

An *IFC Reports* Interview with
Mr. Abdulwahab A. Al-Bader
Director General of the Kuwait Fund for Arab
Economic Development

On the
25th January 2011

For our special report on Kuwait



IFC REPORTS: The Kuwait Fund was established on 31st December 1961 which is the same year that Kuwait gained its independence. It has been assisting developing countries to stimulate their socio-economic development through the use of concessionary loans, technical assistance and grants. It was initially established to help Arab countries but in 1974 the Law was changed so that it could provide assistance to non-Arab countries as well. Please briefly outline the reasons behind the establishment of the Kuwait fund.

MR. ABDULWAHAB A. AL-BADER: When Kuwait gained independence back in 1961 it was fortunately in a position of wealth given its oil resources and investments. At a similar time other Arab nations were gaining independence and our leadership at the time wanted to create an institution that could use its resources effectively in assisting its neighbours with their development plans.

The concept of aid in Kuwait was not new in 1961; it formed part of Kuwait's goodwill way before that. In the 1950s (when Kuwait was not independent) there was an institution that was established for social assistance, providing grants in the Arab peninsula. It used to be called the Authority for the South to help our neighbours like Bahrain, Sharjah, Dubai, Oman and Yemen and it provided them with grants for building hospitals and schools. The Kuwait Fund was then established to assist in economic development, including infrastructure projects. I think that from the beginning, our leadership had the insight and wisdom for taking the initiative to create the institution.

IFC REPORTS: The Kuwait Fund helps to develop less privileged nations over the need for a return on investment. Would you say that is a fair assessment, and is that still the case today?

MR. ABDULWAHAB A. AL-BADER: Yes. Although I think that that providing assistance to countries is an investment in relationships with others. I do not think you should look at this from a return of investment point of view. This institution has used its own resources to assist other countries and we have used our liquid assets in the international markets to earn money to help us reinvest it into our main lending operation program for sustaining our development cooperation with our partners in the developing world.

IFC REPORTS: What were the reasons behind diversifying the fund in 1974?

MR. ABDULWAHAB A. AL-BADER: In 1974, Kuwait felt it could do more in development assistance and decided to expand the Funds operations to include other developing nations, in addition to Arab countries.

IFC REPORTS: Does the Government still contribute to the Fund?

MR. ABDULWAHAB A. AL-BADER: Not anymore, not since 1987. In the mid-1980s the Government's budget was hit very hard by the low oil prices. The Fund had to cover 50% of its authorised capital from its own resources. By 1997, the Funds capital was fully paid.

IFC REPORTS: Since its establishment, the Kuwait Fund has provided loans to the value of KD4.5 billion, and has provided KD199 million in the last year alone. The main focus of Kuwait Fund loans have been towards infrastructure developments, with 34% of loans being made for transport projects and 25% on energy development projects. In

terms of country demographic ratios, just about half is now going to non-Arab countries. What criteria does the Kuwait Fund have for choosing the nature and the recipient demographic of its loans and grants?

MR. ABDULWAHAB A. AL-BADER: In terms of grants we contribute between 3-5% out of our yearly commitments and our loans to Arab countries does not go below 50% of our yearly commitments. Those are our general guidelines and we work with these depending on the project proposals we receive from countries in which we operate. Do not forget that we work with other financiers and institutions to co-finance the projects, and we always take into account how ready the project is for financing as we do not like to commit to a new project where financing is lacking. Ensuring that the financing plan is set up for all projects is very important for us.

IFC REPORTS: Between your financial year 2009/2010 you delivered 99% of what you had allocated to distribute, about KD199 million. What are the figures looking like for 2010/2011?

MR. ABDULWAHAB A. AL-BADER: On 31st March 2010 our last five year program ran out, which allowed us to invest up to KD200 million per year. In our new five year program we have increased our budget allocation by 25% to KD250 million, which will be our yearly expenditure for the next 5 years. Looking at 2010/2011 we are hoping to reach about 95%, the exact figure I will know by March. If we want to surpass that figure, we would need special approval.

IFC REPORTS: Kuwait contributes over twice the UN (United Nations) target for Official Development Assistance (ODA). Given this, what words of encouragement would you like to send to other nations which are yet to reach these objectives?

MR. ABDULWAHAB A. AL-BADER: The U.N.'s target is not anything new – it has been there since I started working in this institution a long time ago. Only three or four countries in the northern hemisphere have reached this target. Other DAC donors (Development Assistance Committee) need to step up their development assistance in order to help countries meet the Millennium Development Goals especially in the aftermath of the recent world food and financial crises.

IFC REPORTS: What have been the main benefits for the Fund, having worked with so many different countries?

MR. ABDULWAHAB A. AL-BADER: Working on development projects has given us a lot of experience in dealing with others and understanding the dilemmas that some countries face. That really helped us as an institution, and that is why many countries, especially in Africa come to us. We support a project because it is a priority to the country. I might prefer a specific sector, but at the end of the day projects are selected by the recipient countries. They know that we have no hidden agenda; be it political or otherwise. A lot of the time they know our assistance to them is not tied with any strings. You want to live well with others, so you have to treat them well. When people need something, you have to help them so that they can help themselves, and that is the real investment which I mentioned earlier.

IFC REPORTS: How important is it for the Kuwait Fund to give back to its local community here in Kuwait?

MR. ABDULWAHAB A. AL-BADER: We have a lot of experience and we can be helpful in certain areas. One example of giving back to the community is through a program we developed to help train local Kuwaiti engineers. The private sectors role in Kuwait is an important aspect of the countries development plan aiming at increasing private sector participation. So we created a programme for fresh engineering graduates to work abroad on some of our financed projects. This furthers their knowledge and importantly gives them experience of working in the private sector, and when they come back they can utilise their experiences in Kuwaiti companies. That is the main idea.

IFC REPORTS: Given Kuwait Fund operates in 104 countries around the world; it is not really a monetary organisation; but rather a symbol of Kuwait and its people. Given the celebrations which are currently underway (50 years of Independence, 30 years since the formation of the GCC, 20 years since Iraqi liberation and 5 years since H.H. the Amir and The Crown Prince ascended to the throne) what message would you like to convey to the readers of *Bloomberg Businessweek*?

MR. ABDULWAHAB A. AL-BADER: Kuwait is not just about oil resources, it is much more than that. We have always believed in living with others. We want to live in a peaceful world that is free of hunger and poverty and disorder, so we as a development institution try our best to help. You cannot blame a hungry man for doing something wrong; you should blame yourself if you did not help him to overcome his hunger. If we want this world to be peaceful, we should cooperate in producing a better life for the millions of people still trapped in the belt of poverty.

IFC REPORTS: It has been an absolute pleasure, thank you very much.