



Arab Bank for Economic Development in Africa (BADEA)

6th FIVE YEAR PLAN (2010 – 2014)

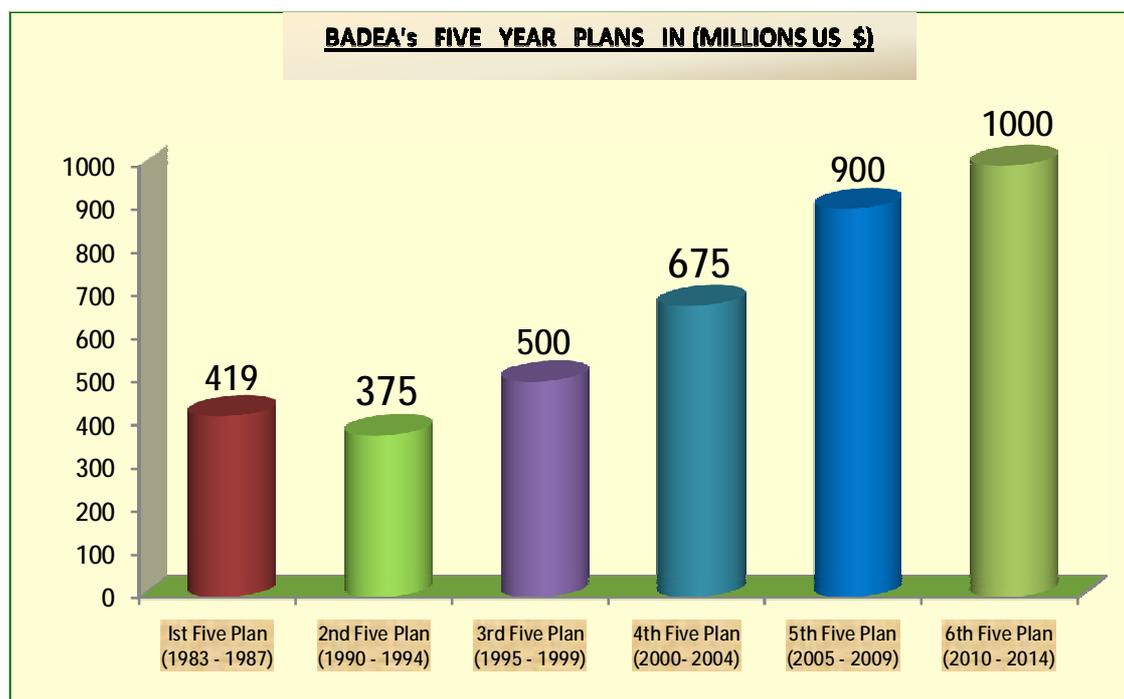
HIGHLIGHTS

1. INTRODUCTION

The Arab Bank for Economic Development in Africa (BADEA) has continued since its establishment in 1975 promoting Afro-Arab cooperation through a variety of operational modalities and instruments guided by multi-years strategic plans. In April 2009, the Board of Governors of (BADEA) approved in its ordinary meeting, held in Jordan, the institution's **6th Five Year Plan for the period (2010-2014)**. The Plan confirms the central role of BADEA as a vehicle for Afro-Arab cooperation.

The **6th Plan** is a sequel to five previous Five Year Plans implemented during the period (1983-2009), resulting in cumulative commitments of US\$ 3529.883 million, of which US\$ 3419.170 were allocated to financing 476 development projects and US\$ 110.713 million were earmarked for 465 technical assistance operations. (See the graph below for details of total commitments during the last five Plans). The Plan envisages total commitments amounting to US\$ **1000** million, representing an increase of US\$ 100 million (the equivalent of **11.1%**) over the preceding Five Year Plan for the period 2005-2009, which had a total commitment of US\$ 900 million.

While drawing lessons from previous experiences and adapting to the changing regional and world circumstances (especially the global financial crisis), the Plan aims at responding as much as possible to the needs of its beneficiary countries, aligning its interventions with the countries' respective priorities and maximizing its development impact within the resource envelope available.



II. STRATEGIC OBJECTIVES & PRIORITIES

The Plan retains its overarching goals of promoting sustainable development and poverty reduction in the non-Arab African countries eligible for its finance and support. It also reaffirms the strategic objectives of expanding its country reach, diversifying its interventions and improving the quality of its operations.

The Plan's financial strategy underscores the need to maintain high degree of financial soundness, integrity, and sustainability,

and at the same time keeping away as much as possible from borrowing in the financial markets or resorting to additional subscriptions by the shareholders. The Bank's paid up capital is to increase by US\$ 600 million up to US\$ 2800 million through a transfer from the General Reserve.

In its operational strategy, the Plan maintains BADEA's core activities of financing -priority development projects, as well as continuing providing technical assistance, expanding trade financing and promoting the private sector and Arab investment in Africa.

III. OPERATIONAL FOCUS & GUIDELINES

The Plan is transformed --as usual-- in yearly operational programs. Annual allocations of US\$ 200 million during the Plan's period are earmarked to finance development projects, technical assistance and trade financing. (The Table below gives a yearly breakdown of finance by instruments during 5 years of the Plan).

Yearly Projected Commitment by Type (US\$ million)

Year	2010	2011	2012	2013	2014
Project loans	192	192	192	192	192
Technical assistance operations	8	8	8	8	8
Total	200	200	200	200	200

Resources allocated to projects financing increased to US\$ 192 million annually. The major focus is on the infrastructure, which is

expected to receive 40% to 50%. Other sectors include rural development and food security (25%-30%), human resources and the social sector (15%-20%) and private sector (10%-15%). The Plan also assigns importance to regional projects, and various initiatives such as in the areas of energy and food.

Infrastructure is seen as crucial for facilitating investment and trade and expanding access to the rural areas. Thus, the Plan aims at supporting roads development, and improving water supply and sanitation. The development of the energy sector is also seen as critical for economic activities and social welfare, especially for the poor. Poverty reduction and achieving food security also require financing rural development projects in support of such rural infrastructure as feeder roads, rural electrification, and irrigation. Importantly also is the need to support social sector projects in the areas of education and health. The overall goal is increase the welfare of the population, improve the social indicators, address gender inequality, and promote the participation of women in development.

The maximum amount for any single project is increased to **US\$ 20** million compared with **US\$ 18** million in the previous Plan. This is expected to finance as much as **60%** of the total cost of the project in case a total cost exceed **US\$ 20** million and up to **90%** in case the cost is equal to or than **US\$ 15** million. The Plan also allows for more than one loan to any single country in one year provided that the country does not receive more than **US\$ 20** million in the same year.

In addition to project financing and in recognition of the importance of institutional capacity building, human resources development and the need to have a high quality of projects at entry, the Plan continues to provide non reimbursable grants in

support of technical assistance through financing feasibility studies, institutional support, training programs and the services of experts in the beneficiary countries. The Plan allocates 4% of the total resources available to the technical assistance grants. This amounts to yearly US\$ 8 million. The objective is to indentify projects with high rates of return, building capacity and providing opportunities for exchange of expertise and the use of Arab and African experts. Training programs are meant to upgrade skills and transfer knowledge. Furthermore, BADEA's technical assistance can help regional causes and finance public goods by supporting regional initiatives such as intended to fight pandemic or assist in protecting shared natural resources or knowledge development.

The Plan also aims at expanding BADEA's trade financing activities. Earlier, BADEA participated in the capital of AFRIXIBANK by acquiring shares then valued at US\$ 10 million. It has also earmarked US\$ 100 million of its Foreign Export Financing Scheme.

In addition to trade financing, the Plan aims at promoting the private sector which is seen as an agent of development. The main instrument for promoting private sector is the provision of finance especially lines of credit through intermediaries with government guarantees. The Plan also aims at supporting micro, small and medium enterprises in addition to assisting in improving the enabling business environment. Furthermore, the Plan expects an important role for BADEA in encouraging through variety of means Arab investment in Africa.

GUIDING PRINCIPLES

In recognition of the development challenges, the financial difficulties and heavy debt burden facing many of the African countries, the Plan seeks to extend highly concessional and flexible loans at terms not exceeding those provided by the International Development Agency (IDA). The Plan provides indicative loans terms ranging from 4 to 10 years grace period, 18 to 30 years for loan maturity, and a one to four per cent interest rate. The Plan also offers to reduce the interest and administrative charges on loans by 0.25% for countries which effect repayment within the 30 days of their due date. The Plan also makes it possible to the Board of Directors to consider the loans conditions and terms in accordance to the circumstances of the operation and the borrowing country. In addition, the Plan intends to contribute to easing the debt burden of countries qualifying to the HIPC debt initiative and the MDR.

Lending Terms

Interest Charges	:	1% to 4% annually
Maturity	:	18 – 30 years including grace period
Grace period	:	4 – 10 years

The Plan also encourages forging strong partnership with sister institutions and other development partners. The objective is to encourage donor coordination and consultations, avoid overlapping and realize synergy between various interventions. Furthermore, BADEA in particular will pay attention to leveraging its own resources through co-financing with other financial institutions, especially the regional.

To increase development effectiveness, BADEA's interventions will be aligned with the countries respective strategies and priorities. Projects that demonstrate the highest development impact will be given priorities. Projects selection will be guided by technical, economic and financial viability of projects and consistent with BADEA's strategy