BADEA EXPORT FINANCING SCHEME (BEFS) GUIDELINES

MANAGED BY:
ISLAMIC DEVELOPMENT BANK (IDB)
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بِلاِيْلِمِ اَلْمَحْمُومِ
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1. INTRODUCTION

The Arab Bank for Economic Development in Africa (BADEA) was established pursuant to the decisions of 6th Arab Summit in Algeria on 28th November 1973. The Bank began operation in March 1975 with its Headquarters in Khartoum, capital of the Republic of Sudan. The subscribed and paid up capital of BADEA as of 31 December 2001 was US$ 1.5 billion contributed by 18 countries.

BADEA aims at consolidating economic, financial and technical cooperation between African countries and the Arab world. In order to achieve its aim, BADEA was given a mandate to:

- Assist in financing Economic Development in non-Arab African countries.

- Stimulate the contribution of Arab capital to African development.

- Help provide the technical assistance required for the development of Africa.

II. THE BEFS

In recognition of the importance of trade in promoting Afro-Arab cooperation and in response to the resolutions of the League of Arab States and the Organization of African Unity calling for the promotion of African-Arab trade, and in line with the directives of the Board of Governors of BADEA issued in its twentieth session (Muscat, April 12 1995), the management of BADEA presented to its Board of Governors, in March 1997, a proposal for the establishment of BADEA Export Financing Scheme (BEFS) which was approved vide BADEA’s Board of Governors Resolution No. -3, 1997.

III. OBJECTIVES AND RESOURCES OF BEFS

The objective of BEFS is to promote exports from Arab Countries to African Countries eligible for BADEA's assistance i.e. African countries which are non-members of the Arab League.
To accomplish this objectives, initially an amount of US$ 50 million has been allocated for the scheme’s operational financing. However, the Board of Directors of BADEA has been delegated the authority to increase this allocation, depending on the implementation record, up to twice the initial amount i.e. US$ 100 million.

IV. MANAGEMENT OF BEFS

Under the Memorandum of Understanding (MOU) signed between Islamic Development Bank (IDB) and BADEA on the 23rd of February 1998, the IDB manages the scheme as a “Mudarib” and an agent of the BADEA.

V. ELIGIBILITY OF FINANCING

All goods are eligible under this scheme with the exception of those in contravention with Shariah precepts. Financing is available only for export of eligible goods originating from one of the Arab countries. In addition the goods to be exported should have minimum of 30%0 inputs originating from Arab countries.

VI. REPAYMENT

Financing period under the scheme varies with the nature of commodity with a maximum tenor of 36 months. Repayment by the importer under the scheme may be made in one balloon payment at the end of the financing period according to the terms and conditions of the financing agreement.

VII. MARGIN OF FINANCING

Financing under the scheme covers 100% of the total value of the transaction.

VIII. MODE OF FINANCING

Post shipment export financing is provided on the basis of Murabaha. Under this mode of financing, the bank undertakes to purchase the goods directly from the exporter and then sells the same to the importer at cost plus profit margin (mark-up).
IX. MARK-UP

Mark up i.e. profit margin under each operation is determined based on the prevailing market rate while taking into consideration applicable policy guidelines. The mark up is composed of 3, 6, or 12 months US$ LIBOR (LIBOR quoted on page 01 of Reuters Screen) plus a spread which will depend upon the credit standing of the importer, the tenor, and nature of guarantee, etc. The mark up will be determined based on the rate prevailing at the value date of each disbursement.

X. DENOMINATION OF THE TRANSACTION

The United States Dollar is currency of payment and settlement for financing under the scheme.

XI. SECURITY FOR REPAYMENT

The borrower/importer is required to provide an irrevocable bank guarantee for full and final repayment of the amount of financing including mark-up. The guarantee should be from a bank acceptable to IDB.

Bank guarantees are the normal mode of acceptable guarantee. Alternatively sovereign guarantee, a guarantee from the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), corporate guarantees and assignment of trade receivable may be considered subject to a case by case assessment.

XII. PROCEDURES FOR APPLICATION

Request for financing under BEFS should be submitted to Islamic Development Bank (IDB) directly by the beneficiary (importer). Basic information and the supporting documents required with the financing request are enumerated in Appendix 4.

XIII. CONCLUSION

All institutions from eligible importing countries having significant amount of import trade from eligible exporting Arab countries are encouraged to explore the possibility of financing their import. under this scheme.
LIST OF MEMBER COUNTRIES OF ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA (BADEA)

1. People's Democratic Republic of Algeria
2. State of Bahrain
3. Arab Republic of Egypt
4. Hashemite Kingdom of Jordan
5. Republic of Iraq
6. State of Kuwait
7. Republic of Lebanon
8. Great Arab Libyan People's Socialist Jamahiriya
9. Islamic Republic of Mauritania
10. Kingdom of Morocco
11. Sultanate of Oman
12. State of Palestine
13. State of Qatar
14. Kingdom of Saudi Arabia
15. Republic of Sudan
16. Arab Republic of Syria
17. Republic of Tunisia
18. State of the United Arab Emirates
LIST OF THE MEMBER COUNTRIES OF THE
ARAB LEAGUE

1. Algeria
2. Bahrain
3. Comoros Island
4. Republic of Djibouti
5. Egypt
6. Iraq
7. Jordan
8. Kuwait
9. Libya
10. Lebanon
11. Mauritania
12. Marocco
13. Sultanate of Oman
14. Palestine
15. Qatar
16. Kingdom of Saudi Arabia
17. Republic of Somalia
18. Sudan
19. Syria
20. Tunisia
21. Republic of Yemen
22. United Arab Emirates
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<tr>
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<th>Country</th>
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<td>2</td>
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<td>24</td>
<td>Madagascar</td>
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<td>3</td>
<td>Botswana</td>
<td>25</td>
<td>Malawi</td>
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<td>4</td>
<td>Burkina Faso</td>
<td>26</td>
<td>Mali</td>
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<tr>
<td>5</td>
<td>Burundi</td>
<td>27</td>
<td>Mauritius</td>
</tr>
<tr>
<td>6</td>
<td>Cameroon</td>
<td>28</td>
<td>Mozambique</td>
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<td>7</td>
<td>Cape Verde</td>
<td>29</td>
<td>Namibia</td>
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<td>8</td>
<td>Central African Republic</td>
<td>30</td>
<td>Niger</td>
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<td>9</td>
<td>Chad</td>
<td>31</td>
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<td>10</td>
<td>Congo</td>
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<td>33</td>
<td>SAO Tome &amp; Principe</td>
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<td>12</td>
<td>Equatorial Guinea</td>
<td>34</td>
<td>Senegal</td>
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<td>Eritrea</td>
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<td>16</td>
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<td>18</td>
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<td>19</td>
<td>Guinea-Bissau</td>
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<td>Kenya</td>
<td>42</td>
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<td>Zimbabwe</td>
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BASIC INFORMATION REQUIRED FOR BEFS APPLICATION

1. Importing Country/Institution
   a) Importing country
   b) Name of the importing institution:
      i. Contact person: (name, title, phone, fax, E-mail address)
      ii. Full mailing address
      iii. Legal status
      iv. Articles of Association & Law governing the establishment of the institution is to be attached
      v. Annual reports for the last three years including the auditors report is to be attached.

2. Exporting Country/Institution
   a) Exporting country
   b) Name of the exporting institution:
      i. Contact person: (name, title, phone, fax, E-mail address)
      ii. Full mailing address
      iii. Legal status

3. Goods to be imported
   i. Name(s), specifications, quantity(ies), expected unit price(s), total price(s) FOB, C&F or CIF (in US$), expected schedule of delivery.
   ii. Exporting country origin of the goods content percentage.
4. Financing Required
   i. Expected invoice value
   ii. Amount of requested financing from BEFS
   iii. Amount of financing from other sources (specify)
   iv. Proposed repayment period in months

5. Repayment Guarantees
   i. Name of the guarantor
   ii. Contact person (name, title, phone, fax & E-mail address
   iii. Full mailing address
   iv. Legal status
   v. Last five years audited financing statements along with auditors reports is to be attached
APPENDIX 5

A. Manager of the Scheme

All inquiries and requests of financing should be directly submitted to the International Islamic Trade Finance Corporation at the following address:

INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION (ITFC)
Member of Islamic Development Bank
TEL: +966 2 636 1400
FAX: +966 2 637 1064
P.O.Box: 55335, JEDDAH 21534
KINGDOM OF SAUDI ARABIA
E-MAIL: itfc@isdb.org

B. Sponsor of the Scheme

Operations Department
ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA
(BADEA)
TEL: +249 183 773 646
FAX: +249 183 770 600
P.O.Box: 2640, KHARTOUM
REPUBLIC OF SUDAN
E-MAIL: badea@badea.org