

## **BADEA'S 5TH FIVE-YEAR PLAN (2005 - 2009)**

The Board of Governors of the Arab Bank for Economic Development in Africa (BADEA) approved in April 2004 the 5th Five-Year Plan for the Bank for the period 2005 - 2009.

The plan took into account the available resources for BADEA and the needs of the African countries while accommodating the recent lessons and approaches in the area of development.

### **Basic Features of the Plan:**

\* Increasing the Bank's paid-up capital by US\$ 700 million through a transfer from General Reserve, to become US\$ 2200 million.

\* Maintaining BADEA's coverage and diversification of its operations to all eligible countries, so as to achieve the Bank's objectives of Afro-Arab Cooperation, depending solely on its own resources while maintaining the safety of its financial position.

\* Increasing total commitments during the 5th Five Year Plan by US\$ 225 million representing an increasing of 33.3% over total commitments in the Fourth Year Plan to reach US\$ 900 million. Total commitments for the first year of the Plan will amount to US \$ 160 million to be increased annually by US \$ 10 million to reach a total commitment of US \$ 200 million in the last year of the Plan; the year 2009.

\* The agricultural and rural development and infrastructural sectors are accorded priority during the period of the plan without neglecting the other sectors like industry, energy, health, education, and environment, and with some flexibility to cope with the needs and priorities of the recipient countries.

\* Focusing the assistance on operations targeting poverty alleviation, food security and encouraging women's participation in development. In addition to maintaining the support to the social sector projects and along the same time BADEA shall support projects in countries

that face disasters, according to BADEA's operational procedures and introduce some flexibility in the funding allocated to social sector projects which maintaining the overall sectoral balance.

- \* According special attention to countries that suffer local or regional conflicts.

- \* Maintaining BADEA's support to the private sector through lines of credit, while providing technical assistance including institutional support, feasibility studies, and training. In addition to provision of consultancy services for improving the investment climate in African countries.

- \* Utilizing Arab and African expertise, commodities and services in the execution of projects financed by BADEA.

- \* Continuing financing of Arab-African Trade by financing the Arab Exports to African countries.

- \* Allocating US \$ 6 million of the first year's commitment to Technical Assistance Operations, to be increased annually by an amount of US \$ 250.000 to reach US \$ 7 million in the last year of the Plan. These allocations to the Technical Assistance Operations will continue in the form of grants.

- \* Maintaining the financing of projects with positive impact on the environment.

- \* Encouraging the participation of Arab Capital in the development of African countries, fostering Afro-Arab trade, financing the infrastructure projects, and the sectoral feasibility studies.

**In continuation of the BADEA's policy of increasing the grant element for loans to African countries recipient of its aid, the 5th Five-Year development Plan provides further easing in the lending terms and conditions in response to the economic conditions facing the beneficiary countries as follows: -**

\* The ceiling of a loan provided by BADEA is set at 60% of the total estimated cost of the project, provided that this should not exceed US \$ 18 million. In exceptional cases the ceiling may reach 90% of the total estimated cost of the project if such project cost does not exceed US \$ 15 million. This compares to the Fourth Five Year Plan where the ceiling was 50%, not to exceed US \$ 15 million and funding can reach 90% for the project with cost not exceeding US \$12 million.

\* Introducing the possibility of extending more than one loan for one country during the same calendar year, provided that the total assistance during the year does not exceed US\$ 18 million instead of US\$ 15 million in the Fourth 5 Year Plan.

\* Maintaining the improvement in the lending terms. During the Fifth five Year Plan the lending terms shall be as follows: -

Interest rate : 1 - 4% per annum

Loan period : 18 - 30 years

Grace period : 4 - 10 years

\* Substituting, whenever the nature of the financed project requires, charging interest rate with an administrative charge ranging from 0.5–1% per annum.

\* Encouraging countries service their loans in a timely manner by reducing the interest and administrative charge by 0.25% for the countries which effect the repayments within 30 days of their due date.

\* Specifying the lending terms for the private sector for each project on a case-by-case basis so as to reflect the special country, project, and borrowers' special risk.