Arab Aid
Past, Present and Future

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

The Coordination Group of Arab National and Regional Development Institutions is a collective body of three bilateral and five multilateral agencies set up to provide greater cohesion and effectiveness in the delivery of Arab aid. Its members are the *Abu Dhabi Fund for Development*, the *Arab Bank for Economic Development in Africa* (BADEA), the *Arab Fund for Economic and Social Development*, the *Arab Gulf Program for United Nations Development Organizations* (AGFUND), the *Islamic Development Bank*, the *Kuwait Fund for Arab Economic Development*, the *OPEC Fund for International Development* and the *Saudi Fund for Development*.

Established in 1975, the Group meets twice a year at the level of Director of Operations to share initiatives, synchronize programs, and harmonize approaches and best practices. By pooling information and resources, coordinating efforts and drawing on the combined skills and expertise of its members, the Group has maximized aid effectiveness and cost efficiency, and succeeded to a measurable degree in eliminating duplication and waste.

More detailed information on the individual institutions may be obtained from each agency directly, or from the Coordination Secretariat at the following address:

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The OPEC Fund
for International Development

Arab Aid:
Past, Present and Future

Speeches delivered at the Symposium on
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Introduction

The Arab aid paradox

It is a little known paradox that the Arab world, despite its own, often onerous, domestic challenges, is one of the most generous providers of development finance. And, moreover, that this financing reaches far beyond the confines of the Arab world to over 140 developing countries around the globe.

Many would be surprised to learn, for instance, that Arab aid has built hospitals in Albania and Senegal, schools in Jamaica and Burkina Faso, and roads in Bangladesh, Ethiopia and Honduras. And that is just the tip of the iceberg. Arab aid is responsible, too, for countless other improvements across the entire development spectrum. It has helped ease the movement of goods and people, facilitated access to jobs and social services, provided clean water, sanitation and electricity, and improved food security and nutrition. Indeed, for four decades, Arab aid has been instrumental in improving living standards and life expectancy among millions of the world's poor.

It is a record that speaks for itself, and one made all the more remarkable by the fact that the Arab countries are themselves developing and face many problems of their own. Regrettably, it is a record that has gone largely unrecognized, primarily because of the modest spirit in which the Arab donors have traditionally given their assistance.

Spreading the word

The decision by the World Bank and International Monetary Fund to hold their September 2003 Annual Meetings in Dubai, the United Arab Emirates was welcomed as a double-edged opportunity for Arab nations both to draw attention to their development needs and raise awareness of the contribution of Arab donors to poverty alleviation efforts worldwide.

The latter objective – to foster a better understanding of Arab aid – was taken on by the Coordination Group of Arab National and Regional Development Institutions, a collective body of eight agencies, comprising five multilaterals: the Arab Bank for Economic Development in Africa (BADEA), the Arab Fund for Economic and Social Development, the Arab Gulf Program for United Nations Development Organizations (AGFUND), the Islamic Development Bank and the OPEC Fund for International Development; and three bilaterals: the Abu Dhabi Fund for Development, the Kuwait Fund for Arab Economic Development and the Saudi Fund for Development. Together, these institutions are responsible for the bulk of Arab development financing, and have jointly extended a cumulative US$76 billion in development aid.

Arab aid symposium

As part of the official side-events of the World Bank and IMF meetings, and within the context of a wider campaign that included television spots, interviews and publicity material, the Coordination Group hosted a Symposium on Arab Development Aid. Its aim was two-fold – to create awareness of the contribution of Arab aid towards tackling some of the major development challenges facing the world today, and to engage in dialogue with other key players in the international development arena.

The occasion, which was the first of its kind, was attended by a host of distinguished participants, including senior government ministers and high-ranking officials from the World Bank, IMF, United Nations agencies and regional development banks. Also present were private sector chief executive officers, representatives from leading non-governmental organizations and the media. Followed by a reception which allowed for networking and further discussion, the event was an outstanding success.

This booklet presents the speeches delivered at the Arab aid symposium by a panel of eminent speakers under the moderation of Mr. Abdlatif Al-Hamad, Director General and Chairman of the Board of Directors of the Arab Fund. It offers, for the first time, a unique insight into the world of Arab development finance, from its genesis, through years of consolidation and refinement, to its current role and future prospects. With a keynote address by HRH Prince Talal bin Abdul Aziz Al Saud, founder and President of AGFUND, complemented by interventions from a panel of regional speakers, it represents a balanced and authoritative perspective on a subject misunderstood by many and appreciated by few.

The OPEC Fund is proud to present this seminal publication.

The Coordination Group of Arab National and Regional Development Institutions: **A framework for efficient aid delivery**

by

Mr. Abdlatif Y. Al-Hamad

Director-General and Chairman of the Board of Directors of the Arab Fund for Economic and Social Development

Abdlatif Al-Hamad *has enjoyed a long and distinguished career in development financing. Prior to assuming his present position at the Arab Fund in 1985, he was Minister of Finance of the State of Kuwait for two years, and between 1961 and 1981 was Director General of the Kuwait Fund for Arab Economic Development. Mr. Al-Hamad is a member of the board of several higher education and research institutions, and has published numerous papers on financial, economic and development problems. He graduated from Claremont McKenna College, California, USA, and did graduate work in international affairs at Harvard University.*

On behalf of the *Coordination Group of Arab National and Regional Development Institutions*, it gives me great pleasure to welcome you to this Symposium, which is held in line with the Group's policy of maintaining contact and dialogue with other key players in the international development community. It is a pleasure also to welcome you to the United Arab Emirates and the beautiful city of Dubai. We are deeply honored that the World Bank and the International Monetary Fund have chosen to hold their Annual Meetings here in the Arab region for the first time.

The theme of our agenda today is *Arab Aid*. Our symposium is staged to acquaint you with the activities of the bilateral and multilateral development funds and banks that are organized under the umbrella of the *Coordination Group of Arab National and Regional Development Institutions*, to create awareness of the contribution of Arab aid towards tackling some of the major challenges in the development of the poorest regions of the world, and to listen to our partners in development.

Arab aid: a unique financial instrument

Arab development assistance is an important source of development financing. Moreover, it is a source welcomed and appreciated by the beneficiary countries. This is attributable to a number of reasons: Arab aid is free from political and economic conditions, has no strings attached, is highly concessional, has an established track record of efficient delivery and, most importantly, it is given in a spirit of solidarity with developing countries of whom the Arab donor nations are an integral part.

But perhaps the most salient feature of Arab aid is its sustainability. While many of the Arab donor countries enjoyed an economic boom during the 1970s and early 1980s that enabled them to step-up levels of external assistance, the years since have witnessed an economic downturn.

Against this background, it is not surprising that aid flows from the Arab donors have declined. What is remarkable is that these flows are still considerable: the cumulative combined assistance of the Arab development finance institutions today stands at over US$76 billion. It is important, however, to stress that this constitutes only a portion of total Arab aid, as a considerable amount is bilateral, channeled directly from government to government. To put Arab aid into perspective, it is important not to overlook the fact that the combined size of all Arab economies is smaller than that of Canada.

Efficiency through harmonization

That said, the success of Arab aid is primarily the result of a decision taken by Arab donors 28 years ago to optimize the effectiveness of their assistance through the establishment of a collective entity to coordinate and harmonize their activities. This entity, the *Coordination Group of Arab National and Regional Development Institutions,* was founded in 1975. Its creation reflects a recognition of the intrinsic value of collaboration and partnership in combating poverty and promoting development.

The Coordination Group is a collective body of eight bilateral and multilateral development institutions set up to provide greater cohesion and effectiveness in the delivery of Arab aid. Its *raison d'être* is to achieve policy coherence and efficiency in the delivery of development assistance. With combined capital resources amounting to around US$41 billion, its members are the Abu Dhabi, Kuwait and Saudi Funds, the Arab Fund, the Arab Bank for Economic Development in Africa, the Islamic Development Bank, the OPEC Fund and the Arab Gulf Program for United Nations Development Organizations. The Arab Fund houses a Coordination Secretariat for the Group and administers its joint business.

Since the inception of the Coordination Group almost three decades ago, individual members have frequently joined forces to co-finance large scale projects that would normally be beyond the capacity of a single institution. By working in this way – pooling resources, coordinating efforts, and drawing on the combined skills and expertise of its members – the Group has maximized aid effectiveness and cost efficiency, and succeeded to a measurable degree in eliminating duplication and waste. The members of the Group have equally promoted regional integration and cooperation among beneficiary countries. They have been instrumental in bringing together neighboring countries to share common resources or to invest in joint projects such as dams and water basins, or electricity and connecting roads. The ideals of cooperation and partnership adopted by the Group all those years ago very much predated their time – and it is these very ideals that are being embraced by the international donor community today as the way forward towards optimizing the delivery of development assistance.

It is also to the Group's credit that, within the diversity imposed by the individual orientations and corporate cultures of its members, it has succeeded in achieving a general consensus on certain common procedures and guidelines relating to various aspects of the project cycle.

An ethos of solidarity and equality

In addition to its commitment to harmonization, the Group adheres to a number of other principles that shape its work ethic and strengthen its role as a development partner. Foremost is the principle of *partnership*, a concept that has grown out of the Group's special affinity with its beneficiary countries. Coming from developing nations themselves, Group members have a unique perspective on the problems associated with development. They have a deep understanding of the basic issues and problems facing their partners and are particularly attuned to their needs. Alliances with cooperating countries are therefore built on foundations of solidarity and equality. Reflecting our belief that our beneficiaries are ultimately responsible for their own destinies, we are committed to the growing shift away from donor-driven development policies toward participatory development processes and procedures.

The human face of development is strongly emphasized in the Group's aid philosophy, with a significant part of its assistance geared to the grass-roots, the disadvantaged and the marginalized, and aims at alleviating poverty. The Group equally prides itself on being very flexible and responsive to the various needs of its beneficiaries, not only in ordinary circumstances, but also in unusual circumstances such as natural calamities or conflicts.

Emphasis on participation and ownership

It could therefore be said that Group members choose to be *supportive* rather than *prescriptive* development partners, preferring a *participatory* approach that sees them guided by the individual needs and priorities of the countries they work with. They are prepared to advise, but never to dictate. They stand ready to provide the vehicle and the road map, but insist on placing the beneficiaries firmly in the driving seat. This principle – that beneficiaries should ultimately own and be responsible for the implementation of their own development strategies – has always been central to the Group's policies.

Over the years the Group's members have also applied a large degree of *flexibility* to their lending policies. Their loans have very low interest rates, are extended with long repayment and grace periods and are generally free from conditions. Indeed, this "no strings attached" approach has been a distinguishing feature of the operational policies of all Arab aid organizations.

Our aim this evening is to provide you with much more than a sketchy overview of Arab aid. It is also our purpose to listen to our partners in development, our beneficiary countries and the donor community, to share our experience and learn from their own. As the symposium's moderator, my remit was simply to introduce the audience to the topic. Our keynote speaker, Prince Talal Bin Abdul Aziz Al Saud of AGFUND, will present a more elaborate profile on Arab aid in his address. We also have three very distinguished speakers to present the regional perspectives on Arab aid. Afterwards, we will open the discussion to the floor.

My sincere thanks once again for your presence. I hope your participation at our symposium will provide you all with an interesting, stimulating and beneficial evening.

Arab aid:
A durable and steadfast source of development finance

Keynote speech by

HRH Prince Talal bin Abdul Aziz Al Saud

President of the Arab Gulf Program for United Nations Development Organizations

*Born in 1935, **Prince Talal** of Saudi Arabia has dedicated his life to alleviating the suffering of the poor, particularly women and children, a commitment that has distinguished him as one of the world's leading philanthropists and humanitarians. Founder and president of AGFUND, Prince Talal has also been instrumental in establishing a number of other Arab institutions, including the Arab Network for NGOs and the Arab Open University. In recognition of his countless contributions to the developing world, Prince Talal has been decorated with a host of prestigious medals and prizes.*

I have the pleasure to welcome you, on behalf of the Coordination Group of Arab Development Institutions, to this gathering, which is part of the Group's policy of interaction and dialogue with other like-minded development bodies.

I would like to extend my sincere thanks to the Coordination Group for organizing this symposium and for entrusting me with the keynote address, entitled *Arab aid: A durable and steadfast source of development finance*. I hope my speech will be a source of enlightenment and that it will lead to a lively and constructive debate.

I would also like to convey at this juncture my deep gratitude to the World Bank and International Monetary Fund for holding their annual meetings this year in an Arab country for the first time. I consider such a gesture an expression of high regard for the entire Arab world. And I hope that the meetings will be the start of greater efforts to boost Arab economies and help them solve their problems.

A divided world

We are all present in this auditorium today because we share a common concern about the state of the world and its peoples. Looking around us, we bear witness to poverty and destitution; starvation and disease; inequality and marginalization. The statistics are both powerful and condemning – more than 800 million people suffer from hunger; thousands perish daily from preventable diseases; and vast numbers of children – the future custodians of our society – are growing up unable to read or write.

Then there is the other side of the coin – the deplorable excess and waste that has become all too common in the wealthy countries. It would seem that more than ever before, we are living in a world starkly divided into the "haves" and "have-nots." That such polarized disparity continues to persist in what is, after all, a time of unprecedented prosperity, is indeed shameful. How else can we account for the *three billion* of our fellow human beings (approximately half of the world's population) who are forced to survive on less than US$3 a day? Such disparity places on the affluent, developed countries a two-pronged responsibility: a moral responsibility on account of our common humanity; and a political and social responsibility based on the desire to build a more stable world order. This does not mean, however, that developing countries should be dependent on the world. That is unacceptable and uncalled for. We are here today to stress that fact by highlighting the importance of Arab development aid.

Millennium Development Goals

Let us cast our minds back for a moment to the 2000 United Nations Millennium Summit and, in particular, to the *Millennium Declaration*, a manifesto adopted by some 150 world leaders who committed themselves to achieving several important development goals by the year 2015. We are all familiar with these targets: They include, among others, cutting poverty by half, checking the advance of the HIV/AIDS pandemic and halting environmental degradation. Subsequently, there has certainly been no shortage of dialogue, or of lofty promises and noble resolutions. We have argued, among others, about globalization, about the indebtedness of the developing countries, about privatization and trade. But, what we tend to forget is that these words mean nothing to the poor. The poor want *food*; they want *jobs*, *water* and *basic health care;* they want *schools* and the prospect of a *better future* for their children. These are the things that matter, the things that make a real difference, the true measure of progress. And are we delivering? Obviously not. Here we are, almost a quarter of the way through the proposed time frame, and still with very little in the way of concrete achievement to show for our efforts.

Many developing countries believe that the answer to their developmental needs lies *within their own ranks*, with neighbors who share the same needs and face the same challenges. I am referring to the Arab donors who themselves belong to developing countries but who are nevertheless committed to doing what they can to assist those worse off than themselves. This is the essence of the Arab aid that I am talking about right now.

Genesis, evolution and distribution of Arab aid

Arab aid has a long and distinguished history. Its origins go back almost half a century to programs initiated by the State of Kuwait and the Kingdom of Saudi Arabia in the mid-1950s. Then – and now – the impetus driving the Arab donors was a sincere desire to assist, to whatever extent possible, the development efforts of their poverty-stricken neighbors. Indeed, it was the Arabs who were not only instrumental in coining the expression “South-South solidarity,” but who continue to practice it to this day. Moreover, it is an effort that has continued unbroken, even through the lean oil years of the 1980s.

Typically, Arab aid is furnished by Arab donor countries in two main ways: The first is through contributions to the capital resources of development institutions established at the country, regional or international level. It was through this mechanism, for example, that the initial capital bases of the eight institutions forming the Coordination Group were formed. Also included in this category are the significant contributions made by some Arab states to the African Development Bank and the IDA. The second mechanism involves government-to-government transfers.

The Arab aid record is probably best put into perspective when compared to that of the richer, industrialized nations. It is a fact that from the mid-seventies to the mid-eighties, Arab donors constituted one of the world's largest donor groups. Even to this day, they consistently outstrip OECD countries in terms of official development assistance as a percentage of GNP. At 0.85%, their contribution surpasses by far the 0.3% provided by Western donors and tops even the internationally accepted target of 0.7%. Given their own domestic economic difficulties, this contribution is more than generous – it is a *true sacrifice,* because these resources could equally well be spent at home. For the Arabs, though, it is a sacrifice they are willing to make, knowing that eventually, once beneficiaries reach enabling income levels, economic relations of mutual benefit to both donors and recipients will evolve.

So, where exactly does Arab development assistance go? One could be forgiven for assuming that *bilateral* Arab aid is channeled mainly to a few countries with close ties to the donor group. After all, this is an inherent characteristic of *all* bilateral aid – for instance, most French aid goes to French-speaking countries and British aid to Commonwealth states. Arab bilateral aid, however, does not conform to this rule. On the contrary, it reaches far beyond immediate neighbors to countries as far flung as Papua New Guinea, Honduras, Grenada and Belize – nations with little in the way of links, either religious, cultural, economic or political, with the donor group. Aid extended through *multilateral* channels is even wider reaching, covering some 130 developing countries in Africa, Asia, the Middle East, Latin America, the Caribbean, and Eastern Europe. In all regions, emphasis is placed on the poorer, low-income countries.

Coordination Group of Arab Development Institutions

Having looked at Arab aid in its broadest sense, I would like to now concentrate on the topic within the narrower confines of the Coordination Group. Our esteemed Moderator has already drawn a vivid and comprehensive picture of the Group, its constitution, working practices, achievements, ideals, and so on; hence my aim is simply to give a flavor of its scope and volume, and perhaps a few words on special initiatives.

The combined financial strength of the member institutions of the Coordination Group is considerable. Their equity base including paid-in capital and reserves is around US$41 billion, of which US$33 billion is reserves. As of today the members of the Group have extended US$76 billion through more than 4,500 financing operations benefiting over 130 countries. Over the past decade, annual commitments of the Group have averaged US$2.5 billion per year, growing at an annual rate exceeding 6.5%. In 2002 alone, commitments reached over US$6 billion.

Arab aid is characterized as being largely concessional having a grant element ranging from 25 to 75%. In addition, it is responsive to the quick disbursing needs of the beneficiary countries. As of today 70-75% of the total commitments have been disbursed, along with grants provided for technical assistance and training, institution building and emergencies.

A look at the geographical spread of Arab aid shows that African countries have attracted 50% of the Group's total commitments. This trend is likely to intensify over the next few years as a result of two recent events. The first: the new Arab-Africa partnership, which was forged at the Arab-Africa Economic Forum in Tripoli, Libya, in September 2002. The second: the launch of NEPAD, the New Partnership for Africa's Development, which I believe will be examined in depth by our speaker from Africa.

Asia has also benefited from a substantial share of the Group's financing – 48%, with the remainder going to Latin America and the Caribbean, and to Eastern Europe. The direction of Arab Aid has been influenced by the real developmental needs of the recipient countries, as well as by traditional solidarity and affinity, and regional proximity. Priority has been given to low-income countries while not ignoring the development needs of middle-income countries.

Objectives and activities

The focus of aid delivered through the Coordination Group has been on reducing poverty and income disparities among various segments of the population, while enhancing employment opportunities, as well as output and productivity in various economic sectors. Modes of assistance include project financing, balance of payments support, technical assistance, and institution and capacity-building activities.

The selection and funding of operations is based on internationally accepted criteria in terms of national development priorities, technical feasibility, economic and financial viability, and environmental acceptability. Over time, the quality of the impact of the Group's aid has steadily improved through better selection, monitoring and evaluation of projects.

In addition to projects of a purely local or national character, the Group makes a point of encouraging operations with a broad, regional impact. Almost all the economic sectors of the recipient countries have benefited from Arab developmental assistance. The largest beneficiaries have been the transportation, energy, water and agriculture sectors.

One should not assume, however, that Arab aid has focused exclusively on infrastructure projects. On the contrary, a substantial amount of financing has been devoted to grass-roots initiatives that address basic human needs. In this regard, the Arab donors recognize the vital role played by civil society institutions, especially non-governmental organizations, and often extend assistance directly to such bodies, usually in the form of outright grants. Nurturing human development is, without doubt, an integral component of the wider development matrix, a fact stressed at the UN Millennium Summit.

Yet another important avenue of financing supported by the Arab aid agencies is the creation of banks for the poor. Such institutions provide micro-credit to enable the poor to set up income-generating activities. This is widely accepted as one of the best ways to fight poverty and curb its negative effects on the neediest. Indeed, my own organization AGFUND is particularly active in this field. We have helped establish banks for the poor in a number of Arab countries, and I would urge our sister institutions and other development agencies to raise their profile too in this critical area.

Cooperation and partnership

The Arab aid institutions have radically transformed their relationship with strategic partners, particularly the recipient countries. They make sure that the beneficiary is committed and faithful to the project from the outset. They have worked out partnership arrangements with other multilateral financing institutions, i.e., by jointly financing development projects. In most cases, the institutions have provided technical assistance for institutional capacity building and performance enhancement in local agencies benefiting from their projects. All these efforts are geared to give Arab development aid institutions added impetus, increase their efficiency, avoid duplication and improve country group impact. These are the privileges enjoyed by project beneficiaries and international donors.

Another significant point is that Arab development aid institutions have realized since the early eighties the need to streamline their financing policies and procedures, as well as to unify standard rules in five major areas, namely, feasibility studies, appraisal, design and supervision, financing and procurement expenses. These standard rules and procedures help increase the Group's high level of transparency, especially with regard to supplies, selection of project supervision consultants and bidding, and audit procedures, and therefore prevent embezzlement and corruption. In this connection, the institutions of the Coordination Group welcome the Policy and Procedure Harmonization Program advocated by the multilateral development banks and member countries of the Development Assistance Committee.

Responding to new initiatives

In line with their desire to keep their assistance relevant, the Arab aid institutions have proved eager participants in most major development initiatives. On the issue of debt, members of the Coordination Group, like all other bilateral and multilateral agencies, have encouraged the debt relief initiative and granted full support to this undertaking. The Arab aid institutions are carrying their share of the HIPC burden and making every effort to provide the necessary relief in a timely fashion.

Another area worth mentioning is the private sector, where Coordination Group members are becoming increasingly active. Along with the rest of the development finance community, they recognize the sector's growing importance as an engine of economic development and are developing plans to incorporate these activities in their future programs. Support includes equity investment as well as loans to foster the sector's sustained growth.

Moving with the times

With more than three decades of experience, the Arab aid institutions have acquired a deep understanding of the development issues. They have witnessed, first hand, the shifting needs and changing demands of the social and economic development process. They have moved with the times, adapting and responding swiftly to new concerns and initiatives. They have also taken care to sidestep certain pitfalls – overlap and duplication, and the imposition of imported development policies, to name just two.

Looking to the future, it is the primary concern of the Arab institutions that Arab aid continues to remain *relevant*, that it continues to address the concerns and areas of greatest need. Today, the development agenda is dominated by the issues of debt relief, HIV/AIDS, the private sector, NEPAD and the Millennium Goals. Tomorrow, we could be facing a completely new set of challenges. Whatever the case, it is imperative that the international community stands united to tackle them. And not only that it stands united, but also that it works in *harmony*, and with a *common* purpose. The Arab aid institutions are ready and willing to play their part, and welcome a deepening of cooperation with other bilateral and multilateral agencies, the United Nations development organizations and, of course, recipient countries.

Finally, Ladies and Gentlemen, I have to respond to a question often raised by detractors of Arab aid: Is it going to last? The simple answer is yes, of course it is; this is how it was conceived. The Arab development institutions are self-financing, have their own capital resources and have no need to access replenishment windows or to resort to borrowing from capital markets – facts that are a tribute to their administrative efficiency and prudence, and further evidence of their sense of responsibility to the developing world. No one can deny that the oil resources of Arab donors are finite and subject to depletion; but Arab aid is here to stay. Countries in need can count on a predictable and continuous flow of Arab development financing for years to come.

I thank you all for your kind attention.

Arab aid in Asia:
A case for integrating public sector investment with private initiatives

by

Mr. Moeen Qureshi

Chairman and Managing Partner
of Emerging Markets Partnership

Moeen Qureshi *is Chairman of Emerging Markets Partnership (EMP), an asset management company he co-founded in 1992. Prior to EMP Mr. Qureshi served as Senior Vice-President and Chief of Operations of the World Bank, and from 1974 to 1979 as Chief Operating Officer of the International Finance Corporation (IFC), the private sector arm of the World Bank. Mr. Qureshi has also held senior positions with the International Monetary Fund and was Prime Minister of Pakistan for an interim period in 1993. Mr. Qureshi has a B.A. (Hons.) and M.A. (Economics) from the University of Punjab and a Ph.D. (Economics) from Indiana University, USA.*

Before delivering my paper, I would like to take a few moments to convey my thanks to the Coordination Group for organizing this Symposium and for inviting me to give an Asian perspective on the issues under discussion today. As a native of the region, as well as a committed and lifelong development professional, I welcome the opportunity to share my views with such a distinguished audience.

Asia – progress remarkable but patchy

The continent of Asia is home to over 60% of the world's population. It is a true melting pot, embracing a matchless diversity of peoples, cultures and religions. Over the past few decades, the region has witnessed remarkable economic and social progress – more, some would say, than any other continent. A number of countries have risen from the ranks and graduated from developing to developed, while others are pressing their case firmly. And, even where development has not been quite so dramatic, advances have still been made.

Fortunes, though, have been mixed, with progress patchy and by no means the preserve of all. The term "Asian Miracle" should therefore be used with caution. Deep pockets of poverty persist, with countries like Bangladesh, Cambodia and Myanmar still languishing among the poorest in the world, and the newly-emerging Central Asian republics struggling to move forward in the transition from centrally-planned to market-based economies.

The statistics speak for themselves: Although the overall incidence of extreme poverty declined in the 1990s (from 34% to 24%), Asia still has more poor people than any other region, with a staggering 768 million living on less than a dollar a day. Take this comparison – the *per capita* gross national income in South Asia is lower than that of sub-Saharan Africa by around 2%.

At sub-regional level, the disparities are huge. Despite the Asian crisis and the bleak economic outlook, net private capital flows to *East Asia* in recent years were almost five times the level of net aid flows. In *South Asia*, however, the situation was reversed with net *aid* flows exceeding net *private capital* flows.

Even within individual countries, progress has been disparate. While many have seen exceptional growth overall, it has often been concentrated on particular areas. China, for example, doubled GDP *per capita* between 1978 and 1987 and doubled it again between 1987 and 1996, but in many ways Shanghai is now further removed from the northern interior than it has ever been.

Basic needs remain a priority

No one can deny that, as a region, Asia has enjoyed considerable success and progress over the past decades. However, for every country that has been swept away on a tide of prosperity, several others have simply been left high and dry. For the foreseeable future, therefore, development work in the region must continue to concentrate on poverty alleviation and the fulfilling of basic needs. Even then, many of the Millennium Goals may prove out of reach.

Yet the ultimate goal must be to advance beyond this; to ensure that the ”Asian Miracle“ reaches not just selected areas but all regions and countries of the continent. Those left behind in the prosperity stakes must be helped to develop the right environment for generating wealth and economic growth with equity.

Catalytic role for private sector

This may not happen of its own accord, as there are no guarantees that growth will ”trickle down“ to the poorer regions. And it may turn out to be a slow process. The catalyst for speeding it up is, I believe, the private sector. Not, however, at the exclusion of the State, which also has a crucial role to play – as a facilitator for business development through appropriate institutional structures and governance. But, even this may not be enough. If those countries and regions currently excluded are to be brought into the ”Asian Miracle,“ special enabling measures may be needed.

Public–private partnerships, for example, will be necessary to invest in infrastructure and other services so that the competitive disadvantages inherent in particular countries and areas can be overcome. By increasing access to markets and lowering business costs, the inequalities in ability to compete will be brought more in line. Specific regulatory frameworks may also be necessary to encourage greater equity within a development process that emphasizes private sector initiative. Without this, we will see within Asia, as well as within the world, a permanent North-South division.

Increased FDI essential

Foreign direct investment (FDI) also has a substantial contribution to make – to the creation of employment opportunities, technology transfer and the generation of wealth. Yet, in the case of Asia, the recent history of FDI flows provides a graphic illustration of just how great the gulf is among countries of the region. Between 1998 and 2000 almost 80% of FDI into Asia and the Pacific went to China and the Republic of Korea, primarily to the coastal plains of China. FDI into China alone in these years was more than four times the total amount of ODA for the entire Asia Pacific region.

There is perhaps no better illustration that only with effective investment, both domestic and foreign, can we expect real progress in poverty alleviation in Asia. The real challenge for the donor community is to strike a balance in the distribution of this investment, both geographically and in terms of the priority social sectors.

Arab aid record significant

The Arab aid institutions have long been associated with Asia and are a familiar part of the development landscape. By the end of 2002, I understand that cumulative aid to the continent amounted to over US$36 billion, reflecting population and poverty levels as well as proximity and other affinities with the region. Asia, for instance, is home to most of the world's Muslims. In total, 36 Asian and Pacific countries have received assistance from the Group.

From a sectoral point of view, energy has attracted the lion's share of support at around 36%, followed by industry and mining at 19%, and transport and telecommunications at 17%. The remainder is divided mainly among the social sectors. In 2002, commitments made by the Group to Asia totaled US$660 million and supported a diverse range of projects.

Arab aid therefore, although it has not been the main donor source for the region, has been significant, particularly in some poorer countries. In general it has focused on providing basic needs – the foundations for development. In addition, through co-financing, operational efficiency and lack of restrictive practices – for instance in relation to economic policies – this assistance has complemented other aid initiatives, not only in terms of financing, but also by providing flexibility of use and application.

Future profile of Arab aid

Looking to the future, Arab aid is likely to continue to demonstrate similar patterns with regard to its broad spread to countries throughout the region while having a focus on generally poorer countries.

Arab aid has always prided itself on its flexible approach and its willingness to respond to current conditions and circumstances, so we may see an increased focus on Central Asia, reflecting the need of many countries in the region for ongoing support. We may also see assistance for the rebuilding of countries that are emerging from conflict and civil war. And we will almost certainly see the Arab aid institutions pursue their established trend of giving priority to the poorer countries.

Boosting private sector growth

Given the likely constituency of Arab aid it remains clear that much of the assistance will need to be directed to basic improvements in physical infrastructure, as has been the case to date. That said, however, Arab aid institutions are already aware of the need to play a part in catalyzing private sector development. The Islamic Development Bank, the OPEC Fund and the Arab Fund, have all set up private sector facilities to complement their traditional activities. Already, private sector initiatives have ranged from financial services, manufacturing and infrastructure to trading and tourism. While the financial support in absolute terms may be relatively small, it is hoped that the benefits will be leveraged through traditional development finance principles of additionality.

The private sector facilities of Arab Institutions are likely to contribute to private sector development through the particular attributes that these bodies bring. In general, the presence of Arab institutions in the private sector may bring in directly, or encourage indirectly, Arab investors to these markets. Specific skills present in the Arab region, in energy and other sectors, may also be developed. It is likely too that the already strong trade between Asian and Arab countries may expand. Asia, for instance, is the world's fastest growing oil market. However, trade would be expected to grow not just in terms of physical raw materials, but also in the flow of finished goods and services as the respective regions develop.

What's more, Arab institutions may also play a role in opening up the private sector by introducing financial instruments and specialized agencies in line with Muslim customs, thus assisting the wider process of project financing and financial deepening.

Integrating the public and private sectors

The developments in the private sector can be considered not only as additional to traditional public sector facilities but also as part of an integrated whole. Given the need for more in the way of joint public and private initiatives to ensure equity of development, instruments may be combined into a flexible project package. Arab financial institutions do not have any ideological bias against the public sector and are well placed to accept this challenge.

The Arab institutions are wholly committed to poverty alleviation and global economic growth, and they fully intend to pursue their role in Asian development by complementing the initiatives of national governments and other development agencies. That this should be their desired path, in spite of their own domestic difficulties, is evidence of their generosity of spirit and outward-looking mentality.

Arab aid in Latin America and the Caribbean: **Lifting the constraints on development and supporting economic transformation**

by

Dr. the Honorable Omar Davies

Minister of Finance and Planning of Jamaica

Omar Davies *has served as Minister of Finance and Planning of Jamaica for a decade. Previously, he was Minister without Portfolio at the Ministry of Finance and in the Office of the Prime Minister. From 1989-1993, Dr. Davies was Director-General of the Planning Institute of Jamaica, where he served concurrently as Special Advisor to the Minister of Finance and Planning. During that time, he oversaw the formulation and implementation of the government's socio-economic policy goals and was a key member of Jamaica's negotiating team with the IMF, the World Bank and the Inter-American Development Bank. Dr. Davies has also spent part of his professional life in academia, including a period as Assistant Professor at Stanford University, California, USA.*

I join my fellow speakers in thanking our hosts, the *Coordination Group of Arab National and Regional Development Institutions*, for bringing us together to discuss the contribution of Arab aid to global development. This is deserving of greater recognition, and I am honored to be here today as part of efforts to showcase its achievements, and to discuss ways to render it more effective in the future. I am further honored by the fact that I am the only speaker chosen from Latin America and the Caribbean.

My presentation will focus on Latin America and the Caribbean (LAC), and specifically on the potential contribution Arab aid can make in support of the region's efforts to meet the Millennium Development Goals. In this regard, I want to address the following issues:

- the nature of LAC economies;
- the challenges facing the region; and
- the future focus of Arab aid in the region.

My comments will deliberately focus on the experiences of the small island states in the Caribbean. Nevertheless, I will also present more general observations which can be applied more broadly in shaping a closer partnership between all countries of LAC and Arab aid. I believe that there are some more lessons which can be applied more broadly.

Latin American and Caribbean economies

The task given to me is a difficult one due to the fact that the LAC region is far from homogenous. In terms of size, there are the economic giants, such as Brazil and Mexico, with populations close to or over 100 million, the medium-sized economies of Central America, and the tiny micro-states in the Caribbean, some with populations of less than 100,000. *Per capita* incomes range from the relatively high levels of Argentina and the small island states of Barbados and Antigua and Barbuda, to the middle-income levels of Chile and Trinidad and Tobago, to levels of less than US$700 in Nicaragua and Haiti. Economic activity in the region comprises oil producers, such as Venezuela and Trinidad and Tobago; the industrial economies in South America; the heavily agricultural economies in Central America and the Caribbean; and the economies in the Caribbean where tourism accounts for a large portion of economic activity. Finally, in terms of human development, we have the high levels recorded in the United Nations Human Development Index by Barbados, Argentina, Uruguay and Chile, alongside the low indicators of Nicaragua, Bolivia and Guatemala. Between these extremes in each category are a range of countries with very diverse economic, social and political characteristics.

In spite of the diversity, the region shares a number of common characteristics. Among them are the high level of integration in the global financial and trading system, as well as their export-oriented economies and the great need for external financing – both private and official – to finance development. The region is also home to a large number of poor people. I must stress this point as, while the extremes of poverty might not be as pervasive in Latin America as in other regions, levels remain too high with potentially serious social and political consequences in the medium and long term. For example, World Bank estimates for the Caribbean are that on average roughly 38% of the total population is poor. If we exclude Haiti at 65%, the figure averages approximately 25%.

Given the huge diversity in the region, the amount and type of development support needed is also varied. This presents an opportunity for Arab aid to strengthen ties to the region and carve out a niche so that it can play a supportive role in the development process, particularly in the smaller and poorer countries of the region.

Challenges facing the region

The past few years have been challenging for the LAC region. Given its integration in the global trade and financial system, economic performance has been severely affected by the adverse global environment, particularly the relatively slow recovery in the United States, our major trading partner, and upheavals in international financial markets. In addition, the region has felt the effects, to varying degrees, of disappointing export growth due to falling commodity prices (sugar, coffee, bananas and aluminum), the financial instability in Argentina, the decline in private financial flows, higher oil prices, the decrease in travel and tourism following the September 11 attacks on the US, loss of market share through the removal of preferential access of some exports to the European market, and intermittent natural disasters, including hurricanes and floods.

The adverse effects of these events have manifested themselves in several areas, including generally slower growth, deteriorating current accounts, fiscal pressures, a high debt overhang, a greater debt-servicing burden and, in some cases, reduced access to international capital markets. Although some countries, notably those with stronger economies, have managed to respond better to the challenges, others, particularly those unable to access either the international capital markets or concessional funds from the multilateral development institutions, have not yet returned to the growth levels of previous years. Last year the region experienced its most severe economic downturn in two decades.

In addition to those developments, we continue to face other constraints, such as pronounced income inequality, relatively high unemployment, limited institutional capacity, environmental degradation and the rapid spread of HIV/AIDS.

As one of the longest serving finance ministers in the region (nearly 10 years), I am acutely aware of the problems. Nonetheless, it seems to me that for Latin America and the Caribbean, the worst could be behind us. Despite the challenges, there are also opportunities. The real challenge now is to realize them.

I believe our recent experiences have forced us to take hard but necessary steps to hasten the pace of the restructuring of our economies. These steps are geared towards making them more internationally competitive, with new growth sectors emerging, leading to more diversified economies which are better able to respond to shocks. We have had to be more outward looking, – including the widening and deepening of regional economic cooperation – probably much faster than earlier envisaged. Moreover, better use has had to be made of the limited resources, and greater cooperation between governments and the private sector has been necessitated.

What has occurred in the majority of cases is that the burden has been placed more on *adjustment* than on *financing*. Fortunately, in many countries the necessary basic inputs are in place to take advantage of economic reactivation and to resume faster growth and development. In Jamaica's case, for example, we have seen a rebound of economic growth averaging over 3% for the past four quarters. This rebound is underpinned by improved performance in most sectors, particularly tourism.

In terms of emphases, the major challenges which arise from these developments are fiscal pressures; related heavy debt servicing; inability to maintain required infrastructural investment levels; inadequate resources to implement poverty alleviating measures; difficulties in accessing resources from multilateral development banks; and in some cases, difficulties in accessing private capital markets. It is within this context that Arab aid should be considered.

Role of Arab aid in the future

What is the way forward for Latin America and the Caribbean? And what role will Arab aid play in its development path?

Arab bilateral and multilateral donor agencies established links to the region over three decades ago. In the case of Jamaica, for example, Arab aid extends as far back as 1977. This is significant indeed, when we consider that the expansion of broader cooperation by the Arab donor community with developing countries only got underway in the mid-1970s. The main providers of assistance to Latin America and the Caribbean have been three institutions, the Kuwait and Saudi Funds and the OPEC Fund for International Development. Together, they have channeled assistance totaling some US$1 billion to the region, benefiting around 89 million people.

In relative terms, the level of assistance to Latin America and the Caribbean as a percentage of total Arab aid has been very small. Hence, there is ample scope to increase assistance to the region. Indeed, in the case of the three above-mentioned agencies and based on estimates, less than 1% of total Arab aid flowed to the region in the 1980s and about 3% in the mid-to-late 1990s. As is typical of Arab financing, however, the bulk has concentrated on the poorest countries of the region, notably Bolivia, Guyana, Haiti, Honduras and Nicaragua. Here, the *per capita* distribution of Arab aid stands at US$17, an amount *equal* to that of similar, low-income countries in Asia.

Of the three Arab institutions active in the LAC region, by far the greatest contribution – around 65% – has come from the OPEC Fund for International Development. Of course, the OPEC Fund has strong links with the region by virtue of Venezuela being one of its member countries. Together, Venezuela and the OPEC Fund have worked to bring increased resources to the region from the Arab world, more than quadrupling flows over the past decade or so. My own country, Jamaica, has received 6% of total Arab assistance to the region, having benefited from assistance from the OPEC Fund (US$44 million), the Kuwait Fund (US$32 million) and the Saudi Fund (US$4.6 million). This aid has supported several sectors including energy, transportation, education and health.

Looking forward, I would like to encourage Arab aid to have a stronger presence in supporting development in Latin America and the Caribbean, particularly in the smaller and poorer countries. There are sufficient opportunities for Arab aid to be selective and strategic in its engagement in the region.

In general, the sectoral distribution of Arab aid has been very interesting, with a heavy emphasis on physical infrastructure projects, telecommunications, energy, industry, agriculture and livestock, and mining. Investments in these key areas can also sustain the transformation currently underway in many economies in Latin America and the Caribbean, and I urge Arab aid to continue to stay engaged in these sectors. This is particularly critical given the retreat by the private sector in some countries from financing infrastructure and electricity in the region. There is also ample room for Arab aid to continue to assist the poorer countries of the region in meeting basic needs; hence initiatives, including sanitation, rural development, water supply, health, education and so on, should remain an important focus.

I wish to acknowledge the relatively high percentage of Arab multilateral and bilateral financing which goes to lower middle-income countries. While there might be obvious pressures to provide greater allocations to low-income countries in Africa and Asia where the incidence of poverty is far more severe, for a number of reasons, to which I have alluded earlier, there is still a place for Arab aid in middle-income countries in Latin America and the Caribbean.

In this regard, I wish to place on the agenda, even for preliminary discussion, a possible new initiative to be supported by Arab aid agencies, a loan guarantee program that would drastically reduce the interest costs of loans accessed from private capital markets. In Jamaica's case, for example, despite our perfect record in terms of debt payments, we are obliged to pay interest rates on our bonds which obviously has a negative impact on the fiscal budget. After obligatory due diligence, the issuance of a guarantee by one, or all of the Arab funds, could be a relatively inexpensive way of helping middle-income countries like Jamaica reduce the cost of raising funds. There are many details to be worked out, but I believe that such an initiative could make a significant positive impact on the fiscal situation of middle-income countries such as Jamaica.

One of the key challenges to countries in the region is the urgent need to stabilize financial flows. Although official development assistance inflows to the region have remained fairly steady since the mid-1990s, private sector inflows have been *unevenly distributed* and have declined by a massive 70% over the past five years. We need to make every effort to turn this situation around in order to help raise productivity, accelerate growth and encourage greater entrepreneurship. This is another area where there is potential for more engagement.

Strengthened cooperation could, for example, help attract investment in the tourism, industrial and services sectors.

Moreover, I am convinced that more resources need to be channeled into *private sector financing* in our countries. In this regard, I welcome the operations already approved by the OPEC Fund, which are mostly in the form of lines of credit for small- and medium-sized enterprise development. Growth in this area can ease unemployment and social pressures. This start is a promising one, but the challenge is to find other strategies and means to enhance the role of the private sector, especially in the smaller countries of the region, which have little private sector infrastructure in place.

Given the relatively small amount of financing required by some countries in our region, greater use could be made of channeling funds through our development banks and domestic institutions. The Caribbean Development Bank comes readily to mind in this regard. Opportunities for co-financing arrangements with existing partners active in the social sectors should also be explored. For example, the use of investments funds has been effective in reaching the poor, and there are opportunities to support existing arrangements.

Finally, before closing I feel obliged, as someone who has had extensive interaction with a variety of donor agencies, to emphasize just how much we appreciate certain qualities which have characterized Arab aid. I note, in particular, its concessionality, along with the absence of political ties and stringent conditionalities. There is growing recognition among the international donor community of the desirability of these characteristics in enhancing the effectiveness of development aid. Given your record, I urge Arab donors to be more proactive in advancing the debate on the proper objectives and design of development aid.

The challenges ahead for Latin America and the Caribbean are clearly immense. In the past, Arab multilateral and bilateral institutions have been generous in spite of the instability afflicting the Arab region. This is, indeed, much appreciated. With the region moving into an exciting new phase of development, I hope we can take advantage of our existing strong ties to promote even better understanding and pave the way for a deeper involvement in the region.

Concluding thoughts

Finally, Ladies and Gentlemen, before concluding, we have heard many words today about development issues in Africa, Asia and now Latin America and the Caribbean. I hope that I have managed to impart a greater understanding and appreciation of the LAC region, highlighting the challenges we face, our responses, and the areas where assistance is most required.

Arab aid in Africa:
Building the foundations for social and economic development

by

Mr. Famara L. Jatta

Secretary of State for Finance and Economic Affairs of The Gambia

*Before assuming his current office in 1998, **Famara Jatta** occupied a series of other senior posts in the Gambian government, including Secretary of State for Trade, Industry and Employment, and Permanent Secretary of the Office of the Chairman. Mr. Jatta holds M.A. degrees in Development Studies from the Institution of Social Sciences, The Hague, The Netherlands, and in Regional Planning and Economics from the University of Akron, Ohio, USA. He has authored several papers on development matters.*

I am delighted to be here today to participate in this unique gathering and would like to take this opportunity to congratulate the Coordination Group of Arab National and Regional Development Institutions for putting together these insights into the world of Arab development finance. My sincere thanks to the organizers for inviting me to contribute to the proceedings. I must confess to being passionate about Africa and its future, and welcome the chance to discuss the subject within the context of Afro-Arab relations.

A deep-rooted association

Historically, the continent of Africa has long enjoyed a close affiliation with the Arab world. Their geographical proximity has nurtured strong trade, cultural and social links, but there exists too a natural empathy based on their common status as developing regions sharing common challenges. Possibly nowhere else on earth does the expression “South-South solidarity” carry truer meaning. Take, for example, the Arab Bank for Economic Development in Africa, an institution funded by the member states of the Arab League, which provides development assistance solely to the non-Arab countries of Africa. Then, there is the African Union and the African Development Bank – both organizations with a significant Arab presence.

The bonds of brotherhood have shaped a special relationship between Africa and the Arab donors. To date, the continent has received Arab aid amounting to almost US$38 billion. That’s close to half of the total aid channeled through the Arab development institutions. It is a consistent flow that has been increasing steadily year by year – in fact by an annual average of about 11% over the past five-year period, I am reliably informed. Additional resources worth around US$3 billion in debt relief stand to be delivered through the HIPC mechanism.

In the early years, the sectoral distribution of Arab aid to Africa showed a heavy emphasis on large-scale infrastructure projects, reflecting the priorities of the beneficiary countries at the time. For some time now, though, there has been a shift in focus towards smaller-scale, community-oriented projects within the context of government poverty reduction programs.

Challenges facing Africa

The Arab donors' focus on Africa comes as no surprise given the enormity of the difficulties confronting the continent, which is home to 35 of the world's 49 least developed countries. The region is endemically poor, its economic base is narrow, human capital remains substantially undeveloped, and the management of natural resources below expectations. Worse still, it is the region most ravaged by the AIDS pandemic and other scourges, which together are systematically destroying many of the fragile social and economic gains made over the past decades. As if that weren't enough, armed conflicts and civil strife have brought development efforts to a virtual standstill in a number of countries. The bottom line is that many parts of Africa remain firmly ensnared in the poverty trap, often escaping one constraint simply to fall victim to another.

Unfortunately, despite its obvious need, Africa, in many respects, has still not received enough support from the donor community. FDI flows to the region, for example, are negligible – they currently account for less than 3% of total FDI to all developing countries. And there are no indications that this situation is likely to improve in the near future – despite efforts to create an environment more conducive to attracting greater inflows.

Nor does Africa draw a realistic share of official development assistance. Indeed, ODA to the region registered a noticeable dip in the latter half of the 1990s, although there are recent signs of this tendency being reversed. Welcome as that might be, however, the chances of ODA increasing sufficiently to support achievement of the Millennium Development Goals, are not just slim, but downright inconceivable.

Obstacles can be overcome

The reluctance of some donors to invest in Africa is often attributed to the limited ability of some parts of the continent to use aid productively. Income growth of 1% in sub-Saharan Africa, for instance, reduces poverty by a mere 1.03%. The same growth in income in North Africa results in double the impact on poverty alleviation. So, argue some, where is the money better spent?

Personally, I look at the argument from a different angle. While it may certainly be important to consider where funds are likely to have the greatest return, it is equally important to look at where they are most needed. Should we simply write off sub-Saharan Africa because it lacks the wherewithal to quickly turn its aid into meaningful progress? I think not. Other solutions are called for.

And indeed some countries have found solutions. Against the odds, a handful have managed to reverse the trend. Uganda, for instance, in the space of eight years has reduced the proportion of the poor by an incredible 40% and HIV rates from 30% to just 8%. Mozambique has maintained an average growth rate of almost 6% over the past decade, and others such as Angola, Ghana, the Sudan and Cameroon are showing similar potential. All told, 14 African countries registered growth rates in excess of 5% in 2002 and another

14 were in the 3-5% bracket. Such successes may be relatively modest and few and far between, but they are symbols of hope for those nations that are still struggling.

NEPAD – a renewed focus

And, certainly, hopes are rising across the continent in the wake of NEPAD, the New Partnership for Africa's Development. For Africans, NEPAD represents an opportunity to relaunch and re-focus development efforts. More than that, it represents an increased commitment to shaping their own future in partnership with the international community. As such, it marks a critical step in the evolution of the continent. In creating and signing up to the NEPAD framework, African leaders have pledged themselves to peace and security, as well as to sound economic management and good governance. The intentions are clearly sound. Realizing the goals, though, will be the definitive test.

NEPAD identifies certain priority areas for action that are consistent with the continent's development agenda. These include, among others, governance, infrastructure, agriculture, education and health, the environment, and, information technology. Tackling them in an integrated way that will allow all nations to move forward together will involve cooperation on an unparalleled scale. It will mean building bridges of understanding among neighbors, fostering partnerships between governments, the private sector and civil society, and establishing ties beyond the region that will help integrate Africa into the global economy.

To achieve this, the commitment of Africa and Africans must be matched by a commitment from the international community. Without substantially increased financial aid from donors, Africa's future remains uncertain.

Arab donors pledge support

The question is: Does Africa have the staunch support it needs to help it through the testing times ahead? Within the context of Arab aid, I believe the answer is a resounding *yes*. And not just because we have learned over the years that our Arab brothers are dependable and understanding partners. It so happens that a number of Arab donor countries are also key members of the NEPAD initiative and are therefore both development partners and direct participants in the framework. In other words, they have a vested interest in making it work.

Arab donors have already put on record their approval of NEPAD, describing it as an unprecedented opportunity for rapid progress. And I understand that the members of the Coordination Group are looking at ways to re-align their lending policies and operational strategies to best support the initiative. Their encouragement is welcome and appreciated – their responsiveness confirmation that our moderator was not exaggerating when he described Arab aid as flexible and accommodating.

It remains to be seen whether the vision invoked by NEPAD will ever become a reality. One thing is clear though – the key to its success lies in a joint commitment by Africa and its development partners. The continuing support of Arab – and other donors – in the form of increased volumes and enhanced impact of aid will be instrumental in this process. Only by working together can we ensure that Africa does not truly become the "forgotten continent."

Abbreviations and Acronyms

AGFUND	Arab Gulf Program for United Nations Development Organizations
BADEA	Arab Bank for Economic Development in Africa
FDI	Foreign direct investment
GDP	Gross domestic product
GNP	Gross national product
HIPC	Heavily indebted poor countries
HIV/AIDS	Human immunodeficiency virus/acquired immunity deficiency syndrome
IDA	International Development Association
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
UN	United Nations

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The OPEC Fund for International Development (the Fund) is an intergovernmental development finance institution. Established in January 1976 by the member countries of the Organization of the Petroleum Exporting Countries (OPEC), the Fund has two main aims: to promote cooperation between OPEC member countries and other developing countries as an expression of South-South solidarity and to help particularly the poorer, low-income countries achieve social and economic advancement.

The Fund pursues these goals by extending financial assistance in the form of concessionary loans for development projects and programs and for balance of payments support; by participating in the financing of private sector activities in developing countries; by providing grants in support of technical assistance, food aid, research and similar activities, and humanitarian emergency relief; by contributing to the resources of other institutions whose work benefits developing countries; and by serving OPEC member countries as an agent in the international financial arena whenever collective action is deemed appropriate.

All developing countries, with the exception of OPEC member countries, are eligible for Fund assistance. The least developed countries, however, are accorded higher priority and have consequently attracted the greater share of the Fund's resources. To date, 110 countries in Africa, Asia, Latin America, the Caribbean, the Middle East and Europe have benefited from the Fund's financial assistance. Over the years, the Fund has also cooperated with hundreds of multilateral, bilateral, national, non-governmental and other organizations worldwide, joining resources and efforts to assist developing countries.

ARAB AID العون العربي

مؤسسات التنمية العربية الوطنية والإقليمية

Arab National & Regional Development Institutions

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