil prices and fiscal adjustments continue to dampen overall growth. GDP in the GCC countries grew only by about 0.5 percent in 2017; growth climbed to 2.0 percent in 2018 and a projected 2.1 percent in 2019. The World Bank forecasts that GDP growth in the GCC will accelerate to 3.2 percent before stabilizing at 2.7 percent in 2021.

Among the oil-importing Arab countries, growth is projected to benefit from domestic demand and a recovery in the global economy. The growth rate in these countries reached about 4.3 percent in 2017 and 4.4 percent

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**Figure 4 CHINA’S BELT AND ROAD INITIATIVE**

Source: BADEA, based on data from Digital Silk Road Project; Financial Times

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A Strategic Framework for Arab-Africa Cooperation and Shared Prosperity

in 2018, GDP is expected to grow annually by 5.3 percent on average in 2019 and 2020. These countries also saw a decline in their average fiscal deficit to 5.6 percent of GDP in 2018 from 6.8 and 6.6 percent in 2016 and 2017, respectively. Still, these countries urgently need to implement structural reforms to encourage private sector activity and to promote more dynamic and competitive economies.

Yet continued economic growth cannot be taken for granted. At the annual meeting of the World Bank–International Monetary Fund in 2018, Christine Lagarde, managing director of the IMF at the time, cautioned, “With global public and private debt at an all-time high, any slight change in the wind could provoke capital outflows and economic instability in emerging markets, as we see in some of those markets.” Among the forces affecting the global economy, the Internet has created a seismic shift. It is arguably the cornerstone of a Fourth Industrial Revolution (4IR), a term introduced in 2015 by Klaus Schwab, founder of the World Economic Forum, to describe the convergence and impact of emerging technologies such as artificial intelligence, robotics, nanotechnology, and biotech. We can expect the 4IR to prompt sweeping changes across Africa and the Arab world.

It is abundantly clear that the future will be more unpredictable than ever, and economic transformations more rapid and radical. The 4IR and other game-changing factors that hold tremendous strategic importance for BADEA are listed in Table 1.

Currently BADEA has neither the scale nor the complex organizational structures to address these challenges and opportunities. It must bring to bear a different mindset, toolkit, and approach in the coming decades. Its core mandate to catalyze economic cooperation between the Arab and African economies remains relevant, but the bank needs to assume a more progressive role to foster joint economic activities whose impact will be mutually and collectively enriching.

BADEA’s progress toward such transformation will be gradual, driven by the changing profile of Arab and African countries and their readiness to invest in the future. The transition set forth in BADEA 2030 is designed to build on the bank’s existing infrastructure and network even as it adapts to the 21st century. New tools and competencies will be developed over time in response to changing market conditions.

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<th>Table 1</th>
<th>THE GAME CHANGERS</th>
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<td>UN 2030 Agenda for Sustainable Development (SDGs)</td>
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<td>African Union’s Agenda 2063</td>
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<td>Fourth Industrial Revolution</td>
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<td>Demographic Shifts</td>
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<td>Urbanization and Migration</td>
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<td>Changing Business Model of Development Finance</td>
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<td>Transformation and Diversification of Arab Economies</td>
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Source: BADEA 2030

THE STRATEGY PROCESS

BADEA took less than two years to develop its long-term strategy, and the process had three distinct stages, as depicted in Figure 5. The effort included adapting and leveraging the experience and knowledge of others, as well as learning from the experience of reputable global and regional development financial institutions.

The first step involved an analysis of the current situation and context. This included studying relevant reports on the economic outlook in Africa and the Arab world, as well as on the changing roles of multilateral development banks and the shifting strategies of development agencies. The findings of this desk review were complemented and deepened through structured conversations and interviews related to BADEA’s mandate with internal and external stakeholders and experts. The aim here was to use and build on the organization’s existing strengths and knowledge to create its strategy.

Various global megatrends were reviewed, particularly those with implications for global economic development that could be game changers for Arab and African countries as well as for BADEA (see Table 1 in the previous section of this report). An understanding of such global trends allowed the bank to better identify its unique qualities, area of focus, arenas in which it needs to innovate, and tools that might be used.

Reports related to Arab-Africa cooperation were also studied in order to understand the vital transformation agenda for both Arab and African countries, with a view to identifying potential opportunities for further collaboration. This also allowed BADEA to discover ways of improving the assessment of the effectiveness of its efforts.

The consultations with key stakeholders proved extremely useful in validating some of the assumptions, perceptions, challenges, and emerging opportunities for BADEA in the coming years. This step in the process started with interviews with the bank’s management and staff in order to tap existing knowledge of the institution’s operations, clients, and organizational functions. A preliminary area of focus and direction for institutional transformation stemmed from these internal discussions.

Next, a series of external consultations took place along multiple dimensions. These were designed to challenge,
enhance, and validate the preliminary agenda gleaned from the internal dialogue. Conducted through two-day workshops to solicit feedback and suggestions, these external consultations centered on operational partnerships with other multilateral development banks, thought leaders, and expertise along three dimensions: government, industry, and stakeholders.

Materials from the research and preliminary strategy framework were shared to bring more focus to the external consultations. When these were completed, the strategy framework was developed in detail during intensive conversations with BADEA management and staff to ensure that it both met the aspirations of the full array of stakeholders and would be possible to implement.

The exercise started in June 2017 with the internal consultations and resulted in the BADEA 2030 strategy, approved in March 2019.
STRATEGIC CHALLENGES AND OPPORTUNITIES

BADEA’s extensive consultations, internally as well as with partners and development experts, identified the three top strategic issues that would present both challenges and opportunities in the next 10 years. These are outlined in Table 2 and explained in the subsections that follow.

1 ARAB-AFRICA INVESTMENT HUB

BADEA has yet to fully capitalize on its position as the hub for Arab investments in Africa. Given Africa’s rapid growth, Arab institutions and investors have plenty of opportunities; so, too, do prospects for sub-Saharan investors to expand in the Arab region. Using a value-chain approach, such interregional business and trade networks can expect to reduce redundancies, unleash innovation, and add value.

Arab and African economies are rapidly opening up their markets while diversifying and creating new prospects for partnerships and collaborations. Given the vast opportunities driven by this transformation, as well as the ambitions set out in Africa 2063 and the UN’s SDGs for Africa, BADEA can strategically position itself as an effective interregional development partner for the Arab and African economies in areas of its core competencies and skills.

Economists estimate that Africa alone needs between US$618 billion and US$1.2 trillion annually to implement the SDGs for the continent. If BADEA is to remain relevant as a development bank, it must do more than lend against its own capital to help reach these goals—it must bring other investors to the table.

Moreover, many African countries are enjoying relative stability and economic resilience, outpacing the global average, thanks to stronger institutional capacities and improved governance. This makes these countries thriving investment destinations. The current climate rewards early movers. BADEA is well positioned to attract Arab investors to Africa to take advantage of these opportunities by offering them off-balance-sheet instruments, Islamic finance products, and solutions that will substantially reduce risk.

2 AGILITY AND FOCUS

BADEA can make the most of its relatively small size to focus on specific areas in the market. Faster response and greater flexibility in interactions with clients provide huge advantages that could further maximize the bank’s impact. To be effective, BADEA will have to become more selective in the projects it takes on. Conversations with key stakeholders suggested the following areas on which BADEA should focus:

- Infrastructure and mass urbanization
- Demographic change and human development
- Agro-food industrialization and sustainable farming practices
- Industrialization and private sector development
- Institutional capacity

A crucial underlying parameter in these broad development focus areas is climate change, which affects each of these differently. It’s a critical topic among develop-

Table 2 | TOP THREE CHALLENGES

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<td>1</td>
<td>BADEA has yet to capitalize on its position as a hub for Arab-Africa investments.</td>
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<tr>
<td>2</td>
<td>BADEA has yet to take advantage of its relatively small size to focus on specific market niches.</td>
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<tr>
<td>3</td>
<td>BADEA’s business model needs to be updated to address changes in the business environment and the bank’s strategic direction.</td>
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Source: BADEA 2030
ment financiers. Discussion around the issue of global public goods, particularly in relation to climate change, was the highlight of the 2018 annual meeting of the World Bank. For BADEA, the exceptional risks faced by small islands as sea levels create an opportunity to offer specialized support.

The needs of African countries are evolving as their economies progress. The continent’s population is expected to peak at 2 billion by 2050, with youth accounting for almost 65 percent of the total. African cities are undergoing rapid industrialization, and it is estimated that almost 70 percent of the continent’s population will be living in cities by 2100. These changing demographics favor development programs that target youth, which will require innovative and systemic solutions, especially those that leverage the technology revolution. Becoming agile would allow BADEA to respond more dynamically to the youth potential, especially in small and landlocked countries, using a holistic, Arab-Africa collaborative approach.

Even as African economies diversify, particularly through industrialization and modernization driven by the Fourth Industrial Revolution (4IR), the agriculture sector is expected to remain crucial for growth in the coming decade. While agro-food is still dominated by small and medium-sized enterprises, the pace is increasingly being set by fast-growing private sector companies that add value in food processing and agricultural exports. BADEA will focus on its role in facilitating Arab-Africa cooperation in the promotion of agriculture value-chains development that is also environmentally sustainable, targeting specific markets and supporting small and medium enterprises as well as larger private sector players.

3 BUSINESS MODEL FOR THE NEXT ECONOMY

BADEA’s business model needs to be updated to effectively address changes in the business environment and the new strategic directions that other multilateral development banks are pursuing. BADEA will also spearhead development agendas and further optimize its brand, balance sheet, and resources to crowd in development finance.

Critical to this effort is to align BADEA’s business model with the changing business aspirations of the Arab and African countries. The bank will need to proactively develop exceptional partnership solutions as a bridge between the Arab and African economies to realize those aspirations. Working with its key stakeholders and focusing on collaboration between the Arab world and Africa, BADEA will consider all means of forging stronger client relationships.

Indeed, BADEA’s mandate as a platform for Arab-Africa cooperation presents a unique value proposition on which it will base its push to grow and innovate, particularly in facilitating trade and investment. The bank will recalibrate its business model to make the Arab-African partnership its core engine of operations.

Another important trend is the increasing role of the private sector, including small and mid-sized enterprises as well as entrepreneurs, in addressing Africa’s development needs. This implies changing responsibilities for the public sector. In the context of a future economy that reaches across borders, shifting governance models and financing structures leave much room for creativity. Small and agile, BADEA can respond more effectively to these new development actors as partners, offering responsive, cutting-edge solutions.

A significant impediment to Africa’s development is financial exclusion. BADEA can foster inclusion by addressing opportunities through the various financial instruments it extends to local financial institutions. It can also mobilize resources from other Arab financial institutions for the same objective. BADEA will consider a channeling and wholesale approach to provide its clients access to bigger markets.
BADEA 2030: THE NEW STRATEGY

Given its small size relative to the major development banks, BADEA will build on its trusted brand and emerging opportunities to lead—selectively—the strategic development agenda of Arab and African countries.

The need for development finance for sub-Saharan Africa is enormous, complex, and increasing. Opportunities abound, and there are plenty of financial resources are available globally. Two years ago, Jim Yong Kim, then the president of the World Bank, stated, “Right now, there’s more than US$10 trillion invested in negative interest rate bonds; US$24 trillion in low-yield government securities; and US$5 trillion sitting in cash, waiting for better investments with higher returns.” The role of BADEA, like other MDBs, is to deploy some of that capital—to leverage its brand to crowd in quality projects and affordable finance.

BADEA’s new strategy framework was developed and benchmarked against those of other MDBs. As a result of its extensive strategic planning process, including consultations with stakeholders and competitive analysis, the bank rewrote its vision, mission, and objective statements (Table 3) based on its mandate. At the highest level, BADEA 2030 reflects these core organizational principles.

The first objective aims to position BADEA among the leading development partners for the economic transformation of Africa. The bank needs to ensure a win-win formula for its shareholders and the countries of Africa. BADEA has a related, implicit objective to foster an equal, rather than donor-recipient, relationship between Arab and African countries. Hence it must offer inventive and progressive proposals that will reshape this partnership and with it BADEA’s financial, organizational, and operational modalities.

The second objective explicitly recognizes the global and regional agenda to which the African countries are committed—BADEA’s clients’ global commitments shall become its commitments. Therefore the bank must support, align with, and selectively lead programs, particularly those pegged to realizing the SDGs and Africa 2063. BADEA will use elements of the SDGs and Africa 2063 branding to establish its own unique program and platform that could crowd in other development partners and financiers, the way the African Development Bank does with Africa 2050 and the World Bank does with such initiatives as the Climate Change Fund and the Global Infrastructure Fund. Special attention will be given to landlocked countries and small economies within the continent.

These two objectives are intertwined: The second one serves as the central element in guiding BADEA’s pursuit of the first.

Table 3  BADEA’S VISION, MISSION, AND OBJECTIVES

<table>
<thead>
<tr>
<th>Vision</th>
<th>To be the lead platform for Arab-Africa economic cooperation for development.</th>
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<tbody>
<tr>
<td>Mission</td>
<td>To promote Arab-Africa’s economic cooperation through financial assistance, investment, and technical support.</td>
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</tbody>
</table>
| Objectives | 1 To identify, develop, and promote strategic economic cooperation opportunities between Arab and African countries.   
| | 2 To contribute innovatively to the sustainable development and structural transformation of African countries in the context of the SDGs and Africa 2063. |

Source: BADEA 2030

STRATEGY FRAMEWORK

BADEA has identified four areas of development on which to focus:

- **Infrastructure investment** for inclusivity, industrialization, and innovation
- **Agriculture value-chains development** for empowerment
- Boosting **trade and private sector development** for growth and job creation
- Small and medium-sized enterprise (SMEs) for **economic empowerment**

In the BADEA 2030 strategy framework (illustrated in Figure 6), these focus areas are presented in a circular manner to achieve an active and flexible relationship among them, based on supporting Arab-African cooperation. Each focus area is expected to overlap with others. For example, a program for the development of an agriculture value chain should also include components related to infrastructure, the private sector and trade, and SMEs.

Given the need to ensure self-reliance and scale up BADEA’s various development programs and other interventions, the strategy sees capacity development as a necessary foundation. Therefore, BADEA 2030 frames capacity development intervention as a crosscutting enabler and part of each focus area intervention.

BADEA 2030 proposes strategic initiatives (sometimes called flagship programs) for each of the core elements of the strategy—ensuring that they receive support until they are fully integrated into the bank’s operations.
These strategic initiatives will also help BADEA differentiate itself and attract value-added partnerships. Their implementation will be set out in detail as part of the next five-year operating plan; they will be developed in phases, with some done as pilots to guide the detailing before initiatives are mainstreamed and scaled up.

The outer ring of the BADEA 2030 strategy framework represents the development landscape, which will change rapidly and significantly in the next 10 years, largely driven by technology and innovation. Industrialization, economic development, governance, and social transformation are all expected to change accordingly, affecting the labor and living conditions of the future. The Fourth Industrial Revolution (4IR) is influencing our current understanding of the change to come. Therefore, BADEA’s operations and organization will need to be redesigned to leverage these transformative elements within its strategy framework.

CORE ENGINE: ARAB-AFRICA COOPERATION

Cooperation between the Arab and African countries is not only the core engine of BADEA 2030 but also its chief differentiator in the development finance marketplace. Thus it is to be embedded seamlessly in all of BADEA’s operations and functions. To help push this differentiation further in terms of organizational culture, competencies, products, and services, BADEA needs a flagship program for Arab-Africa cooperation.

BADEA’s collaborations can be extended on three fronts: financial, networking, and knowledge. Although open-ended cooperation conversations and platforms can prove useful, partnership opportunities are best realized through joint projects. These allow for the relationship between the parties to evolve and scale up.

STRATEGIC INITIATIVE: BADEA ARAB-AFRICA DEVELOPMENT PLATFORM

By design, BADEA is itself a platform for Arab-Africa cooperation. Yet in today’s networked economy, it needs to make its presence felt in the virtual world. Therefore, it will consider establishing an online gateway, eBADEA, for Arab-Africa cooperation. This hub would become a market maker—creating networking opportunities by sharing information and ideas—which may lead to joint initiatives, projects, trade prospects, or investment links. Online products might include e-commerce and Halal block chains.

Building an integrated platform would give BADEA a recognizable presence in both the physical and virtual world.

Figure 7  ARAB-AFRICA DEVELOPMENT PLATFORM CONCEPT DESIGN

Source: BADEA 2030
spheres, each complementing and reinforcing the other. This core strategic initiative would create a focused program to position the bank as the unique gateway/hub/platform for Arab-Africa cooperation. It would include various public, private, and community stakeholders’ interests in helping to shape the transformation of Africa. And it represents a win-win program for both the Arab and the African countries, with BADEA assuming the role of catalyst and facilitator.

The online and offline Arab-Africa development platform is framed conceptually in Figure 7.

**FOCUS AREA: INFRASTRUCTURE INVESTMENT FOR INCLUSIVITY, INDUSTRIALIZATION, AND INNOVATION**

Infrastructure development is an economic cornerstone and a prerequisite for sustainable growth and industrialization. Globally, the enormous need for it is evident in the many infrastructure platforms, forums, and funding pledges in support of the UN's SDGs. Among the more prominent efforts underway in Africa are the Africa50, the Global Infrastructure Fund, and the G20 Global Infrastructure Hub. Going forward, infrastructure must align with the 4IR.

Because infrastructure programs and financing for them need to be on such a large scale, BADEA will participate initially as a co-financier while building its capacity in private-public partnership and catalyzing finance. After that, the bank will lead selectively in thematic programs based on Arab-Africa cooperation priorities. It can also act as the platform to facilitate Arab-Africa infrastructure investments to seamlessly connect Africa and Africans with the world. Subsectors to target include:

- Social infrastructure (education and health)
- Transport (road, rail, ports, airports)
- Energy (generation, transmission, and distribution)
- Industry (focused on creating industrial parks)
- Urban development
- Information and communication technology and the digital economy

**10 years from now, BADEA will be a one-stop gateway for Arab-Africa investments in infrastructure.**

Infrastructure investment opportunities in Africa are going to increase in volume and quality to the tune of at least US$90 billion per year. However, the possibilities are not homogenous across the continent—they depend on local contexts and capacities—so investments need to

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10 "New estimates by the African Development Bank suggest that the continent’s infrastructure needs amount to $130–170 billion a year, with a financing gap in the range $68–$108 billion. Those figures are far higher than previous estimates of $93 billion in annual needs and annual financing gaps of $31 billion published by Agence Française de Développement and the World Bank." Afdb 2018 https://www.afdb.org/fileadmin/afdb/Reports/Publications/African_Economic_Outlook_2018_-_EN.pdf
be structured differently with regard to Africa’s widely varying economic progress. And opportunities for infrastructure investment go beyond simple financing; they also require market making to unleash their full potential.

The proposed Arab-Africa Investment Catalyst Facility is structured not just to extend financing for ready projects but also to develop bankable future projects. Figure 8 illustrates the investment flow process for BADEA. This catalyst fund takes an integrated financing approach in which BADEA advances its concessional financing brand, enhances its risk-mitigation role, and crowds in other financiers as off-balance-sheet resources.

BADEA will extend project preparation support as part of its financing value chain. This will allow it to participate and selectively lead in structuring project financing and thus extend its various financing facilities. However, as some projects scale up beyond BADEA’s funding capacity, its financing portion would scale down relative to the other financiers, among which the private sector is expected to take the lead. In this way BADEA will assume a risk-mitigation role and crowd in the external, mostly private sector, financiers.

**FOCUS AREA:** AGRICULTURE VALUE CHAIN DEVELOPMENT FOR EMPOWERMENT

Agriculture is a major source of income in Africa, however untapped agricultural potential has contributed to persistent poverty and deteriorating food security. Africa’s agro-food industry can leverage the 4IR to speed its transformation into an innovative and sustainable force to feed the world. Subsectors to target include:

- Land development
- Irrigation and water management
- Agricultural inputs
- Livestock and fisheries
- Agro industry value chain (products and markets) development

For example, the Halal market segment, dedicated to food products that meet the Islamic dietary code, is a natural point of intersection and could provide an initial opening for value-added Arab-Africa partnership.

**STRATEGIC INITIATIVE:** ARAB-AFRICA AGRO VALUE CHAIN PROGRAM

Africa’s agro-industry development strategy needs to be approached from the market, working backwards to production. This is the direct opposite of the de facto production-driven course currently followed throughout the continent. This 180-degree must be carried out systematically to let Africa make the most of its production strengths as it builds its market and brand capabilities.

The conceptual framing of the proposed Arab-Africa Agro Value Chain program is illustrated in Figure 9. Participation in the agricultural value chain requires a comprehensive understanding of the industry’s development trends and governing structure (grouped here as knowledge products) along with innovative financing.

Given such complexity and the need for hands-on experience, BADEA proposes to pilot its implementation of this strategic initiative with a development partner that has already begun to venture into the agro value chain. Over time, BADEA would be able to develop the required products, expertise, and networks to facilitate agro value chain in selective subsectors or markets.

**FOCUS AREA:** BOOSTING TRADE AND PRIVATE SECTOR DEVELOPMENT FOR GROWTH AND JOB CREATION

Forty-four African nations recently signed a pact establishing the massive African Continental Free Trade Area (AfCFTA), one of the important milestones in Africa 2063. The potential to increase Arab-Africa cross-border trade is enormous. Both regions have adequate finance and labor resources to create a shared economy. Trade will dovetail with industrialization in Africa to create a multiplier effect for longer-term economic development, and it is an excellent tool for enhancing Arab-Africa cooperation on other fronts.

The private sector is crucial to broad-based development and acts as a powerful engine for economic
growth, especially in developing countries. It establishes the foundation for sustainable job creation and serves as a lever to reduce income inequality. Specific areas on which BADEA will focus for trade and private sector development include:

- Commodities, mining, and minerals
- Industrial equipment and products
- Construction equipment and supplies
- Tourism
- Knowledge services
- Financial services

**STRATEGIC INITIATIVE: ARAB-AFRICA SPECIAL ECONOMIC ZONE PROGRAM**

BADEA’s operations will continue to be market-driven in the private sector and trade arenas. However, the Special Economic Zone (SEZ) approach offers the potential to facilitate Arab-Africa cooperation to maximize synergistic opportunities of location and industry preferences. For example, more specialized SEZs, labeled Technology Hubs or Techno Poles, aim to ride on the 4IR. Already, there are several efforts in Africa to establish SEZ/Technology Hubs to which BADEA may introduce its Arab-Africa dimension as an enhancement. Its program design is illustrated in Figure 10.

**Figure 9 BADEA AGRO INDUSTRY DEVELOPMENT VALUE CHAIN PROGRAM MANAGEMENT FRAMEWORK**

![Diagram of value chain management framework]

Source: BADEA 2030

**Figure 10 BADEA SEZ PROGRAM DESIGN**

![Diagram of SEZ program design]

Source: BADEA 2030
Given the complexity of establishing SEZs, BADEA will initially partner with other development agencies that have existing programs in such zones. It could then focus on specific areas, such as the Halal economy, within the SEZ.

**FOCUS AREA: SME AND ENTREPRENEURSHIP DEVELOPMENT**

Small and medium-sized enterprise (SME) plays a critical role in Africa’s economic diversification and industrialization. The sector enjoys the coveted “rich” and “reach” factor, allowing for shared economic prosperity (rich) while hastening economic penetration across Africa (reach), thanks to its nimbleness and entrepreneurial skills.

The Internet and 4IR have unleashed the talents of women, youth, and entrepreneurs in every demographic, even in rural and underserved areas. Through microenterprises, crowd financing, and technology-based solutions, innovative social empowerment programs are emerging across Africa. BADEA can amplify its focus on this grassroots movement, using its own agility and flexibility to serve the development needs of these SMEs and entrepreneurs through players in the third- and fourth-sector economy (social- and mission-driven enterprises, respectively), with special emphasis on women and youth.

Clearly the future of jobs will differ from the present, and it requires investment in human capital. Africa can view this as a chance to reframe its human development strategy. In 2018 the World Bank’s Development Committee stressed the importance of building human capital and calling for new approaches to this vital endeavor.11

Because SMEs thrive in so many segments of the African economy, it is easy to see where this focus area overlaps each of the other three. For instance, BADEA sees an opportunity to grow into a platform for SME trade in Halal agricultural products and to serve as an example of e-commerce progress as it learns how to develop and finance end-to-end certified Halal trade.

**STRATEGIC INITIATIVE: ARAB-AFRICA SME AND ENTREPRENEURSHIP VENTURE**

The SME sector is essential for a functioning and healthy economy. But these businesses must adapt to rapidly changing market conditions and solutions largely driven by technology and the network effect. Opportunities for collaboration between Arab and African SMEs hold compelling potential for BADEA to facilitate the exchange of products and access to markets. Social entrepreneurship aligns even more closely with BADEA’s development aspirations; this subsector, though still in an early stage, is growing in both the Arab and African economies.

Because social entrepreneurship is a new arena for BADEA, this strategic initiative is expected to begin as a small pilot project before scaling up. It will start with the accelerator program illustrated in Figure 11. BADEA will partner with existing incubators and accelerators, and it may want to consider partnering with technology-based companies to leverage their platforms to deliver innovative development solutions.

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ENABLER: CAPACITY DEVELOPMENT AS A CROSSCUTTING INTERVENTION

Development financial institutions’ approach to capacity development is gradually shifting from simple financial aid and limited technical cooperation to a complex new paradigm that creates a holistic structure for sustainability, evolution, and scale.

BADEA’s capacity-building program cuts across silos and will be deployed in three forms:
1. Project-level, embedded in project management, delivery, and scale-up
2. Institution-level, which will address soft infrastructure and create an enabling environment for effective development
3. People-level, to build human capabilities

ACCELERATOR: KNOWLEDGE, TECHNOLOGY, AND INNOVATION

Today knowledge, technology, and innovation have come to dominate all aspect of life, society, business, and government. They must suffuse BADEA’s culture and operations if the institution is to remain relevant and can respond proactively to the changing needs of Arab and African countries. Therefore, the bank’s interventions in each of its focus areas need to be structured with the Fourth Industrial Revolution (4IR) in mind, and BADEA must live the 4IR as an organization—its processes, culture, and systems need to be 4IR-enabled, internally and externally.

This means BADEA must incorporate the 4IR into its 2030 strategy on two fronts:
1. It must develop 4IR knowledge and advisory services, particularly with regard to its Arab-Africa strategic initiatives at the focus area level.
2. It must integrate the 4IR into its own transformation process.

10 years from now, BADEA will be known for the unique and adaptable approaches it has supported in capacity building in the era of the Fourth Industrial Revolution.
MANAGING FOR RESULTS

Development organizations around the world now take a results-oriented approach to their management, operations, and delivery of products and services. In keeping with current practice in the field, BADEA 2030 introduced a results-based scorecard (Figure 12). It has a three-tiered structure based on the scorecard design.

At tier 1, the scorecard will take note of selective development goals relevant to BADEA’s key stakeholders, based on the SDGs, Africa 2063, and the declarations and commitments produced in Arab and African leadership summits. BADEA will then develop programs and projects based on country focus area strategies.

Tier 2 of the scorecard is based on each BADEA 2030 focus area in the strategy framework.

At tier 3 the scorecard will cover the various institutional transformation programs the bank must undertake in order to implement BADEA 2030.

Figure 13 shows the initial design for this results-based scorecard.

The scorecard design will be reviewed based on BADEA’s operations plan and updated as the bank’s new organizational infrastructure is put into place. This is especially important when it comes to measuring BADEA’s contribution in client relationships and addressing the development context at a higher level.

The scorecard is meant to enforce a results-based planning approach. It would also serve as a good tool for assessing staff performance and tying their incentives to results. The institutional performance-level indicators operate at a higher level, in which departmental and individual performance are aggregated and cascaded to achieve alignment.

The scorecard’s targets will be set in BADEA’s next two five-year planning exercises (covering 2020–24 and 2025–30, respectively), then reviewed when creating each annual operating plan. In this way the scorecard design becomes a living document that will be adapted as BADEA delivers on its various agendas and the global context changes.

Figure 12 BADEA’S SCORECARD STRUCTURE

Source: BADEA 2030
Figure 13  BADEA 2030 SCORERCARD DESIGN

Source: BADEA 2030
THE ROAD TO 2030

BADEA 2030 positions the bank as a niche international development finance organization ready to take on the challenges of the decade to come. It lets BADEA optimize its financing for better development results while complementing the work of other development partners. The strategy will progressively enhance the bank’s operations, introducing market-based, state-of-the-art solutions that will lead toward a technology-enabled, responsive organization. It will allow BADEA not only to remain relevant to its major stakeholders in Arab and African countries but also to play a key partnership role in the transformation of Africa into a global economic powerhouse.

Of course, the strategy will need to respond to a changing development landscape in Arab and African countries over time. Updates will be necessary to realize the aspirations set forth in BADEA 2030. Ten years from now, BADEA expects to be a leading Arab-Africa institution in the eyes of its shareholders, development partners, clients, and target markets in African countries. To succeed in this will require political will, creative leadership, and a talented workforce.

BADEA will remain agile, driven by market demand, and committed to partnership. It will take a selective lead in addressing new economic development opportunities in which it enjoys a value-added and competitive advantage that leverages its strength as a platform for Arab-Africa cooperation. It will bridge the Arab and African economies, using innovation to achieve prosperity.

By 2030, BADEA could triple its operations by introducing groundbreaking financing mechanisms and development programming. It will increasingly draw in private sector and community-based financing to its projects, thereby maximizing the potential of its public finance operations. The bank will be a recognized partner in the implementation of Africa 2063 and the UN’s Sustainable Development Goals. Finally, in collaboration with African countries, BADEA will support the doubling of Arab-Africa trade, investments, and knowledge exchange.

These are big ambitions. BADEA 2030 provides the roadmap for achieving them.
A Strategic Framework for Arab-Africa Cooperation and Shared Prosperity

ABOUT BADEA

The Arab Bank for Economic Development in Africa (BADEA) was established pursuant to the resolution of the 6th Arab Summit Conference at Algiers (November 28, 1973). The bank began operations in March 1975.

BADEA is a financial institution owned by eighteen Arab countries members of the League of Arab States (LAS), which signed its Establishing Agreement on February 18, 1974. The bank is an independent International Institution enjoying full international legal status and complete autonomy in administrative and financial matters. It is governed by the provisions of its Establishing Agreement and the principles of international law.

BADEA 2030

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