

# **BADEA IN A NEW WORLD ECONOMY:**



**HOW TO FACE THE CHALLENGES OF AFRICA'S  
DEVELOPMENT THEREIN.**

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**JULA<sup>FZE</sup>**

# Outline

- ▶ **I.** Our world has changed.
- ▶ **II.** From what... to what?
- ▶ **III.** Development paradigms have changed too?
  - ▶ **IV.** Is Africa changing also?
- ▶ **V.** Positioning BADEA to do a very good job better.
  - ▶ **VI.** BADEA vis-à-vis other DFIs & PFIs.
  - ▶ **VII.** Most relevant sectors and activities.
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- ▶ **IX.** How to get the necessary support from stakeholders and others.
  - ▶ **X.** Where and when to start.
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    - ▶ **XIII.** JAZZAKUMULLAHU KHAIRAN!

# I. OUR WORLD HAS CHANGED

The last two decades have witnessed changes in the global economy the likes of which have never been seen before. The areas involved are many, such as technology, in particular, the environment, communications, etc.

The world is not, and will never be, what it was only two decades ago. This requires countries to make adjustments in policies and practices in almost all areas in order to deal with new challenges.

Africa, more than any other continent in this world, has to adjust to these realities in order to meet the aspirations of Africans who are no longer strangers in an interconnected global village.

The evidence is that Africa is struggling to cope and to catch up, especially in recent years.

**What are the evidence and the implications for BADEA?**



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Source:  
[artofcyberdribble.blogspot.com](http://artofcyberdribble.blogspot.com)

# II. FROM WHAT?



# TO WHAT?

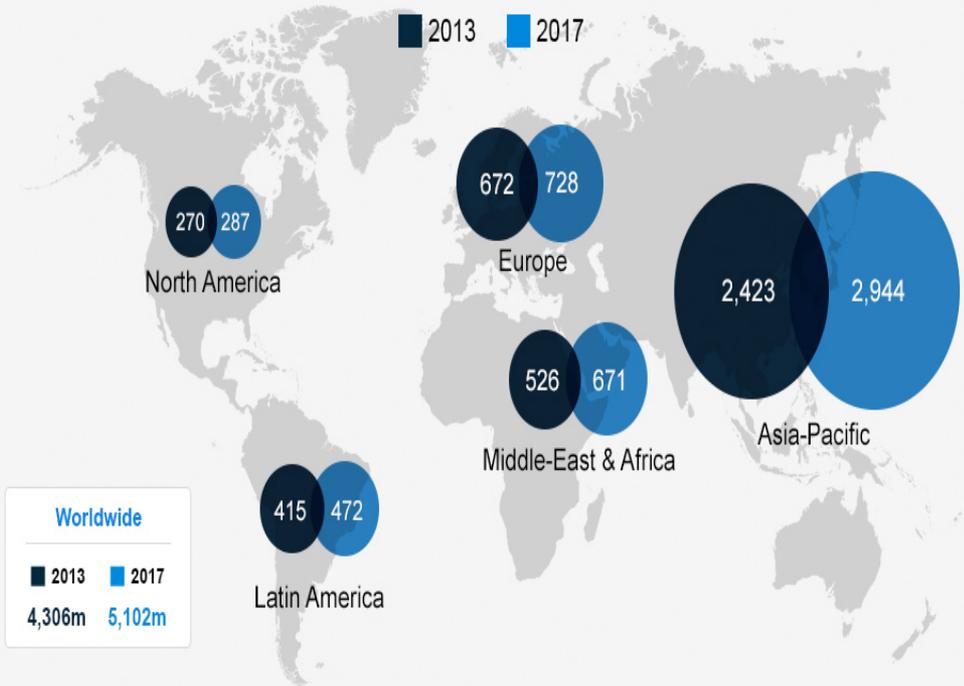


**The global economy has structurally shifted/is shifting from:**

- ❑ Gross exports to global Value chains
  - ❑ Industry to services
  - ❑ Technology to ICT
- ❑ Production to the environment
  - ❑ Saving to consumerism
  - ❑ Literature to the media
    - ❑ Fast to faster
- ❑ *The 2Cs as the tools of all*

## 5 Billion People to Use Mobile Phones by 2017

Estimated number of mobile phone users worldwide (in millions)



# III. DEVELOPMENT PARADIGMS HAVE CHANGED TOO?

**Both theory and practice have shifted in favour of a transition from:**

- ❖ Socialism to capitalism
- ❖ The state to the private sector
- ❖ Bureaucracy to business
- ❖ (In short ) the “Antis” to the “Pros”



# IV. IS AFRICA CHANGING ALSO?

- ▶ Most African countries earned their independence in the 1950's and 1960's. Naturally, it was a period of euphoria. Development paradigms at the time were loaded with anti-imperialism, anti-capitalism, anti-multinational corporations and other “antis”.
- ▶ After relatively high growth rates in the 1960's and 70's, dominated by production of primary commodities in colonially shaped economies, the ‘lost’ decade of the 1980's and the crisis decade of the 1990's followed, respectively.
- ▶ After a period of some twenty years of painful reforms and the end of the Cold War, Africa is no more an exception to the dominance of the “pros” over the “antis”.



 THE EVIDENCE

- ▶ Unlike previous decades, the amount of investment, particularly private and foreign, in Africa has shown a sharp increase since the last decade – In 2011 FDI flows to SSA jumped 25% to an estimated US\$35.6 billion. FDI inflows rose again to \$37.7 billion in 2012 and were projected to rise, annually, until they reach \$54 billion by 2015 by the World Bank but actually did so in 2014 (according to UNCTAD (WIR 2015)).
- ▶ Unlike the levels before the mid-1990's, domestic credit to the private sector ranged high, from 54.5 % of GDP in 2003 to 64.1% in 2010. Recent data for SSA shows a figure of 52.2% (World Bank, WDI, 2015).
- ▶ Not only do Africans now seem to invest more in their own countries (internally), Africans are also investing in other African countries more than before. “Intra-African contributions to FDI projects continue a strong upward trend, recording a high compound rate of 32.5 percent since 2007, compared with 15 percent rate for (non-African) emerging markets project investment into Africa, and only 8.4 percent for developed markets over the same period” (Ernest and Young, 2013).
- ▶ The World Bank summarized: “... a decade of strong growth had reduced poverty in sub-Saharan Africa, with provisional data showing that between 1996 and 2010, the percentage of Africans living on less than \$1.25 a day fell from 58% to 48.5%. ... the progress made over the past ten years, when growth picked up, has been impressive. In fact, the region is on a trajectory to achieve the targets soon after 2015, as long as strong economic growth and a commitment to reforms remain.”





Therefore, the lions have indeed started to ROAR.

# V. POSITIONING BADEA TO DO A VERY GOOD JOB BETTER

**What are the major threats and risks Africa faces in the new world era?**

1. End of the commodity super cycle
2. End of the Chinese bonanza?
3. Political and social instability
4. Environmental degradation
5. Regional disintegration



## VI. BADEA VIS-À-VIS OTHER DFIs & PFIs

- ▶ **The World Bank** – big, beautiful and ugly
- ▶ **The African Development Bank** – big, beautiful and bureaucratic
- ▶ **The Islamic Development Bank** – big, beautiful and unknown
- ▶ **The Development Bank of Southern Africa** – happy to be in the South
- ▶ **AFREXIMBANK** – complementarity and not competition
- ▶ **The Big Private Banks** – the “cheetahs”
- ▶ **The Private Equity Funds** (\$34.5bn from 2007-2014 in PE transactions) – brave, creative and optimistic



# VII. MOST RELEVANT SECTORS AND ACTIVITIES

## **The Four Pillars of the 7<sup>th</sup> 5-year Plan of the BADEA:**

- Support development in Sub-Saharan African countries through financing projects in public and private sectors
- Provide technical assistance to beneficiary countries in the field of Human and Institutional Capacity Development.
- Encourage Arab exports to African countries.
- Contribute to debt relief for the HIPC.

## **Within this framework we recommend:**

- Human and institutional capacity building for BOTH public and PRIVATE sectors (including academia), not only in management but in *mastering modern technology*
- Special attention to Environmentally-beneficial projects
- Special attention to power and energy, especially the renewable
- Special attention to Agricultural Development, especially agribusiness
- Innovative and proactive financing through *Islamic Finance* and equity investments
- Innovative financing which targets the *youth, especially those prone to violence*
- Intensify efforts to *understand and address* factors which inhibit Arab private investment in Africa
- Making BADEA known to the African private sector and professionals
- Recruiting multilingual, technically sound and energetic young staff from the best business schools in the world
- Becoming and sounding more business oriented; eg changing the name of the DG to CEO or MD, a reinforced PS window, etc.
- Regional economic cooperation and integration

# VIII. INTERNAL AND EXTERNAL CHANGES REQUIRED

## SWOT-PEST Indicators :

### Strengths

- ▶ Some of the world's wealthiest nations
- ▶ The Unique Arab multilateral DFI located in Africa and dedicated to SSA
- ▶ Very Bullish on Africa
- ▶ Experience in technical assistance

### Weaknesses

- ▶ Not known enough
- ▶ Less capital and staff in comparison to major DFIs
- ▶ Difficulties in attracting young staff
- ▶ Focus on debt financing
- ▶ Not enough private sector exposure

### Opportunities

- ▶ A changing Africa
- ▶ Need for innovative finance, especially Islamic, equity and inclusive finance
- ▶ A growing private sector
- ▶ Growing trade and manufacturing capacity in Arab countries
- ▶ Largely untapped private Arab capital, especially in the GCC

### Threats

- ▶ Economic retrogression in Africa
- ▶ Political and social instability in Africa and the Arab countries
- ▶ Finding interested and competent young staff to replace competent but retiring staff
- ▶ Competition from other DFIs and PFIs
- ▶ Default on its loans?



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### Opportunities

### Threats



## IX. HOW TO GET THE NECESSARY SUPPORT FROM STAKEHOLDERS AND OTHERS

- ▶ **The Shareholders** – Performance and updating the vision
- ▶ **The Board of Governors & Directors** – Presentations and Performance
- ▶ **The Staff** – Training and updating, enabling retirement -age staff to retire but creating consulting opportunities for them
- ▶ **The Beneficiary Governments** – more co-financing with other DFIs and supervision
- ▶ **The African private sector** – identification and financing of more private sector projects
- ▶ **The Arab private sector** – information on African opportunities, publicizing success stories and creating reputable partnerships for confidence building
- ▶ **The non-African non-Arab private sector** – encouraging trade and trade financing and partnerships with Arab and African companies

# X. WHERE AND WHEN TO START

- ▶ **1. The Staff** - immediate
- ▶ **2. The Boards** – next meeting
- ▶ **3. African and Arab private sector** - immediate
- ▶ **4. Non-African Non-Arab private sector** - immediate
- ▶ **5. African governments** – Special announcement on new/renewed BADEA directions



# XI. HOW?

- ▶ Influencing the language with new catch words – eg. “Peace through Development!”, “Jobs not Guns!”
- ▶ Preparing promotional videos or PPPs and improving the website
- ▶ Organizing private sectors workshops or conferences, focused on *concrete* projects or opportunities and match making
- ▶ Using BADEA country visits as information panels through selected local media
- ▶ Country representative offices
- ▶ Coverage in influential international business media



## XII. PROSPECTS OF ARAB FINANCE POST-COMMODITY SUPER CYCLE

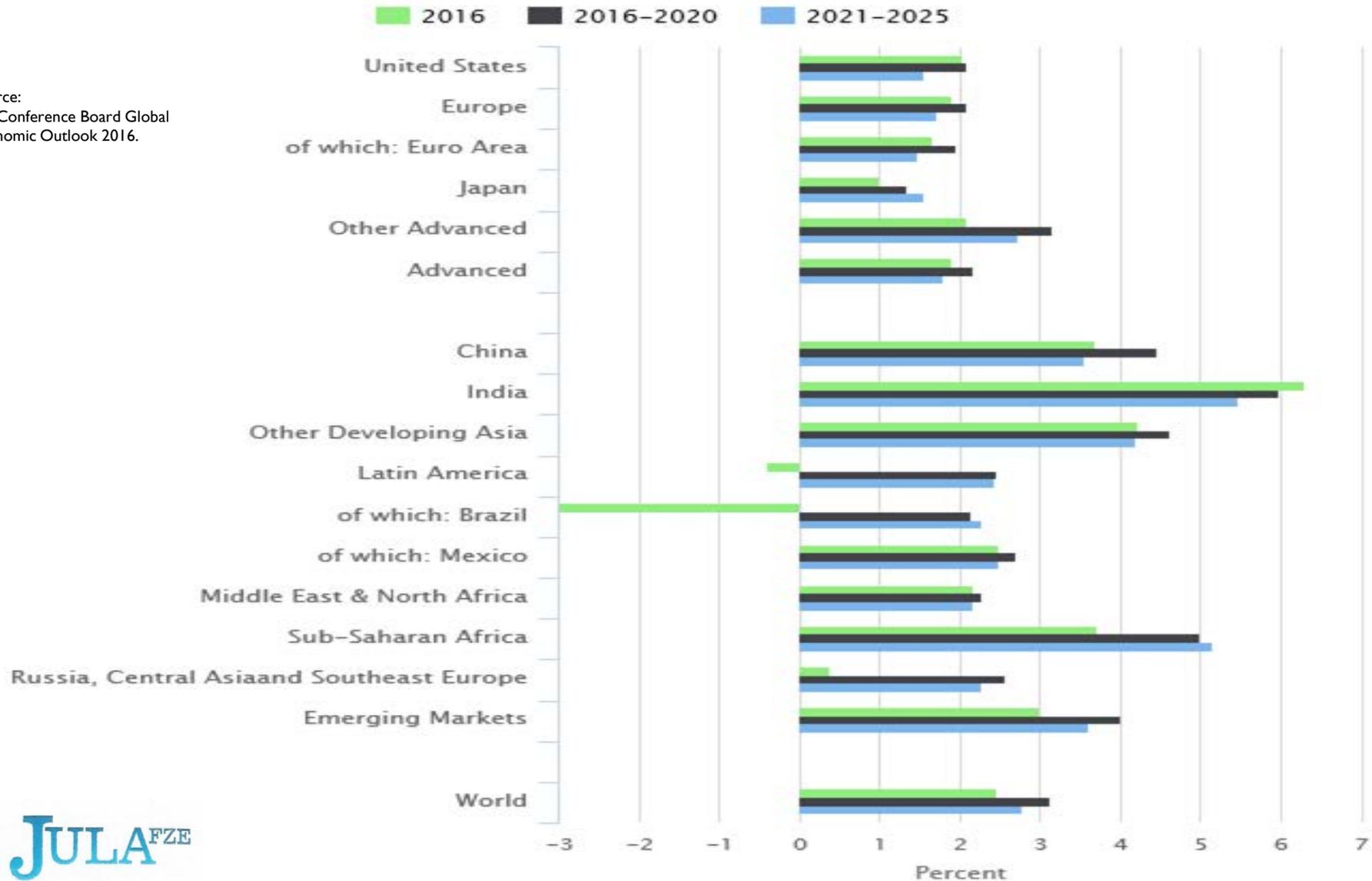
- ▶ Oil exporting donors under financial pressure due to historically low oil prices (approx 40 \$/barrel)
- ▶ Political and social concerns in a number of countries
- ▶ However, significant resources exist in a number of countries (eg. reserves - KSA \$556.5bn (4<sup>th</sup> in world), UAE \$37.3bn, Kuwait \$29.6bn, Qatar \$16.8 bn)
- ▶ Also some of the world's highest net worth individuals still live in or are from the region (6 GCC countries in top 34 wealthiest countries, Qatar world's #1)



# XII. PROSPECTS OF AFRICAN DEVELOPMENT

## POST-COMMODITY SUPER CYCLE

Source:  
the Conference Board Global  
Economic Outlook 2016.



# Evolution of BADEA's Financing to Public Sector 1975-2015 (US\$ Million)

	<b>1975</b>	<b>2015</b>	<b>Change</b>
Shareholder Equity	92.2 Million USD	4.2 Billion	46 times
<b>Number of Loans</b>	<b>12</b>	<b>19</b>	<b>1.6 times</b>
Amount of Loans	85.5 USD\$ Million	200 USD\$ Million	2.3 times
<b>Ceiling</b>	<b>10</b>	<b>20</b>	<b>Double</b>
Largest Loan	10	15	1.5 times

Source: BADEA

# BADEA AND AFRICA...

... CHANGING  
TOGETHER!



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Source: The Next Web.com