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The African Development Bank Group in North Africa - 2011

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in North Africa

2011

African Development Bank

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The African Development Bank Group

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Foreword

Geographically defining the northern rim of the continent, North Africa (Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia) constitutes a central part of Africa as well as the history and the daily operations of the African Development Bank (AfDB). The countries of the region were thus instrumental in the creation of the AfDB more than 45 years ago and are now contributing nearly 20 percent of the Bank's subscribed capital. Since the beginning of its operations in 1966, the Bank Group has committed nearly US$25 billion in loans and grants to North Africa, consistently aimed at supporting the people of the region in their endeavors to develop and modernize their economies, and improve their living conditions.

Producing about one-third of Africa's total GDP and the home of nearly 170 million people, North Africa is today the most prosperous region on the continent and occupies a geopolitical position that goes significantly beyond its economic weight. Most recently, during the first months of 2011, the region has also become the epicenter of social and political change—and thus, with Tunisia as the forerunner, become the inspiration for millions of people in the Middle East and the world over. Against the backdrop of relatively strong economic performance and solid progress towards achieving the Millennium Development Goals, the Tunisian revolution and the contagion in other countries in North Africa came as a surprise to most observers, inside and outside the region.

In recognition of the importance of the North Africa region, I am thus pleased to present the AfDB's second Annual Report on North Africa. In addition to providing an overview of the Bank's portfolio of activities, lending and non-lending, in the six countries of the region, this year we are taking the report one step further by including a discussion of three themes which in important ways define or affect the countries across the region—i.e., the unfinished agenda in North Africa, particularly as relates to the challenges of ensuring inclusive growth and development; regional integration and the largely unexploited potential of countries in North Africa pulling together and collaborating more closely, including with the rest of the African continent; and, finally, the fast-growing economic relations between North African countries and the BRICs (Brazil, Russia, India and China).

The African Development Bank must learn from these momentous changes, understand their underlying causes and make adjustments as appropriate to our interventions. This will be done in close consultation with our clients to ensure that we provide the best-possible support for the betterment of the lives of the people in the region. More particularly, as we finance infrastructure and other projects, we will ensure that rural and disenfranchised regions are integrated and pay particular attention to the creation of meaningful jobs.

Ours is a long-term commitment and we remain engaged in this important region especially during these important times.

It is in that spirit we present this year's Annual Report for North Africa.

Aloysius Uche Ordu
Vice President
Country and Regional Programs and Policy
African Development Bank Group

Preface

With annual average growth rates of nearly 5 percent over the past decade, North Africa has been the fastest growing region of the continent. Impressive progress towards achieving the Millennium Development Goals (MDG) cemented the view that the economic gains were translated into improvements in the social and general living conditions of people in the region. The social and political changes that started in Tunisia in the early days of January 2011 and spread across the region, took most observers by surprise. Many of the underlying issues, which subsequently were evoked as the key drivers behind the calls for change, had been identified and were underway for some time—notably the very high levels of unemployment among youth, educated youth in particular; the entrenched and, in some cases, very high levels of poverty and within borders regional disparities; and the modest progress in areas related to voice, accountability and transparency. These dimensions of social and economic inclusion are all part of North Africa's unfinished agenda—the overriding theme of this year's Annual Report for North Africa.

What North African countries are experiencing, it could be argued, is the classic middle-income-country trap, with economic growth performance constrained and undermined by limited economic transformation towards higher value-added production and insufficient political, social, and economic inclusion. Experiences from other fast-growing emerging regions suggest that addressing these challenges will require stronger and more broad-based and inclusive growth. Policies for inclusive growth are an important component of most government strategies for sustainable growth. For instance, a country that has grown rapidly over a decade, but has not seen substantial reduction in poverty rates may need to focus specifically on the inclusiveness of its growth strategy, i.e. on the equality of opportunity for individuals and firms. Diversification and decisively moving North African economies up the value-added ladder of economic activity are thus essential ingredients in bringing about stronger and more sustained economic growth—two dimensions that are likely to go a long way in addressing some of the challenges discussed, notably creation of jobs for educated youth.

We start out in Chapter 1 by identifying some of the key items on North Africa's unfinished agenda, highlighting youth unemployment, poverty and regional disparities, governance, the slow transformation of economic structures and food insecurity and water-stress among the most important challenges to address in a drive towards stronger and more inclusive growth in the region.

Regional integration and, through that, unlocking the potential of scale-economics and improved competitiveness of countries in the region, could well be a missing element in a concerted effort to establish the underpinning for strengthened and more broad-based and inclusive growth in North Africa. For more than three decades, a continued expansion of the global marketplace for goods, capital, labor, and ideas has forged an ever-closer integration among countries and regions of the world. Global markets have served as the mainstays of economic growth throughout much of the world, not least for developing countries. In Chapter 2, it is argued that deepened regional integration, offers North Africa an opportunity to achieve economies of scale, while strengthening its competitiveness through targeted regional physical and economic infrastructure and reforms to facilitate cross-border trade, investments and financial flows, knowledge-sharing and migration.

Beyond regional integration, new economic players such as Brazil, Russia, India and China—the so-called BRIC economies—are providing renewed opportunities and potential for growth in North Africa. As the BRICs have become an indisputable force in the global economy, their impact and involvement in Africa has become equally important. In a continental context, North Africa stands out for its wealth in natural resources and fast growing, emerging consumer market. The appeal of these North African dimensions to the BRIC and the potentially game-changing impact of this fast evolving relationship are discussed in Chapter 3.

In the remainder of this Annual Report, we are providing a brief introduction to the Bank Group (Chapter 4), an overview over Bank Group activities in North Africa (Chapter 5), summary of the Bank's regional activities and the key Regional Economic Communities of the North Africa (Chapter 6) and our contact details (Chapter 7).

We hope you may find this report useful and would welcome any feedback you may have.

Jacob Kolster
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African Development Bank Group

Acronyms

ADB	The African Development Bank
ADF	The African Development Fund
AEO	African Economic Outlook
AFD	French Development Agency
AfDB	The African Development Bank Group
AFESD	Arab Fund for Economic and Social Development
AIDS	Acquired Immune Deficiency Syndrome
AMINA	African Development Bank Initiative for Micro-Finance in Africa
AMO	Assurance Maladie Obligatoire
AMU	Arab Maghreb Union
AVERROES-Paris	Fund of Funds sponsored by CDC Enterprise and Proparco
AWF	African Water Facility
BCI	Banque pour le Commerce et l'Industrie
BIO	Belgian Investment Company for Developing Countries (BIO)
BMC	Basic Medical Coverage
CDC Enterprises-Paris	Caisse des Dépôts et des Consignations
CEN-SAD	The Community of Sahel-Saharan States
CIMR	Caisse Interprofessionnelle Marocaine de Retraite
CNED	Caisse Nationale d'Equipement pour le Développement
COMESA	Common Markets for Eastern and Southern Africa
DPEF	Directorate of Education and Training Projects
DWS	Drinking Water Supply
DZFO	Algeria Country Office
EC	European Commission
EGFO	Egypt Country Office
EIB	European Investment Bank
EU	European Union
FAO	Food and Agriculture Organization
FAPA	Fund for African Private Sector Assistance
FIV	Neighbourhood Investment Facility
FMO	The Netherlands Development Finance Corporation
FPMEI	Fonds pour les PME et l'innovation
FSAP	Financial Sector Assessment Program
FSRP	Financial Sector Reform Program
FTA	Free Trade Area
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoE	Government of Egypt
HDI	Human Development Index

HIV	Human Immunodeficiency Virus
IDB	Islamic Development Bank
IFC	International Finance Corporation
IRMS	Integrated Resources Management Strategy
ISET	Institut Supérieur d'Enseignement Technologique
JBIC	Japanese Bank for Investment and Cooperation
KFAED	Kuwait Fund for Arab Economic Development
LEPC	Libyan Export Promotion Centre
MAFO	Morocco Country Office
MAPM	Ministry of Agriculture and Maritime Fisheries
MDBs	Multilateral Development Banks
MDG	Millennium Development Goals
MFI	Microfinance Institutions
MIC	Middle Income Countries
MLA	Maghreb Leasing Algeria
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprises
MTS	Medium Term Strategy
MW	Megawatt
MWPP	Multi-Donor Water Partnership Program
NBE	National Bank of Egypt
NEPAD	New Partnership for Africa's Development
NGO	Non Governmental Organisations
NTF	The Nigeria Trust Fund
OECD	Organisation for Economic Co-operation and Development
OPEC	The Organization of the Petroleum Exporting Countries
ORNA	Country Regional Department North 1
ORNB	Country Regional Department North 2
PADESFI	The Financial Sector Development Support Program
PAI	Integration Support Program
PARCOUM II	The Medical Coverage Reform Support Program Phase II
PISEAU II	Water Sector Investment Project Phase 2
PNDSE	Education System Development Support Project
PPP	Purchasing Power Parity
PRECAMF	Project to build the capacities of Microfinance Stakeholders
PRP	Poverty Reduction Program
RAMED	Régime d'Assistance Médicale aux Economiquement Démunis
RMCs	Regional Member Countries
RWSSI	Rural Water Supply and Sanitation Initiative

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SESP II	Secondary Education Support Project Phase II
SFD	Egypt Social Fund for Development
SFD*	Saudi Fund for Development
SIFEM	Swiss Investment Fund for Emerging Markets
SME	Small and Medium Enterprises
SNIM	National Industrial and Mining Company
UA	Unit of Accounts
UN	United Nations
UNDP	United Nations Development Program
UPS	Unified Power System
USA	United States of America
USAID	United States Agency for International Development
WB	World Bank

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The African Development Bank Group – Fast Facts

- **Mission:** To promote sustainable economic growth and reduce poverty in Africa
- **Founded:** 1963
- **Constituent Institutions:**
  - The African Development Bank (ADB)
  - The African Development Fund (ADF)
  - The Nigeria Trust Fund (NTF)
- **Headquarters:** Abidjan, Côte d'Ivoire
- **Temporary Relocation Agency:** Tunis, Tunisia
- **Shareholders:**
  - 53 African countries (regional member countries)
  - 24 non-African countries (non-regional member countries)
- **President:** Donald Kaberuka
- **Total Employees:** 1840
- **Field Offices:** 25
- **Authorized Capital as of December 31, 2010:** Unit of Accounts (UA) 67.69 billion (US$102.24 billion)*
- **12th ADF replenishment (2011-2013):** UA 5.794 billion (US$8.84 billion)
- **Total Cumulative Approvals 1967-2010:** 3,516 loans and grants totalling UA 56.35 billion (US$85.98 billion)

As of March 2011 UA 1.00 is equivalent to:	
United States Dollar	1.57
Euro (European)	1.14
Algerian Dinar	114.03
Egyptian Pound	8.81
Libyan Dinar	1.93
Moroccan Dinar	12.79
Mauritania Ouguiya	434.188
Tunisian Dinar	2.21

* UA to US dollar exchange rate for subscribed capital, 12th ADF replenishment and total cumulative approvals as of December 31, 2010

Chapter 1

North Africa's Unfinished Agenda

Introduction

With annual average growth rates of nearly 5 percent over the last decade, largely upheld while the world suffered under the impact of the global financial and economic crisis followed by the Euro zone crisis in 2009-2010, North Africa has been the fastest growing region of the continent over the past decade. North Africa's impressive progress towards achieving the Millennium Development Goals (MDG) cemented the view that growth was being translated into significant improvements in social and human developments in the region.

The region has thus posted considerable progress on all social and economic fronts over the past decade. School enrolment for primary education increased by 7 percentage points and gender inequality declined by 3 percent. In the area of health, mortality at birth and mortality under 5 years of age were reduced by over 1 percentage point while incidences of tuberculosis were significantly reduced to less than 48 infected per 100,000 inhabitants. At the same time, impressive improvements were made in facilitating access to clean water: populations having access to sanitation facilities jumped by close to 18 percentage points in the last decade, to reach nearly 90 percent in 2010 while more than 90 percent of the population had access to improved water sources. North Africa thus appears as one of the world's best performing regions in terms of progress towards reaching the MDGs, having reached nearly all eight MGDs by 2010.

Yet the social unrest and political changes in the region that took the world by surprise in first months of 2011 suggest that the region's strong progress on the economic and social fronts had, nevertheless, left important challenges to be addressed. These challenges—most notably as relates to inclusive growth, economic transformation , food and water insecurity—are all part of North Africa's unfinished agenda. ■

Inclusive Growth Challenges

The Unemployed Young and Educated[1]

Youth unemployment in North Africa, among the highest in the world, is a serious development challenge for the region. While global youth unemployment stood at 12 percent in 2008, it ranged from 18 percent in Morocco to above 30 percent in Tunisia (figure 1.1)[2]. Yet, these figures underestimate the scale of the problem since less than half of the population in North African countries is in the labour force—ranging from just 32.5 percent in Egypt to 42.8 percent in Mauritania and probably falling over the past decade[3]. By contrast, labour participation rates in Latin America and Southeast Asia average at 65 and 69 percent respectively. What distinguishes most North African societies in this respect is the relatively low proportion of women seeking paid work. In fact, the range of women in the labour market for Libya, Morocco, Egypt and Tunisia is between 24-27 percent[4] .

There are a number of factors that have led to or exacerbated youth unemployment in North Africa, including notably the 'youth bulge', a skill mismatch between the outputs of the education systems and the needs of businesses, and a shortage of 'decent jobs'.

Changing demographics are thus a key factor explaining the high levels of youth unemployment across North Africa, with the young population (between 15-29 years of age) growing at a much faster rate than other age groups in the region. Specifically, the working-age population grew by 27.8 percent during the decade 2000-2010 according to the International Labour Organisation. In 2005, the youth comprised 23 percent of the total population in Algeria, 18 percent in Morocco and 21 percent in Tunisia[5].

Demographic transition in the region began in the 1990s and the youth bulge is expected to last until 2020. Youth bulges present countries with a window of opportunity for rapid economic growth and poverty reduction, so long as they implement sound policies at each stage of the demographic transition. This means providing education and training to develop productive human capital and actively promoting the creation of high value-added jobs that utilise the skills of the burgeoning youth population. The key issue is that jobs have not been created quickly enough to absorb the growing youth population while the level of human capital being produced does not adequately match the needs of the labour market.

[1] This section draws substantially from a working paper for the AfDB's North Africa Policy Series Paper "Tacking Youth Unemployment in the Maghreb" by Dr Gita Subrahmanyam.

[2-4] ILO LABORSTA data; world averages from International Labour Organisation (2011) Global Employment Trends for Youth (Geneva: ILO).

[5] Assaad, R. and Roudi-Fahimi, F. (2007) Youth in the Middle East and North Africa: Demographic Opportunity or Challenge? (Washington, DC: Population Research Bureau).

Nevertheless, North African governments have invested significantly in education over the past 30 years, committing, on average, over 5 percent of GDP and around 20 percent of total government budgets to education[6]. All countries in the region have thus introduced compulsory basic education and are on track to achieving universal primary education. In particular, Algeria and Tunisia have registered substantial improvements in gross secondary and tertiary enrolments.

However, provisioning of educational services is uneven. Poor students and people who live in rural areas tend to have lower access to education than wealthier students or students who live in urban areas. As a result, around 6 percent of Moroccan students drop out of primary school, compared with 2 percent for Algerian and Tunisian students[7]. Dropout rates in primary school are highest among rural children, especially girls, who are often expected to work to support their families. Secondary school dropout rates among the region's countries are the highest in the MENA region: 15 percent of Moroccan students drop out of secondary school, compared with 13 percent in Algeria and 9 percent in Tunisia[8].

Even more problematic than limited access to education in the region is the mismatch between the skills acquired in the education system and those in demand by the labour market. At the individual and collective level this challenge results in low returns on education and opportunity costs in terms of under developed human capital. This mismatch generally takes the form of an over-supply of university students majoring in 'soft' subjects and an under-supply of engineers, scientists and technicians—the fields for which there is high demand from the economic growth drivers in other regions of the world. In 2003, 55 percent of Algerian students, 49 percent of Tunisian students and 75 percent of Moroccan students were enrolled in social science, education and humanities courses, less than 20 percent of Algerian and Moroccan students and 31 percent of Tunisian students pursued degrees in scientific, technical and engineering subjects[9]. By contrast, in high-performing East Asian economies, over 40 percent of students major in science, technology and engineering[10].

Meanwhile, the pace of employment generation has not been sufficient to significantly reduce youth unemployment anywhere in the region other than Algeria. In Tunisia, for example, the number of new jobs generated was below the increase in the labour force, meaning that both overall unemployment and youth unemployment rose. Over the eight last years, 312,000 jobs were created in Morocco but they did not substantially benefit the youth, whose unemployment rate rose from 15 percent in 2004 to 18 percent in 2008[11].

Moreover, youth unemployment in the region tends to rise with rising education levels, further highlighting the skills mismatch and inadequate school-to-work transition in

[6, 8-10] World Bank (2008) The Road Not Travelled: Education Reform in the Middle East and North Africa (Washington DC: World Bank);UNESCO Institute for Statistics

[7] Akkari, A. (2005) 'The Tunisian Educational Reform: From Quantity to Quality and the Need for Monitoring and Assessment', Prospects, vol. 35, no. 1, pp. 59-74.

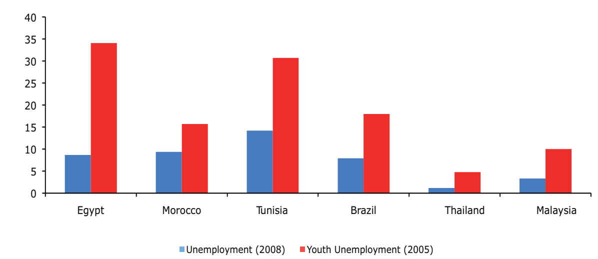
[11] Boudarbat, B. and Ajbilou, A. (2007) Youth Exclusion in Morocco: Context, Consequences and Policies (Dubai: Middle East Youth Initiative Working Paper).

place. In Morocco, for example, more than 60 percent of young people with secondary education or above were unemployed, compared with 8 percent of uneducated youth. In Tunisia, 40 percent of university-educated youth were unemployed, against 24 percent of non-graduates[12]. Many private sector employers would rather hire adults with work experience than youth with skills gained through formal education. Hence young workers, particularly the educated youth, endure long periods of unemployment before finding stable jobs.

Few 'decent' high value-added jobs are being generated to absorb the skilled workforce. As a result, returns on education are low and labour productivity tends to be likewise. A large proportion of workers, predominantly young women and youth in rural areas, work in the unregulated 'informal' sector of the economy—in non-standard, precarious employment without contracts or social protection. Work is, therefore, insecure and underpaid, with a lack of career progression further contributing to youth underemployment, especially amongst the more educated.

North Africa also experiences a high incidence of working poverty: over one-third of employed youth in the region still live with their families on a household income of less than US$2 per day per family member[13]. Most jobs, especially in the informal and agricultural sectors, are low in productivity and skills, so offer little scope for wage or salary progression. They also do not generate the kind of high value-added, sustainable growth that enables countries to strengthen their competitiveness in the global market.

Figure 1.1: Unemployment Rates in North African countries compared to other regions



Source: AfDB, World Bank

The public sector has become the preferred alternative, and thus the main employer providing decent work to university graduates. Consequently, the educated youth and especially young women tend to 'queue' for public sector jobs that offer wages above market levels along with generous non-wage benefits, including maternity leave[14]. However, this sector has been shrinking since the 1990s due to budgetary reduction, privatisation and deregulation. While the public sector accounted for 65 percent of formal sector jobs in Algeria in 1987, it employed only 25 percent of workers in 2004[15]. There is evidence that the propensity of North African governments to episodically create jobs for higher-skilled workers has raised the level of expectations among university graduates, making them more likely to chose unemployment for lengthy periods of time rather than accept a less well-paid private sector position.

[12] Boudarbat, B. and Ajbilou, A. (2007) Youth Exclusion in Morocco: Context, Consequences and Policies (Dubai: Middle East Youth Initiative Working Paper).

[13] International Labour Organisation (2010) Making migration a development factor: The case of North and West Africa (Geneva: ILO).).

Facing numerous challenges, many young people become discouraged and leave the labour market. Thus, only 47 percent of youth in Algeria, 38 percent in Morocco and 33 percent in Tunisia are economically active—well below the world average of 51 percent[16]. Since most inactive people do not rejoin the labour force, structural unemployment has become a problem for North Africa. Furthermore, people who leave the labour market are not accounted for in official estimates, and as such, are often ignored in government programmes designed to address youth unemployment.

A lack of opportunities at home motivates many young people to seek abroad, removing them from the labour market altogether. In opinion surveys across North Africa, young people express a high interest in immigrating. People with the highest skills are the more likely to emigrate as they have the most attractive profiles and can manage the migration process more easily, creating an additional problem-brain drain.

"Brain drain" is considered to exist when more than 10 percent of the most educated in a population emigrate[17]. The emigration rate of Moroccans with tertiary education in 2000 was 17 percent, for Tunisians 13 percent and for Algerians 9 percent[18]. The outflow of highly skilled professionals results in negative returns to education, since educational investments funded by the home country benefits the destination country. It also reduces the stock of skilled labour available to businesses, affecting country's ability to attract foreign direct investment or foster high-knowledge industries. Moreover, migration can create labour shortages in certain sectors of the economy. For example, physicians comprise a large percentage of Maghreb emigrants: 44 percent in the case of Algeria, 33 percent in Morocco and 31 percent in Tunisia[19].

Poverty and Regional Disparities

Concerns about poverty and inequality have always been central to the political economy of North African countries. Generally, the social contract which emerged after independence was founded on the promise of reducing poverty and inequality. This has been a major element in the dramatic decline in poverty and significant improvement in human development indicators throughout the period since independence.

Nevertheless, poverty continues to represent a serious challenge for many countries in North Africa. For example, more than 40 percent of the population in Egypt is estimated to live on less than two dollars a day and around 21 percent lives on less than one dollar a day (see figure 1.2). Although at a lower level, poverty rates remain high in Morocco and, to a lesser degree, in Tunisia as well. The oil exporting economies have not escaped the challenges of poverty either.

Moreover, and despite attempted remedial policies, countries in North Africa have continued to experience uneven growth and disparities in income and development levels, generating wide regional inequities. The issue of regional disparities was arguably at the core of the social unrest that led to the Tunisian revolution in January 2011. Overall, the Eastern coastal regions in Tunisia are in

[14] World Bank (2007) Youth – An Undervalued Asset: Towards a New Agenda in the Middle East and North Africa (Washington DC: World Bank) and Stampini, M. and Verdier-Chouchane, A. (2011) 'Labour Market Dynamic in Tunisia: The Issue of Youth Unemployment', African Development Bank Working Paper Series, no. 123 (Tunis: African Development Bank).

[15] Akkari, A. (2008) 'Education in the Maghreb: From the Construction to the Consolidation of Educational Systems', Analytical Reports in International Education, vol. 2, no. 1, pp. 89-106.

[16] ILO LABORSTAT data; world averages from ILO

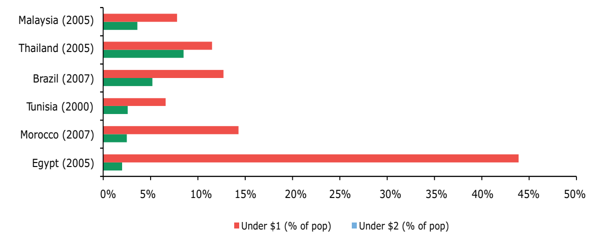
[17] Richard, H.A. (2003) 'International Migration, Remittances and the Brain Drain: A Study of 24 Labour-Exporting Countries', World Bank Policy Research Working Paper, no. 3069 (Washington DC: World Bank).

[18] World Bank (2008) The Road Not Travelled: Education Reform in the Middle East and North Africa (Washington DC: World Bank).

[19] Clemens, M.A. and Pettersson, G. (2006) 'New data on African health professionals abroad', Center for Global Development Working Papers, No. 95 (Washington DC: Center for Global Development

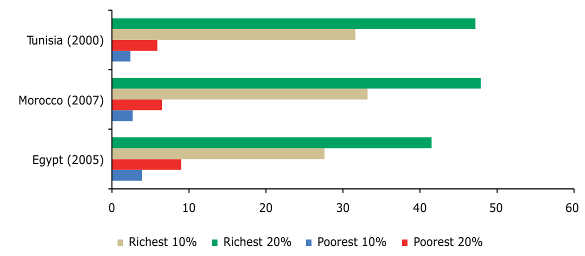
better shape than the Western and Southern regions. The population and economic activities are mainly concentrated in the North East (governorate of Tunis) and the Mid-East (governorate of Sfax) with the coastal region accounting for 75 percent of non-agricultural jobs[20].

Figure 1.2: Population Living Under Poverty (%)



Source: AfDB, World Bank

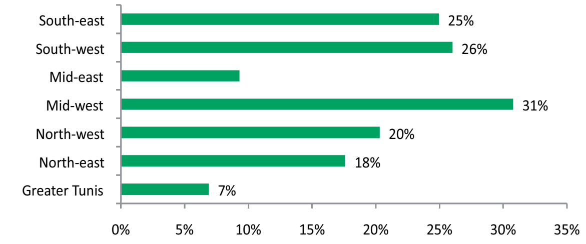
Figure 1.3: Share of Income (%)



Source: AfDB, World Bank

As a result, there is significant variability in average consumption and in poverty across regions. In 2000, while the poverty headcount (national average) stood at 18.4 percent, it ranged from 6.9 percent in Greater Tunis to 30.8 percent in the Mid-West. Similarly, unemployment is especially severe in the hinterlands[21]. On average, since 2004, the unemployment rate has exceeded 22.6 percent in the region of Jendouba, Le Kef, Kasserine and Gafsa[22]. The poorest regions have also suffered from a lack of attention by the authorities with the coastal areas receiving 65 percent of public investment. As a result, the Mid-West is the poorest region in terms of public service delivery (health and education) as exemplified by the number of inhabitants per pediatrician and youth illiteracy[23].

Figure 1.4: Decomposition of Total Poverty Headcount, Using Per Capita Expenditures (in 2000 USD PPP), With a Poverty Line of USD 3



Source: African Development Bank (2010) "Growth, Poverty and Inequality in Selected African Middle Income Countries", mimeo, Development Research Department.

The situation in Tunisia is, to a degree, symptomatic for North Africa at large, where development is mainly occurring in large urban areas on or near the coast, often at the expense of rural areas.

Transparency, Accountability and Voice

Economic governance arrangements in North Africa vary substantially from one country to another. However the structures for governance of the economy and the financial

[20-23] Verdier-Chouchane, A., N. Obayashi and V. Castel. (2011) 'The Revolution in Tunisia: Economic Challenges and Prospects' African Development Bank Economic Brief

system share many common features. For instance, all the North African countries now have central banks committed to monetary policies aimed at keeping inflation in check. They are also committed to the principles of a mixed economy in which the private sector plays an important role, although the scale of private sector varies. However, in all countries of the region parastatal entities also retain an important role in the economy.

Governance and Corruption in Tunisia

In terms of governance, Tunisia occupies a relatively good position compared with the average of countries in the Middle East and North Africa region (MENA), and better still compared to the ratings for sub-Saharan Africa. An exception, however, is the indicator related to Voice and Accountability. Transparency International ranks Tunisia 59th out of 178 countries, making it one of the most highly ranked states in North Africa. However, Freedom House provides evidence that Tunisia lacked significant political rights and civil liberties. They also showed that Tunisia had one of the worst media environments in the Arab world in 2010, relying on an array of legal, penal and economic measures to silence dissenting voices.

Most importantly perhaps, the conspicuous corruption at the highest level of decision making in Tunisia was a critical element behind the popular uprising that led to the downfall of the former President. It allowed the development of an ill-acquired financial empire without precedent in Tunisia including the media, transport banking, telecommunications, tourism, airport services and retail sectors. Shady acquisitions accelerated during the privatization program in early 2000, as did the provision of banking loans at very low interest rates which facilitated asset predation.

The Global Financial Integrity Foundation estimated the cost of corruption at about USD 1 billion dollars per year.

Over the past decade a number of countries have made real progress in strengthening the governance of their financial markets. Libya, for example, strengthened the central bank's capacity to combat money laundering, while new laws on business, customs, tax, labour, investment, communication and land registry aimed to create a more favorable climate for foreign direct investment. However, the implementation of the rules of corporate governance has been uneven in the banking sector throughout the region, potentially leading to poor risk management by some banks.

More importantly, most North African countries experience a significant deficit in social inclusion, voice, accountability and participatory mechanisms, contributing to an overall sense of disempowerment amongst the population. Although until recently the consensus on the part of international organizations was that governance could best be promoted through top-down political reform, innovative projects promoting participatory values at all levels of government have proved successful. In this regard electoral democracy is no longer sufficient, and the need for enhanced citizen participation in the design and delivery of social policies is becoming a must, particularly when it comes to enhancing accountability.

Public access to information is essential to promoting the accountability of governments and of administrations. Constraints on access to information and statistics generate significant information asymmetries and transaction costs. Limited access to economic and social data, and the lack of transparency of public accounts, have an impact on the optimal allocation of resources and the development of the countries according to real needs and affect citizen control of public services efficiency.

Similarly, public procurement regimes often need to be improved so as to restore citizen and investor confidence. Too often, existing rules negatively affect procurement efficiency resulting in significant delays in the implementation and benefits of public investments.

Measures to improve the quality of services rendered to citizens are also critical, and in some cases long over due. Mechanisms for evaluating public services could thus be strengthened so that governments may effectively meet the demands of their constituents and improve service delivery. Civil society could also be part of the performance evaluation exercise as a recipient of services but also in its quest to promote a culture of transparency and accountability of the administration.

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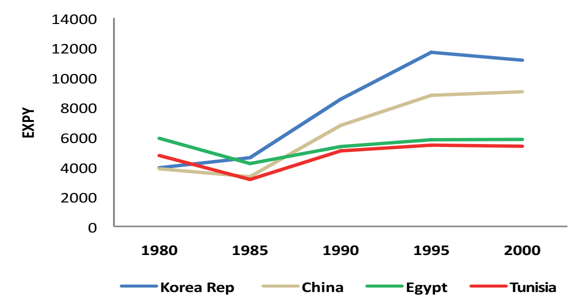
Programs aimed at empowering populations and strengthening voice and accountability vary greatly in developing countries, with some involving the election of decentralized bodies, while others focus on promoting national dialogue. Despite differences in scope, such approaches to advancing accountability have been successful in redefining the relationship governments have with their constituents. A prime example of the success such alternative governance projects may have is the case of the "Citizens Report Card in India," which measured satisfaction on service delivery and led service providers to respond significantly to public demand. Similar initiatives to promote public participation and inclusion could easily be applied to a North African context.

Economic Transformation and Diversification—Climbing the Value Added Ladder

While North Africa has posted solid economic growth over the past decades, experiences from other emerging regions suggest that addressing the challenges discussed in the previous will require stronger, broader based and more inclusive growth. Diversification and decisively moving North African economies up the value-added ladder of economic activity would be essential ingredients in bringing about stronger and more sustained economic growth—two dimensions that are likely to go a long way in addressing some of the challenges discussed, notably creation of jobs for educated youth.

Figure 1.5: Export Sophistication Index (EXPY)



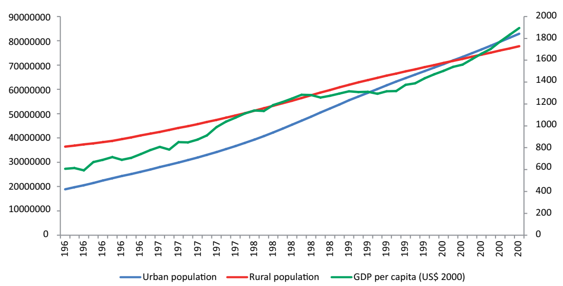
Source: AfDB, World Bank

Experiences from other developing regions and recent research suggest that what matters for strong and sustained economic growth is not only how much countries produce and export but also what they produce and export. It is thus argued[24] that the fastest growing emerging economies are those with large manufacturing sectors, like in the case of China and South Korea, where the share of manufacturing to GDP was 34 percent and 28 percent respectively in 2009, in stark contrast to Egypt and Tunisia, for example, where the share of manufacturing was about 16 percent of GDP in 2009. Moreover, the level of export sophistication— a national income tag to a product's export value[25]—has stagnated in both Egypt and Tunisia, as shown in Figure 1.5. While the export sophistication index for Egypt and Tunisia has improved somewhat over the past three decades, notably during the 2000- 2005 period, the level has stagnated and remains low, particularly when compared with China and South Korea.

[24] Haussman,R., j. Hwang and D. Rodrik. (2005) 'What You Export Matters' CID Working Paper No.123

In North Africa, traditional products comprise a large proportion of exports. Although industrial growth has been solid, the industry structure has remained largely unchanged over the past decade as has the composition of exports, which is still concentrated around primary commodities, raw material and low value added agricultural products. In contrast, China and South Korea were able to strategically change their exports toward higher value added industries. Due to the relatively unchanged composition of North Africa's export, and with little technological progress or knowledge spill-over from more sophisticated industries, growth in export earning has been achieved primarily through growth in volumes and, thus, with limited shifts towards more and higher value-added exports and industries—industries which would, otherwise, have had the capacity and need for attracting the more educated work force.

Figure 1.6: Population Growth , Urbanization and GDP per capita



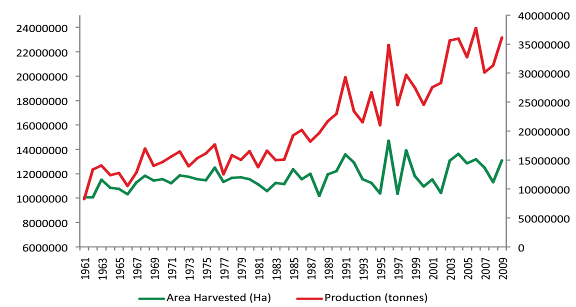
Source: AfDB, World Bank

Meanwhile, but closely related, North African governments have recognized the need for economic diversification. In parts of the region, efforts to attract foreign investment into non-resource sectors have had mixed results at best. Matters have not been helped by the slowdown in demand from key European markets over the past three years; the regional unrest of early 2011 will create further short-term uncertainties even if the long term result is renewed reform dynamism. Thus, diversification efforts can be expected to continue. Egypt and Tunisia are among those countries that have been pursuing the development of high-value added services in recent years, a strategy unlikely to be altered by a change of government. Moreover, North Africa does offer important attractions for foreign businesses, particularly those from Europe and the Gulf, in the form of inexpensive and comparatively well-educated labor combined with an expanding number of affluent consumers.

A Food Vulnerable and Water-Stressed Region

Fuelled by a growing population[26], urbanization[27] and improving living standards[28], the demand for foodstuffs in North Africa has risen dramatically over the past four decades and shifted toward higher value commodities including wheat, rice and milk[29].

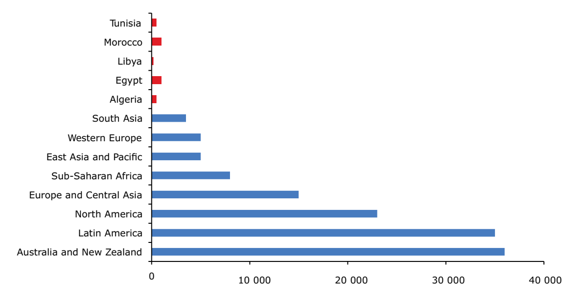
Figure 1.7: Agricultural production



Source: AfDB, World Bank

Countries in the region have made important efforts to meet this demand through domestic production. In fact the region has significant agricultural land—Algeria is thus estimated to have the largest area of farmland in the Mediterranean basin (39.9 million hectares), followed by Morocco (30.4 million hectares). While North Africa's arid climate and large areas of desert impose significant limitations on the region's potential for agricultural expansion and the harvested area has remained largely unchanged over the last five decades, increased use of agricultural inputs (fertilizer and pesticides) and the development of irrigation as well as growing machinization has enabled a fourfold increase in annual production of cereals over the past four to five decades. However, water availability remains a major challenge and the highly irregular pattern of rainfall causes wide fluctuations in production from one year to the next. The pressure on water supply across the region is expected to worsen as demand for water in urban areas increase and as some countries— notably Egypt and Morocco—seek to sustain agriculture as a major source of employment and export earnings. This, in turn, will inevitably put further stress on water resources for agricultural use, limiting in some areas the development of irrigation and making agricultural production even more susceptible to rainfall variability. Several countries in the region were thus particularly affected by low crop yields in 2010, with Tunisia suffering a 50% drop in crop outputs[30].

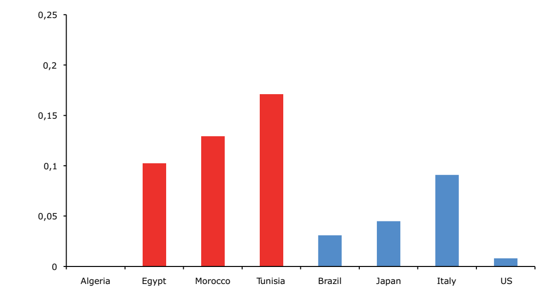
Figure 1.8: Total Renewable Water Resources (m3/inhabitant/year)



Source: AfDB, World Bank

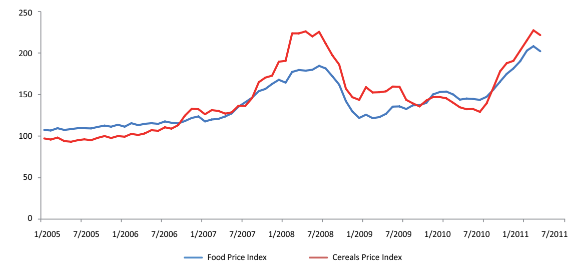
None of the North African countries are in a position of self-sufficiency and they all rely heavily on imports to meet their cereal needs. Wheat imports per capita in Algeria and Egypt is thus four to five times higher than in Brazil or Japan, making Egypt the largest importer of wheat in the world while Algeria is the third-largest. In fact, more than 50 percent of consumed cereal and 75 percent of consumed sugar in these countries are imported, making them especially sensitive to price fluctuations on the world markets.

Figure 1.9: Imported Wheat 2008 (MT per capita)



Source: AfDB, World Bank

Figure 1.10: Monthly Real Food Price Indices (FAO, 2011)



Source: AfDB, World Bank

The surge in food prices in 2008 and again in 2010 (as illustrated in figure 1.10) has adversely impacted North African countries, the poorer parts of their population in particular. The prices of maize, wheat and rice rose the most in 2008 (Figure 1.10). This escalation of food prices was largely a

[25] Haussman,R., j. Hwang and D. Rodrik. (2005) 'What You Export Matters' CID Working Paper No.123

[26] From 55 million in 1960 to 170 million in 2010.

[27] Thirty-four percent of the population was living in urban centers in 1960 compared to fifty-six percent today.

[28] GDP per capita increased by a factor of 3.4 over the past four decades.

[29] FAOSTAT 2011

[30] FAOSTAT 2011

reflection of the growing energy cost, a vital input in crop production and processing, as well as market speculation due to lower yields, and a reallocation of crop land towards bio-fuel production. The surge in food prices in 2010 was sparked, initially, by the Russian drought and the impact on wheat prices. These conditions pushed the Russian government to impose a ban on wheat export so as to satisfy the availability of wheat supply for domestic consumption. As the world's largest importer of wheat and importer of almost one-quarter (25 percent) of Russia's grain export in 2008, Egypt has been particularly adversely affected by this situation.

The surge in food prices experience in 2008, and again in 2010 are of concern in a region where the poorest spend between 40-60 percent of their income on food. Contrary to most developed countries where food items represent around 10-15 percent of the CPI (Consumer Price Index), food items represent around 44 percent of the Egyptian CPI[31].

While surging food prices clearly puts pressure on external current account balances, the more serious macroeconomic implication is felt on government expenditures and increasing budget deficits as food commodities are highly subsidized in most North African countries. In Egypt, for example, food subsidies at above 1 percent of GDP remain a heavy item on the government's budget and the recent price surges have thus added to the fiscal pressures. Morocco also has taken the route of subsidizing basic foods, with the resulting similar pressure on the fiscal balances as a consequence of the rise in international food prices. Similarly, food and fuel are highly subsidized in Tunisia, accounting for 85 percent of the compensation budget (subsidy system of basic products). ■

[31] FAOSTAT 2011

Chapter 2

Regional Integration in North Africa: Unlocking the Potential

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Introduction

For more than three decades, a continued expansion of the global marketplace for goods, capital, labor, and ideas has forged ever-closer integration among countries and regions of the world. Global markets have served as the mainstays of economic growth throughout much of the world, not least for developing countries. Between 1990 and 2010, developing countries and emerging economies thus more than doubled their market share of world merchandise exports from approximately 15 percent to more than 30 percent. Trade among developing economies grew even faster, at about 15 percent annually, to reach approximately 10 percent of world merchandise exports. Over the same period, net inflows of foreign direct investment (FDI) to developing countries soared 16-fold, from less than US$25 billion in 1990 to more than $410 billion in 2010 that year, outperforming developing countries in terms of attracting FDI for the first time ever[32]. The increased flow of people across national borders—as tourism and migration—has been another prominent feature of global integration.

The forces of globalization have dramatically increased the consequences of countries' domestic economic policy choices. Opportunities offered through the expansion of global markets have enabled developing countries that embrace integration—most notably in East Asia and the Pacific and more recently South Asia—to achieve unprecedented economic growth and lift hundreds of millions of people out of poverty. Other developing countries have been more reluctant to embrace opportunities from global and regional integration. The global financial and economic crisis in 2008-2009 provided a stark reminder of the potential downsides of open and globally integrated economies, particularly in regards to the vulnerabilities emanating from highly integrated financial systems and capital markets. However, the rebound currently underway is likely to make up for the lost terrain and come to the benefit of countries which have retained sound domestic policies and open economies.

Nowhere is the need for a shift toward greater integration more urgent than in Africa—a continent still, despite strong growth over the past decade, throwing economic punches in a global context well below its weight and potential. Regional integration and the creation of a pan-African common market has thus been a central vision of African leaders since the early years of independence. However, early experiences in most of Africa with regionalism in the 1970s and 1980s largely failed, primarily because the policy focus was toward import-substitution. In North Africa, the experience has been quite different as most countries have integrated significantly globally, with the European Union most notably, while integration and collaboration across the region and with its Sub-Saharan neighbors has been limited. Despite a myriad of commonalities, North Africa today remains one of the least integrated neighborhood's in the world, with intra-regional trade at less than 4 percent of total trade.

[32] According to a recent The "Global and Regional FDI Trends in 2010," published by the United Nations Conference on Trade and Development (UNCTAD) on January 17, developing and transition economies attracted over 50 percent of the world's foreign direct investment in 2010 and, for the first time, outperformed developed economies.

Regional and global integration are not substitutes. In North Africa as in Africa at large, they are complements needing to be pursued in parallel and with equal vigor. Regional integration approaches and policies can help to achieve economies of scale and build the supply capacity and strengthened competitiveness of North Africa through targeted regional physical and economic infrastructure to interconnect the region, and reforms to facilitate cross-border trade, investments and financial flows, knowledge-sharing and migration. Meanwhile, global integration and accompanying policies are essential, first, to scale up demand by securing market access that matches a growing supply capacity. Second, these policies would provide access to efficient intermediate goods suppliers, often an important element in improving African, including North African, countries' international competitiveness.

Regional integration is not an end in itself. Rather, as a complement to national development programs and global integration, it is a means to achieve stronger economic growth and greater social and political cohesion. In North Africa, achieving these superior outcomes will depend on expanding trade and investment through economic integration, improving regional infrastructure and connectivity, promoting macroeconomic stability, and extending financial integration. Moreover, strengthened regional cooperation offers possibilities to improve sustainable management of shared natural resources—water and sensitive ecosystems, in particular––and to more effectively address "regional commons," such as migratory diseases and climate change.

Regional integration is not a panacea that will enable North Africa to leapfrog challenges posed by its fundamental physical, economic, and human geography. However, appropriately conceived and accompanied by sound national policies, regional integration may well be the stepping-stone for North Africa to lower the costs (through scale-economies) and reap more of the value-added in the goods and services traded with the world at large, thus well constitute a missing building block for stronger, more broad-based and inclusive economic growth in the region. ■

The North African Context

Historically, regional integration among the six North African countries has been conditioned and, it can be argued, limited by forces external to the region. A dominant force in this context is the strong bilateral drive towards integration across the Mediterranean Sea, with Europe. This drive has been intensified with the Euro-Mediterranean Partnership (formerly known as the Barcelona Process), which is a broad framework for political, economic and social relations between member states of the EU and countries of the southern shore of the Mediterranean. The Agadir Agreement[33], launched in 2004 and aimed at strengthening cooperation between the European Union and Jordan, Tunisia, Egypt and Morocco, has further reinforced this drive towards bilateral and largely uncoordinated integration with Europe as has the European Neighborhood Policy[34] (ENP) which goes beyond existing relationships to offer political association, deeper economic integration, and increased opportunities for cross-border migration to each partner country of the region (Algeria, Morocco, Tunisia, and Egypt).

The Arab League has also served as a powerful driver for integration among most of the North African countries, namely through the Greater Arab Free Trade Area (GAFTA), a pan-Arab free trade area, developed in 1997 which includes all countries in the region except for Mauritania. GAFTA represents today an umbrella entity, governing all bilateral agreements between Arab countries. GAFTA's most tangible result was the lifting of customs duties on imports from participating countries in January 2005.

Regional integration is also affected by the North African countries' historical linkages and ever closer cooperation with countries south of Sahara and the Middle East. For example, Egypt arguably sees a stronger economic interest in pursuing integration efforts in the context of COMESA and is leading an effort to develop the Nile in a cooperative manner, share substantial socioeconomic benefits, and promote regional peace and security, including through the Nile Basin Initiative[35].

North Africa's regional initiatives thus remain fragmented and without a single institutional architecture uniting the six countries. The two recognized regional economic communities driving integration across North African countries are the Arab Maghreb Union (AMU), which includes all countries except Egypt, and the Community of Sahel-Saharan states (CEN-SAD)[36], which includes all countries except Algeria, in addition to 23 other African countries.

Nevertheless, North Africa, regrouping six countries that produce more than one-third of Africa's total GDP and the home to nearly 20 percent of Africa's total population, posseses a diversity of endowments and economic structures which offer clear opportunities and potential benefits from strengthened integration. Research thus suggests that the Maghreb alone can gain 1 to 2 percent per capita GDP growth by further integrating. However regional integration is still in its infancy and with intra-regional trade accounting for less than 4 percent of countries total trade, the North African region appears as one of the least economically integrated in the world.

Opportunities abound but needs to be unlocked. Tunisia, Morocco and Egypt exhibit strong private sector development coupled with large financing needs, while Libya and Algeria feature a surplus of capital and represent an growing market for services and goods coming from within the region. Industries such as financial services,information technology and manufacturing, already account for a significant portion of North Africa's GDP growth, and would greatly benefit from access to regional markets and labor pools. Food security could also be enhanced if foodstuffs that are abundant in one part of the region could be easily shipped to other areas where there are shortages. Developing an integrated energy market would also help unlock the region's full potential by filling intra-regional gaps and needs, as well as linking the region to an integrated Mediterranean market for energy. In using the strengths of one country to compensate for a neighbor's deficiency, regional integration creates conditions for participants to better protect and exploit the shared wealth in natural resources. ■

33 The Agadir Agreement (1994) also provided a platform for closer engagement between a smaller number of countries, namely Tunisia, Morocco and Egypt.

34 The European Neighborhood Policy (ENP) is a foreign relations instrument of the European Union (EU) which seeks to tie countries to the east and south of the EU into the EU.

35 An initiative gathering water ministers of 9 countries that share the river - Egypt, Sudan, Ethiopia, Eritrea, Uganda, Kenya, Tanzania, Burundi, Rwanda and the Democratic Republic of Congo.

36 Libya and Egypt belong to COMESA, and Egypt, Libya, Morocco and Tunisia belong to CEN-SAD.

Integration as a Growth Driver

The rewards that would flow from greater regional integration across North Africa seem clear: increased economic activity, enhanced competitiveness, more effective use of resources and the stimulus to growth and development that could flow from a much strengthened exchange of ideas, services, goods, finance and people. In the following, a number of areas are highlighted where opportunities for integration are evident and which could serve as important regional growth drivers.

Energy – Boosting Economic Growth Through Reliable Supply

Significant benefits could be achieved through greater cohesion between national energy policies. North Africa's oil and gas resources are concentrated in Algeria and Libya (and to a much more limited extent, Egypt). However by increasing intra-North African energy trade, resource-limited countries like Morocco and Tunisia would be able to meet their energy needs. This would boost economic growth throughout the region in particular through the development energy intensive industries.

Morocco, for example, boasts half the world's reserves of phosphate rock. To obtain the value-added of turning its reserve into fertiliser, it needs to access natural gas, sulphur and ammonia, but lacks sufficient few energy resources to do so. A significant part of that energy could be supplied by the rest of the region.

Likewise, increasing intra-Maghreb electricity trade presents itself as another solution for the region to keep up with demand and ensure greater reliability of power networks. As of now, only Morocco, Algeria and Tunisia have electricity connections and exchange power across borders.

The construction of different infrastructure projects would be one way of increasing intra-regional energy trade. Multiproduct pipelines that connect the storage and distribution facilities across the region, for example, would meet the growing needs of the border regions and curtail the existing informal trade in petroleum products.

A number of projects have been undertaken in order to secure benefits from opportunities in regional and extra-regional markets. The Maghreb countries cooperate under the framework of Comité Maghrébin de l'Electricité (COMELEC), which promotes electricity trade among its members. Efforts have also been made at the AMU level to create a common electricity market encompassing the Maghreb states and Mauritania. The Euro-Maghreb Ministerial Council adopted a mediumterm Action Plan (2010-2015) for the establishment of a regional electricity market. This agreement will facilitate cooperation by improving and harmonizing rules for electricity markets, access to the network systems, and other cross-border electricity trade requirements.

Beyond integrated approaches to electricity, North African countries could benefit as well from collaboration in renewable energy resources, notably wind andsolar power.

Morocco and Egypt are both pursuing wind and photovoltaic solar projects, while solar thermal energy generation (STEG) projects are under construction in Morocco, Libya, Algeria and Egypt.

The aforementioned examples of integrated energy projects across the region would benefit North African economies, primarily in two ways. First by harmonizing needs, individual North African economies would be able to make up for any energy deficiencies they may have. Meanwhile, increased energy reliability in a growing region would undoubtedly have a positive impact on growth, while at the same time engaging more of the region's human resources.

Transport – Reducing Trade Costs

In the context of increasing globalization and the existing economic partnership agreements improving connectivity to markets is critical.

By facilitating the movement of goods and people, transport links render economic exchanges more affordable, indirect trade costs—mostly for transport and energy—accounting for about 30% of the price paid by consumers.

Transport infrastructure also has significant positive spill over effects in other sectors, by supporting the removal of supply constraints and by strengthened integration with the global market place.

In recent years, progress has been made in terms of regional transport infrastructure, laying the foundation for further integration. Specifically, the quality of road networks has improved, with each country taking measures to bridge missing links along the Trans-Maghrebian Highway. Once complete the highway will link Mauritania and Libya, serving 55 cities, over 50 million inhabitants, 22 international airports, as well as major ports and railways stations.

Regional railway networks offer also promote the benefits of integration. Tunisia, Algeria and Morocco are already connected by rail, although significant efforts are underway to modernize and harmonize railway network infrastructure under the "Comité des Transports Ferroviaires Maghrébins."

The construction or expansion of major port facilities—such as the Tanger Med container transhipment hub in Morocco, the expanded docks at Alexandria, Egypt, and the deep-sea port at Enfidha, Tunisia—also encourage integration. Their modern facilities will attract traffic from other countries within North Africa and from international shipping lines seeking to service the regional market.

Finally the "open skies" air transport agreements between Morocco, Libya and Tunisia have removed some of the regulatory barriers that could otherwise inhibit the development of new airline services linking countries in the region. Tunisian aviation companies are also extending their reach to Mauritania and Egypt.

With an increasingly strong infrastructure network, the region will soon fully benefit from its geographic potential, being at the crossroad between, Europe, North Africa, the Middle East and the rest of the world.

Information and Communication Technology – Improving Competitiveness

As a regional growth driver, information and communication technology (ICT) is essential to enhancing regional competitiveness and is consequently a pillar of regional integration.

Algeria, Egypt, Morocco and Tunisia have well developed ICT and ITES sectors, making important strides in integrating regionally. For example, a major Egyptian company (Orascom) established subsidiaries in Algeria and Tunisia, and Tunisia's telecommunication company is investing in Mauritania (Mauritel).

ICT regional integration is also present in North Africa's membership in the Arab Organization of Communication

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Technologies and Information (AICTO), a governmental organization under the Arab League. It aims to promote ICT development, provide mechanisms to encourage cooperation and complementarities among member countries, and enhance common policies to develop critical technology areas.

These regional efforts are important to the future of North Africa's ICT sector. Particularly, regional integration offers North African IT companies the opportunity for growth by facilitating mergers and providing them access to expanding markets.

Integrating Financial Markets – Facilitating Cross-border Investments

The financial sector can benefit greatly from regional integration in North Africa. Tunisia, Morocco and Egypt have a strong private sector, a booming service sector, and large financing needs. Meanwhile, Libya and Algeria have a surplus of capital and represent an ever-increasing market for goods and services from the region. They are also a potentially large employment market for migrants from neighboring countries.

Commercial banks and other financial institutions can thus play a leading role in fostering economic integration in North Africa. Indeed, L'Union des-Banques Maghrébines (UBM), a regional body including representatives of the main financial institutions, has already played a pivotal role in coordinating and harmonizing the regulatory framework for banking and financial activities within North Africa. On the other hand, the long-awaited launch of the BMICE (Banque Maghrébine pour l'Investissement et le Commerce Extérieur) promises to have a catalytic effect on cross-border capital flows and trade. With a capital base of $500 million, the new bank is tasked with supporting regional integration projects across the five member states of the AMU.

The establishment of Moroccan bank subsidiaries in Tunisia and of Tunisian financial institutions in Algeria, as well as the rapid growth of the Moroccan, Egyptian and Tunisian stock markets, are powerful indicators that

there is a strong demand for financial resources to support the growth of private firms in the region. Additionally, these trends represent an opportunity for greater cross-border investments from neighboring countries in the region.

In order to activate under-utilized liquidity in the banking system, new financial instruments could be created, such as a pan-regional stock exchange index that could bring capital markets closer together. Larger, better-capitalized banks could be created with a true cross-border remit and shareholdings from across the region.

Global cooperation in bank regulation is an important driver of the development of an integrated regional financial services sector. Under the aegis of the Bank for International Settlements and successive overhauls of the Basel international prudential and capital standards, governments across the world are strengthening the requirements imposed on banking institutions. The implementation of international standards by individual North African countries can enhance the extent to which standards and regulatory approaches are shared across the region. This process would have the benefit of facilitating a more open regional financial space, making it easier for North African financial institutions to operate in neighboring countries.

The Private Sector as a Driving Force

Integration in North Africa is progressively occurring through the private sector in banking, transport an telecommunications. A good example in the financial sector is the establishment of Moroccan bank subsidiaries in Tunisia and of Tunisian financial institutions in Algeria. In the telecommunication field a major Egyptian company (Orascom) has established subsidiaries in Algeria and Tunisia, and Tunisia's Mauritel is investing in Mauritania). The Air transport sector is also increasingly integrating, thanks to the leading role of Tunisian companies in extending their reach to Mauritania and Egypt.

Regional cooperation is also driven by market forces, including through joint ventures with foreign companies, which are increasingly using the North Africa region as a base for further expansion. Prospects for further expansion are promising with regional equity funds.

Improving Food Security

The region's food sector could emerge as a leading driver and benifactor of integration, as the region seeks a response to food shortages and commodity price rises. Regional cooperation on the development of agribusiness could produce major benefits. As agriculture in North Africa is labor-intensive, the sector would be well placed to take advantage of the region's large pool of unemployed labor. Greater integration would also lead toimproved output and easier distribution of food products. At present, the region relies heavily on foreign food supplies and most countries run deficits on their agricultural trade balances. The region is particularly dependent on grain imports.

The potential exists for improved intra-regional trade delivered through closer integration—building on existing strengths. Olive oil trade between Tunisia, Morocco, and Algeria represents good example of this opportunity, with raw products coming from the most competitive producer and local firms adding value through their market information and networks. Horizontal integration opportunities present themselves using imported raw materials, such as Tunisian pasta and Moroccan cheese. Greater value could be added to products such as dates, olive oil, and camel milk, all produced and consumed locally but not traded or produced across borders.

North African states are already seeking to bolster food security—a critical issue over the past five years. The members of the AMU reached an agreement in late 2010 on the establishment for a Maghreb free trade zone in agricultural products, creating an economic bloc to ensure food security. It was scheduled at that time to take effect from this year.

In 2010 Tunisia's agriculture ministry called for an action plan for 2011-2020 based on a firm strategy with respect to the exchange of manufactured agricultural products, stressing the need to monitor the prices of strategic food products—especially grains and dry legumes—given uncertainties in the global market driven by speculation.

Food industries could benefit from regional economies of scale that could be leveraged if transport links are improved. Multinational food processing companies already consider the Maghreb as a single unit, and cross-border mergers between private companies that operate within the region offers many opportunities to build on this foundation.

Water Resource Management - Toward a Sustainable Use of a Shared Natural Resource

Regional integration could enable North African countries to exploit common resource endowments that do not to conform to natural boundaries.

For example a number of trans-border water aquifers exist in the region: the Northwest Sahara Aquifer (shared by Algeria, Libya and Tunisia); the Errachidia Basin (Algeria and Morocco); the Tindouf Aquifer (Algeria and Morocco) and the Taoudéni Basin (Algeria and Mauritania). In particular the North-western Sahara Aquifer System (SASS), covers over 1 million square kilometres with water reserves estimated at 30,000 billion cubic meters.

Ensuring the sustainability of this invaluable, nonrenewable resource is vital for the lives of millions who depend on it for drinking water and irrigation. Recognizing the over-exploitation of this shared resource, the three countries benefiting from the Northwest Sahara Aquifer initiated a consultation mechanism at ministerial level, together with the Sahara and Sahel Observatory. The principal aim is to provide information to decision makers and thus to strengthen the integrated water management practice. In parallel, in 2007, Algeria, Libya and Tunisia launched an ambitious water project, GEO-AQUIFER that uses satellite imagery to support the monitoring and sustainable management of their common, trans-boundary groundwater resources. ■

Leading the way

Regional integration offers North Africa a serious opportunity to unlock the region's full potential in terms of boosting growth and making it more inclusive. Evidence suggests that such integration could have a significant impact across countries, with research pointing to increases of per capita GDP growth ranging from 1% to 2% for the Maghreb alone[37]. Cumulative and indirect benefits from regionalintegration have been estimated to exceed 50% by 2015 through deeper integration and reform in North African countries alone, and gains from the liberalization of trade in goods nearing $350 million[38]. Yet, as indicated earlier regional integration is still in its infancy.

Political leadership plays a central role in the quest for greater regional integration, in North Africa not least. Through their willingness to identify common regional goals and develop shared strategies for the management of regional public goods, North African governments would have it within their powers to seize the moment to create a more integrated economic space in the region and, thus, establish the foundation for a stronger growth path and positioning the region as a force to be reckoned with, in the Mediterranean neighborhood and globally.

As Africa's premier development bank, the AfDB sees regional integration as one of the fundamental pillars through which to promote and support economic and social development of the continent and the North Africa region. The AfDB is thus supporting regional integration through its longstanding engagement in national public sector operations with regional dimensions. This is

particularly true with respect to transport infrastructure and energy, where the AfDB has played a major role in filling the gaps of larger network connections through the region[39]. The ADB also has extensive experience in supporting reforms programs in Tunisia, Morocco and Egypt, enabling these countries to gradually integrate with the global economy. Such experience will continue to be valuable, as many regional programs (particularly in the area of infrastructure) continue to be implemented through national projects. The ADB is also deploying its emerging experience in providing direct support to regional private sector activities, for example through financing of large regional projects, providing funding to local financial institutions and taking participation in private equity funds with regional focus. The private equity funds have proved to be a useful instrument through which the Bank has been able to contribute to cross-country investment and directly engage in regional initiatives.

With the aim to provide a stronger and more strategic framework for regional integration, the AfDB is developing a Regional Integration Strategy for North Africa, which will be finalized as soon as circumstances allow and meaningful consultations can be conducted with all countries of the region. ■

[37] DEPF, Ejuexu de l'Integration Maghrebine "Le Coût du non Maghreb", Rabat, October 2008.

[38] See Economic Commission for Africa African Trade Policy Centre, "The Cost of non-Maghreb: Achieving the Gains from Economic Integration." No. 44, November 2006.

[39] Examples can be found in Mauritania, Morocco and Tunisia, where the Bank has co-financed key sections of the Trans-Maghrebian Highway and the Maghrebian rail network through national projects. The Bank's support to Morocco's power grid has also provided the basis for greater connectivity with both Algeria and Spain.

Chapter 3

New Players in North Africa: Changing the Name of the Game?

Introduction

The BRICs—an acronym regrouping Brazil, Russia, India and China, first coined by Goldman Sachs in a 2001 paper entitled "The World Needs Better Economic BRICs"—have already earned their dues as the symbol of the shift in global economic power away from the developed G7 economies toward the developing world. The four countries, combined, today account for over a quarter of the world's land area, about 40% of its population and more than 15% of global GDP. From 2000 to 2008, the BRICs saw their respective trade volumes grow at average annual rates of between 15% and 25%, far outstripping growth in overall world trade. As a result, the BRICs share in world trade more than doubled from 6.3% in 2000 to 12.8% in 2008. Estimated to account for more than 50% of global economic growth over the past decade, the BRICs have thus long hence become an economic force to be reckoned with. On June 16, 2009, the four BRICs took this economic reality one step further as they held their first annual summit in Russia (focused on developing a common position on international financial reforms and climate change).

As the BRICs have become an indisputable force in the global economy, their impact on and involvement in Africa has become an area of growing importance and interest. As discussed in the Standard Bank paper entitled "BRIC and Africa: Teutonic Shifts tie BRIC and Africa's Economic Destinies" (October 2009), this relationship—between the world's most dynamic growth-quartet, the BRICs, and Africa, a continent with ample natural resources and arguably the world's only remaining emerging region—is decisively impacting Africa's future and potentially that of the world at large. Initially driven by the BRICs, particularly China's need for natural resources and thus continuously resulting in very sizable trade surpluses in Africa's favor (e.g., more than US$22 billion in 2008), trade volumes increasingly reflect the BRICs interest in capitalizing on Africa's growing consumer markets. China is thus Africa's biggest source of imports and only second to the USA as a destination for exports. Direct investments from the BRICs have followed trade at an increasingly rapid pace, particularly flowing towards African countries with large natural resource reserves and consumer markets. Political ties between BRICs and Africa have also strengthened over the past decade, with increasingly frequent high-level visits in both directions—notably involving China and Brazil. Most recently, South Africa was invited to and attended the third BRICs leaders' summit on the island of Hainan, China on April 14, 2011, thus changing the acronym to BRICS.

The evolving relation between the BRICs and North Africa (in this chapter primarily referring to Algeria, Egypt, Libya, Morocco and Tunisia with occasional reference to Mauritania) mirrors those of the rest of Africa on many fronts but differs in several important aspects. Like the continent at large, North Africa is rich in natural resources and is a fast growing, emerging consumer market. However, regrouping nearly 20 percent of Africa's population in with a significantly shared culture and language and accounting for more than a one-third of Africa's GDP, North Africa has much higher income levels and thus more potential as a consumer market. Furthermore, the region has relatively advanced infrastructure networks and is much better connected to the global market place than the rest of the continent. Finally, North Africa's proximity to the European Union and the Middle East makes it a beachhead for the BRICs to the biggest consumer market in the world. The appeal of these North African dimensions to the BRICs and the potentially game-changing impact of this fast evolving relationship is the subject of this chapter. ■

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Securing Minerals and Capturing New Markets

A Story that Began with Minerals

BRICs increasing need for minerals

BRICs' demand for primary commodities has increased dramatically over the last decade to fuel their unprecedented economic growth. Today the four BRICs are amongst the top 10 consumers of oil and phosphate in the world and are major consumers of iron (tables 3.1 and 3.2)—a pattern that is likely to be accentuated with their continued economic growth (oil for China & India, phosphates fertilizer for India and Brazil). For China, the world's second largest consumer of oil (and third largest in terms of net-imports), this need is made more urgent by the fact that its oil reserves are estimated to be exhausted within two-three decades. Similarly, with large and increasingly wealthier populations to feed and vast agricultural land to crop, the BRICs have also seen a rise in their demand for phosphates. As it stands, this resource is in tight supply on the international markets. India already imports 90% of its requirements while its fertilizer plants operate at 65% capacity. Likewise, the BRICs' consumption of iron ore has grown in parallel with their economies. Over the last three years, China and India have experienced an unprecedented demand for iron, despite economic slow-down, as a result of revived construction industries. Brazilian Vale SA, the world's largest iron-ore producer, estimates that China's demand for the steelmaking material rose by 10% in 2010 alone, from about 1 billion metric tons the year before.

Because of their growing demands, the BRICs are now engaged in a race to find and secure new sources and supplies of minerals to fuel their fast-growing economies.

North Africa regroups some of the world's leading producers of energy, phosphate and iron ore

North Africa is particularly well placed to provide the BRICs with access to these resources. As shown in table 3.3, they are among the world's leading producers and reserve holders of oil, gas, phosphates and iron ore. In particular, Algeria and Libya are the biggest producers of oil in the region, both ranking among the top-twenty oil producers in the world (and combined, the two countries would be the 5th biggest oil producer in the world, right behind Iran). Similarly, Algeria and Egypt are among the top-twenty producers of gas in the world. Meanwhile, Morocco and Tunisia are the 2nd and 5th largest producers of phosphates and have proven reserves counted among the largest in the world. With 400 million tons of iron reserves, Mauritania is positioned as the 11th producer of iron in the world. Importantly, in addition to being rich in these natural reserves, North African countries also have ample room to export these commodities as their supply far exceeds national demand.

Table 3.1: BRICs oil consumption and import dependency in 2008

Country	Consumption		Import Dependency Net Export/Imports(-)	
	World Ranking	'000 bbl/day	World Ranking	'000 bbl/day
China	# 2	7,831	# 3	-4,224.38
India	# 4	2,962	# 6	-2,232.5
Brazil	# 5	2,916	# 67	55.17
Russia	# 7	2,485,	# 197	7,193.70

Source : U.S. Energy information Administration, Independent Statistics and Analysis, 2010.

Table 3.2: BRICs phosphates fertilizer consumption

Country	Consumption		Import	
	World Ranking	Metric tons	World Ranking	Metric tons
China	# 1	12,145,898	# 21	174,807
India	# 2	6,051,858	# 3	503,164
Brazil	# 3	3,450,114	# 1	1,666,022
Russia	# 13	430,85	# 98	3,573

Source : FAOSTAT, 2010.

Table 3.3: Oil & gas, phosphate and iron ore production and reserves in North Africa (international rankings)

	Oil		Gas		Phosphates		Iron Ore	
	Production	Reserves	Production	Reserves	Production	Reserves	Production	Reserves
Algeria	**12**	**15**	**6**	**10**				
Egypt	28		18	20				
Libya	**18**	**10**	33	22				
Morocco	95		79	96	**2**	**1**		
Mauritania			88*				**11***	
Tunisia	52		53	60	**5**	9		

Source: Energy Information Administration, U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, 2006 Annual Report, DOE/EIA-0216(2007); World Proved Reserves of Oil and Natural Gas". US Energy Information Administration. 2007. http://www.eia.doe.gov/emeu/international/reserves.html. Retrieved: US gov mineral.

North Africa's increasing minerals exports to BRICs

As shown in figure 3.1, North African exports to the BRICs have been increasing dramatically in value terms over the last decades, driven by a surge in primary commodities' export. Growth in trade accelerated following the surge in commodity prices that commenced in 2005, in most cases driven by a single trading partner.

Oil dominates the rise in exports from Algeria and Libya to the BRICs, with Brazil accounting for 3% of Algeria's country's total exports in 2008 and China accounting for 4% of Libya's total exports in the same year. In 2010 alone, Libyan oil exports to China increased by 250% and it is reported that Libya now accounts for a third of China's overall oil imports.

Morocco, Tunisia and Egypt, on the other hand, have seen an increase in export to the BRICs predominantly as a result of their production of phosphates and fertilizer. While this trend is principally driven by India (accounting for 6%, 5% and 3% of Egypt's, Morocco's and Tunisia's total exports in 2008, respectively), it is not the only country to exhibit this tendency. 50-60% of Tunisia's exports to Brazil are thus made up of phosphates and fertilizer. Similarly, Mauritania has seen a sharp rise in its exports to the BRICs (which account for 42% of Mauritania's total export in 2008), particularly China, as a result of its supply of iron ore. Mauritania is also a major exporter of fish to China.

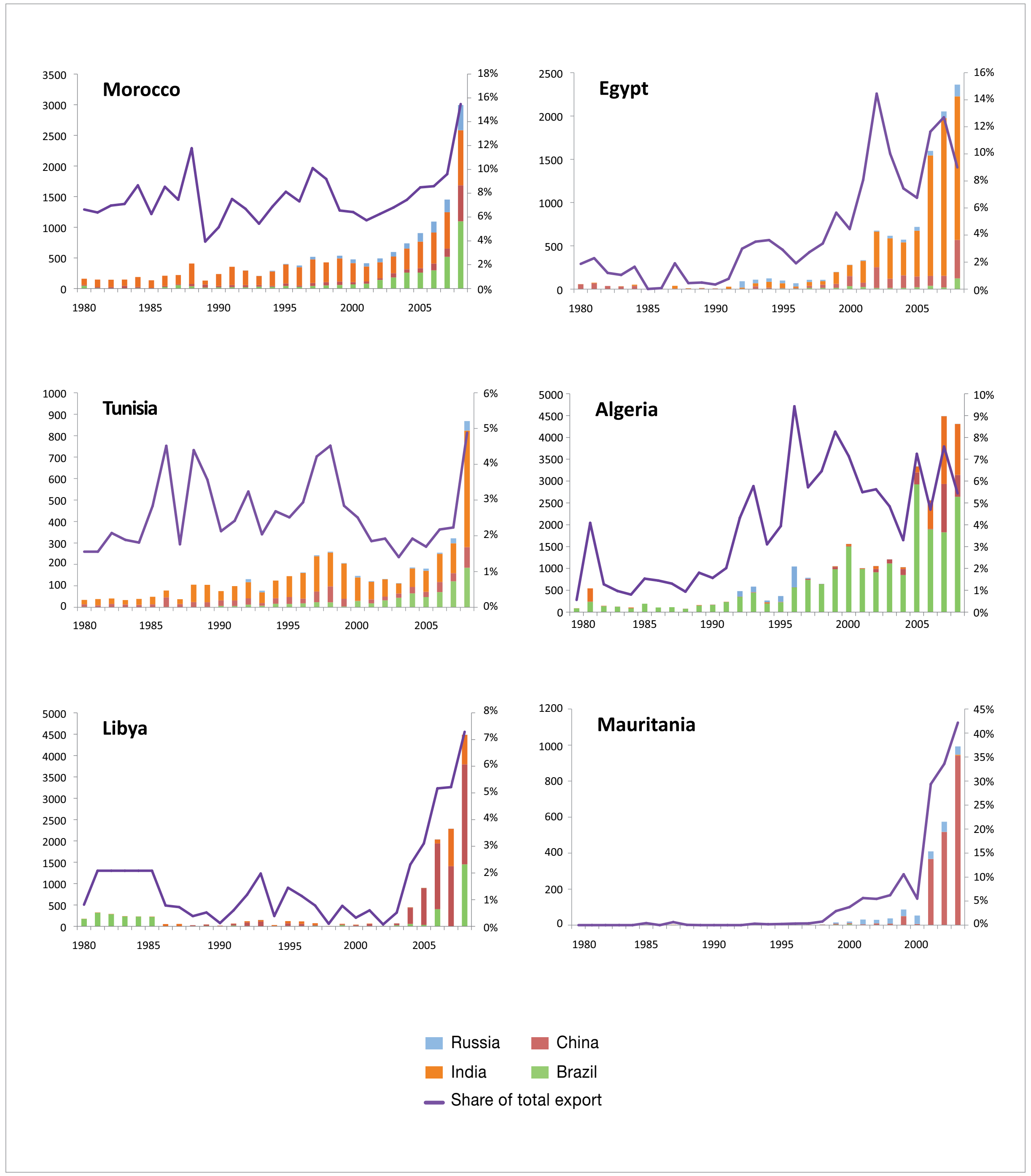
North Africa diversifying exports to the BRICs

North African countries are eager to exploit these strengthened trade flows by diversifying their range of exports to the BRICs. North African attempts to diversify trading relations have begun in earnest with their traditional export articles notably agricultural products such as dates and olive oil, as well as less traditional exports. Egypt, for example, has seen leather, raw cotton, as well as organic and non-organic chemicals become significant export-items to India.

North Africa: A Growing Market

In parallel to the increased exports from North Africa to the BRICs, North Africa has gradually become an

Figure 3.1: North African export trends to the BRICs



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important market for the BRICs. With a combined GDP of about USD 550 billion in 2008 and with a total population of 170 million (more than 15% of the continent's population), the North Africa region constitutes more than one-third of Africa's GDP and a sizeable potential market for BRICs exports. The region not only has growing needs that could be met by importing products from the BRIC, it increasingly also has the financial wealth to underpin that.

North Africa's progress on the human development front, recently highlighted in the UN's Human Development Report (2010), has created new needs at the local level due to an overall increase in income, life expectancy, education and urbanization. Morocco, for example, went from an urban population of barely 30% in 1960 to more than 65% in 2009.

Likewise, Mauritania's urban population rose from 4% in 1960 to more than 40% in 2009. Average life-expectancy in the region is about 70 years, and gross enrollment in primary schools averaged over 90% in 2007. Furthermore, North African countries—Algeria and Libya notably-also benefit from ample foreign exchange reserves generated by the export of their natural resources, which in turn allows them to implement vast infrastructure development plans. In particular, Libya and Algeria are currently implementing infrastructure plans estimated at USD 130 billion and USD 286 billion respectively.

BRICs are gaining market shares in North Africa and exports have evolved from basic needs to manufacturing and services

Conscious of the growing wealth and market opportunities in the region, the BRICs have increased their export to and market shares in North Africa (see figure 2). In Algeria, for example, imports from the BRICs accounted for nearly 15% of total imports in 2008 compared to barely 1% in 1990. Similarly, in Egypt, imports from BRICs accounted for almost 20% of total imports in 2007, up from 3% in 1990. In this race, China is systematically leading the way among the BRICs.

The BRICs' capturing of North African markets has been in areas of basic and critical needs. For example, food security and water availability for agricultural use are fundamental stress-points in North Africa, and imports from the BRICs have been able to help overcome these deficiencies. The BRICs have thus been long-standing suppliers of water-intensive foodstuffs to North African countries.

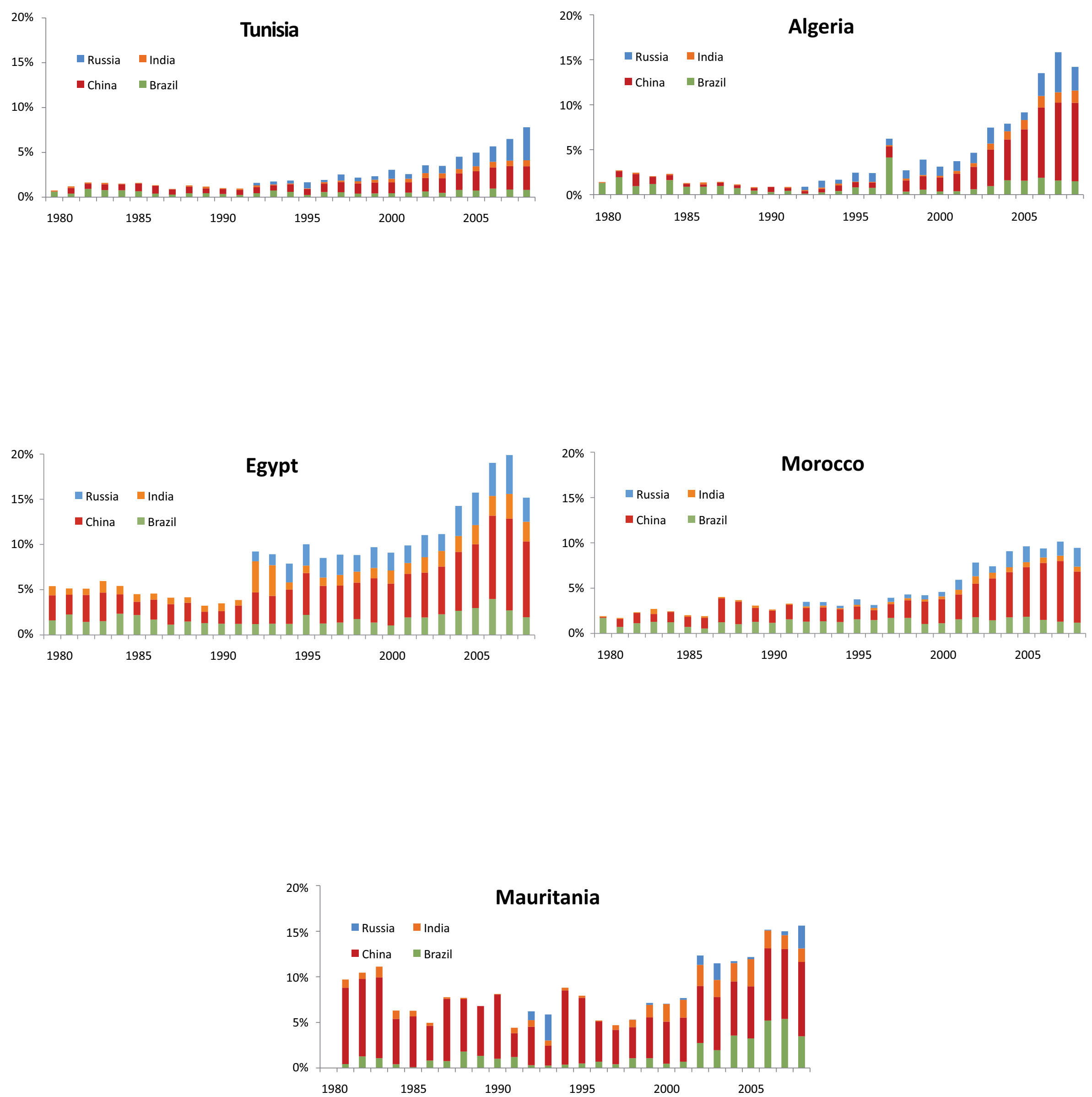
Egypt, the world's top importer of wheat, relies on import from Russia for 50% of its 7 million tons annual wheat import. Egypt relies heavily on India for its imports of coffee, herbs, and lentils. Similarly, Algeria relies on imports from Brazil for staples like meat (chicken and beef), sugar, soy, oil and milk whereas China is the major supplier of tea and coffee to Tunisia.

Imports of pharmaceutical products in general, and generic drugs in particular, from the BRICs have also helped lower the costs and access to health service for North Africa's population. India primarily exports drugs to Egypt and Tunisia while Brazil exports these products to Libya and Tunisia.

Likewise, primary products for the traditional textile industry from the BRICs have also become important import articles for North Africa. Indian cotton yearn has thus become an important import item for Egypt; Chinese silk and synthetic textiles for Tunisia; and Brazilian cotton and leather also for Tunisia.

In recent years, the BRICs' exports to North Africa have evolved toward services and manufactured products, including notably as turn-key suppliers of major infrastructure projects. China, for example, has secured 80% of the recent infrastructure contracts in Algeria, turning the country into one of China's largest overseas markets for infrastructure development. In recent years, Algeria has awarded contracts worth USD 20 billion to 50 Chinese firms—contracts spanning the East-West Highway project, construction of railway networks in the western region of Algeria, and building of affordable housing units for Algerian families. Despite China's dominant presence in Algeria's infrastructure projects, it is not exclusive, and authorities have recently officially encouraged Indian and Brazilian companies to compete in such public tenders.

Figure 3.2: North African import trends from the BRICs



Sources: AfDB, 2010 ; IMF, 2010.

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Libya has also shown itself receptive to the utilization of BRICs companies for major infrastructure projects until the onset of recent current events. The Russian group was awarded a USD 2.2 billion contract for the construction of 550 km railway links in Libya and a similar contract in the amount of USD 2.6 billion was awarded to China.

In addition to infrastructure projects, the BRICs have become important suppliers of manufactured products to North Africa, particularly in the areas of electronics, cars and telecommunications. Brazil is thus a major exporter of electronic equipment, telecommunication equipment and transport vehicles to Tunisia. In fact, Tunisia has become the biggest export market for Brazilian cars in the Arab world. China, meanwhile, dominates among the BRICs in Algeria and Morocco as a major supplier of electronic equipment, clothing and shoes, as well as light industrial and mechanical products. ■

From Made-in-China to Made-in-Egypt

Valued at between USD 70-90 billion by end-2009, the importance of the BRICs investments in Africa is becoming indisputable. Chinese and Indian investments dominate the picture (estimated at about USD 35 billion and USD 26 billion, respectively, by end-2009) but Brazil and Russia are also becoming important players in Africa (with investments estimated at about USD 10 billion and USD 5 billion, respectively). South Africa is clearly the dominating pole of attraction for BRICs investment in Africa. For example, Chinese investments in South Africa reached about USD 4.8 billion in 2008 alone.

North Africa is also becoming an increasingly important destination for BRICs investments. For example, North Africa is estimated to account for about 15% of Chinese investments in Africa in 2007, compared to less than 10% only four years earlier. While Algeria and, to a lesser extent, Libya have been the traditional poles of attraction for Chinese investments in North Africa, Egypt has followed suit in the past couple of years. In 2009, China was thus the largest foreign investor in Egypt with investments exceeding USD 500 million. Most recently, in October 2010, some 22 agreements were signed between companies from Egypt and Guangdong, China, concerning investments totaling more than USD 250 million. With the current high level of unemployment in North Africa (a 1/3 of the youth is unemployed in Egypt and Tunisia), BRICs investments are welcomed by the governments and the populations as they are among the key drivers of job creation and economic diversification.

The BRICs investments in North Africa—today ranging from tourism, telecom, construction, cars and electronics to oil & gas extraction and production of chemicals and fertilizers—seem to follow two major thrusts. First, the BRICs invest massively in the dominant extraction industries of the region (i.e., oil, gas, iron and phosphates) and related up-stream processing (e.g., petro-chemicals and chemical fertilizers). Second, BRICs are increasingly investing in manufacturing and services, responding to incentives provided by North African governments and the region's growing consumer market and potential as a beachhead to the European Union.

Investing in Minerals and Down-Stream

North Africa has become an attractive destination for BRICs investments in extractive ventures as exploration and development agreements increasingly guarantee investors a stake in the resulting findings. In 2008, Brazil's Petrobas thus invested USD 21 million in an oil-search venture in Libya. Likewise, in 2005, India acquired a license to look for oil in Libya (which included a provision guarantying India 18% of future production resulting from its findings) and Algeria has also been ground for oil exploration in the form of a joint venture between China petroleum and China Corporation.

In the area of gas, Russian Gazprom signed a memorandum of understanding with Algeria's Sonatrac (state-owned company responsible for all aspects of oil and gas production in Algeria) in 2006. The memorandum paved the way for deeper cooperation between the two companies, identifying major directions of further joint businesses including geological exploration, production, transmission, and distribution in Algeria, Russia and third countries.

Meanwhile, in 2004, Indian GAIL (Gas Authority of India Limited, Government-owned natural gas company) bought 15% of Egypt NatGas, Egyptian natural gas distribution and marketing company. In 2010, Indian companies were invited to participate in

a USD 10 billion project to build a trans-Saharan gas pipeline in Algeria. Three years earlier Brazilian Petrobras made a joint investment with Sonatrach for liquefied natural gas exploration. The BRICs are also investing in phosphates and fertilizers projects in the North Africa region. In 2005, Tunisia was thus approached by Rashtriya Chemicals and Fertilizers Limited, India's largest fertilizer group, with a proposal to build a sulfuric acid plant. In 2010, the Brazilian mining group La Vale expressed interest in exploiting the phosphate of Tunisian Sra Ouertane for USD 2 billion in exchange for exporting the entire production of the field to Brazil. Meanwhile, in Egypt, the Indian ministry of petroleum negotiated the establishment of a natural gas operated fertilizer plant in 2010.

New Incentives and Markets

Growing investments in manufacturing and services

North Africa's manufacturing and services sectors have increasingly attracted investments from the BRICs. China, for example, has invested USD 100 million in two car assembling units in Algeria in 2008—a venture expected to create 4,000 jobs, and will be accompanied by training centers. In Mauritania, Hong Dong International, a Chinese company is investing USD 120 million to develop the fishing industry with the creation of 2,500 Jobs. Egypt and Tunisia are also benefiting from major Chinese investments in both manufacturing and services.

Similarly, in 2010, Russian Vimplecom offered to purchase Orascom in Egypt and Algeria for USD 6.6 billion. In doing so, Vimplecom would become the world's fifth largest mobile phone operator and would control the Algerian unit Djezzy, its largest revenue provider. India, meanwhile, is investing in a broad array of ventures in Egypt, ranging from telecom, car manufacturing, tourism and urban services to drugs and health services.

Why BRICs invest in North Africa: the case of Egypt

Beyond securing resources and tapping into an existing savoir-faire, a variety of conditions further attract BRICs investments to the region. In the case of manufacturing, Egypt provides an instructive example.

First, production costs tend to be lower in Egypt than in the BRICs. Highly subsidized energy plays an important role, favoring investments in and the development of energy intensive industries. Furthermore, and although labor in the BRICs is inexpensive, Egyptian labor is even less expensive. In the textile industry, for example, where Chinese labor cost about €150 per month, Egyptian labor costs between €46 and €100. Moreover, foreign companies benefit from Egypt's established Free Trade Zones (FTZ), which provide custom and tax exemptions thus sharply reducing production costs.

Second, proximity and preferential trade agreements play a decisive role in turning Egypt—and the rest of North Africa—into an attractive region for BRICs investments. It is faster to ship products from Egypt to European Union countries and the USA than from most of the BRICs to these destinations. When it takes a few days to ship products from Egypt to Europe it would take weeks if the same products were to be shipped from China. In addition, Egypt—along with the other North African countries—enjoys preferential trade agreements with the European Union which are more advantageous than those enjoyed by the BRICs themselves. In addition, Egypt is also a signatory of the Agadir agreement, a member of GAFTA and CEN-SAD, and has preferential trade agreements with the USA and since 2010 with MERCOSUR as well. This, potentially, turns Egypt into a beachhead for BRICs to access consumer markets of more than half-a-billion people.

Not surprisingly, therefore, more than 1000 Chinese companies are now established and incorporated in Egypt. An additional 180 Chinese companies are currently awaiting approval to participate in a designated FTZ near the Suez Canal. As for the latter, investments totaling USD 3.5 billion are expected alongside the creation of some 40,000 jobs.

North Africa actively encourages BRICs investments

The Free Trade Zone initiatives, considered a gateway to European and US markets by the BRICs, have proved so successful that all North African countries are considering development of such zones. A particular variant of the FTZ followed in North Africa are zones targeting a particular country. Egypt has thus developed FTZ for Chinese investors while a FTZ for Indian investors is under consideration. Similarly Morocco, is considering the establishment of a FTZ for Chinese investors. ■

History and Politics Play a Role

No traumatic past but mutual interests

For the BRICs, North African countries not only represent a beachhead to access markets in the Mediterranean basin, Europe, the Middle East and sub-Saharan Africa. They are also seen as a platform from which to join the geo-political scene in these neighboring regions. Russia's relationship with Libya is a particularly instructive example of how the BRICs are courting North African countries politically. As Russia's strongest ally in the Arab world, Libya was offered the possibility to host a Russian naval base and join the gas OPEC led by Russia. In addition, Russia has written off some USD 4.6 billion in debt for Libya in exchange for new deals.

China, on the other hand, has drawn on its Muslim population in order to build on relations with North Africa and further boost trade and investments. It is clear that China is eyeing Middle Eastern resources and that its investment in North Africa will allow the country to play a stronger role in Middle Eastern politics in the future. In late 2010, a China-Arab trade forum was organized in Ningxia, the home 20 million Chinese Muslims, which eventually led to USD 410 million deals as well as a cooperation agreement on "halal" food production and mutual industrial standard authentication. Tunisia has mimicked this policy and is willing to target Brazilian Muslims for its exports.

As a further testimony to the political and economic importance assigned to the region, North Africa has been frequently visited by high-level officials from the BRICs—even more so than any other African region. Algeria, for example, is one of the few African Countries visited by the Chinese State Councilor in 2010. Meanwhile, Libya's foreign minister visited China in May 2010, followed by a visit of Mohammar Quadaffi's son, Saif Al Islam, a few months later.

BRICs strategy for Sub Saharan Africa does not apply in North Africa

While China has promised USD 10 billion in soft loans, along with debt cancellations, tax exemption for African exports coming from least developed countries, this strategy does not fully apply in the case of North Africa. In particular, North Africa's resource-rich economies are not in dire need of soft loans. Instead, they are more interested in technical assistance and technology transfers to support the general development and diversification of their economies.

In this regard, BRIC economies are participating in capacity building initiatives in the North African economies. From China's maintenance of Algeria's Russian arms to Brazil's support of Tunisia's agro-industry, these initiatives have proven to be successful alternatives to soft loans when it comes to nurturing relations between North Africa and the BRICs.

However in Mauritania, the situation slightly differs and China has offered in January 2011 USD 9 million in grants and USD 18 million in soft loans to finance development projects. These projects include the construction of transport infrastructure (172km of roads) and a faculty of medicine. Other north African countries are also willing to accept alternative incentives such as China's recent offer to construct an opera in Algiers for USD 40 million. ■

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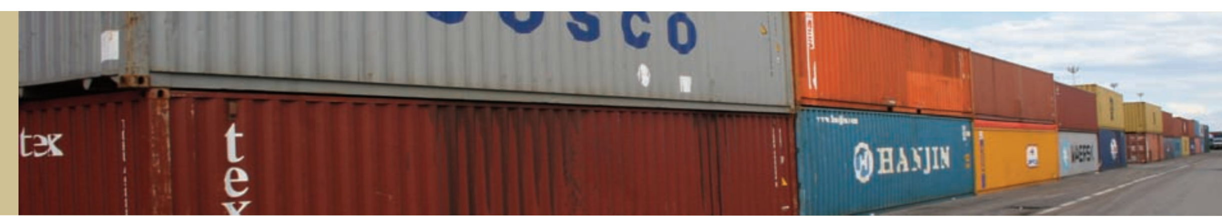

Looking Ahead: The Story has Just Begun

Like for the rest of Africa, the story of the BRICs has only just begun in North Africa and holds promises on many fronts.

Founded on mutual interests, relations between Africa and the BRICs are bound to become tighter and economically more important in the future. The global economic crisis already made it clear to Africa that the BRICs constitute an alternative—and not merely in terms of trade and inflow of foreign investments—to the traditional, occidental economic partners. Fuelled by continued strong economic growth, improved living standards and rapid urbanization, the BRICs' demand for Africa's resources will remain a central component of this relation. Meanwhile, Africa's growing consumer potential will continue to attract BRICs suppliers and investors.

There seems to be little doubt that the BRICs are in Africa and North Africa for the long haul. By providing the technical expertise to support certain industries, and gradually taking advantage of the growing Diaspora of their countries, the BRICs will be able to continue to tap into North Africa's mineral riches while securing an increasing foothold in the regions growing consumer markets as a destination to distribute their own products. Moreover, North Africa as a beachhead to the European Union market constitutes an enormous attraction for the BRICs—an attraction which they have only just begun to explore. ■

Chapter 4

The African Development Bank in Brief

The African Development Bank Group at a Glance

Who We Are & What We Do

The African Development Bank (AfDB)[40] Group is the premier source of multilateral financing for the African continent. Established in 1963 as a Bank for Africans, by Africans, the AfDB's mission is to help reduce poverty, improve living conditions, and mobilize resources for the economic and social development of the continent's 53 countries.

History of the African Development Bank Group

The AfDB was created in 1963, in Khartoum, Sudan, when 23 newly independent African countries signed the Agreement establishing the institution. In 1964, the Agreement came into force when 20 member countries subscribed to 65% of the Bank's capital stock of US$ 250 million. Less than two years later, the institution opened its headquarters in Abidjan, Côte d'Ivoire, and officially began operations in 1966.

African member countries provided all of AfDB ordinary capital during the first two decades. In 1982, membership was opened to include non-African countries, enabling a capital increase from about US$ 2.9 billion in 1982 to US$ 6.3 billion in 1983.

Since its inception, the Bank Group has provided more than UA 58 billion in development assistance to its regional member countries. With close to 3,600 operations to date, Bank Group projects have transformed the continent's infrastructure, connecting countries and crossing borders. These projects have improved the quality of education, augmented the depth of Africa's growing financial sectors and provided the continent with a chance to compete in an increasingly global community.

The Bank Group's compelling achievements have helped it build its image and credibility in international financial markets, while making possible its AAA ratings from major international rating agencies. These ratings reflect the AfDB's strong shareholder support, preferred creditor status, sound capital adequacy, and prudent financial management and policies.

In its efforts to help reduce poverty across the continent, the Bank is currently operating in line with its 2008-2012 Medium Term Strategy, a strategic framework that provides guidance and sets direction for the Bank at a critical time for Africa. Focusing the Bank Group's efforts on infrastructure, private sector development, higher education, and governance, the Medium Term Strategy allows the Bank to respond to the continent's changing needs and circumstances. The Bank Group is emphasizing operational selectivity in order to maximize its focus and effectiveness, while contributing to regional integration efforts, middle-income country support, fragile state assistance, as well as human development and agriculture development. Knowledge generation, climate change, and gender are also mainstreamed in Bank operations.

[40] The African Development Bank Group (AfDB or Bank Group) consists of three related but financial independent institutions : African Development Bank (ADB); African Development Fund (ADF); and Nigeria Trust Fund (NTF). Hereafter, references to the "Bank" refer to the Group at large.

The Medium Term Strategy has proved crucial. During the food and fuel crises that commenced in 2007, and the financial crisis, which affected the continent a year later, the Strategy enhanced the Bank's capacity to deliver. Indeed, the institution's Medium Term Strategy enabled it to respond swiftly to crisis-related needs by accelerating and restructuring ongoing programs; advancing the approval of new projects; and making greater use of fast-disbursing instruments[41]. At a moment when global credit was contracting at an unprecedented rate, the Bank established an Emergency Liquidity Facility, with a US$ 1.5 billion budget, as well as a US$ 1 billion Trade Finance Initiative to support trade finance by African banks.

In 2009 alone, Bank Group approvals for loans and grants reached an unprecedented UA 8 billion (US$ 12.5 billion), reflecting the Bank Group's quick, effective, and efficient response—actions made possible by a Strategy that will continue to benefit Bank operations in the long term.

How We Are Financed

In its efforts to combat poverty and promote social and economic development, the Bank operates through three related, but financially independent institutions: African Development Bank (ADB), African Development Fund (ADF), and Nigeria Trust Fund (NTF).

The ADB is the parent organization of the Bank Group, comprising 77 member countries, including 53 regional countries, and 24 non-regional countries. Together, the Bank's 77 members subscribe to its authorized share capital, which, as of December 2010, stood at UA 23.9 billion.

The ADB provides financing to 16 of the Bank's regional member countries (13 of which are middle income and three "Blend")[42]. Through the ADB lending window, the Bank uses the capital provided by its shareholders as the basis on which to borrow from financial markets, and then on-lends these resources to eligible regional member countries. In essence, ADB funding helps middle income and blend countries to access critical development financing at competitive rates, which might otherwise not reach them.

Over the past 40 years, for example, the ADB has:

- Promoted financial sector reforms in Morocco, strengthening the micro-credit sector and improving access to finance for women who constitute 66% of micro-credit beneficiaries;
- Helped provide credit in agricultural development for roughly 12,000 men and women in rural parts of Egypt; and
- Added value and improved competitiveness, as in the case of the Bank's loan to a Djiboutian cereals facility, which led to improved turnaround time in the storing and processing of cereals, empowering local and indigenous companies, creating new business opportunities, and supporting regional integration efforts.

ADF funds in turn, provide concessional loans and grants to finance projects and programs, as well as technical assistance for studies and capacity building activities, in 40 low-income African countries, which represent nearly 80% of the continent's population. ADF loans are interest free, repayable over a 40-year period, and carry minimal service charges. As such, the 24 donor countries replenish ADF funds every three years[43].

[41] Examples of such responses include: reallocating resources from specific projects towards activities that could increase agricultural production in the short term (e.g., the purchase of fertilizer) during the food crisis, while improving rural infrastructure and increasing rice production in the long term, among other measures.

[42] For operational and analytical purposes, the ADB Group classifies economies by their gross national income (GNI). Based on GNI per capita, countries are classified as low (2008 GNI US$975 or less) or middle income (2008 GNI US$ 976 or more). Middle income countries include: Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Seychelles, South Africa, Swaziland, and Tunisia. Blend countries, in turn, are ones whose income qualifies them for ADF funding (which is only accessible to low income countries) and whose international credit worthiness qualifies them for ADB financing;these countries include: Cape Verde, Nigeria, and Zimbabwe.

Multilateral Development Banks

Multilateral Development Banks (MDBs) are institutions that provide financial support and technical assistance for economic and social development activities in developing countries. The term typically refers to the four regional development banks—the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank—and the World Bank Group. MDBs are characterized by a broad membership, including borrowing developing countries and developed donor countries, both within and outside of the institution's region.

The MDBs provide financing for development through:

- Long-term loans based on market interest rates. To fund such loans, MDBs borrow on the international capital markets and re-lend at very competitive rates to borrowing governments in developing countries.
- Very long-term loans (often termed credits), with well below market interest rates. These are funded through direct contributions from governments in donor countries.
- Grant financing is also offered by some MDBs, mostly for technical assistance, advisory services or project preparation.

Several other banks and funds that lend to developing countries are also identified as multilateral development institutions. They differ from MDBs due to their narrower ownership/membership structure or their focus on special sectors or activities.

Through its projects completed between 2006 and 2008, the ADF has for example:

- Built more than 12,800 km of paved and feeder roads, giving more than 41.5 million people improved access to transportation;
- Rehabilitated 3,600 wells, 230 km of pipes and 15,900 latrines, providing an additional 1.7 million people with access to clean water and sanitation;
- Built 400 health centres, and trained 8,000 health workers, improving access to health services for 13 million people; and
- Constructed 11,500 classrooms/facilities to provide education for 11.2 million newly enrolled students.

For its part, the Nigeria Trust Fund (NTF) supports development projects for the Bank's poorest members, as well as areas such as inter-African trade and financial services. Established in February 1976, NTF is a special fund administered by the Bank on behalf of the Nigerian government, whose resources and assets are not consolidated with those of the African Development Bank or the African Development Fund.

Regional member countries can also benefit from special sources of funding—including multi-donor thematic funds, bilateral trust funds, and co-financing agreements with ADB development partners—which provide opportunities for technical assistance and capacity building. Bank multidonor funds included 62 new approvals in 2009 alone, totalling roughly UA 61.3 million, and covering areas from water and rural sanitation, to infrastructure[44]. Bilateral funds also saw a similar increase in approvals, with 65 proposals approved in 2009, a 57% increase in

[43] These include: Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. The United Arab Emirates is also a State Participant, bringing the total to 25 non-State participants; however it is not a non-regional member country of the Bank Group.

[44] These funds include: Water Facility (AWF), Rural Water Supply and Sanitation Initiative (RWSSI), Mulit-donor Water Partnership Program (MWPP), NEPAD-Infrastructure project, Preparation Facility (NEPAD-IPPF), the Fund for African Private sector Assistance (FAPA) and the Congo Basin Forest Fund.

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volume from the previous year. The Bank currently hosts nine co-financing projects.

Africa's Knowledge Bank

Going forward, the Bank aims to become the "Premier Knowledge Bank for Africa," cementing its role as a leading change agent for sustainable socio-economic development to the continent. Recognizing the importance of generating, mobilizing, sharing, and applying knowledge, the Bank is undergoing reforms to deepen its analytical capacity, build partnerships, and increase collaboration with universities, think-tanks, and relevant external institutions. The Bank will also continue to enhance knowledge dissemination and sharing, and continually apply the knowledge it generates to strengthen its operational and development effectiveness. ■

Chapter 5

Bank Group Activities in North Africa

Regional Overview

North African countries hold a significant place in the Bank Group's history: all were present in Khartoum, Sudan, when newly independent African countries gathered to discuss the creation of a premier financial institution for Africans, by Africans. All signed the Agreement establishing the Bank in 1964[45], and all, with the exception of Libya, subscribed to the Bank's capital stock, contributing upwards of US$80 million (or about 40%) in funds so that operations could begin in 1967. Such a significant contribution placed North African countries in a strategic position to play a key role in the management of the institution's affairs in its formative years. While the AfDB's capital structure has changed with the admission of non-regional member counties in 1982, North African countries held roughly 18% of the total subscribed stock as of January 2010 and continue to play an important role in the Bank Group.

Bank Operations

North Africa's commitment early on to the Bank Group, coupled with its strong economic position, has made it the leading client and largest beneficiary of AfDB support. Indeed, Morocco, Tunisia, and Egypt are the Bank's 1st, 2nd and 3rd largest beneficiaries.

As of December 2010, the Bank Group provided nearly 400 public and private sector loans and grants in North Africa, totalling about UA 15 billion, and representing nearly 30% of cumulative loan and grant approvals for all member countries.

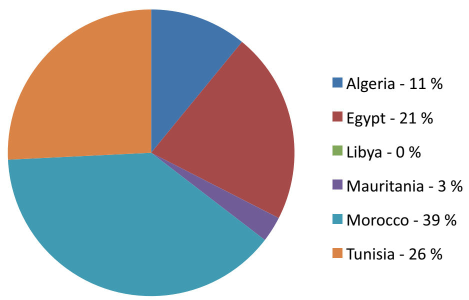
Among North African countries, the major beneficiaries of Bank financing have been Morocco (34%), Tunisia (27%), Egypt (23%) and Algeria (12%).

[45] Libya, while present at the 1963 conference, only ratified the Agreement eight years later.

Since its inception:

- Algeria has had 39 operations, totalling UA 2.05 billion;
- Egypt has had 86 operations, totalling UA 3.73 billion;
- Libya has had 2 operations, totalling UA 1.06 million;
- Mauritania has had 63 operations, totalling UA 500 million;
- Morocco has had 124 operations, totalling UA 6.71 billion; and
- Tunisia has had 106 operations, totalling UA 4.58 billion.

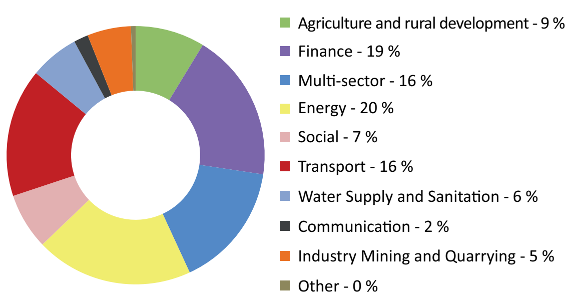
Figure 5.1: Cumulative Loans and Grants by Country in North Africa (1968-2010)



First Operations Commenced :

- 1968: Tunisia
- 1970: Morocco
- 1971: Algeria
- 1972: Mauritania
- 1974: Egypt

Figure 5.2: Cumulative Bank Approvals by sector in North Africa (1968-2010)



The Bank Group has also financed six regional operations: four targeting the Arab Maghreb Union (AMU) and two targeting the ARGAN Infrastructure Fund and Maghreb Private Equity Fund.

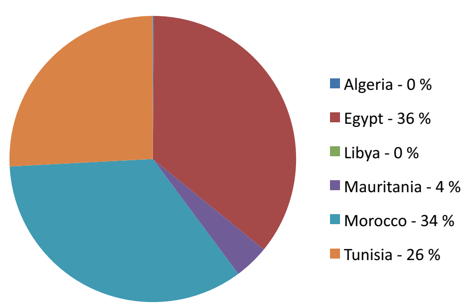
As of December 2010, Bank Group loans and grants have predominantly supported infrastructure and financial sector deepening.

Thrust of Bank Operations

Currently, Bank Group operations are cast against the backdrop of North Africa's specific economic, social and regional needs. Although dominated by middle income countries with relatively good access to capital markets, the region still needs substantial investments in infrastructure and private sector development in order to propel broad-based and sustained economic growth. Moreover, capacity building, advisory services, and improved banking information systems in the sub-region are also benefiting from Bank Group support. Like the other parts of the continent, there are still substantive human development needs that must be addressed to ensure that quality of life improves and is evenly enjoyed by all. Bank operations thus reflect such specific needs, as well as the areas which take into account national development plans and AfDB country strategy papers in which it can have the greatest development impact.

As of December 2010, the Bank Group's portfolio in North Africa comprised 67 approved and ongoing operations, with a total net commitment value of UA 4.6 billion, underscoring the healthy status of the Bank Group's portfolio.

Figure 5.3: Current Portfolio in North Africa Country Allocation



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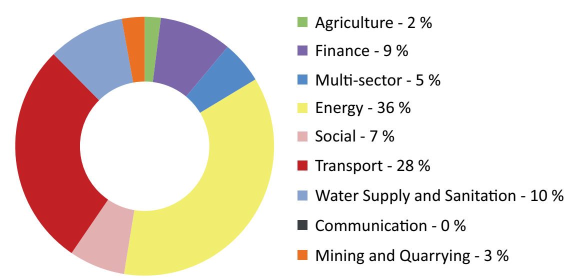
Clearly, energy, transport, and water supply are the dominant areas for Bank Group lending. To a large extent, this reflects North Africa's growth performance and state of development—with demand for energy growing in parallel to meet household and private sector needs (industry, agriculture, tourism and transport). As these countries become increasingly integrated into the global economy, they will invariably face greater competition and a heightened need for connectivity with the rest of the world. This calls for infrastructure development and increased efficiency, especially in the areas of transportation and communications—roads, railways, air transport, etc.

Figure 5.4: Current Portfolio in North Africa Sector Allocation



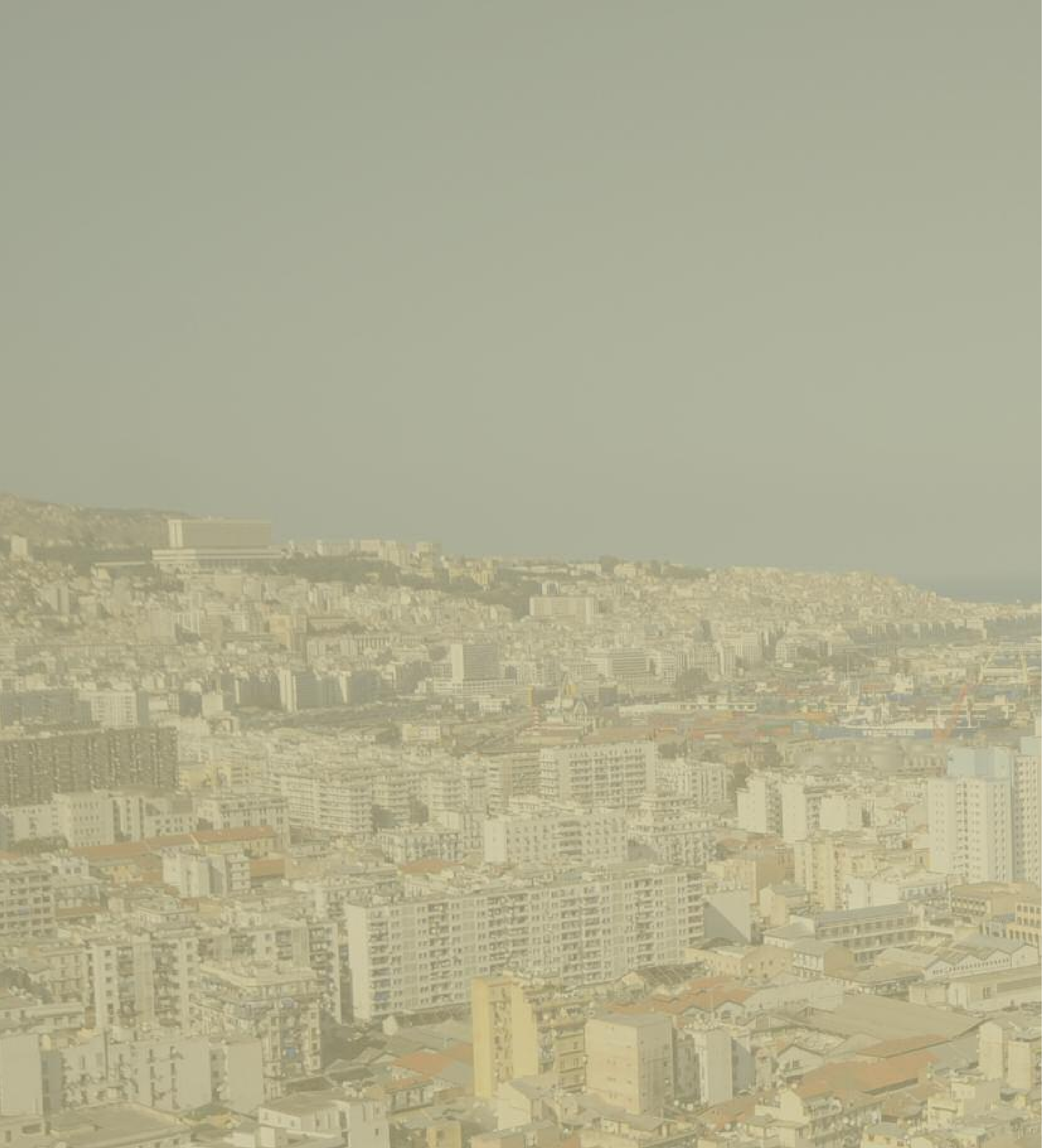
Equally important is integration at the regional level. Indeed, the Bank Group recognizes that regional integration is imperative to build markets and foster new opportunities for growth, job creation, and improved living standards, and that it contributes to competitive and diversified economies. The Bank Group has contributed to regional integration through institutional support and technical assistance to various organizations at the regional level, particularly to the Secretariat General of the Arab Maghreb Union, equipping different regional bodies with the necessary skills and knowledge to fully play the role assigned to them in the integration process. The Bank Group's support to regional bodies is in line with its 2009-2012 Regional Integration Strategy, which places particular emphasis on strengthening the capacities of regional economic communities.

The Bank Group also contributes to regional integration by supporting private sector development. In 2008, this included investments of nearly € 20 million to the Maghreb Private Equity Fund, which strengthened selected small and medium enterprises in Morocco, Algeria, Tunisia and Libya in an attempt to transform them into stronger regional players. In 2010, the Bank also approved an equity investment of roughly US$ 20 million in an infrastructure fund operating primarily in North Africa.

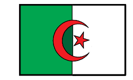
A Knowledge Bank

For all its various operations—from finance to infrastructure, water and sanitation to agricultural development—the Bank Group remains committed to generating and purveying knowledge through technical assistance and economic and sector work. Bank Group technical assistance in the region covers a wide range of critical issues, including water and sanitation, social development, transport and communication, agriculture, and finance.

Currently, the Bank Group's ongoing portfolio of technical assistance and economic and sector work consists of 32 operations. With a total value of about UA 22 million, the majority of this assistance (roughly 52%) has been split between Tunisia and Egypt, followed by Morocco (roughly 15%), Algeria (7%), Mauritania (roughly 5%) and Libya (roughly 5%). ■



Algeria



Membership year	1964
Start of lending operations	1971
Number of ADB operations approved, 1967-2010	36
Number of ADF operations approved, 1974-2010	3
Cumulative Bank Group Approvals in UA million, 1967-2009	2,054
Subscribed capital (%) as of 30 November 2010	4.005
Total voting power (%) as of 31 December 2010	3.948
Approved loans and grants as percentage of total, 2005-2009 (%)	0.01
Number of approved and on-going operations	4
Total loan amount of approved and ongoing operations in UA million[46]	6.85

[46] This number reflects UA exchange rate in December 2010.

People's Democratic Republic of Algeria
Key Features

Algeria, a country with 35 million inhabitants, is the fourth largest crude oil producer in Africa and the sixth largest natural gas producer in the world (World Bank). Despite its strength in hydrocarbons, the country faces numerous economic challenges, particularly a rising unemployment rate, and a mismatch between the opportunities provided by the market and the skills of the country's labor force.

According to the *African Economic Outlook 2011*[47], the country's GDP growth rate was 3.5% in 2010 compared to 2.4% in 2009 and 2008. This improvement was attributed primarily to the hydrocarbon sector, specifically due to the rise in the price of oil that took place in 2010, averaging USD 73 per barrel compared to USD 62 the previous year. GDP growth was also attributed to large public investments and an increase in the consumption of services.

The growth Algeria experienced in 2010, nevertheless, was insufficient to curb the unemployment and housing problems that affect the country. However, the country has implemented a new investment program (2010-2014) which aims to diversify the sources of economic growth by increasing industrial and agricultural production, and maintaining the growth of the hydrocarbon sector.

Growth in Algeria depends greatly on the oil sector which in 2010 accounted for nearly 45% of GDP, 97.5% of export revenue, and about 70% of total revenue. The country's oil and gas reserves remained high at 40 billion barrels of oil equivalent, and nearly 5 trillion m³ for gas. The public operator Sonatrach (Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures) controls 43% of the national mining industry and 75% of extracted oil and gas.

The African Economic Outlook 2011 also recorded an improvement in Algeria's inflation rate which decreased to 4.1% from 5.7% in 2009 and 4.9% in 2008. Despite the decrease in inflation, the second semester experienced a rise in prices, although these were attributable to the surge in prices of primary goods on the global market. It is estimated that inflation will stabilize between 4.6% and 4.7% in the coming year.

Algeria has made great strides in its attempt to achieve the Millennium Development goals. The country has improved its social indicators significantly, with notable progress in access to basic education. For instance, gross enrolment rate for compulsory primary education (6-12 year olds) reached 107.5% in 2009 (114% for boys and 106% for girls), up from 96% in 2005. The gross enrolment rate in secondary education, in turn, reached 83% in 2009. In higher education, the enrolment rate stood at 21.8% in 2009.

Algeria's human poverty index, which consists of indicators that include life expectancy, education, access to water, access to financial services and access to health care, has fallen from 24.7% of the population in 1998 to 18.9% in 2006. Life expectancy in Algeria has risen as a result of improvements in the health system. In 2010, life expectancy stood at 75 years, against 67.3 years in 1995, representing the highest in the region. ■

[47] The African Economic Outlook is an annual publication jointly produced by the African Development Bank and the OECD Development Centre, which analyses the comparative economic prospects for African countries.

Mrs. Assitan Diarra-Thioune, Resident Representative
Note From The Algeria Field Office

During the year 2010, Algeria and the African Development Bank Group (ADB) have maintained their common effort in strengthening forty years of cooperation (1971-2011). The official inauguration of the Bank field office in Algeria on February 2010 and the close cooperation with the Algerian government since, are just a few of the many achievements that the institution and the Algerian government have been able to achieve together. The field office has presented itself as an opportunity to strengthen the Bank's ties to Algerian institutions and development partners, thus providing a better understanding of the country's development objectives and permitting for better-focused assistance on the part of the Bank.

While the Bank undertook a policy dialogue in 2010 with its stakeholders to strengthen its institutional capacity, the Algerian authorities renewed their support for the Bank and its management. The Bank's sixth general capital increase and the twelve African Development Fund replenishment process, offered a number of opportunities, once again, to appreciate Algeria's commitment to the Bank's mission in the African continent.

Algeria has kept its macroeconomic progress on track in 2010. The country's growth rate was estimated at 3.5 % in 2010, higher than the 2.4 % level of the two previous years. This progress was due to a rise in the price of hydrocarbon products, a prudent resource management strategy sustained by an important public investment plan, as well as a prudent monetary policy. Algeria has accumulated international reserves of 157 billion $US as of 2010. These assets—equivalent to more than three years worth of imported of goods and services—have given the country a strong external position and provide room for deeper reforms to sustain the country's economic diversification agenda.

The field office has been promoting the Bank's cooperation with Algeria through policy dialogue as well as through the implementation of ongoing technical assistance and the preparation of new operations. Regarding the policy dialogue, significant progress has been made in the preparation of a "Country Dialogue Note" which will define the main focus areas of the Bank's assistance locally. Algeria and the Bank have undertaken the preparation of this cooperation framework paper in the spirit of strengthening their partnership so as to prioritize the Bank's assistance to the objectives that the country has set as part of a broader program of economic and social development and reform. Specifically Algeria aims to: (i) accelerate economic growth, (ii) diversify the economy, (iii) improve the business climate and promote private sector, (iv) support job creation, and (v) strengthen and consolidate the achievements in economic development and social progress.

This past year the Algeria field office has also strengthened policy dialogue with different actors in order to define a partnership prospects between the Bank and the Algerian institutions. In this context, the Bank's Assistance strategies for higher education, agricultural and rural development, and renewable energy (solar energy) have been presented and discussed in various forums which took place in Algiers. The policy dialogue has also been strengthened with the National Consultative Council for Small and Medium Enterprises (CNC/pme) in order to promote the development of these enterprises in Algeria.

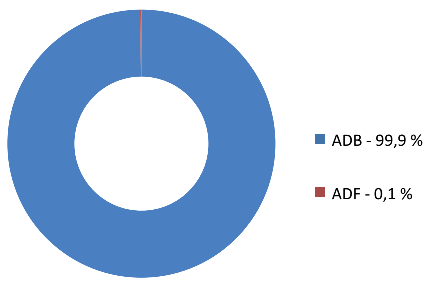
Since Algeria and the Bank's current cooperation is focused on technical assistance, close monitoring has accompanied ongoing projects as well as in the preparation of new technical assistance operations. In all these areas, the Bank Office in Algeria has closely coordinated with other partners in order to develop synergies and strengthen the Bank's assistance effectiveness.

For the period 2011-2012, the Bank and Algeria are planning to focus their cooperation on priority objectives, to be defined in the "Country Dialogue Note for Algeria," currently the main subject of the dialogue between the two parties. In this process and while implementing all their activities in Algeria, the Bank staff and its management have always benefited from support and cooperation from the Algerian authorities and people, as well as from development partners. I would like to thank all of them for their kind cooperation. ■

Overview of Bank Group Operations in Algeria

Bank Group support to Algeria began in 1971. With 39 operations, estimated at UA 2 billion approved, Algeria has been one of the Bank's largest borrowers. Bank Group interventions in Algeria comprise mostly ADB loans (99.76%), ADF loans (0.11%), and ADB grants (0.10%) and ADF (0.04%) grants.

Figure 5.5: Cumulative Bank Group Loans and Grants by Institutions in Algeria (1971 – 2010)

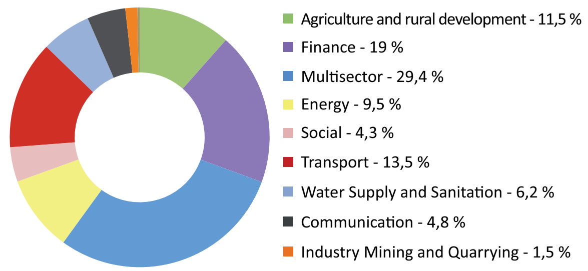


Historically, Bank Group activities mainly covered the infrastructure sector (transport, water and sanitation, communications and power supply) which consisted of43% of total loans and grants approvals to Algeria. It is followed by multi-sector operations with 22%, finance sector 20%, agriculture and rural development sector 10%, as well as social and mining 5%.

Agricultural Sector and Rural Development

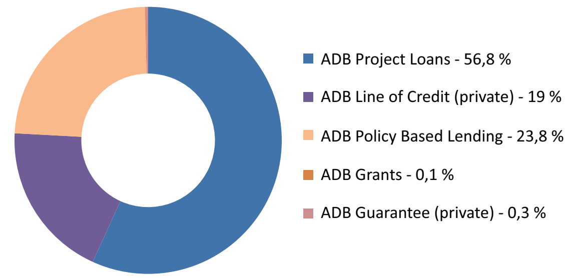
The agricultural sector, which produces almost 10% of the country's wealth, grew by 5% in 2010 (AEO 2011) after its historical growth of 20% in 2009. So as to accelerate growth in the sector, in 2008 the Algerian government adopted a framework on property management and the financing of farms with the intention of encouraging banks to accept agricultural assets (land, produce and equipment) as collateral for operating or investment credits. However, agriculture production continues to depend on climate conditions.

Figure 5.6: Cumulative Bank Group Loans and Grants by Sector in Algeria (1971 – 2010)



Since 1971, the Bank Group has supported Algeria's objective of fortifying the agricultural industry through the approval of six operations worth UA 219.4 million. These have been geared at reducing food imports by increasing agricultural and livestock production, and intensifying the renovation of irrigation infrastructure and extension of the irrigable area.

Figure 5.7: Cumulative ADB Loans and Grants by Instruments in Algeria (1971 – 2010)



Transport Sector

Large infrastructure projects are systematically undertaken in the areas of road, rail, ports, seawater desalination, power stations, dams, housing, etc. Algeria's 1,216 kilometer East-West motorway is close to completion, as is the 250 km Medgaz pipeline between Algeria and Spain which will further promote exports to Europe.

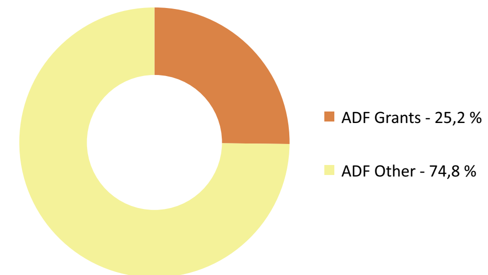
The Algerian government's commitment to developing the country's infrastructure, is also highlighted by its US$ 18 billion plan to rehabilitate existing railway infrastructure and open new East-West and North-South lines. The government also plans to expand the railway network from 4,940 kilometers to 9,000 kilometers by 2014 and to increase the length of electrified lines from 350 kilometers to 1,200 kilometers by 2012 and 6,000 kilometers by 2025. Meanwhile, the new deep seaport being built at Djen Djen, to be managed by the United Arab Emirates based company Dubai Ports World, and the expansion of the ports in Oran, Algiers and Béjaïa will increase the number of containers that can be handled by the country's ports. The country plan for 2010-2014 (286 billions $US) will continue to support infrastructure sector.

Since commencing operations in Algeria, Bank Group loan approvals in the transport sector have reached UA 280.6 million, accounting for 13.7% of Bank Group cumulative commitments in Algeria. Bank Group interventions have supported Algerian authorities in upgrading their transport sector through improved efficacy and quality of service, whilst promoting national (East, Centre and West regions) and regional (Maghreb) integration.

Multisector Operations

Algeria has undertaken several economic reforms to promote its social and economic development in collaboration with the Bank Group and other development partners. Since the inception of Bank Group lending, the sector has benefited from five operations amounting to UA 451 million.

Figure 5.8: Cumulative ADF Loans and Grants by Instruments in Algeria (1971 – 2010)



Through its multisector interventions, the Bank Group has supported Algeria in its efforts to pursue a sustainable level of the balance of payments while guaranteeing an adequate level of imports. These interventions also fostered private sector driven and labour-intensive growth, with a view of reducing unemployment and improving the living standards of Algerians. Additionally, these operations protected Algeria's most vulnerable groups through the transition period vis-à-vis the establishment of social safety nets and employment related programs.

Banks and Industry Sector

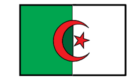
The Bank has supported the Algerian banks through lines of credit to enable them have more resources tailored to the needs of small and medium enterprises whose promotion is a government priority. These lines of credit, estimated at US$ 650 million, have allowed beneficiaries banks (Banque de l'agriculture et du développement rural, Crédit Populaire d'Algérie) to support the creation, rehabilitation, expansion and modernization of production units, particularly in agricultural and agro-food industry. They have helped to stimulate economic activity and strengthen the private sector's role in the economy, thus promoting the modernization and diversification of the economy and job creation. ■

Bank Group Strategy & Ongoing Activities in Algeria

Current cooperation between the Bank and Algeria focuses on technical assistance, training and capacity building, economic and sector work and support to private sector development. This new strategic partnership between the Bank and Algeria is reflected in the areas of project evaluation, electronic banking development as well as information technology and communications. In support of the private sector, the Bank approved in 2009 a guarantee to enable a leasing company, Maghreb Leasing Algeria (MLA), for an amount of UA 5.34 million, to mobilize resources from local financial institutions and to support the development of small and medium.

The Bank Group's ongoing portfolio in Algeria comprises three technical assistance operations financed with resources from the Middle Income Countries Trust Fund.

Total approvals under this fund stand at UA 1.62 million and include: the technical assistance Program for the National Development Equipment Fund (UA 600,000); the development of electronic banking (UA 494,800), both approved in 2007; and the Collaboration and Communication System Modernization Project in the Ministry of Finance approved in 2009 (UA 496,500). ■



Project for Technical Assistance in Support of Caisse Nationale d'Equipement pour le Développement

ADB MIC Grant	UA 0.6 million
Approval Date	May 2007
Expected Completion Date	June 2010
Location	Algiers
Executing Agency	Caisse Nationale d'Equipement pour le Développement

Objective and Description

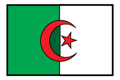
The project has a two objectives:

- Organizing specialized training to build CNED (Caisse Nationale d'Equipement pour le Developpement) capacities for appraisal and monitoring of large-scale projects. More specifically, the project seeks to raise the level of expertise of CNED staff to: (i) review the identification dossiers for projects that are under the supervision of sectoral ministries or, by delegation, specialized national agencies or enterprises; (ii) review feasibility studies for large-scale infrastructure projects; and (iii) follow up implementation and conducting post evaluation of large-scale projects;
- Improving CNED information system by putting in place the documentary resources required for more effective qualitative evaluation of large-scale projects.

Expected Outcomes

The project intends to:

- Reinforce CNED's analytical capacity to conduct economic, social & financial evaluation of large-scale projects;
- Reinforce institutional expertise on project monitoring and evaluation.



Electronic Banking Development Project

ADB MIC Grant	UA 0.49 million
Approval Date	July 2007
Expected Completion Date	December 2010
Location	Algiers
Executing Agency	Ministry of Finance

Objective and Description

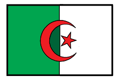
The project is in line with the government's goal of modernizing the banking system, in particular, speeding up the development of electronic banking. The latter is seen as a key lever in consolidating the modernization of the payments system and also as a means of improving the transparency and traceability of inter- and intra-bank payment transactions.

This operation consists in implementing a study with two main components: (i) diagnosis through analysis of the current situation and identification of obstacles to development of electronic banking; (ii) design of a new architecture through the formulation of a cohesive and holistic solution, and a plan of action for the implementation of the proposed architecture.

Expected Outcomes

The project intends to:

- Speed up electronic banking development in Algeria;
- Identify bottlenecks to electronic banking development for the development of a master plan;
- Propose institutional and organisational frameworks, regulatory texts and a marketing strategy for electronic banking development;
- Improve banking sector performance.



Ministry of Finance Communication and Collaboration System Modernization Project

ADB MIC Grant	UA 0.49 million
Approval Date	July 2009
Expected Completion Date	December 2013
Location	Algiers
Executing Agency	Ministry of Finance

Objective and Description

The overriding project objective is to modernize the Collaboration and Communication System of the Ministry of Finance, as part of the government's action aimed at upgrading and improving public service efficiency. The operation has been envisaged in two phases: (i) the first phase is the study to define the new architecture of the Ministry's collaboration and communication system; (ii) a second phase supports staff training initiatives to facilitate implementation of the new architecture.

Expected Outcomes

The project intends to:

- Reinforce capacity and efficiency of the Ministry of Finance;
- Provide a communication system to answer the needs of a large decentralized institution;
- Favour exchange and dissemination of information among the different units of the ministry to support the implementation of the reforms.

Maghreb Leasing Algeria (MLA)

ADB Guarantee Loan Amount	UA 5.34 million
Approval Date	April 2009
Location	Algiers
Executing Agency	Maghreb Leasing Algeria (MLA)

Objective and Description

- Increase the supply of credit to SMEs in Algeria.
- Develop the leasing portfolio of Maghreb Leasing Algeria (MLA) and partially cover MLA against exchange risk.

The partial guarantee of €6 million over 3 years to MLA will help the company to provide loans in Algerian dinars to a bank or to a consortium of local banks.

Expected Outcomes

The project intends to:

- Reduced funding gap for SMEs;
- Development of SMEs and increase their turnover;
- Improve SMEs production capacity and productivity.

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Egypt

Membership year	1964
Start of lending operations	1974
Number of ADB operations approved, 1974-2010	57
Number of ADF operations approved, 1974-2010	29
Cumulative Bank Group Approvals in UA million, 1967-2010	3,737
Subscribed capital (%) as of 30 November 2010	5.127
Total voting power (%) as of 30 November 2010	5.046
Approved loans and grants as percentage of total, 2005-2009 (%)	13.75
Number of ongoing and approved operations	19
Total amount of ongoing operations in UA million[48]	1,666

[48] This number reflects UA exchange rate in December 2010.

Arab Republic of Egypt
Key Features

Egypt, a Middle Income Country with a population of 82 million people, has consistently pursued economic reforms since 2004. The government of Egypt has until now defined its development agenda around export promotion, the modernization of the industrialization process focusing on capital goods and high value production, reducing unemployment and promoting SMEs, developing desert land, reducing poverty, empowering women and protecting the environment.

Egypt is currently undergoing a process of recovery from the global financial crisis. The real growth rate of the country's GDP increased from 4.7% in 2008-09 to 5.1% in 2009-10. According to the *African Economic Outlook*[49] (AEO 2011), this growth can be attributed to the rise in domestic consumption, which constituted close to 86% of the GDP in 2009-10. Sectors related to domestic demand saw the most significant improvements, particularly the construction, ICT, transport and retail trade sectors.

Egypt's main trading partners are the EU, the US, followed by Arab and Asian countries. Egypt has been intensifying economic relations with the South for close to two decades. As a result, today Arab countries contributed 11.3% to the country's total external merchandise trade and 17% to total FDI flows. Meanwhile, Asia accounts for 16.6% of the country's total merchandise trade over the past five years.

Egypt has fared less well with regards to its social indicators. The percentage of Egyptians living in extreme poverty increased from 19.6% to 21.6% between 2005 and 2009. Cognisant of the challenges Egypt faces in terms of social development, the government has implemented a five-year plan (2007-12) to reduce poverty to 15% by 2011-12, to narrow the disparities between Lower and Upper Egypt, as well as those between rural and urban areas. To this end, a "poverty map" was constructed to determine the country's most vulnerable areas and groups and thus target the most vulnerable populations.

Nevertheless, the *African Economic Outlook* (AEO-2011) reports that in the future, Egypt will prioritize fiscal consolidation, increase the ratio of private investment to the GDP and address unemployment. In doing so, the country will be better able to alleviate poverty and improve living standards. ■

[49] The African Economic Outlook is an annual publication jointly produced by the African Development Bank and the OECD Development Centre, which analyses the comparative economic prospects for African countries.

Mr. Khushhal Chand Khushiram, Resident Representative
Note From The Egypt Field Office

The Bank further consolidated its partnership with Egypt during the year 2010, and expanded its portfolio of operations by a record amount of almost USD 1 billion. In consonance with Egypt's development priorities, the Bank remains actively involved in supporting infrastructure and private sector development, mainly power, but also water and sanitation, SMEs and small farmers, together with social protection. The Bank also significantly increased its technical assistance for project preparation, capacity building and knowledge development.

The Egyptian economy, already encumbered by stubbornly high inflation and unemployment, and persistent poverty issues, emerged from the Revolution with an exacerbated set of challenges. A most urgent focus is on the revival of economic activities and the resumption of the growth momentum. As Egypt pursues its process of democratic transition, it will also have to cope with fiscal and balance of payments pressures. Fundamental reforms will be needed to put public finances on a sustainable path, raise economic efficiency, and enhance external competitiveness. The Bank remains committed to projects and programs that add value, sustain higher economic growth, and lessen the burden of poverty.

As the economy recovers, the country's infrastructure financing gaps can be met by a greater reliance on public-private partnerships. The Bank is well placed to take advantage of these numerous investment opportunities in the coming years by offering long-term resources at competitive terms, and operating withgreater synergy under both its sovereign and private sector windows.

Egypt is reinforcing its economic ties and cooperation with the rest of the continent, particularly with its southern neighbors, and is aiming at the business prospects for increased investments and exports to Comesa and other African markets. The Bank will actively espouse the potential for upcoming cross-border investment projects that advance regional economic integration.

The Bank is fully conscious that its partners expect excellence in service delivery, enhanced responsiveness and flexibility, for the timely and successful execution of its projects and programs. The Bank will continue to upgrade the efficiency of its business processes and emphasize portfolio management based on achieving results. The Egypt Field Office strives to match the highest standards of portfolio quality and performance, to deepen country strategic dialogue, and improve developmental value through an active engagement with Egyptian authorities, primarily the Ministry of Planning and International Cooperation. The Field Office also collaborates closely with development partners and other stakeholders to facilitate harmonization and aid effectiveness.

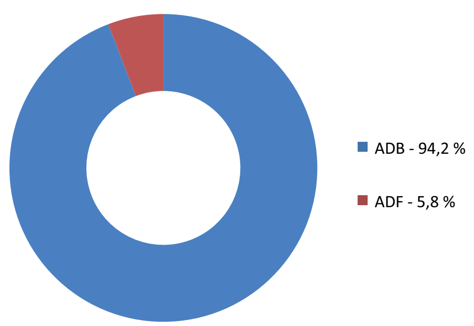
As the Bank intensifies its decentralization program through greater customization and broader delegation of authority, the Egypt field office will become better equipped to extend a more client-oriented service in line with the country's portfolio, which comprises a number of large-size projects, and in line with the specialized needs of key economic sectors. ■

Overview of Bank Group Operations in Egypt

Egypt was one of the founders of the African Development Bank Group in 1964. As a key Bank Group partner, the country's mutual cooperation with the continent's leading development finance institution has grown considerably over the years. Egypt is also the Bank Group's 3rd largest borrower. Its Cairo country office continues to enhance the institution's dialogue and effectiveness in the country.

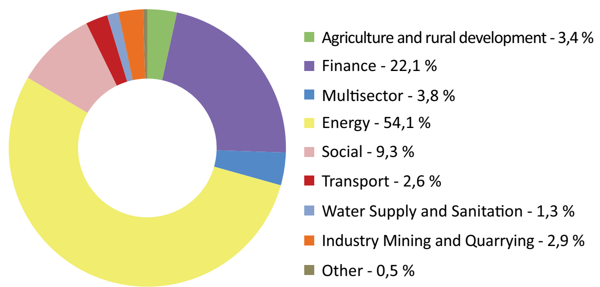
Since starting lending operations in 1974, the Bank Group has, as of December 2010, approved 86 operations, representing a total net commitment of about UA 3,737 billion, 94.2% of this amount is made up of ADB loans and grants, while 5.8% is comprised of ADF loans and grants.

Figure 5.9: Cumulative Bank and Group Loans and Grants by Institutions in Egypt (1974 – 2010)



Cumulatively, the Bank-financed operations cover mainly the power supply sector, which represents about 54.1% of the portfolio's net commitment, followed by the finance sector which takes up 22.1% of portfolio resources. The social sector accounts for 9.3%. Multi-sector operations, comprising mainly public sector management, export promotion and industrial import represent 3.8% of net commitments. The agricultural and rural development sector took up close to 3.4% of portfolio resources. The transport and industry, mining and quarrying sectors account for less than 8% of the portfolio. Lastly, the water and sanitation sector represents 1.3% of the Bank's net commitments.

Figure 5.10: Cumulative Bank Group Loans and Grants by Sector in Egypt (1974 – 2010)



Energy/Power Supply Sector

Continuous and reliable supply of electricity is required for Egypt's socio-economic development. With a highly urbanized population and a high growth electricity demand, a systematic expansion of the electricity generation facilities and other infrastructure developments are imperative to cope with household demand. At the same time, economic growth will hinge on the provision of adequate and reliable power to vital sectors like industry, agriculture, tourism and transport sectors, to which the government gives high priority. Against this background, the Egyptian government has made the expansion of electricity infrastructure, including generation, one of its priorities under its Sixth (2007-2012) National Development Plan, which outlines the country's development agenda over coming years.

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Figure 5.11: Cumulative ADB Loans and Grants by Instruments in Egypt (1974 – 2010)

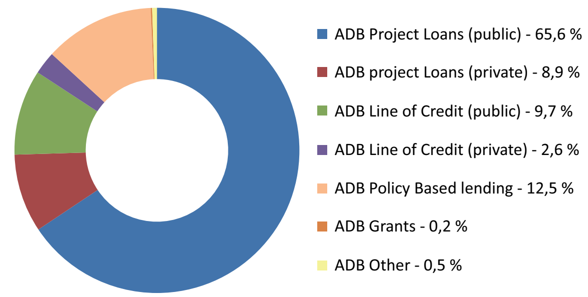
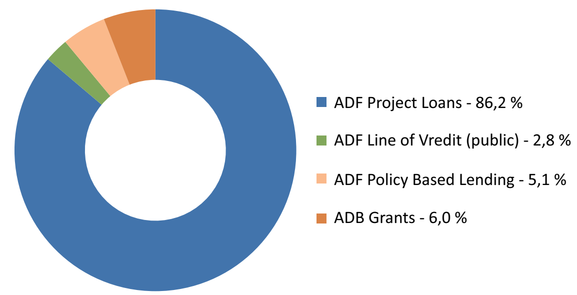


Figure 5.12: Cumulative ADF Loans and Grants by Instruments in Egypt (1974 – 2010)



Since 1974, the Bank Group has financed 19 operations in the energy sector. Bank Group interventions are aimed at ensuring that Egypt achieves its goal of expanding its electricity supply by no less than 7% annually and making it available at a minimum cost to various economic sectors in order to promote growth. The Bank has recently invested in the following ongoing projects: the El Kureimat Combined Cycle Power Plant Project (Module III); the Abu Qir 1300 MW Steam Power Plant Project; and the Ain Sokhna 1300 MW Steam Power Plant Project. These projects represent a cumulative lending amount of UA 652.6 million. In 2010 the Bank approved another project in this sector for the Egypt Refining Company (ERC), with a loan of UA 225 million.

Financial Sector

The Egyptian financial sector comprises the banking and the non-bank financial sector, the latter includes the insurance, mortgage, capital market, and other financial services, such as leasing and venture capital. Microfinance institutions are also gradually becoming integrated into the financial sector. The sector has a major role to play in stimulating development in the country, particularly that of the private sector. Stemming from its importance, the financial sector has been one of the main beneficiaries of the government's economic reform and liberalization policies implemented since the early 1990s. This period has seen an appreciable institutional strengthening of the financial system, including the recent decree of Law No. 10 of 2009 which established the Egyptian Financial Supervisory Authority which will oversee capital markets, derivative markets on financials and commodities, activities related to insurance services, mortgage finance, financial leasing, factoring and securitisation.

Since 2006, the Bank has supported the government's financial sector reform program, with one of the largest loan ever approved for an ADB-borrower of US$ 500 million. This program, co-financed with the World Bank and USAID, and including privatization and bank divestiture, has reduced concentration and improved performance of Egypt's banking sector, making it more efficient and responsive to private sector needs.

Social Sector

To date, the Bank has financed 19 operations in the social sector, comprising six projects in education, seven in health, two in poverty alleviation and microfinance and two in gender, population and nutrition sub-sectors. Bank Group operations in the social sectors have had a positive impact on the Egyptian economy. In particular, health sector operations have resulted in greater accessibility to health services by the country's population. In January 2010, the rural income and economic enhancement project was approved with the intention of improving the socio-economic livelihood of rural smallholder framers engaged in the production, processing and marketing of selected agricultural commodities.

Multisector

The current portfolio comprises two multi-sector operations. The Bank's current loan and technical assistance to the sector are intended to facilitate the development of Egypt's franchising finance market. This includes capacity building, institutional development, as well as fostering the necessary business climate to ensure that the franchising sector will grow, and aims to provide access to capital for first-time entrepreneurs.

Agriculture and Agro-Industry Sector

The Bank is currently financing three studies in the irrigation and water resources management sub-sector. Each study is being conducted with Middle Income Country (MIC) and African Water Facility grants. There are also a number of projects in the pipeline aimed at improving agricultural productivity through the development of irrigation infrastructure.

The first study in Nubaria and Islamia is a joint effort between the agriculture and agro-industry sector and the African Water Facility which provided a grant of UA1.66 million to develop and manage Egypt's limited water resources in the most efficient manner that meets irrigation and other needs through the application of the principles of integrated water resources management to maintain resource sustainability. The joint effort is being conducted through a study on Egypt's irrigation network and major hydraulic structures.

The second study is on the Zefta Barrage whose objective is to determine the most technically viable, economically feasible, and environmentally and socially acceptable option for the rehabilitation or reconstruction of the Barrage. With A MIC grant of UA 600,000, the study will include a production of a comprehensive feasibility report and the associated engineering designs, bills of quantities and tender documents for the selected option. The majority of the beneficiaries of the Zefta Barrage Study are among the poorest in the country, living in rural areas and depending mainly on agriculture for subsistence.

Lastly, the study on the rehabilitation of the Nile Hydraulic structures will involve the investigation of 200 hydraulic structures for the development of a master plan. With the funding provided jointly by MIC (UA600,000) and AWF (UA1.2 million) the study will involve three phases including site investigations and the development of a geographic information system database; safety evaluations and the development of a master plan and preparation of detailed designs for the top priority structures and their investment proposals.

Transport Sector

Currently, the Bank is financing the Damietta Container Terminal (a private sector operation), which accounts for 6.2% of the total commitment value of the active portfolio. In addition to this project, the Bank's work on transportation in Egypt may also include a potential project to expand the capabilities of Sharm El-Sheikh airport. ■

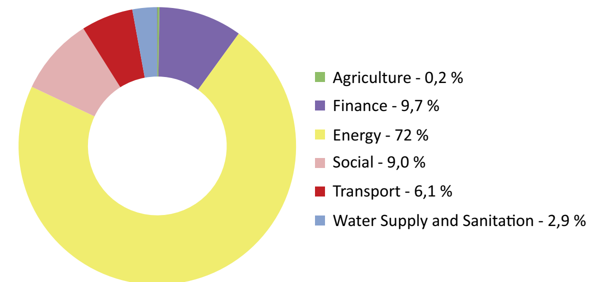
Bank Group Strategy & Ongoing Activities in Egypt

The Bank's 2007-2011 intervention strategy in Egypt is centred on two pillars. The first consists of promoting private sector development through direct support to the sector, with linkages to infrastructure projects and financial sector development. The second seeks to deepen social protection development through increased institutional capacity-building and support to organisations dealing with poverty reduction at the grass-roots level. The two pillars are within the government's fifth (2002/03-2006/07) and sixth (2007/08-2011/12) National Development Plans. Their strategic objectives are to promote exports to enhance balance of payments and increase job opportunities; deepen and modernize the industrialization process with a view to focusing on capital goods and high-value production in line with Egypt's competitive advantage; and reduce unemployment and focus on employment-oriented, labour-intensive techniques and promote small and medium-sized enterprises. Additionally, the projects seek to direct development towards desert land and correct spatial imbalances; reduce poverty and promote equity; and promote gender equality and greater female participation in the development process.

In line with the promotion of the private sector development pillar, the government has reformed regulations to obtain business licenses, thus positively impacting the investment climate. As a result, Egypt has jumped from the 43rd position in 2009 to the 24th position in 2010 on the ease of starting a business' indicator as part of the 2010 Doing Business survey. Structural reforms have also been pursued to ease the issuance of construction permits; reinsure contract enforcement; ease access to credit information and facilitate the creation of start-up companies. While private operations in Egypt amounted to only 47% of total operations in 2003/2004, they reached 65% in 2007/2008.

As of December 31, 2010, the ongoing operations portfolio comprised 19 operations that amounted to net commitments of UA 1,666 million and the newly approved operations were four with a total loan amount of UA 651 million. The public sector represents 90% of ongoing operations. Active operations are dominated by the power supply sector, which accounts for 72% of approvals; 9.7% went to the financial sector; 9% to SME and social protection development; 6.1% to transport and communication development, and 2.9% to water resource development.

Figure 5.13: Structure of the current portfolio by sector in Egypt



Ongoing operations include grants which are financed through the Middle Income Countries Trust Fund (UA3.9 million), the African Water Facility (UA2.86 million) and the African Private Sector Assistance Technical Assistance Fund (UA1.25 million) comprising four stand-alone studies (UA 4.8 million) in the water and transport sector, and capacity building interventions that are integrated in four projects (UA2.68 million). ■

Abu Qir 1300 MW Thermal Power Plant Project

ADB Loan Amount	UA 214.49 million
Co-Financiers	IDB, AFESD, KFAED, West Delta Electricity Production Company Egyptian Electricity Holding Company
Approval Date	November 2007
Expected Completion Date	December 2012
Location	Alexandria
Executing Agency	West Delta Electricity Production Company/ Egyptian Electricity Holding Company

Background and Objectives

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increasing demand from various sectors of the economy. Indeed, the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government gives high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with both the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the 2007- 2011 Country Strategy Paper, as the energy sector is critical for enhancing the private sector's efficient functioning.

The project's objective is to increase the generation capacity to partly meet the electricity demand on the Unified Power System in the short-to-medium term.

Description

The project components comprise:

- Site preparations, piling and foundation works and construction of buildings, structural steel, underground piping, access roads, cooling intake and discharge structures and portable water and sewerage systems;
- Supply and installation of steam turbine generators, steam generators and auxiliaries, mechanical equipment/pipes, electrical equipment, instrumentation and control system and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

Expected Outcomes

The project intends to:

- Increase energy generation; and
- Provide 4% of energy supply.

Ain Sokhna Thermal Power Project

ADB Loan Amount	UA 215.93 million
Co-Financiers	WB, AFESD, KFAED, Egyptian Electricity Holding Company
Approval Date	December 2008
Expected Completion Date	June 2014
Location	El-Ain Al-Sokhna
Executing Agency	Egyptian Electricity Holding Company

Background and Objectives

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increasing demand from various sectors of the economy. Indeed the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government gives high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with both the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the Country Strategy Paper (2007- 2011), as the energy sector is critical for enhancing the private sector's efficient functioning.

Specifically, the project's objective is to enhance Egypt's socio-economic development by providing infrastructure to increase the country's electricity generation capacity.

Description

The project comprises the following major components:

- Site preparations, piling and foundation works, construction of buildings, structural steel, underground piping, chimneys, access roads, yard tanks, cooling intake and discharge structures and circulating water and rack systems;
- Supply and installation of steam turbine generators and condensers, steam generators, mechanical equipment/ pipes, electrical equipment, instrumentation and control system and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

Expected Outcomes

This project intends to:

- Increase total installed capacity; and
- Increase the number of consumers.

El Kureimat 750 MW Combined Cycle Power Plant (Module III)

ADB Loan Amount	UA 154.3 million
Co-Financiers	Upper Egypt Electricity Production Company / Egyptian Electricity Holding Company
Approval Date	July 2005
Expected Completion Date	June 2010
Location	Cairo
Executing Agency	Upper Egypt Electricity Production Company / Egyptian Electricity Holding Company

Background and Objectives

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increase demand from various sectors of the economy. Indeed the provision of sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government accords high priority. To attain this goal, the country is in the process of securing reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The project is in line with the government's development strategy and the Bank's operational strategy in Egypt, as articulated in the 2007- 2011 Country Strategy Paper, as the energy sector is critical for enhancing the private sector's efficient functioning. Specifically, the objective of the project is to increase the generation capacity in order to partially meet the electricity demand in the Unified Power System (UPS).

Description

The project's main components include:

- Site preparations, piling and foundation works and construction of buildings, structural steel and underground piping, access roads, cooling intake and discharge structures;
- Supply and installation of gas turbine generator and auxiliaries, steam turbine generators and auxiliaries, heat recovery steam generators and auxiliaries and a switchyard;
- Design, fabricate, deliver, install and commission of an environmental monitoring station with all associated electrical instrumentation equipment;
- Engineering services for project management.

Expected Outcomes

The project intends to:

- Increase the UPS supply capacity;
- Contribute to increased UPS installed generation capacity;
- Increased electricity supply to the UPS; and
- Contribute to electricity generation capability.

Power sector

Egyptian Refining Company (ERC)

ADB Loan Amount	US$ 225 million
Co-Financiers	EIB, KEXIM, JBIC, NEXI, and international and local commercial banks
Approval Date	March 2010
Expected Completion Date	2016
Location	Greater Cairo Area
Executing Agency	Egyptian Refining Company

Background and Objectives

Egypt currently has a surplus of fuel oil and a supply shortage of diesel, which it consequently imports. This deficit was estimated at 2 million tons in 2006 and is expected to grow to 5 million tons by 2015.
The Egyptian Refining Company was incorporated in July 2007. Its shares are 75% owned by private and institutional Egyptian and regional investors, led by Citadel Capital, and 24% owned by the Egyptian General Petroleum Corporation (EGPC).

The Egyptian Refining Company envisages the construction of a new refining complex located adjacent to, and serving to upgrade, the existing Cairo Oil Refining Company (CORC) and the Petroleum Pipeline Company facilities. ERC will use as a feedstock the low quality Atmospheric Residue currently produced as a by-product by the CORC refinery, and to convert it in high-value petroleum products that are presently imported into Egypt, including 47,964 barrels-per-day of ultra-low sulphur diesel fuel (roughly 50% of total products).

Description

This project will be comprised of the following:

- The construction of a new hydro-cracking/coking facility and ancillary units for the ERC adjacent to the existing refining units of the Cairo Oil Refinery Company (CORC);
- ERC will use the low quality atmospheric residue from CORC as feedstock and produce 4.8 million tons per year of refined products for the domestic market.

Expected Outcomes

The project will:

- Create both direct and indirect jobs;
- Contribute to government revenue by way of taxes and dividends;
- Build the environmental management capacity at ERC;
- Develop local community-oriented social programmes at ERC.

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Power sector

Suez 650 MW Steam Cycle Thermal Power Plant Project

ADB Loan Amount	UA 362.2 million
Co-Financiers	IDB, EEHC
Approval Date	December 2010
Expected Completion Date	April 2015
Location	Suez
Executing Agency	The Egyptian Electricity Holding Company (EEHC)

Background and Objectives

Egypt's rapid economic growth requires, among other things, a systematic expansion of the electricity generation facilities to cope with increasing demand from various sectors of the economy. Indeed the provision of a sufficient and stable power supply is vital for all productive and social sectors of the economy, to which the government gives high priority. To attain this goal, the country is in the process of securing a reliable and adequate energy supply by investing in appropriate, diversified and economically competitive sources.

The purpose of the Suez Power Plant Project is to increase the power generation capacity in Egypt leading to the enhancement of socio-economic development. It involves the construction of a 650 MW steam cycle power plant at a site located in the vicinity of Suez city approximately 150 km east of Cairo. Power will be evacuated from the plant to the UPS through 220 kV network by rehabilitating the existing double circuit over-head transmission line and implementing two additional underground cables. In creating a more robust power supply for Egyptians, the project will not only promote economic growth and improve the standard of living of the population of Egypt, it will also support the sixth National Development Plan (NDP) for Egypt (2007-2012), whose goal is to reduce poverty and improve socio-economic development.

Description

The main components of the project include:

- Supply and installation of an outdoor dual fuel fired (natural gas and mazout) steam generator, an indoor condensing steam turbine generating unit rated at 650 MW with and auxiliaries, a balance of plant auxiliary equipment and a switchyard;
- Environmental Monitoring;
- Project Management; and
- Wrap-up Insurance

Expected Outcomes

This project will:

- Increase in the supply of electricity to the UPS to guarantee the availability of power to increase the number of consumers from 24.7 million in 2008/9 to 34 million in 2017;
- Contribute 5.5% of the targeted increase in the installed generation capacity to reach 41 GW by 2017;
- Use state-of-the-art technologies firing natural gas in line with efforts to mitigate climate change and move towards a greener economy.

Studies for the Launching of the Geostationary Satellite Project (NAVISAT)

ADB Grant Amount	UA 600,000
Co-Financiers	Egyptian Government
Approval Date	May 2009
Expected Completion Date	December 2010
Location	Nationwide
Executing Agency	Ministry of Civil Aviation

Background and Objectives

Considering the problems encountered in Africa regarding air navigation safety, which results from the region's difficult terrain; lack of adequate aviation safety facilities; and the urgency to implement the International Civil Aviation Organization strategy regarding air safety aimed at addressing challenges from the expected air traffic increase, the acquisition of the proposed CNS/ATM new system is considered as most promising and responsive approach in this region.

In this regard, the Egyptian Ministry of Civil Aviation Authority, through the Egyptian Aviation Holding Company, took the lead to initiate the Geostationary Satellite NAVISAT Project aimed at providing satellite-based air navigation and safety communication services over Africa and some surrounding countries.

The objective of the project is to help improve communications, navigation, surveillance and air traffic management services, therefore enhancing the continent's air transport safety and efficiency. The project will consequently result in the provision of cost-effective satellite communications and major improvements in the aeronautical services.

Description

The Bank Group has approved the financing of four studies: legal; financial; and human resources for a specialised satellite for air navigation and safety communication.

Expected Outcomes

The major outputs of the study will be the production of:

- Legal, financial, and human resources documents that will be used as main input in the implementation phase of the NAVISAT project; and
- The study documents will also serve as an input to prospective donors for their project appraisal.

Damietta Port Container Terminal Project

ADB Loan Amount	US$ 150 million
Co-Financiers	Ahli United Bank and Arab Bank Corporation, Sponsors
Approval Date	September 2005
Expected Completion Date	June 2010
Location	Damietta
Executing Agency	Damietta International Ports Company

Background and Objectives

Egypt's location on the Suez Canal makes it a strategic link between Africa and the Middle East and Asia. In an effort to capitalize on its location and to better integrate its economy into the global economy, the Egyptian government has, in recent years, intensified economic and structural reforms. In its 2002-2007 plan, the government put export promotion as a pillar of its strategy. This strategy involved modernizing and constructing new transportation infrastructure to achieve better integration and efficiency between the various transportation modes, including maritime transportation.

The Damietta project fitted perfectly into Egypt's development strategy as the country sought to strengthen its position in the highly competitive transshipment market. As part of this renewed emphasis on infrastructure, the Bank is partly financing the Damietta project. The main objective of the project is to expand the container capacity of the existing Damietta Port.

Description

The project will take advantage of Damietta's natural comparative advantages; a new container terminal will be built and equipped with modern transshipment facilities. It consists of:

- Construction of quay walls;
- Dredging of the access channel and turning basin;
- Installing the modern transshipment equipment; and
- Developing the terminal area and container yard.

Expected Outcomes

The project aims to increase Egyptian transit volume and it specifically seeks to:

- Increase the port's handling capacity;
- Increase the port's competitiveness.

Franchising Sector Support Program

ADB Loan Amount	US$ 40 million
ADB Technical Assistance	US$ 0.95 million
Approval Date	February 2009
Expected Completion Date	December 2013
Location	Nationwide
Executing Agency	The Egyptian Social Fund for Development

Background and Objectives

As part of the reform agenda launched in 2004/2005, the Egyptian government has been encouraging private sector investment and development as the key driver of the country's economic progress and job–creation effort. Within this context, the government has been undertaking major legal, structural, fiscal and operational reforms, leading to a more conducive and enabling environment. As a result, Egypt has been rated as a top reformer across 178 countries in Doing Business 2008.

Egypt has the second largest franchising market in Africa, with 2,327 outlets. There are significant opportunities for further franchise development, but also huge constraints. These include an incorrect application of the franchise concept with strong control of franchisors over franchisees' businesses, and the absence of available finance and skills.

The Bank Group Assistance Strategy is also geared to support the Government's efforts in addressing poverty reduction and job creation. The proposed franchising project, which targets the private sector, is therefore well aligned with government efforts to support SMEs and franchising. The project aims at removing these constraints in order to unlock the market potential.

Description

The Bank Group is providing a long-term loan to the Egyptian government with an on-lending agreement to the Egyptian Social Fund for Development (SFD). SFD is the executing agency, and will pass on the funds to local FIs for on-lending to franchisees. An associated technical assistance grant is part of the support package, to help build capacity in the franchising sector.

Expected Outcomes

The project is expected to:

- Create 375 franchise outlets and over 7,000 direct jobs;
- Increase the number of SMEs operating in the formal sector; and
- Ensure technology transfer to SMEs, fostering increased productivity and export potential, thereby increasing government revenues.

Glabel Elasfar Wastewater Treatment Plant

ADB Loan Amount	UA 48.56 million
Co-Financiers	AFD, Government of Egypt
Approval Date	October 2009
Expected Completion Date	June 2014
Location	Cairo
Executing Agency	Ministry of Housing, Utilities and Urban Development/ Construction Authority for Potable Water and Waste water

Background and Objectives

Water is one of the most important resources of Egypt. In recognition of the increasing limitation of this resource, the Government within its Integrated Resources Management Strategy (IRMS) is undertaking measures for its efficient use, protection from pollution including that related to wastewater disposal, as well development of new resources.

In line with the IRMS, the Egyptian government has an ongoing investment program aimed at addressing national issues such as public health and environmental protection, including the protection of the country's finite water resources. The Bank Group is supporting Gabal El-Asfar Wastewater Treatment Plant – Stage II Phase II, project which is part of that program.

The project's primary objective is to improve the quality of wastewater discharged into the drainage system in Cairo East, thereby contributing to increased coverage of improved sanitation and clean environment for the nearly 8 million people living in the area.

Description

The proposed project comprises the following main components:

- Wastewater treatment expansion works;
- Institutional Support and Sanitation and Hygiene Promotion; and
- Engineering services for project management.

Expected Outcomes

The project's main outcomes are a clean environment and subsequent improvement in health through reduction of water and sanitation related diseases. Therefore the project intends to:

- Increase the average capacity throughout the treatment process by at least 5,000,000m3/d of wastewater;
- Increase the flow of improved effluent into the drains and Lake Manzala;
- Increase the awareness of improved sanitation and hygiene by the communities; and
- Increase the ability of the Construction Authority for Potable Water and Wastewater and Greater Cairo Sanitary Drainage Company to manage the environment and social challenges.

Master Plan for the Rehabilitation Maintenance of Major Hydraulic Structures in Egypt

ADB Grant Amount	UA 0.6 million
AWF Grant Amount	UA 1.243 million
Co-Financiers	Government of Egypt
Approval Date	October 2009
Expected Completion Date	December 2013
Location	Nationwide
Executing Agency	Ministry of Water Resources and Irrigation through the Reservoirs and Grand Barrages Sector

Background and Objectives

The Egyptian government's water sector goal is to develop and manage the very limited water resources in the country in the most efficient manner that satisfies all needs whilst maintaining the sustainability of the resources through the application of integrated resources management strategy principles.

Egyptian authorities recognise that given current resource constraints, it is necessary to have, in place, a master plan that ensures the prioritization of appropriate and timely interventions in the different hydraulic structures. The plan is expected to also address the issues of timely resource mobilization.

In line with that, the Bank Group is supporting Egypt to undertake a study to prepare: (i) a Master Plan for the rehabilitation/replacement of hydraulic control structures on the Nile and (ii) a feasible investment project for the top priority large structure identified under the study to facilitate the mobilization of resources for work implementation.

Description

The study will comprise the following three phases of field implementation:

- Undertake the inspection of hydraulic control structures and data collection;
- Develop a geographic information system database;
- Carry out safety evaluations on the hydraulic structures;
- Carry out a Strategic Environmental and Environmental Impact Assessments;
- Develop a Decision Support System;
- Organize report validation and technical workshops;
- Develop a Master Plan; and
- Organize donor and technical workshops.

Expected Outcomes

The study will produce plans for efficient management of capital investment projects for the rehabilitation or the replacement of hydraulic control structures as well as for the mobilization of resources required for these investments.

Comprehensive Study and Project Preparation for the Nubaria and Ismailia Canals

ADB Grant Amount	€ 1.9 million
Approval Date	October 2007
Expected Completion Date	June 2014
Location	Nubaria and Ismailia
Executing Agency	Ministry of Water Resources and Irrigation through the Horizontal Expansion and Projects Sector

Background and Objectives

The Egyptian government is continuously seeking means to reduce system losses, to improve system efficiency and effectiveness, and to optimise water distribution equitably for beneficiaries. However, there are many-water related challenges facing Egypt. On the one hand, Egypt's growing population and related industrial and agricultural activities have increased demand for water to levels that reach the limits of available supply. On the other hand, Egypt's water resources are limited mainly to the River Nile; the supply is therefore almost fixed.

Specifically, the Nubaria and Ismailia canals are experiencing similar serious problems such as decaying and poorly functioning infrastructure, seepage and water logging adversely affecting valuable agricultural land, insufficient water conveyance capacity, unauthorized abstractions, environmental degradation from pollution. The Bank is financing a comprehensive study on Nubaria and Ismailia canals that will seek technically feasible and economically and socially viable solutions for efficient water control and system management in these two canals, concentrating on the main canal system.

The primary objective of the proposed study is to seek improvement in the Nubaria and Ismailia canals which will lead to more efficient and sustainable use of land and water resources.

Description

The study will undertake pre-feasibility and feasibility level work, to include developing semi-detailed designs, bills of quantities, cost estimates and tender document preparation so that major investment operations for both Nubaria and Ismailia canals can follow immediately upon conclusion of the study. The study will also comprise a full environmental and social impact assessment, including an environmental and social management plan as well as an environmental monitoring program with associated costs for the implementation of any recommendations.

Expected Outcomes

The project outcomes may be summarized as follows:

- Improved irrigation infrastructure development and management;
- Support for implementation of the country's Horizontal Expansion Plan;
- Improved agricultural productivity;
- Alleviating or mitigating the problems caused by the present canal situation on agriculture production and other users;
- Safeguarding the water demand for different sectors in the two study areas; and
- Generating higher income levels for the rural households.

Zefta Barrage Feasibility Study

ADB Grant Amount	UA 0.6 million
Co-Financiers	Government of Egypt
Approval Date	April 2009
Expected Completion Date	April 2011
Location	North Cairo
Executing Agency	Ministry of Water Resources and Irrigation through the Reservoirs and Grand Barrage Sector

Background and Objectives

Egypt's water sector goal is to develop and manage the very limited water resources in the country in the most efficient manner that meets all the needs while maintaining the sustainability of the resources through the application of the principles of integrated water resources management.

The Bank Group is supporting government efforts at improving water management and controlling efficiency, which includes the proposed feasibility study on the Zefta Barrage. The Barrage should have a positive impact on a wide spectrum of the country's population, the majority of whom are the rural poor. More importantly, it should also help the country in its race towards achieving the Millennium Development Goals by making the most efficient use of Egypt's water resources.

The specific study objective is to determine the most technically viable, economically feasible, and environmentally and socially acceptable option for the rehabilitation/reconstruction of Zefta Barrage, including the production of a comprehensive feasibility report and the associated engineering designs, bills of quantities and tender documents for the selected option.

Description

The present study is designed as a comprehensive detailed investigation to formulate a project for the rehabilitation of Zefta Barrage or reconstruction of a new barrage in replacement of the current structure as a solution for: (i) improved water management in 1 million feddans; (ii) increasing the availability of fresh water for irrigation of 3 million feddans additional agricultural land as well as domestic and industrial uses; (iii) navigation throughout the year; and (iv) miscellaneous uses by the beneficiaries.

Expected Outcomes

The major expected outcome of the study is to partly contribute towards the development of a master plan of the grand barrages and regulators, assessment of the conditions of these infrastructures and the proposal of an action plan with the view to meeting water demand through optimal management.

Small and Medium Enterprise Support Project (Second Line of Credit to the National Bank of Egypt)

ADB Loan Amount	US$ 200 million
ADB Technical Assistance	UA 0.30 million
Approval Date	September 2005
Expected Completion Date	June 2010
Location	Cairo
Executing Agency	National Bank of Egypt

Background and Objectives

Small and Medium-sized Enterprises (SMEs) constitute the engine of growth for the Egyptian economy, comprising more than 97% of the country's private establishments in the non-agricultural sector, and contributing two-thirds to the labour force. The development of SMEs therefore represents a key component of the government's economic and poverty reduction strategies.

The Bank Group has assisted the country's SMEs and approved funding to the National Bank of Egypt in October 2002 to support the development of SMEs in the country. This line of credit contributed in increasing NBE's financings to SMEs, as well as engendering positive institutional changes in the bank.

The proposed Small & Medium Sized Enterprise support program is a follow-on to the previous line of credit. It was designed to complement other development assistance. The project's objective is to support Egypt's efforts at promoting economic growth and poverty alleviation in the country through the development of SMEs.

Description

The project comprises the provision of financial resources for SME development in Egypt, using line of credit instruments through the National Bank of Egypt (NBE), as well as a parallel technical assistance to NBE to improve the institution's capacity for SME financing. More than 200 SMEs in manufacturing, tourism, construction and services sectors are expected to benefit from the project. The project will contribute to the economy's objectives of increasing output, creating new jobs and increasing foreign exchange earnings.

Expected Outcomes

The project aims at developing financial and non-financial services to the SMEs in Egypt. Specifically the project intends to:

- Increase the availability of medium and long-term financial resources to SMEs;
- Increase the number of SMEs with access to financial services; and
- Improve the institutional capacity of NBE for SME financing.

Social sector

National Program for Taxi Replacement Scheme Based Employment Generation

ADB Loan Amount	UA 98.3 million, and UA 600,000 grant
Co-Financiers	MIC, Nasser Social Bank, GoE
Approval Date	December 2010
Expected Completion Date	December 2015
Location	Nationwide
Executing Agency	Nasser Social Bank

Background and Objectives

Today about 90,000 taxis in Egypt are over 20 years old, with serious negative socio-economic impacts, including the deterioration of air quality; traffic congestion affecting productivity and growth; and increased consumption of subsidized fuel. As a result, the Egyptian government enacted the 2008 Traffic Law which stipulates that mass transport vehicles (including taxis) over 20 years old are not allowed to operate starting July 2011.

However, without external assistance, taxi owners would be unable to replace their cars, and risk becoming unemployed. In that regard this project to reinforce the National Taxi Replacement Scheme (NTRS) to support the government's initiative to curb the costs of using old vehicles without negatively impacting the livelihoods of drivers. The scheme supports owners of such taxis through the provision of finance and facilitation of the replacement of the old taxis with new ones. In doing so, the scheme protects the employment of taxi owners and provides environmentally-friendly cars.

Description

The main components of the project include:

- Financing replacement of 21,250 cars for eligible beneficiaries;
- Strengthening the capacities of NSB through technical training, as well as the training of management in strategy formulation and human resource development.

Expected Outcomes

This project will:

- Air pollution and greenhouse gas emissions caused by old taxis in the country will be reduced by 0.3 million metric tons of CO_2 emission out of 1.2 million;
- Incomes of taxi drivers are expected to increase by 40%;
- At least 21,250 jobs will be sustained and a further 10,500 direct and 1,000 indirect new jobs will be created in the form of drivers as well as staff of vehicle factories, car maintenance and car scrapping companies.

Social sector

Rural Income and Economic Enhancement Project

ADB Loan Amount	UA 45.07 million
ADB MIC Grant	UA 0.6 million
Co-Financiers	FAPA, Government of Egypt
Approval Date	January 2010
Expected Completion Date	December 2015
Location	Nationwide
Executing Agency	Social Fund for Development

Background and Objectives

The National Development Plan (2007-2012) calls for the creation of approximately 750,000 new jobs every year in order to cope with new entrants to the workforce, the reduction of the current level of unemployment from around 8.4% to 5.5% as well as reduction of poverty from 20% to 15% by 2012. It also calls for: (i) fostering agro investments as a means of stimulating private sector development in rural economies; (ii) improving income levels of the low income citizens; and (iii) improving the standard of living of the citizens, especially for the population living in Upper Egypt.

This is consistent with the Bank's broader medium term strategy which promotes agro industry development in regional member countries (RMCs) and the Egypt Country Strategy Paper (2007–2011) which focuses on: (i) private sector development; and (ii) support to social development and protection.

Therefore the Bank Group is supporting a project with the objective to improve the socio economic livelihood of the economically active rural smallholder farmers engaged in the production, processing and marketing of selected agricultural commodities.

Description

To achieve this objective, the project will:

- Create business linkages between the farmer associations and the private sector agribusinesses in a value chain;
- Develop capacities of financial intermediaries to develop and introduce new and innovative financing instruments for agribusiness (including micro-insurance schemes); and
- Address the financing constraints faced by agribusiness institutions.

Expected Outcomes

The project intends to:

- Increase the number of households with sustainable improvements in incomes and living standards;
- Increase agribusiness lending;
- Increase the volume of trade in horticulture and diary products;
- Reduce post harvest losses; and
- Increase in the number of jobs created.

Multisector

Financial Sector Reform Program (FSRP)

ADB Loan Amount	US$ 500 million
Co-financiers	World Bank, USAID and Government of Egypt (GoE)
Approval Date	July 2006
Expected Completion Date	December 2009
Location	Nationwide
Executing Agency	Central Bank of Egypt and Ministry of Investment

Background and Objectives

Egypt's financial sector has a major role to play in stimulating development in the country, particularly that of the private sector. The sector has been one of the main beneficiaries of the Egyptian government's economic reform and liberalization policies implemented since the early 1990s. This period has seen an appreciable institutional strengthening of the financial system.

Despite the progress that has, to date, been made in transforming the Egyptian financial sector, important challenges remain if the sector is to efficiently perform its role in economic development. For instance, the maturity transformation rate in the banking system is very low, thereby depriving the real sector of medium to long-term funding resources. The insurance sector remains small, limiting its role in risk management and transfer. Further strengthening of the sector is required to increase efficiency, enhance competition, and improve the credit management infrastructure.

The Bank Group is supporting the Financial Sector Reform Program that has been designed primarily to address these and other shortcomings of the financial sector. The main objective of the program is to strengthen the enabling legal and institutional environment for financial intermediation and risk management, and to increase the private sector's role and participation in the provision of financial services.

Description

The Program was designed along four main pillars :

- Introducing a comprehensive and transparent Monetary Policy Framework;
- Improving the functioning of the Foreign Exchange Market;
- Implementing a Banking Sector Reform; and
- Strengthening the Non-Bank Financial Sector.

The Egyptian government carefully planned the implementation of these pillars in terms of sequencing and coordination. The first two pillars, which constitute the first part of the program, have been successfully implemented. The Bank is assisting Egypt to implement the second part, which includes the other two pillars.

Expected Outcomes

The project intends to strengthen:

- The effectiveness of banking regulatory and supervisory regime;
- Insurance and private pension supervisory capacity, and transition to a risk-based supervisory regime;
- The capital market;
- The performance of restructured state-owned banks;
- The enterprise budgetary process; and
- Corporate governance in the enterprise sector.

The African Development Bank Group in North Africa - 2011

Libya

Membership year	1972
Subscribed capital (%) as of 31 December 2010	3.848
Total voting power (%) as of 30 November 2010	3.795
Number of newly approved operations	2
Total grant amount of newly approved operations in UA million[50]	1.06

[50] This number reflects UA exchange rate in December 2010.

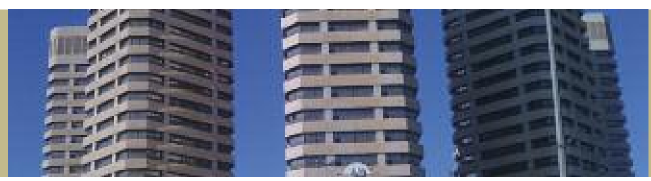
Great Socialist People's Libyan Arab Jamahiriya
Key Features

Libya has a GDP of USD 58 billion, and is one of Africa's wealthiest countries. With an area of almost 1.8 million km², 90% of which is desert, Libya is also the fourth largest country on the continent.

The country's capital, Tripoli, is home to 1.7 million of Libya's 5.7 million people. A middle income country, Libya's economy has been rather resilient to the financial crisis, thanks to the limited exposure of its financial sector and sustained implementation of sound macroeconomic management practices. After experiencing a decline in their GDP in 2009, its growth rate was estimated to pick up again by 7% in 2010.

Libya's economy is highly dependent on hydrocarbons, which generate more than 90% of government revenues and account for 70% of GDP and 95 % of exports. Libya is endowed with the largest proven oil reserves and the second largest natural gas reserves in Africa (AEO 2011)[51]. While it currently ranks third in terms of oil production behind Angola and Nigeria, its production capacity could be increased to levels that would make it the continent's greatest producer within 5 years. In 2010, the government announced plans to increase oil production capacity by 2.5 million barrels per day by 2015, although actual production will depend on OPEC quotas.

So as to lessen its dependence on oil and consequently the country's vulnerability to price shocks, Libya has embarked on a series of reforms. These reforms have included an overhaul of the country's business legislation in 2010, geared towards creating an enabling environment for private sector development.



The Libyan National Economic Strategic Vision in particular, sets out a new approach to development, including a restructuring of its government system. This vision recommends establishing an economic development board and a human assets office, implementing a far-reaching entrepreneurship program, and creating a special economic status for three high potential sectors: tourism, information and communication technologies and construction.

Likewise, in 2007, the government instituted the Libya Investment Authority with the mandate of managing state financial assets, including the Oil Reserve Fund, for future generations. The customs administration was also reformed and a large taxpayer's office established. In addition to these changes, the budget presentation was consolidated and a macro-fiscal unit was initiated.

In addition, the country has also embarked on privatization reforms, opened up to foreign investment, and decreased the inefficiencies of the public sector. Consequently, interest by foreign investors to capitalise on the plethora of opportunities offered in the energy, construction and tourism sectors has grown steadily in recent years with FDI quadrupling between 2005 and 2008.

With regard to social development, Libya has the highest HDI in Africa, rising steadily by 0.44% annually between 0.821 to 0.847 between 2000 and 2008. The state provides universal health care and education to its citizens. The country boasts of gross enrolment rates of 100% and 94%, for primary and secondary education, complemented by an 82.6% literacy rate. Challenges, however, remain on improving the quality of both health care and education. Youth unemployment and efforts to conserve the country's environment, as well as to encourage gender equity in social and economic participation are the focus of Libya's current efforts in human development. ■

[51] The African Economic Outlook is an annual publication jointly produced by the African Development Bank and the OECD Development Centre, which analyses the comparative economic prospects for African countries.

The African Development Bank Group in North Africa - 2011

Overview of Bank Group Operations in Libya

While Libya has been a Bank Group member since 1972, it has yet to make use of Bank lending services due to its significant reserves and capital surplus. Libya is unlikely to seek sovereign lending. However, the Libyan government's intention to strengthen its position in the in the global economy has encouraged it to pursue an enhanced cooperation with development partners, including the African Development Bank. Libya is also increasing seeking assistance by development partners such as the Bank for knowledge and technical assistance to guide the country's diversification efforts.

In this context, and upon the Libyan government's request, the Bank has, since 2007, carried out three studies to support Libya's ongoing reform programs in the water and financial sectors, as well as on the country's economic diversification.

Libya has also been an active player in regional programs. The Bank is co-financing a multinational telecommunications project for regional African satellite communication members, and signed an MoU with Libya Africa Portfolio, one of Libya's sovereign wealth funds for co-financing projects in Africa.

Cooperation with the Bank Group has geared up further to the ADB president's visit to Tripoli in December 2008, during which he was received by the Libyan leader. Following this meeting, the Bank Group Board of Directors approved the Libya Country Engagement Note in March 2009.

This enhanced collaboration with Libya materialized with the approval in September 2009 of a first grant of UA 0.48 million to finance a capacity building program focusing on strengthening the institutional capacity of the Libyan Export Promotion Centre. This project is line with the Bank Group's strategy to encourage the transfer of technical advice and know-how that can contribute towards efforts at building institutions. The project will promote the organizational capacity and systems of the institution, strengthen its managerial capacity and support the improvement of its capacity and effectiveness in delivering export promotion and business development services. Ultimately, this AfDB funded project will contribute to the diversification of the country's production and export base, growth sustainability and job creation in Libya.

The Libyan authorities have also approached the Bank for possible co-financing of the Qadhafi Trans-Saharan Highway Project (crossing Libya, Niger, and Chad). While the latter has not yet materialized, the Private Sector Department (OPSM) of the Bank has been approached by several foreign and Libyan investors interested in Libya. ■

Bank Group Strategy & Ongoing Activities in Libya

Bank support to Libya is guided by the Country Engagement Note (CEN) and is consistent with the revised assistance strategy to Middle Income Countries. The CEN highlights the number of opportunities present for the bank to support private sector development, sector capacity building, the promotion of regional integration and development, and the co-financing of joint or multinational projects in the rest of Africa

In 2010 the Bank has strengthened its involvement in the country, namely through the approval of its second MIC grant in support to SME development. The Grant was provided to the Libyan Academy of Graduate Studies with the goal of contributing to the diversification of the Libyan economy and the sustainability of growth, by way of strengthening institutional and human capacity with respect to SME and entrepreneurship development. The project is expected to create an environment conducive for SME development by the end of September 2012.

The Bank has also provided Libya with technical assistance on statistical capacity building and enhanced its collaboration with the General Authority for Information and the National Accounts in the Secretariat of the General People's Committee for Planning and Finance. ESTA has provided two technical assistance missions to Libya, on both national accounts and price statistics. Three Libyan statisticians were also trained by workshops organized by ESTA in April and September 2010. Further to the request by the government, ESTA is currently discussing a possible protocol of agreement and a work plan between the Bank and Libya on statistics. The Bank also initiated a study on tourism development.

The Bank has also stepped up its knowledge and intelligence work on Libya in 2010. A country profile providing an overview of the country's most recent economic development has been produced as part of the African Economic Outlook and presented at a widely attended event in Tripoli in 2010.

While the knowledge and technical assistance is likely to continue being prominent in the Bank's engagement with the country, lending activities related to Libya are expected to be limited to possible co-financing of projects in other African countries or non-sovereign financing by the private sector. ■

The African Development Bank Group in North Africa - 2011

Technical Assistance for Small and Medium Enterprise Development

ADB Loan Amount	UA 579,780
Co-financiers	Academy of Graduate Studies
Approval Date	October 2010
Expected Completion Date	September 2012
Location	Nationwide
Executing Agency	Academy of Graduate Studies

Background and Objectives

The Libyan economy is characterized by a high dependence on the oil and gas sector and an oversized and inefficient public sector. The lack of diversification in the economy has impacted job creation with overall unemployment levels in 2006 estimated at 20.7% and up to 30% for youth under 25. There is now both the political will and potential to stimulate the private sector and act to develop and support a thriving SME sector.

SMEs have the potential to become growth engines for Libya's private sector. This project aims to contribute to the diversification of the Libyan economy and the sustainability of growth.

Description

This project will entail:

- A report detailing the needs, opportunities and challenges facing SMEs development in Libya discussed within a national forum, validated by the Bank and endorsed by the GoL;
- The production of a curriculum for SME training, integrating the outcomes of the report;
- The training of public sector representatives and academy staff on the needs of SMEs and how to promote entrepreneurship;

- The establishment of a center to support and foster entrepreneurship;
- The hosting of a forum on entrepreneurship by the Academy;
- The training of students on SME development through a virtual incubator, internships and job fairs.

Expected Outcomes

This project will result in:

- A conducive environment for SME development;
- Improved understanding by both the public and private sectors of the needs, opportunities and challenges facing SMEs development in Libya;
- Improved entrepreneurship capability and leadership of Libyan SMEs;
- Increase in business development opportunities within and outside Libya;
- Improved capacity of the Academy of Graduate Studies to support entrepreneurs.

Capacity Building Support to Export Promotion

ADB MIC Grant	UA 0.48 million
Co-Financiers	Government of Libya
Approval Date	November 2009
Expected Completion Date	June 2011
Location	Tripoli
Executing Agency	The Libyan Export Promotion Centre

Background and Objectives

The Libyan government recognises that the ongoing globalization and the country's re-integration process into global markets have created both challenges and opportunities. In this context, the authorities have set up the Libyan Export Promotion Centre (LEPC) to deliver direct trade-related services and also play advisory and advocacy roles in trade issues.

However, the paucity of technical trade and export promotion expertise is a major weakness facing the country as it aspires to maximize the benefits of regional cooperation, bilateral agreements and other multilateral arrangements. The Bank's role is to encourage the transfer of technical advice and know-how that can contribute to efforts at building institutions such as LEPC and the requisite skills.

The overall objective of the proposed AfDB-funded program is to contribute to efforts at diversifying the production and export base, sustain growth and create jobs in Libya. The program's specific purpose is to help develop the Libyan Export Promotion Centre's institutional capacity and human resources.

Description

The program's main components are:

- Organizational and managerial enhancement: This will involve organizing a training program for management and leadership, a forum on export constraints, development and promotion as well as reviewing and making suggestions to improve the centre's organizational structure and its human resources systems; and
- Export Promotion and Business Development Services: This will include developing a strategic plan for the centre's export promotion and business development services, organizing training and capacity building sessions to assist with the service delivery and efforts at strengthening the centre's "Trade Information System."

Expected Outcomes

The project intends to:

- Support emerging opportunities for diversification;
- Improve human resources by upgrading skills and changing mindset/attitude;
- Improve provision of training and business services; and
- Enhance the centre's capacity to effectively deliver export promotion and business development services.

Mauritania

Membership year	1964
Start of lending operations	1972
Number of ADB operations, 1967-2010	14
Number of ADF approved operations, 1974-2010	47
Number of NTF operations	2
Cumulative Bank Group Approvals in UA million, 1967-2010	500.8
Approved loans and grants as percentage of total, 2005-2009 (%)	1.2
Subscribed capital (%) as of 30 November 2010	0.147
Total voting power (%) as of 30 November 2010	0.172
Number of ongoing and approved operations	13
Total loan amount of ongoing and approved operations in UA million[52]	183.2

[52] This number reflects UA exchange rate in December 2010.

Islamic Republic of Mauritania
Key Features

At the economic level, Mauritania has been hard hit over the past years by the combined effects of external and internal shocks that have hindered its growth. The Bank's Country Strategy Paper notes that poor performance resulted mainly from the suspension of programmes financed with external resources and a marked fall in oil production. Nevertheless, the normalization of the political situation which came about in 2005 bringing about the end of military rule and the resumption of Mauritania's relationship with development partners is auspicious of Mauritania's future.

Mauritania has substantial mining and oil reserves; these resources have contributed to an estimated 36.5% of GDP in 2008. Iron-ore production was 11.8 million tonnes in 2008, up about 8% from 2007.

However, the global financial crisis affected demand for the country's raw materials. As a result Mauritania's ability saw its GDP decrease by 1.2% in 2009. However, the *African Economic Outlook 2011*[53], has estimated that the country's GDP will register at 5.0% in 2010, due in part to the effects of the public finance reform program convened by the IMF, and the increase in the international price of minerals. The mining sector remains an important foundation for the economy, accounting for over 26% of the GDP in 2009.

Mauritania has also suffered a severe depreciation of its currency. Since the beginning of 2010, the ouguiya decreased approximately 9% to the dollar. Inflationary pressures were also present in 2010, due to the rise in international prices for foodstuffs and hydrocarbons. As a result, inflation increased 3.9% in comparison to 2009, reaching 6.1% (AEO 2011). The government has responded to these recent economic difficulties by pursuing economic reforms.

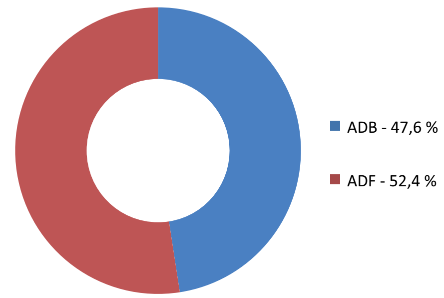
In terms of social development Mauritania has many challenges to overcome. Currently the country ranks 154th out of 182 in the UN Human Development Index, and of the 11 targets of the Millennium Development Goals, the country is on track to achieve only 6 in the next 5 years. Approximately 46.7% of the country's population is living below the poverty line, and inequality continues to rise. ■

[53] The African Economic Outlook is an annual publication jointly produced by the African Development Bank and the OECD Development Centre, which analyses the comparative economic prospects for African countries.

Overview of Bank Group Operations in Mauritania

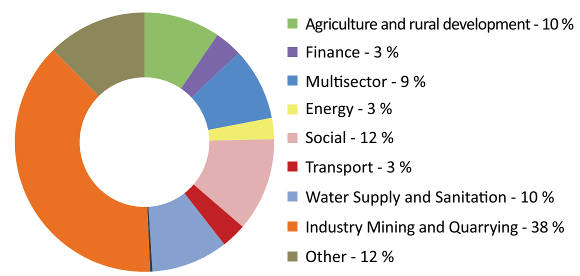
Since commencing operations in Mauritania in 1972, the Bank Group has provided the country with total financing of UA 500 million for 63 operations. Of these 47.6% are ADB loans and grants, while 52.4% are ADF loans and grants.

Figure 5.14: Cumulative Bank Group Loans and Grants by Institutions in Mauritania (1972 – 2010)



Since 1972, the sectoral breakdown of operations indicates that industry, mining accounted for 38% of entire approvals to Mauritania. This is followed by infrastructure (water, energy, and transport) with 16%, the social sector with 12%, agricultural sector with 10% and the financial sector accounts for 3%.

Figure 5.15: Cumulative Bank Group Loans and Grants by Sector in Mauritania (1972 – 2010)



Industry, Mining and Quarrying

Industry Sector

According to the African Economic Outlook (2011), Mauritania has substantial mining and oil reserves, with the mining sector contributing an estimated 38.2% of the GDP in 2010. The contribution of this sector was partially attributed to the rise in prices of minerals on the international market. SNIM (Société Nationale Industrielle et Minère), which focuses on iron mining, achieved an annual production of 11.2 milion tonnes, and engaged in an ambitious modernizing program that will allow it to increase its production further beginning in 2013.

Thus far, the Bank Group has participated in financing six projects in the mining sector since 1978 for a total of UA 214.32 million. The Bank Group has partnered with the National Industrial Mining Company for the past 30 years with a long-term objective of diversifying and increasing mining production up to the level of the country's mining potential, improving the government's tax revenue from the sector, and contributing to the country's economic and social development.

Water and Sanitation Sector

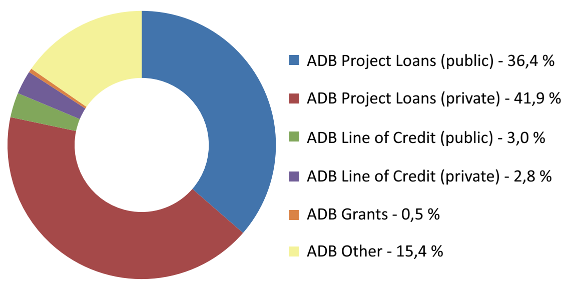
As a Saharan and Sahelian country, Mauritania is confronted with serious surface and underground water problems. The government has designed a strategy to improve access to drinking water by giving priority to the most underprivileged population in Mauritania. The long-term objective is to provide all villages with over 500 inhabitants with a drinking water supply system, and to raise the water connection rate to 85% in rural areas.

Since 1967, the Bank Group has provided finances to the sector amounting to UA 53.5 million to help mitigate the problem of water scarcity in Mauritania. Bank interventions have improved socio-economic and health conditions of rural communities in Mauritania by improving water supply and household sanitation.

Agriculture and Rural Development Sector

In collaboration with various development partners, the government has implemented the integrated irrigated areas program, developed and managed pasture lands. This has resulted in increased farm output and reduced post harvest losses. The importance of the agricultural sector to Mauritania's economy was highlighted in 2010, as the agro-livestock sector accounted for 10% of GDP in 2010, growing at roughly 4.5% a year in real terms (AEO 2011).

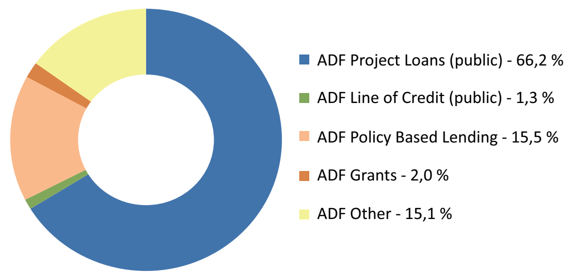
Figure 5.16: Cumulative ADB Loans and Grants by Instruments in Mauritania (1972 – 2010)



Mauritanian government made efforts to achieve self-sufficiency in this sector by upgrading facilities, increasing rural credit from MRO 1 billion in 2007 to MRO 3 billion in 2008, ensuring timely and adequate supply of fertilizers, using 40% selected seeds for harvests instead of the previous 15%, and reinforcing technical supervision. Livestock provides more than 80% of the whole sector's value added and about 9.5% of GDP. The agricultural sector also benefits from Mauritania's access to plentiful fisheries. The fishing industry alone contributed over 24% of the state budget and 6.1% of the GDP in 2010 (AEO 2011).

The Bank Group has approved 14 operations in the sector with total commitments reaching UA 57.62 million, thereby contributing to food security by increasing agricultural production and improving farmers' incomes.

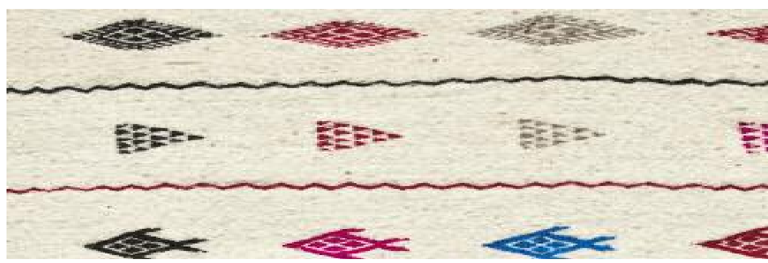
Figure 5.17: Cumulative ADF Loans and Grants by Instruments in Mauritania (1972 – 2010)



Financial Sector

The financial system remains modest and partitioned compared with the other Maghreb countries. The low level of banking intermediation constitutes an obstacle to domestic saving mobilization and access to credit, both of which represents a major constraint on economic growth. However, the Government's efforts to modernize and strengthen the stability of the financial sector should be highlighted. They include the reform of the legal and regulatory framework that was implemented in 2009. In 2009, the country's central bank set up new deposit guarantee funds. This funds aim at reinforcing the protection and public's confidence in the banking system. It will, in the long run, make it possible to improve the extent of banking and promote saving.

The Bank has contributed to the development of the country's financial sector by financing several credit lines for Mauritania. As of December 31, 2010, the sector accounted for 10.35% of commitments and 26% of total disbursements for Bank Group ongoing projects in Mauritania, with the intention of supporting the development of local entrepreneurship in the country. ■



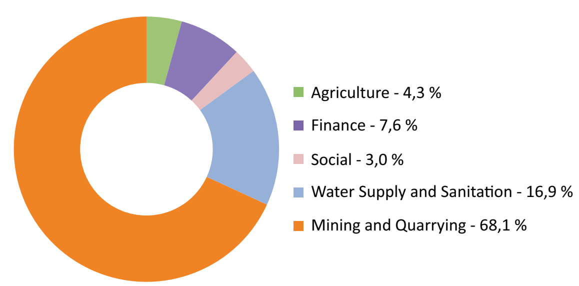
Bank Group Strategy & Ongoing Activities in Mauritania

The main thrusts of the Mauritanian government's development agenda are accelerating growth while maintaining a stable macroeconomic framework; anchoring growth on the economic sphere of the poor; developing human resources and expanding essential services; improving governance and building capacity; and improving management, monitoring/evaluation and coordination.

The Bank has just released its new strategy of assistance for the period between 2011 and 2015, which aims to contribute to the realization of the country's priorities, most notably by reinforcing the competitiveness of their economy and reducing poverty.

On the basis of lessons learned from the preceding strategy, the 2011-2015 strategy will base its work on the following two pillars: the reinforcement of infrastructure, and the improvement of economic governance and financial management. The first pillar will concentrate on the development of water infrastructure in rural areas so that the goal of providing 75% of the population with drinking water by 2015 is reached. This pillar will also allow the bank to support the distribution and production of electricity. The second pillar, regarding the improvement of economic governance, will allow the Bank to support reforms and reinforce the institutional capacity of governmental administration. Here the objective is to promote macroeconomic stability and maintain economic growth through the improved management of public finances, the modernization of the administration, and an improvement in the business climate.

Figure 5.18: Structure of the current portfolio by sector in Mauritania



The Bank's ongoing portfolio in Mauritania, as of December 31, 2010, had 13 operations, representing total commitments of nearly UA 183.3 million. Active Bank operations show that the industry, mining and the quarrying sector account for 68.1% of the financing to Mauritania. This is followed by the water and sanitation and finance sectors account for 16.9% and 7.6%, respectively. The remainder goes to the social sector (3%) and the agricultural sector (4.3%). The prominent share of mining and industry in the portfolio is mainly attributed to the UA 111.75 million loan to the National Industrial and Mining Company approved in September 2009. ■

The Nouakchott City “Aftout Essaheli” Drinking Water Supply Project

ADF Loan Amount	UA 26.00 million
Co-financiers	AFESD, KFAED, SFD, IDB, Government of Mauritania, OPEC
Approval Date	September 2003
Expected Completion Date	December 2010
Location	Nouakchott City
Executing Agency	National Water Corporation

Background and Objectives

The Mauritanian government is taking action to address the country’s water shortage problem, which hampers the social and economic development of Nouakchott city. The government conducted a study which led to the preparation of a water supply project aimed at meeting the city’s requirements right up to 2030.

The current project is consistent with the Bank’s water and sanitation sector strategy. Water from the Senegal River will benefit the poorest on the outskirts of the capital who have no access to basic drinking water supply infrastructure. The project will also supply drinking water to rural populations living around the water supply installations. Furthermore, it will include a study on water supply for rural populations along the aqueduct. To that end, the project will also contribute to the achievement of the Bank’s Rural Drinking Water Supply Initiative.

More specifically, the project aims to increase coverage of water requirements of the Nouakchott population by increasing the daily drinking water production.

Description

The project comprises the following main components:

- Supply structure and pumping stations aimed at drawing water from the Senegal River and transferring it to the Béni-Nadji pre-treatment station;
- Water treatment structures;
- Raw water transfer pipes from the Nouakchott supply
- Pre-treated water conservation pool at Nouakchott;
- Drinking water transfer pipes;
- Consultancies, inspection and supervision of works; and
- Institutional support and project management.

Expected Outcomes

The project intends to:

- Improve drinking water supply for Nouakchott residents;
- Mobilize water for rural populations located along the aqueduct.

Rural Drinking Water Supply and Sanitation Project in the South

ADF Loan Amount	UA 9.70 million
Co-Financiers	Community Beneficiaries, Government of Mauritania
Approval Date	November 2006
Expected Completion Date	December 2010
Location	Three regions: Hodh El Chargui, Assaba and Gorgol
Executing Agency	Ministry of Water Resources

Background and Objectives

In Mauritania, there is limited access to drinking water and sanitation facilities, especially in rural areas. In response to this concern, the government designed a national water supply and sanitation program for the year 2015. The national program is in line with the Bank's Rural Water Supply and Sanitation Initiative which aimed, inter alia, at accelerating access for rural communities to adequate water and sanitation systems.

The Bank Group is financing a project in the rural areas of the southern part of the country which embodies aspects related to integrated water resources management. It lays emphasis on environmental protection and the integration of women in the development process.

The project's specific objective is to improve drinking water supply in rural communities; provide adequate sanitation to rural communities; and contribute to efforts at improving the performance of rural drinking water supply and sanitation.

Description

The project will be implemented through the following activities:

- Provision of a modern water point to rural dwellers and all the rural localities;
- Set up an efficient system of sanitation in all the rural localities;
- Develop water management and sanitation structures; and
- Sensitize and involve communities in the design and management of drinking water supply structures.

Expected Outcomes

The project intends to:

- Develop drinking water supply structures;
- Install adequate household and public latrines;
- Conduct awareness campaigns among communities; and
- Training actors.

Water Management

ADB Loan Amount	€ 500,000
Co-Financiers	UNDP, Government of Mauritania
Approval Date	November 2007
Expected Completion Date	December 2012
Location	Nationwide
Executing Agency	Ministry of Water Resources

Background and Objectives

Currently, Mauritania is focused on improving access to water drainage in an affordable manner. Indeed, in 2006 the government released a declaration on the country's development policy in the water sector which announced the creation of a water management organization (AGIRE), which would best equip Mauritania with a means of managing its water resources.

The objective of this project is to create an environment that enables an integrated and sustainable management of water resources and water infrastructure so as to contribute to poverty reduction and development.

Description

This project will entail:

- The creation of a central mechanism for evaluating the water management system;
- An analysis of information, studies and other relevant sources of knowledge on the water management system;
- A report on the lacuna present in the system as well as options for responding to those problems;
- The reinforcement of decentralization at a regional level in Brekna;
- The optimization of the network of measures available in the region;
- The creation of a study on the possibility of creating a system of regional information on water, and creating subsequent models suggested in the report.

Expected Outcomes

The expected results of the project include:

- The development of a new strategy that reinforces the competencies of AGIRE so they are better able to collect and organize information available on water management;
- The decentralization and support for communities in the region of Berkna;
- The improvement of the living conditions of the poor in terms of their revenue, environment, health, education, and the livelihood of their children, which will be achieved through the extended access of basic services and through proper water management.

SNIM Export Capacity Enhancement Project

ADB Loan Amount	UA 22.318 Million
Approval Date	May 2001
Expected Completion Date	June 2005[21]
Location	Nouadhibou, Zouerate
Executing Agency	The National Industrial and Mining Company

Background and Objectives

Approximately 12.9 % of the Mauritania's GDP can be attributed to the mining sub-sector. The exploitation of major iron ore reserves and the geological potential of the Mauritanian under soil in terms of non-ferrous (copper, lead, zinc) and precious ores, are seen as pivotal to the development of the country's economy.

The aim of this project was to upgrade the significant potential of the mining sub-sector in order to increase its export capacity while diversifying the mineral products exported. Specifically, the project will optimize the mining of the various deposits with a view to increase the contribution of the mining sector to the national economy.

Description

This project entailed:

- The provision of an ore carrier port;
- The improvement of ore processing through the construction and installation of two grinders, spiral processing facilities at the Guelb factory, a wt magnetic separation shop, a 10 MW generator, and ancillary infrastructure;
- The improvement of railway transport capacity through the construction and installation of a 10.4 km railway line and train station, a 6km electricity line, tracks over 235.9 km, 125,000 wooden switch ties, 150 ore wagons and 7 shunting engines.

Expected Outcomes

As a result of this project:

- SNIM production and exports from 11.5 to 13.5 million tons beginning in 2001;
- An optimization of the mining of the different mining deposits resulting in an average annual growth rate for the sector at 5% beginning in 2001 and a 50% increase in iron export rates as share of exports will be obtained.

[21] Although the completion date of this project has passed, loans that have yet to be repaid in full to the bank are continued to be considered ongoing projects.

SNIM Expansion Project: GUELB II

ADB Loan Amount	US$ 175 million Senior Loan, and US$ 1 million Technical Assistance (FAPA) grant
Co-financiers	SNIM, Other Commercial Banks, EIB, AFD, IDB.
Approval Date	September 2009
Expected Completion Date	December 2013
Location	Zouerate
Executing Agency	The National Industrial and Mining Company

Background and Objectives

The Mauritania's mining sector is one of the country's engines of economic growth. The sector's position has been strengthened in recent years under the impetus of a dynamic mining policy aimed at enhancing the sector's attractiveness for private investment, diversifying mining production and thereby reducing the economy's vulnerability. The main challenge lies in completing major ongoing investment projects at the National Industrial and Mining Company (SNIM) likely to enable the mining company, within a short time-frame, to increase its production capacity by an additional 4 million tons per year of higher quality iron ore, thus increasing overall capacity to about 15 million tons per year.

The project is in line with the AfDB's private sector development strategy. It will enable the Bank to reaffirm more than three decades of strategic partnership with a world-class industrial company, supporting SNIM in developing and sustaining its activities.

The project's objective is to increase SNIM's contribution to government revenue and the local economy and to improve the environmental management system for an ISO 14000 certification.

Description

The project will be implemented through the following activities:

- Construction and operation of a new enrichment plant and related infrastructure;
- Building SNIM's institutional capacity for the environmental management and monitoring of projects;
- Technical assistance which will use the FAPA grant to fund SNIM Foundation's capacity building.

Expected Outcomes

Specifically, the project intends to:

- Increase government revenue;
- Create job opportunities for nationals;
- Increase technical training; and
- Improve SNIM environmental and social management of its projects.

Invasive Aquatic Weeds - Mauritania

ADB Loan Amount	UA 810,000
Co-Financiers	CEDEAO
Approval Date	September 2004
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	CEDEAO

Background and Objectives

The proliferation of invasive aquatic weeds in the rivers of Western Africa constitutes a significant threat. This weed invasion constitutes an obstacle to the natural replenishment of bodies of water and as a result has negative effects on the daily life of local populations. In affected zones, these obstacles could take the form of complicating the navigability of bodies of water, or the aggravation of health problems. Fishermen and fish traders, for example, see a great loss in their income as a result. Farmers that depend on water for irrigation purposes have to dedicate more time to cleaning canals and their livelihoods are thus also affected. The efficient management of invasive aquatic weeds is thus necessary .

This project aims to develop the sustainable management of natural resources, specifically of water resources, to maximize their contribution to social, economic and environmental development. Specifically, it will contribute to the fight against the invasion of aquatic weeds with a minimum affect on the local environment.

Description

The project will entail:

- The integrated management of proliferating aquatic weeds;
- The reinforcement of capabilities to curb the growth of these weeds;
- The creation of a unit for coordination of the project.

Expected Outcomes

For the 8 countries involved in the project, the expected results of the project include:

- A considerable reduction in the infestation of these weeds;
- The sensitization and mobilization of 150,000 to 300,000 people for the management of water resources;
- The organization of 400 committees along with other forms of national coordination;
- Capacity building regarding the understanding of the evolution of invasive aquatic weeds;
- The training of 2, 400 farmers and compost technicians;
- An improvement in agricultural production of 2200t over 5 years and the composting of 120 hectares.

West Brakna Irrigation Scheme Project

ADF Loan Amount	UA 2.67 million
NTF Loan Amount	UA 4.30 million
Co-financiers	Government of Mauritania and Beneficiaries
Approval Date	November 2004
Expected Completion Date	December 2010
Location	Right bank of River Senegal–Brakna Area
Executing Agency	National Rural Development Company

Background and Objectives

With over 80% of its land mass in the desert zone and an average annual rainfall of 100 mm, Mauritania has based its rural development and poverty reduction strategies on irrigation. The country's long-term vision in this respect is to transform the River Senegal Valley into one of the major sources of its development and economic growth. In line with this, the government set up a program which sets out the modalities for intervention in the irrigation sub-sector through technical, economic, legal and institutional measures for a revitalized agricultural development.

The Bank Group provided a grant to conduct a study on an irrigation scheme for natural infrastructural units in West Brakna. The study enabled the government to explore possibilities for emergency intervention to improve food security and the living conditions of the communities concerned.

Furthermore, the current project objective is to increase irrigated and agricultural outputs and increase farming incomes in a sustainable manner.

Description

The project will be implemented through the following activities:

- Construction, rehabilitation and improvement of core water infrastructure;
- Capacity building of farmers' organisations;
- Project management.

Expected Outcomes

The project intends to:

- Increase agricultural production;
- Improve food security;
- Increase farmers incomes;
- Create jobs; and
- Reduce poverty.

Humanitairian Aid Rosso Floods

ADB Loan Amount	US$ 1 million
Approval Date	January 2009
Expected Completion Date	November 2012
Location	Rosso and surrounding areas
Executing Agency	Commissariat à la Sécurité Alimentaire (CSA)

Background and Objectives

On the 27, 28 and 29 August 2009, torrential rains of exceptional quantities—176 mm in 48 hours—fell on the town of Rosso, causing flooding in some neighborhoods in the city over the district of El Jidr Mohuguen, Chgara, and Tounguen Rgheiwatt. The rains have caused casualties and significant damages in these localities, including public buildings and other socio-economic infrastructure.

The purpose of the emergency response grant is to provide financial assistance to the Government in its efforts to provide food and relief supplies, assist cooperatives allocated to resume their economic activities and restore the functioning of economic and social infrastructure so as to quickly restore normalcy in the economic and social life of affected populations.

Description

This project will entail:

- The provision of food;
- The supply of equipment and emergency equipment;
- The Servicing of the host sites;
- The provision of assistance to redevelop damaged stores; and
- The development of new markets around the site of the disaster.

Expected Outcomes

As a result of this project:

- The living conditions of the victims will be returned to normal;
- The economic activities and social services of the area will be revived;
- Lives will be saved and vital infrastructure will be rehabilitated.

Education System Development Support Project (PNDSE)

ADF Loan Amount	UA 8.30 million
Co-financiers	Government of Mauritania
Approval Date	November 2001
Expected Completion Date	March 2010
Location	Rosso
Executing Agency	Directorate of Education and Training Projects (DPEF)

Background and Objectives

There is a recurrent need to improve the quality of education, research/development and strengthen equity within the Mauritanian system. The government believes that certain key thrusts of the educational system reform lie in the professionalization and introduction of short training courses to create an enabling environment to improve necessary skills to meet the country's social development, economic productivity and competitiveness needs.

Within the context of the educational system reform, the extension and upgrading of the Rosso Training Institute addresses the double concern for efficiency and anticipation of national development exigencies. The Bank Group is therefore supporting this institute with the specific objective of diversifying education supply, improving the quality of instruction and research with a view to providing intermediate technical training (senior technicians) and senior managers (engineers) in agro-pastoral, forestry and food technology fields.

Description

The project has the following components:

- Developing basic infrastructure (ISET in Rosso);
- Institution building;
- Supporting research/development, teaching and technological innovations; and
- Supporting project management structure.

Expected Outcomes

The project intends to:

- Rehabilitate and equip the Institut Supérieur d'Enseignement Technologique (ISET) in Rosso;
- Review institutional set-up and governance at the tertiary level;
- Encourage and sustain research and development; and
- Strengthen and make fully operational the planning, management and follow-up mechanism.

Project to build the capacities of Microfinance Stakeholders (PRECAMF)

ADF Loan Amount	UA 5.98 million
Co-financiers	Government of Mauritania
Approval Date	March 2007
Expected Completion Date	December 2012
Location	Nouakchott, Gorgol, Guidimaka, Assaba, Brakna, Hodh El Gharbi, Hodh EchChargui, Trarza, and Tagant
Executing Agency	Direction de l'Insertion du Commissariat aux Droits de l'Homme, à la Lutte Contre la Pauvreté et à l'Insertion

Background and Objectives

In 2003, the government prepared and adopted its National Microfinance Strategy (NMFS) designed to improve access to sustainable financial services for the poor. However, the weak operational and organizational capacities of Mauritania's microfinance institutions (MFI) and their limited financial autonomy, impeded the development of microfinance in the country.

The combined support of several partners, the Bank Group in particular, through the Poverty Reduction Project (PRP) financed by the ADF from 1998 to 2004 and the African Development Bank Initiative for Micro-Finance in Africa (AMINA) from 1998 to 2000, have contributed significantly to the emergence of microfinance in Mauritania.

Furthermore, the Bank is supporting Mauritania's micro-finance industry through this project which will finance capacity building for microfinance operators. The objective of the project is to build stakeholder capacity with respect to supply and demand for microfinance services, with a view to improving access to sustainable financial microfinance services for poor workers in order to reduce poverty.

Description

The project will be implemented over a five-year period and it comprises the following three components:

- Improving microfinance supply services;
- Improving demand and financial services; and
- Providing project management

Expected Outcomes

The project intends to:

- Make the supervision and control environment conducive for microfinance development;
- Extend the supply of microfinance services to the majority of the population;
- Improve demand for financial services;
- Adapt the services and products of microfinance institutions to customer needs; and
  Strengthen the capacity to supervise the microfinance sector.

The African Development Bank Group in North Africa - 2011

Financial Sector

Line of Credit to GBM

ADB Loan Amount	US$ 10 million
Approval Date	December 2002
Expected Completion Date	April 2005
Location	Nationwide
Executing Agency	General de Banque de Mauritanie (GBM)

Background and Objectives

The Mauritanian economy depends largely on the agricultural sector, iron ore mining and fisheries although commercial services are showing clear signs of growth, especially tourism and telecommunications.

The objective of this line of credit was to contribute to the deepening of the financial needs of economic agents. By envisaging the recruitment of professional engineers for the Corporate Department, the line of credit will be a vector of GBM institutional strengthening in appraisal of projects and monitoring of financed projects.

Description

This project entailed:

- The financing in the medium term of viable projects mainly in the sectors of industry and services eligible for Bank-financing;
- The credit was used to procure goods, equipment and supplies needed for making investments so as to establish, modernize, and carry out extensions, as well as to renovate enterprises presenting a high growth potential.

Expected Outcomes

This project will have the following results:

- Increase the availability of medium and long term f inancing for the services industry;
- Expand and modernize the services industry to increase its contribution to economic development;
- Create new jobs.

Although the completion date of this project has passed, loans that have yet to be repaid in full to the bank are continued to be considered ongoing projects.

Line of Credit to "Banque pour le Commerce et l'Industrie"

ADB Loan Amount	US$ 8 million
Approval Date	July 2008
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	Banque pour le Commerce et l'Industrie

Background and Objectives

The Mauritanian government has undertaken several initiatives to boost the private sector's impact and improve the enabling business environment. Mauritania's private sector policy calls for an increase in the pace of SME creation and the upgrading of existing enterprises. This trend is expected to lead to an intensification of demand for longer-term debt financing in the country.

The Bank Group is supporting commercial banks to deepen the local financial market and, in particular, to strengthen the SME segment. In line with that, by providing term funding to the Banque pour le Commerce et l'Industrie (BCI), the Bank Group will enable it increase its on-lending activities to SMEs operating in the construction, commercial, manufacturing, tourism, agribusiness, fisheries, and service sectors. BCI is targeting existing export-oriented SMEs with high growth potential, with a view to modernizing, expanding and / or rehabilitating their operations.

The project's objective is to help develop the SME sector and contribute to Mauritania's economic development.

Description

The project will be implemented through the following:

- A line of credit being provided for on-lending to SMEs operating in the construction, commercial, manufacturing, tourism, agribusiness, fisheries, and service sectors.

Expected Outcomes

Specifically, the project intends to:

- Extend the SME sector's contribution to economic development;
- Develop entrepreneurship and technical skills;
- Create new jobs;
- Develop the infrastructure sector;
- Increase the use of raw materials;
- Increase exports;
- Increase tax base and government revenues; and
- Reduce incidence of poverty through financial and SME sector development

Line of Credit to Mauritania Leasing

ADB Loan Amount	US$ 5 million
Approval Date	July 2008
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	Mauritania Leasing

Background and Objectives

The Mauritanian government has undertaken several initiatives to boost the private sector's impact and improve the enabling business environment. The Mauritanian private sector policy calls for an increase in the pace of SME creation and the upgrading of existing enterprises. This trend is expected to lead to an increase in demand for more flexible financing means to meet the investment requirements of small enterprises with respect to the procurement of equipment.

The Bank Group is supporting this agenda by providing term funding to Mauritania Leasing. The line of credit will enable Mauritania Leasing to increase its on-lending activities and new bankable and viable projects.

The project objective is to finance the procurement of equipment, materials, and immovables for leasing to SMEs operating in Mauritania's commercial, industrial, agricultural, fisheries, and services sectors.

Description

The project will be implemented through:

- The provision of a line of credit for on-lending to finance the procurement of equipment, materials, and immovables for leasing to SMEs operating in the commercial, industrial, agricultural, fisheries, and services sectors.

Expected Outcomes

Specifically, the project intends to:

- Increase the SME sector's contribution to economic development;
- Expand the SMEs production and modernize industry's production facilities;
- Create new jobs;
- Transfer technology and develop local entrepreneurial and technical skills;
- Increase the use of raw materials;
- Increase exports;
- Increase tax base and government revenues; and
- Reduce poverty and gender inequity.

Morocco

Membership year	1964
Start of lending operations	1970
Number of ADB operations approved, 1967-2009	115
Number of ADF operations approved, 1974-2009	9
Cumulative Bank Group Approvals in UA million, 1967-2010	6,713.6
Subscribed capital (%) as of 30 November 2010	3.313
Total voting power (%) as of 30 November 2010	3.271
Approved loans and grants as percentage of total, 2005-2009 (%)	13.98
Number of approved and ongoing operations	19
Total loan amount of ongoing operations in UA million[54]	1,595.8

[54] This number reflects UA exchange rate in December 2010.

The Kingdom of Morocco
Key Features

The Kingdom of Morocco has a population of approximately 30.8 million, over half of which live in urban areas. This Middle Income Country is one of the Bank's largest borrowers and faces a number of challenges in the years ahead. These include the generation of robust, sustainable growth that can curb unemployment and poverty, as well as the strengthening of the macroeconomic framework, and an improvement of the investment climate.

Nevertheless, Morocco is well placed to improve its position particularly given its eager integration into the world economy through its participation in numerous free trade agreements with its trading partners. Although Marocco was able to maintain stability in spite of the global financial crisis, the crisis did highlight its weaknesses in certain sectors, such as the textile industry. According to the *African Economic Outlook 2011*[55], these fragile characteristics can be attributed to the lack of diversification of exportable goods and the low level of productivity in certain sectors.

In 2010, the GDP of the country surpassed original estimates and grew to 4,9% as a result of the dynamism of non-agricultural activities and an improvement in the sectors most affected by the financial crisis in 2009. In fact, the non-agricultural GDP grew by 5% against the previous year, while the agricultural sector's contribution shrunk by 5.1% during the same period (AEO 2011).

The energy sector improved in 2010. As the hydraulic increased output by 34.7% and the thermal sector by 16.7% during the first 10 months of the year in comparison to 2009, this rise led to a significant increase in electricity production during that period.

Despite these advantages, the impact of the crisis on its trading partners affected Marocco's export. Although industrial activities saw an improvement towards the end of 2009, the textile sector and the aeronautic sector continued to experience set-backs. For example, the textile sector experienced a 5.9% decrease in exports during the first 11 months of 2010 in comparison to the same period in 2009 (AEO 2011).

Social developments in the country have made important progress, thanks to large-scale poverty-targeted interventions under the National Initiative for Human Development (INDH) introduced in 2005.

The relative poverty rate fell by 6.3% between 2001 and 2007, from 15.3% to 9%. Consequently, 1.7 million Moroccans have emerged from poverty, and 1.2 million from vulnerability. This improvement in living standards is observed in all living environments. The rural poverty rate fell from 7.6% in 2001 to 4.8% in 2007, while in urban areas the decline was faster, from 25.1 to 14.5% over the same period. The vulnerability rate has declined by 5.3%.

In terms of health, the rate of HIV/AIDS prevalence in the overall population is very low (0.08% in 2009) and virtually unchanged since 2000, indicating that the government's preventive education and awareness-raising policy has been effective. ■

[55] The African Economic Outlook is an annual publication jointly produced by the African Development Bank and the OECD Development Centre, which analyses the comparative economic prospects for African countries.

Mrs. Amani Abou-Zeid, Resident Representative
Note From The Morocco Field Office

The year 2010 constituted important progress for the Kingdom of Morocco. The government took measures to support growth through a significant public investment program, allowing Morocco to resist the negative effects of the global financial crisis.

The Bank Group accompanied the efforts of the Moroccan government, particularly in the sector of governance, while consolidating its actions in the realm of infrastructure, conforming to the orientations of the Country Strategy Paper 2007-2011. The Bank's support manifested itself in the doubling of investments in Morocco and an active portfolio of USD 3 million.

Through the Bank's field office in Morocco (MAFO), the Bank regularly oversaw its operations in the country, while coordinating with the local government and the executing agencies. These actions were set out in the decentralization processes of the Bank in Morocco, which began with the inception of MAFO in 2006. These efforts have permitted the improvement in quality and performance of the portfolio of operations of the Bank in Morocco.

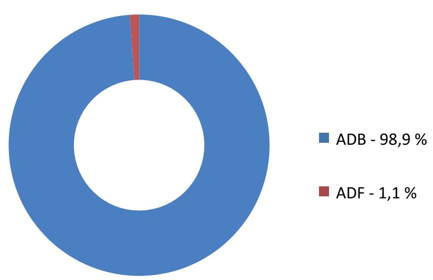
The presence of the Bank on the ground has likewise reinforced collaboration on the coordination of aid with other bilateral and multilateral partners. This cooperation is developed under the framework of consultation of thematic working groups, as well as the framework of joint operational missions.

With the changes that have taking place in North Africa, the Bank is ready to accompany the Kingdom of Morocco in its efforts to successfully implement economic and institutional reforms that the government has committed to putting into place. ■

Overview of Bank Group Operations in Morocco

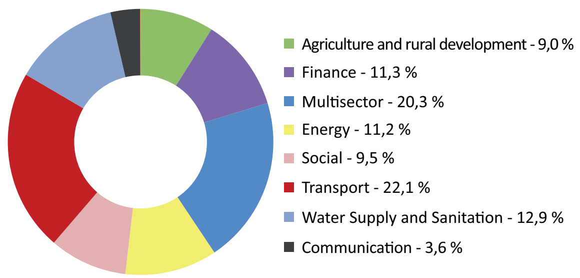
Since 1970, the Bank has approved 115 operations for cumulative commitments amounting to UA 5,713 million, 98.9% of which are ADB loans and grants, 1.1% are ADF loans and grants. Morocco is one of the Bank's largest borrowing clients, accounting for 16.5% of the entire total lending under the ADB window up until 2009.

Figure 5.19: Cumulative Bank Group Loans and Grants by Institutions in Morocco (1970 – 2010)



The active portfolio's growth and the significant increase in commitments approved by the Bank between 2007 and 2009 have made Morocco one of the Bank's leading borrowers with close to 14% of the institution's current total commitments. By significantly increasing its operations (more than 200% in 2009 compared to 2008), the Bank has responded actively to the financial requirements of the Moroccan economy within a global context marked by severe economic crisis while complying with its financial stability rules and prudential ratios.

Figure 5.20: Cumulative Bank Group Loans and Grants by Sector in Morocco (1970 – 2010)



Since starting operations in Morocco, the Bank has developed a diversified portfolio. Operations financed by the Bank cover multi-sector projects, which represent about 20.3% of the cumulative portfolio, as well as the transport, finance and power supply projects, which account for 22.1%, 11.3%, and 11.2% of the resources, respectively.

Bank Group interventions in the water and sanitation sector accounted for 12.9%, the social sector for 9.5%,

agriculture and rural development sector for 9.0% and the rest which is 3.6% was invested in the communications sector, the environmental sector and industry, mining and quarrying sector.

Transport Sector

The transport sector plays a primordial role in Morocco's economy, not only in the transportation of goods and passengers internally, but also in developing the country's economic and social cohesion, and ensuring Morocco's integration into the global economy. The sector's asset base is composed of 60,000 km of road, 639 km of highways, 2000 km of railroad, 19 airports (of which 12 are international) and 12 commercial seaports. From the economic and social standpoint, the entire transport sector accounts for about 6% of GDP on average, employs 10% of the labour force, and is responsible for 21% of national energy consumption. Over the last few years, a broad-based process to modernize the various modes of transport has been resolutely initiated with the launching of major projects and institutional reforms.

In 2010 the Bank approved a project which aims to increase the capacity on the Tangiers-Marrakech railway line concerning the two sections, Kenitra-Rabat-Casablanca and Casablanca-Settat-Marakech that link the South to both the North and East of the country. The bank also approved a study to determine optimal options for strengthening the protective structures of seven ports throughout the country.

Energy Sector

Morocco depends almost exclusively on external supplies for energy, as the country's hydroelectric power stations depend on climatic factors, particularly rainfall. Consequently, it relies heavily on thermal facilities to supply electricity. This has had adverse implications on the cost of generating electricity, especially when the price of oil rises.

Since 1967, the Bank has financed 15 operations in the energy sector, totalling UA 523.06 million. These operations have strengthened the interconnection of electric power transmission systems between Morocco, Spain and Algeria, and have increased the total installed power generation capacity to satisfy total demand for electricity.

Figure 5.21: Cumulative ADB Loans and Grants by Instruments in Morocco (1970 – 2010)

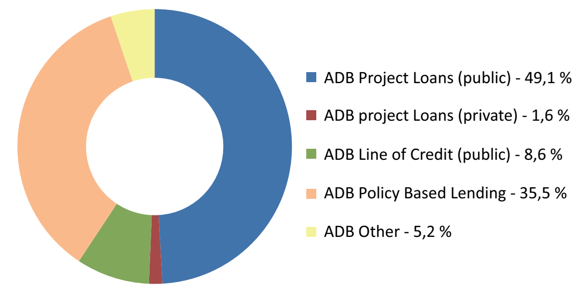
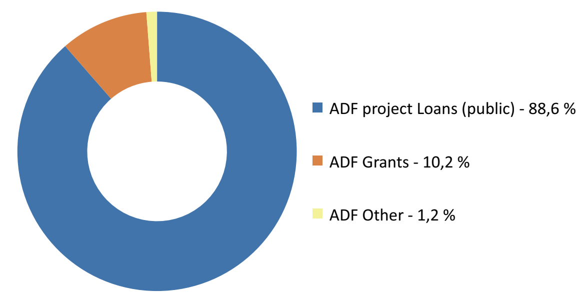


Figure 5.22: Cumulative ADF Loans and Grants by Instruments in Morocco (1970 – 2010)



Water and Sanitation Sector

The Kingdom of Morocco has made major gains in potable water supply in terms of service quality and the level of technology attained. Since 2001, government reforms have called for a new approach based on integrated and sustainable water management to generate new momentum within the rural sector which has helped close the coverage gap between urban and rural areas ensuring homogeneity of interventions in all areas.

To further reinforce interventions in the sanitation sector, the Moroccan government has designed a national sanitation plan to control the impact of sewage discharge on the environment and protect public health in order to attain set goals by 2020. The Bank Group has financed 21 operations worth more than UA 544 million, with the aim of helping to save and preserve water resources and ensure better financial resources mobilisation and allocation in the water and sanitation sector. In 2010 the Bank approved an additional project to strengthen access to drinking water in the coastal zone of Rabat-Casablanca.

Multisector (Support to Reforms)

In recent years, Morocco has initiated substantial economic and financial reforms. The main objectives of these reforms in various fields have been to consolidate macroeconomic stability, strengthen public finance management, modernize the financial sector, improve the business environment and raise the effectiveness of the public administration. The total amount of the Bank's support to these reforms has exceeded UA 1200 million.

In the financial sector a modernization agenda has been pursued through the past two decades for optimal alignment with international standards. The Bank Group has supported these reforms through five major operations. These operations have generally contributed to the desired modernization of the sector, thereby improving the competitiveness of the economy and creating an environment conducive to private sector development.

With regard to the public administration, Morocco has embarked on a vast program of reforms with three main objectives: (i) forging a modern administration that can contribute to the competitiveness of the national economy; (ii) improving public service quality, and (iii) streamlining administrative procedures. The Bank has supported these reforms through four major programs. This support has made for improved governance and allocation of state budgetary resources, which are at the heart of the government's concerns. For example, the most recent approval focuses on modernizing the government's administration, strengthening fair taxation and implementing new sector strategies.

Social Sector

Morocco is resolutely pursuing the Millennium Development Goals (MDG). To that end and as part of the Human Development Initiative (HDI), launched in 2005, the country's budget priorities entail a redistribution of wealth with the aim of combating poverty, precarity and social exclusion. The Bank is backing Morocco's efforts in these respects with different operations (sector budget support, technical assistance operations, etc.), mainly in the Education and Health sectors. As at 31 December 2009, Bank intervention in the social sector represented over 10% of the total funds approved in Morocco's favour. These operations, building up to a total investment of UA 400 million from 1970, have helped to enhance the country's social indicators. ■

Bank Group Strategy & Ongoing Activities in Morocco

The Bank Group's strategy for Morocco is consistent with the priorities of the country's national The Bank Group's strategy for Morocco is consistent with the priorities of the country's national development agenda, and it focuses on the following three pillars: governance system consolidation; infrastructure and enterprise development and modernization; and human development promotion.

With respect to improving governance, the *African Economic Outlook* (AEO-2011) observes that the Kingdom of Morocco is working to promote local governance by strengthening financial autonomy, the decision-making process and delegation of powers. The resulting budgetary decentralisation is designed to ensure that local authorities are attentive to performance-related, transparency and accountability, in accordance with the results-based management approach adopted in 2003. The government's commitment to devolution and decentralisation is also reflected by the creation of provincial technical committees and regional investment centres in 2007 to support regional and local follow-up to actions taken by the central authorities.

With regard to developing and upgrading economic and corporate infrastructure, the government plans to place the Moroccan economy on a path to sustained and robust growth by adopting a resolute approach to complete structural reforms. There are therefore many structural reforms on the government's agenda. These include liberalizing trade; reforming public administration, the transport sector, justice, education, and water and sanitation sector; privatizing public corporations; reforming the banking and financial sector; designing a new labour code; and conducting tax reforms. These reforms are relevant and their implementation has already led to an increase in general economic productivity.

For the third pillar, the National Education and Training Charter is still consuming a large share of the central government's budget. The educational budget has increased by an annual average of 5% since 2005, reaching MAD 152 billion in 2008. Furthermore, the Kingdom of Morocco is committed to boosting progress towards universal basic education and reducing the proportion of children out of school in rural and peri-urban areas.

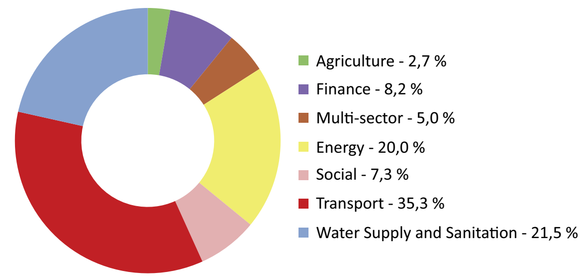
In partnership with other development partners, the Bank Group has, over the past five years, coordinated interventions in Morocco. Such partnerships are mainly in the infrastructure sector (water and sanitation, energy and transport), as well as in the social sectors (education and health). In the water sector, the Bank Group and other partners have financed the drinking water supply program. In the energy sector, the Bank Group, in collaboration with other development agencies, financed a project to reinforce the interconnection of electric power transmission systems between Morocco, Spain, and Algeria. In the transport sector, the Bank Group, in cooperation with other partners, financed the second phase of the national rural roads program.

The African Development Bank Group in North Africa - 2011

The Bank Group's ongoing portfolio in Morocco, as of December 31, 2009, had 19 operations, representing a total commitment of about UA 595.8 million. The portfolio's sector breakdown shows a high concentration on infrastructure, which accounts for 67% of commitments. More specifically, the operations are distributed between the transport sector (35.3%), the electricity sector (20%), water and sanitation (21.5%), the agricultural (2.7%) and social sector (7.3%).

The Bank has also provided advisory services and prepared analytical works, particularly with resources from the Middle Income Countries Trust Fund. In this regard, technical assistance activities have been carried out for Morocco to support the implementation of several sector reforms. For instance, the health sector recorded three technical assistance operations for the National Health Insurance Agency and the National Social Insurance Fund in 2006, and the Ministry of Health in 2008 for the upgrading of its information system. Another technical assistance operation for Oases in South Morocco was approved in 2009. ■

Figure 5.23: Structure of the current portfolio by sector in Morocco



Construction of Marrakesh-Agadir Motorway Project

ADB Loan Amount	UA 101 million
Co-financiers	IDB, AFESD, JBIC, KFAED, Kingdom of Morocco The Motorways Company of Morocco
Approval Date	July 2006
Expected Completion Date	December 2011
Location	Marrakesh-Agadir
Executing Agency	The Motorways Company of Morocco

Background and Objectives

The government's policy aims to upgrade the road transport sub-sector through improved services to users, thereby enhancing its competitiveness and liberalizing the activities of the sector. In this context, the government has undertaken the implementation of several structuring projects such as the Tangiers-Med Port and the Trans-Maghreb Motorway. The government aims at providing a wide range of services throughout the country by expanding the road network and promoting a high level of integration for international trade (motorways, ports, airports, etc.).

The Bank's assistance strategy in the area of infrastructure is generally characterized by: (i) support to ongoing reforms and (ii) strengthening and modernizing infrastructure. The support to these areas will be geared towards promoting private sector participation in investment. Currently, the Bank is co-financing the construction of the Marrakesh-Agadir Motorway.

Specifically, the project will help build transportation capacity between Marrakesh and Agadir and will improve living standards in the project area through the development of productive activities. It will also contribute to efforts at reducing vehicle operating costs and enhance road transport safety between Marrakesh and Agadir.

Description

The project comprises the following components:

- Construction of the Marrakesh-Agadir Motorway, namely; the construction of the 4th section of the itinerary (Immantaout- Chichaoua (33 km) financed by ADB;
- Undertaking environmental management and measures; and
- Undertaking project management.

Expected Outcomes

The project intends to:

- Decrease vehicle operating costs;
- Reduce travel time between Agadir and Marrakesh;
- Improve road safety between Agadir and Marrakesh; and
- Create jobs.

Third Airport Project

ADB Loan Amount	€ 240 million
Co-financiers	Kingdom of Morocco/National Airports Authority
Approval Date	April 2009
Expected Completion Date	December 2013
Location	Casablanca, Fez, Agadir, Marrakech and Rabat
Executing Agency	National Airports Authority

Background and Objectives

The government's policy is designed to upgrade the road transport sub-sector through improved services to users, thereby enhancing its competitiveness and liberalizing the activities of the sector. However, Morocco has, recently, experienced a significant and rapid increase in various traffic categories, leading to the saturation of the operational capacities of the airports concerned. This upsurge in passenger traffic requires infrastructure and equipment adaptation to meet demand, and enable the major airports concerned to provide quality services in line with international standards.

The Bank has become a strategic partner in the air sub-sector. The present project is a continuation of previous operations, and the relevant experience acquired in their management will be useful in the implementation. Specifically, the project's objective is to increase airport operational capacity by upgrading infrastructure, expanding the air navigation system, and reinforcing ground security facilities.

Description

The project comprises the following components:

- Construction of a control centre;
- Rehabilitation and expansion of terminals, aeronautical infrastructure and cargo platforms;
- Development of terminal installation and related facilities;
- Strengthening of the training system.

Expected Outcomes

The project intends to:

- Upgrade airport infrastructure and facilities to meet international standards;
- Improve the quality and efficiency of air services in line with international standards;
- Complete coverage of the Moroccan sky by the air control service, and become a continuum of the European space; and
- Create jobs.

National Rural Roads Program

ADB Loan Amount	UA 38.71 million
Co-financiers	WB, AFESD, EIB, AFD
Approval Date	September 2007
Expected Completion Date	December 2013
Location	Rural areas (23 provinces of the country, as regards the part financed by the Bank)
Executing Agency	Road Fund Agency with supervision and monitoring of the works delegated to the Directorate of Roads and Road Traffic

Background and Objectives

Rural development is one of the grassroots policy objectives advocated by the Moroccan government and represents a major challenge in the overall development of the Kingdom. In this connection, basic infrastructure, in particular, access roads, is a key element of the social and economic development strategy for rural areas. To implement this strategy, the government has put in place rural development programs and the resources necessary to speed up the construction of basic facilities, in order to meet pressing needs to open up the territory within a reasonable period of time.

Hence, following the first national rural roads program completed in 2005, a second national rural roads program was designed by the government, with the aim of raising the level of road access to the rural populations to 80% by 2015. The second program will therefore help bring the population closer to administrative and economic centres, enabling them to produce more and at lower cost, increase their incomes and improve their social welfare.

The program is among the government's priority actions in the transport sector for the 2006-2010 period and it is in line with the Bank Group's strategy in Morocco. The specific objective of the Bank's project is to help with efforts at providing rural populations with access routes and outlets and improving transportation services in rural areas.

Description

The project comprises the following components:

- Construction of paved and earth roads;
- Construction drainage systems;
- Installation of related works;
- Inspection and supervision of works; and
- Audit operations.

Expected Outcomes

The project intends to:

- Provide road access to the rural population;
- Increase of incomes in rural areas through the improvement, in particular, of agricultural production and better access to markets;
- Improve transport conditions and availability at all times;
- Improve access to socio-educational, health and security services for children and women in particular; and
- Create jobs.

Project to Increase Capacity on the Tangier-Marrakech Railway

ADB Loan Amount	€ 300 million
Approval Date	December 2010
Expected Completion Date	December 2016
Location	Tangier-Marrakech
Executing Agency	National Railway Company ONCF

Background and objectives

Over the last few years, there has been sustained growth in Morocco's rail transport sector. Over the 2004-2009 period, passenger traffic increased at an average annual rate of 8.1% from 19 to 30.4 million. Freight traffic also increased, but at a fairly modest annual rate recoding 2.9% per year between 2004 and 2007 before the international crisis caused a 21.8% per year contraction starting in 2008. In order to meet 2004-2009 traffic increase ONCF made investments to upgrade its production system and boost rail transport supply.

This project aims to increase the capacity on the Tangiers-Marrakech railway line concerning the two sections, Kenitra-Rabat-Casablanca and Casablanca-Settat-Marakech that link the South to both the North and East of the country.

Description

This project will entail:

- Strengthening works on the existing tracks, including the construction of a third track, 148 km long between Sebata and Kentira dedicated to fright along the existing Kenitra-Rabat-Casablanca line;
- Upgrading and partial double tracking works on 40km between Settat and Marrakech on the Casablanca-Marrakech line.

Expected Outcomes

This project will result in:

- A significant increase in rail travel supply starting in 2016, with an improvement in rail traffic fluidity and frequency of shuttle, mainline and freight trains;
- Increased population mobility in the area; and
- Employment creation of both direct and indirect jobs during the project implementation and operational phases, especially in the logistic zones created.

Study to Diagnose and Design Programme to Strengthen and Repair the Protective Structures of Seven Ports

ADB Loan Amount	UA 600,000
Approval Date	April 2010
Expected Completion Date	December 2011
Location	National territory
Executing Agency	National Ports Agency (ANP)

Background and objectives

A significant portion of Moroccan port structures are quite old and in an advanced state of degradation due to several factors. To meet the growing traffic demand and raise the competitiveness level of ports to international standards, the national maritime sub-sector of Morocco has found it necessary to establish a good diagnosis and consequently propose appropriate strengthening solutions.

This study is part of an overall vision to preserve port infrastructure assets, with a view to continually adapt port services supply to traffic demand. Specifically, the study aims to determine optimal options for strengthening the protective structures concerned and designing bidding documents for the necessary repair and strengthening works to be undertaken on the said structures.

Description

The study has is comprised of:

- The detailed diagnosis of structures of 7 ports undertaken, including the schedule for strengthening operations;
- An outline on the possible technical options for strengthening the structures of the 7 ports, including a repair programme and a schedule for monitoring the works.

Expected Outcomes

This study will lead to:

- The development of dossiers for the strengthening of works designed for the structure of 7 ports that will determine optimum solutions for strengthening the protective structures of 7 ports (Nador, Safi, Al Hoceima, Tangiers, Casablanca, Mohammedia, Agadir);
- The implementation of the report's recommendations will contribute to preserving port infrastructure assets so that a high level of infrastructure service is completed by 2015.

The Ain Beni Mathar Solar Thermal Power Station Project Supplementary Loan

ADB Loan Amount	UA 135.48 million
Co-financiers	Kingdom of Morocco/ National Electricity Authority, Spain Cooperation
Approval Date	December 2007
Expected Completion Date	December 2014
Location	North-Eastern part of the Kingdom
Executing Agency	National Electricity Authority

Background and Objectives

Morocco is structurally dependent on external sources for its power supply. Its energy deficit has been on the increase since 1998 due to the combined effect of rapid population growth and an increase in average energy consumption per capita and per year. In a bid to address this situation, the National Electricity Authority initiated a series of electric power generation projects based on the development of renewable resources. Such projects include the energy transfer pumping station (STEP) in Afourer and the wind farms in Sim and Tangiers.

Furthermore, the National Electricity Authority is promoting the use of solar energy to generate electricity to meet the country's power needs at lower costs under satisfactory conditions of regular power supply and quality service. The Bank Group provided an additional loan intended to cover the additional cost arising from changes in the technical specifications of the power station and the layout of the electricity transmission network. These changes are necessary in view of the delay in the implementation of the program to extend electric power generation facilities coupled with a higher increase in electricity demand than initially expected.

The sector goal of the project is to generalize access to electricity and develop renewable energies. Its specific objective is to help ensure a steady supply of electricity to the country, diversify energy sources and reduce greenhouse gas emissions.

Description

The project's main components include:

- The installation of an electric power station, 220 and 60kV lines and extra high voltage and high voltage substations;
- The constructing of access roads and two bridges;
- The procurement of ing land;
- Drilling and sinking of at least two boreholes;
- The construction of the connection to the gas pipeline; and
- The provisionproject management services.

Expected Outcomes

The project intends to:

- Increase Morocco's power generation;
- Create new SMEs and increase productivity of existing ones;
- Create jobs; and
- Reduce greenhouse emissions.

Electricity Transmission and Distribution Network Development Project

ADB Loan Amount	€ 110 million
Co-financiers	Kingdom of Morocco/ National Electricity Authority
Approval Date	December 2009
Expected Completion Date	December 2014
Location	Nationwide
Executing Agency	National Electricity Authority

Background and Objective

The operation of Morocco's electricity network is fast approaching the permissible limits. Indeed, the current configuration of the extra high voltage and high voltage transmission network is fraught with major operational problems (saturation, appearance of constraints or overloads, increased level of losses and degradation of the level of security of supply). In view of the situation's seriousness and the growing demand for electrical energy, a transmission network reinforcement scheme was formulated by ONE. This is an offshoot of the electricity transmission and distribution network development program without which reliable and secure power supply cannot be assured.

The project forms part of the electricity transmission and distribution network development program and specifically, the project aims to improve the performance of the power transmission.

Description

The project's main components are:

- Construction of high voltage lines and substations;
- Reinforcement and expansion of high voltage and extra high voltage network;
- Provision of project management services.

Expected Outcomes

The project intends to:

- Reduce power loss;
- Increase transit capacity;
- Increase installed power;
- Improve access to electricity; and
- Reduce greenhouse emissions.

Ain Beni Mathar Solar Thermal Power Station Project

ADB Loan Amount	UA 113 million
Co-financiers	Kingdom of Morocco/National Electricity Authority, GEF
Approval Date	March 2005
Expected Completion Date	December 2010
Location	North-Eastern part of the Kingdom
Executing Agency	National Electricity Authority

Background and Objective

Morocco is structurally dependent on external sources for its power supply. Its energy deficit has been on the increase since 1998 due to the combined effect of rapid population growth and an increase in average energy consumption per capita and per year. In a bid to address this situation, the National Electricity Authority initiated a series of electric power generation projects based on the development of renewable resources. Such projects include the energy transfer pumping station in Afourer and the wind farms in Sim and Tangiers.

Furthermore, the National Electricity Authority is promoting the use of solar energy to generate electricity to meet the country's power needs at lower costs under satisfactory conditions relating to regular power supply and quality services. The Bank's assistance strategy for Morocco in 2003-2005 partly focuses on supporting structural reforms and consolidation as well as modernizing infrastructure and promoting the development of Moroccan enterprises.

The project's sector goal is to generalize access to electricity and develop renewable energies. Its specific objective is to help ensure a steady supply of electricity to the country, diversify energy sources and reduce greenhouse gas emissions.

Description

The project's main components are:

- Installation of an electric power station, 220 and 60kV lines and high voltage and extra high voltage substations;
- Construction of access roads and two bridges;
- Procurement of land;
- Drilling and sinking at least two boreholes;
- Construction of the connection to the gas pipeline; and
- Provision of project management services.

Expected Outcomes

The project intends to:

- Increase in Morocco's power generation;
- Create new SMEs and increase productivity of the existing ones;
- Create jobs; and
- Reduce greenhouse emissions.

Establishment of a Geographic Information System and a Health Care Card

ADB Loan Amount	UA 500,000
Co-Financiers	Moroccan Government
Approval Date	December 2008
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	Ministry of Public Health

Background and objectives

The Moroccan economy saw a 4.6% increase in their GDP between 2004-2008. With regard to the health sector, life expectancy indicators improved, with the infant mortality rate decreasing between 2002 and 2004 from 44 to 40 deaths for every 1,000 births. The improvement of national indicators, however, hides the significant disparities between rural and urban areas, as well as differences between genders. The government has undertaken a number of reforms in health care to continue improving health care in the country.

Building on recent progress the Health Ministry has focused on developing a new approach to planning health care provision. The objective of this project is to improve the availability and access to information on health care through the establishment of a health care map and a geographic information system (SIG). The project will enhance the availability of, and access to, reliable information on the supply of health services.

Description

The project has two components:

- The establishment of a Geographic Information System (SIG) and a health map. This entails an in-depth study of the database on health care provision and creating a geographical interface between this database and the health care provision planning portal;
- Capacity building of health personnel involved in GIS design and utilization.

Expected Outcomes

The project will result in the following outcomes:

- A report highlighting weaknesses and remedial actions related to the products developed under the new approach to health care provision;
- The relationship between the new approach to health care provision, and the database is established so as to design a specific geographic information system (SIG) on health care provision;
- The reference document for the introduction of the health map is validated and delivered to the Ministry of health.

National Education Emergency Support Program

ADB Loan Amount	€ 75 million
Co-financiers	AFD, FIV, EIB, EU, Kingdom of Morocco
Approval Date	March 2009
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	Ministry of National Education, Higher Education, Management Training and Scientific Research

Background and Objectives

On the whole, a review of Morocco's educational system shows contrasts. First of all, in recent years, it has made remarkable progress in several areas. For instance, the enrolment rate reached 94% in 2007, thus approaching the objective of universal primary education. With regard to secondary education, enrolment has increased by 40% over the last seven years.

On the other hand, the illiteracy rate remains very high. This indicator stands at 43% at the national level and 60.5% in rural areas. Furthermore, 39.5% of girls aged 15 to 24 years are illiterate, with nearly 60% of them living in rural areas. Morocco's educational system also has weaknesses in terms of internal and external performance.

The national education emergency program is consistent with the Bank's intervention strategy as it focuses on structural reforms and improved governance in the educational sector. It will also help with efforts at developing human resources through increased availability of education and improved quality.

The proposed program aims at accelerating the implementation of reforms resulting from the National Education and Training Charter by consolidating gains and making the necessary readjustments. Its specific objective is to make education available to all and improve the quality of teaching and performance of the educational system.

Description

The project is centred on four components:

- Improvement of the quality and performance of qualifying secondary and university education;
- Access to education for all;
- Immediate resolution of cross-cutting problems in the education system; and
- Improvement of the management of the financial resources.

Expected Outcomes

The key expected outcomes of this project are to:

- Increase enrolment in qualifying secondary and higher education;
- Improve availability of qualifying secondary education;
- Increase and upgrade university infrastructure;
- Reduce repeat and drop-out rates;
- Promote initiative and excellence; and
- Promote and develop scientific and technical research.

Medical Coverage Reform Support Program Phase II (PARCOUM II)

ADB Loan Amount	€ 70 million
Co-financiers	EU
Approval Date	December 2008
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	Ministry of Health represented by its focal point, the Department of Planning and Financial Resources

Background and Objectives

The medical coverage reform support program (PARCOUM) was designed by the Moroccan government with the support of its development partners, including the African Development Bank (AfDB) Group. The program's first phase, covering the period 2002-2006, was delivered through sector budget support with parallel financing from the European Commission (EC) and helped to strengthen Basic Medical Coverage. The ongoing PARCOUM II builds on the above described achievements and supports the government's reform program for the period 2008-2012. It aims at sustainably improving access to quality health services through the extension of BMC to the entire population, in particular, the economically disadvantaged.

Description

PARCOUM II targets key reform measures in three areas, namely: (i) operationalizing the medical assistance scheme for the disadvantaged, known as RAMED (Régime d'Assistance Médicale aux Economiquement Démunis), through a pilot phase in one province and extension to other provinces; (ii) improving the supply of health services with a view to ensuring the availability of priority services to the whole population, including, in particular, RAMED patients and (iii) enhancing sector governance through increased capacity to regulate the health system and manage BMC reforms. AfDB support is to be delivered through a two-tranche budget support operation, whose first tranche was released in 2009. At the institutional level, PARCOUM II helps strengthen central and decentralized structures responsible for steering, implement and monitor-evaluate the BMC reform, in particular, the health ministry, the interior ministry, health care facilities and specialized agencies such as the National Health Insurance Agency (ANAM).

Expected Outcomes

The project intends to:

- Implement and finance RAMED (Medical Assistance Scheme for the Economically Underprivileged) for the entire poor and vulnerable populations;
- Support effective access to priority health care for all RAMED beneficiaries;
- Reduce the share of households in health financing;
- Identify and manage the disadvantaged populations not covered by RAMED and other schemes;
- Improve health care availability;
- Increase satisfaction of users of health services; and
- Operationalize and raise the technical and managerial capacities of agencies involved in the implementation of BMC reform.

The Eighth Drinking Water Supply and Sanitation Project

ADB Loan Amount	UA 59.76 million
Co-financiers	Kingdom of Morocco/National Drinking Water Authority
Approval Date	November 2004
Expected Completion Date	December 2010
Location	North and central regions of Morocco
Executing Agency	National Drinking Water Authority

Background and Objectives

In Morocco, the supply of drinking water has always been a major concern for the population because of the variable climate characterised by years of drought. Socio-economic conditions of water use have changed significantly over the past few decades on account of rapid population growth, continuing improvement in living standards, rapid urbanisation and industrial development. This socio-economic change has led to a huge rise in demand for drinking water and accentuated regional diversities. Very few areas have adequate purification and raw wastewater is released directly into the natural environment (seas, rivers, wadis, nature, pits), polluting the groundwater table and depleting the water resources that can be used to supply drinking water to the population.

This project was designed in line with priorities determined by the National Drinking Water Authority in its 2003 -2007 investment program and approved by the government. Its specific objectives are to ensure sustainable supply of drinking water to several towns and cities and to the new tourist and port complexes, to improve drinking water access in rural areas not on the supply network, and to improve the sanitary conditions as well as protect and preserve water resources.

Description

The project includes the following main components:

- The supply of water to new tourist zones and upgrade drinking water supply networks;
- The construction of a wastewater purification station at Sidi Taibi;
- The acquisition of land;
- Undertaking geotechnical control (laboratory tests); and
- Carrying out studies, works supervision and monitoring

Expected Outcomes

The project intends to:

- Increase the water flow at the treatment plant; and
- Increase the availability and ensure sufficient provision of good quality resources.

Ninth Drinking Water Supply and Sanitation Project

ADB Loan Amount	UA 72.79 million
Co-financiers	Kingdom of Morocco National Water Drinking Authority
Approval Date	July 2006
Expected Completion Date	December 2011
Location	The provinces of Chefchaouen, Azilal, Kénitra and Settat and Khouribga
Executing Agency	National Water Drinking Authority

Background and Objectives

In Morocco, the supply of drinking water has always been a major issue of concern for the population because of the variable climate characterised by years of drought. Socio-economic conditions of water use have changed significantly over the past few decades on account of rapid population growth, continuing improvements in living conditions, rapid urbanisation and industrial development. This socio-economic change has led to a huge rise in demand for drinking water and accentuated regional diversities. Very few areas have adequate purification and raw wastewater is released directly into the natural environment (seas, rivers, wadis, nature, pits), polluting the groundwater table and depleting water resources that can be used to supply drinking water to the population.

This project was aligned with the priorities determined by the National Water Drinking Authority in its 2003-2007 investment program and approved by the Government. The project is consistent with the Bank's strategy which aims at making drinking water accessible to all the populations of its regional member countries and backing socio-economic development projects in neglected areas. The project objective is to supply drinking water in the provinces of Chefchaouen, Azilal, Kénitra and Settat and waste water drainage in three towns of the Khouribga province. Sustainably improving drinking water supply in the rural area and improving the management of waste water in the medium and small urban centres.

Description

The project's main components include:

- Providing access to drinking water to the rural population (production and supply);
- Providing drinking water supply and managing waste water in the rural area;
- Providing waste-water drainage in the towns of Khouribga, Oued Zem and Boujaâd;
- Technical assistance and support for project implementation.

Expected Outcomes

The project aims at:

- Increasing water flow at the treatment plant; and
- Increasing availability and ensuring sufficient provision of good quality resources.

Replenishing the Groundwater of Haouz

ADB Loan Amount	UA 1.709 million
Co-financiers	FAE and Moroccan Government
Approval Date	January 2009
Expected Completion Date	November 2012
Location	Marrakech-Tensift-Al Haouz
Executing Agency	l'Agence du Bassin Hydraulique du Tensift (ABHT)

Background and Objectives

Due to its arid and semi-arid characteristics, Morocco has historically dealt with the uneven distribution of rainfall in time and space and the resources it generates. The country has relied on the construction of storage drams to store water from wet years for use during dry years. Despite efforts by the government to improve eater availability, however, the country still faces significant challenges including the depletion and degradation of water resources due to the decrease in rainfall and increased human activities; unequal access for safe water by the rural population, and the need to improve technical performance of water infrastructure.

This project aims to improve the living conditions of people in the plain of Haouz by securing their access to water. The project's goal is to reverse the tendency of groundwater to decrease in the region, through the artificial replenishment of the groundwater. The resulting improved living conditions are expected to reduce poverty and contribute to the country's Millennium Development Goals.

Description

The project revolves around four components:

- A technical, socio-economic and environmental study assessing the initial state of the ground water;
- Construction and management of infrastructure for groundwater replenishment;
- Monitoring, evaluation and documentation of the activities completed during the project;
- Assessment of project results, dissemination of the findings and an implementation of the recommendations of the project for Morocco and the continent at large.

Expected Outcomes

This project will result in the:

- Increased understanding of water resources, their uses and an improvement in the management of water;
- Increased flow of water through the use of infiltration techniques;
- Improved understanding of the process behind groundwater replenishment;
- Dissemination of reliable information on the process of groundwater replenishment allowing for the creation of favourable conditions for the management of groundwater resources in Haouz.

Project to Strengthen the Drinking Water of the coastal zone of Rabat-Casablanca

ADB Loan Amount	UA 200 million
Co-financiers	ONEP
Approval Date	May 2010
Expected Completion Date	December 2014
Location	Axis Kenitra, El Jadida
Executing Agency	National Drinking Water

Background and Objectives

The project to strengthen access to drinking water in the coastal zone of Rabat-Casablanca, fits in the framework of Morocco's new national strategy for water. This strategy is based on the satisfaction of water needs and support of sustainable development; the use and proper management of water resources; and the sustainable management of water. On a national scale, the strategy aims to strengthen the national policy on water. It is based on meeting ambitious targets that include meeting the country's water needs, doing so by protecting water resources from the effects of global warming, radically changing the management of water and its demand, and finally on a long-term plan for the management of the resource. This water strategy will not only protect Morocco's water resources, it will also support Morocco's development overtime by satisfying the needs of economic growth.

As such, this project's specific objective the strengthening of production systems and supply drinking water to cities along the Rabat - Casablanca axis, as well as urban centers and surrounding rural areas.

Description

The project will entail the following components:

- A production component with a pumping station, a discharge pipe and a treatment plant;
- A transportation component made up of a supply pipe that will disseminated treated water;
- Supporting technical studies to improve knowledge regarding the strengthening of water production systems in the region.

Expected Outcomes

This project has the following expected results:

- Guarantee access to drinking water in the designated zones until 2030;
- Regarding discharge, the project will assure the reinforcement and improvement of the quality of drinking water access for approximately 5 million people (of which 700,000 live in rural areas) in 2014;
- Provide distributors with the means of continuing to meet the populations demand for drinking water until 2030.

Tenth Drinking Water Supply and Sanitation Project

ADB Loan Amount	UA 64.73 million
Co-financiers	Kingdom of Morocco/National Drinking Water Authority
Approval Date	November 2008
Expected Completion Date	December 2013
Location	Taounate, Khénifra, Settat, Marrakech, Tamesna and other neighbouring rural centres
Executing Agency	National Drinking Water Authority

Background and Objectives

In Morocco, the supply of drinking water has always been a major issue of concern for the population because of the variable climate characterised by years of drought. Socio-economic conditions of water use have changed significantly over the past few decades on account of rapid population growth, continuing improvement in living conditions, rapid urbanisation and industrial development. This socio-economic change has led to a huge rise in demand for drinking water and accentuated regional diversities. Very few areas have adequate purification and raw wastewater is released directly into the natural environment (seas, rivers, wadis, nature, pits), polluting the groundwater table and depleting water resources that can be used to supply drinking water to the population.

The project was designed based on the priority needs adopted by the National Drinking Water Authority in its 2008-2010 investment plan. It is consistent with the Bank's strategy which aims at making drinking water accessible to all the populations of its regional member countries and backing socio-economic development projects in neglected areas.

The specific of objective is to reinforce the drinking water supply to the towns of Taounate, Khénifra, Settat, Marrakech, Tamesna (Rabat Casablanca coastal zone) and to the linked urban and rural centres that are witnessing significant urban and tourist development.

Description

The project's main components include:

- Reinforcing drinking water supply systems;
- Providing technical assistance and supporting project implementation.

Expected Outcomes

The project intends to:

- Secure and reinforce the drinking water production systems;
- Increase access to drinking water increased for the rural population;
- Carry out the extension of the Marrakech and Taounate treatment plants;
- Carry out the extension of water intake of the Khénifra treatment plant and the demineralization plant; and
- Separate Settat water supply and pumping facilities.

Financial Sector Development Support Program (PADESFI)

ADB Loan Amount	€162.0 million
Approval Date	December 2009
Expected Completion Date	December 2010
Location	Nationwide
Executing Agency	Ministry of Economic Affairs and Finance (Treasury and External Finance Department)

Background and Objectives

The government's medium-term economic and social program for the period 2007-2012 aims at deepening macro-economic and sectoral reforms so as to deepen the diversification of its economy and enhance its competitiveness. In the financial sector in particular, the government aims at facilitating access to financing for SMEse; reforming the insurance system; developing venture capital; shortening the time taken by the state to pay debts owed enterprises; and encouraging micro-credit as well as promoting the creation of small enterprises by adapting the "Moukawalati" program to the environment and needs of the national economic fabric.

The financial sector assessment program implemented in 2008, records significant progress achieved by Morocco's financial sector. However, there are still challenges to be addressed in order to improve the financials sector's contribution to economic growth.

The Bank Group is supporting this project to help to address these challenges by consolidating the gains of PASFI completed in 2004 and extending its impact within a context of the global economic crisis. Specifically, the project will make it possible to (i) improve governance through the reinforcement of transparency and independence of the regulatory and control authorities; (ii) deepen the financial sector by diversifying financial instruments and improve access to financing for companies and access to banking services for the population.

Description

The Bank has financed several budget support programs in Morocco, including 4 financial sector support program (PASFI I to IV), the public administration reform support program (phases I, II, III), the medical coverage support program (phases I and II) and, more recently, the education system emergency plan support program. Base on this experience, it will implement the project with a view to: (i) improving access to financial services for the population, (ii) improving access to financing for enterprises, (iii) reinforcing the control mechanism of the financial market and insurance sector, and (iv) deepening the financial market.

Expected Outcomes

The project intends to:

- Increase the number of people using banking services;
- Strengthen the micro-credit sector;
- Improve the effectiveness of the national guarantee system;
- Develop the financing of enterprises, particularly for SMEs;
- Strengthen the supervision and control of the financial market;
- Revitalize the and insurance sector and financial sector;
- Diversify financial instruments.

The Safeguard and Development of the Oasis of the South of Morocco

ADB Loan Amount	UA 0.496 milion
Co-Financiers	Moroccan Government
Approval Date	April 2009
Expected Completion Date	May 2011
Location	Southern Morocco
Executing Agency	Agency for the Development and Promotion of Provinces

Background and Objectives

The socio-economic importance of Morocco's oasis is not negligible. Rather, they provide the subsistence to a number of families, not to mention the important tourism these sites attract. Nevertheless, the current state of the oases of the south are critical as it suffers from desertification, the overexploitation of the groundwater, as well as disease to the native flora. Cognizant of these problems, the Moroccan government put in pace a strategy for the protection of the territory against desertification.

The aim of this grant is to support the methodological and socio-institutional dimension of the government's efforts by reinforcing the capabilities of 4 communities in the oasis. By supporting these communities and other local actors with the perspective of preservation the project will be able to elaborate and put into place the government's Communal Development Plan (PDC), promote activities that will generate profit for the women and youth of these areas, train necessary actors, promote techniques for the management of natural resources, and evaluate the results of the project so as to better serve these communities.

Description

This technical assistance includes the following components:

- The development of 4 plans for Communal Development Plans (PDC);
- The establishment of a program that will reinforce the capacities of local actors in the area;
- The establishment of a promotion strategy for micro-enterprises;
- The elaboration of a program for the management of natural resources in the oasis;
- The establishment of a surveillance system and evaluation system to determine the results of the study;
- The development of an investment programme for the oasis to grow economically.

Expected Outcomes

The expected results include:

- The strengthening of stakeholders, including the target population and administrative officials responsible for the project;
- The protection of natural resources in the pilot sites;
- The development of the agricultural and non-agricultural resources of the oasis.

National Irrigation Water Saving Program Support Project

ADB Loan Amount	€ 53.59 million
Co-financiers	Kingdom of Morocco/MAPM
Approval Date	December 2009
Expected Completion Date	December 2014
Location	Oum Rbia, Moulouya and Loukkos
Executing Agency	Ministry of Agriculture and Maritime Fisheries

Background and Objectives

Morocco is a highly water-stressed country, and it is imperative that its increasingly scarce water resources be managed as efficiently and as economically as possible, so as to cope with the high energy costs involved in their mobilization. Such management necessarily entails a positive and sustainable use of irrigation water which accounts for more than 80% of mobilized water resources, with losses often exceeding 50% of the quantity of water drawn.

The national irrigation water saving program, as well as the national water strategy designed in 2009 by the Water and Environment Secretariat, provide support to the Green Morocco Plan which aims at making agriculture a national growth engine. The project will intervene in three water basins: two with high water stress levels: the Oum Rbia and the Moulouya; and the selection of the third basin, Loukkos. The selection of the third location was based on the need to offset the imbalance between cost of energy and the relatively low levels of development.

The Bank supports the project to foster the new national water strategy and the Green Morocco Plan. The project objective is to ensure rational and positive utilization of irrigation water resources against the backdrop of resource scarcity.

Description

The project has the following main components:

- Modernization of irrigation water infrastructure;
- Supporting irrigation water development; and
- Project coordination and capacity building.

Expected Outcomes

The project intends to:

- Increase the proportion of productive water;
- Develop land for increased localized irrigation (increasing agricultural products, consolidate regional balance, generate local jobs etc);
- Improve access to technical packages, agricultural services and guaranteed financing;
- Mitigate the negative impacts of climate change, reduce energy and demand; and
- Promote the provision of efficient institutional support to various stakeholders.

Public Administration Reform Programme

ADB Loan Amount	€ 100 million
Co-Financiers	World Bank, EU
Approval Date	June 2010
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	Ministry of Finance (Budget Department)

Background and Objectives

In recent years, Morocco has undertaken far-reaching structural and sector reforms that contributed to laying the foundation for a modern and open economy. The government's efforts focused on modernizing the administration, strengthening fair taxation and implementing new sector strategies.

The goal of this project is to promote strong economic growth and sustainable development, thus strengthening the competitiveness of the economy while ensuring medium-term macro-economic viability.

Description

The project is comprised of the following components:

- The establishment of a modern budget management system to improve government efficiency;
- Improve the visibility of policies and their medium term budgetary implications placing budget allocation decisions in a multi-year framework;
- Strengthen the responsibility of decentralized services in budget programming and execut<ion, with focus on results and accountability;
- Introduce internal auditing to improve performance of ministries;
- Reform the organic finance law;
- Prepare new human resource management system and introduce training for human resource management to the government;
- Consolidate and control civil service wage bill through the implementation of an early retirement program;
- Streamline the administrative procedures and e-Government.

Expected Outcomes

The expected results of the project include the following:

- Improve Government efficiency in budget resource management;
- Improve Government efficiency in human resource management;
- Streamline administrative procedures and develop e-Government;
- Promote economic growth and sustainable development through aforementioned measures resulting in an average annual growth rate increase from 4.2% over the 2005-2009 period to more than 5% over the 2010-2014 period and increase investment form 27% of GDP for 2005-2009 to above 30% over the 2010-2014 period.

Tunisia

Membership year	1964
Start of lending operations	1968
Number of ADB operations approved, 1967-2010	106
Cumulative Bank Group Approvals in UA million, 1967-2010	4,458.7
Subscribed capital (%) as of 30 November 2010	1.398
Total voting power (%) as of 30 November 2010	1.396
Total lending under the ADB window, 2005-2009 (%)	8.41
Number of ongoing operations	16
Total loan amount of ongoing operations in UA million[56]	1,201

[56] These figures do not include the eleven grant-financed economic & sector work studies, approved in 2009 for a total amount of UA 6.6 million.

Tunisian Republic
Key Features

Tunisia, with a population of a little over 10 million people, has a GDP of USD 35.02 billion. This Middle Income Country has been pursuing further integration in to the global economy since the 1970's, an effort that accounts for its economic growth. The country has developed its tourism sector extensively, although the development of alternative services is lagging.

Tunisia was able to register an average annual growth rate of 3.7% in 2010. Despite these improvements, according to the *African Economic Outlook 2011*[57], the country's recent popular uprising will cause a slowdown in growth to 1.1% in 2011.

Nevertheless, Tunisia has maintained its privileged relationship with the EU as its trading partner, and has also approached countries in the Arab League and the Maghreb for further free trade agreements. Although new external partners are limited, the country's intention to increase oil exploration efforts and mineral production should allow the country to maintain a level of exports that represents 30% of the GDP.

In terms of social development, Tunisia is expected to achieve all of the Millennium Development Goals by 2015.The overall poverty rate in this country of approximately 10 million inhabitants was 3.8% in 2007, as compared to 4.2% in 2000 and 6% in 1990. Studies have shown that growth contributed to the decline in poverty from 1980 to 2000.The government also played a role through social transfers, which in 2007 amounted to 58.8% of the budget (19% of GDP). This sustained effort has brought improvement in household living conditions, particularly in rural areas.

Unemployment has stagnated to about 13% despite being accorded a high priority by the government. During the last decade, unemployment for graduate youths was considered of crucial importance to the government, although this figure remains close to 27%. However, the unemployment rate is still high with 3.6 million inhabitants out of work, predominantly affecting university graduates whose unemployment rate is higher than average by 3 to 5 points. The government undertook reforms of the higher education system in order to tackle the skill mismatch problem of the labor market. It also aims to simplify the legislation on business creation to encourage entrepreneurship among young graduates.

In addition, healthcare is relatively accessible to all at a reasonable price. Consequently, health and social security indicators improved between 2008 and 2009, with life expectancy at birth rising from 74.7 years to 75.1 years, and the coverage of salaried employees by the various social security systems increasing from 92% in 2008 to 93.2% in 2009. Similarly, infant mortality declined from 21.1 to 19.8 per 1,000 live births. In addition, the family planning programs launched in the 1960s have helped to control the birth rate, which stands at 17 per 1,000 inhabitants. Tunisia's population growth slowed from 1.08% in 2004 to 1% in 2006, the lowest rate of all Arab and African countries.

Likewise, progress in healthcare has allowed the rate of HIV prevalence to remain low (0.1%), and thus permitted Tunisia to pursue preventive education and to distribute free treatment to those infected. ■

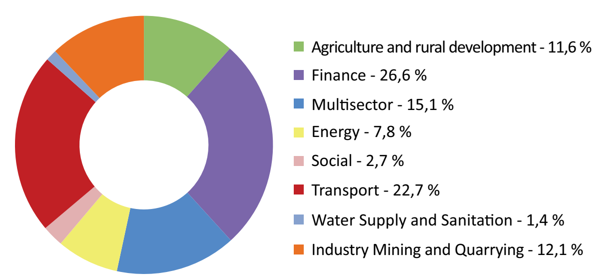
[57] The African Economic Outlook is an annual publication jointly produced by the African Development Bank and the OECD Development Centre, which analyses the comparative economic prospects for African countries.

Overview of Bank Group Operations in Tunisia

Tunisia was one of the founding members of the African Development Bank Group in 1964 and is one of the largest beneficiaries of lending, technical assistance and economic and sector works representing over 8% of total approvals between 2005 and 2009. Since 1968, the Bank Group has approved 106 operations, for cumulative net commitments of about UA 4458 million. ADB loans account for 100% of these operations.

The Bank Group has invested in a number of sectors in Tunisia, broken down as follows. The finance sector comes first with 26.6% of the net commitments, followed by the transport sector at 22.7% and multisector operations 15.1%. The industry, mining and quarrying sector accounts for 12.1%, agriculture and rural development sector for 11.6%, power supply sector for 7.8%, social sector for 2.7% and water and sanitation sector for 1.4%.

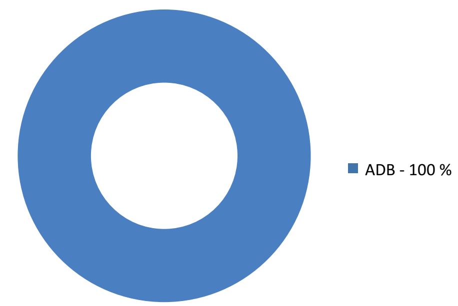
Figure 5.24: Cumulative Bank Group Loans and Grants by Sector in Tunisia (1968 – 2010)



Financial Sector

The Tunisian financial sector is comprised of commercial banks, the Central Bank of Tunisia, off-shore banks, stock exchange, leasing companies, investment companies, factoring companies and insurance companies. The international financial crisis has moderately affected

Figure 5.25: Cumulative Bank Group Loans and Grants by Institutions in Tunisia (1968 – 2010)



Tunisia's financial sector. Housing loans account for less than 10% of all loans; Tunisia's financial institutions also hold a very low proportion of foreign assets and do not employ the techniques that caused the crisis such as instruments that dissociate the real and financial spheres like securitisation and structured products.

On the Tunis stock exchange, the share of market capitalisation held by non-Tunisians is only about 25%, and US investments in Tunisia are very small. In addition, the central bank has undertaken measures to reduce exposure to the global crisis by reducing the share of financial investments placed with international banks from 75% of total reserves before the crisis to 39% in November 2008, and stopped drawing on the international financial markets until the end of 2009. The resources required to cover the 2009 budget of TND 17.2 billion was raised exclusively from the local market and international financial institutions.

The Bank Group has so far approved 35 operations in the financial sector. Over the years, the AfDB has provided lines of credit to financial institutions to build capacity to finance efforts by small and medium-sized enterprises diversify their sources of finance and improve their management and efficiency.

Transport Sector

In view of the important role the transportation sector plays in the economic and social development process and as support to the strategy to integrate into the global economy, the Tunisian government embarked upon an ambitious program aimed at establishing an efficient transport system and high quality infrastructure for the 1997-2006 period, covering its 9th and 10th national development plans.

With regard to road infrastructure, major rehabilitation and modernization projects of the classified road network were implemented over the 1997-2006 period. These projects have improved the level of service of the road network by building its capacity and reducing the proportion of roads with carriageway widths of less than 7 metres, from 70% to below 40%. The Bank participated in the financing of these projects by granting six loans for a total cumulative amount of UA 698 million. In effect, this helped rehabilitate 1,700 kilometres of roads, while reinforcing a cumulative length of 850 kilometres of roads, and building 88 highway structures spread over the classified road network.

Since 2006, the Bank has further approved three projects: Route V, Route VI and Enfidha Airport project. These infrastructure projects are expected to improve trade links, exports and tourism, thereby boosting the Tunisian economy and improving its resilience.

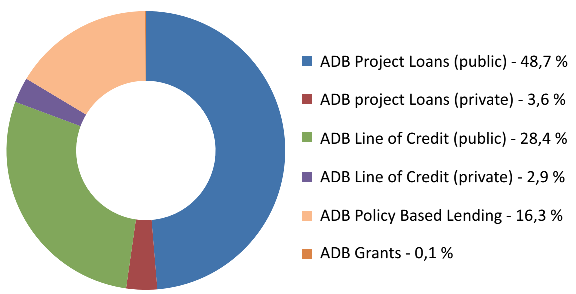
Agriculture Sector

According to the *African Economic Outlook* 2011, the agricultural sector represented 8.3% of the GDP in 2010. However, it saw a 8.8% fall in 2010 compared to a 6% rise in 2009, partly due to unfavorable farming conditions associated to climate. Cereal production during the winter of 2010 was considerably reduced, by approximately 45 % in comparison to 2009 according to the FAO. As a result the country was forced to compensate by importing cereal. The third largest exporter of olive oil, Tunisia experienced a 2.5% decrease in the export of this commodity in 2010 in comparison to 2009.

Agriculture plays an important role in Tunisia's economy, but its development is still limited due to the lack of arable lands and water. The sector is still highly reliant on weather patterns. In view of these constraints, the government developed plans to mobilise water resources and construct dams and man-made lakes, as well as soil and water preservation works.

The Bank has completed three integrated agricultural development projects at Gabès, Gafsa and Kasserine, as well as three lines of credit operations to the National Agricultural Bank, and has maintained funding for the Kairouan integrated agricultural development projects. The agricultural projects have made it possible to cope with national development challenges, notably the need to enhance the efficiency of irrigation infrastructure and the use of salty or brackish water, the need for soil and water conservation; and the development of farmers' cooperatives capacity. These actions will be consolidated by the Water Sector Investment Project, approved in December 2008, and a support grant to Agricultural Development Groupings. In sum, the Bank Group's cumulative contribution to the agricultural and rural development sector is, to date, UA 518.56 million.

Figure 5.26: Cumulative ADB Loans and Grants by Instruments in Tunisia (1968 – 2010)

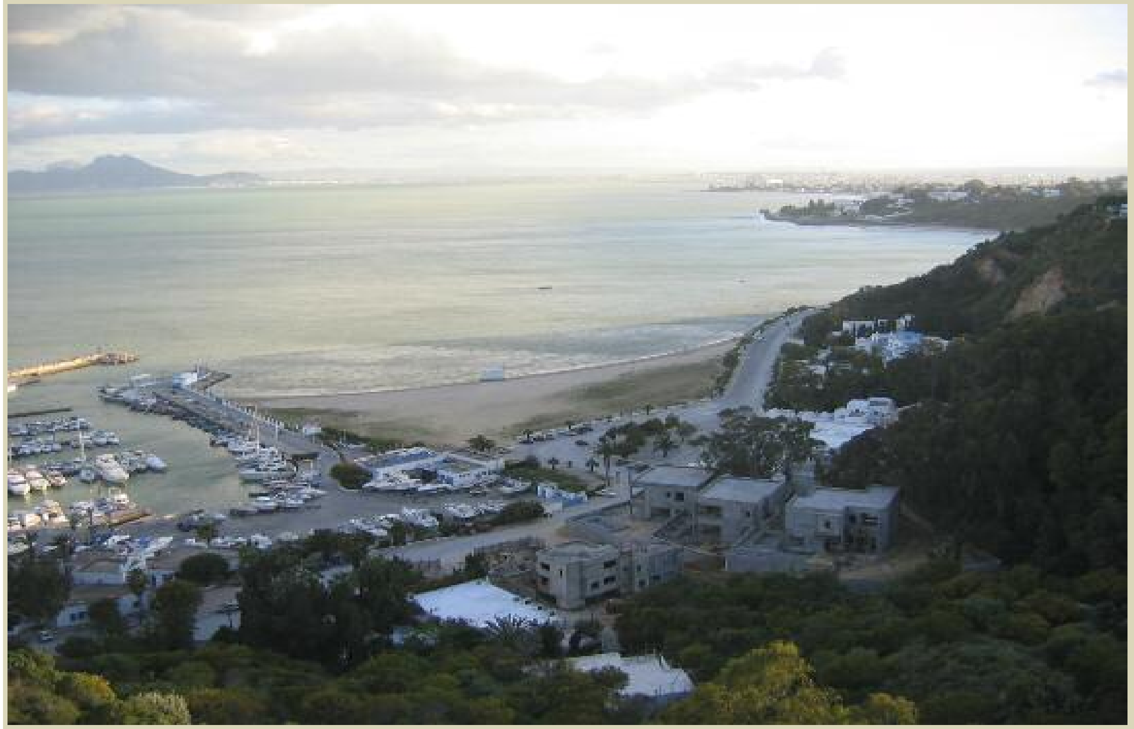


Energy Sector

In 1996, the Tunisian government introduced a sector liberalisation policy, which included the opening of electricity generation to private operators. Since then, the sector has evolved and various public enterprises and private companies have been assigned appropriate roles. There are about 40 international private oil companies, such as British Gas Tunisia which, since 1995, have been exploiting off-shore natural gas fields in the Gulf of Gabes, possessing an exploration license for hydrocarbons. Other independent electricity generators include the Carthage Power Company, which owns the 471 MW station in Rades II in Tunis, and the El Bibane Electricity Company that owns the 27 MW station in the Zarzis port area in the southern part of the country.

The Bank Group has had regular operations in Tunisia's energy sector. To date, the Bank Group's total net commitments in the sector amount to UA 304.7 million. Bank Group operations helped to improve rural and urban living conditions, increasing the country's rural electrification rate from 6% in 1976 to 95% in 2002, and the national electrification rate from 37% to 96% in the same period.

In 2010, the Bank Approved the ETAP corporate loan with the intention of financing the Hasdbural project, a standalone gas, condensate and oil production system in the Gulf of Gabes so as to enhance production capacity of oil and gas in Tunisia and promote growth in the sector. ■



Bank Group Strategy & Ongoing Activities in Tunisia

Closely aligned with the Tunisian government's development agenda, the Bank Group has identified three priority assistance pillars: strengthening macro-economic policies and accelerating reforms; modernizing infrastructure and strengthening the productive sector to ensure sustainable development; and consolidating human capital. The midterm review of the strategy in 2009 maintained the same strategy for the remaining period 2009-2011 with greater emphasis on sustainable development.

With regard to strengthening macro-economic policies and accelerating reforms, the cautious fiscal and monetary policies undertaken by the government have secured macro-economic stability and earned the confidence of foreign investors. The Tunisian government has pursued a liberalization process, especially since the Association agreement with the EU in 1995, implementing competitiveness reforms successfully. As a result, the country ranks 69th in the World Bank's Doing Business report 2010 and 32nd in global competitiveness by Davos 2010.

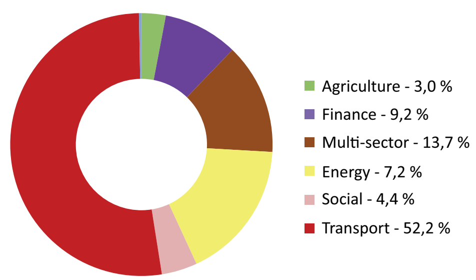
For the second pillar, transport sector planning is under way for two regional projects: the Maghreb motorway and the feasibility study for the Maghreb high-speed train connecting Tripoli to Casablanca via Tunis and Algiers. At the national level, a 152-kilometre motorway from Sfax to Gabès is to be built. The Enfidha airport, 75 kilometres south of Tunis, began operating in 2010 with an annual capacity of 7 million travellers and projected annual revenues of US$ 67 million. In addition, the deep-water port should be completed in 2023 and 2,000 hectares will be set aside for a large business park. A US$ 25 billion building complex is planned on the shores of the Lake in the Southern suburbs of Tunis, and another (Bled El Ward, US$ 10 billion) in the Northern suburbs of Tunis. The Tunis sports complex is scheduled for completion in 2015.

Tunisia is also undertaking reforms to support trade liberalisation with the European Union.

Regarding the consolidation of the human capital pillar, the country's education budget, which includes higher education, is the largest item in the overall budget (28% of central government's current expenditure), and it has been so for many years. The enrolment rate is 97.3% at the primary level and 83.2% in secondary education.

As of December 31, 2010, the ongoing portfolio comprised 16 operations that amount to net commitments of UA 1,201 million. Active operations are dominated by transport projects, which consist of more than half of the entire portfolio. In 2010, the Bank approved 4 operations including 2 studies for a total amount of over UA 300 million (the microcredit BTS study, the road project VI, the ETAP corporate loan, the study on the development of the cultural industry, a study on water security, and another on commercial integration).

Figure 5.27: Structure of the current portfolio by sector in Tunisia



The Bank is actively involved in assessment activities, with the conduct of economic and sector works and technical assistance. In 2009, 11 economic and sector works were approved amounting to UA 6.607 million.

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Meanwhile, 2010 saw the addition of two studies, one focused on the development of cultural industries, and another evaluated the microcredit system of BTS. The Bank has financed studies in the water and sanitation sector, private sector and health sector.

The Bank also continues to support the government in its efforts to undertake impact assessments of the lines of credit and competitiveness studies in order to inform economic reforms. These studies will allow the Bank to consolidate its dialogue with the Tunisian government. ■

Classified Road Network Rehabilitation Project Phase IV

ADB Loan Amount	UA 136.14 million
Co-financiers	Government of Tunisia
Approval Date	November 2004
Expected Completion Date	December 2011
Location	All of the country's 24 Governorates
Executing Agency	Ministry of Equipment, Housing and Regional Development, General Directorate of Highways

Background and Objective

Road transport is an important transportation mode in Tunisia, with an average density of 70lm/km² and 12,600 km of paved roads, the national classified road network serves all of the country's Governorates and links the country to neighbouring countries. This network accounts for virtually all movements of persons and 80% of goods transportation.

In view of the important role of the transport sector in the economic and social development process and as support to the strategy to be part of the global economy, the Tunisian government embarked on an ambitious program aimed at establishing an efficient transportation system and high quality infrastructure for the 1997-2006 period (covering the 9th and 10th Plans).

The Bank participated in the financing of these projects by granting five loans of a total cumulative amount of UA 459.5 million, thereby helping to rehabilitate 1,700 km of roads, reinforce a cumulative length of 850 km of roads, and build 88 highway structures spread over the classified road network.

Specifically, the project's objective is to reduce transportation costs and promote trade development between the regions concerned.

Description

The project comprises the following components:

- Clearing road rights-of-way and displacing concessionary networks;
- Rehabilitating classified roads in three successive phases;
- Supervising and monitoring works by the Administration;
- Controling geotechnical works by the CETEC ; and
- Procuring utility vehicles for control or maintenance works and supervising classified road network.

Expected Outcomes

The project intends to:

- Rehabilitate the capacity of roads built in terms of condition of carriage way structures and their size.

Transport

Enfidha Airport

ADB Loan Amount	€ 70 million
Co-financiers	TAV Tunisia, IFC, EIB, Proparco, OPEC, Commercial Banks, Tunisian Government & Monastir Airport operations
Approval Date	January 2009
Expected Completion Date	March 2010
Location	Enfidha and Monastir
Executing Agency	TAV Tunisia

Background and Objectives

The Tunisian government's 2007-2011 Eleventh Economic and Social Development Plan details the country's strategy to modernise its infrastructure sector. The authorities believe that this will lead to an improvement in trade links, export and tourism sectors thereby boosting the country's GDP and resilience of the economy.

In line with this, Tunisia is upgrading and expanding its airport infrastructure and in 2007 awarded two Build, Operate and Transfer concessions to TAV Airports of Turkey: (i) to upgrade/maintain and operate the existing Monastir Airport, and (ii) to build, operate, and maintain a new airport at Enfidha, which is about 100 km south of Tunis and 60 km from Monastir Airport.

The Bank has approved a senior loan of € 70 million, with a maturity of 20 years for this project. The project's primary objective is to remove capacity constraints on Tunisian airport infrastructure by constructing and operating a new International Airport at Enfidha.

Description

The project comprises the:

- Construction, operation, and maintenance of the new Enfidha Zine El Abidine Ben Ali International Airport; and
- Operation and maintenance of the existing Monastir Airport.

Expected Outcomes

The project intends to:

- Improve service quality, safety and security standards;
- Provide better value proposition for tourists;
- Increase government direct revenues; and
- Create jobs.

Transport

Railway Infrastructure Modernisation (Phase II)

ADB Loan Amount	UA 60.66 million
Co-financiers	Government of Tunisia
Approval Date	December 2003
Expected Completion Date	June 2010
Location	Northeast, Northwest, Centre-East, and Southeast and
Executing Agency	The Tunisian National Railways Company

Background and Objectives

The government drew up a transport strategy for the period 1997-2005, focusing on the implementation of appropriate sector reforms, upgrading infrastructure and integrating various transportation means. The strategy's key objective is to obtain, in the medium-term, an efficient and quality transportation system at the lowest cost. The project's implementation is part of efforts to improve competitiveness, by upgrading railway infrastructure and rationalizing transportation management costs.

The project's implementation is also in line with the Bank's assistance strategy in Tunisia for the 2002-2004 period, whose operational thrust in the transportation sector is the continuation of the economic infrastructure strengthening and upgrading program to enhance the country's competitive production and service ability in the face of market globalisation and the need to open up to Europe.

Specifically, the primary objective of the project is to improve the efficiency and quality of railway services through time gains and improved comfort and safety.

Description

The project has two components, namely:

- Institutional studies; and
- Physical infrastructure modernisation investment.

Expected Outcomes

The project intends to:

- Upgrade railway infrastructure and services;
- Improve time gained on the main lines; and
- Improve the financial performance of the Tunisian National Railways Company.

Road Project V

ADB Loan Amount	UA 162.50 million
Co-financiers	Government of Tunisia
Approval Date	May 2008
Expected Completion Date	December 2013
Location	All 24 of the country's Governorates, with the exception of Kasserine, Gafsa, Kebili, Tataouine and Tozeur
Executing Agency	Ministry of Equipment, Housing and Regional Development, General Directorate of Highways

Background and Objectives

Roads are an important mode of transport in Tunisia, with an average density of 70lm/km² and 12,600 km of paved roads, the national classified road network serves all the Governorates of the country and provides links with neighbouring countries. This network accounts for virtually all movements of persons and 80% of the transportation of goods.

In view of the important role the transport sector plays in the economic and social development process and as support to the strategy to integrate into the global economy, the government embarked on an ambitious program aimed at establishing an efficient transport system and high quality infrastructure for the 1997-2006 decade (covering the 9th and 10th Plans).

The Bank participated in the financing of these projects by granting five loans of a total cumulative value of UA 459.5 million, thereby helping to rehabilitate 1,700 km of roads, reinforce a cumulative length of 850 km of roads, and build 88 highway structures spread over the classified road network.

To further consolidate these achievements the project will also upgrade the road infrastructure with a view to ensuring a safer, more efficient, high quality transport system. Specifically the project's objective is to improve the level of service of the classified road network so as to intensify intra and inter regional trade and improve the accessibility of the country's principal development poles.

Description

The project comprises four main components:

- Developmental road works to be carried;
- Rehabilitation works;
- Strengthening works; and
- Constructions works.

Expected Outcomes

The project intends to:

- Rehabilitate the capacity of roads built in terms of condition of carriage way structures and their size.

Road Project VI

ADB Loan Amount	UA 206 million
Co-Financiers	Tunisian Government
Approval Date	September 2010
Expected Completion Date	December 2016
Location	Nationwide
Executing Agency	Ministry of Infrastructure, Housing and Regional Planning (MEHAT)

Background and Objectives

In order to consolidate its socio-economic performance, Tunisia chose a strategy of progressive integration into the global economy, and in doing so prioritized transport as an important avenue for economic and social development. The current road project constitutes the second branch of the infrastructure investment program outlined by the 11th Plan of Social and Economic Development.

This project is built into the framework of the ongoing strategy to upgrade the transport sector. This strategy aims to promote an efficient transport system and quality in order to sustain growth and create conditions for improved export competitiveness. Specifically, the project aims to improve the service level of the road network so as to improve the accessibility of major poles of development, intensify intra and inter regional trade, contribute to the promotion of an efficient transport system in order to sustain growth and create conditions of competitiveness, and to improve the service level of the road network.

Description

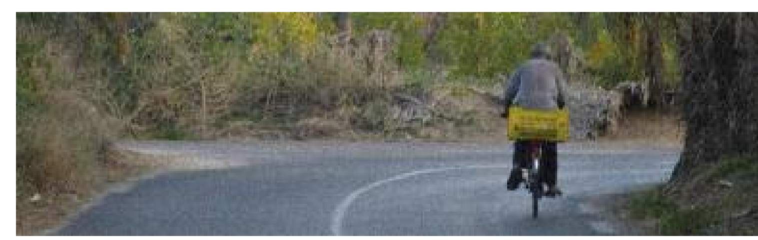
This project will entail the:

- Improvement of the road network, involving the rehabilitation of 862.8 km of roads in 23 governorates;
- Reinforcement of the network covering 691.3 km of roads in 18 governorates;
- Construction of 12 engineering structures, covering 1,770ml in 10 governorates;
- Improvement of feeder roads, covering 759.4 km in 23 governorates;
- Modernisation of additional road sections involving 52.6 km of roads;
- Supervision of works and coordination of the various activities, including geotechnical and quality control of work implementation and the assistance mission of private consulting firms for the supervision and control of works on engineering structures, feeder roads and modernization of additional road sections.

Expected Outcomes

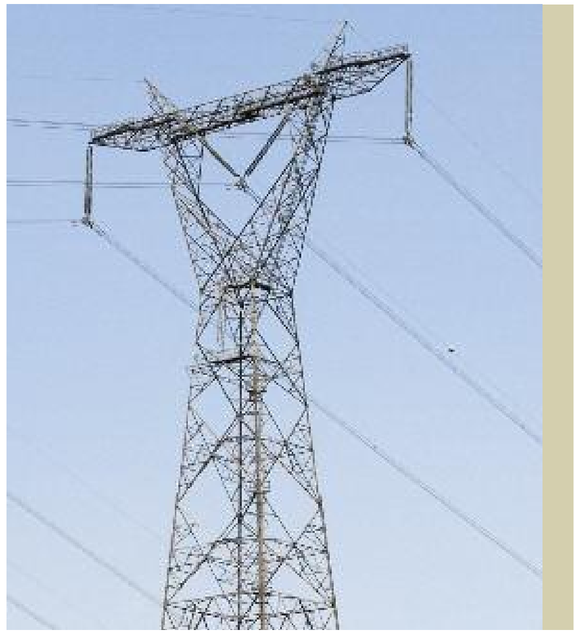
The outputs of the project after completion include:

- The expropriation of 50 ha of land, and the displacement of networks for the release of land required for rights of way;
- The rehabilitation of roads through the strengthening and construction of dual carriage way, and the development of feeder roads;
- Traffic conditions improved and secured on the classified road network and freer roads.



Electricity Distribution Networks Rehabilitation and Restructuring Project

ADB Loan Amount	UA 42.34 million
Co-financiers	Government of Tunisia/Tunisian Electricity and Gas Company
Approval Date	July 2009
Expected Completion Date	November 2012
Location	Nationwide
Executing Agency	Tunisian Electricity and Gas Company



Background and Objectives

Since the early 90s, Tunisia has witnessed sustained growth of 5% per annum in power demand. This development stems from the growth of the productive sector, social development and new consumer demands following the improvement of household living standards. This has led to a saturation of part of the existing power distribution system and deterioration in service quality in some areas.

The Bank's strategy in Tunisia is closely linked to the thrusts of the 11th Plan which is the cooperation framework of between Tunisia and its development partners from 2007-2011. The plan's energy sector objectives are in line with the country's energy policy, which aims to diversify and protect supplies, reduce the energy bill and promote a rational use of energy.

The objective of the Electricity Distribution Networks Rehabilitation and Restructuring Project is to make cuts on fuel spending by reducing losses in the distribution system.

Description

The project includes:

- Constructing distribution networks;
- Strengthening STEG's technical resources; and
- Managing the project.

Expected Outcomes

The project intends to:

- Improve the service quality;
- Save energy; and
- Reduce the environmental impact of electricity distribution.

Electricity Distribution Networks Rehabilitation Project (Electricity VII)

ADB Loan Amount	UA 61.20 million
Co-financiers	Government of Tunisia/Tunisian Electricity and Gas Company
Approval Date	December 2003
Expected Completion Date	September 2010
Location	Nationwide
Executing Agency	Tunisian Electricity and Gas Company

Background and Objectives

Since the early 1990s, Tunisia has witnessed sustained growth of 5% per annum in power demand. This development stems from the growth of the productive sector, social development and new consumer demands following the improvement of household living standards. This has led to the saturation of part of the existing power distribution system and the deterioration in service quality in some areas.

The Bank's strategy in Tunisia is closely linked to the thrusts of the 10th Plan which is the cooperation framework between Tunisia and its development partners from 2002-2006. The plan's energy sector objectives are in line with the country's energy policy which aims to diversify and protect supplies, reduce the energy bill and promote the rational use of energy.

The project's objectives are to (i) improve food security, customer service quality, the security of the Tunisian Electricity and Gas Company staff and third parties, environmental preservation and (ii) to control the distribution network operating cost. It will also enhance the performance and reliability of the power distribution network.

Description

The project comprises the following major components:

- Construction of new infrastructure;
- Rehabilitation of the Medium Tension networks;
- Rehabilitation of the Low Tension networks;
- Procurement of equipment, and resources for studies and operations; and
- Engineering designs, works supervision and monitoring.

Expected Outcomes

The project intends to:

- Reduce energy production costs;
- Reduce the number and duration network failure;
- Reduce undistributed power;
- Reduce the number of accidents; and
- Increase customer connection.

ETAP Corporate Loan

ADB Loan Amount	US$ 150 million
Approval Date	March 2010
Expected Completion Date	May 2015
Location	Hasdrubal field
Executing Agency	ETAP

Background and Objectives

Tunisia's National Development Programme, the 11th Development Plan (2007-2011), stresses the need to accelerate economic growth and create jobs in order to reduce the unemployment rate. The National Energy Strategy considers energy management as one of the major national priorities. It emphasizes the replacement of hydrocarbons by natural gas as an alternative that should be developed.

The purpose of the corporate loan to ETAP, the national state owned oil and gas company, is to finance ETAP's investment plan over the years 2009-2010 with a main focus on Hasdrubal project. The objective of this project was to construct a stand-alone gas, condensate and oil production system in the Gulf of Gabes so as to enhance the production capacity of oil and gas in Tunisia and thus promote economic growth in the Tunisian oil and gas sector in light of its strategic importance for the country.

Description

This project will entail:

- The drilling of six offshore horizontal producing wells;
- An offshore production platform used for production from offshore wells;
- An onshore processing plant used by the Hannibal concession for gas production;
- A gas pipeline between the onshore terminal and the Ben Sahloun city gate;
- LPG facilities: these are LPG processing facilities at the onshore terminal, LPG storage tanks at Gabes and two separate LPG gas pipelines for butane and propane.

Expected Outcomes

The project will result in:

- Increasing Tunisia's energy independence in particular for gas as the Hadsbyral project will contribute to about 15% of national gas consumption by 2011;
- Increase oil and gas production in the country with 880 million cm of natural gas being produced by the project;
- Increase the Government's revenue linked to oil and gas activities with a total of USD 720 million (nominal) revenue generated from 2010 to 2014;
- Enhance the country's balance of payments with a net effect of USD 320 million over 2008-2014;
- Curb unemployment through the creation of 1,300 temporary jobs and 90 permanent jobs.

Water Sector Investment Project Phase 2 (PISEAU II)

ADB Loan Amount	€ 22.91 million
Co-financiers	AFD, WB, Various grants, Government of Tunisia
Approval Date	March 2008
Expected Completion Date	December 2013
Location	Nationwide
Executing Agency	Ministry of Agriculture and Water Resources

Background and Objectives

PISEAU II implements the second component of the Tunisian Water Mobilization and Management Strategy 2002-2011, and it is a follow-up on PISEAU I implemented from 2002-2007. PISEAU II extends and consolidates the achievements of PISEAU I by giving priority to interventions in remote regions where poverty is rampant.

The PISEAU II aims at promoting efficient and integrated management of both conventional and non-conventional water sources thereby enabling Tunisia to meet the challenge of safe water scarcity in the country. The aim is to make the project a tool for managing water scarcity by enabling beneficiaries participate in the management of resources and infrastructure, as well as by promoting appropriate tariff systems.

Description

The project will be implemented through the following activities:

- Developing and strengthening irrigation management in the project area;
- Establishing and rehabilitating drinking water supplies;
- Developing underground water management;
- Establishing and monitoring an environmental protection system; and
- Developing institutions and building capacity to implement various research activities.

Expected Outcomes

The project intends to:

- Promote sustainable use of irrigation infrastructure;
- Increase drinking water access and use by rural communities; and
- Support investment decisions which will be informed by the data generated through improved monitoring systems.

Integrated Agricultural Development Project for Kairouan (IADP)

ADB Loan Amount	UA 14.713 million
Co-financiers	Government of Tunisia, Beneficiaries, Micro credit Associations
Approval Date	March 2006
Expected Completion Date	December 2013
Location	Governorate of Kairouan
Executing Agency	Commissariat Régional au Développement Agricole de Kairouan - Tunisia

Background and Objectives

In spite of Tunisia's substantial investments in the agricultural sector, part of its rural population continues to live on low incomes. Part of the government's strategy within the framework of its 10th Five-Year Development Plan (2002-06) was to target these rural farmers with a view to improving their income and living conditions.

The Bank Group has funded the implementation of five rural integrated development projects in Tunisia, similar to the envisaged project (the Mahdia Rural Development Project, Phases I & II; the Gabès, Gafsa and Kasserine Integrated Agricultural Development Projects). This cooperation has allowed the Bank to acquire extensive experience in the design and implementation of rural integrated development projects.

The specific objective of the project is to promote sustainable agricultural development through rural infrastructure development, participatory agricultural development, and capacity building for administrative services and beneficiary organizations.

Description

The project includes:

- Developing rural infrastructure which will involve building access roads, laying down water supply networks, creating irrigated perimeters, constructing soil and water preservation works and forestry works;
- Developing agricultural which will allow direct investments in farms; and
- Building capacity to strengthen administrative services and beneficiary organizations.

Expected Outcomes

The project intends to:

- Reduce poverty in the project area;
- Increase in market garden produce;
- Increase in fruit production;
- Increase in production of meat and of milk; and
- Improve the management of natural resources.

Support for the Programme to Strengthen Drinking Water Agricultural Development Cooperatives

ADB Loan Amount	UA 587,138
Co-Financiers	Tunisian Government
Approval Date	October 2009
Expected Completion Date	December 2014
Location	Nationwide
Executing Agency	The Ministry of Agriculture and Water Resources (MARH)

Background and Objectives

Support to Agricultural Development Cooperatives (GDA) is an integral part of the Water Sector Investment Programme (PISEAU), which aims to consolidate operations in remote areas where the level of poverty is high.

Having the same overall objective of PISEAU II, this study aims to sustainably improve the rational management of the drinking water supply by the agricultural development cooperatives with the effect of promoting the living conditions of Tunisian rural dwellers, and the mobilization and rational use of water resources in Tunisia.

Description

This study will entail the following components:

- Improving the working conditions of GDAs and cooperation with the institutional and organisational environment, namely the stakeholders in the sector;
- Providing training of and technical assistance to GDAs;
- Enhancing the human and material capacity of GDAs;
- Sensitizing the target population;
- Introducing appropriate billing by applying the demand management principle;
- Reorganizing the servicing and maintenance function, and the institutional and organizational development of GDAs; and
- Providing support to the Directorate-General of Agricultural Engineering and Water Supply (DGGREE) and the Regional Agricultural Development Commission (CRDA) for implementing the programme.

Expected Outcomes

This study will result in the following outcomes:

- Improvement of the living conditions of Tunisian rural dwellers by in increasing the services rate from 92% in 2008 to 97% in 2013 and 100% in 2020;
- Promote the mobilization and rational use of water resources in Tunisia by increasing the percentage of effective GDAs to 70% in 2011, and 90% in 2013.

Secondary Education Support Project Phase II (SESP II)

ADB Loan Amount	UA 50 million
Co-financiers	Government of Tunisia
Approval Date	September 2005
Expected Completion Date	January 2012
Location	Nationwide
Executing Agency	General Directorate of Common Services in the Ministry of Education and Training

Background and Objectives

The Tunisian government has made education the focus of its development strategy in order to build human capital which is indispensable to competitiveness in a context of globalization and the knowledge economy. Such emphasis on education was reaffirmed in an education system reform program adopted in 2002 and entitled "The School of the Future", 2002-2007. This program, bolstered by the 2004-2009 presidential program, provides for a set of concrete actions that should enable the educational system to efficiently address economic and social needs.

The Bank Group had previously, financed two educational sector operations in Tunisia, namely: the Scientific and Technical Education Reinforcement Project completed in 1995 and the Secondary Education Support Project (SESP I). This project will therefore consolidate the gains of past operations financed by the Bank and the country's other development partners. The specific objective of the project is to help increase the intake capacity, relevance and quality of basic and secondary education.

Description

The combined activities of the project components will ensure harmonious development and will improve the quality and relevance of the educational system, in accordance with the national development plan.

Expected Outcomes

The project intends to:

- Promote access and equity in 2nd cycle basic education and in secondary education;
- Enhance the quality and relevance of 2nd cycle basic and secondary education;
- Consolidate the management and monitoring/ evaluation framework and school system mechanisms; and
- Support project management.

Study on Emerging and Re-emerging Diseases to Strengthen the Health Monitoring System

ADB Loan Amount	UA 600,000
Co-Financiers	Tunisian Government
Approval Date	November 2009
Expected Completion Date	December 2013
Location	Nationwide
Executing Agency	OMNE and Institut Pasteur de Tunis

Background and Objectives

Tunisia's health system has been comparatively efficient, resulting in demographic and health indicators that are higher than those of sub-Saharan Africa. Despite these advantages, challenges remain: the main source of information on the incidence of transmissible diseases suffers from notification delays and incomplete coverage. Moreover, Tunisia faces the risk of emerging diseases (HIV/AIDS, avian influenza, etc.) and re-emerging diseases (cholera, malaria, bilharzia, poliomyelitis, diphtheria).

The objective of this study is to improve the health status of Tunisia's population by strengthening the National Epidemiological Monitoring Mechanism so it may efficiently cope with risks of emerging and re-emerging diseases.

Description

The study will be composed of:

- An analysis of the epidemiological profile of emerging and re-emerging diseases with the view to efficiently organize the health watch and response and requiring the undertaking of several studies on the morbidity and mortality of transmissible diseases, microbiological risk, risks relating to climate change, risks related to leishmaniasis, the prevalence of Human Papilloma virus (HPV) and the identification of its strains in Tunisia, risk of Chikungunywa and Rift Valley Virus outbreaks, medical information coding, and the feasibility of health monitoring;
- A capacity building component to address the weaknesses described by the analysis of emerging and re-emerging diseases including the provision of necessary training and technical assistance to meet the needs described.

Expected Outcomes

This study will:

- Reduce the morbidity and mortality specific to major transmissible diseases;
- Build the capacity of The National Observatory of New and Emerging Diseases (ONMNE);
- Improve early detection, early warning and early response systems for emerging diseases;
- Improve health security;
- Produce reliable information (disaggregated by sex, income level, etc) on morbidity, mortality and risk factors for emerging and re-emerging diseases;
- Increase the population's level of information on risk factors;
- Enable ONMNE to ensure health monitoring and organize appropriate response to cope with emerging and re-emerging diseases.

Health Services Export Strategy Development Study

ADB Loan Amount	UA 526,583
Co-Financiers	Tunisian Government
Approval Date	November 2002
Expected Completion Date	December 2011
Location	National Territory
Executing Agency	Ministry of Public Health

Background and Objectives

In Tunisia, health and related services are considered a growth window and a key engine of economic and social development. In recent years, Tunisia has witnessed steady growth in this area that has propelled it to the level of leading nations on the international scene.

The overall objective of the proposed study is to promote health services export. Its specific objective is to formulate and implement a health services export development strategy. Hence, the study will lead to the formulation of a Strategy and Action Plan to promote Tunisia as a health services exporting pole and investment destination in that sector.

Description

The study will entail:

- A diagnosis of Tunisia's current supply, including an inventory of each of the health-related services and ancillary activities provided in Tunisia, their export turnover, their trends and consumers, available medical expertise, clinical capacity in terms of hospitals and private clinics, information on the regulatory framework provided to foreigners in Tunisia, cost of treatment, and other relevant information Tunisia's supply in areas of interest.
- An analysis of development prospects for health services export will be considered by taking into account future developments in health services at the international level;
- The formulation of a strategy and action plan promoting Tunisia as a host country for health care and health-related investments;
- The presentation of the study to trigger the implementation of the action plan.

Expected Outcomes

The study will have the following outcomes:

- A report will be prepared and a meeting held on each of the study stages including the launching report which will address the conclusions of the launching stage of the study;
- A report on the diagnosis of Tunisia's current accommodation supply;
- A report on Tunisia's international positioning and promotional papers;
- A report on development prospects by 2016;
- A strategy and action plan report;
- A final report, summarizing the entire study and including an action plan for the implementation of its recommendations.

Development of Cultural Industry

ADB Loan Amount	UA 271,493
Approval Date	November 2010
Expected Completion Date	December 2013
Location	Nationwide
Executing Agency	Ministry of Culture

Background and Objectives

The Tunisian development model is based on a combination of economic and social initiatives and has recorded a satisfactory performance in recent years. Given that the economic activities of cultural vectors can be the source of tremendous growth in developing countries, the Tunisian government has decided to conduct a study on the development of cultural industries in order to define the axes of a national strategy to promote these industries and strengthen their role in achieving sustainable development.

The purpose of the study is to provide an objective overview of the current situation of cultural industries in Tunisia and contribute to the visibility of cultural production through improved information systems.

Description

The study will entail:

- A detailed and comprehensive diagnosis of the current state of cultural industries in Tunisia;
  an assessment of their contribution in the dynamics of economic and social development;
- The identification of potential in this sector;
- A national strategy for development of cultural industries;
- A plan of actions to implement this strategy.

Expected Outcomes

The study will provide the following main results:

- An assessment of the current conditions of Tunisia's cultural industry and its potential ;
- A plan for implementing a strategy that will further develop the country's cultural activities and as such promote socio-economic development.

Financial sector

Line of Credit to Banque de l'habitat

ADB Loan Amount	UA 20 million
Approval Date	February 2002
Expected Completion Date	2006[58]
Location	Nationwide
Executing Agency	Banque de l'Habitat

Background and Objectives

Tunisia hoped to achieve an average GDP growth of about 5.3% during the 10th Development Plan (2002-2006). That objective could only be attained if the private sector increased its contribution to the gross fixed capital formation from 56% in 2000 to 60% in 2006. Reforms including a review of the investment incentive system and the opening up of certain sectors contributed to the development of the private sector.

The objective of the line of credit was to fund the establishment, extension or renovation of sub-projects principally in the industry and tourism sub-sectors, to consolidate BH's long-term resources, and to improve the institution's capacity for long-term resources mobilization and environmental risk management. According to the pipeline of sub-projects submitted, the line was expected to finance about 27 operations in the industry and tourism sectors. Upon project completion, the tourism sector was estimated to grow yearly by 6% and the manufacturing industry by 6.8%.

Description

This project:

- Financed the creation, extension and renovation of approximately 27 sub-projects in the tourism and in dustry sectors by the end of 2004;
- Consolidated BH long-term resources;
- Improved its long-term resources mobilization and capacity to manage environmental risks.

Expected Outcomes

The line of credit:

- Enabled the BH to strengthen its financial capacity and diversify its activities in the industry and tourism sectors;
- Ensured the growth of the manufacturing sector's value added reaches 6.8% yearly between 2002 and 2004;
- Ensured the growth of the tourism sector's valued added reaches 6% between 2002 and 2004.

[58] Although the completion date of this project has passed, loans that have yet to be repaid in full to the bank are continued to be considered ongoing projects.

The African Development Bank Group in North Africa - 2011

Financial sector

Line of Credit to La Banque de Tunisie

ADB Loan Amount	€ 30 Million
Approval Date	July 2002
Expected Completion Date	2004[59]
Location	Nationwide
Executing Agency	Banque de Tunisie

Background and Objectives

The Tunisian Government has supported private sector development through its various development plans. The 10th plan (2001-2005), called for support of the private sector so that it could take up a paramount role international competition, expand the productive base and efficiently contribute to employment and exports promotion. To do this, private sector share in global investment should increase to about 60 % by the end of 10th plan.

The objective of this line of credit was to finance long term projects in the services industry. Specifically the line of credit was used to procure the capital goods and the supplies necessary for the creation, modernization, expansion and renovation of financially profitable enterprises with a potential for strong growth.

Description

This project entailed the:

- Financing of projects in the industry and services sector especially tourism;
- The restructuring of enterprises.

Expected Outcomes

The line of credit will:

- Allow Banque de Tunisie to meet with the financing requirements of projects in the industry and services sector, especially tourism;
- Contribute to the financial intermediation, and cover the financing needs of BT;
- Curb poverty through the creation of close to 1,000 jobs, targeting both low-skilled men and women and more likely to suffer from unemployment;
- The line of credit was also meant to contribute to the deepening of financial intermediation and to two growth of the country's economy by supporting industries and services, unfortunately as of December 2010 no evidence can be provided suggesting that the 8 sub-projects have received a BT loan. As such the development outcome has not yet been rated.

[59] Although the completion date of this project has passed, loans that have yet to be repaid in full to the bank are continued to be considered ongoing projects.

Line of Credit to Amen Bank

ADB Loan Amount	€ 20 million
Approval Date	March 2002
Expected Completion Date	2004[60]
Location	Nationwide
Executing Agency	Amen Bank

Background and Objectives

For the past few years Tunisian economy has been recognised for its buoyancy. During the 9th Development Plan (1997-2001), the average GDP growth rate attained 5.3%. Private investment, despite its progress, has not attained the objectives set by the plan, its share in overall investment is only about 53.2% as against a forecast of 56%.

The Euro 20 million line of credit aimed to contribute to the financial equilibrium of Amen Bank by granting long and medium-term credits to viable projects mainly in the industry and services sectors (especially tourism) which are the growth-bearing sectors of the Tunisian economy. The line of credit was coupled with technical assistance aimed at introducing in Amen Bank new risk assessment and credit procedures, a new portfolio management and monitoring system and an adequate information system, as well as proposals for improving AB's efficiency.

Description

The proposed line of credit entailed:

- The financing of 5 sub-projects in the industry and services sector, including 4 for the establishment and expansion of hotels and one for electricity generation;
- Implementation of technical assistance for these projects involved increasing Amen Bank's organizational capacity to respond more effectively to customer needs, establishing efficient credit risk management, and reorganizing Amen Bank's database and consolidating its portfolio monitoring.

Expected Outcomes

The line of credit will resulted in:

- A significant socio-economic impact on job creation, especially in favor of women, and the transfer of technology and know-how, including the 1,298 permanent jobs created through the hotel sub-projects 60% or 665 of which are jobs for women between 2004 and 2009;
- Total turnover of the 5 projects will result in TND 204.2 million;
- Foreign exchange generated by the hotels will reach TND 46.2 million in 2009;
- Total taxes generated for the state reached TND 12.3 million in 2009.

[60] Although the completion date of this project has passed, loans that have yet to be repaid in full to the bank are continued to be considered ongoing projects.

Line of Credit to Tunisie Leasing

ADB Loan Amount	€ 8 million
Approval Date	July 2003[61]
Expected Completion Date	December 2005
Location	Nationwide
Executing Agency	Tunisie Leasing

Background and Objectives

For several years now, the Tunisian Government has been implementing a resolute SME promotion policy. One of the main constraints to the development and creation of SMEs in Tunisia is access to financing. The Government's objective was to buttress the pace of creation of SMEs and their modernization. In this regard, leasing will play an important role through its ability to relax the constraint of guarantee, which is so difficult to overcome for SMEs.

Specifically, the envisaged line of credit aimed at financing small enterprises through small-scale operations of TD 20,000 to TD 300,000 maximum. In supporting the leasing sub-sector, this investment proposal backed the Government's programme to create 2, 500 new enterprises per annum during the 10th Plan.

Description

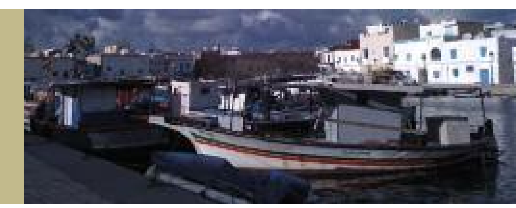
The line of credit:

- Financed the procurement of equipment, materials and immovables for leasing to SMEs operating in commercial, industrial, agricultural, fisheries and service activities;
- TL was the lesser and signed fixed-term contracts with the lessees in return for a lease payment which enabled the lessees to procure all or part of the equipment, materials or immovables at an agreed price while taking into account at least part of the eased payments made;
- Tunisie Leasing was the owner of the items and l eased them to the lessee for an agreed duration.

Expected Outcomes

Following the completion of this project, the line of credit will:

- Increase the net proceeds reflecting the result of the intermediation activity thanks to the ability of Tunisie Leasing to recover and lease amounts;
- Enhance the structural balance of TL thanks to a moderate increase in the loans it grants to its clients, an increase in equity funds and an intensive mobilization of medium and long-term resources to match resources to applications.



[61] Although the completion date of this project has passed, loans that have yet to be repaid in full to the bank are continued to be considered ongoing projects.

Financial sector

Fourth Line of Credit to the Investment Bank of Tunisia and the Emirates (BTEI)

ADB Loan Amount	€ 40 Million
Approval Date	November 2002[62]
Expected Completion Date	2006
Location	National Territory
Executing Agency	BTEI

Background and Objectives

The 10th Development Plan of Tunisia covering the 2002-2006 period, assigned a key role to the private sector to reduce poverty, widen the country's productive base and contribute to employment promotion. To this end, the Government hoped to intensify efforts by the banking sector to raise the share of private investment of overall investments from 53 to 60% by the end of the Plan.

This project intended to enable private investment growth by furthering the capacity of BTEI to support productive activities, notably in the manufacturing industrial, tourist and other services sectors. As such the objective of the line of credit was to cover the direct and indirect foreign currency costs of sub-projects, some forty SME/SMIs belonging to private promoters.

Description

- The line of credit was used to cover the direct and indirect foreign exchange costs of financially and economically viable sub-projects including the following in the tourism industry: fifteen units of four star and ten three star hotel units will be constructed or refurbished. These hotel units will enhance accommodation capacity by 14,500 beds;
- Credit also supported the following sub-projects for manufacturing and services industry fifteen industrial plants that will be chiefly created in construction materials sub-sector, food industry and commercial services.

Expected Outcomes

Expected outputs include:

- An increase in the tourism sector by 6%;
- An increase in the manufacturing industries reaching 5.6%;
- Accrue contributions of the tourism and manufacturing industries to the growth of the GDP.

[62] Although the completion date of this project has passed, loans that have yet to be repaid in full to the bank are continued to be considered ongoing projects.

Financial sector

Evaluation Study on Microcredit of BTS

ADB Loan Amount	UA 139,484
Co-Financiers	Tunisian Government
Approval Date	January 2010
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	La Banque Tunisienne de Solidarite

Background and Objectives

As part of the fight against poverty and socio-economic integration of low-income communities, micro-credit schemes were established in Tunisia in March 1999.

In order to maximize the impact of the public resources entrusted to finance micro-credit associations, the BTS now wishes to evaluate the performance and social impact of its interventions, and make the necessary improvements to its policies. Consequently, the study aims to evaluate the social, financial and economic performance of the microcredit scheme managed by BTS and with the objective of reducing poverty, further integrating disadvantaged groups and creating sources of income.

Description

The study will entail the following components:

- An assessment of the program's social performance regarding the coherence of BTS's mission;
- An analysis of the organization of the bank's microcredit activities including the planning and allocation of resources, decision making procedures, credit policy and procedures, auditing procedures, information systems and the system for following up on the impacts of the scheme, the institutional relations with the associations and all other domains that may influence the performance of the system;
- An analysis of the financial statements of the bank and of the micro-credit associations in terms of performance for achieving set objectives.
- the completion of targeted surveys which will evaluate the effects of training in zones of intervention and allow for defining the criteria of client satisfaction as well as creating the basis for a study on the unforeseen impacts of the program; and
- An analysis of the socio-economic impacts of the scheme with regard to poverty reduction.

Expected Outcomes

The expected outcomes of the study include the following:

- A detailed plan with proposed methodologies and deadlines to meet, as well as the division of labor for consultants;
- A methodological report that will synthesize the tools and the methods of the project;
- A report on surveys including the database grouping results on the project's clients;
- A diagnostic report that addresses recommendations to improve the social performance of the microcredit system with regard to poverty alleviation and the socioeconomic integration of low-income communities;
- A final report including all results and recommendations for improving the project.

Study for the Desalination of the Sea of Zaarat

ADB Loan Amount	US$ 1,174,327
Approval Date	May 2009
Expected Completion Date	December 2012
Location	Southern Tunisy
Executing Agency	Ministry of Development and International Cooperation

Background and Objectives

The water currently being supplied to the South of Tunisia as drinking water has a salinity higher than 3g/l, above the international norm of 2 g/l. The quality objective of the National Water Distribution Company (SONEDE) is to provide water with salinity not higher than 1.5 g/l. As a result, SONEDE recommends the implementation of a sweater desalination plant with a capacity of 50,000 m3/day to meet the 1.5 g/l salinity standard.

The objective of this study is the development of a technical and economic study that will result in a project of desalination of seawater in the Zaarat region of Tunisia. As a result of this project, it is expected that the private sector will become deeply involved in infrastructure management and financing.

Description

The study will entail the following phases:

- The identification and analysis of potential sites for the desalination plant;
- A technical and economic study for the implementation of the seawater desalination concession;
- Training of SONEDE technicians in desalination techniques and processes.

Expected Outcomes

The study aims to:

- Provide the entire population with drinking water despite the ever-worsening shortage, especially in the Southern part of the country where the groundwater is not renewable, with limited resources and degradable chemical quality and where demand is increasing steadily;
- Achieve a very high level of private sector involvement in the financing and management of drinking water infrastructure;
- Strengthen Tunisia's application for the concession principle for infrastructure financing and management;
- Improve the knowledge of appropriate and reliable desalination procedures;
- Provide non-conventional water resources to offset the scarcity of the resources available for the supply of drinking water to the population;
- Enable the private sector to attain a high level of involvement in infrastructure financing and management;
- Achieve proper implementation of the sweater desalination project.

Strategy Study on Sanitation

ADB Loan Amount	UA 574,988
Co-Financiers	Tunisian Government
Approval Date	December 2009
Expected Completion Date	December 2012
Location	Nationwide
Executing Agency	ONAS

Background and Objectives

In Tunisia, the sanitation sector is the essential platform for harmonious and sustainable development, and a key factor in environmental conservation in view of its importance and impact on economic, social and human development. The National Sanitation Agency (ONAS), however, does not cover 107 districts, including 93 with a population below 10,000. To remedy this situation and generalize the installation of adequate sanitation services in districts nationwide, the Bank has provided ONAS with a grant to carry out a strategic economic, social, environmental, institutional and technical study to develop a programme for the construction of sanitation infrastructure in districts that do not yet have sanitation facilities and, hence, provide a better living environment for the inhabitants concerned.

As such, the objectives of this study are to facilitate improved access to sanitation, protect water resources by combating the uncontrolled disposal of wastewater and in doing so improve the living standard of Tunisians.

Description

This study will entail:

- A study of the sanitation system of communities lacking adequate sanitation resources;
- The determination of an investment plan and an intervention program for 2012-2016;
- The development of an institutional framework for intervention in communities with less than 10,000 inhabitants;
- The development of a project to construct sanitation facilities in the 6 villages that lack the necessary sanitation infrastructure.

Expected Outcomes

Upon completion of this study:

- 100% of the communities of the country will dispose of a system of collection and treatment of water by 2030;
- Improved access to water sanitation in communities of less than 10,000 habitants as well as the 6 designated communities with over 10,000 habitants that do not dispose of these systems will be achieved and as a result the quality of life of those benefiting from this infrastructure will be improved, while the protection of water resources will be supported.

Study for the Protection Against Floods in Greater Tunis

ADB Loan Amount	UA 579 558
Co-Financiers	Tunisian Government
Approval Date	October 2009
Expected Completion Date	December 2012
Location	Greater Tunis
Executing Agency	Ministry of Infrastructure, Housing and Physical Planning-DHU

Background and Objectives

The water sector remains a priority in Tunisia's economic and social development. The most recent floods, particularly those of September 2003 and September/ October 2007 that occurred in the Greater Tunis area resulted in unprecedented material damage in the North Tunis area. The floods observed in the last two years caused unprecedented problems and the proposed study will be able to better equip the government to handle these challenges.

Specifically, the study aims to protect the cities and towns North and East of Greater Tunis—including Tunis, Ariana, Ben Arous and Mannouba—against floods and improve their water drainage capacity.

Description

This study will entail:

- The design and assessment of flood protection structures in the study area, including flood protection schemes and drainage of storm water together with primary and secondary structures;
- An estimation of the costs of needed structures to improve resistance against floods and drainage capacity in the designated zones;
- The preparation of bidding documents for the execution of works;
- The training of seven DHU technicians on the scaling of works and mathematical modeling for flood simulation;
- A final report including the assessments of the study will be produced.

Expected Outcomes

As a result of this study:

- Cities North and East of the Greater Tunis area will be protected against floods and a network of drainage for rainwater will be constructed;
- An improvement of knowledge regarding areas most susceptible to floods will be achieved, and affordable solutions for the improvement of water drainage and increased protection against floods will be proposed.

SINEAU

ADB Loan Amount	€ 1,973,000
Co-Financiers	Tunisian Government, PISEAU
Approval Date	December 2009
Expected Completion Date	December 2014
Location	Nationwide
Executing Agency	Unite de Gestion par Objective (UGO)

Background and Objectives

The risk that demand for water exceed supply due to population growth and living standards has become a reality in Tunisia. This situation is aggravated by ground water overexploitation as well as the degradation of water resources and soil. One hundred ground water sources suffer from water pollution caused by the annual release of approximately 155 million cubic meters of wastewater. Regarding soil, 50% of irrigated soil is sensitive to salinity while over 22% of these have become water logged.

The objective of the project is to ensure water safety and effectiveness of investments in the water sector in Tunisia by the integrated management of water resources and agricultural soils in irrigated areas and the mitigation of the effects of climatic variations on service-based water and agriculture.

Description

This project will entail:

- The establishment of a national information system on water through the synergy of the National Information System on Water (SINEAU) the various subsystems;
- A preliminary study designed to establish the institutional framework of SINEAU and define indicators for monitoring water and soil irrigated with information from SINEAU;
- The development and implementation of SINEAU and its sub-systems;
- The acquisition of necessary computational equipment.

Expected Outcomes

This project will result in:

- The development of water resources, and their exploitation in a sustainable manner resulting from the availability of integrated information on water;
- An increased rate of the mobilization of sustainable water resources from 93% in 2008 to 96% in 2030;
- That total demand for water is met, and that this comprise of 2610 million m3 in 208 to 2800 million m3 in 2030;
- That demand for water per capita decreases from 250 sq ft per annum in 2008 to 215 m3 per capita in 2030.

Water Strategy for Tunisia 2050

ADB Loan Amount	€ 1.92 million
Co-Financiers	Tunisian Government
Approval Date	December 2010
Expected Completion Date	December 2013
Location	Nationwide
Executing Agency	Ministry of Development (MDCI)

Background and Objectives

Tunisia's Presidential Program (2009-2014) has as one of its objectives to secure Tunisia's long term access to water. This resulted in the adoption of a coherent strategic framework for improving the governance of water on which the population, and the water-intensive agricultural sector depend.

This study should contribute to the socio-economic development of the country by securing the availability and access to water in an efficient and sustainable manner. Specifically the study aims to promote investment in the structuring of the water sector, provide better control of extreme events that may affect water availability, as well as promote the reduction of poverty.

Description

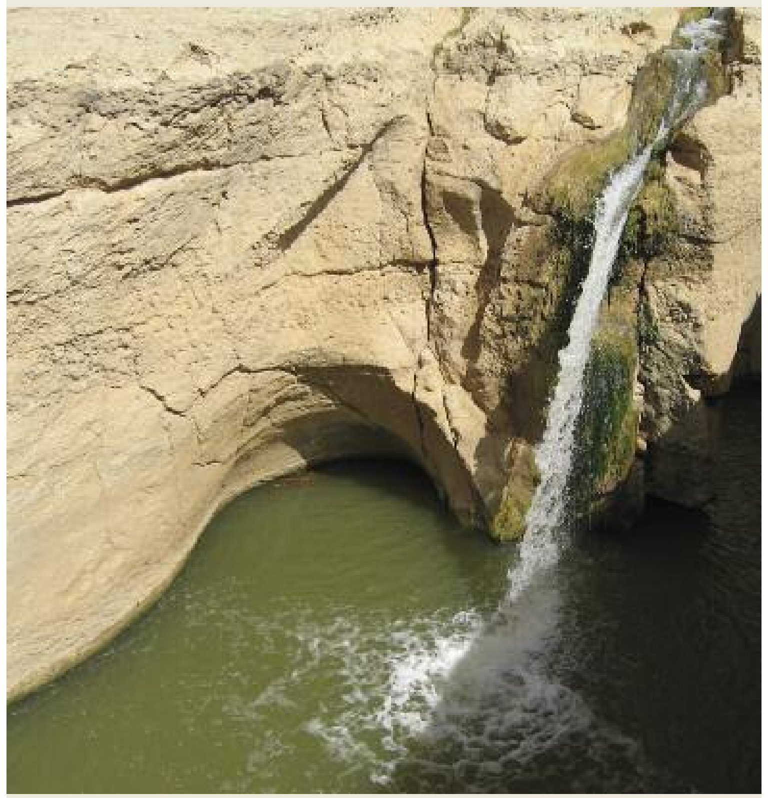
This study will entail the following:

- The creation of an institutional framework for the study;
- The development of the strategy "water 2050" including an exhaustive diagnostic survey of the water sector;
- The preparation of the Terms of Reference for the study;
- The management of the study.

Expected Outcomes

This study will have the following results:

- Water demand will be completely satisfied in average hydrological conditions by 2050;
- Pollution sources of water will be reduced;
- Reduce poverty from 3.8% to less than 1% by 2050.



Study for the Improvement of the Drinking Water Supply in the Rural Areas of Bizerte and Beja

ADB Loan Amount	UA 460,225
Co-Financiers	Tunisian Government
Approval Date	March 2010
Expected Completion Date	December 2012
Location	Bizerte and Beja
Executing Agency	Ministry of Agriculture and Hydraulic Resources

Background and Objectives

In Tunisia, the water sector remains a priority for economic and social development initiatives. Past efforts have helped give the country a large water infrastructure including 27 dams, 200 hillside dams, 766 small lakes and over 3,000 boreholes and shallow wells, mobilizing 83% of all exploitable water resources. However, despite the mobilization and transfer of water, the exploitation of conventional water resources will reach its limit in the near future and it is expected that demand coupled with increasing population and living standards could exceed supply for areas requiring good water quality. Recognizing this, Tunisia is committed to achieving a strategic change to develop its water resources and ensure better demand management in the various socio-economic sectors.

This study aims to compensate for Tunisia's limited water resources by financing a study which should lead to an improvement in the drinking water supply in the rural areas of Bizerte and Beja.

Description

The study will be completed in three phases:

- A study of the network's primary drinking water supply including a revision of the water needs calculated by SONEDE in 2000, a study of the network's potential environmental impact, the establishment of a model and hydraulic study for the network, and the comparison of variable from a technical, economic and environmental perspective;
- Survey of the land measuring the prospect for relevant terrain the results of which will then be applied for the management of the social and environmental impacts of the network; and
- The development of the conditions necessary for the execution of the project.

Expected Outcomes

This study will result in the following outcomes:

- The planning and implementation of the networks in the area of the study;
- The planning and development of an internal distribution network for 20 rural groups;
- The management of the environmental and social impacts of the water networks;
- The planning of a budget necessary to undertake these objectives;
- The development of a portfolio of offers for the execution of the works in 40 prioritized locations, corresponding to the results of the study.

Support for the Tunisian Institute for Competitiveness and Quantitative Studies (L'ITCEQ)

ADB Loan Amount	UA 209,313
Co-Financiers	Tunisian Government
Approval Date	December 2009
Expected Completion Date	December 2011
Location	Tunis
Executing Agency	ITCEQ

Background and Objectives

The Tunisian Institute for Competitiveness and Quantitative Studies (ITCEQ) is a public, non-administrative body under the direction of the Ministry of Development and International Cooparation. As a leading think tank, it plays a key role in the planning and programming of the Government's economic policy. More specifically, the activities of the institute weigh heavily on the development objectives of the country through the realization of economic and social studies, and the analysis of Tunisia's competitiveness in a global economy.

This study will strengthen the analytical capacity of the institute and provide it with the means of functioning as a think-tank for the government. With the increased integration of the Tunisian economy and the current context of financial crisis, strengthening the analytical capacity of the institute is becoming increasingly necessary. This project aims to enable ITCEQ to strengthen its capacity to assess public policies, improve its indicators for monitoring the international environment, and to analyze the performance of the Tunisian economy.

Description

This study will have three components:

- Technical assistance for the development of econometric models which will allow ITCEQ to complete projections and simulations for the preparation of economic budgets;
- A study on the impact European growth on sectoral exports from Tunisia given that there exists a strong relationship between European industries and sectoral exports in Tunisia;
- The measurement of the effects of the Association Agreement Euro-med on the production system through the evaluation of the productivity of global factors;
- An analysis of the ability of Tunisian companies to adapt to changing circumstances.

Expected Outcomes

The study will result in the following:

- The Improvement of modeling by ITCEQ resulting in more accurate projects and better prepared economic budgets;
- An Increased understanding of the relationship between European industries and Tunisian exports;
- Recommendations necessary to improve the adaptability of Tunisian industries.

Integration Support Program (PAI)

ADB Loan Amount	US$ 250 million
Co-financiers	World Bank, European Union
Approval Date	April 2009
Expected Completion Date	December 2011
Location	Nationwide
Executing Agency	Ministry of Development & International Cooperation

Background and Objectives

Since the mid-1990's, the government has given new direction to its integration policy by starting to open up the Tunisian industry to competition, particularly within the framework of the Partnership Agreement with the EU, the country's leading economic partner. The dismantling of tariffs, creation of the free-trade zone for industrial products and its accompanying policies, as well as the rapid development of an offshore sector have contributed to the development and the transformation of the Tunisian economy.

In spite of these successes, serious challenges remain. The assessment of the 10th Plan 2002-2006 reveals that apart from the mechanical and engineering industries, there are some difficulties regarding value added in agriculture, textile, leather and tourism. In short, the country has to speed up these structural reforms in order to shift from a relatively low salary and labour intensive economy to one of knowledge and technology.

The Bank implemented three similar satisfactory programs between 1999 and 2007. The project is complementary to these programs. The project aims at macro-economic stability, trade integration and improvement of the financial sector and business environment. The project should build a platform of structural reforms that will contribute to the success of other operations under the government's program. The program's specific objective is to foster better integration into the global economy.

Description

Based on lessons from previous similar programs, the PAI implementation, the project seeks:

- Constructive dialogue on reforms and proper ownership of the reforms;
- Close collaboration with other donors in the formulation and implementation of reforms; and
- The adoption of measures necessary to achieve government objectives.

Expected Outcomes

The overall expected outcomes from 2009 to 2010 include:

- Reduced transaction costs and deepening of trade integration;
- Improved business environment; and
- Improved access to financing.

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Study on Commercial Integration

ADB Loan Amount	€ 367, 958
Co-Financiers	Tunisian Government
Approval Date	September 2010
Expected Completion Date	May 2011
Location	Nationwide
Executing Agency	Ministry of Commerce

Background and Objectives

According to the "Guidance Note" of the 9th Plan (2007-2016), export promotion is strategically important for the country's development plan. Indeed, this plan provides for an average growth rate og 6.1% and an average increase of exports of 6.6% for this period. To accomplish these aims, Tunisia has committed itself to anchor the economy in global networks by way of progressive trade integration.

As such, the objective of this study is to help identify the means to promote the private sector and employment and thus strengthen trade integration between Tunisia and the countries of the Gulf of Guinea, Central Africa and Great Lakes region.

Description

This study will entail:

- A diagnosis of the current trade situation with target countries;
- The presentation of results from missions to sub-saharan Africa;
- The preparation of a draft of the report including the strategy that should be implemented;
- A discussion of the final draft and the validation of the study's results.

Expected Outcomes

This study will result in:

- Improve knowledge of Tunisia's trade situation with other African countries;
- Identify the main barriers to trade between Tunisia and African countries;
- Identify concrete policy options to boost the export of goods and services;
- Create a plan of action that is results-oriented;
- Define the types of operations (investment, institutional support project and program reforms) to implement and their priority level.

Chapter 6

Regional Activities

Bank Group & Regional Economic Communities in North Africa

Cooperation agreements between the Bank Group and the Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD) and the Common Market for Eastern and Southern African States (COMESA) were signed in December 2000, in 2002 and in July 1999, respectively. Bank Group support to these regional institutions takes place within the framework of both Bank-wide and sub-region-specific regional integration strategies.

In line with the agreements, the Bank Group provides support to these regional bodies for multinational and national projects, as well as policy-based operations that promote regional integration in: (i) trade and industry; (ii) infrastructure and services; (iii) investment promotion, monetary harmonization and development finance; (iv) food security, land tenure and agriculture; (v) human resource development, especially, private sector development; and (vi) natural resources management. In addition, these agreements have defined the implementation mechanisms to be used between the two parties. These mechanisms include undertaking joint missions; engaging in dialogue; organizing and conducting research, conferences, symposia, seminars and other meetings; collaborating in the training of professional and technical personnel; participating in resource mobilization and financing for development projects; and conducting other activities, as may be agreed upon, between the Bank and the other party. ■

AMU

The Arab Maghreb Union

AMU comprises five Member States: Algeria, Libya, Mauritania, Morocco and Tunisia. The AMU's Constituent Treaty was signed on 17 February 1989 at Marrakech. The main objective of the treaty was to strengthen ties among member states and promote common policies in several domains which will help to establish a regional economic union. At its Third Ordinary Session of the Council of Heads of State held in March 1991, AMU member states adopted a decision concerning "The Maghreb Development Strategy "aimed to concretize the Union. The strategy, called the RAS-Lanouf Program", is to be gradually implemented in four key phases: the introduction of a free trade zone; the creation of a customs union; the setting up of a common market; and the establishment of an economic community.

Bank Group Support to the **Arab Maghreb Union**

Cooperation between the Bank and the Arab Maghreb Union (AMU) Secretariat General was established through a memorandum of understanding concluded between the two institutions in December 2000. The Protocol agreement aims to promote cooperation between the Bank and AMU mainly through: (i) studies, seminars and conferences focusing on regional integration (ii) developing projects and programs supporting integration and (iii) contributing to the training of AMU managers and technicians. The Bank Group has supported the AMU Secretariat with two activities. The first was a study, "The Establishment of a Maghreb Economic Community" financed with a technical assistance grant of UA 285,000 from the Bank Group's Middle Income Countries Trust Fund (MIC Trust Fund) in April 2007. The second, which emanated from the first study, was an institutional support project to the AMU General Secretariat. The project was approved by the Bank Group in April 2009 for another MIC Trust Fund grant of UA 500,000, and aimsmainly at strenghening the technical, institutional capacities of the AMU Secretariat.

The project is ongoing and scheduled for completion at the end of 2010. The expected outcomes include: (i) contributing to efforts at strengthening the internal organization of the AMU General Secretariat, its procedures and staff capacity; (ii) enabling the General Secretariat to better monitor the implementation of various initiatives and plans of actions adopted in the Maghreb; (iii) adopting a modern document digitization and storage system and an economic and social database that will be made available to the public; (iv) helping the General Secretariat to more efficiently preserve official documents of various AMU organs; and (v) helping to build up the capacity of the main Maghreb organs and unions concerning the design and implementation of regional policies and strategies.

In addition to the above grants, the Bank Group has recently approved the financing of two feasibility studies for the AMU General Secretariat, through the NEPAD-IPPF fund. The feasibility studies are: technical feasibility study on the North Africa Broadband network and its securitization, using fiber optic cable (grant of $ US 418,600); and (ii) harmonization of the legal and regulatory framework for the information & communication technologies sector (grant of $US 447,140).

The Bank Group is in the process of reviewing a technical assistance grant from the MIC Trust Fund to contribute to the ongoing phase two of the Statistical Capacity Building (SCB) program. The grant will contribute to the ongoing SCB program in Algeria, Libya, Morocco and Tunisia so as to (i) enable them to effectively monitor the Millennium Development Goals and measure results; (ii) strengthen the capacity of AMU Secretariat to coordinate statistical support activities in the countries; and (iii) improve cooperation among AMU member countries. ■

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COMESA

Common Market for Eastern and Southern Africa States

COMESA was founded in 1994 to replace the Preferential Trade Area (PTA) for Eastern and Southern Africa, created in 1981 as one of the building blocks in the establishment of the African Economic Community.

COMESA presently consists of 22 member states, which are Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

COMESA's establishment created a large integrated market which is enabling member states to share the regions' common heritage thereby allowing for greater social and economic cooperation, with the ultimate goal of forming an economic community. COMESA member states launched a Free Trade Area (FTA) in 2000 aimed at enhancing regional trade. The main aim of the FTA is to ensure the free movement of goods and services produced within COMESA, and the removal of non-tariff barriers. This would provide a stronger integrated market which would more able to attract investment more effectively than the smaller domestic markets.

Bank Group Support to **COMESA**

Prior to Common Market for Eastern and Southern Africa States (COMESA) establishment, the Bank Group had assisted the Preferential Trade Area for Eastern and Southern Africa, its predecessor, in implementing several regional integration projects and programs with US$ 4.6 million. These projects and programs included: (i) a roundtable forum for Women in Business; (ii) a feasibility study on the interconnectivity of telecommunications network by satellite and terrestrial links, and the harmonization of tariff structures in telecommunications; (iii) a study on fisheries development; and (iv) a study on irrigation projects. In addition, the Bank Group was one of the co-sponsors of the cross-border initiative implemented during the period in question, which amounted to US$ 4.6 million.

Since the creation of COMESA in 1999, the Bank Group has supported the group with four multinational projects, namely: (i) a Public Procurement Reform Project; (ii) an Enhanced Procurement Reforms and Capacity Project; (iii) an Agricultural Marketing Promotion and Regional Integration Project; and (iv) a Regional Multidisciplinary Centre for Excellence Project.

Public Procurement Reform Project

In May 2001, the Bank Group provided an ADF grant of UA 1.17 million to COMESA to support its procurement reform program in its member states. The project commenced in May 2002 and was completed in December 2004 after a 30-month implementation period. The main objective of the project was to improve the national procurement systems and harmonize public procurement rules, regulations and procedures in COMESA member states.

In 2006, the project attained three core objectives: (i) it raised awareness on the need to improve governance (economic efficiency, transparency and accountability) in public procurement; (ii) it helped to publish the Baseline Data Diagnostics Survey Report on procurement; and (iii) it brought about the passing of the COMESA Public Procurement Framework Directive by the COMESA Authority (Heads of State and Government), in Khartoum, Sudan, in March 2002. The directive, a direct result of the project, was an important step towards harmonizing procurement systems. Since the approval of the directive, member states have continuously worked on the process of legislative reforms designed to modernize and align their procurement systems to the directive.

Enhancing Procurement Reforms and Capacity Project

Following the completion of the Public Procurement Reform Project, COMESA requested UA 5.66 million in ADF technical assistance from the Bank Group. The request was approved in July 2006 and the resources were used to finance a follow-up project on the Public Procurement Reform Project. The project was designed as part of Bank Group efforts to contribute to the institutionalization of good governance and facilitate

economic cooperation and regional integration among African countries. Its objectives are to: (i) enhance the public procurement systems of COMESA member states by modernizing and harmonizing laws, regulations, and procedures; and (ii) build the capacity of member states to manage modern public procurement systems.

The project is ongoing and expected to be completed at the end of 2010. When completed, it will lead to:

- Public and private sectors that are fully aware of the principles and workings of the national and regional public procurement systems;
- The publication of national procurement laws consistent with the COMESA procurement directive passed under the Public Procurement Reform Project;
- Well-designed procurement training materials and case studies;
- A well trained critical mass of procurement professionals capable of managing modern procurement systems;
- Enhanced capacity at the COMESA Secretariat level to implement COMESA objectives, and monitor compliance of COMESA Directives; and
- Enhanced information technology and human capacity for collection and dissemination of procurement information.

Agricultural Marketing Promotion & Regional Integration Project

In February 2004, the Bank Group approved an ADF Grant of UA 3.74 million to COMESA which was used to finance an agricultural marketing promotion and regional integration project. The project was co-financed with the COMESA Secretariat (UA 0.605 million) and COMESA member states (UA 1.82 million). The broad objective of the project was to assist COMESA member states address issues such as food, agricultural marketing information, sanitary and phyto-sanitary conditions which are major challenges to member states. Addressing these issues will enhance both intra-and extra-COMESA trade in agriculture.

The project's expected outputs include:

- Improved agricultural marketing information and agribusiness opportunities in COMESA;
- Strengthened agricultural marketing institutions in COMESA member states;
- Improved and harmonized sanitary and phyto-sanitary measures and food safety standards in COMESA;
- Strengthened sanitary and phyto-sanitary institutions in COMESA member states;
- Increased gender impact in the sense that at least 30% of all trainees and workshop participants would be eligible and qualified women.

Regional Multidisciplinary Centre of Excellence

The Bank Group is currently providing support for the establishment and development of a Regional Multidisciplinary Centre of Excellence project with COMESA and Mauritius, the host country. The Bank Group has approved about UA 200,000 for COMESA from a bilateral Trust Fund which would be used towards the realization of the Centre.

The idea of establishing an Regional Multidisciplinary Centre of Excellence was raised in 2005 at the UN Conference on "Small Island and Vulnerable States," held

in Mauritius. Since then, the concept has developed into a project focusing on capacity building and knowledge improvement in regional integration. A feasibility study on the Centre was conducted by COMESA, funded by the European Commission and executed by the World Bank. The idea was finally endorsed by COMESA at its 24th Council Meeting held in November 2007. The Bank Group and its development partners are focused on turning the centre into a world class training institution for regional economic integration. The Bank has provided support to set up and organize the first steering committee. In addition, the Bank Group has been asked to consider proposals to support the centre in its start-up phase by setting up organizational and management systems. Activities to be supported may include short-term assistance for the preparation of management tools (e.g. the Monitoring and Evaluation framework, financial rules and regulations, procurement rules, web-site) and short-term expertise for the preparation of training curricula. The centre should attain full capacity in 5 years and become self-sustainable in 8 years. The centre is expected to help COMESA member states focus on capacity building and knowledge enhancement in regional integration. The centre will help to institutionalize capacity building as a permanent function in order to (i) help member states prepare effectively in taking national positions on regional issues and (ii) facilitate the creation of regularly-owned and-harmonized policies and systems dealing with regional issues. The centre will also develop appropriate networks and outsourcing channels to facilitate the comprehensive set of training programs. ■

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CEN-SAD

The Community of Sahel-Saharan States

The Community of Sahel-Saharan States was created in February 1998 in Tripoli, Libya. The Community is made up of 28 member states, namely, Benin, Burkina Faso, Central African Republic, Chad, Comoros, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Djibouti, Egypt, Eritrea, Kenya, Liberia, Libya, Mali, Mauritania Morocco, Niger, Nigeria, Sao Tomé-et-Principe Senegal, Sierra Leone, Somalia, Sudan, Togo, and Tunisia.

The CEN-SAD's principal objective is to foster cooperation and the economic development of its member states in the short-to-medium term through the establishment of a free trade area (FTA) and to promote their integration in the long term. Institutionally, CEN-SAD is governed by the following 3 organs: (i) the Conference of Leaders and Heads of State, which is the supreme authority of the institution's organs; (ii) an Executive Board made up of the General Secretaries of Committees and Ministers of Foreign Affairs and Cooperation, Ministers of Economy, Finance and Planning, and Ministers of Internal Security; (iii) the General Secretariat is responsible for administrative matters and monitoring the implementation of decisions taken by the Conference of Leaders and Heads of State. Besides these organs, CEN-SAD has two technical instruments: (i) the Sahel-Sahelian Bank for investment and trade whose main aim is to carry out all activities relating to financing economic development and external trade; and (ii) the Economic, Social and Cultural Council whose objectives include providing assistance to CEN-SAD organs in conceptualizing and formulating policies, plans and programs relating to economic, social and cultural issues of member states. These two organs have their headquarters in Tripoli, Libya, and Bamako, Mali, respectively.

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Bank Group Support to **CEN-SAD**

Prior to 2002, relations between the Bank Group and CEN-SAD were limited to the participation of Bank Group representatives in CEN-SAD's Annual Meetings and visits by delegations and the Secretary General of CEN-SAD to the Bank Group's headquarters and the Temporary Relocation Agency in Tunis. However, in 2003, the Bank Group provided technical assistance to CEN-SAD to prepare the Terms of Reference (ToR) for a study to define the conditions for establishing a Free Trade Agreement among the member states of the organization. Following the favorable conclusion of the study, in 2004, the Bank Group and CEN-SAD signed a memorandum of understanding (MoU) which formalized and energized their relations. The MoU focuses on the following areas: (i) the implementation of an agreed action program (ii) the organization of consultations; (iii) the preparation and implementation of studies; (iv) the exchange of data and information; and (v) the pursuit of joint activities.

Against this backdrop, the Bank Group in October 2004 accorded CEN-SAD a grant of UA 100,000 to co-finance a study on the establishment of a Free trade agreement among the member states of the organization with the Nigeria Trust Fund ($50,000) and the CEN-SAD General Secretariat ($100,000). The conclusions and recommendations reached at the end of the study were validated at a participatory workshop organized in April 2006 in Tunis by the CEN-SAD Secretary-General with the Bank Group's support.

The study recommended that CEN-SAD should ensure that a free exchange zone be established for member states no later than 2017. In this regard, CEN-SAD is following one scenario among the four scenarios recommended by the study to guide the collective efforts of member states in achieving the following objectives:

- Removing tariffs on intra-community trade;
- Removing non-tariff barriers;
- Developing necessary infrastructure to promote and strengthen trade;
- Creating an enabling environment for private sector development; and
- Settling claims. ■

ARGAN Infrastructure Fund

ADB Loan Amount	€ 15 million
Co-financiers	RMA Watanya, Caisse Interprofessionnelle Marocaine de Retraite (CIMR), IFC, Proparco and AFD and EIB
Approval Date	March 2010
Location	Morocco, North Africa (excluding Morocco), and Sub-Saharan Africa, in particular West Africa
Executing Agency	RMA Watanya

Background and Objectivse

The lack of infrastructure contributes to Africa's poor economic performance and without significant investment in infrastructure it will be difficult for the continent to make rapid progress. The Bank Group recognises this constraint and through its Medium Term Strategy, emphasizes infrastructure development and private sector development as its priorities, considering the critical role of infrastructure as an enabler of growth and the private sector as a driver for growth.

The Bank's private sector operations strategy does not only prioritize infrastructure development, but also emphasizes the provision of equity capital and support for indigenous fund managers. The Bank therefore seeks to assist RMA Watanya in scaling up its operations that contribute to increase the momentum of investing in infrastructure, thereby creating a platform for growth.

Description

The Fund will focus on strategic infrastructure projects in its target countries. It will make equity and quasi-equity investments in the following sectors:

- Energy (electricity production, refining, storage and hydrocarbons and gas distribution);
- Port and airport infrastructure, transport and logistics;
- Water and electricity distribution, sewerage, as well as waste management and environmental services;
- Telecommunications; and
- Other industries related to infrastructure (e.g. construction material) and on a case-by-case basis public-private partnerships in the social sector.

Expected Outcomes

Specifically the project intends to:

- Increase resources mobilised from the private sector to develop infrastructure;
- Increase government revenues; and
- Develop infrastructure.

Maghreb Private Equity Fund 2 (MPEF 2)

ADB Loan Amount	€ 20 million
Co-financiers	FC, EIB, FMO, SIFEM, BIO, FPMEI, CDC Enterprises-Paris, PROPARCO and AVERROES-Paris and Others
Approval Date	January 2008
Location	Morocco, Algeria, Tunisia, and Libya
Executing Agency	Tuninvest

Background and Objectives

Private sector development is an expressed strategic priority for all Maghreb region countries. Through their medium-term development plans, these countries recognize that micro-, small- and medium-scale enterprises, which form the foundation of the entrepreneurship pyramid in all economies, are necessary to drive economic growth, employment, and export expansion. Private equity funds are one of the key financing instruments to support these country development objectives.

In addition to strongly supporting Maghreb region development strategies, the proposed investment in MPEF 2 is closely aligned with the Bank's institutional strategies and priorities. As a regional fund, MPEF 2 will help to support regional integration, economic growth and private sector development. The Fund is in line with the Bank's private sector operations strategy and business plan for increased equity investments, support for private enterprises, and smart partnerships with institutions that will promulgate best practices in corporate governance. The project's specific objective is to make equity investments in the form of capital expansion to local firms and SMEs capable of growing into regional players or champions by strengthening selected small and medium enterprises.

Description

MPEF 2 is a 10-year mid-size fund that will make investments principally in Morocco, Algeria, Tunisia, and Libya. It will target companies capable of becoming regional champions and that are currently generating revenues of between € 5 million and € 50 million. Major sectors will include: manufacturing and agribusiness; packaging; telecom and technology; transportation; petrochemicals & plastic industries; pharmaceuticals; construction materials production; financial services; independent power production units.

Expected Outcomes

Specifically the project intends to:

- Increase GDP in the region;
- Increase private equity funds;
- Create jobs; and
- Promote regional integration.

AMU - Ongoing Technical Assistance and Economic Sector Works

Project name	Sector	Approval date	Amount in million
Technical Assistance to Establish the Maghreb Economic Community	Multisector	April 2007	UA 0. 285
Institutional Support Project to the AMU General Secretariat	Multisector	April 2008	UA 0.500
Technical feasibility study for the North Africa Broadband network and its securitization, using fibre optic cable	Communication	November 2009	US$ 0. 417
Harmonization of the legal and regulatory framework for the information & communication technologies sector	Communication	November 2009	US$ 0. 447

Chapter 7

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