# Taking the Pulse of North Africa

# 2015

## African Development Bank Group in **North Africa**

AFRICAN DEVELOPMENT BANK GROUP

The Operational Section (chapters 5 and 6) of this 2015 Annual Report of the African Development Bank's North Africa Regional Department was prepared by Amine Mouaffak (Regional Program Officer, ORNA) and Vincent Castel (Chief Country Economist - Morocco). This work benefited from contributions from Hervé Lohoues (Principal Country Economist - Algeria), Tarik Benbahmed (Country Economist) and Malek Bouzgarrou (Principal Country Programme Officer - Algeria and Mauritania) for Algeria, Prajesh Bhakta (Chief Country Programme Officer - Egypt) for Egypt, Samia Mansour (Country Economist - Libya) for Libya, Olivier Brétéché (Principal Country Programme Officer - Morocco) and Vincent Castel (Chief Country Economist - Morocco) for Morocco, Marcellin Ndong Ntah (Resident Chief Country Economist - Mauritania) and Malek Bouzgarrou (Principal Country Programme Officer - Algeria and Mauritania) for Mauritania, Abdourahamane Charaf-Eddine (Chief Country Programme Officer - Tunisia), Philippe Trape (Principal Country Economist - Tunisia ) and Mickaelle Chauvin (Economist, ORNA) for Tunisia.

The Thematic Section (chapters 1 to 4) of this 2015 Annual Report of the African Development Bank's North Africa Regional Department was prepared by Kaouther Abderrahim Ben Salah (Economist, ORNA), Vincent Castel (Chief Country Economist - Morocco) and William Shaw (Economist, AfDB). The chapters are based on the African Economic Outlook of the six countries of the North Africa region, written by AfDB's economists : Hervé Lohoues (Principal Country Economist - Algeria) and Tarik Benbahmed (Country Economist) for Algeria, Prajesh Bhakta (Chief Country Programme Officer - Egypt), Diarra-Thioune Assitan (Regional Economist, ORNA) and Inji Amr (Consultant, ORNA) for Egypt, Samia Mansour (Country Economist - Libya) and Sahar Rad (Former Senior Country Economist - Libya) for Libya, Samia Mansour (Country Economist - Libya) and Vincent Castel (Chief Country Economist - Morocco) for Morocco, Marcellin Ndong Ntah (Resident Chief Country Economist - Mauritania) for Mauritania, Philippe Trape (Principal Country Economist - Tunisia) and Mickaelle Chauvin (Economist, ORNA) for Tunisia.

The authors would like to thank for their contributions: Assitan Diarra-Thioune (Regional Economist), Leila Mokadem (Resident Representative - Egypt), Yacine Fal (Resident Representative - Morocco), Boubacar Traoré (Resident Representative - Algeria), Yasser Ahmad (Chief Country Programme Officer - Egypt, Libya), Thouraya Triki (Chief Country Economist) and Yasmine Moustapha Eita (Principal Country Programme Officer).

Projects Briefs were also reviewed by various Operations Officers from Sector Departments : Mr. Mohamed Ould Tolba (Chief Agricultural Economist, OSAN), Mrs. Audrey Chouchane (Chief Research Economist, EDRE), Mr. Mamadou Yaro Chief (regional Financial Management Coordinator, ORPF), Mr. William Coovi Firmin Dakpo (Chief Regional Procurement Coordinator, ORPF), Mrs. Selma Ennaifer (Chief Financial Management Specialist, ORPF), Mr. Riadh Belhaj (Principal Risk Officer, FFMA), Mrs. Blandine Wu Chebili (Principal Procurement Officer, ORPF), Mr. Mouhamed Gueye (Principal Education Economist, OSHD), Mrs. Laurence Lannes (Principal Health Economist, OSHD), Mr. Fernando Rodrigues (Senior Investment Officer, OPSD), Mr. Oussama Ben Abedelkarim (Senior Education Economist, OSHD), Mrs Sonia Barbaria (Consultant), Mrs. Charlotte Karagueuzian (Consultant, EDRE), Mohamed Labben (Consultant, ORPF), Mr. Ali Kies (Consultant, OITC), Mr. Emmanuel Diarra (Principal Financial Economist), Mr. Adama Moussa (Principal Electrical Engineer), Mr. More Pierre Ndong (Senior Transportation Engineer), Mr. Driss Khiati (Agricultural Expert), Mr. Mohammed El Ouahabi (Water and Sanitation Specialist), Mrs. Leila Kilani-Jaafor (Social Development Specialist), Ms. Gehane El Sokkary (Senior Socio Economist), Mr. Tarek Ammar (Principal Private Sector Specialist), Mr. Khaled El Askari (Senior Infrastructure Specialist) and Mr. Yasser Alwan (Senior Irrigation Engineer).

This report was prepared under the guidance of Mr. Jacob Kolster (Director, ORNA).

**The African Development Bank (AfDB)**



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Headquarters
Immeuble du Centre de Commerce International d'Abidjan CCIA
Avenue Jean-Paul II
01 B.P. 1387
Abidjan 01
CÔTE D'IVOIRE
Tél. : (+225) 20 26 44 44
Fax : (+225) 20 21 31 00

Tunis Agency
Avenue du Dollar,
Berges du Lac 2
1053 – Tunis, TUNISIE
Tel.: (+216) 71 10 20 65
Fax: (+216) 71 19 45 23

Design and Layout
Yasso creation: Hela Chaouachi (yassocreation@gmail.com)

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# Preface

In the wake of the Arab Spring in 2011, North Africa has gone through a period of major transition with significant if very different political and social changes in the countries of the region. Most countries have thus embarked on country-owned projects of economic reforms. Mostly, these reforms have been aimed at maintaining macroeconomic stability and improving standards of living—something that will require the creation of productive jobs in the private sector as well as better and fairer access to public resources and economic opportunities.

Macroeconomic stability has, thus, broadly been maintained in North Africa except for some cases exposed to violent conflicts. Development financing has contributed to the upgrading of public infrastructure and basic service delivery. The structural reform agendas, on the other hand, remain work-in-progress with some important advances made in expenditure reforms, notably the reduction of large energy subsidies, while other areas of reform have proven to be difficult to tackle due to challenging political conditions.

Going forward, and outside the countries in conflict, lower energy prices for oil-importing countries, a more favorable external environment, and the impact of early reforms should underpin stronger GDP growth. However, this is unlikely to be enough to make a meaningful dent in unemployment. Furthermore, challenges to security still weigh on investor confidence, including in countries that have made progress in political and democratic transition – implying that peace and stability in the region are now clear pre-requisites for long-term development.

Structural reforms are necessary to improve economic and social outcomes. In particular, enabling youth and women, the greatest assets of the region, to participate in the economy to their full potential will be a priority as will addressing the economic disadvantages for men and women living in disenfranchised regions. This calls for improving the quality of education, access to quality health care, job training, and effective policies that foster labor force participation. Removing excessive barriers to doing business in the private sector will also be key as will well-targeted interventions in the poorest and most disenfranchised regions.

This year's Annual Report on North Africa reviews the economic and social developments of North African countries at a time when the most countries in the region are seeking to improve the long-term levers for growth and poverty reduction, as well as the efficiency of public services and the business environment in order to foster private sector development.

**In chapter 1**, entitled **"Measuring the Pulse of North Africa"**, we present an overview of the situation in North African countries in light of recent experience.

**Chapter 2**, entitled **"Addressing the Macroeconomic Impact of Internal and External Volatility"**, presents the trend of North African economies and reviews fiscal and monetary policies, trade integration and the public debt position.

**Chapter 3**, entitled **"Challenges to Public Sector Management and Private Sector Development"**, reviews recent changes in private sector development incentives, financial sector intermediation and public sector management in terms of the long-term challenges facing North African countries.

**Chapter 4**, entitled **"Social Developments in North Africa"**, reviews social developments including the quality and coverage of health care and education services, poverty reduction and social protection, as well as gender equality in the region.

In addition, this Annual Report provides a brief introduction to the Bank Group in Chapter 5, focusing particularly on our activities in the six countries of the region. This section, which occupies the largest part of the report, will help to familiarize you with the active portfolio (loans and grants) of the Bank's North Africa Regional Department, while giving you an overview of what we do and how we work to help North African countries build together the Africa we want.

We hope you find this report useful, and look forward to receiving any feedback from you.

*Jacob Kolster*
*Director*
*North Africa Regional Department*


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# THE AfDB AT A GLANCE

## WHO WE ARE

The African Development Bank Group is Africa's premier development finance institution

**Mission**

Fight poverty and Promote inclusive and sustainable growth in Africa.

**Entitie**

The African Development Bank (AfDB), the African Development Fund (ADF) and the Nigerian Trust Fund (NTF).

**Clients and Beneficiaries**

Algeria, Angola, Benin, Botswana, Burkina-Faso, Burundi,Cameroon, Cape-Verde, Central African Republic, Chad,Comoros, Congo, Democratic Republic of Congo, Côte d'Ivoire,Djibouti, Egypt, Eritrea, Equatorial Guinea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho,Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius,Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, SaoTome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

## OUR STRUCTURE

President
**Akinwumi Adesina**

Year of creation
**1964**

Headquaters
**Abidjan, Côte d'Ivoire**

Subscribed capital
**UA 65.1 billion** (USD 100 billion)

**79**
Member countries

**54**
Regional member countries

**26**
Non-regional member countries

**38**
Field offices

**2091**
Employees

**September 1964**

The Agreement establishing the Bank comes into force when 20 member countries subscribe 65% of the Bank's capital stock amounting to USD 250 million. Inaugural Board of Governors' Meetings in Lagos, Nigeria. Choice of Headquarters. Election of Mamoun Beheiry of Sudan as the Bank's first President.

**July 1966**

The Bank officially begins its operations with 10 staff. First Annual meeting at the Headquarters in Abidjan, Cote d'Ivoire.

**November 1972**

Signature of the Agreement establishing the African Development Fund (ADF) in Abidjan by the Bank and 13 non-regional countries (States Participants).

**April 1976**

Signature of the Agreement establishing the Nigerian Trust Fund (NTF).) by the Bank and the government of Nigeria. Election of Dr. Kwame D. Fordwor as the third President of the Bank in Kinshasa, Zaire.

**May 1982**

Ratification of the opening of capital to non-regionals in Lusaka, Zambia. The AfDB's capital increases to US$ 6.3 billion.

**August 1995**

Decision on the limitation of the term of office of Elected Officers and members of the Board of Directors to two terms of three years, and that of the President to two terms of five years. The Moroccan Omar Kabbaj is elected as the sixth AfDB President.

## OUR STRATEGY 2013 - 2022
"At the heart of Africa's transformation"

**Inclusive growth**

**+**

**Green growth**

**Broaden and deepen Africa's economic transformation**

## OPERATIONAL PRIORITIES
- Infrastructure development
- Regional integration
- Private sector development
- Govermance and accountability
- Skills and technology

## AREAS OF SPECIAL EMPHASIS
- Fragile states
- Gender
- Agriculture and food security

## OUTCOMES 2013 - 2014

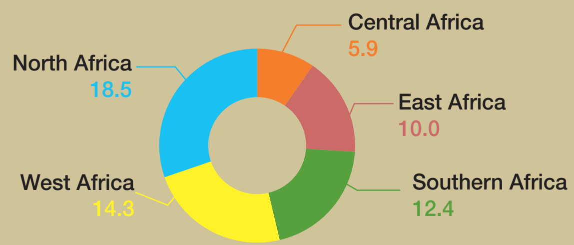
**11 million**
Africans have benefited from new electricity connections

**19 million**
Africans have benefited from improved access to transport

**4 million**
Africans have benefited from new or improved access to water and sanitation

**48 million**
Africans have benefited from access to better health services

## PORTFOLIO AS OF 31 DECEMBER 2013
**( in billion UA)**




**May 1997**
For the first time, two African countries, South Africa and Botswana, decide to contribute resources to the ADF window.

**February 2003**
The Bank decides to temporarily relocate to Tunis, Tunisia due to the security situation in Abidjan, Cote d'Ivoire.
Annual meetings held back-to-back with the UN Economic Commission for Africa Finance Ministers meeting on the theme: Poverty Reduction, Social Development, and the Millennium Development Goals in Africa: Are We Making Progress on the Ground?

**May 2010**
The Board of Governors endorsed a 200 per cent increase in the Bank's capital resources from UA 24.0 billion, (USD 35.0 billion) to UA 67.69 billion (USD 104.0 billon).
This substantial increase allowed the Bank Group to sustain a higher level of lending including to the private sector.

**April 2011**
The Board of Directors of the Bank approved a five year 2011-2015 decentralization strategy. A permanent committee on decentralization (PECOD) is established.
The Bank established two pilot Regional Resources Centers in Nairobi, Kenya and Pretoria, South Africa. In 2012, the Bank had 32 field offices.

**May 2013**
The Bank adopts a new 10 year strategy with the objectives to achieve growth that is more inclusive and to ensure that inclusive growth is sustainable. The Strategy outlines five main operational priorities: infrastructure development, regional economic integration, private sector development, governance and accountability, skills and technology.
In implementing its ten-year Strategy, the Bank will pay particular attention to fragile states, agriculture and food security and gender.

**April 2014**
Launch of the AfDB 50th Anniversary Celebrations to be celebrated in Abidjan in November 2014.
After 10 years in Tunis, the Bank returns to its headquaters in Abidjan. In 50 years of serving Africa, the Bank has mobilized over USD 100 billion in key sectors of the economy of African countries.

# Acronyms

| | |
|---|---|
| AEO | African Economic Outlook |
| AfDB | The African Development Bank Group |
| AFESD | Arab Fund for Economic and Social Development |
| AIDS | Acquired Immune Deficiency Syndrome |
| ALMP | Active labour market program |
| AMINA | Microfinance Initiative for Africa of the African Development fund |
| AMU | Arab Maghreb Union |
| ASEAN | Association of Southeast Asian Nations |
| AVERROES-Paris | Funds sponsored by Proparco and CDC Entreprises |
| AWF | African Water Facility |
| BCI | Banque pour le Commerce et l'Industrie |
| BIO | Belgian Investment Company for Developing Countries |
| BMC | Basic Medical Coverage |
| BMICE | The Maghreb Bank for Investment and Foreign Trade |
| 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 |
| 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 |
| EMAF | Export Market Access Funding |
| EU | European Union |
| FAO | United Nations Food and Agriculture Organization |
| FAPA | Fund for African Private Sector Assistance |
| FDI | Foreign direct investment |
| FIV | Neighbourhood Investment Facility |
| FMI | Fonds Monétaire International |
| FMO | The Netherlands Development Finance Corporation |
| FPMEI | Fonds pour les PME et l'innovation |
| FSAP | Financial Sector Assessment Program |
| FTA | Gross Domestic Product |
| GCC | Gulf Cooperation Council |
| GDP | Global Environment Facility |
| GEF | Government of Egypt |
| GoE | Human Development Index |

| | |
|---|---|
| GSM | Global system for mobile communication |
| HDI | Human Immunodeficiency Index |
| HIV | Human Immunodeficiency Virus |
| IDB | Islamic Development Bank |
| IFC | International Finance Corporation |
| IMF | Integrated Resources Management Strategy |
| IRMS | International Monetary Fund |
| 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 |
| MENA | Microfinance Institutions |
| MERCOSUR | Middle East and North Africa |
| MFI | Mercado Común Sur (Argentina, Brazil, and Uruguay) |
| MFN | Middle Income Countries |
| MIC | Most Favored Nation |
| 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 |
| NAFTA | North American Free Trade Agreement |
| NBE | National Bank of Egypt |
| NGO | Non Governmental Organisations |
| NPLs | Nonperforming loans |
| NTF | The Nigeria Trust Fund |
| NTMs | Nontariff measures |
| OECD | Organization for Economic Cooperation and Development |
| OPEC | The Organization of the Petroleum Exporting Countries |
| ORNA | Country Regional Department North Africa |
| OTRI | Overall Trade Restrictiveness Index |
| OTRI_T | Tariff-only Trade Restrictiveness Index |
| PADESFI | The Financial Sector Development Support Program |
| PAFTA | Pan-Arab Free Trade Area |
| PAI | Integration Support Program |
| PISEAU II | Water Sector Investment Project Phase 2 |
| PMI | Industrial Modernization Program |
| PMN | Industrial Upgrading Progra, |
| 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 |
| 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 |
| STRI | Services Trade Restrictiveness Index |
| TRAINS | Trade Analysis and Information System |
| UA | Unit of Accounts |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Program |
| UPS | Unified Power System |
| USA | United States of America |
| USAID | United States Agency for International Development |
| WB | World Bank |
| WTO | World Trade Organization |

# Chapter 1

## Overview – Taking the Pulse of North Africa

# Chapter 1

*The government of Morocco has undertaken substantial efforts to position Morocco as a regional hub for investment, production and trade with several Sub-Saharan African countries.*

*Algeria has played a key role in solving the Malian crisis by leading international mediation and made also efforts to resolve the Libyan crisis.*

*Egypt and Tunisia have undergone a long process towards the restoration of stable government, which culminated in 2014 with democratic elections and a new Constitution.*

***This year's North Africa Annual Report reviews the recent experience of North African economies in the context of long-term determinants of growth and poverty reduction,*** including the effectiveness of public services and the environment for private sector development. The second chapter discusses the evolution of North African economies, and reviews fiscal and monetary policies, trade integration, and the public debt position. The third chapter discusses recent changes in the incentives framework for private sector development, financial sector intermediation, and public sector management, in the context of the long-term challenges facing North African countries. The fourth chapter reviews social developments, including the quality and coverage of health and education services, poverty reduction and social protection, and gender equality.

***The year 2014 was marked by a wave of change on the political scene in most North African countries.*** Presidential elections were successfully held in Algeria (April), Egypt (May), Mauritania (June) and Tunisia (December). Yet, social demands and sporadic episodes of protests and insecurity persisted in some countries comprising the region, with Libya weathering the worst. Notably, after a protracted political transition, Egypt and Tunisia have shown since late 2014 strong commitment to implement reforms aimed at achieving accelerated and inclusive growth for their respective populations. In Libya, the deterioration of the security situation since August 2014 have severely depressed growth, disrupted public services, and sharply increased fiscal and current account deficits.

***In countries where political stability has been maintained, important progress on economic policy agendas was achieved in 2014 in particular in their dialogue with the rest of the African Continent.*** Morocco continued with its policy to improve the business environment and promote private investment in order to boost the structural transformation of its economy. In this regard, the government of Morocco has undertaken substantial efforts to position Morocco as a regional hub for investment, production and trade by taking advantage of existing free trade agreements, and of the political, economic and financial relations already established with several Sub-Saharan African countries. This strategy resulted in a 13% expansion of trade with Sub-Saharan Africa in 2014. After the re-election of President Bouteflika the elected government in Algeria has continued to intensify efforts to diversify its trade partners and promote cooperation with the rest of the world and take an active part in regional integration efforts. Algeria has played a key role in solving the Malian crisis by leading international mediation and made also efforts to resolve the Libyan crisis. The growing interest in the regional integration agenda was also observed in Arab spring countries. It was mainly prompted by the need of these countries to diversify markets and FDI sources given the economic slowdown in Europe, North Africa's first trading partner.

***Nevertheless, macroeconomic developments in North Africa in 2014 were affected by the fragile security situation in some countries.*** Egypt and Tunisia have undergone a long process towards the restoration of stable government, which culminated in 2014 with democratic elections and a new Constitution. Investor confidence is beginning to return in Egypt; however, the prolonged economic downturn has driven the unemployment rate to 13.3 percent of the labor force, up from 9 percent in 2010. The security situation in Tunisia remains tenuous. GDP increased by a little over 2 percent in both countries in 2014, and the recovery next year is expected to be somewhat more rapid in Egypt (table 1.1). In Libya, oil production has plummeted, Infrastructure was severely damaged and the ongoing conflict has suppressed investment economic growth damped by ongoing violence and security problems. GDP has declined by more than 30 percent over the past two years. The 14.5 percent in rebound in GDP anticipated in 2015 would restore less than half of the output lost since 2013, and is contingent on an end to the instability and some return to effective public administration.

***The second main driver of the macroeconomic situation in the region was a decline in commodity prices and the agricultural harvest.*** The international price of oil dropped from $108 a barrel in June 2014 to $60 in December, contributing to a sharp increase in fiscal and current account deficits in Algeria. Large foreign exchange reserves should enable the country to continue to support demand in the face of low oil prices, but only for the short term. Mauritania also suffered a 30 percent decline in the price of its iron ore exports. The 6.4 percent expansion of GDP largely reflected a 14.4 percent increase in iron ore production and some rise in fisheries, which more than compensated for declines in other commodities and in manufacturing production. If planned investments and anticipated increases in minerals production are realized, GDP should increase by over 6 percent per year for the next two years. In Morocco more diversified economy was less affected by the sharp changes in international commodity prices. Nevertheless, GDP growth dropped two percentage points in 2014, to 2.7 percent, largely due to a decline in agricultural production after the boom in the previous year. Despite some decline, the unemployment rate remained at almost 10 percent. Some recovery in agriculture and continued growth in selected manufacturing sectors are expected to raise GDP growth from 4.5 to 5 percent over the next two years.

***As with growth, changes in external balances in 2014 largely reflected the transition to political stability and significant swings in commodity prices.*** The more than 3 percentage points of GDP deterioration in the region's aggregate current account deficit, from 1.2 percent in 2013 to 4.5 percent in 2014 (table 1.2), was driven by the massive shift in Libya's current account (from a surplus of 13.6 percent of GDP in 2013 to a deficit of 23.3 percent in 2014) due to the disruption of economic activities notably oil production. Algeria's current account also deteriorated with the decline in oil revenues, reaching -4 percent of GDP in 2014. The other countries registered some improvements in external positions. The current account deficit fell in Mauritania, despite the sharp fall in the price of its iron ore exports, due to an expansion in the volume of exports and an improvement in the services balance. In Morocco, the lower deficit reflected lower oil prices and some rise in industrial exports. In Egypt, the deficit declined, as a slight deterioration in the trade balance and a fall in the surplus on services was more than compensated by the rise in official transfers from GCC countries. In an effort to revive the Egyptian economy, the government of Egypt has held the Egypt Economic Development Conference in March, 2015. The Gulf Arab allies have showed support to boosting the economy by pledging up to $12 billion of investments and central bank deposits for Egypt.

***A deterioration of fiscal balances in 2014 in part reflected efforts to sustain demand in the face of commodity price declines.*** The fiscal deficit in Algeria rose to 7 percent of GDP, from 1.5 percent in 2013, as government expenditures increased by over 15 percent and hydrocarbons revenues fell by 7 percent with the decline in the oil price of oil. Similarly, Mauritania's fiscal deficit widened from 1.1 percent of GDP in 2013 to 3.4 percent in 2014, in part due to a fall in

*Algeria's large foreign exchange reserves should enable the country to continue to support demand in the face of low oil prices, but only for the short term.*

*The Algerian government is undertaking steps to streamline procedures for enrolment in the trade register and access to land, reduce the burden of business taxation, and improve incentives for foreign investors.*

*Mauritania's one stop shop for business-related approvals has dramatically cut the time and costs required to start a business, and the government has launched a program to strengthen the administration of justice.*

*Tunisia has made progress on the restructuring of its State owned banks, and has plans to modernize the regulatory and supervisory framework.*

*Egypt adopted a new microfinance law, set up a program to support low- to medium-income households' access to housing finance.*

revenues from the minerals sector, exacerbated by the non-payment of financial compensation under the European Union-Mauritania Fisheries Agreement. The shutdown of the bulk of the Libya's oil production with the ongoing fighting cut revenues, limiting public expenditures to the payment of government salaries. Even though the provision of services collapsed, the fiscal deficit ballooned to almost half of GDP. Egypt saw a decline in its deficit by almost one percentage point of GDP, reflecting the sharp cut in fuel price subsidies. Improvement in Morocco's fiscal deficit (by 0.6 percent of GDP) reflected a decline in subsidies and implementation of the partial price indexation system for certain energy products, and rough stability in Tunisia's deficit was supported by reductions in electricity and gas subsidies.

***In 2014, all countries except conflict-mired Libya speeded up the implementation of reform programs to improve the business climate, with varying success.*** The Egyptian government approved an investment law to simplify the business environment, standardise incentive schemes such as free economic zones and special investment zones, facilitate market entry and exit, and expedite litigation and dispute resolution. Draft laws on competition, bankruptcy, financial sector reform and private-public partnerships have been under consideration in Tunisia since 2013, but are yet to be passed by the National Assembly. Progress has been done only on the restructuring of state owned banks. The Algerian government is undertaking steps to streamline procedures for enrolment in the trade register and access to land, reduce the burden of business taxation, and improve incentives for foreign investors. Mauritania's one stop shop for business-related approvals has dramatically cut the time and costs required to start a business, and the government has launched a program to strengthen the administration of justice. Morocco has made progress in simplifying customs procedures, as well as in reducing the administrative steps required to start a business or obtain a construction permit.

***To support private sector development, some countries also have embarked on programs to improve the efficiency and coverage of their banking systems.*** Egypt is expanding the use of mobile phones to handle financial transactions, while Mauritania's efforts to modernize and improve the stability of the banking system have increased financial intermediation and the number of foreign banks. The government is also taking steps to expand Islamic finance. Tunisia has made progress on the restructuring of its State owned banks, and has plans to modernize the regulatory and supervisory framework. In most countries (Morocco is the exception), however, the financial sector remains relatively undeveloped, with limited access to financial services, rudimentary insurance and capital markets, and low levels of credit to the private sector relative to economic activity. Efforts also are underway to enhance financial inclusion of underserved groups. Egypt adopted a new microfinance law, set up a program to support low- to medium-income households' access to housing finance and is expanding the use of mobile phones to handle financial transactions. Algeria has established interest rate subsidies on credit to small and medium-sized enterprises, and to finance household production. In Morocco, guarantee products were instituted in 2013-2014 to expand credit to female entrepreneurs (Ilayki).

***The above mentioned developments have also weighed on the public administration in 2014.*** However, a wide range of efforts are being made to address the situation in most of the countries. Important measures have been taken to strengthen public sector management, including a crackdown on illegal construction on public land, improvements in management of the power sector, and more efficient procedures for payments in Egypt; improvements in personnel management and administration in Mauritania; and efforts to strengthen participatory decision making and the implementation of a new procurement system in Morocco. Some countries are taking vigorous steps to reduce corruption.

Mauritania for example is strengthening the enforcement of the Anti-Corruption Act and preparing a code of ethics for civil servants. Similarly, Morocco is implementing a Code of Governance Best Practices for State Corporations and Establishments (EEPs), and the country improved its ranking by 11 steps notches in 2014 on the Transparency International's Corruption Perceptions Index, to stand at the 80th place out of 175 countries.

# Chapter 2

## Coping with the Macroeconomic Impact of Domestic and External Volatility

Chapter 2

*A positive indicator was the change in Egypt's credit rating by Moody's international rating agency from "negative" to "stable", as a result of the stabilised political and security situation.*

*Algerian GDP increased by 4.0 percent, as value added in the hydrocarbons sector rose slightly, following declines in the past two years.*

*GDP in Mauritania rose by 6.4 percent in 2014, as the 14.4 percent rise in iron ore production.*

***The past year was in many respects a difficult one for North African economies.*** GDP growth remained low, although the average for the six countries was greatly affected by the huge decline in Libyan output. Similarly, the projected regional recovery in 2015 is dominated by the assumed restoration of peace in Libya, although the GDP growth rate is expected to rise in Egypt, Morocco. Current account deficits stood at 4 percent of GDP or more in all countries except in Egypt where it reached 2.4%, while fiscal deficits exceeded 4.5 percent of GDP in all countries except Mauritania. Inflation, however, was roughly under control, and even the high rate in Egypt reflected a one-time reduction in fuel price subsidies. Debt positions were generally viewed as sustainable, particularly in resource-rich countries.

## Recent Developments and Prospects

***Stability in the average regional GDP growth rate in 2014 masked sharp differences across countries.*** GDP growth was less than 3 percent in 2014 in Egypt, Tunisia, and Morocco (table 2.1) while output fell by almost one-fifth in Libya, as security threats disrupted production and in particular severely reduced the country's oil production. While Algerian GDP rose by 4 percent and Mauritanian GDP by 6.4 percent at real terms, both countries experienced a sharp decline in their terms of trade, driven by the collapse of oil prices in the second half of the year for Algeria and the sharp fall in iron ore prices for Mauritania. GDP growth in 2015 is projected to accelerate, ranging from 2.0 to 4.5 percent in Egypt, Algeria, Morocco and will remain comparable to 2014 level in Mauritania. In Libya, prospects depend critically on a return to peace.

***The regional current account balance deteriorated in 2014.*** Declining commodity prices, expansionary policies, and domestic constraints on production either increased or maintained high levels of external deficits (except for the improvement in Egypt to near balance), although none rivalled the shift in Libya's current account balance from a surplus of 13.6 percent of GDP in 2013 to a deficit of 23.3 percent in 2014. The promise of increased exports and greater diversification of production through regional integration remains largely unrealized. Egypt, Morocco Mauritania, and Tunisia maintained high, but likely sustainable, debt positions, while debt remained low in Algeria and Libya.

***Egyptian GDP rose by only 2.2 percent for the year as a whole, although this represents some acceleration towards the end of the year.*** Improving confidence with the arrival of a democratically-elected government encouraged a rise in FDI inflows and in official aid. According to the Central Bank of Egypt (CBE), net FDI rose by 9.8 percent, reaching USD 4.12 billion in FY 2013/2014, while investment and remittances were worth USD 18.5 billion over the same period. A positive indicator was the change in Egypt's credit rating by Moody's international rating agency from "negative" to "stable", as a result of the stabilised political and security situation. Also, improved creditworthiness was shown in Fitch's rating upgrade from B- (November 2013) to B (December 2014). Official transfers increased by 57.6 percent in the last financial year, as aid pledged by the United Arab Emirates, Saudi Arabia and Kuwait supported demand and financed social programs. Industrial production increased by about 25 percent, while telecommunications, logistics, retail and construction also registered some growth. Conversely, security concerns in Northern Sinai impacted the tourism sector in 2014 while delayed payments to International Oil Companies had reduced investments in the oil and gas sector.

***Algerian GDP increased by 4.0 percent, as value added in the hydrocarbons sector rose slightly, following declines in the past two years.*** Non-oil GDP growth slowed somewhat from the 7.1 percent pace of the preceding two years, due mainly to the lackluster performance of the agricultural sector. Growth remains inadequate to address Algeria's unemployment rate, which rose to 10.6 percent in September 2014, against 9.8 percent in 2013. Unemployment was particularly high among women (17.1 percent) and youth aged 16 to 24 (25.2 percent).

**Table 2.1 - GDP growth in North Africa (percent)**

| | 2013 | 2014 (') | 2015 (p) | 2016 (p) |
|---|---|---|---|---|
| ***North Africa*** | **1.6** | **1.7** | **4.5** | **4.4** |
| Algeria | 2.8 | 4.0 | 3.9 | 4.0 |
| Egypt | 2.1 | 2.2 | 3.8 | 4.3 |
| Libya | -13.6 | -19.8 | 14.5 | 6.3 |
| Mauritania | 5.7 | 6.4 | 5.9 | 6.6 |
| Morocco | 4.7 | 2.7 | 4.5 | 5.0 |
| Tunisia | 2.3 | 2.4 | 1.7 | 4.1 |

*Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations).*

***GDP in Mauritania rose by 6.4 percent in 2014, as the 14.4 percent rise in iron ore production*** (mainly attributable to the control of production costs) and some increase in fisheries more than compensated for the 19.6 percent decline in oil production, 4.6 percent decline in manufacturing output, and 4.8 percent fall in gold and copper.

***By contrast, growth remained low in Tunisia.*** Oil and gas exploitation fell by 7.6 percent, and mining by 4.2 percent. Increases in output were driven by services, both non-commercial (up 3.9 percent) and commercial (up 3.3 percent), including telecommunications (plus 8.1 percent). Manufacturing value added increased by only 1.3 percent, although performance was better in agri-business industries (up 3.1 percent) and mechanical and electrical industries (up 2.4 percent). Value added in the agriculture sector increased by 2.3 percent in 2014. While the sector's share of GDP has declined to below 10 percent with the rise in industry and services over the past few years, agriculture still accounts for 18.5 percent of employment.

***Output growth slumped to 2.7 percent in Morocco, down from 4.7 percent in 2013.*** Value added in the agricultural sector, which accounts for 15 percent of GDP and employs 40 percent of the national labor force (75 percent in rural areas), fell by almost 2 percent after the sharp rise in 2013. The poor performance recorded in 2014 stems mainly from the decline in cereal and legume harvests. Non-agricultural activities rose by 2 percent, fuelled mainly by the excellent performance of services, mining, and Morocco's new industrial sectors (aeronautics, automobile and electronics).

***The conflict in Libya intensified the reduction in oil production and consequently GDP by almost 20 percent in 2014,*** after a 13.6 percent fall in the previous year. The absence of a unified central authority and rising power of regional and religious militias over the oil fields led to a major decline in oil output, which reached a low 155,000 barrels per day (bpd) by May 2014, well below the historical average of 1.6 million bpd. From January to November, crude oil production averaged 450,000 bpd, nearly 500,000 bpd lower than the 2013 average and 900,000 bpd lower than the 2012 average. A political agreement between the government and armed militias to open some of the major oil fields and export terminals led to a temporary recovery of oil production, which reached 800,000 bpd in October 2014. However, production fell to 350,000 bpd in December 2014 because of the deteriorating security situation.

*The decline in oil prices helped sustain demand in Morocco and Tunisia by reducing their import bills.*

*A return to political stability could lead to a rapid recovery of output in Libya.*

***Commodity exporters in the region also suffered a significant terms of trade decline over the course of the year,*** as international oil prices dropped from $108 a barrel in June 2014 to $60 in December 2014. Mauritania suffered from a sharp fall in the price of iron ore. Consequently, despite a 14.4 percent rise in iron production, the share of the metallic ore sector in GDP declined to 15 percent in 2014, from 20.4 percent in 2013. At the same time, the decline in oil prices helped sustain demand in Morocco and Tunisia by reducing their import bills. GDP growth is forecast to increase in most North African countries in the next two years, with exception of Tunisia. GDP in Egypt is projected to rise by 3.8 percent in 2015 and then to 4.3 percent in 2016, or roughly double the rate of growth over the last two years. Growth in Algeria is expected to remain close to 4 percent in 2015 due to continued volume increases in the hydrocarbons sector. Given the anticipation of sustained decrease in oil prices, Algeria will need to draw on the balances of its Revenue Regulation Fund (FRR) to sustain demand. A return to political stability could lead to a rapid recovery of output in Libya. If oil production could return to its 2012 level in 2015, output might increase by 14.5 percent. However, this depends on the extremely uncertain security situation. In Mauritania, planned increase in minerals production, a large-scale investment program (representing about 40 percent of GDP over 2014-16), a revival of manufacturing, and buoyant services should help offset the low prices of the country's mineral exports, and GDP growth is projected to remain at about 6 percent.

**Table 2.2 - Current account balances in North Africa (% of GDP)**

| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|
| *North Africa* | **-1.2** | **-4.5** | **-6.1** | **-5.9** |
| Algeria | 0.4 | -4.0 | -7.7 | -8.2 |
| Egypt | -2.4 | -8.0 | -3.4 | -4.3 |
| Libya | 13.6 | -23.3 | -17.5 | -6.6 |
| Mauritania | -22.9 | -13.1 | -20.6 | -14.5 |
| Morocco | -7.6 | -6.0 | -6.1 | -5.6 |
| Tunisia | -8.4 | -7.9 | -6.0 | -5.5 |

*Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations).*

***Moroccan GDP is projected to accelerate to 4.5 percent in 2015 and 5 percent in 2016,*** driven by agricultural sector recovery and a steady upward trend in non-agricultural activities (mainly mechanical, electrical and electronic industries and mining). This forecast would depend on some revival in foreign demand, continued low oil prices which would facilitate a fall in the budget deficit, a rise in foreign exchange reserves, and an increase in the purchasing power of Moroccan households and the competitiveness of Moroccan businesses, along with the continued implementation of structural reform (pension scheme, taxation, good governance, justice, subsidy fund).

***In Tunisia, GDP is expected to decline driven mainly by a decrease of public investment.*** Overall investment is projected to increase by 6.2 percent a year over tourism revenues and the drop in phosphate production.

## Fiscal Policy

***Governments in North Africa made some progress in controlling fiscal deficits, despite the need for stimulus measures to sustain growth.*** The government's overall deficit fell by about one percent of GDP in Egypt and about half a percent in Morocco, and remained roughly stable in Tunisia. Mauritania witnessed some widening of its fiscal deficit in 2014 fiscal account amounting to. By contrast, the overall deficit in Algeria increased from 1.5 percent of GDP in 2013 to 7 percent in 2014, due to the fall in the price of oil in the second half of the year and a rise in investment expenditures. The conflict in Libya made any form of fiscal management extremely difficult, and the overall deficit increased to nearly half of GDP.

***Despite the modest improvement in fiscal accounts, deficits remained either around 5 percent of GDP in 2014, with the exception of Mauritania.*** The forecast for fiscal balances trends over the next two years varies greatly by country, with some further deterioration expected in Algeria due to low oil prices, a deepening in Mauritania's deficit, and improvements in Egypt, Morocco and Tunisia. Deficits are expected to remain high in all countries (except Mauritania). Moreover, the level of the deficit does not fully indicate these countries' vulnerability over the medium term, owing to the excessive reliance on unstable or uncertain revenue sources, particularly oil and minerals.

***Progress in fiscal consolidation observed in some countries reflected policies adopted to raise revenues,*** including higher taxes on cigarettes and alcohol, and high-income individuals as well as new taxes on dividends and capital gains in the case of Egypt; higher tax collections in Mauritania; and lower expenditures on subsidies in Tunisia, Morocco and Egypt.

*In 2014, the government's overall deficit fell by about one percent of GDP in Egypt and about half a percent in Morocco, and remained roughly stable in Tunisia.*

*The Algerian Government has undertaken various measures to reduce expenditures in light of falling oil prices.*

**Table 2.3 - Fiscal balances in North Africa (percent of GDP)**

| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|
| *North Africa* | -7.2 | -11.1 | -9.8 | -7.7 |
| Algeria | -1.5 | -7.0 | -9.5 | -8.2 |
| Egypt | -13.7 | -12.8 | -11.0 | -8.5 |
| Libya | -6.2 | -48.1 | -29.6 | -14.8 |
| Mauritania | -4.8 | 1.2 | 1.1 | 0.2 |
| Morocco | -5.5 | -4.9 | -4.2 | -3.8 |
| Tunisia | -4.6 | -4.7 | -4.5 | -4.2 |

*Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations).*

***Reforms designed to improve the efficiency of subsidy policies helped to strengthen the fiscal positions of several North African countries.*** The Egyptian government reduced in July 2014 energy subsidies by about 1/3, which helped improve the operational and cash balances of the Egyptian General Petroleum Corporation and finance incentives to firms to invest in energy-efficient technologies. The government also reduced privileges granted to capital-intensive industries, rationalized inequality in distribution and importation of petroleum products, and launched new pilot programs for food subsidies in an effort to counter inefficiencies and smuggling in subsidised food products. The government also

*The Government of Mauritania has continued to conduct a cautious fiscal policy to maintain macroeconomic stability.*

introduced its long-awaited changes in the property tax regime. Tunisia discontinued electricity and gas subsidies to cement firms and cut these subsidies by 10 percent for the textile and agri-business industries. Similarly, Morocco reduced expenditures by cutting subsidies and implementing the partial price indexation system for certain energy products from September 2013.

***The Algerian Government has undertaken various measures to reduce expenditures in light of falling oil prices.*** These include (i) the rationalization of public spending (excluding social sectors), including a selective freeze of public service recruitments in 2015 and restrictions in the operating expenses of public services and institutions; (ii) the postponement, where necessary, of non-priority major investment projects; and (iii) bank sector financing of investment projects not financed by the capital budget.

***Libya's fiscal position has been a source of concern even before the intensification of violence during 2014.*** The proposed budget for 2014 had provided for an 8 percent reduction in expenditures with respect to 2013. Spending was reduced in all sectors, with the exception of subsidies for fuel, food, water and electricity, and spending on infrastructure was reduced in favour of salaries (which took up a third of the budget). Essentially, the proposal was to support current spending to avoid social discontent. In the event, however, the interruption in oil production sharply reduced the government revenues. The budget has assumed output of more than 600,000 bpd, a level unattainable with only two ports and offshore fields having escaped the fighting.

***The Central Bank of Libya (CBL) is the recipient of oil revenues and controls the government's USD 100 billion in foreign reserves,*** and thus holds ultimate authority on the spending of these resources, The Bank has been allocating funds to cover only public sector salaries and wheat and petrol subsidies, estimated to amount to LYD 38 billion (USD 28 billion). All other ministerial expenditures have been suspended until a stable government is formed.

***The Government of Mauritania has continued to conduct a cautious fiscal policy to maintain macroeconomic stability.*** The fiscal balance fell from a deficit of 1.1 percent of GDP in 2013 to 3.4 percent in 2014. Intense efforts have achieved some rise in tax revenue collections, which by September 30th 2014 reached 75.8 percent of the budgeted amount, a year on year increase of 6.4 percentage points. However, by the end of the third quarter of 2014, non-tax revenues dropped by about 48 percent compared with the same period in 2013 due, among other things, to the non-payment in 2014 of financial compensation under the European Union-Mauritania Fisheries Agreement. In addition, mining revenue collection had fallen by 17 percent year-on-year, following the decline in SNIM's (Société Nationale Industrielle et Minière) operating revenue due to the decrease in world market prices.

***Despite this uneven progress, fiscal positions remain vulnerable in North African countries, due to heavy dependence on uncertain or volatile sources of revenues/financing,*** including aid in Egypt, oil in Algeria and security in Libya, and iron ore in Mauritania. Egypt relied on exceptional financial assistance from GCC countries and the drawing down of government deposits at the CBE to finance its significant budget deficit in 2014. The uncertainty surrounding continuation of GCC support combined with the inflationary pressures, emphasize the importance of raising revenues and controlling unnecessary expenditures. While Algeria's oil revenues were able to finance its 5.5 percent of GDP rise in the fiscal deficit, the continued sluggishness of the oil market in 2015 would affect the sustainability of public finances as well as the viability of the economy's long-term financing. If oil prices remain at about $50 a barrel, the Revenue Regulation Fund (FRR) would run out of resources to finance the Treasury deficit beyond 2016. Economic diversification both vertically (upgrading of petrochemical products) and horizontally (revitalization of non-oil sectors) is essential to cope with the potential for permanently lower oil prices. Such structural transformation requires improvements in the business environment to encourage a more dynamic private sector, which currently is dominated by many small service sector enterprises.

***Mauritania has a strong budget position, but it also heavily dependent on revenues derived from extractive industries which are non-renewable and subject to high price volatility.*** In the IMF's baseline scenario for Mauritania's fiscal position, resource revenues are projected to average 5 percent of non-resource GDP over the next decade and then gradually decline. Given the relatively short horizon for mineral resources, the IMF recommends that Mauritania set a target for the non-resource primary balance that would smooth the impact on government accounts of fluctuations in extractive resources prices, while providing for an adequate accumulation of financial savings to ensure a sustainable debt position[1]. Mauritania is also exposed to the risk of drought which could necessitate additional budgetary resources to assist the affected populations.

In Libya, the collapse in revenues and runaway spending prompted the Central Bank to issue a warning concerning the mounting threats to future stability.

## Monetary Policy

***Cautious monetary policies succeeded in controlling inflation in most countries.*** Inflation remained at relatively low levels in Algeria, Mauritania, and Morocco (table 2.4). In 2012, to cope with rising inflation, the Algerian central bank tightened monetary policy by mandating liquidity recovery at six months and raising the required minimum reserve rate. Inflation has fallen to about 3 percent over the past two years. In Mauritania, the central bank limited increases in bank liquidity and recourse to Treasury bill auctions, which in conjunction with continued price subsidies for essential goods consumed by low-income households, reduced inflation from 4.1 percent in 2013 to 3.5 percent in 2014. The key lending rate and the mandatory reserve rate in 2014 were stabilized at 9 percent and 7 percent, respectively. A flexible and transparent foreign exchange policy has led to a near-disappearance of the parallel market premium for the local currency (ouguiya). And in Morocco, the central bank could ease its reference lending rate in the context of a rise in prices of only 0.9 percent. The exchange market remained roughly stable, as the currency appreciated against the weakening euro by 1.5 percent while depreciating against the strengthening dollar by 6.8 percent.

*Inflation remained at relatively low levels in 2014, in Algeria, Mauritania, and Morocco.*

[1] IMF. 2015. "Islamic Republic of Mauritania: Selected Issues" https://www.imf.org/external/pubs/ft/scr/2015/cr1536.pdf

Central banks in Tunisia and Egypt faced a sharper challenge between pursuing price stability and supporting domestic demand and growth while ensuring social peace.

In Egypt, the trade deficit stood at almost 12 percent of GDP in 2014, largely financed by current transfers.

**Table 2.4 - Inflation in North Africa (percent)**

| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|
| ***North Africa*** | **4.9** | **6.2** | **6.6** | **6.4** |
| Algeria | 3.3 | 3.0 | 4.0 | 4.0 |
| Egypt | 6.9 | 10.1 | 10.4 | 10.1 |
| Libya | 2.6 | 2.6 | 2.7 | 2.9 |
| Mauritania | 4.1 | 3.5 | 4.5 | 4.4 |
| Morocco | 1.9 | 0.9 | 1.2 | 1.4 |
| Tunisia | 6.1 | 5.5 | 5.0 | 4.4 |

*Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations).*

***Central banks in Tunisia and Egypt faced a sharper challenge between pursuing price stability and supporting domestic demand and growth while ensuring social peace.*** In Egypt, inflation rose to 10.1 percent in 2014 (up from 6.9 percent in 2013) as the reduction in fuel subsidies increased prices of fuel and therefore food. While the CBE increased interest rates by 100 basis points in June 2014, rates were kept unchanged in September. The CBE has enjoyed some flexibility due to capital inflows from GCC countries, which shored up CBE reserves and limited pressures on the exchange rate (although starting in January 2015, the CBE has allowed the currency to depreciate, with the goal of equalizing the official and black market rates). The Tunisian Central Bank's accommodating monetary stance, with a one percentage point rise in the monetary market rate (TMM) between December 2012 and September 2014, improved bank liquidity at the cost of 5.5 percent inflation and some depreciation of the dinar against the euro and US dollar. The decision not to intervene was motivated by the desire to preserve the country's foreign exchange reserves and maintain competitiveness.

***In Libya, inflation remained low according to official data,*** although actual prices are difficult to observe in the current context of the country.

## Economic Cooperation, Regional Integration and Trade

***External positions remained weak in several North African countries.*** In Egypt, the trade deficit stood at almost 12 percent of GDP in 2014 (table 2.5), largely financed by current transfers. Algeria registered a 6.2 percentage point's deterioration in the ratio of trade deficit to GDP driven mainly by declining oil prices. Despite increased hydrocarbons production, this sector's exports fell by 8 percent in value in 2014, while imports increased by 4.9 percent. Mauritania's trade deficit rose by over 6 percentage points of GDP (to 14.1 percent) in 2014, owing to the fall in iron and gold prices. Mauritania's external trade continues to be characterized by high concentration and the liberalization of the export control system. Tunisia's trade deficit continued to deteriorate, as persistent social tensions and contests negatively affected exports of textiles, phosphates, and oil and gas. In Morocco, the more than 9 percent rise in exports reduced the trade deficit, which nevertheless remained at 16.2 percent of GDP in 2014. In Libya, the important trade surplus reported in 2013 dropped precipitously in 2014, due to plummeting oil sales and a nearly 20 percent rise in total imports as domestic production declined.

**Table 2.5 - Trade balances in North Africa (percent of GDP)**

| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|
| ***North Africa*** | **-4.1** | **-8.5** | **-10.2** | **-9.8** |
| Algeria | 4.5 | -1.7 | -9.1 | -10.1 |
| Egypt | -12.0 | -11.7 | -11.1 | -10.4 |
| Libya | 27.2 | 3.4 | 7.2 | 11.7 |
| Mauritania | -7.8 | -11.1 | -11.2 | -12.2 |
| Morocco | -19.6 | -16.2 | -13.7 | -14.3 |
| Tunisia | -12.8 | -13.3 | -13.3 | -14.1 |

*Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations).*

***For now, foreign reserve positions of most North African countries remained comfortable,*** assisted by FDI and aid inflows in Egypt, Algeria's substantial oil wealth, and Mauritania's iron ore exports. Reserves remained at 32 months of imports in Algeria, 4.7 months in Mauritania, and just under 4 months in Tunisia. The Libyan Central Bank had about USD 100 billion in reserves before the intensification of violence in 2014.

***Despite efforts, regional trade integration in North Africa remains limited.*** Problems affecting transport and logistics (particularly inadequate port facilities), trade finance, business knowledge, and trade promotion have constrained Egypt's exports to other African countries, despite membership in COMESA. Algeria plays a dominant role in several regional projects and initiatives, mainly through the African Union (AU) and NEPAD, and the country's exports to other Maghreb countries increased YoY by 10 percent as of end-September 2014. Nevertheless, China is Algeria's largest supplier (14.1 percent of imports) followed by France (10.9 percent), Italy, Spain and Germany. Spain (15.4 percent), Italy (13. 3 percent), France and the United Kingdom are Algeria's leading customers. Similarly, the EU absorbs 74 percent of Tunisia's exports and supplies 53 percent of imports. Libya is a member of several regional groups and initiatives (Greater Arab Free Trade Area, Arab Maghreb Union, community of Sahel-Saharan states, and the common market for Eastern and Southern Africa), and has signed in 2013 a partnership and cooperation agreement with Morocco aimed at strengthening trade between the two countries. However, the security situation and political instability have slowed progress on implementation. Over time, the Libyan Sovereign Wealth Funds (SWFs) with large investments across Africa could play a key role in Libya's integration with the rest of the continent. Morocco is seeking to deepen trade relations with Sub-Saharan Africa through trade agreements. Finally, Mauritania has concluded several bilateral trade agreements with neighboring countries. However, its share of regional trade remains a low 7.8 percent of its total trade in the first quarter of 2014. China is by far the leading destination for iron ore, followed by Europe; and Japan is the main destination for fishery products, followed by Europe and China.

## Debt Policy

***There are disparities in debt levels across North African economies.*** Increasing borrowing to finance fiscal deficit increased Egypt's gross public debt to 97 percent of GDP in June 2014, with most of the debt contracted on the domestic market. Expansionary fiscal policies increased also Tunisia's public debt (external and internal)

*Reserves remained at 32 months of imports in Algeria, 4.7 months in Mauritania, and just under 4 months in Tunisia.*

*The Libyan Sovereign Wealth Funds (SWFs) with large investments across Africa could play a key role in Libya's integration with the rest of the continent.*

*Expansionary fiscal policies increased also Tunisia's public debt to 51.7 percent of GDP in 2014.*

*The latest IMF analysis concluded that the debt remains sustainable as long as Morocco continues to institute the necessary reforms to control its budget deficit.*

*The level of external debt contracted and guaranteed by the government of Mauritania equaled 53.8 percent of GDP in 2014.*

to 51.7 percent of GDP in 2014, reflecting borrowing from multinational institutions and on the international financial markets using guarantees from the United States and Japan. The June 2014 IMF analysis found that Tunisia's debt was sustainable. Similarly, the Moroccan Treasury's debt stood at 64 percent of GDP in 2014, with the bulk raised from domestic sources. The latest IMF analysis concluded that the debt remains sustainable as long as Morocco continues to institute the necessary reforms to control its budget deficit. The level of external debt contracted and guaranteed by the government of Mauritania equaled 53.8 percent of GDP in 2014, although most of this was contracted from bilateral and multilateral institutions on concessional terms. Internal public debt represents only 5 percent to 7 percent of GDP and mainly consists of treasury bills. The latest debt sustainability analysis conducted by the IMF envisions some reduction in the present value of debt to GDP through 2034.

***Algeria and Libya have comfortable debt positions.*** Libya's debt equalled only 4.8 percent of GDP in 2014, or about 5 percent

of its foreign exchange reserves. However, recent declines in revenues could generate a need for borrowing if revenues do not increase and expenditures are kept at this pace. Algeria's external debt equalled only 1.9 percent of GDP (down from more than one-third of GDP in 2004) and domestic public debt 7 percent of GDP (down from 16.3 percent in 2004), as prudent borrowing policies and the availability of oil revenues have sharply reduced debt levels over the past decade. The outstanding domestic public debt reflects the consolidation of State Owned enterprises, which should ultimately disappear with the establishment of competition rules allowing for declaring public enterprises insolvent, and bond issues linked to medium and long-term investment financing needs.

# Chapter 3

## Challenges Facing Public Sector Management and the Private Sector

Chapter 3

*The 2015 Doing Business report on the business environment ranks Algeria 154th out of 189 countries, down 7 places compared to the 2014 report.*

***Most countries are making progress towards overcoming challenges to private sector development, more in the form of strategies and legislation than enforcement.*** Promising trends include an increasing emphasis on transparency, efforts to improve the efficiency of the public sector, the ease of administrative requirements on normal business operations, and efforts to assist private sector firms in meeting requirements.

***Nevertheless, three main challenges continue to limit private sector development and public sector management in North African countries.*** The first is the recent history of political instability and security concerns in some countries, which have discouraged private investment, and weakened public sector administration. The second, which has to a varying degree affected all countries, is a history of government interventions that have discouraged foreign investment, reduced incentives to hire long-term employees (thus driving large portions of the economy into the informal sector), and impaired financial sector growth. The third is poor governance which has increased the returns to rent seeking over economically-productive activities.

## Private Sector

***Several steps have been recently taken to address the longstanding difficulties in the business environment in North Africa.*** In Egypt, structural challenges constrain private sector activity, and political instability has resulted for a while in a "wait-and-see" attitude by investors. The Egyptian Government showed its commitment to revise the Investment law (approved only in March 2015) which is expected to simplify the business environment, standardise incentive schemes such as free economic zones and special investment zones, facilitate market entry and exit, and expedite litigation and dispute resolution in a manner that preserves the rights of the state and does not inflict harm on serious investors. The objective is to create an investment-friendly environment, including for mega projects announced by the GoE at the Egypt Economic Development Conference (EEDC). The government has also formed a holding company, "Ayady for Youth Employment", to establish investment companies in each of the governorates. These companies are expected to finance and partner with local entrepreneurs to develop the main regional products and services for export. The government has also automated payment mechanisms to enable corporates to pay customs duties in real time for instant clearance of merchandise and zero demurrage costs or delays. Finally, the Ministry of Investment has launched the Egyptian Regulatory Reform and Development Authority to review regulations governing business activities and improve transparency.

***In Tunisia, draft laws on competition, bankruptcy, financial sector reform and private public partnerships have been under consideration since 2013, but are yet to be passed by the National Assembly.*** There are encouraging signs of improved security situation, due to greater cooperation with Algeria's security forces and an increase in the budgets of the Ministries of Defence and the Interior. The business environment in Tunisia has traditionally been stronger than in most other African countries, although it has suffered from the instability and social demands triggered by the Arab Spring. Tunisia's ranking on the Doing Business indicators for the business climate fell from 56th in 2014 to 60th in 2015, with particularly sharp declines in the rankings for starting a business and cross-border trade. Business leaders attest to growing concern over the security situation, and Tunisia's ranking for the business cost of crime and violence by the World Economic Forum fell from 5th in 2010 to 107th in 2014. Domestic and foreign investment, with the exception of firms fully devoted to exports, is limited by monopolies, higher barriers to entry, stringent regulations governing layoffs and hiring, and government red tape. A survey published by the World Bank in February 2014 showed that business managers devote on average 25 percent of their time and 13 percent of their annual turnover to comply with regulations and responding to bureaucratic constraints. Informal activities have come to dominate much of the economy, and the private sector is largely composed of marginally productive, small firms.

***In Libya, the breakdown of the administrative structure in 2014 and the sharp deterioration in the security situation severely depressed private sector activity.*** Many firms either closed down or moved their operations to other countries, notably Tunisia. Progress in improving the business climate in Libya had been mixed following the 2011 revolution and the government initially appeared committed to privatization and establishing a legal framework for public-private partnerships that could open the way for alternative sources of financing for reconstruction projects. However, the "New Companies Law", introduced in 2013, limited foreign ownership to 49 percent of joint ventures, which would likely have made it difficult to find foreign partners.

***Algeria took some steps to improve the business climate in 2014,*** including establishment of a business climate improvement committee (responsible, in liaison with international organizations, for identifying the changes in administrative procedures necessary to improve the business climate), the streamlining of procedures for enrolment in the trade register and access to land, reductions in the burden of business taxation, and improved incentives for foreign investors (including exemption from the rule that foreign investors can hold only 49 percent of joint ventures, when the shares transferred among partners are less than 1 percent of the capital). Nevertheless, the business environment in Algeria remains challenged. The 2015 Doing Business report on the business environment ranks Algeria 154$^{th}$ out of 189 countries, down 7 places compared to the 2014 report. The report cites the excessive administrative requirements that raise the costs involved in many kinds of business transactions, for example setting up a business and transferring ownership. Algeria's ranking fell most severely in the protection of minority investors.

***Mauritania made also progress in some aspects of the business climate,*** in particular establishment of a one stop shop to combine the operations of services that affect starting a business, including Customs, Employment, National Social Security Fund, Taxation, State Inspectorate, State Property and Court Registry. Since adoption of the reform program, the average time to start a business has fallen from 19 days to 2, and the cost of starting a business has been cut by 25%. The Government intends to extend these promising reforms to all other "Doing Business" assessment criteria. A strengthening of the justice system is also underway, including measures to improve infrastructure, working conditions, and the training of staff. In addition, new laws are being formulated to strengthen the legal framework for commerce, arbitration (coupled with establishment of a new mediation center as part of the Chamber of Commerce, Industry and Agriculture), and women's rights. Despite these efforts, Mauritania is ranked 176$^{th}$ in the World Bank "Doing Business 2015" report, three positions worse than the 2014 report. This drop reflects a deterioration in performance in resolving insolvency, paying taxes, getting access to electricity, and protecting minority investors.

***The Moroccan government is continuing its reform program to improve the business environment,*** including the creation of the National Business Environment Committee (CNEA) to identify the administrative procedures that are most burdensome to private firms, an improvement in public procurement procedures, and changes to the law on price liberalization and competition. These steps build on recent improvements in Morocco's business climate, and the country's rating in the Doing Business survey which improved from 87$^{th}$ in 2014 to 71$^{st}$ in 2015. Morocco has made significant progress in trading across borders (31$^{st}$ in the world), owing to a

*Morocco's rating improving by 5 places to the 72nd position out of 144 countries in the Global Competitiveness Report.*

*A new microfinance law was adopted in November 2014 in Egypt which should help develop the sector.*

*In Algeria, total credit equalled only 36 percent of GDP at end-2014.*

*Despite recent improvements, banks serve only 10 percent of the population in Mauritania.*

reduction in the number of documents and the timeframe needed for import and export; in starting a business (54th); in dealing with construction permits (54th); and in paying taxes (66th). Rankings provided in the Global Competitiveness Report 2014-2015 published by the World Economic Forum reflect the same trend, with Morocco's rating improving by 5 places to the 72nd position out of 144 countries. Nevertheless, a recent evaluation found that private sector growth remains constrained by the large size of the informal sector, the prevalence of small and medium-sized enterprises, and the concentration of investments in the mechanical, electronic and construction industries. Urgent needs include raising the quality of education and skills training, ensuring a closer match with employers' needs, reducing delays in court decisions, reducing distortions imposed by the tax system, and improving access to land.

## Financial Sector

***Efforts are being made to deepen and improve the efficiency and outreach of North African financial systems.*** In Egypt, the launch of the mobile payment gateway is expected to enlarge the number of mobile users to gain access to financial services (e.g. pay bills, transfer funds, and withdraw cash). The government of Mauritania has taken steps to modernize and strengthen the stability of the financial sector, which has achieved some increase in financial intermediation (in part through public sensitization campaigns) and a rise in the number of foreign banks. Islamic finance is expanding through the activities of four Islamic banks. In Tunisia, banking sector reform, highly encouraged by the IMF, should help reduce the banking sector's fragility, especially by modernizing the regulatory and supervisory framework and restructuring State-owned banks. After the revolution, the Libyan government announced its intent to transform the country's financial system into a sharia compliant one with a ban of interest on loans to individuals and a fund to finance interest-free loans. Little progress has been made on this and the ultimate form of the financial sector remains to be seen once peace is restored.

***Efforts also underway to enhance financial inclusion of underserved groups as part of North African goal to achieve more inclusive growth.*** A new microfinance law was adopted in November 2014 in Egypt which should help develop the sector. And mortgage schemes were recently set up to support low- to medium-income households' access to adequate housing. In Algeria, interest rate subsidies have been established to expand credit to small and medium-sized enterprises, and credits are being directed to finance household production. In Morocco, guarantee products were instituted in 2013-2014 to expand credit to female entrepreneurs (Ilayki).

***Despite this progress, North African financial sectors remain relatively undeveloped with limited depth and breadth.*** While conditions vary across countries, for the most part access to financial services is low, credit to the private sector as a share of GDP is limited, small and medium-sized businesses are largely excluded from formal sector finance, insurance and capital markets are marginal, and public sector banks play an important, and in some cases dominant, role. Financial intermediation remains low in most countries. Only 10 percent of Egyptians have an account at a formal financial institution. In Algeria, total credit equalled only 36 percent of GDP at end-2014, and the insurance sector and the capital markets are underdeveloped (the stock exchange had only  companies listed in 2014, and the market for fixed income instruments is dominated by Treasury securities). The government is owner, regulator and the main client of the dominant banks (which own 86 percent of total financial assets). Despite recent improvements, banks serve only 10 percent of the population in Mauritania. In Tunisia, the banking sector is highly disorganized and dominated by State-owned banks, and its condition has worsened with the deterioration of the economic situation. Standard & Poor's classifies the Tunisian banking sector under Group 9 – the high-risk group on a scale of 1 to 10. The non-banking financial sector expanded somewhat in recent years but remains inadequately developed by global standards, with a share of about 20 percent of total financial assets. Libya's banking sector is also underdeveloped, and has further suffered as business shifted their operations abroad with the deterioration of the political situation.

***Morocco is a notable exception in North Africa.*** Reforms which begin in the early 1990s have resulted in privatized public banks, restructured and/or streamlined specialized banks, and adoption of international prudential norms and standards. More than 60 percent of the population uses banking services, only about 5 percent of banks' portfolios being nonperforming, and Moroccan banks are operating in other African countries. Still, access to financial services for very small and medium-sized companies remains limited. The Casablanca Stock Exchange is well developed and is one of the rare regional stock exchanges which impose no restrictions on foreign participation. The Moroccan insurance market is the second largest on the African continent after South Africa, and has continued to grow steadily over the last few years.

## Public Sector Management, Institutions and Reforms

***Steps have recently been taken to improve the efficiency and transparency of public sector management in North Africa, although the disruptions resulting from the Arab Spring resulted in a slow pace of implementation.*** In response to demands made during the 2011 revolution for a greater transparency and accountability in political life, Egypt's Ministry of Planning is involving a group of young business, legal and economic consultants to work on specific projects on a voluntary basis. The management of the government-owned power sector is also being strengthened through incorporation of an Energy Planning Authority, and a Sovereign Guarantee Law, whereby the Ministry of Finance guarantees the Egyptian Electric Holding Company in case of default.

***Strengthening and improving the performance of control and audit bodies, as well as judicial reform, are priorities for the Tunisian authorities.*** While the new Constitution guarantees access to information, an independent judiciary, and the right to due process, the time required to settle disputes and to enforce court judgments remains too long. More generally, the social and political upheavals since the revolution, coupled with several ministerial reorganizations resulting in overlapping or very broad jurisdictions, have impaired the efficiency of public administration, which suffered also from high staff levels and a low productivity of public servants. Excessive centralization has eroded the efficiency of devolved services. Public services remain operational overall, but the quality of such basic services as education and health has declined. Access to public services remains relatively equitable, but quality and efficiency decline away from the major coastal cities of the country.

***Algeria has made some progress in improving transparency, for example through the dissemination of economic information.*** The Ministry of Finance organized communication campaigns and activities on the provisions of the 2014 and 2015 finance laws. Since May 2014, the Ministry of Finance has published on its website the 2000 – 2013 updated retrospective statistics on the budget and treasury operations, as well as data on the real economy. These measures have resulted in some improvement in Algeria's score on the Open Budget Index, which increased from 1 percent in 2010 to 13 percent in 2012.

***In Libya, the emergence of two governments in mid-2014 and the ongoing political crisis put an end to efforts to reform public financial***

*Morocco's financial sector is a notable exception in North Africa.*

*Access to public services remains relatively equitable in Tunisia, but quality and efficiency decline away from the major coastal cities of the country.*

*Algeria has made some progress in improving transparency, and has increased its score on the Open Budget Index.*

*The Moroccan government approved two major reforms in 2014, public procurement reform by decree and reform of the law on price liberalization and competition.*

***management.*** The resulting security challenges also led to the departure of the international bodies that were assisting Libya with its public financial management reform programme. Public sector management and the coordination of administrative activities have effectively collapsed, as neither government has full control.

***Mauritania is improving the efficiency of public sector management*** through the automation of payment and information systems, and the ongoing harmonization of the various human resource, payroll and pension management systems. Personnel control and the quality of the civil service are being strengthened through a headcount of civil servants, a 30 to 50 percent increase in salaries under the 2015 Appropriations Act, and the organization of more than 50 competitive administrative examinations to recruit young deserving Mauritanians into the public service in a transparent manner. The President has underlined his support for the campaign to limit influence peddling and the mismanagement and embezzlement of public funds. The Audit Office, the General State Inspectorate and divisional inspectorates are being strengthened to enforce the Anti-Corruption Act, and a code of ethics for civil servants has been prepared. In 2014, a few top civil servants, including some diplomats, were prosecuted and campaigns (for example, the Symposium on Corruption held in September 2014 in Nouakchott) organized to sensitize the population on the negative effects of corruption and nepotism.

***The Moroccan government approved two major reforms in 2014, public procurement reform by decree and reform of the law on***

***price liberalization and competition.*** These steps build on authorities' decade-long effort to modernize public administration and improve the effectiveness of public services. Key priorities have involved strengthening participatory democracy, implementing a Code of Governance Best Practices for State Corporations and Establishments (EEPs), the application of a new public procurement system, and the fight against corruption. Morocco is ranked 80th out of 175 countries on Transparency International's 2014 Corruption Perceptions Index (CPI), representing a jump of 11 positions from 2013.

# Chapter 4

## Social Developments in North Africa

Chapter 4

*Budgeted expenditures on heath in Egypt are set to rise from the USD 3.43 billion spent in 2013/14 to USD 5.57 billion in 2014/15.*

***North African countries have made considerable progress in many aspects of the social development agenda,*** including boosting enrolment rates in primary and secondary school, increasing access to healthcare that has resulted in improved health indicators, reductions in poverty driven by income gains and a wide panoply of social assistance programs, and enshrining the rights of workers and promoting gender equality in legal systems. Nevertheless, some aspects of human development remain weak relative to countries' per capita income. Some aspects of the agenda, particularly gender equality, are difficult to achieve in the context of traditional social attitudes, although these are evolving and some governments are taking quite rigorous efforts to ensure that legal protections to equal rights are enforced.

## Building Human Resources

***North African governments continued to pursue a broad agenda to improve health and education.*** Developments in 2014 included adoption of a national strategy for education in Egypt, Algeria's rapid response to reports of Ebola, the construction of health facilities and training of personnel in Mauritania, and improved provision of health care in Morocco. Taking a longer-term perspective, most countries have made considerable progress in education, particularly in achieving near-universal net enrolment at the primary level. However, problems with the quality of education remain important, although cross-country comparisons are more difficult to make than with enrolment data. Increasing access to health services and to clean water and sanitation have driven improvements in health indicators, including child mortality rates, maternal health, and disease control. Nevertheless, progress has been uneven in some countries. Disparities among regions within countries in access to health and education services remain high.

***In Egypt, a national strategy for education was issued by the Ministry of Education in 2014,*** highlighting a trend towards the dual system in Technical Secondary Schools (TSSs) and an increase in the number and variety of schools and faculties in universities. The Government initiated efforts to strengthen vocational training which led to the establishment of a new Ministry for vocational training in March 2015 so as enhance the technical and vocational education and training system (TVET) in Egypt. Egypt has achieved universal primary education, reduced child mortality rates, improved maternal health, and made progress in addressing major diseases, with low rates of HIV/AIDS and malaria. Significant issues remain in reducing regional disparities in the provision of services. The highest scores on the Human Development Index, ranging from 0.78 to 0.75, are achieved by governorates on the coast or near the Suez Canal. By contrast, the worst scores, ranging from 0.71 to 0.69, are in the Nile Delta and Upper Egypt. Nevertheless, the more developed governorates continue to enjoy the largest share of development projects. While access has improved, the quality of social services remains a challenge.

***Budgeted expenditures on heath in Egypt are set to rise from the USD 3.43 billion spent in 2013/14 to USD 5.57 billion in 2014/15.*** Recent progress, however, is unlikely to have greatly improved Egypt's relative performance on health expenditures per capita, which according to the World Health Organization (WHO) was in 2012 below almost all of the other countries in North Africa (in purchasing power terms). The adult mortality rate (probability of dying between 15 and 60 years of age) was 196 per 1000 for men and 120 for women, or well below the average for lower middle income countries (classification from the World Bank).

***Considering a longer time period,*** Algeria has made significant progress in achieving the Millennium Development Goals (MDG). The country's ranking on the Human Development Index (93rd out of 187 countries) has increased five places since 2008, and the share of the population in extreme poverty dropped from 1.7 percent in 1990 to 0.5 percent in 2014. Major challenges include the low access to housing and the high unemployment rate (10.6 percent overall but 25.2 percent for youths in 2014). Budgeted expenditures on health rose from 4 percent of GDP in 1970 to 5.2 percent in 2013, a period when GDP per capita increased 16 times. Higher spending has contributed to increasing the supply of doctors from one per thousand in 1998 to 1.24 in 2012, reducing the incidence of underweight children (likely due to an increase in assisted births to 95 percent of all births), and reducing the gross mortality rate from 6 percent in 1990 to 4.4 percent in 2013. Life expectancy at birth for men was 77 years in 2013 (against 66.9 years in 1990), while that of women stood at 77.6 years (against 67.3 years in 1990). Progress also has been made in reducing communicable diseases, and improving nutrition and mother and child protection.

***Progress also is being made in improving access to education and training in Algeria.*** The national literacy strategy launched in 2007, which places particular emphasis on teaching adult women in rural areas, has helped to reduce illiteracy from 22.1 percent of the population aged 10 years and above in 2008 to 18 percent in 2013, and seeks to eradicate illiteracy by 2016. Key goals articulated by a national conference to assess the educational system included greater equality in access to quality teaching, the reduction of persistent differences among disadvantaged regions, and more widespread access to preschool education.

***While data are understandably scarce, it is likely that the recent violence has destroyed much of the progress made in Libya in improving human development.*** Increasingly violent clashes have forced many schools to shut down temporarily, while the quality of education remains very low, particularly as the fighting has taken attention away from reform of the educational system and curricula. According to the Global Competitiveness Index (GCI) 2014-15, Libya ranked last out of 144 countries in the area of quality of the education system. And the decline in the national health infrastructure, as well as the increasing difficulties in accessing medicines, is no doubt impairing health outcomes and potentially raising the risks of outbreaks of communicable disease.

***This deterioration must be set against the long history of improvement in social indicators in Libya.*** Since 1980, life expectancy at birth had increased by 11.1 years, mean years of schooling increased by 5.3 years, and expected years of schooling increased by 3.6 years. The infant mortality rate dropped from 36 per 1,000 live births in 1990 to 12 in 2013. The adult HIV prevalence rate is less than 0.2 percent, although the incidence of tuberculosis is a more difficult problem (Libya is ranked 65th out of 144 countries in tuberculosis cases per 100 000 population and 91st in terms of the business impact of tuberculosis). The 2009 Millennium Development Goals (MDG) Report for Libya stated that the country was well on the way to attaining the MDGs by 2015.

***Recent steps to improve access to health services in Mauritania include construction of an emergency center in Nouakchott as well as health centers and posts,*** the training of medical and paramedical personnel, and continued implementation of the National Health Development Plan 2012- 2020 and the Strategic Plans for the Control of AIDS, Malaria, Tuberculosis and Sexually Transmitted Diseases (STDs). While Mauritania is not a low-income country according to the World Bank, due to its mineral and oil resources, human development remains low. The country was ranked 161st in the UNDP's Human Development Index (out of 187 countries) in 2014, reflecting uneven progress across social sectors. A lot has been achieved in education, as the gross primary enrolment ratio has reached 100 percent and gender parity in primary and secondary schools has been met. Thus, achievement of the Millennium Development Goals (MDGs) relating to universal primary education and gender parity in primary education by 2015 is within Mauritania's reach. However, the picture for health indicators is less optimistic. In 2011, the maternal mortality rate was 626 deaths per 100,000 births, or more than a fifth higher than the average in Sub-Saharan Africa, and the infant mortality rate was 114 per 1,000 live births, almost double the average in Sub-Saharan Africa. HIV/AIDS prevalence in people aged 15 to 24 years is estimated at 0.7 percent, *Steps taken in 2014 by the Moroccan government to improve the health sector include the continuation of efforts to ensure universal basic healthcare coverage.*

and rapid urbanization poses a serious risk of spreading the disease.

***Tunisia has made significant progress in both education and health, although services remain uneven in some respects.*** Net enrolment rates in education reached 99 percent among children aged 6 to 11 years and 80 percent among children 12 to 18 years (up from 74 percent in 2001/02). Nevertheless, the educational system faces numerous challenges, including the achievement of more widespread completion of the primary cycle, reducing dropout rates in secondary schools (which are particularly high in rural areas), and upgrading the quality of training. Health indicators have improved markedly, as widespread access to immunization has contributed to a decline in infant mortality, access to contraception services remains relatively high (62.5 percent of the population are reported to use contraceptives), and the share of women giving birth that had access to at least one neonatal consultation increased from 91.2 percent in 2001 to 98.2 percent in 2011. Less progress has been made in reducing maternal mortality, which remains particularly high in poor regions. Nevertheless in 2011, only 1.4 percent (0.3 percent in urban areas and 3.1 percent in rural areas) of deliveries were not assisted by a qualified health personnel. One bright spot has been the vigorous response of the Tunisian authorities to HIV/AIDS, beginning with the first reported case in 1985. The government established 24 anonymous, free screening centres across the country and improved medical and psychosocial care to persons living with HIV/AIDS and their households. The use of immuno-virological therapy and monitoring has become widespread among persons suffering from the disease. Only 222 new cases were officially reported in 2013 (70 Tunisians and 152 foreigners) although the reliability of statistics is uncertain, given the taboo nature of sexual issues in Tunisia and the very limited knowledge about HIV/AIDS among the general population. The incidence of tuberculosis has declined (to around 20 to 30 per 100,000 people, although regional disparities are high) and malaria was eradicated in 1979 (the rare cases recently detected were of people who contracted the disease abroad). However, the deteriorating hygiene and sanitation conditions raise some risk of a resurgence of the disease.

***Steps taken in 2014 by the Moroccan government to improve the health sector include the continuation of efforts to ensure universal basic healthcare coverage,*** reductions in the price of medicines, and the adoption of a bill governing medical practice. While Morocco has made significant progress in improving health indicators, disparities in access between rural and urban areas remain high. Morocco's commitment to improving education helped boost the net primary enrolment rate to 99.5 percent (97.9 percent in rural areas and 99.1 percent for girls) in 2013/2014. However, the net enrolment ratio of children aged 12 to 14 years in secondary grammar schools is only 53.9 percent nationwide, with significant rural-urban and gender disparities (23.6 percent for girls in rural areas compared to 78.7 percent for girls in urban areas). The enrolment ratio for technical secondary schools was 31.7 percent at the national level in 2013/2014, which nevertheless represents an improvement of almost 12 percentage points relative to 2007-2008. Despite this progress, the quality of the Moroccan education system and performance of its vocational training system remain low. The 2014 Human Development Report, in which Morocco is ranked 129th (out of 187 countries), cited education as the main obstacle to improving performance, and Morocco scored lower on the 2011Trends in International Mathematics and Science Study (TIMSS) test than did other Maghreb countries.

## Poverty Reduction, Social Protection and Labour

***Economic disruptions driven by political instability and violence have led to recent***

***deterioration in poverty in some countries.*** Efforts planned or underway to strengthen social protection include a targeted cash payment program in Egypt, improvements in the administration of programs in Tunisia, maintenance of expenditures on social protection in Algeria despite lower oil prices, the adoption of sector strategies and increased provision of microfinance in Mauritania, and improvements in governance and in the coverage of social security in Morocco. Unemployment rates vary, but are particularly high for youths and women, and labor force participation for women remains extremely low. Regional disparities in access to social services affect some countries, although efforts are being made to address these. Labor rights are enshrined in legislation, although in some countries enforcement is difficult.

***The Government of Egypt is implementing reforms and initiatives to expand access of the poor to social protection.*** The Ministry of Social Solidarity is to make targeted cash payments in governorates with the highest poverty rates to poor families, conditional on their children's school attendance. The government also plans to pilot a revised and upgraded universal health insurance in Upper Egypt. Greater attention to social protection is particularly important, given that the economic downturn over the past four years in Egypt has had serious consequences. The share of the population living below the poverty line was 26.3 percent in 2013, and unemployment has risen to 13.3 percent of the labor force, up from 9 percent in June 2010. Some 70 percent of the 3.7 million unemployed are between the ages of 15 and 29, and unemployment is about 25 percent for women, compared to only 10 percent for men. Donor organisations have been working with the government, consulting firms and the private sector on initiatives that support women in the workplace.

***Efforts are being made in Tunisia as well to improve subsidy targeting and to establish a single identifier for all beneficiaries of social assistance programmes.*** Population aging and the growing pension deficit (the government transferred 0.3 percent of GDP to cover the deficit in 2014) led the IMF to recommend raising the retirement age from 60 to 62 years. Social assistance programs (free medical booklets, support programme for poor families, etc.) and universal subsidies to contain the prices of some staple food products and oil and gas, have played an important role in reducing poverty but absorb close to 17 percent of the State budget. The social protection system in Tunisia comprises a multitude of programs, covering risks related to health, maternity, industrial accidents and occupational diseases, disability, old-age pension, death and family charges, although coverage for unemployment is lacking and many people, including independent, precarious or informal sector workers, are still not covered by insurance. Official statistics show a decline in poverty in Tunisia from 32.4 percent in 2000 to 15.5 percent in 2010 (4.6 percent for extreme poverty). However, poverty remained at 32 percent in the Centre-West and South-West regions, so that inter-regional inequality increased (although inequality within regions declined). The minimum wage was raised by 11 percent in June 2014, to nearly TND 350 monthly. Labor legislation is consistent with fundamental rules laid down by the International Labor Organization. While the law is strictly applied in the public sector, this is not always the case in private enterprises. Seeking redress before labor inspectorates is rare, frowned upon, and generally futile. Informality has risen over the last few years, about 30 percent of the labor force lacks a contract or any social protection.

***The deteriorating political situation in Libya has severely depressed living standards,*** interrupted the provision of basic services, and limited the allocation of public funds to the maintenance of public sector salaries and subsidies. The violence has obviously deepened social divisions at the community level, vitiating efforts in 2012-13 to increase electoral

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*In Libya, the 2014 Finance Law envisions the maintenance of subsidies to milk and cereal products, employment support operations, and social transfers.*

*The unemployment rate fell to 9.9 percent in 2014, but substantial portions of the population continued to have limited access to jobs in Morocco.*

*According to the 2014 Global Gender Gap report, Egypt ranked 12th out of 142 countries on an indicator of wage equality for similar work.*

participation, and work towards post-conflict reconstruction. Libya has large oil wealth, but the low productivity of the non-oil sector, combined with regional and tribal inequalities, has meant that about one-third of Libyans may live beneath the poverty line.

***Algeria's government has reaffirmed its commitment to maintain social protection policies,*** including access to housing, support to commodity prices, support to employment of youth and job-seekers, and other social policies (health, education, social security, retirement, etc.), despite the decline in oil prices. The 2014 Finance Law envisions the maintenance of subsidies to milk and cereal products, employment support operations, and social transfers (although the latter have fallen from 14.3 percent of GDP in 2011 to 8.8 percent in 2014).

***Mauritania has undertaken a series of initiatives to address poverty, including the National Food Security Strategy to ensure access to sufficient food, the National Rural Sector Development Strategy,*** the Urban Development Programme to improve conditions in the peripheral neighborhoods of Nouakchott and in the country's hinterland, measures to increase the volume of credit distributed by microfinance institutions, the Tadamoun National Agency which seeks to reduce socio-economic inequalities, and the National Social Protection Strategy to improve access to risk management instruments and social protection systems among the poorest and most vulnerable groups. The Government is making every effort to comply with international conventions on the core labour rights, and is establishing a legal and regulatory framework that supports employment and workers' rights. The latest available measurement of poverty in Mauritania is the 2008 Permanent Survey of Household Living Conditions (PSHLC), which found that 42 percent of the population lived below the poverty line (results from the 2014 PSHLC should be published in 2015).

***Steps planned by the Moroccan government to strengthen social assistance*** include improvements in the governance and monitoring of institutions, implementation of the legislative plan on social security and industrial accidents, expansion of social security coverage, and reinforcement of social security coverage for Moroccans residing abroad. This program builds on key reforms since 2011 to improve social protection in Morocco, which have included increases in family pensions and allowances, increases in the minimum wage, and creation of a social cohesion support fund. The latter is helping to finance the Medical Assistance Scheme (RAMED) which had 7.28 million beneficiaries at end-August 2014, providing support for schools, and assisting persons with specific needs. Such government programs to assist the poor and limit social exclusion, coupled with rapid growth, reduced the share of the population living in poverty from 15.3 percent in 2001 to 6.2 percent in 2011. Poverty fell more rapidly in rural than in urban areas, but remained almost three times higher in rural areas. The unemployment rate fell to 9.9 percent in 2014, but substantial portions of the population continued to have limited access to jobs: the unemployment rate is 15.5 percent among secondary school graduates and 20 percent among higher education graduates, while women's participation in the labour market was only 26 percent.

## Gender Equality

***North African governments are making progress in combating longstanding discrimination against women, and are pursuing various programs to achieve gender equality De jure and de facto.*** Still, attitudes and cultural norms towards women in North Africa have long hampered efforts to promote gender equality. While these attitudes are evolving, and constitutions and other legal provisions include guarantees of women's equality with men, wide disparities of outcomes, particularly in labor market participation, indicate that more than laws are required to eradicate discrimination. Several countries in the region continue to score poorly on international rankings of gender equality.

***Article 11 of Egypt's constitution calls for an end to discrimination against women,*** requiring the state to achieve gender equality regarding civilian, political, economic, social and cultural spheres; to take measures to ensure women's fair representation in parliament; to protect women against all forms of violence; and to provide mothers and children with adequate care. However, gender discrimination is still observed in Egypt. Only 26 percent of women are employed and unemployment among women reached 24.8% by December 2014 compared to only 9.2% among men. According to the 2014 Global Gender Gap report, Egypt ranked 12th out of 142 countries on an indicator of wage equality for similar work. The score for female workers in informal employment excluding agriculture is 23 (100 = equality), although net employment ratios for secondary education graduates are almost equal between boys and girls. The government does not have a clear, published strategy to achieve gender equality and women's empowerment, but donors and specialised NGOs have undertaken many programs to support women. The economic integration of women through credit provision and financial literacy, as well as self-defence and character development, are among the widest reaching. Given that financial inclusion is a strategic objective for the government, donors are focusing on microfinance for women in Upper Egypt, where severe poverty prevails.

***The legal system in Tunisia supports gender equality through the Personal Status Code enacted in 1956 and guarantees the equality of men and women in the new Constitution.*** However, gender discrimination persists in some legal provisions, such as the concept of family head and inequality in inheritance. Article 5(b) of the Labor Code forbids gender discrimination, while equality at work is enshrined in Article 40 of the Constitution. However, progress in ensuring women's equal access to gainful employment has been slow. While more women than men are enrolled in higher education, women often end up in fields where unemployment rates are highest (e.g. only 29 percent of engineering students are women). According to official statistics that are probably understated, 21.9 percent of women were unemployed at end-2013, compared to 12.8 percent of men. Only 25.8 percent of women participated in the labor market in 2012, compared to 70.3 percent of men. Women may be more likely to work in precarious and informal situations, although this is not confirmed by any official figure. Only 6.5 percent of business leaders in the largest employers' association (UTICA) are women, with most operating in the Greater Tunis area or in theNorth-East of the country.

***According to the Global Competitiveness Index 2014-15, Libya ranks 131st out of 144 countries in terms of women's participation in the labour force.*** According to the 2013 'Libya Status of Women Survey', the majority of currently or formerly married women do not have access to economic resources. Indeed, 59 percent do not personally have financial savings, 64 percent do not own items of high value such as a car or jewellery, and only 12 percent own land or an apartment. Libya is ranked 40th out of 149 countries in the 2013 Gender Inequality Index. Women enjoy roughly equal access to education, as 32 percent of women and 33 percent of men hold a university or graduate degree, and about 56 percent of adult women have at least a secondary level of education versus 44 percent of men. However, only 30 percent of women participate in the labor market, compared to 76.4 percent of men.

***Specific projects were launched in Libya early in 2014 to increase women's participation in public life.*** The "Dastoor project" was launched in March 2014 on Women's Day with the support

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*Mauritania has achieved gender parity in primary and secondary education, with a girls-to-boys ratio of 1.02 in basic education* of the European Union, with the goal of supporting Libyan women and civil society organisations in the drafting and implementation of the new constitution. Other areas that are important for Libya's progress towards equal access to development opportunities, such as female political participation and inclusion in strategic decision-making, require further improvement. In 2014, 16.5 percent of parliamentary seats in the General National Congress (GNC) were held by women. No doubt progress on this and other initiatives are on hold until peace is restored.

***Traditional cultural attitudes in Algeria towards women have become less prevalent over time, and the government has mainstreamed gender issues into all activities*** and undertaken specialized programs to address gender issues (e.g. the 2008-2013 national strategy for women's advancement and integration and its 2010-2014 action plan, as well as the participatory drive in favor of rural women under the 2009-2014 Rural and Agricultural New Deal Policy). Legal and regulatory provisions have been introduced to protect women in terms of personal status, practice of professional activities, exercise of political, associative, economic and social rights, etc., all of which are guaranteed by the Constitution. The 2012 law on increasing female representation in political life resulted in an increase in share of women elected to the APN (People's National Assembly) to more than 30 percent, to the APC (People's Council Assemblies) to 30 percent and within the APW (People's Wilaya Assemblies) to 35 percent. Algeria is ranked 28$^{th}$ in the world, and first among Arab countries, in terms of women parliamentarians.

***The promotion of gender equality remains one of the Mauritanian government's top priorities.*** In August 2014, women were appointed to eight cabinet posts out of thirty, against less than five in previous years. Women hold 31 out of 147 seats in the National Assembly and 9 out of 54 Senate seats. Mauritania occupies the 51$^{st}$ position in the world ranking of women's representation in both houses (the National Assembly and the Senate).

For the first time, a woman was elected to head the Nouakchott City Council. Mauritania has achieved gender parity in primary and secondary education, with a girls-to-boys ratio of 1.02 in basic education. Efforts are being made to also achieve parity in higher education. While Mauritania also has made great efforts regarding health and social well-being in general and reproductive health in particular, the MDGs of this sector are not yet within its reach.

***Morocco has ratified the main human rights conventions and harmonized its legislation with provisions from international conventions governing protection and promotion of gender equality.*** The Government also embarked on several programmes to ensure gender equality in civil, political, economic, social, cultural and environmental rights. The new Constitution has provided for the creation of several institutions for the protection of women's rights, such as the Authority for Parity, the Fight against all Forms of Discrimination, and the Advisory Council on Family and Children's Affairs. Nevertheless, gender disparities remain pervasive, and Morocco is ranked 129th (out of 136 countries) in the last Gender Gap Report of the World Economic Forum. Almost 53 percent of Moroccan women were illiterate in 2012, according to an HCP study "Moroccan Women and the Labour Market: Characteristics and Trends", conducted in 2013. Over 71 percent of rural women are illiterate, and only 57.8 percent of girls in rural areas are enrolled in secondary grammar schools and 18.8 percent in secondary vocational schools. Women represented only 26 percent of the labor force in 2014, and their 9.9 percent unemployment rate was slightly higher than the 9.1 percent for men. The share of women in public administration and local government bodies is below 30 percent.

# Chapter 5

## The African Development Bank Group in Brief

# The African Development Bank Group in Brief

## Who We Are & What We Do

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

### 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. The Agreement came into force in 1964 when 20 of 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.

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.

In only half a century, the Bank Development Bank has mobilized and invested more than USD 100 billion in critical sectors of the African economies. With more than 4000 operations to date, the Bank has 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.

Cumulative loans and grants signed, net of cancellations, at December 31, 2014, amounted to UA 26.67 billion, compared to UA 25.24 billion at the end of 2013 capturing the importance of our actions on the continent.

In the last 20 years, the Bank has spent USD 4.5 billion (about 12 percent of its funds) on increasing power generation and improving rural electrification, bringing electricity and its socio-economic benefits to thousands, many in the lower strata of society.

In the last two years (2012-2014), more than 10 million Africans have benefitted from new electricity connections through the Bank's work; almost 20 million Africans have benefitted from improved access to transport; more than 4 million Africans have benefitted from new or improved access to water and sanitation, 55% of them are women; and 48 million Africans have benefitted from access to better health services.

The Bank Group's compelling achievements have helped build the Bank's 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 2013, the Bank adopted a new long term Strategy for the period 2013-2022. This ten-year Strategy reflects the aspirations of the entire African continent and places the Bank at the center of Africa's transformation. The Strategy is built around two objectives aiming to improve the quality of Africa's growth: inclusive growth and a gradual transition to green growth. It aims to broaden and deepen the process of transformation in Africa, mainly by ensuring that growth is shared and not isolated, for all African citizens and countries, not just for some. It also aims to bring about growth that is not just environmentally sustainable, but also economically empowering.

The Strategy is supported by five operational priorities in which the Bank has unmatched advantage, expertise, access and trust. These are:

- Infrastructure development
- Regional economic integration
- Private sector development
- Governance and accountability
- Skills and technology

In implementing its ten-year Strategy, the Bank will pay particular attention to:

- Fragile states
- Agriculture and food security
- Gender.

## How We Are Financed

In its efforts to reduce poverty and promote social and economic development, the Bank operates through three related, but financially independent institutions:

- The African Development Bank (ADB);
- The African Development Fund (ADF); and
- The Nigeria Trust Fund (NTF).

The ADB is the parent organization of the Bank Group, comprising 79 member countries, including 53 regional countries, and 26 non-regional countries. Together, the member countries subscribe to its capital, which, as of December 2014, stood at UA 65.133 (USD 90.567 billion). The subscription to the capital is divided between regional member countries (60%) and non-regional members (40%).

The Bank provides financing to 16 of the Bank's regional member countries (13 of which are middle income and three "Blend"). 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, the ADB has for example:

- 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.

The ADF funds on the other hand, 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 26 donor countries replenish ADF funds every three years.

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 other development partners—which provide opportunities for technical assistance and capacity building.

## Africa's Knowledge Bank

The Bank aims to become the "Premier Knowledge Bank for Africa," cementing its role as a leading change agent for sustainable socio-economic development of 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.

In 2013, the Bank's Open Data Platform became operational for the entire African continent. This follows the completion in July 2013 of the last phase of the project for the following 14 African countries: Benin, Comoros, Côte d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, The Gambia, Guinea-Bissau, Liberia, Kenya, São Tomé and Príncipe, Sierra Leone, Swaziland, and Togo.

Statistical data for all 54 African countries are now available to all users. In addition to social and economic statistics, data on key development topics such as climate change, food security, infrastructure, and gender equality can be accessed by researchers, analysts and policymakers worldwide.

The Open Data Platform is part of the AfDB's Africa Information Highway initiative to scale up the collection, management, analysis, and sharing of quality statistics relating to the continent's development. This ambitious initiative sees the establishment of live data links between the AfDB, National Statistical Offices, Central Banks and line ministries in all African countries on the one hand and sub-regional organizations, international development institutions, and a worldwide community of users on the other.

By providing quality data aligned to the highest international statistical standards, the initiative will foster evidence-based decision making, good governance and public accountability. It will also allow for the tracking of progress in areas such as the Millennium Development Goals at both national and regional levels.

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 in its regional member countries.

## 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.

# Chapter 6

## Bank Group Activities in North Africa


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# Regional Overview

North African countries hold an important 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 196410, and all, with the exception of Libya, subscribed to the Bank's capital stock, contributing upwards of USD80 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 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 still hold roughly 18.25% of the total subscribed stock as of December 2014 and continue to play an important role in the Bank Group.

## Bank Operations

North Africa's early commitment to the Bank Group, coupled with its strong economic position, has made it the leading client and largest beneficiary of Bank's support.

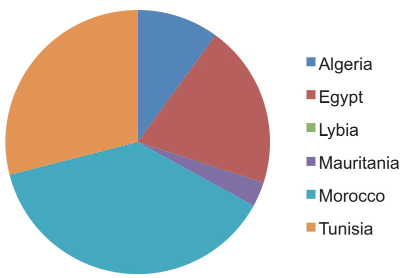
Since the beginning of its operations, the Bank has approved loans and grants to the private and public sectors of African economies totaling UA 19.024 billion (USD 26.82 billion), which represents about 30% of Bank's total loans and grants approvals for all regional member countries.

Indeed, Morocco, Tunisia, and Egypt are the Bank's largest beneficiaries.

Since its inception:

- Algeria has benefited from financing of operations totaling UA 1898.039 million;
- Egypt has benefited from financing of operations totaling UA 3820.64 million;
- Libya has benefited from financing of operations totaling UA 0.8 million;
- Mauritania has benefited from financing of operations totaling UA 584.89 million;
- Morocco has benefited from financing of operations totaling UA 7272.37 million; and
- Tunisia has benefited from financing of operations totaling UA 5448.21.

**Figure 5.1: Cumulative Loans and Grants by Country in North Africa (1968 - 2014)**




The Bank Group has also funded six regional operations including, five technical assistances targeting the Arab Maghreb Union (AMU) and an operation for the infrastructure investment (Argan) Fund. There have also been equity participations in two regional investment funds (MEFP II and III MEFP) investing in the three Maghreb countries (Morocco, Algeria and Tunisia).

## Orientation of Bank Operations

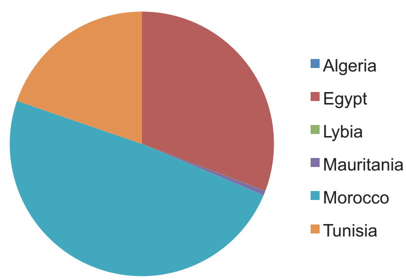
Currently, the Bank's operations are cast against the backdrop of North Africa's specific economic, social and regional needs. Although dominated by middle income countries with relatively good access to capital markets, the region still needs substantial investments in infrastructure and private sector 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's operations thus reflect such specific needs, as well as the areas which take into account national development plans and the Bank's country strategy papers in which it can have the greatest development impact.

**Table 1: Portfolio as of end 2014**

| Country | Number of operations | Volume of operations |
|---|---|---|
| Algeria | 5 | 3.05 |
| Egypt | 29 | 1,265.00 |
| Libya | 3 | 4.30 |
| Mauritania | 4 | 23.21 |
| Morocco | 34 | 2,009.00 |
| Tunisia | 39 | 810.67 |

**Figure 5.2: Country Allocation of the Current Portfolio of North Africa**




As of December 2014, the Bank Group's portfolio in North Africa comprised over 114 approved and ongoing operations, with a total net commitment value of UA 4.12

billion (USD 5.81 billion), displaying the importance of the portfolio. Clearly, energy, transport, and water supply are the dominant areas for Bank Group lending. Largely, 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 especially in the areas of transportation and communications—roads, railways, air transport, etc.

## The Bank's Ongoing Portfolio

In particular the Bank's ongoing portfolio of technical assistance and economic and sector work in North Africa consists of 55 operations with a total value of UA 37 million (USD 57.3 million). The Bank's North Africa Department (ORNA) oversees two Trust Funds and one technical assistance Fund as follows. These are the Middle East and North Africa (MENA TF) Transition Fund, the Multi-donor Trust Fund for Countries in Transition (TFT) and the Middle Income Country Technical Assistance Fund (MIC TAF).

For Egypt as of 31 December 2014, the ongoing operations portfolio is comprised of 30 operations that amount to UA 1.27 billion (USD 1.75 billion) in net commitments. The ADB public sector window accounts for close to 87% of the net commitments, followed by private sector window (12%), and grants (1%). Active operations are dominated by the power supply sector, which accounts for 79% of approvals; the financial sector, which accounts for 10%; the social sector, which comprised close to 4%; and water resource and sanitation development, which represents 4%.

In Morocco, by end of 2014, the ongoing operations portfolio is comprised of 34 operations amounting to UA 2 billion. The public sector dominates the portfolio of Morocco. It is heavily oriented towards the infrastructure sector, which includes transport, energy, water and sanitation, irrigation and private sector projects in infrastructure projects. While social operations account for 9.8 % of the portfolio. The Bank has approved in 2012 its strategy in Morocco (CSP 2012-2016), it mainly focuses on two pillars (i) reinforcement of governance and social inclusion; and (ii) support for the development of green infrastructure.

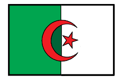
Mauritania is the only ADF country in the North Africa Region. The Mining sector in Mauritania dominates the portfolio with almost 76%, whereas other sectors like Agriculture, water and sanitation and governance accounts for 8%, 13% and 2% respectively. The social sector in the country only benefits from 1% of the portfolio.

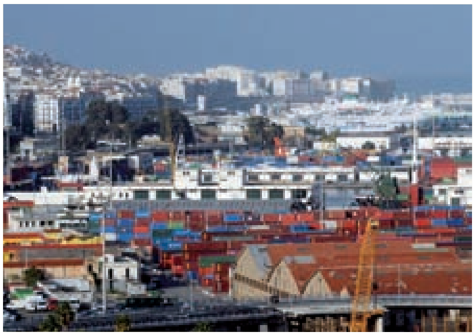
Tunisia's portfolio is designed around a special focus on infrastructure operations, which represent 77% of the total portfolio, in addition to operations in the field of energy accounting for 4% and 9% for agriculture operations. And, finally, 5% social and 5% multi-sector operations.

Currently, cooperation between the Bank and Algeria focuses primarily on technical assistance, analytical work and capacity building (training, etc.). The Bank operates in various sectors, including governance of the public sector, financial sector, agriculture and ICT. The Bank's portfolio comprises 6 technical assistance (TA) operations for a total amount of almost UA 3.4 m (USD 4.8 million). It focuses mainly on the capacity building of public entities (ministry of finance, ministry of agriculture, etc.).

There is only one active operation in Libya, financed by the MENA Trust Fund, titled " Leading the Way Program" for a total amount of USD 5.5 million. It aims at strengthening the efficiency and effectiveness of the Libyan institutions to deliver better governance as well as sustainable economic and social development.

# Algeria





| | |
|---|---|
| Membership year | 1964 |
| Start of lending operations | 1971 |
| Number of ADB operations approved, 1967-2014 | 40 |
| Number of ADF operations approved, 1967-2014 | 3 |
| Subscribed capital, in (%) as of December 2014 | 4.232 |
| Subscribed capital, in (%) as of December 2014 | 4.209 |
| Number of approved and ongoing operations | 5 |
| Total commitments on ongoing operations (in UA million) | 3.05 |

# People's Democratic Republic of Algeria
## Recent Developments[1]

Algeria's economic growth rate was estimated at 4% of real gross domestic product (GDP) in 2014, up from 2.8% in 2013 and 3.3% in 2012. This was mainly due to the recovery of the oil and gas sector, whose value added grew by 0.5% in real terms in 2014, the first increase in eight years. Excluding oil and gas, however, GDP growth slowed to an estimated 5.5% in 2014 compared to 7.1% in 2013. Unemployment rose to 10.6 % in 2014 compared to 9.8 % in 2013 with relatively higher rates among women (17.1 %) and the 16-24 age groups (25.2 %).

Inflation slowed to 3% in Algeria in 2014, following inflationary pressure in 2012. The widespread price increases observed in the second half of 2012 led the Bank of Algeria to intervene in 2013 to mop up excess money market liquidity. This and other government efforts to solve consumer staple distribution problems and increase supply seem to have worked and were continued in 2014.

Algeria's external position remains solid, albeit with some signs of weakness, such as the ongoing slippage in the current account which showed a deficit equivalent to 4% of GDP for the first time in fifteen years. The external financial situation also remains firm, with exchange reserves estimated at USD 185 billion at the end of 2014, equivalent to 32 months of imports of goods and non-factor services (GNFS) and helped by only a small external debt of USD 4 million in 2014, i.e. 1.9% of GDP.

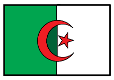
The year 2014 was marked by a sharp fall in oil prices (down 44% between June and September) which had immediate effects on the Algerian economy that is heavily dependent on the oil and gas sector (98% of exports, 58% of State revenue and 28% of GDP). If this adverse situation continues for Algeria in 2015, the country's macroeconomic balance will be affected. The Government may focus its policy on the debate over the sustainability of public finance and the viability of long-term funding for major infrastructure projects, as well as on the urgent need to diversify the Algerian economy.

According to the latest African Economic Outlook report, the estimated growth rate for 2015 was 3.9%, comparable to that of 2014 driven mainly by the recovery of the oil and gas sector which began in 2014. This growth rate will depend, to varying degrees, on several factors. First, real growth in oil and gas production is expected to reach 1.3% in 2015 representing a second year of increase after eight successive years of contraction. Finally, 2015 will also be marked by falling oil prices, which should affect all oil and gas products including the price of natural gas, indexed to the price of a barrel of crude oil. Algeria is therefore expected to use the undrawn balances on the Revenue Regulation Fund (RFF), constituting its national public savings margins, to be able to resist this external shock. Finally, growth prospects will depend on the effective implementation of the Government's measures to contain falling oil prices while pursuing its objectives to provide the population with social protection (housing, price support for certain staples) incorporated in the 2015-2019 Five-Year Plan, as well as the related major investment programme (about USD 263 billion).

The Algerian Authorities have already taken measures to mitigate the impacts of the drop in the price of a barrel of oil. They mainly concern: (i) public expenditure rationalization (excluding social sectors), in particular, a selective freeze on hiring government workers in 2015, cuts in the operating expenditure of government services and public institutions, etc. ; (ii) the postponement, if necessary, of major non-priority investment projects; (iii) use of banks to fund those projects in the investment

[1] This section is drawn from the 2015 African Economic Outlook

programme that are outside the capital expenditure budget; and (iv) the reintroduction of import licenses to rationalize and reduce imports without undermining foreign trade liberalization. A government mechanism, coordinated by the Prime Minister's Office, has been established to ensure quarterly monitoring of the economic situation and implementation of these measures.



# Note From The Algeria Field Office

## Mr. Boubacar Sidiki Traore, Resident Representative

Algeria and the AfDB have continued to maintain a successful and outstanding partnership since 1964. In 2015, Algeria remains the fourth largest shareholder among the Bank's 54 regional member countries and the sixth largest among the AfDB's shareholder countries. In 2004, Algeria suspended all borrowing from the multilateral financial institutions, including the AfDB. As part of its public debt reduction policy, Algeria has made early repayment of all its external debt, including USD 1.4 billion to the AfDB.

Since this turning point, the partnership between Algeria and the AfDB has been refocused on technical assistance, training and institutional capacity building, as well as on the conduct of economic studies, private sector promotion, and economic integration. The new objective is to strengthen economic development and help to improve governance by supporting the objectives of the 2015-2019 Five-Year Plan. The priority thrusts identified concern support for public sector governance: (i) fiscal consolidation; (ii) improved efficiency of public spending; and (iii) economic capacity building. As regards private sector promotion, the objective is to: (i) diversify the economy, (ii) promote employment, iii) improve the business climate and (iii) modernize the financial system.

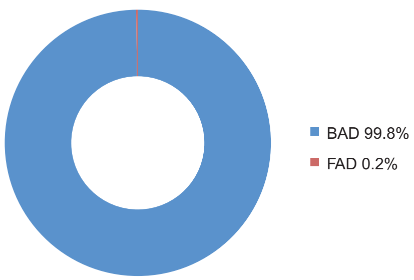
A total of five grants were approved for technical assistance operations over the 2009-2014 period, representing total financing of USD 4.20 million. These were: (i) Support Project for the Redefinition of e-Algeria Strategy and the Implementation Method for the e-GOV Pillar; (ii) Promotion of Young Agricultural Entrepreneurs (iii) Support Project for Modernization of the Public Banks Information System; (iv) the Ministry of Finance Capacity Building Programme; and (v) Modernization of the Ministry of Finance Collaboration and Communication System. Three new operations planned in 2015 will be focused on: (i) updating the SNTF Information Master Plan, (ii) SME development support; and (iii) the Small and Medium-Sized Enterprises Support Project (PAD-SME).

The 2015-2019 Five-Year Plan, to be promulgated in 2015, forecasts a 7% growth rate aimed at making Algeria an emerging country. The related public investment programme, estimated at over DZD 21,000 billion, i.e. slightly over USD 262 billion, offers real prospects for a unique, solid special partnership between Algeria and the AfDB, especially in the strategic areas of economic and financial governance, improvement of the business climate, modernization of the financial system, promotion of private sector activities, particularly regarding guarantees and equity participation to provide general support to private or public enterprises in order to boost foreign direct investment, or in partnership with the Algerians of the interior or the Diaspora.

# Overview of Bank Group Operations in Algeria

The close and fruitful cooperation between Algeria and the African Development Bank is almost five decades old. The approval of the first project for Algeria by the Bank's Board of Directors on 21 March 1971 paved the way for a total of 44 operations for a cumulative amount of about UA 2.057 billion as at the end of December 2014. These operations concerned 23 projects (including one in the private sector), one study, four lines of credit, three reform support programmes, two emergency programmes, and eleven technical assistance or institutional support projects. Most of these commitments were financed by the AfDB window (99.8%), with ADF-financed operations representing only 0.2 % of the total.

**Figure 5.3: Cumulative Bank Group Loans and Grants by Institutions in Algeria (1971 – 2014)**




In 2004, following its decision to suspend the use of external borrowing to finance its development, Algeria made early repayment of its debt in 2006. In view of the evolving needs of the Algerian economy, the Bank and Algeria have agreed to give their cooperation a new direction, which will now be based on technical assistance, guidance, training, capacity building, economic and sector work, as well as private sector development. The six technical assistance operations in 2014 were financed through the Middle Income Country Technical Assistance Fund (MIC-TAF) as well as KOFEAC, the Korea Africa Cooperation Trust Fund.

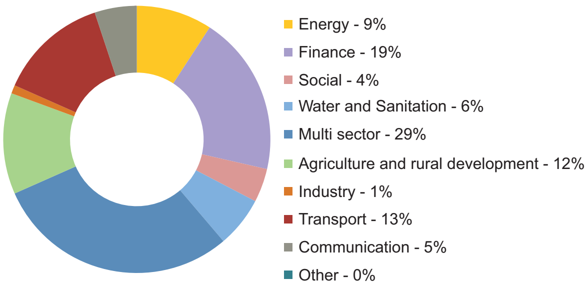
The operations approved by the Bank between 1971 and 2014 covered several sectors led by infrastructure (transport, water, sanitation and energy) representing 33% of cumulative approvals for the period. The other sectors which have benefited from the Bank's support include the financial (19%), agriculture and rural development (12%) and social (4%) sectors, as well as multi-sector projects (29%).

## Agriculture and Rural Development Sector

Algeria is pursuing its agricultural and rural recovery policy, initiated in 2009, on the basis of the following fundamental conceptual options: (i) food security, agribusiness integration, integrated and inclusive development, and the importance attached to basic economic units (farm, firm and rural household). Its implementation is producing tangible results in terms of access to agricultural inputs (30,000 ha treated), irrigation (168,000 metres of wells and boreholes), forest plantations (223,000 ha) and orchards (127, 000 ha), production by sub-sector, range-land protection (3 million ha), erosion control works (3.2 million m3 of works), opening up of rural communities (18,000 km of rural roads), etc. The 2015-2019 Five-Year Plan was adopted and its implementation during the first quarter of 2015 was evaluated in early May 2015.

The Bank has supported Algeria in the implementation of its different agricultural and rural development programmes since the beginning of their cooperation in 1971. In 2012, this partnership was revitalized through capacity building support for the Ministry of Agriculture and Rural Development for the implementation of the Agricultural and Rural Recovery Policy. Within this context, a project was prepared and approved by the Bank in December 2012 for technical assistance for the implementation of the programme to establish new farms. Two other capacity building support operations are being prepared: (i) Saving irrigation water to support desertification control, and (ii) support for the establishment of an integrated agricultural hub.

**Figure 5.4: Cumulative Bank Group Loans and Grants by Sector in Algeria (1971 – 2014)**

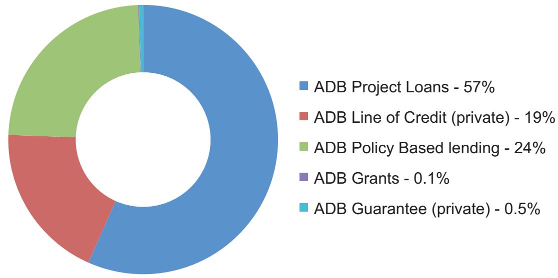



## Infrastructure

Algeria made the strategic choice of developing infrastructure, the basis for all sustainable development.

Improvement of the transport networks, in particular the road network, which has been enriched by new roads and benefited from modernization works should help to revive activities and economic exchanges, while facilitating the population's mobility as well as the promotion of tourism which is the government's objective. Algeria has made tangible progress regarding the construction and maintenance of the road network: 112,000 km of paved roads, 3,120 km of motorways and expressways properly maintained and managed. Work has begun on the Upper Plateaus motorway (1,300km), which will link the provinces of central and southern Algeria to the East-West motorway (1,200 km). This new infrastructure project is a key element of the second phase of the government's road development programme.

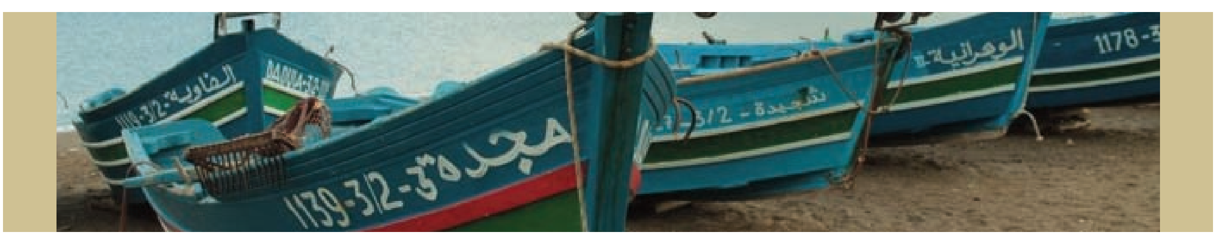
**Figure 5.5: Cumulative ADB Loans and Grants by Instruments in Algeria (1971 – 2014)**




This network will be reinforced by the finalization of the new Upper Plateaus motorway as well as by three motorways from the North to the South-East, South Centre and South-West, scheduled for 2020. There are currently 51 marine structures along the Algerian coast and 32 airports are open to civil aviation traffic. An investment expenditure of USD 50 million to finalize the last national section of the Trans-Sahara Highway concerning Algeria, Tunisia, Mali, Niger, Nigeria and Chad has been committed and partly disbursed.

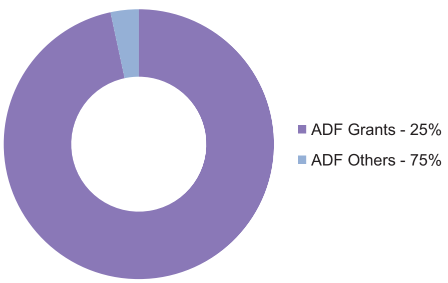
The commitment of the Algerian Government to develop infrastructure is also reflected in its plan to rehabilitate railway infrastructure and open lines linking the East to West and North to South of the country (USD 18 billion largely committed). The railway network will also extend over 4,200 km in 2013, with about 6,000 km under construction which was expected to provide Algeria with a railway network of 10,000 km by the end of 2014. Algeria has 40 ports, including two gas and oil terminals. Virtually all international trade in goods is by sea through 11 commercial ports. There is no national coastal navigation for goods (with the exception of oil and gas) or passengers (despite some short-lived attempts and uncompleted projects).

Furthermore, the deep water port capable of handling higher capacity container vessels, the construction and equipping of which is continuing at Djen Djen, is managed



as a concession by Dubai Ports World (DWP) of the United Arab Emirates. In addition, the ongoing expansion of Oran, Algiers and Bejaïa ports will increase the berthing capacity for medium-sized container ships and consequently the possibility of directly handling more containers in the country's ports. Apart from some fishing ports, the 2010-2014 and 2015-2019 Five-Year Programmes provide, in particular, for the reinforcement of structures and installation of new equipment in the eight (8) commercial ports, the dredging of about ten ports, and the protection of over twenty-five shoreline sites.

**Figure 5.6: Cumulative ADF Loans and Grants by instrument in Algeria (1971 – 2014)**




The increase in construction sector activities should benefit local enterprises following the 2013 decision to amend the Public Procurement Code in order to give preference to Algerian entrepreneurs in competitive bidding, even if the number of ongoing projects is so high that the Government has had to seek foreign companies for construction projects as, for example, in the case of the rapid construction of social housing. International firms have greatly benefited from the large number of projects in the 2010-2014 investment programme to the tune of EUR 34 billion.

Algeria should also benefit from better Internet access as from 2014 as the projects to expand the fiber optic network and launch 3G are implemented. While there is undoubted user interest in the improvement of internet services, this progress will also impact strongly on the modernization of communications and consequently, on the improvement of public and private management.

Bank support in the area of infrastructure concerned several sectors, in particular transport, water and energy. The Bank has supported the development and modernization of the transport sector through its contribution to the implementation of several major projects including: (i) the construction of roads, motorways and tunnels (El Golea-Insaleh Road, Constantine Motorway, and the El Achir Tunnel); (ii) improvement and building of port capacities (Port of DjenDjen); and (iii) upgrading of airport facilities (Air Algerie maintenance base). These projects have had a positive impact on the development of the transport sector and helped to stimulate economic activities (increase in traffic and trade, lower transport costs, etc.). The last two Five-Year Development Plans (2010-2014 and 2015-2019) have continued to finance vast infrastructure projects in road, rail, port and airport construction, sea-water desalination, the construction of electric power plants, dams and housing. Through CNED support with Bank technical assistance, these have been methodically implemented. These public investments which, in addition to improving mobility, have helped to reduce operating and transport costs and contributed to the distribution of income and easing of the unemployment constraint. However, the drop in oil prices since June 2014 has reduced government resources. The measures taken by the Government in 2015 to address this include the postponement of non-priority infrastructure and the use of bank financing for other infrastructure, while continuing to control delays and cost overruns.

Since the start of its operations in Algeria, loans approved by the Bank Group in the transport sector have reached an amount of UA 280.6 million, representing 13.7% of all its commitments in the country. The Bank has helped the Algerian Authorities to modernize the transport sector by improving the efficiency and quality of services, while promoting national (between the East, Centre and West) and regional (Maghreb and Sahel) integration and ensuring, through rigorous project monitoring and supervision, acceptable costs for Bank-financed infrastructure projects.

## Multi-Sector Operations

Algeria's strong external financial position, marked by solid external reserves of USD 185 billion dollars and a very low external debt level (1.9% of GDP in 2014), places the country in a non-borrowing position. Algeria and the Bank have also cooperated in the implementation of several strategic programmes that have benefited the country. The implementation of economic reforms has helped to improve the country's economic indicators, restore more sustainable growth, and sparingly manage its new foreign exchange reserves.

Through these programmes, major reforms have been implemented by the Government with the following main objectives: (i) improve the legal and regulatory framework for doing business; (ii) promote and diversify external trade; (iii) enhance public financial management (debt management, tax reform, etc.); (iv) undertake public enterprise reform; (v) restructure the financial sector; (vi) implement a new housing strategy; and (vii) improve the social welfare system. By backing these reforms, the Bank has also been able to provide Algeria with support in its transition phase towards a market economy and help improve its public financial management.

## Financial and Banking Sector

In 2014, the financial sector comprised 26 banks including six public banks, with 1,426 branches throughout the national territory, non-banking (insurance and leasing companies) and micro-finance institutions, in particular job creation support mechanisms and an embryonic stock market. The public banking sector predominates with 90% of assets/deposits and 86% of credits. Risk management quality remains low. Private bank activities are mainly focused on external trade following the suspension of consumer credit.

The financial operations of the Public Treasury are conducted through the bond market, the buy-back of public enterprise debts, and the financing of public investments. Despite this mix, the financial market is narrow and the number of financial products limited.

In 2014, excess liquidity at bank level remained structural. However, rising credits and falling export revenue have reduced the volume of liquidity in circulation. Despite this decline, bank, especially public bank, indicators reflect their solvency. The private banks, however, have insufficiently developed financial intermediation to attract household savings due to the lack of branch products. In general, these banks are turning towards the more profitable and less risky external trading operations.

Furthermore, the scarcity of long-term resources to finance large-scale projects is a constraint on the funding of investments by banks. Central Bank incentive measures are expected to address this issue, and the Government has already expressed its interest in long-term funds to finance the projects of the 2015-2019 investment programme, especially as credits to the economy (30% of GDP) remain low compared to similar countries in both the public and private sectors.

The stock market remains limited despite a tendency among public enterprises, encouraged by the Government since 2013, to enter it. Private banks thus garner about 20% of resources of the private sector, 95% of which is made up of very small enterprises (VSE), most of which do not have access to banking services, along with households who carry out their transactions in cash. The savings rate equivalent to about 47% of GDP is one of the highest in the world.

## Social Sector

Algeria has made significant strides in terms of human development, especially towards achieving the Millennium Development Goals (MDG). Indeed, the 2014 Human Development Report ranks Algeria 93rd in the category of countries with a high human development index out of a total of 187 countries studied, representing an upward trend of 5 places since 2008. Algeria obtained an HDI index of 0.717 in 2013, compared to 0.715 in 2012. The GDP per capita was estimated at USD 5,600 in 2014 compared to USD 1,610 in 2000.

Despite these strides, major challenges remain for Algeria on the social front particularly unemployment, which was estimated at 10.6% in 2014, mainly among young people (25.2%) and women (17.1%), the housing deficit, as well as the quality of health care.

Despite the considerable efforts made to eradicate large-scale communicable diseases, Algeria's health care system is faced with new challenges, such as the treatment of new pathologies and countrywide expansion of health care coverage.

Cooperation between the country and the Bank in the social sector is mainly focused on the quantitative and qualitative improvement of technical education. This primarily concerns the expansion of school intake facilities and strengthening of teaching and logistic systems.

# Bank Group's Strategy and Ongoing Activities in Algeria

The 2011-2012 Dialogue Note is the most recent cooperation document between the Bank and Algeria. The dialogue areas retained are: (i) public administration capacity building; (ii) private sector development; and (iii) regional integration. A "Country Information Note on Algeria" (CINA) for 2015-2016 is currently under preparation and should provide a framework for cooperation with Algeria over that period. Two potential areas of intervention have been retained in the CINA: (i) public sector governance and capacity building for the administration; and (ii) private sector development, diversification and employment.

Cooperation between the Bank and Algeria focuses mainly on technical assistance, guidance, training, capacity building, economic and sector work, as well as private sector development. The analytical work, in particular, helps to enrich dialogue and improve project quality at entry. It also creates better understanding by the Bank and authorities of the main development stakes and challenges to be addressed by Algeria, particularly, diversification of its economy, job creation, private sector development and, more generally, more inclusive growth.

The AfDB portfolio comprises ten (10) technical assistance operations representing total commitments of UA 6.3 million, six (6) of which are active (the grant letters of agreement for which have been signed) and four (4) operations approved by the Bank and awaiting signature of the grant letters of agreement by both parties.

The six active operations represent a total amount of UA 3.4 million. Five of them are financed by the Middle Income Country Technical Assistance Fund (MIC-TAF). These include projects on: (i) Modernization of the Ministry of Finance Collaboration and Communication System; (ii) Ministry of Finance Capacity Building; iii) Support Project for Modernization of the Information System of Public Banks; iv) Support for the Promotion of Young Agricultural Entrepreneurs; and the Support Project for Redefinition of the e-Algeria Strategy and Implementation Method for the e-GOV Pillar. The sixth active operation concerns an update of the Information Master Plan (IMP) of the National Rail Transport Company (SNTF), and is financed by the Korean fund, KOAFEC.

The future commitments for the other four portfolio operations (awaiting signature) are estimated at UA 2.9 million, all of which will be financed by the MIC-TAF fund. These include studies on "Inclusive Growth and Employment" and "Economic Diversification" and projects on "SME Development Support" and "Establishment of a Geographic Information System".

In addition to the technical assistance operations, the Bank has made equity investments in regionally oriented investment funds (e.g. Maghreb Private Equity Fund 2, ECP Africa Fund, AIG Infrastructure Fund, and MPEF III) which are committed to making equity investments in firms in North African countries, including Algeria. The Bank is therefore contributing to the development of the local private sector by strengthening the equity capital of firms.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# Project for the Modernization of the Collaboration and Communication System of the Ministry of Finance

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 496 500 |
| **Co-Financiers** | Government of Algeria |
| **Approval Date** | July 2009 |
| **Expected Completion Date** | June 2015 |
| **Location** | Algeria |
| **Executing Agency** | Ministry of Finance |

## Background and Objectives

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.

## Description

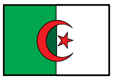
The operation has been envisaged in two phases:

- The first phase is the study to define the new architecture of the Ministry's collaboration and communication system;
- 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;
- Favor exchange and dissemination of information among the different units of the ministry to support the implementation of the reforms.



# Capacity Building to Support a Training Program for the Ministry of Finance

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 497 000 |
| **Co-Financiers** | Government of Algeria |
| **Approval Date** | November 2011 |
| **Expected Completion Date** | December 2015 |
| **Location** | Algeria |
| **Executing Agency** | Ministry of Finance |

## Background and Objectives

Through the implementation of macroeconomic reforms and the launching of a major public investment program, Algeria has demonstrated its commitment to modernize its economy and diversify sources of growth. Cognizant of the important role the Ministry of Finance will continue to play in the economic reform of the country, the Government of Algeria has requested a training program for the Ministry's key employees.

As such, the objective of this project is to support the Ministry of Finance through technical assistance so the ministry may implement the broad agenda of structural reforms.

## Description

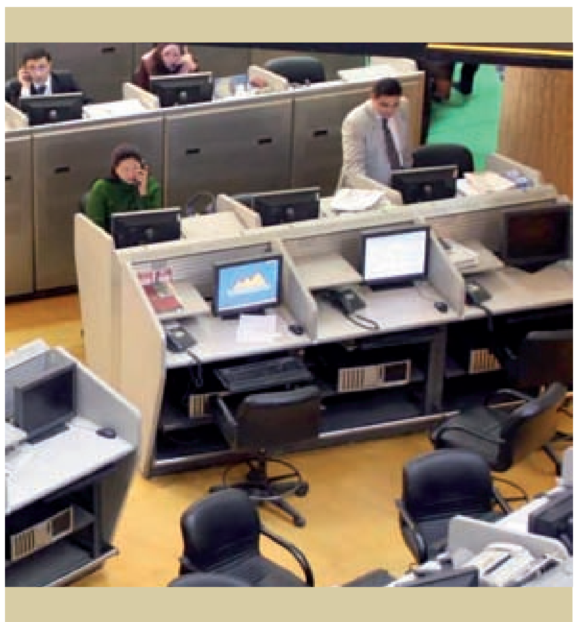
This project will entail:

- A diagnostic study of the Ministry's training needs and the identification of promising young managers;
- The development of a training program for executives; and
- Support for the pilot phase of these programs.

## Expected Outcomes

The project will result in:

- The definition of a strategic plan for training in the medium term, 2012-2015;
- The development of a plan for prioritized training based on the skills needed by the Ministry of Finance;
- The development of a specific support program for promising young managers.



# Project to Support the Modernization of the Information System of Public Banks

| | |
|---|---|
| **ADB MIC Grant** | UA 0.75 million |
| **Co-Financiers** | Government of Algeria |
| **Approval Date** | August 2012 |
| **Expected Completion Date** | December 2015 |
| **Location** | Algiers |
| **Executing Agency** | Ministry of Finance |

## Background and Objectives

In recent years, Algeria has embarked on a programme to modernize its banking and financial sector. The aims of the banking and financial sector reform, started in the 90s, include the development of financial intermediation, the building of banks' risk management capacities and modernization of their information and payment systems in order to improve the quality of banking services.

Against this backdrop, this programme's objective is to build the capacities of the MoF, especially at the Directorate for Public Sector Banks and the Financial Market (DBPMF) in order to improve the monitoring of the modernization plans of the IS of the six public sector banks to ensure they have efficient IS which can: (i) provide banking services to their clients' satisfaction; (ii) meet banking management prudential and transparency standards; (iii) improve the quality of information required to prepare periodic activity reports to help decision making; and (iv) ensure effective risk management.

## Description

The project activities are as follows:

- Building the monitoring/supervision capacities of the Ministry of Finance, in particular, of the Directorate for Public Sector Banks under the General Treasury Directorate with regard to the implementation of public banks' information system modernization plans;
- Support to the 'DELTA Solutions' audit;
- Support to the conduct of a feasibility study on: i) the possibility of outsourcing a number of banking IT services and the feasibility of establishing a Banking IT Service Company; and ii) the pooling of IT facilities (back-up centres, computing centres, etc.).

## Expected Outcomes

The project outcomes will be as follows:

- The capacities of the MOF (Directorate for Public Sector Banks and the Financial Market (DBPMF) are built up for the supervision of the information system (IS) modernization plans of the six public sector banks in order to improve financial intermediation and the business environment in Algeria;
- The availability and quality of banking services provided to customers comply with international standards; and
- The improvement of the business environment in terms of financial intermediation is particularly reflected in an increase in the economy's access rate to banking services.

Financial Sector

# Project to Support the Redefinition of the e-Algeria Strategy and the Implementation Method for the e-GOV Pillar

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 798 652 |
| **Approval Date** | Februray 2014 |
| **Expected Completion Date** | June 2017 |
| **Location** | Algeria |
| **Executing Agency** | Ministry of Information, Technology and Communication |

## Background and Objectives

Algeria's ICT sector has been developing since the early 2000s to address the growing needs of the economy which recorded an average growth rate of over 3% during the last decade. Act N°. 2000-03 ended the monopoly instituted in the post and telecommunications sector and defined new rules that govern these sectors. Since 2008, Algeria has had a development strategy for its ICT sector (E-Algeria 2013).

The objective of this strategy is to open up Algeria to the information society and the digital economy by improving access to communication services in the country. In February 2012, a Directorate General for the Information Society (DGSI) was created within the Ministry of Post, Information and Communication Technologies (MPTIC). This Directorate is tasked with preparing the e-Algeria strategy, ensuring its implementation and proposing a statutory and regulatory framework for the construction of the information society.

The Bank's technical assistance is aimed at developing ICT usage in Government services in order to consolidate e-governance and improve the services rendered to citizens.

## Description

The project comprises the following activities:

- Diagnosis of the activities of various stakeholders in the ICT sector;
- Development of a detailed action plan and definition of monitoring and performance based indicators;
- Setting standards / norms / standards to be used;
- Institution of governance to steer, coordinate and monitor the execution of the e-Algeria strategy; and
- Strengthening of the statutory and regulatory framework by enacting new laws which will be crucial for creating a climate of confidence for the generalisation of ICT usage.

## Expected Outcomes

The project results will be:

- The capacity of the DGSI and the Post and Telecommunications Regulatory Board (ARPT) is developed and their staff trained; and
- Universal access is developed and community access to ICT services is improved.

# Project for the Development of Small and Medium Enterprise

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 792 165 |
| **Approval Date** | February 2015 |
| **Expected Completion Date** | December 2018 |
| **Location** | Algeria |
| **Executing Agency** | Ministry of Industry and Mines |

## Background and Objectives

The overall objective of the project is to contribute to improving the investment climate in Algeria through the strengthening of the support framework for the development of SMEs and improved public-private dialogue.

The three main expected results are: (i) improving the private investment ratio to GDP; (ii) an increase in the number of businesses created; (iii) more jobs created in the private SMEs.

## Description

The project includes three main components:

- Strengthen policies for the promotion of SMEs (SME Branch - DGPME);
- Improve the support system for the development of SMEs (National Agency for SME development - ANDPME); and
- Improve public - private dialogue (National Consultative Council for Small Business - CNC / SMEs).

The three components are complementary. Indeed, the first component, rather strategic, is established at the level of the authorities, the overall vision for the promotion of the private sector and the devices of its implementation; the second, more operational, translates this vision at the enterprise level by supporting the development of SMEs; and finally the third, is the junction between the first two by consolidating their gains in time through the public private dialogue on strategic and operational aspects.

## Expected Outcomes

The project implementation will strengthen the technical and operational capabilities of Algerian cadres working in the field of promotion of the private sector, and SMEs in particular. Furthermore, through studies that the project supports, particularly in terms of diagnostics business support mechanisms, the project will help develop knowledge in this field, which could be shared in other African countries.

# Support Project to Young Agriculture Entrepreneurs

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 504 000 |
| **Approval Date** | December 2012 |
| **Expected Completion Date** | December 2015 |
| **Location** | Algeria |
| **Executing Agency** | Ministry of Agriculture and Maritime Fisheries |

## Background and Objectives

The agriculture sector is one of the country's development priorities and its estimated contribution to GDP formation was 10% in 2012. The Ministry of Agriculture and Rural Development has adopted an agricultural and rural renewal policy which is being implemented. This project aims to achieve inclusive development and the promotion of local agricultural services in order to improve agricultural productivity and the integration of young people to play a key role in the local and regional development process. This project directly supports the Agricultural and Rural Renewal (RAR) initiatives in Algeria in order to lay the foundations of an incubator structure and implement a youth employment promotion model focused on entrepreneurship where institutional synergies could be enhanced in order to strengthen those between government structures, the private sector and professional organizations.

## Description

In its operational phase, the project will:

- Carry out a needs assessment and prepare a training programme for officials and young entrepreneurs; and
- Provide technical assistance to the implementation of the training programme and support to young people (installation and post-installation).

## Expected Outcomes

The project will have the following outcomes:

- Building the institutional capacities of the project owner, namely the National Institute for Rural Development Studies (BNEDER): private firms-BNEDER network; and training of officials of the Ministry of Agriculture: 30 trainers in all (promotion of the institutional environment programme); and
- Building the actors' knowledge and enhancing their professional qualifications: 100 young agricultural (YAE) and rural (YRE) entrepreneurs are trained, installed and supported (promotion of a YAE/YRE network and interaction with the economic/private integrator).

# Study on Economic Diversification in Algeria

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 781 350 |
| **Approval Date** | April 2015 |
| **Expected Completion Date** | Not yet determined |
| **Location** | Algeria |
| **Executing Agency** | Ministry of Industry and Mines |

## Background and Objectives

The main objective of this study is to support the efforts of the Algerian authorities to promote the transition from a rentier economy based on the hydrocarbon sector to a diversified economy, driven by more productive and less vulnerable to external shocks activities. Based on a diagnosis of the Algerian industry and the analysis of its competitive factors and constraints to its development, the study will develop recommendations aimed at boosting domestic production, increasing competitiveness and diversification of the manufacturing and enable eventually to position Algeria as an emerging country.

## Description

The MIC-TAF resources will make available the services of the authorities: (i) an individual consultant to assist the MIN in the project, and (ii) an internationally renowned consulting firm for the completion of the study on economic diversification. This technical assistance will include three components:

- Development of the diversification strategy and identification of promising sectors;
- Communication and dissemination of the study;
- Project management.

## Expected Outcomes

The expected products under this assistance are:

- A diagnostic report of the Algerian industry and government policies to promote the industrial sector. This assessment will include: (i) a performance analysis of the Algerian industry and its competitive factors, (ii) an inventory of the sectors / existing channels and (iii) an evaluation of public policies to promote industrial and support to diversification;
- Industrial policy recommendations report, aimed at removing constraints to the development of the Algerian industry and its diversification;
- A list of growth holders' sectors / industries (new or existing revitalize) with an estimate of their impact in terms of creating value, employment; etc
- Two documents of strategy for promoting two key sectors selected by the Algerian authorities accompanied by action plans for their development;
- Animation of workshops involving among other industrial representatives, state representatives and technical and financial partners;
- A communication strategy on the results of the study.

Employment Sector

# Technical Assistance for the Implementation of the Study on Inclusive Growth and Employment

| | |
|---|---|
| **ADB MIC Grant Amount** | 553,784.34 UC |
| **Approval Date** | January 2015 |
| **Expected Completion Date** | February 2017 |
| **Location** | Algeria |
| **Executing Agency** | Ministry of Employment |

## Background and Objectives

The study contributes to meeting current issues of Algeria namely:

- Have a comprehensive inventory providing information on the quality of growth and the impact of employment;
- Have visibility into factors that would make the much more job-creating growth especially for youth and women;
- Draw a map of the workforce, with segmentation profiles in high demand or low demand in the future; and
- Anticipate on major reforms to be implemented in the area of skills development and training related to the labor market on the one hand, while initiating urgent measures in terms of diversification of the economy, on the other hand.

## Description

The study seeks to identify the sources of growth for a diversified Algerian economy and to assess the impact of growth on employment in order to propose solutions to the challenge of unemployment and in particular that of youth. It will make proposals and recommendations for sectoral and cross-cutting strategies accompanied by an action plan to operationalize them.

## Expected Outcomes

The study will lead to the achievement of the following key results:

- A complete diagnostic of the major sectors providing employment in Algeria;
- A concise diagnostic of the structure of job-seekers;
- A diagnosis of employment promotion devices;
- An analytical report on the interactions between labor markets, goods and capital;
- An analysis of the evolution of growth over the last decade and a forecast of growth of the economy, in terms of sector strategies; and
- Recommendations on policies and reforms accompanied by action plan on reviving growth sectors holders of a creative inclusive growth of jobs.

# Egypt

| | |
|---|---|
| Membership year | 1964 |
| Start of lending operations | 1974 |
| Subscribed capital, in (%) as of December 2014 | 5.411 |
| Number of operations in the current portfolio | 29 |
| Total loan amount of operations in the current portfolio (in UA million) | 1 265,00 |

# Arab Republic of Egypt
## Recent Developments[1]

The economic outlook since the July 2014 Presidential election looks optimistic. GDP growth in the fourth quarter of the 2013/2014 Fiscal Year (FY) was 3.7% compared to 1.5% a year previously. GDP is expected to grow by 3.8% in 2014/2015 and 4.3% the following year, compared to 2.2% in 2013/14. This continuing growth will be reinforced by prospects of political stability, initiation of the Suez Canal expansion and improved business sentiment resulting from major reforms. Yet economic recovery remains fragile due to: (i) high inflation rate estimated at 11% in March 2015, (ii) a budget balance still projected to show a deficit of 11% of GDP in 2015, (iii) the country's high outstanding public debt to GDP ratio, up to 97% in June 2014 from 94% a year previously, and (iv) a rising unemployment rate reaching 12.9% in 2014 from 9% in June 2010. The economy recovery will depend on continued reform efforts. The parliamentary elections have been delayed but the Government is committed to complete this last step of the political roadmap.

Growth is being driven by by recovery in manufacturing, telecommunications, logistics, retail and construction sectors, despite energy shortages and changes to the energy-subsidy scheme. The key development challenges facing the Government will be: reducing high inflation, bringing down youth unemployment, improving energy management, dealing with a structural fiscal deficit and resolving other public debt issues that have not been successfully tackled despite an increase of the fiscal revenue from a widened tax base and subsidy reforms. Meanwhile, it is imperative to ensure that subsidy reforms do not hurt the lower-income segments of the population but are better targeted to ensure greater social justice.

Challenges at the macroeconomic level are also likely to affect spatial inclusion. Economic and social development is highly concentrated in Cairo and Alexandria, as well as in the Canal governorates (Ismailia, Port Said and Suez), which are the main business and residential hubs. Rural Upper Egypt, however, is deprived. The government is taking steps to integrate remote areas like the Sinai Peninsula, while promoting investment and poverty alleviation in the Nile Delta and Upper Egypt through projects such as the development of the Golden Triangle in Upper Egypt. Internal migration is low in Egypt and is directed towards the Canal governorates and Cairo. The former are likely to remain attractive for internal migration; however, with the implementation of the Suez Canal Area Development Project, there are likely to be poles of growth around the expansion of existing ports and new industrial zones. In addition to the existing organic clusters mainly in Lower Egypt, the government is aiming at creating new non-organic clusters following the Smart Village model in Cairo.

[1] This section is extracted from the African Economic Outlook 2015

# Note From the Egypt Field Office

## Ms. Leila Mokkadem, Resident Representative

The 2014 Presidential elections paved the way for Egypt's restored stability following three years of difficult political transition. The new constitution was ratified in January 2014 and presidential elections were organized in May 2014 paving the way for Egypt's economic rebound and stability. The electoral constituencies' law was approved in December 2014 and constituted the final legal step before parliamentary elections, which will take place in April-May 2015. These elections represent the final milestone of the political roadmap set forth in July 2013. Meanwhile, the Government of Egypt (GoE) has been deploying efforts to restore security and implement critical policy reforms. This should further consolidate political stability. Egypt's political outlook remains, however, dependent on the government's capacity to address the demands for social justice and an open and accountable society, as well as its capacity to safeguard public security and press on with reform efforts.

With restored political stability, signs of improved economic conditions are gaining momentum nationwide but need to be further sustained.

Despite the growing optimism, in 2014, the Bank had no new lending. The Bank showed flexibility and focus in strengthening its assistance to the Government and key stakeholders using grants-for advisory services and project preparation- and Bank guarantee products, North Africa Policy Series for high-profile dissemination events in Egypt, and policy dialogue to fully play its advisory role.

On the non-lending program, the Bank approved in June 2014 the extension of the Interim Country Strategy Paper (CSP) for 2014-2015. In end 2014, the Bank launched the process of developing a full scale CSP for period 2015-2019 to be aligned to the Government's new Economic Reform Program with the overall objective to support Egypt economic recovery and macroeconomic stabilization. The Bank also launched a flagship report in collaboration with AFD on productive sector competitiveness and employment, a report on using renewable energy for irrigation, and was actively pursuing a sizable contribution from Egypt to Africa 50.

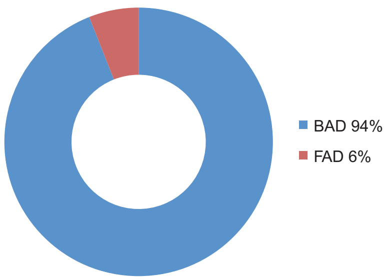
The Bank demonstrated high-level dialogue and aid coordination towards: (i) MSME development and financial inclusion; (ii) increased social inclusion; (iii) energy efficiency and renewable energy development; and (iv) water resources management and sanitation which resulted in the signing of the Joint Sector Integrated Sector Approach (GoE and Development Partners).

As the Bank moved towards 2015, it announced a Reference Lending Amount (RLA) around UA 300 million for 2015. The Bank will continue to seek co-financing opportunities with other development partners and financiers as well as use the Bank's instruments. Continuous dialogue with the GoE and coordination with Bank sectors' departments will allow lending, non-lending activities and knowledge work for 2015 to fall under six sectors' focus and operational priorities namely: (i) Governance – with a focus on social inclusion; (ii) Financial markets – with a focus on Central Bank clearing system and financial sector capacity building; (iii) Energy – with a focus on power generation & renewable energy; (iv) agriculture and environment – irrigation and renewable energy; (v) Transport with a focus on aviation and urban transport; and (vi) Regional Integration with a focus on Trade especially with African countries & Nile river Transportation. Overall, the Bank will ensure operationalizing the overarching objectives related to inclusive growth, green growth and private sector development. The Bank will also maintain a strong and visible supportive stance and a credible policy dialogue with Egypt and its Government in the face of limited lending.

# Overview of Bank Group Operations in Egypt

Egypt was one of the founding members 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. Its Cairo field office continues to enhance the institution's dialogue and effectiveness in the country.

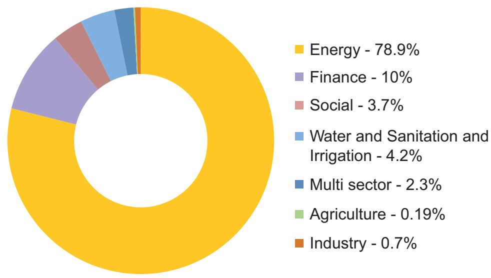
**Figure 5.7: Cumulative Bank Group Loans and Grants by Institutions in Egypt (1974 – 2014)**




Since starting lending operations in 1974, the Bank Group has, as of December 2013, approved 95 operations, representing a total net commitment of about UA 4.08 billion. Ninety-four percent of this amount is made up of ADB loans and grants while 6% is comprised of ADF loans and grants. No new loans were approved in 2013 except four grants.

Cumulatively from 1974 to the end of December 2013, the Bank-financed operations mainly in the power supply sector, accounting for 79% of the portfolio's net commitment, followed by the finance sector which takes up 12% of portfolio resources. The remainder of the portfolio is comprised of social sector operations, which account for 4%, and multi-sector operations, which account for 0.35% of net commitments. The agricultural and irrigation sectors took up close to 0.14% of portfolio resources while industry accounted for 0.7%. Lastly, the water and sanitation sector represents 4% of the Bank's net commitments.

**Figure 5.8: Cumulative Bank Group Loans and Grants by Sector in Egypt (1974 – 2014)**




## Energy Sector

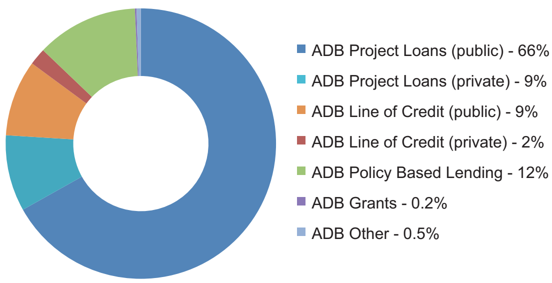
A continuous and reliable supply of electricity is required for Egypt's socio-economic development. With a highly urbanized and growing population and an increasing demand for electricity, a systematic expansion of electricity generating facilities and other infrastructure is imperative. At the same 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 as one of its key priorities as evidenced by the power generation expansion plan for 2012 - 2017.

Since 1974, the Bank Group has financed 25 operations in the power 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 to meet growing needs of various economic sectors in order to promote growth. The Bank has investments in the following ongoing projects:

- Abu Qir 1300 MW Steam Power Plant;
- Suez 650 MW Thermal Power Plant; and
- Ain Sokhna 1300 MW Steam Power Plant.

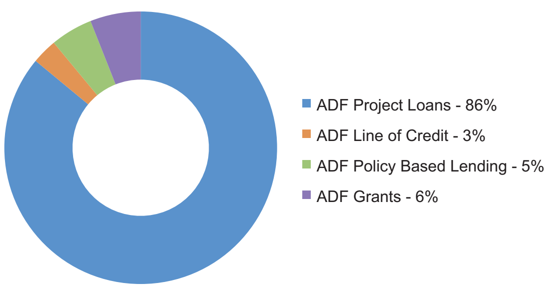
These projects represent a cumulative lending amount of USD 1.16 billion. When completed, they will contribute about 26% of the 12.400 MW total generation capacity increase targeted by 2017. Other ongoing operations (USD 1.35 million) include grant support to a study on the integration of wind energy through the establishment of a wind integration grid code, as well as a study on the improvement in operational efficiency of thermal power plants. Furthermore, the Bank has mobilized resources from the Clean Technology Fund (CTF) to the tune of USD 1.8 million for preparation grants for the Gulf of Suez Wind Project and Kom Ombo Concentrated Solar Power Plant Project.

**Figure 5.9: Cumulative ADB Loans and Grants by Instruments in Egypt (1974 – 2014)**




Major impact from recently completed El-Kureimat Combined Cycle Power Plant Project were provision of 750 MW to the grid-connected installed capacity as well as increased electricity supply to the grid by 4.666 GWh per year. The Abu Qir project is also supplying the UPS with 5% of the total energy with installed thermal generation capacity reaching 23.539 MW.

**Figure 5.10: Cumulative ADF Loans and Grants by Instruments in Egypt (1974 – 2014)**




## Social Sector

To date, the Bank has financed 20 operations in the social sector, comprising projects in education, health, poverty alleviation, microfinance and gender sub-sectors. The decision by the Government to focus its borrowing on income-generating projects has limited the Bank Group operations in the health and education sectors. However, the Bank became a main stakeholder in support of the microfinance subsector, with the aim of reducing poverty, enhancing job creation and entrepreneurship. This has had a positive impact on the Egyptian economy, particularly with regards to job creation for youth. The Bank's ongoing operations in the social sector include the Micro and Small Enterprise Support Project (through line of credit to National Bank of Egypt), and the Rural Income and Economic Enhancement Program (RIEEP), as well as 3 grants to support agribusiness lending, agricultural value-chain development, institutional capacity of the SFD and its financial intermediaries. Some of the main outcomes achieved to-date from the above interventions includes creation of almost 49,652 jobs (41,523 jobs from RIEEP and 8, 119 from LOC to NBE) as well as increased access to finance by 20,000 micro-enterprises.

## Multi-sector

The current portfolio comprises five 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 project includes capacity building support, institutional development, awareness raising, as well as fostering the necessary business climate to ensure that ethical franchising methods are being adhered to and to encourage growth of the sector by encouraging both banks and potential entrepreneurs in the sector. The project also aims to provide access to capital for first-time small entrepreneurs interested in franchising as a means of small enterprise development, through three financial intermediaries who are involved in franchise lending for the first time. In addition, there are two grants approved in 2013 on industrial waste management and SME entrepreneurship hub and support to MSMEs in organic clusters.

Some of the outcomes achieved from the franchising project include on lending to 3 commercial banks that in turn have financed 4 franchise operations.

## Water, Sanitation and Agriculture Sectors

The Bank is currently financing three studies in the irrigation and water resources management sub-sector. Each study is being conducted with funding from Middle Income Country Technical Assistance Fund (MIC TAF) and African Water Facility grants.

The study on the rehabilitation of the Nile Hydraulic structures will involve the investigation of 150 hydraulic structures for the development of a master plan. With the funding provided jointly by the MIC TAF (USD 0.9 million) and AWF (USD 1.84 million) the study involves 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.

In addition there are two ongoing projects on supporting Public Private Partnership (PPP) model for waste water treatment sector as well as providing support services for Monitoring and Evaluation for Water-sector MDGs in order to increase the North African countries' capacity in water sector monitoring. In addition, the implementation of the expansion of the Gabel El-Asfar wastewater treatment plan (loan of USD 76 million) got a head start with the signing of the contract for works in 2014.

In 2015 the Bank approved a MIC TAF study (USD 1.1 million) for a feasibility study on the use of renewable energy in pumping irrigation water for sustainable agriculture.

Two studies that have been completed including the Nubaria and Ismailia canal rehabilitation study which was a joint effort between the agriculture sector and the African Water Facility (USD 2.52 million). The grant supported the finalization of prefeasibility and feasibility reports as well as Environmental and Social Impact Study. The second study was the comprehensive feasibility report on the most technically viable, economically feasible, and environmentally and socially acceptable option for the rehabilitation or reconstruction of the Zefta Barrage.

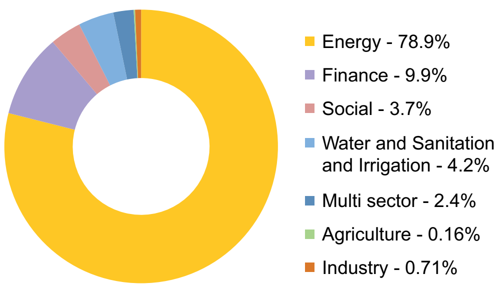
## Transport sector

The Bank financed a study for the launching of the Geostationary Satellite Project (NAVISAT), which aims to confront problems the continent is facing regarding air navigation safety. The second phase, which was approved in 2013 through funding from the NEPAD IPPF is provision of transaction advisory services for procurement of NAVISAT satellite system. Once completed the NAVISAT project will provide satellite-based air navigation and safety communication services all over Africa and parts of the Middle East.

# Bank Group Strategy & Ongoing Activities in Egypt

The Bank's intervention strategy during the extension of the interim Country Strategy Paper (I-CSP) period 2014-2015 is focused on Infrastructure (in support of economic recovery) and Governance (in support of inclusive growth and poverty reduction).

**Figure 5.11: Current Portfolio by sector in Egypt**




As of 31 December 2014, the ongoing operations portfolio is comprised of 30 operations that amount to UA 1.27 billion (USD 1.75 billion) in net commitments. In 2014, the Bank approved a Risk Participation Agreement (RPA) between the Bank and Commercial International Bank (CIB) to the tune of USD 50 million. It also approved 3 grants to the tune of USD 5.34 million as well as two grants from Korea Trust Fund amounting to USD 1.14 million.

The ADB public sector window accounts for close to 87% of the net commitments, followed by private sector window (12%), and grants (1%). Active operations are dominated by the power supply sector, which accounts for 79% of approvals; the financial sector which accounts for 10%; the social sector which comprised close to 4%; and water resource and sanitation development, which represents 4%.

# Ain Sokhna Thermal Power Project

| | |
|---|---|
| **ADB Loan Amount** | UA 296 million |
| **Co-Financiers** | WB, AFESD, KFAED, Egyptian Electricity Holding Company |
| **Approval Date** | December 2008 |
| **Expected Completion Date** | June 2015 |
| **Location** | El-Ain Al-Sokhna |
| **Executing Agency** | Egyptian Electricity Holding Company/East Delta Electricity Production 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.

Power sector

# 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** | June 2015 |
| **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.

# Egyptian Refining Company (ERC)

| | |
|---|---|
| **ADB Loan Amount** | USD 225 millions |
| **Co-Financiers** | EIB, KEXIM, JBIC, NEXI, and international and local commercial banks |
| **Approval Date** | March 2010 |
| **Expected Completion Date** | May 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.

# Suez 650 MW Steam Cycle Thermal Power Plant Project

| | |
|---|---|
| **ADB Loan Amount** | UA 349.6 million |
| **Co-Financiers** | IDB, EEHC |
| **Approval Date** | December 2010 |
| **Expected Completion Date** | December 2016 |
| **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.

# Study on the Integration of Wind Energy

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 494,000 |
| **Co-Financiers** | Egyptian Electricity Transmission Company |
| **Approval Date** | May 2011 |
| **Expected Completion Date** | December 2015 |
| **Location** | Egypt |
| **Executing Agency** | Egyptian Electricity Transmission Company |

## Background and Objectives

The Government of Egypt requested financial assistance from the Bank to undertake a study for the integration of wind power in the Egyptian Power System and the establishment of a Wind Integration Grid Code. Egypt is committed to increase the share of renewable energy in its energy mix to 20% capacity in the coming decade and is therefore planning to implement up to 7200 MW capacity of wind power.

The study will assess the impact of such a sizable addition to the power system. It will also determine the safe maximum amount of wind power that could be added to the system with minimal impact on system operation and will include a preparation of the wind integration grid code. The output of the study will serve as input for the technical design of the 200 MW Gulf of Suez wind power project, which is in the pipeline of the Bank's operation.

## Description

This study will entail:

- The review of technical documentation;
- The Review of a dynamic model of the Egyptian power system;
- Assessment of transmission capacity requirements and load-following capability requirements;
- Updating grid code for wind power plants and thermal units;
- Developing suggestions on how to integrate wind forecasting in power system operation.

## Expected Outcomes

The study will result in:

- The creation of new large scale wind farms fully integrated in the power system;
- The safe operation and full integration of wind power.

# Study on the Improvement of Power Efficiency

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 490,400 |
| **Co-Financiers** | Egyptian Electricity Holding Company |
| **Approval Date** | May 2011 |
| **Expected Completion Date** | December 2015 |
| **Location** | Egypt |
| **Executing Agency** | Egyptian Electricity Holding Company |

## Background and Objectives

The Government of Egypt requested financial assistance from the Bank to undertake a comprehensive study of a power generation plant to increase efficiency from an operational, maintenance, administrative and human resources perspective. Egypt has a power generating capacity of more than 24,000 MW comprising 12 percent of hydropower and 88 percent thermal plants. Thus, any improvement in operational efficiency of thermal plants can potentially yield significant economic and environmental benefits. The objective of this study is to contribute to Egypt's sustainable growth and the international climate change agenda by supporting Egypt's pursuit of a more efficient supply of energy.

## Description

The study will entail:

- An assessment of plant operating conditions including malfunctioning components and interventions which may improve plant performance;
- A review of O&M management practices such as identity component failures and repairs, the prioritization of maintenance activities and preventive methods;
- Training and capacity-building.

## Expected Outcomes

This study will result in:

- An improvement in the efficiency of the power plant by replacement or rehabilitation of components;
- Increased efficiency of plant management through adoption of best practices;
- Strengthening of technical capacity through knowledge transfer.

# CTF Project Preparation for Suez Gulf wind Project

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.64 million |
| **Approval Date** | November 2011 |
| **Expected Completion Date** | December 2015 |
| **Location** | Gulf of Suez |
| **Executing Agency** | New and Renewable Energy Authority (NREA) |

## Background and Objectives

The Government of Egypt has committed to increasing the share of renewable energy (both wind and solar) to 20% by the year 2020 as a means of meeting growing electricity demands and to diversify its energy sources. The Government has established a series of wind power plants of 545 MW at Zafarana area on the Gulf of Suez. This is an area determined to have high potential of wind power. Further, three new wind farm projects of 200, 220 and 120 MW are at various phases of implementation by NREA with co-financing from KfW, JICA and Spain respectively.

NREA has thus sought the assistance from the CTF to help undertake preparation activities and capacity building related to development of a 200 MW wind farm project in Gulf of Suez to be jointly developed and operated by NREA with Masdar Clean Energy of Abu Dhabi. An ESIA study has already been completed; and the economic and financial feasibility analyses will be carried out by Masdar.

## Description

The proposed assistance will include:

- Carrying out a complete technical feasibility study (TFS) to provide a thorough assessment of the wind resources at the proposed site, investigate the integration of wind farm into the unified electricity grid and estimate the site-specific costs;
- Providing technical assistance to NREA for the preparation of EPC bidding documents and providing assistance during the EPC procurement process.

## Expected Outcomes

The main expected outcome will be having full detailed analyses of the wind farm so as to enable the launch of the procurement process and eventual establishment of the 200 MW wind farm.

# CTF Project preparation for Kom Ombo Concentration Solar Power

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.65 million |
| **Approval Date** | November 2011 |
| **Expected Completion Date** | December 2015 |
| **Location** | Kom Ombo |
| **Executing Agency** | New and Renewable Energy Authority (NREA) |

## Background and Objectives

The Government of Egypt has committed to increasing the share of renewable energy to 20% by the year 2020 as a means of meeting growing electricity demands and achieving the economic objective of utilizing natural gas for higher value purposes. Egypt possesses the best solar resources in the MENA region, reaching almost 30% of the total potential in the region. The electricity generation expansion plan for Egypt includes achieving total solar capacity of 150 MW by 2017.

A pre-feasibility study for the Kom Ombo has already been carried out (executed by KfW on behalf of BMZ/UNEP) which concluded that a parabolic through a CSP was technically feasible. The full feasibility study is under finalization supported by the European Commission via the Neighborhood Investment Facility (NIF) under the lead of KfW.

The objective of the project is thus to prepare a detailed Environmental and Social Impact Assessment (ESIA) report as well to provide necessary technical assistance to the government.

## Description

The proposed assistance has 2 components:

- Environmental and Social Impact Assessment (ESIA);
- Technical assistance to the New and Renewable Energy Authority (NREA).

## Expected Outcomes

The main expected outputs of the project will be:

- The finalization of the ESIA report;
- The development of complete procurement/contractual documents for the works anticipated under the project;
- The obtention for NERA of the environmental permit for the project from the concerned authorities, the financing and the launch of the procurement process for an EPC contractor to develop the Kom Ombo CSP plant.

# Franchising Sector Support Program

| | |
|---|---|
| **ADB Loan Amount** | USD 40 million |
| **ADB Technical Assistance Grant** | USD 0.95 million |
| **Approval Date** | February 2009 |
| **Expected Completion Date** | December 2015 |
| **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.

# Comprehensive Study and Project Preparation for the Nubaria and Ismailia Canals

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 1.64 million |
| **Approval Date** | October 2007 |
| **Expected Completion Date** | December 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 optimize 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.

# Glabel Elasfar Wastewater Treatment Plant

| | |
|---|---|
| **ADB Loan Amount** | UA 46.9 million |
| **Co-Financiers** | AFD, Egyptian Government |
| **Approval Date** | October 2009 |
| **Expected Completion Date** | December 2015 |
| **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 5,000,000 m$^3$/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 MIC Grant Amount** | UA 0.6 million |
| **AWF Grant Amount** | UA 1.2 million |
| **Co-Financiers** | Egyptian Government |
| **Approval Date** | November 2009 |
| **Expected Completion Date** | December 2015 |
| **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 recognize 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.

# Helwan PPP Waste Water Study

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 600.000 |
| **Approval Date** | October 2011 |
| **Expected Completion Date** | June 2015 |
| **Location** | Egypt |
| **Executing Agency** | Ministry of Housing, Utilities and Urban Development and the Construction Authority for Portable Water and Wastewater |

## Background and Objectives

Egypt is almost wholly dependent on the River Nile as its main source of water. Meanwhile, the country's population estimated at 84 million of which about 43% are classified as urban dwellers, is projected to increase to 127 million by 2037. The project to expand the Helwan Wastewater Treatment Plant (HWTP) is part of the wastewater development program, designed to cater for the 20 million people living within Greater Cairo, which covers an area of 1,100 km2. Helwan WWTP is currently treating a total of 0.550 Mm3/day and is envisaged to have an ultimate treatment capacity of 1.05 $Mm^3$/d.

The main objectives of the proposed study are to elaborate and support in the implementation of the most appropriate PPP modalities for the structuring, financing and implementation of the HWTP and to enhance skills and competences of staff of the sector to develop and implement similar PPP projects in the future.

## Description

This project will entail:

- The undertaking of a PPP feasibility study;
- PPP market sounding;
- Support during procurement and negotiations; and
- Capacity building through on job training and workshop.

## Expected Outcomes

The study will result in:

- Coverage of improved water supply and sanitation service;
- A number of PPP projects successfully implemented in the water and sanitation sector.

# Monitoring and Evaluation for Water-sector MDGs in North Africa

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 1.7 million |
| **Co-Financiers** | CEDARE, N-AMCOW countries |
| **Approval Date** | April 2011 |
| **Expected Completion Date** | December 2014 |
| **Location** | Egypt, Tunisia, Libya, Algeria and Mauritania |
| **Executing Agency** | CEDARE |

## Background and Objectives

Egypt has limited water resources with an average dependency ratio of over 96%. While Egypt benefits from a strong monitoring and evaluation (M&E) system, the country lacks mechanisms for sub regional collaboration amongst its water sectors in M&E and surveillance systems, with indicators and tools shared among them which are also regionally and globally acceptable. There is a need for Egypt to build a comprehensive M&E system, strengthen its national capacity in M&E and develop cooperation and assistance for a sub-regional North African mechanism.

The objective of this project is to increase the country's capacity in Water Sector Monitoring and Evaluation, through the setting-up of a mechanism that allows for the annual reporting of the status of the water sector within North Africa.

## Description

The project has three main components:

- The assessment of the existing M&E System;
- The harmonization of N-AMCOW M&E systems and reporting; and
- The preparation of a North African M&E Action Plan and Program.

## Expected Outcomes

This project will lead to:

- A better understanding and knowledge of the water sector M&E system;
- The establishment of a monitoring system at the local, national and sub-regional (North Africa) levels to annually report on standardized indicators tracking water resources management;
- The mobilization of adequate resources for M&E infrastructure development.

# Zefta Barrage Feasibility Study

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.6 million |
| **Co-Financiers** | Egyptian Government |
| **Approval Date** | April 2009 |
| **Expected Completion Date** | December 2014 |
| **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.

# Social Audit to Improve Governance and Accountability in Social Sectors

| | |
|---|---|
| **Multi-Donor TFT Grant Amount** | € 139.500 |
| **Approval Date** | June 2013 |
| **Expected Completion Date** | December 2014 |
| **Location** | Cairo |
| **Executing Agency** | Bank executed but working with Ministry of Health |

## Background and Objectives

Develop social audit framework and tool kit for application in Egypt and build capacity at Ministry of Health.

## Description

The Program has 2 components:

- Development of social audit framework based on best practices; and
- Capacity building to implement social audit.

## Expected Outcomes

The main expected outcomes will be:

- Number of dissemination events;
- Number of planning consultations and budget; and
- Expenditure information published.

# Rural Income and Economic Enhancement Project

| | |
|---|---|
| **ADB Loan Amount** | UA 45.07 million |
| **ADB MIC Grant Amount** | UA 0.6 million |
| **Co-Financiers** | FAPA, Egyptian Government |
| **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.

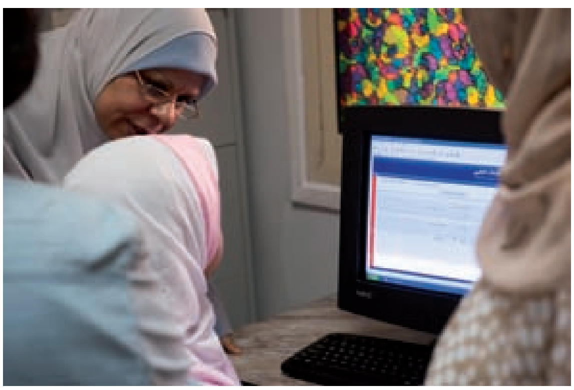
# Statistical Capacity Building Program II (SCB II)

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 600,000 |
| **Co-Financiers** | Egyptian Government |
| **Approval Date** | May 2011 |
| **Expected Completion Date** | June 2015 |
| **Location** | Egypt |
| **Executing Agency** | CAPMAS |

## Background and Objectives

Over the past years, Egypt has been implementing reforms to modernize and strengthen the capacity of its administration. A main objective of these reforms has been to improve its capacity in the area of statistics. Through SCB I the Bank assisted Egypt in their efforts to strengthen the National Statistical system in order to provide reliable and timely data as well as to strengthen their capacity to coordinate the statistical support of activities.

Specifically, the program aims at achieving statistical capacity building through statistical training and institution building, improving poverty monitoring, strengthening economic and social policy evaluation and enhancing decision making.



## Description

The proposed assistance will include:

- The procurement of goods and works;
- The acquisition of consulting services, training and allowances for field workers and consultants at national level;
- The regional component of the SCB.II program will undertake support missions to Egypt.

## Expected Outcomes

The main expected outcomes of the program are as follows:

- Increase the reliability of national and regional poverty and other socioeconomic data;
- Improve data-bases and efficiency of the statistical system;
- Build capacity in the management, creation and maintenance of databases, infrastructure statistics, household surveys and analysis;
- Increase in the number of trained and retrained national staff in the use of up-to-date analytical tools and the production of analytical reports;
- Collect, process and upload infrastructure data into the Data Platform (DP) database at national, sub-regional and regional level.

Multi sector

# Green Growth: Industrial Waste Management and SME Entrepreneurship Hub

| | |
|---|---|
| **MENA TF Grant Amount** | USD 2 million |
| **Co-Financiers** | Egyptian Government |
| **Approval Date** | February 2013 |
| **Expected Completion Date** | March 2016 |
| **Location** | Egypt |
| **Executing Agency** | Egypt National Clean Production Centre under Innovation and Technology Centre under Ministry of Trade, Industry and Investment |

## Background and Objectives

Develop a sustainable and integrated industrial waste exchange system in the pilot area positioned as a Green Entrepreneurship Hub linking industrial waste generators, potential users and recyclers to improve cross-industry resource efficiency, promote the development of new innovative SMEs, create green job opportunities, reduce the environmental impact of industrial waste and improve the lives of Egyptian citizens.

## Description

The proposed assistance will include:

- Mapping of the industrial waste at the enterprise level in the selected pilot area;
- Policy recommendations towards an enabling environment for industrial waste exchange;
- Raising awareness and capacity building of stakeholders on IWEX;
- Implementation of 3 demonstration projects in industrial waste exchange in pilot areas; and
- Project management.

## Expected Outcomes

The main expected outcomes of the program are as follows:

- An Industrial Waste Exchange System in one industrial zone is set up and utilized as a pilot for scalability;
- Identify and select 3 enterprises creating 50 direct and 150 indirect jobs.

# Support to MSMEs in Organic Clusters

| | |
|---|---|
| **MENA TF Grant Amount** | USD 2 million |
| **Co-Financiers** | Egyptian Government |
| **Approval Date** | May 2013 |
| **Expected Completion Date** | September 2016 |
| **Location** | Egypt |
| **Executing Agency** | Social Fund for Development (SFD) |

## Background and Objectives

Create an overall enabling environment for MSMEs operating out of organic clusters and increase their contribution towards economic growth and employment.

## Description

The proposed assistance will include:

- Policy recommendation towards an enabling environment for development of MSMEs through evidence based studies and policy briefs;
- Institutional and operational capacity building for key support institutions and stakeholders; and
- Increase organic MSMEs contribution to manufacturing value added (pilot project).

## Expected Outcomes

The main expected outcomes of the program are as follows:

- 50% increase in contribution of organic MSMEs to manufacturing value-added in identified cluster; and
- 50% increase in demand for financial and non-financial services tailored to develop MSMEs in cluster.

# Support to Egypt's International Economic Investment Conference for 2015

| | |
|---|---|
| **Grant Amount** | UA 390,000 (MIC TAF) |
| **Approval Date** | November 2014 |
| **Expected Completion Date** | December 2015 |
| **Location** | Egypt |
| **Executing Agency** | Ministry of International Cooperation |

## Background and Objectives

Seizing the opportunity of the 69th UN General Assembly Meeting held in New York, Egyptian President Abdel Fattah El Sisi announced on September 25, 2014 the government's plan to host the Egypt Economic Development Conference (EEDC) from March 13-15 2015 in Sharm El Sheikh.

The objective of the Bank financed project is to build institutional capacities within the Ministry of International Cooperation in support of management, oversight and coordination of the 2015 EEDC, which aims at re-positioning the Egyptian economy to attract investments for economic growth and development. The project's direct outcome consists of the establishment of a resource mobilization mechanism and building capacities of at least 5 staff in world class conference management and follow up activities. The overall goal of the event is to re-position the Egyptian economy to attract investments for economic growth and development, and the expected outcome includes: (i) pledges for 50% of investment needs; and (ii) successful conference organized in 2015 with 70% attendance rate.

The Conference is expected to unveil investment opportunities for both the private and public sector to the tune of USD 60-80 billion. It targets 500 key global investors and financing organizations including the AfDB and similar multilateral development organizations. Participants will include business leaders and CEOs of top global wealth and investment funds, business tycoons, and opinion leaders; strategic political decision makers such as Heads of State and heads of major international financial institutions.

## Description

The project is structured into three main components:

- Institutional Capacity Building through Advisory Services;
- Logistical Support;
- Project Management.

## Expected Outcomes

- Pledges for 50% of investment needs;
- Successful conference organized in 2015 with 70% attendance rate.

Multi sector

# Transaction Advisory Services for the Procurement of the Navigation Satellite (NAVISAT) System

| | |
|---|---|
| **ADB Grant Amount** | UA 0.98 million (NEPAD IPPF Grant) |
| **Approval Date** | March 2013 |
| **Expected Completion Date** | June 2015 |
| **Location** | Cairo, Egypt |
| **Executing Agency** | Ministry of Civil Aviation |

## Background and Objectives

The purpose of the project is to contribute to the improvements of the communications, navigation, surveillance and air traffic management through the provision of satellite based air navigation and safety communication services (NAVISAT) to serve the African continent and parts of the Middle East, currently relying on the radar navigation systems. This is expected to improve air transport safety while reducing costs, which can contribute to the development of an African Air transport market, crucial to Regional Integration.

## Description

The project comprises the following major components:

- Provision of Transaction Advisory Services (Business & Technical, Legal and Financial) to support NAVISAT during the tendering process;
- Proposal of a business Model, including Run Revenues and Cost Scenario Analysis;
- Organization of a fund (equity and debt) raising event and the assistance to NAVISAT in the finalization of agreements with stakeholders, shareholders and potential customers.

## Expected Outcomes

The project expected outcomes are:

- The signing of the contract with the satellite manufacturing firm and the signing of funding agreements with key landers and stakeholders that will provide the total funding required for the project implementation;
- NAVISAT satellite is successfully launched and is operational.

# Support to Parliament: Building Capacity and Mainstreaming Inclusive Growth and Decentralization

| | |
|---|---|
| **ADB Grant Amount** | UA 1.9 million (MENA TF) |
| **Approval Date** | June 2014 |
| **Expected Completion Date** | September 2017 |
| **Location** | Cairo |
| **Executing Agency** | African Development Bank (Bank executed) |

## Background and Objectives

Within the current transitional phase following the 25th of January 2011 revolution, the Government of Egypt is embarking on a series of institutional and legislative reforms to address existing structural challenges to improve social justice, freedom as well as access to and delivery of quality social services to citizens in an equitable manner. The outcome of these reforms should expedite delivery on the demands of the revolution resulting in a system that fosters inclusiveness and improved democratic rule. The project's objective is to enhance the performance of the Egyptian Parliament towards increased efficiency and effectiveness in response to the demand for improved social justice. It seeks to address the demands of the Egyptian revolution for voice and accountability, and caters to the immediate restructuring needs of the Egyptian Parliament in line with the new Constitution adopted in January 2014.

## Description

The project comprises the following major components:

- Capacity Building of Parliament's Permanent Staff, with a focus on staffers involved in Committees;
- Institutional Development (review and fine-tune the new unicameral Organizational Structure; Information Technology upgrade towards enhanced performance; introducing the e-voting system to increase efficiency and enhance transparency);
- Case study: Mainstreaming Social Inclusion and Decentralization;
- Project Management.

## Expected Outcomes

The Project intends to:

- Build technical and professional capacities of the Parliament's permanent staffers with a focus on staffers work in and support the Parliamentary Committees;
- Support Parliament's institutional development, with a focus on the new unicameral organizational structure, as well as on enhancing the use of up-to-date information technology to improve governance and transparency;
- Raise awareness on mechanisms to mainstream social inclusion and decentralization towards enhanced social equity.

# Strengthening the Rule of Law: Enhancing Effective and Transparent Delivery of Justice and Rule-Making

| | |
|---|---|
| **ADB Grant Amount** | UA 1.57 million (MENA TF) |
| **Approval Date** | June 2014 |
| **Expected Completion Date** | August 2017 |
| **Location** | Cairo, Egypt |
| **Executing Agency** | Ministry of Justice and Court of Cassation |
| **Co-Implementation Support Agency (ISA)** | OECD |

## Background and Objectives

In the current environment of reform in Egypt, the national justice system can play a critical role in restoring confidence, promoting accountability and ultimately restructuring the national economy to promote competitiveness for economic growth and transformation. Developing institutions and mechanisms to ensure good rule making is of greater importance in Egypt post revolution than before. This is because regulations are the instruments that are used by governments to implement policies and effect change in society. They are essential elements of a successful transition. They need to serve the public interest and be informed by the legitimate needs of those interested in and affected by regulation. Overall, the project aims at contributing to consolidating the rule of law and enhancing an enabling business environment through (i) enhancing efficiency and effectiveness in the delivery of justice and (ii) strengthening transparency and participation in the rule-making process.

## Description

The project has three components:

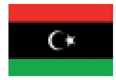
- Supporting efficient and effective delivery of justice by the Court of Cassation by establishing a modern court management and archiving system with a view to reducing the time spent on each case, address backlog and facilitate open access to court files and judgment;
- Supporting transparent and open rule-making within the Ministry of Justice (to be implemented by OECD as ISA);
- Project management and monitoring.

## Expected Outcomes

The Project will contribute to two outcomes:

- Strengthened institutions for effective delivery of justice;
- Enhanced transparency, accountability and participation in the justice sector.

# Libya




| | |
|---|---|
| Membership year | 1972 |
| Subscribed Capital, in (%) as of December 2014 | 3.702 |
| % of Total Voting Power as of December 2014 | 3.683 |

# Libya
## Recent Developments

2014 was a challenging year for Libya's political and economic transition. The transitional process in Libya was heavily affected by the increasing tensions between tribal groups, the weak regulatory and institutional environment, the limited private sector, the undiversified economy and the strong dependence on hydro-carbon income.

The unstable security and political situation had a negative impact on the economy, which witnessed a downturn of the economic activity in 2014. From January to December 2014, crude oil production averaged 450 000 bpd, nearly 500 000 bpd lower than the 2013 average and 900 000 bpd lower than the 2012 average. The combination of lower petroleum exports and the dramatic fall in the price of oil resulted in revenues down by 63% in 2014 (from a budget of 57 billion Libyan dinars (LYD) in 2013 to LYD 20.9 billion in 2014), producing substantial budgetary pressure.

Expanding protests at the country's major oilfields and export terminals led to a decline in production levels declines in oil production to well below its 1.6 million barrels per day (bpd) average, reaching a low of 150,000-200,000 bpd in 2014, corresponding to a decrease of about 80% terminals in 2014.

With hydrocarbons revenues constituting the largest source of government income (70% of GDP), the low oil production of 2014 and the decline in oil prices constituted a substantial threat to the government's fiscal stability.

GDP declined sharply by 19.8%, in 2014 but production levels began to recover during the third quarter of 2014, so GDP is expected to rebound by 14.5% in 2015, if the agreement achieved to open some of the major terminals, remains into force and the security and political situation will improve.

The 2014 budget experienced a deficit of 49% of GDP (LYD 25.1 billion) and is likely to remain in deficit in 2015. 2014 also saw the deterioration of the current account (-23.3% of GDP) due to the declining hydrocarbon exports. The fiscal and current account deficits will not recover in 2015 and are expected to amount to 29.6% and 17.5% of GDP, respectively. This is due to estimated revenue losses of USD 10 billion (about 20% of GDP) in 2015.

The public finances remain vulnerable to the continuation of reduction in oil production and revenues. Further increases in recurrent expenditures, such as the regular increases in public sector wages, pose risks to the state's fiscal sustainability and an appreciation of the real exchange rate. In this regards, on December 2014, the CBL issued a statement on the weakened state of public finances, the heightened risks facing the country and mounting threats to future stability.

In 2014, total spending was reduced to LYD 53.5 billion, down from LYD 58.1 billion in the 2013 budget. Expenditure in most sectors (services, development, and infrastructure) was reduced compared to 2013, with the only exception of spending on subsidies (on fuel, food, water, and electricity). The budget breakdown indicated a lower priority given to public works and infrastructure expenditure, while maintaining (and even raising) the spending on salaries and subsidies to avoid social discontent. Development expenditure occupied the lowest amount in total spending with an amount of LYD 7 billion, below the LYD 8.7 billion that appeared in the 2013 budget. More than a third of the budgetary expenditure (LYD 23 billion) was allocated to public-sector salaries, whereas LYD 13.5 billion was earmarked for subsidies – an increase over 2013.

With oil prices plunging and limited oil exports, the real value of the Libyan dinar has depreciated by 30 percent against the dollar in 2014 while reserves reached $100 billion, falling by 20 percent since the start of 2014. In 2015, foreign reserves and the currency will be under severe pressure without a major policy change to lower the public wage bill and reduce the huge energy subsidies.

Private sector activity remains limited due to the volatile political environment, weak regulatory and institutional environment, lack of access to finance, and the weak banking system. According to the Mo Ibrahim Index 2014, Libya is one of Africa's poorest performing countries in terms of business environment with an index value of 42.1 over 100 (or 43rd out of 52 countries); well below the continental average (53.3) and below the North African regional average (58.1). In relation to the regulatory environment for private-sector activities, the Doing Business Index 2015 ranks Libya in 180th position (out of 189 countries). The business impact of the existing rules and regulation on FDI are extremely high, placing Libya in 135th position out of 144 countries in the world, according to the Global Competitiveness Index 2014-15. Libya also ranks very poorly in terms of prevalence of foreign ownership of businesses. The "New Companies Law", which was introduced by the government in 2013, is bound to constrain the development of private-sector activity further.

For much of Libya's contemporary history, economic activity and growth have not been inclusive, leaving behind the youth, the unemployed and a large section of the country's women. Unemployment continues to be a challenge in Libya. The post-revolution economic recovery has been primarily based on the growth of the capital-intensive energy sector, failing to address the country's estimated 13% unemployment (with youth unemployment at 50%). The country's volatile political and security status in 2014 prevented the emergence of a new growth and development framework, which could aim at economic diversification, productive employment generation, and an inclusive development trajectory.

Libya lacks primary health care facilities such as local clinics and district hospitals. The country also suffers from bad quality education. Despite literacy levels of around at 84%, among the highest in the region, Libya scores very poorly when it comes to the quality of the educational services.

Due to the increasing political instability in 2014, the government's efforts have been focused on trying to contain the country's security situation.

Libya continues to make gradual progress on its transitional roadmap and the talks under the auspice of the United Nations Support Mission in Libya (UNSMIL) to end the deepening political and security crisis, and to reach agreement to form a national unity government are trying to reach a consensus and to establish the security in the country.

In this regard, a stable security environment remains essential to Libya's successful political transition and economic recovery.

# Overview of Bank Group Operations in Libya

Despite being one of AfDB's largest shareholders, the Bank's assistance to and engagement with Libya has been very limited until recently. This has been largely due to the limited need for Libya to borrow development finance. Despite this, in 2009 and 2010 the Bank approved two MIC TAF grants for Libya, in the areas of export promotion (UA 0.48) and SMEs development (UA 0.58), respectively.

During the Bank's first post-revolution mission to Libya, undertaken in March 2013, a mutual agreement was reached to focus on newly emerging challenges facing the post-revolution Libya. In this regards, a new project grant agreement was signed between the Bank and the Libyan Deputy Minister of Finance on 22 May 2014 during the Bank's annual meetings in Kigali (Rwanda). The project is the "Leading the Way Program", a leadership capacity building pilot project (USD 5.5 million) financed under the MENA Transition Fund. The objective of this project is to strengthen the leadership capacity of government and civil society, for long-term institutional effectiveness, efficiency and success.

# Bank Group Strategy & Ongoing Activities

The Bank is determined to accompany Libya during this period of economic and political transition. The Bank can utilize its expertise and experiences on the continent to help respond to Libya's post-revolution needs for development strategy formulation, institutional capacity building and service-delivery enhancement. As a significant sign of a renewed and more engaging approach towards the Bank, the government of Libya announced at the Bank's 2013 annual meetings in Marrakech its decision to pledge USD 37 million towards the thirteenth replenishment of the African Development Fund (ADF-13). Given Libya's lack of long term financing needs, most of Bank's operations in the country are envisaged to focus on the urgently needed technical assistance and advisory services.

Notably, the Bank has established a strong institutional relationship with the Libya Africa Investment Portfolio (LAP), one of Africa's largest sovereign wealth funds, and is assisting the latter with institutional and strategic reforms and capacity building. As part of a capacity building scheme, seven LAP personnel have been stationed at the Bank since September 2013, undergoing secondments with the aim of increasing their expertise in the areas of investment, private sector operations and legal issues. This scheme is not only proving highly successful for assisting with capacity building within LAP, but it has also created a highly valuable and potentially lucrative partnership between the Bank and one of continent's leading investment funds.

As part of the Deauville Partnership, and under the Multi-donor Trust Fund for Countries in Transition, the Bank obtained approval for UA 162,870 in September 2013 to enhance dialogue between the new Libyan authorities and the Bank. On May 2014, at the request of the Libyan government, the Bank obtained approval for the project entitled, 'Leading the Way: A Leadership Capacity Building Pilot Project' under the MENA Transition Fund. These two technical assistance projects mark the Bank's first formal assistance to the post-revolution Libya, and aim to address the key challenges facing the country's transition process.

# Leading the Way Program: Pilot Project for Developing Leadership Capacity to Support Libya's Transition

| | |
|---|---|
| **MENA TF Amount** | USD 3.5 million |
| **Co-Financiers** | Ministry of Planning, Libya (USD 2 million) |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | International |
| **Executing Agency** | Africain Development Bank |

## Background and Objectives

The project will contribute to strengthening the efficiency and effectiveness of the Libyan institutions to deliver better governance as well as sustainable economic and social development.

Under the leadership of the Libyan authorities, many internationally recognized institutions will work together to reinforce transformative leadership capable of streamlining institutional and organizational structures.

## Description

The project aims to:

- Support the country and prepare conditions for a successful transition;
- Run a pilot leadership training program for executive level officials (public, private and civil society); and
- Produce a strategic campaign plan which will lay the foundations for long-term transformative leadership capacity in Libya in support of the Libya 2050 Vision.

In order to achieve the above objectives, the project will consolidate a consortium of international academic and professional institutions for the successful delivery of transformative leadership in Libya and the region. This project will establish leveraging opportunities with a similar project for Tunisia funded by the MENA Transition Fund, entitled "Leading the Way Program: Pilot project for developing leadership capacity to support Tunisia's transition".

## Expected Outcomes

The project will:

- Consolidate a technical consortium from international academic institutions;
- Design of Leading the Way Program architectures;
- Develop leadership training program contents for multiple leadership paths and specializations;
- Pilot train 200 executive level officials from the public, private and civil society (gender equality);
- Leadership capacity building strategic plan in support of the Libya 2050 Vision;
- Independent and Scientific Assessment of the outcomes and outputs of the project (impact analysis).

# Development of Health Finance Strategy in Libya

| | |
|---|---|
| **Nigeria Technical Cooperation Fund Amount** | UA 0.22 million |
| **Approval Date** | March 2014 |
| **Expected Completion Date** | July 2015 |
| **Location** | National territory |
| **Executing Agency** | Africain Development Bank |

## Background and Objectives

The project is envisaged to have a long term positive impact given that the country is in a state of transition and will contribute to formulate new strategies and policies regarding healthcare sector in the near future.

## Description

The project aims to:

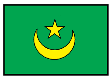
- Develop the foundations on which the healthcare system is expected to be reformed in Libya and to formulate the new policies for the ministry of health.
- Target the roots of the health system and develop the key elements that will reshape the health system in the future.

## Expected Outcomes

The project will:

- Ensure by the mid-term of the project, a comprehensive situation analysis of costing of healthcare services.
- Enhance the capacity and knowledge of MOH officials about healthcare financing.
- Validate and approve a health financing strategy by the end of the project.

# Mauritania



| | |
|---|---|
| Membership year | 1964 |
| Start of lending operations | 1972 |
| Number of AfDB operations approved, 1967-2014 | 15 |
| Number of ADF operations approved, 1967-2014 | 53 |
| Number of NTF operations | 2 |
| Subscribed capital, in (%) as of December 2014 | 0.058 |
| Number of approved and ongoing operations | 4 |
| Total commitments on ongoing operations (in UA million) | 23.21 |

# Islamic Republic of Mauritania
## Recent Developments[1]

In 2014, the Mauritanian economy confirmed the momentum it had achieved since 2012, with an estimated real growth rate of 6.4%, higher than 5% for the third year running. Growth has been driven by recovery of the fisheries sector and a robust mining sector, which compensated for lower oil production and manufacturing. With appropriate policies and structural progress, Mauritania has held up against falling mineral prices (iron and gold) and insufficient rainfall. The short and medium-term outlook remains good, thanks to a planned increase in the production capacity of the extractive sector and continuing structural reforms.

Economic gains were strengthened in 2014 and inflation remained under control at 3.5%. The overall budget situation continued to be viable despite some widening of the budgetary deficits (-2.4% of GDP for the basic balance and -3.4% for the overall balance). The current deficit improved from 25.1% in 2013 to 17.8% of GDP. Currency reserves fell slightly due to lower exchange rates and were estimated at the equivalent of 4.7 months of imports, excluding the extractive sector, compared to 6.5 months in 2013. The year 2014 also saw the start of a structural transformation of the economy, with a gradual diversification of the productive base and continuing expansion of the services sector.

The strategic thrusts of the 2015 Finance Law are focused on continuing public investment, consolidation of the macroeconomic balance and implementation of priority structural reforms. This should produce a stronger macroeconomic situation in 2015 with inflation held at 4.6 %, smaller basic and overall budget deficits, as well as a comfortable level of exchange reserves.

Mauritania has made progress in reducing poverty by strengthening the social safety net and investing in key projects to close the infrastructure gap, but much remains to be done. Progress towards the 2015 Millennium Development Goals (MDG) has been mixed.

Despite the positive change in the economic situation, challenges remain in achieving more inclusive growth, with special attention required for inequalities, in particular, the spatial disparities resulting from the country's large size (1,030,000 km2) and strong demographic growth of the capital (6.44% annual rate). With 958,500 inhabitants, Nouakchott has just over one quarter of the country's population. It is by far the most populated region, compared to the sparsest, Inchiri, which has only 19,600 inhabitants. This underscores the importance of a land-use and territorial-rebalancing policy as a crucial means to reducing regional diversities.

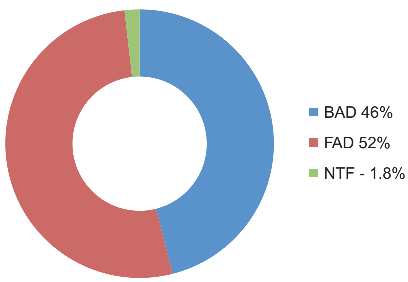
[1] This section is drawn from the 2015 African Economic Outlook

# Overview of Bank Group Operations in Mauritania

Since the start of its operations in Mauritania in 1972, the Bank Group has approved a total of 71 operations for a total of UA 512 million, comprising 45% in AfDB window loans, 53% in ADF loans and grants, and 2% in NTF loans and grants.

Since 1972, the sector distribution of industrial operations shows that the industrial and mining sectors represented 42% of approvals in Mauritania, followed by infrastructure (water, energy and transport) with 19.6 %, the social sector (education and health) with 13%, the agriculture sector (11.5 %), and finally the financial sector (3.8 %).

**Figure 5.12: Cumulative Bank Group Loans and Grants by Institutions in Mauritania (1972 – 2014)**



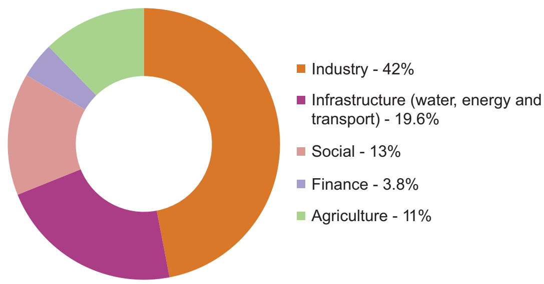

## Industry, Mining and Quarrying Sector

Mauritania has abundant mineral and oil reserves: the mining sector was reported to have contributed one-third of GDP in 2012. In 2011 and 2012, iron production grew by -2.7% and -0.9% respectively, copper by -10.1% and -4.5%, and gold by +7.4% and 7.9%.

The mining sector has benefited from a series of developments since 2009, including the reopening of the Akjoujt copper mine following an investment of more than USD 104 million by copper mining consortium MCM. In addition, MCM began producing gold in 2009, with an annual target of 60,000 ounces.

Since 1978, the AfDB has participated in the financing of 7 mining projects for a total amount of UA 214.32 million. AfDB's long-standing 30-year old collaboration with the National Industrial and Mining Company of Mauritania (SNIM) aims to increase mining production, improve the tax revenue collection rate in the sector, and contribute to the country's social and economic development.

**Figure 5.13: Cumulative Bank Group Loans and Grants by Sector in Mauritania (1972 – 2014)**

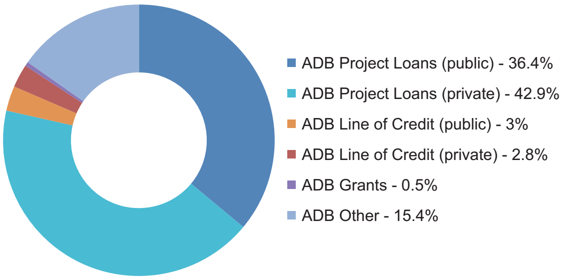



## Water and Sanitation Sector

As a Sahel-Saharan country, Mauritania has serious water stress-related problems which affect both surface and groundwater. The Government has designed a strategy to improve access to drinking water by prioritizing the most disadvantaged segments of the country's population. The long-term objective is to provide villages with populations of over 500 inhabitants with a water supply system, and to raise the running water access rate to over 80% in rural areas.

Since 1967, total Bank Group financing in this sector stands at UA 63.1 million and aims to reduce water scarcity in Mauritania.

**Figure 5.14: Cumulative AfDB Loans and Grants by Instruments in Mauritania (1972 – 2014)**




## Agriculture and Rural Development Sector

In collaboration with other development partners, the Government has launched an integrated programme for irrigated areas and improved grazing land. This has boosted farm output and reduced post-harvest losses.

The agro-livestock sector accounted for 15.2% of GDP in 2012, growing at roughly 2.6% in 2012, after the rainfall deficit in 2011. The Mauritanian Government has also made efforts to achieve self-sufficiency by upgrading facilities, increasing subsidies in the rural sector, ensuring 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 Bank Group has approved 15 operations in this sector where total commitments stand at UA 58.2 million. It thus contributes to food security by increasing agricultural production and farmers' incomes.

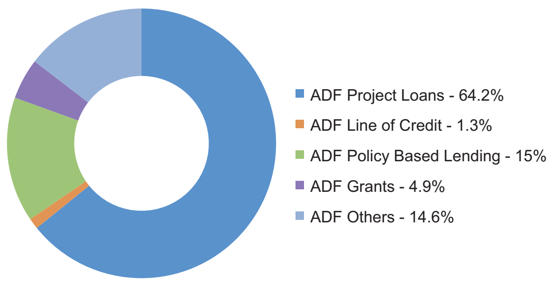
## Financial Sector

The financial system remains modest and partitioned compared to the other Maghreb countries. The low level of banking intermediation is a constraint on the mobilization of national savings and access to credit and, at the same time, impedes economic growth.

However, the considerable efforts made by the Government to modernize and strengthen the stability of the private sector also needs to be underscored. These include the 2009 reform of the legal and regulatory framework. Recently, many banks have increased their capital in order to comply with the new rules established by the Central Bank, making it mandatory for banks to have at least eighteen million US dollars in equity capital. In 2014, there were at least 5 banks with foreign capital. Islamic financing is also expanding rapidly through the activities of four Islamic banks; the banking penetration rate has now risen to 10 %.

The Bank has contributed to the development of the Mauritanian financial sector by providing lines of credit and technical assistance to several local financial institutions. This support has helped to foster local entrepreneurship and promote SMEs.

**Figure 5.15: Cumulative ADF Loans and Grants by Instruments in Mauritania (1972 – 2014)**

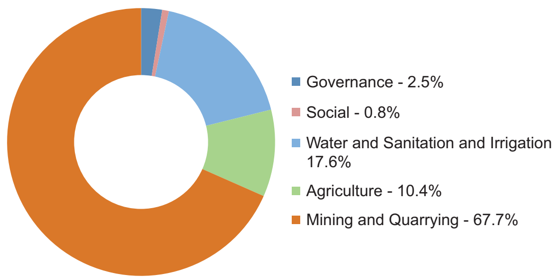


# Bank Group Strategy & Ongoing Activities in Mauritania

The Combined Country Strategy Paper (CSP) Mid-Term Review and 2013 Review of the Bank's Portfolio in Mauritania is the most recent document concerning cooperation between the Bank and Mauritania. This document was reviewed by the Bank's Committee on Operations and Development Effectiveness, which confirmed the relevance of the intervention areas as defined by the 2011-2015 CSP for Mauritania, namely infrastructure development (Pillar I) and improvement of economic and financial governance (Pillar II). These two pillars reflect the country's development priorities as set out in the PRSP III and are also consistent with the Bank's 2013-2022 Strategy. They will therefore remain unchanged for the remaining CSP period, i.e. 2014-2015. Special emphasis will be placed on the promotion of inclusive growth following the adoption, during the mid-term review mission, of the country's roadmap for the promotion of inclusive growth, which is also one of the core objectives of the Bank's 2013-2022 strategy. In addition to inclusive growth, climate change control, training and capacity building are among the key objectives to be achieved by the Bank's interventions over the 2014-2015 period.

The Bank's portfolio in Mauritania comprises 9 ongoing operations representing total commitments of almost UA 148 million. The public portfolio comprises 6 projects financed form the ADF window, comprising one multinational project and one emergency humanitarian relief assistance operation financed by the Special Relief Fund (SRF). Private sector operations total UA 119.7 million. These are one enclave project - the SNIM-GELBS II Extension Project –and technical assistance to the National Industrial and Mining Company (SNIM), financed by the Fund for African Private Sector Assistance. With 67.7% of total portfolio commitments, the mining sector is the Bank's main sector of intervention in Mauritania. The distribution of Bank interventions in the public sector alone indicates that the water and sanitation sector represents almost 54.6% of the portfolio. This is followed by the agriculture sector (32.15%), governance (7.66%) and the social sector (5.6%). This distribution is in keeping with the two (2) pillars of the 2011-2015 CSP, namely (i) infrastructure development, and (ii) improvement of governance. The public sector operations are financed from ADF and NTF resources.

**Figure 5.16: Current Portfolio by Sector in Mauritania**




# 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** | June 2015 |
| **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 within communities;
- Undertake the training of stakeholders.

# Integrated National Project in the Area of Rural Water

| | |
|---|---|
| **ADF Loan Amount** | UA 3.97 million (ADF Loan), UA 2.44 million (ADF Grant) and UA 3.08 million (RWSSI Grant) |
| **Co-Financiers** | Government of Mauritania and Beneficiaries |
| **Approval Date** | December 2012 |
| **Expected Completion Date** | December 2018 |
| **Location** | Nationwide |
| **Executing Agency** | Ministry of Hydraulic |

## Background and Objectives

The project aims at substantially improving living conditions of rural populations, particularly in Brakna, Gorgol and Tagant, through better access to drinking water and water for livestock and agricultural production. The project will build water and sanitation infrastructure (pastoral water and small irrigation). The project also provides institutional support through the development of a national strategy for integrated management of water resources and support to regional and agricultural cooperatives.

## Description

The project has three components:

- Infrastructure development (74.7%);
- Institutional support (17.03%);
- Project management (8.26%).

Further, the project focuses on an integrated approach that takes into account the needs of people in drinking water, livestock and small-scale irrigation development of vegetable production.

## Expected Outcomes

The expected results are:

- Improve the rate of access to drinking water for the targeted population with an increase from 53% in 2011 to 75% in 2015 and 80% in 2020 for drinking water;
- Improve the rate of access to sanitation for the targeted population by 2015 with an increase from 21% in 2011 to 32% in 2015 and 65% in 2020;
- Ultimately, the project targets reach 110,000 additional individuals and 120 public institutions (schools, health centers) and 140 villages.

# Public Investment Management Support Project (PAGIP)

| | |
|---|---|
| **ADF Loan Amount** | UA 0.74 million |
| **Co-Financiers** | Government of Mauritania |
| **Approval Date** | October 2013 |
| **Expected Completion Date** | June 2017 |
| **Executing Agency** | Ministry of Economic Affairs and Development |

## Background and Objectives

The objective of PAGIP is to improve public investment efficiency to ensure robust and inclusive economic growth. Its operational objectives are: (i) the improvement of public investment programming and of the linkage between the various programming tools and the PRSF; and (ii) capacity-building on the identification, preparation, implementation and monitoring/evaluation of public investment projects. The project has two components: (i) improvement of public investment management; and (ii) project management and coordination.

## Description

The project focuses on two components:

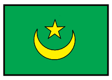
- Improvement of public investment management; and
- project management and coordination.

The objective of the first component is to improve economic planning and strengthen the identification, preparation, implementation and monitoring/evaluation of investment projects. The second component supports project management and is aimed at building the capacity of the DGPPI which is tasked with project implementation-monitoring, in order to ensure the smooth implementation of the various activities planned under the project.

## Expected Outcomes

The project intends to:

PAGIP complements previous Bank operations. By strengthening the public investment planning, programming, implementation and monitoring/evaluation process, it will ensure greater efficiency in public investment management and more efficient channeling of the State's financial resources towards projects that guarantee inclusive and sustainable growth.



# Support Project to Governance for the Promotion of Inclusive Growth (PAGOCI)

| | |
|---|---|
| **ADF Grant Amount** | UA 2.0 million |
| **Co-Financiers** | Government of Mauritania |
| **Approval Date** | January 2015 |
| **Expected Completion Date** | December 2018 |
| **Location** | Nationwide |
| **Executing Agency** | Ministry of Economic Affairs and Development |

## Background and Objectives

The objective of this project is to promote strong economic growth and inclusive through the formulation and implementation of policies to promote youth employment and women and private sector development. Its operational objectives are: (i) development of a new Strategic Framework for the Fight against Poverty taking into account employment and gender; (Ii) the reduction of administrative barriers for business; (Iii) strengthening of entrepreneurship, in particular women and young people; and (iv) strengthening the private sector promotion device. The Project has three components: (i) Support for the development and monitoring and evaluation of the Strategic Framework for the Fight against Poverty; (Ii) private sector development; and (iii) management and coordination of the project.

## Description

The project consists of three components:

- Support the development and monitoring and evaluation of the Strategic Framework for the Fight against Poverty;
- Private sector development; and
- Management and coordination of the project.

The first two components are closely linked by the fact that capital expenditures will meet the country's infrastructure needs and foster development of the private sector. The reports that will be produced as part of the implementation of activities for the private sector development (Component 2) will be used in developing the new Strategic Framework for the Fight against Poverty and annual implementation reports of Strategic Framework for the Fight against Poverty over the period 2015-2018.

## Expected Outcomes

The deliverables of the implementation of the project are:

- In the short term, strengthening the quality of the formulation and implementation of policies and the improvement of the business climate; and
- In the longer term, a strong and inclusive economic growth that contributes to the reduction of unemployment and gender inequalities.

# Support to the Training and Employment of Young People (PAFEJ)

| | |
|---|---|
| **ADB Grant Amount** | UA 2.0 million |
| **Approval Date** | September 2014 |
| **Expected Completion Date** | December 2017 |
| **Location** | Nationwide |
| **Executing Agency** | Ministry of Employment, Vocational Training and New Technologies |

## Background and Objectives

The promotion of human capital and the integration of young people are at the heart of the Government's priorities. Indeed, these concerns are reflected in all strategic areas of the Strategic Framework for the Fight against Poverty (2011-2015) The National Programme for Development of the Education Sector (NPDES) 2011-2016 takes a holistic approach and integrates all the interventions in the sector ranging from early childhood to higher education including vocational training. This project aims to improve the employment situation of young people.

## Description

The project focuses on two components:

- The integration of employment at the heart of sectoral policies; and
- Improving the relevance of training received by young people.

The development of a national employment strategy and its operationalization through the integration of employment in sector policies will structure the intervention of the state. The establishment of an information system on the labor market and training (SIMEF) will establish a culture of evaluation and allow having the information disaggregated by gender. The project also aims at a better anchoring of training in the productive sector, this by developing tools for analyzing labor market skill needs allowing adjustment of curricula with a view to improving the employability of young people.

## Expected Outcomes

The expected long-term impact of the implementation of the reforms supported by the project is a reduction in youth unemployment rates including women from 14.3% in 2012 to 12% in 2020.

The expected results over the medium term are:

- The adoption of the National Gender-sensitive employment strategy and its operational plan budgeted;
- The integration of employment goals in at least two growth sectors;
- The establishment of an information system on the labor market and training as a tool to aid the decision;
- Structuring of intermediation in the labor market for at least 8,000 young people benefit from support for inserting service;
- The introduction of three new branches renovated in the construction sector;
- The establishment of a system for monitoring the integration of FP's recipients in at least 11 training centers.

# Morocco

| | |
|---|---|
| Membership year | 1964 |
| Start of lending operations | 1970 |
| Number of AfDB operations approved, 1967-2014 | 145 |
| Number of ADF operations approved, 1967-2014 | 9 |
| Subscribed capital, in (%) as of December 2014 | 3.515 |
| Total Voting Powers, in (%) as of December 2014 | 3.498 |
| Number of approved and ongoing operations | 36 |
| Cumulative commitments on ongoing operations (in UA million) | 2.000 |

# Republic of Morocco
# Recent Developments[1]

In 2014, the Moroccan economy continued to grow, with GDP up by 2.7% compared to 4.7% in 2013, thus returning to its 2012 performance. This was achieved against a backdrop of global growth slowdown. The performance is partly due to a drop in agricultural value-added, which contracted by 1.8% following a very sound 20.2% performance in 2013. However, non-agricultural activities increased by 2% mainly as a result of the development of tertiary activities and some secondary sector sub-sectors, particularly mines and new businesses in Morocco (aerospace, car industry and electronics).

Morocco has also pursued efforts to consolidate macroeconomic fundamentals by implementing structural reforms and sector strategies which helped to expand the Moroccan economy (2.7 %) in 2014. Morocco was thus able to improve its internal and external balances by reducing its budget deficit (-4.9 % of PIB) and its current account deficit (-6 % of GDP), as well as by consolidating its exchange reserves (five months and nine days of imports). Growth prospects for 2015 and 2016 are healthy (4.5 % and 5% respectively) and the budget deficit is narrowing. However, the trade balance remains structurally in deficit (-16.2 % of GDP in 2014).

In the same vein, the Government has pledged to continue making Morocco a regional hub so as to benefit from the free-trade agreements already signed with Africa. This strategy resulted in a 13% increase in trade with Sub-Saharan Africa in 2014.

In 2014, Morocco also maintained its policy of improving the business climate and encouraging private investment in order to support its economic transformation. This policy enabled Morocco to climb 16 places in the World Bank's Doing Business 2015 (71st out of 189 countries).

2014 was also marked by the launching of a new industrial strategy (2014-2020) aimed at driving structural change in Morocco and strengthening the country's position in global value chains.

The strong growth prospects for 2015 and 2016 will be mainly fueled by the recovery of the agriculture sector – still dependent on rainfall –and the continuing upward trend in non-agricultural activities (chiefly mechanical, electrical and electronics industries (MEEI) and the mining sector). The growth will depend on several factors. First, the continuing recovery of global demand for Morocco's exports, which is expected to rise by 6.7% in 2015. Finally, 2015 has been marked by a drop in oil prices to below USD 50 in mid-January 2015. This drop will enable Morocco to continue to restore its macroeconomic balances (reduction of budget deficit and increase in exchange reserves) and should stimulate the purchasing power of Moroccan households and boost the competiveness of Moroccan firms. Finally, the growth forecasts will also depend on the implementation of the different structural reforms already initiated (pension plan, taxation, good governance and equalization fund).

As a result of the robust efforts of the past 15 years, Morocco has made great strides in poverty reduction and access to education as well as health care and services. Poverty shrank nationwide from 15.3% to 6.2% between 2001 and 2011, but the drop concealed sharp spatial and gender disparities. The Gini coefficient reflected growing income disparity, rising from 39.5 to 40.9 between 1999 and 2007, poverty essentially remained a rural phenomenon (14.4% compared to 4.8% in urban areas) and unemployment remained particularly high in cities (36% compared with only 8.4% in rural areas) and among 15-24 year-olds (20.1 %) in 2014.

[1] This section is drawn from the 2015 African Economic Outlook

# Note from the Bank's Field Office in Morocco

## Mrs. Yacine Fal, Resident Representative

The year 2014 was rich in events for cooperation between the Bank and Morocco.

The Bank maintains a high level of commitments in Morocco totaling almost EUR 2.4 billion at the end of 2014. The three lending operations scheduled for that year, including one budget support operation, were approved by the Board for a total amount of EUR 273 million and USD 119 million on the CTF. The 2014 lending programme had a particular impact on the Bank's positioning in Morocco, by, on the one hand, consolidating the Bank's role as leader in support for financial sector reforms including through targeted technical assistance to the sector, and, on the other, by the fact that PADESFI III and support for the largest local bank (Attijariwafa Bank) were approved just when the Bank was selecting the candidacy of Casa Finance City in Casablanca as the institution to host Arica 50. Finally, the Bank's continuing commitment alongside the other donors in the 2nd and 3rd Phases of the NOOR Solar Power Project is critical in its positioning as the lead partner in the area of renewable energy in Morocco.

In 2014, the Bank finalized the Growth Diagnostic in collaboration with the Authorities and MCC, which will contribute to structuring the Bank's strategic approach, especially regarding budget support operations.

In the same year, the Bank's Field Office in Rabat finalized the Combined 2012-2016 CSP Mid-Term Review and 2014 Portfolio Review. This exercise confirmed the two pillars (governance and infrastructure), as well as fine-tuned the Bank's strategy in Morocco and incorporated the conclusions of the Growth Diagnostic. The Office also recorded a sound portfolio performance in 2014.

The Bank has initiated genuine dialogue as facilitator in the new regional economic space under construction between Morocco and Africa.

The celebration of the Bank's 50th anniversary, presided over by the Prime Minister with the participation of the Governor of the Central Bank, was a resounding success culminating in the joint presentation of the Growth Diagnostic for Morocco by the Bank and the Moroccan Authorities.

The Bank's presence in the field has helped to improve portfolio quality and performance, as well as enhance its participation in the coordination of aid with other bilateral and multilateral partners. This cooperation has developed through consultations initiated by thematic groups and during joint operation missions.

The Bank, which has established itself as a leading partner, intends to continue supporting the Kingdom in its ambitious development programme through structural reform and its major innovative infrastructure projects while paying due attention to social inclusion.

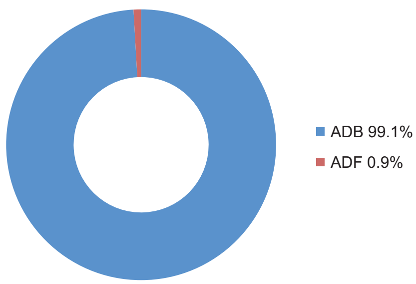
Close cooperation with the Authorities has also resulted in the operationalization of the letter of agreement on the application of national procedures for national competitive bidding, which should help to further enhance portfolio performance in the future.

Following a long process involving all MAFO staff, the Bank's Field Office has finally moved to new premises which are now operational and located close to its partners in Rabat.

# Overview of Bank Group Operations in Morocco

Morocco and the African Development Bank (AfDB) have been partners for a long time. Their cooperation dates back to 1970, year of the first Bank-financed development projects in the Kingdom. Commitments concern four priority sectors: infrastructure, economic and financial governance, the social sector, and agriculture.

**Figure 5.17: Cumulative Bank Group Loans and Grants by Institutions in Morocco (1970 – 2014)**




Since 1970, the Bank has approved 145 operations with a total commitment of EUR 7.52 billion, 99.1% of which are in the form of AfDB loans and grants, and 0.9% in the form of ADF loans and grants. Morocco is one of the Bank's major borrowers. In 2014, new approvals represented accounted for over EUR 400 million.

## Transport Sector

The transport sector is one of the main drivers of economic growth and development in the Kingdom and is, therefore, one of the Government's top priorities. The economic and social contribution of the transport and logistics sector in Morocco for all modes of transport: (i) accounts for almost 5% of GDP and 9% of tertiary sector value-added; (ii) accounts for 15% of State revenue; and (iii) generates 100,000 direct jobs.

Indeed, in order to support the implementation of the different strategic plans for the growth-bearing sectors, the Moroccan Government has, over the past few decades, undertaken an ambitious programme of institutional reform, improvement of services and modernization of transport infrastructure (road, rail, air and port) aimed at developing the national economy's logistics competitiveness. Furthermore, this programme, especially through the implementation of the national rural roads programme, is also helping to reduce poverty in rural areas, as well as reduce regional disparities.

Despite the significant efforts made to-date, it is also necessary to fully capitalize on the opening up to the global economy. Moroccan economic operators are currently faced with: (i) inadequate supply of transport and logistics services in terms of cost, quality and delivery

times; (ii) legislation and a regulatory framework requiring improvement in the area of road freight transport; and (iii) weak capacity and poor performance of transport infrastructure, which is also unevenly distributed throughout the national territory and inadequately maintained. It will therefore be necessary for the Government to pursue its action to consolidate the quantity and quality of transport infrastructure, as well as to reduce transaction costs so as to improve the efficiency of national and international trade.

For the 2012-2016 period, the activities in the transport and logistics sector are being implemented in keeping with the strategy adopted in 2012 which aims to establish an efficient, profitable and sustainable multimodal transport system that can facilitate the mobility of people and goods. It is focused on three pillars: (i) infrastructure development; (ii) the emergence of a profitable and competitive transport economy; and (iii) security and quality of transport services. This strategy is backed up by medium and long-term action plans for each of the sub-sectors.

The transport sector is one of the main areas in which the Bank operates in Morocco. Since 1967, the Bank has approved 13 operations in this sector, for a total of over UA 1.2 billion. In fact, the Bank's first intervention was the award of a loan approved in October 1987 to finance the Transport Sector Programme (TSP). It concerned the three modes of transport (land, air and sea) and aimed to upgrade and strengthen the sector. In addition to the construction of infrastructure, it also concerned institutional reforms aimed at encouraging liberalization, greater competitiveness, professionalization and the abolition of monopolies.

The Bank's main interventions in the road sub-sector were the third road project in 1994 and the development of the Marrakesh-Agadir motorway in 2006. These projects were implemented to the complete satisfaction of the Bank and Borrower. The second phase of the National Rural Road Programme, currently nearing completion, aims to build the capacity and improve the security of transport infrastructure in rural areas. It concerned the construction of 15,560 km of roads, 63% of which were paved roads and 37% rural roads. The Bank's financing has contributed to the construction of 482 km of paved roads and the development of 320 km of rural roads. The programme is nearing completion, and the rural access rate is currently 78% (2012) with a targeted rate of 80%.

In the airport sub-sector, the Bank's second operation has helped to improve airport facilities and air navigation security in Morocco. The third airport project, which is ongoing, aims to build airport operational capacities by upgrading facilities, expanding the air navigation system and reinforcing security installations on the ground. It mainly concerns the airports of Fez, Marrakesh and Oujda. The project is expected to be completed in 2015, and its current physical implementation rate is 43%.

In the railway sub-sector, like all the Bank's previous operations in the railway sub-sector, the ongoing project to increase the capacity on the Tangier-Marrakesh railway line, will help to meet goods and passenger traffic requirements on the Tangier-Marrakesh railway line. In particular, it concerns the tripling (99 km) and partial doubling of the tracks on the Kenitra-Casablanca and Settat-Marrakesh sections respectively. It should be completed in 2016, and its current physical implementation rate is 66%.

## Energy Sector

Morocco has few fossil energy resources and is heavily dependent on external sources for its supply of modern sources of energy to meet the growing demand created by its economic development and rapid population growth. Electric power generation is dominated by fossil fuel-fired plants (coal, diesel and natural gas) which, in 2013, represented 70% of total installed capacity. In the same year, net national demand for electric power reached over 32 thousand GWh and was met by power generated by coal (38%), diesel (14%), and natural gas (18%) and from hydro-electric (9%) and wind (4%) sources, as well as imports from Europe (17%) through the electric power interconnection between Morocco and Spain. The output of the hydro-power plants remains dependent on climatic factors, in particular rainfall. The dominance of thermal generation using imported fuel impacts negatively on electricity generation costs, especially at a time when oil, gas and coal prices are rising.

Over the 2002-2012 decade, the average annual increase in Morocco's electric power requirements was 7.2%, driven by economic growth and population growth coupled with higher living standards of the population, 98% of whom have access to the electricity network mainly as a result of the Global Rural Electrification Project (PERG). Launched in 1995, PERG, whose activities are still continuing in rural areas, has helped to raise the Rural Electrification Rate (REE) in Morocco from 18% in 1995 to over 98% at present, and to connect over 2 million Moroccan households to the electric power grids and over 51,000 households by photovoltaic kits in remote villages.

Energy supply in Morocco is one of the priorities of the new National Energy Strategy for the 2010-2030 period, which was adopted in March 2009. Achievement of this objective requires the diversification of sources of electric power generation by tapping the country's renewable energy potential so as to increase the share of renewable energy in the power mix to 42% by 2020 (13% at present). Planned short and medium-term actions include the development of 6,000 MW of renewable energy capacity by 2020 through: (i) the Moroccan Solar Programme (2000 MW); (ii) the Wind Energy Programme (2,000 MW); and (iii) the Hydro-Power Programme (2 000 MW). These programmes were officially launched in 2009 by His Majesty the King of Morocco.

According to forecasts, demand for primary energy is expected to triple and for electric power to quadruple between 2010 and 2030. By 2030, demand for primary energy is expected to reach 43 million tonnes of oil equivalent (TOE). Electric power requirements will reach over 96,000 GWh in 2030 (32,000 GWh recorded in 2013), which will require a generating capacity of 12,000 MW compared to about 7000 MW of current total installed electric power generation capacity. The other challenges of Morocco's new energy strategy concern universal access to electricity for all Moroccan households, control of energy consumption, and environmental protection.

Since the start of its operations in 1967, the African Development Bank Group has financed 17 projects in Morocco's energy sector, representing total approvals of about UA 1,230 million. The Bank's interventions have helped to build electric power generation capacity, expand the electric power transmission and distribution grids, and develop rural electrification. The Bank's active portfolio comprises four ongoing operations totaling EUR 924 million (UA 740 million). They are financed by four (04) AfDB loans for a total amount of EUR 668 million and three (3) Clean Technology Fund (CTF) loans for a total amount of USD 344 million, which the Bank has mobilized in its capacity as the CTF executing agency.

The energy sector accounts for almost 40% of the total volume of the Bank's portfolio in Morocco. Ongoing Bank-financed operations are helping to achieve the objectives of Morocco's new energy strategy, namely: (i) diversification of sources of electric power generation; (ii) ensuring security of power supply; (iii) access to electricity for all Moroccan households; and (iv) environmental protection. They are also consistent with the 2012-2016 CSP, Pillar 1 of which is focused on support for the development of green infrastructure. This comprises:

- The Electricity Transmission and Distribution Development Project: financed by the Bank with an AfDB loan of EUR 109.820 million and approved on 2 December 2009;

- Ourazazate Solar Power Plant Project – Phase I - NOORo I Plant (160 MW): financed by the Bank with an AfDB loan (EUR 100 million) and an AfDB-CTF loan (USD 100 million) approved on 16 May 2012. The project is cofinanced with the French Development Agency (AFD), the European Investment Bank (EIB), the World Bank, KFW and the European Union through the Neighborhood Investment Facility (EU/NIF);

- Integrated Wind Energy, Hydro-Power and Rural Electrification Programme: financed by the Bank with the Islamic Development Bank (IsDB), the European Investment Bank (EIB), KFW and the European Union (Neighbourhood Investment Facility);

- Ouarzazate Solar Power Plant Project – Phase II - NOORo Plant II (200 MW) and NOORo III (150 MW): financed by the Bank with an AfDB loan (EUR 100 million) and an AfDB-CTF loan (USD 119 million) approved on 3 December 2014. This second phase is co-financed by the Bank with the same donors as Phase 1, i.e. the French Development Agency (AFD), the European Investment Bank (EIB), the World Bank, KFW and the European Union through the Neighbourhood Investment Facility (EU/NIF).

## Water and Sanitation Sector

In Morocco, demand for water is rapidly rising as a result of the country's demography and economic and social development. The country must also protect and restore the quality of water, accepting the risks of floods and drought which have become the salient features of the climate. In response to this unfavourable data, Morocco will have to take up this strategic water-related challenge in order to ensure regular supply of the resource.

The main objective of the national water strategy is to obtain water resources to ensure the country's socio-economic development in the following areas: (i) regional and human development, by supplying the urban and rural populations with drinking water; (ii) development of the agriculture sector to meet the requirements of the Green Morocco Plan; (iii) tourism development to meet the requirements of tourism projects, in particular the Azur Plan; and (iv) industrial development to meet the equirements of industrial projects.

Morocco's new National Water Strategy is based on three thrusts: (i) meeting the country’s water needs and supporting its socio-economic development; (ii) appropriate use and management of water resources; and (iii) sustainable management of water.

The objectives of the National Water Sector Strategy are consistent with the country's main sustainable development objectives. They are to:

- Meet the needs of, and ensure secure water supply for the urban and rural populations,
- Contribute to the country's food security by encouraging the development of irrigated agriculture,
- Protect the population and property from rising waters and floods,
- Promote regional development by facilitating equitable access to water throughout the Kingdom of Morocco.

To address this challenge, the Government intends to pursue and intensify its efforts under the medium and long-term strategy to guide and concretize its water development policy-related actions.

The strategy adopted for the implementation of this policy is based on rigorous planning of surface water harnessing consisting of optimal programming of water development projects and their timely implementation in order to ensure at all times a permanent match between available resources and needs expressed both quantitatively and qualitatively.

In line with this National Water Strategy, the strategic plan of the National Electricity and Drinking Water Authority (ONEE), as the main actor in the drinking water and sanitation infrastructure sub-sector, focuses on the following three thrusts: (i) universal access to drinking water for the entire population, (ii) active intervention in the liquid waste treatment sector, and (iii) ensuring sustainable security of existing infrastructure.

In figures, the different projects financed by the Bank for over five decades have helped to improve the water supply and distribution systems in 30 Moroccan towns (over 2/3 of the country's population), spread throughout the territory and covering 15 million inhabitants for cumulative commitments of about EUR 1 billion.

Since the start of its interventions in Morocco, the Bank has financed 13 operations in the water sector, bringing the total cumulative commitments of the Bank Group in this sector to the equivalent of about EUR 1 billion (MAD 11 billion). This positions the Bank as the lead donor in the water sector in Morocco.

These projects have helped to ensure security of access to drinking water in urban areas which is about 100%

and increase the drinking water access rate in rural areas from 14% in 1990 to 94% at present, as well as the urban sanitation access rate from under 50% in 1990 to over 70% at present.

The facilities created under the different Bank-financed projects have provided sustainable drinking water supply for several towns in the Kingdom of Morocco and facilitated access to clean water in unsupplied rural areas, improved the population's health conditions, and helped to safeguard and conserve water resources.

These projects have enabled the Bank to supply sufficient quantities of high quality water and provide Morocco with support to increase primary education enrolment and ensure health and social development.

### At present, the ongoing projects financed by the Bank in Morocco amount to EUR 370 million and aim to:

- Strengthen the DWS systems in six large Moroccan towns (Taounate, Khenifra, Settat, Marrakesh, Tamesna, and the Rabat-Casablanca conurbation) which is experiencing significant urban and tourism development. This will help to improve the quantity and quality of drinking water supply to about 3 million persons and provide ONEE, operating companies and autonomous water distribution authorities with resources to meet rising demand in the areas concerned up to 2030.
- strengthen and improve the quantity and quality of drinking water supply in the Rabat-Casablanca conurbation to about 5 million people in 2014 (including about 700,000 in rural areas), provide ONEE, as producer and distributor, and the private operators LYDEC and REDAL as distributors, with the resources to meet the requirements of the population in the areas concerned up to 2030 (when the population concerned will exceed 8 million, including about 1 million in rural areas).
- Ensure the security of drinking water supply to about 2 million inhabitants as from 2017 in Marrakesh, Al Haouz and Al Kelaa, which are experiencing significant urban, tourism and industrial development;
- Provide ONEE (Water Division) as producer and distributor and the Marrakesh Autonomous Water and Electricity Distribution Authority (RADEEMA), as a distributor, with the resources to meet the population's growing requirements up to 2030 (when the population concerned will be about 3 million, including one million in rural areas).
- Enable the Cherifian Phosphates Company (OCP) to meet its industrial water requirements for the Ben Guerir and El Youssoufia sites.

## Agricultural Sector

Since the early eighties, Morocco has suffered from long periods of drought which have underscored the fragility of its water resources. The growing scarcity of water resources and population growth have led to a drop in the water allocation per person which will only be 500 m3 by 2025 compared to 800 m3 per person in 1990. The trend of this ratio will take Morocco from a water stress situation to a water shortage situation. The droughts have seriously affected the possibility of meeting the water requirements of all the socio-economic sectors, in particular, as well as protecting land and aquatic ecosystems. Agriculture remains a key sector and represents a significant area for human development with almost 1.5 million farms, 550,000 of which are irrigated and contribute significantly to meeting the population's growing food needs particularly as regards sugar, dairy and market garden produce, etc. It concerns over 70% of the population and contributes 13% to 20% of GDP depending on the crop year and accounts for 80% of rural employment and over 40% of national employment. Furthermore, over 80% of the country's water resources are used by the agriculture sector. There is a clear correlation between the growth trend and that of agricultural output. However, the sector remains exposed to adverse weather conditions since over 80% of agricultural land lies in arid and semi-arid zones.

Since the early 1980s, agriculture has been seriously affected by climate change. Frequent droughts and rising temperatures have considerably damaged the agriculture sector. Aware of its vulnerability to these impacts, Morocco has seriously tackled the issue of climate change adaptation by establishing in 2008 a green strategy called the Green Morocco Plan (GMP) backed by a strategic programme entitled the National Irrigation Water Saving Programme (PNEEI) based on the rationalization, saving and enhancement of irrigation water.

Furthermore, from the late 1960s, aware of the importance of water resources for the country's socio-economic development, Morocco embarked on a vast programme to harness its water resources. Thus a water mobilization policy, initiated in 1967, has provided the country with significant hydraulic infrastructure comprising 128 large dams with a total capacity of almost 17 billion $m^3$, 13 water transfer schemes and several thousand boreholes and wells harvesting groundwater.

The agriculture sector is still faced with challenges chiefly relating to the growing scarcity of water resources as a result of climate change, the over-tapping of groundwater resources, insufficient enhancement of the water resources mobilized and deterioration of the quality of water resources because of sanitation and waste water treatment delays. If current trends persist, most of the watersheds will have shortfalls by 2030. The cumulative deficit is estimated at almost 2.4 billion $m^3$ per year. This trend has underscored the issue of water saving and enhancement and the need to completely shift from supply-based management to demand-driven management.

Water saving and enhancement have therefore become the top priorities. Indeed, the Green Morocco Plan (GMP) (April 2008) and the new National Water Strategy (April 2009) both emphasized this issue and have supported the implementation of a National Irrigation Water Saving Programme (PNEEI) over a 15-year period. This programme, at an estimated cost of MAD 37 billion (EUR 3.5 billion), will focus on the modernization of the traditional systems and the conversion to drip irrigation on an area of about 550,000 ha.

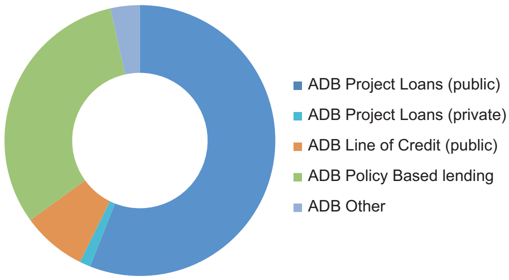
Since its establishment, the Bank has financed 22 agriculture sector operations in Morocco for a total amount of EUR 702 million. Morocco's agriculture portfolio, which had been inactive since 2000, was relaunched in 2009. It currently comprises 5 ongoing projects representing cumulative financing of UA 133.71 million (equivalent to EUR 160.38 million) comprising UA 132.24 million in loans (equivalent to EUR 158.51 million) and UA 1.47 million in grants (equivalent to EUR 1.87 million), concerning the following operations: the National Irrigation Water Saving Programme Support Project (PAPNEEI), the Green Morocco Plan Support Programme (PAPMV), Technical Support for the South Morocco Oases Safeguard and Development Programme (ATPOS), Technical Support for Irrigation Infrastructure Development (ATDII) and Technical Support for the Promotion of Young Agricultural Entrepreneurs (ATPJEA).

The following ongoing operations financed by the Bank are contributing to the achievement of the objectives of the Green Morocco Plan strategy to promote irrigation water savings and strengthen the agriculture sector's competitiveness:

- the National Irrigation Water Saving Programme Support Project financed by the Bank with an AfDB loan of EUR 53.59 million approved on 14 December 2009. The project aims to establish drip irrigation infrastructure and provide support to production in the operating areas of the Loukkos, Tadla, Doukkala Regional Agricultural Development Authorities covering an area of 20,000 ha;

- The Green Morocco Plan Support Programme financed by the Bank with an AfDB loan of EUR 105 million and approved on 18 July 2012. Its objective is to improve the business climate and ensure sustainable management of agricultural water; it will focus on reforms to: (i) support the modernization of irrigation infrastructure; (ii) improve governance for sustainable management of agricultural water; (iii) promote the business climate and agricultural water enhancement; and (iv) promote gender, water resource protection, and energy conservation.

**Figure 5.18: Cumulative ADB Loans and Grants by Instruments in Morocco (1970 – 2014)**




## Governance

The Moroccan Government's strategy is defined in the Medium-Term Economic and Social Development Programme (PDES 2012 - 2016) and seeks to meet the challenge of making the economy competitive, to place it on the path to sustainable and inclusive growth by staying the reform course to consolidate macro-economic balances, improve the public finance profile, promote private sector development and reduce poverty. These strategic priorities of the Government are consistent with the operational priorities of the Bank's 2013-2022 Ten-Year Strategy, particularly governance priorities. They are also in keeping with the thrusts of the 2012-2016 Country Strategy Paper, the first pillar of which is the enhancement of governance.

Over the 2002-2011 period, Morocco embarked upon a series of comprehensive reforms of its administration through the Public Administration Reform Support Programme (PARAP) backed by the Bank, which provided the Government with efficient financial and human resource management tools and initiated an administration simplification process by developing e-government.

The main challenges identified in the sector and in which the Bank has a comparative advantage to support the Moroccan Government in addressing them are:

- Building State capacity to ensure transparent and responsible use of public resources and citizens' capacity to hold their government to account;
- Improving performance in the various sectors and providing citizens with resources to monitor results; and
- Promoting a business environment that will foster economic transformation and job creation.

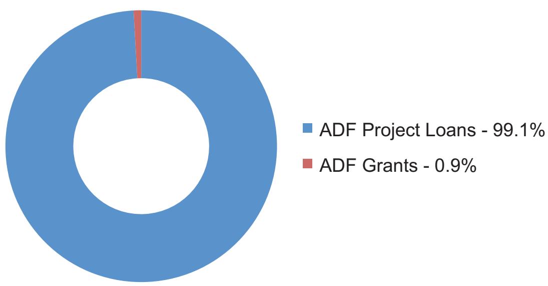
The Bank's intervention in governance has a strategic dimension that will contribute to the achievement of strong and inclusive growth. It will also help to consolidate the Bank's previous support operations in this area (PARAP I to IV). The partnership which has been forged between the Bank and the Moroccan Authorities provides an opportunity for high-level dialogue on key reforms and supports their implementation under technical assistance programmes and projects.

In light of the recent social demands in the *"Arab Spring"* calling for greater transparency and social justice, it has become necessary to further refocus public action so that its impacts would be more favourably perceived and more tangibly felt by citizens. Against this backdrop, it is necessary to initiate a new series of second generation reforms through the Economic and Financial Governance Revitalization Support Programme (PARGEF), "*Hakama*". The objective of this programme is to improve State budget management and public service delivery efficiency in order to promote strong and inclusive growth. It has helped to improve forecasting and budget management efficiency, establish an institutional framework for e-Gov, reduce customs clearance times for goods from 40 days to 3 days, as well as contributed to the adoption of a new Public Procurement Code. As a continuation of the PARAP and in order to consolidate its achievements, the PARGEF reforms mainly focused on: (i) consolidation, through the new Organic Bill on Finance Laws, of all new budget management tools designed under PARAP in a unique, consistent and legal architecture that not only establishes the principle and methods of their use, but also Allows for stakeholder involvement (Government, Parliament, Court of Auditors, civil society), especially in terms of access to information and control; (ii) extension and more accurate targeting of electronic administrative simplification tools for citizens by facilitating the population's access to routine administrative services; and (iii) more effective mainstreaming of transparency and performance in the provision of public services by public enterprises and establishments (PEEs) so as to improve the quality of service delivery to citizens. These activities were also backed by technical assistance for *"modernization of the debt management organizational framework"*.

### Main Outputs:

- Design and installation of tools in key Ministries (MTEF) to improve budget forecasting;
- Design and installation of tools in key Ministries to improve human resource efficiency in the public administration: job and competency frameworks (REC) and tools for forward management of jobs and skills (GPEC);
- Adoption of a new more transparent Public Procurement Code;
- Adoption of a Code of Good Governance Practices for Public Establishments and Enterprises;
- Online publication of certain administrative instruments, particularly birth certificates, to reduce delays and related costs, especially for Moroccans living abroad; and
- Enhancing the efficiency and transparency of AREFs by providing them with accounting systems.

**Figure 5.19: Cumulative ADF Loans and Grants by Instruments in Morocco (1970 – 2014)**




## Social Sector

The goal of the Government's agenda, pursuant to Article 88 of the new Constitution, is to consolidate the process of building a balanced, stable, united and prosperous society. It aims to guarantee decent living conditions for all citizens and to develop the middle class by fulfilling all the necessary conditions for wealth creation and solidarity among the different segments of the population.

The achievement of social cohesion, human development and reduction of disparities are the top priorities of the Government's social agenda, which aims to strengthen and consolidate social policies and services, develop and facilitate the benefits and access to these services, as well as by targeting the different social categories through policies aimed at integrating people, social categories and regions into the national development drive.

The preparation and implementation of social programmes must be able to guarantee fair access to basic services, particularly education, health and housing so as to build solidarity and ensure equal opportunities for people, social categories, generations and regions.

The Government therefore considers that the attention paid to education, basic training, continuing training, non-formal education, the fight against illiteracy, health care, housing and the fight against precariousness and opening up of rural communities and mountainous regions constitutes an investment of economic and development significance, and addresses the most urgent social expectations.

Youth unemployment remains a factor of fragility for social and economic stability. In 2013, the unemployment rate was 9.2% (19.3% among 15-24 year olds, 16.3% among graduates, and 4.5% among non-graduates). However, the employment growth rate is low, which is partly due to distortions relating to the distribution of value added between capital and labour.

***Another factor of fragility is the issue of poverty and regional disparities.*** In 2011, the poverty rate was 6.2% and the vulnerability rate 13.3%. Moreover, poverty remains a rural phenomenon. Clean water and sanitation access rates have risen in urban areas (100% in 2011), and in rural areas the rates rose from 70% in 2005 to 92% in 2011. The electrification plan appears to have been successful, with a rural coverage rate of 98.1% in 2012 compared to 22% in 1996.

***Wide gender disparities continue to exist regarding access to human development and economic opportunities, but have significantly reduced.*** At the institutional level, this was supported by a gender disaggregated budgeting process in 2003 and by the new Constitution of 2011. The Government has undertaken to strengthen women's representativeness in all areas and the Government's Plan for Equality is the benchmark.

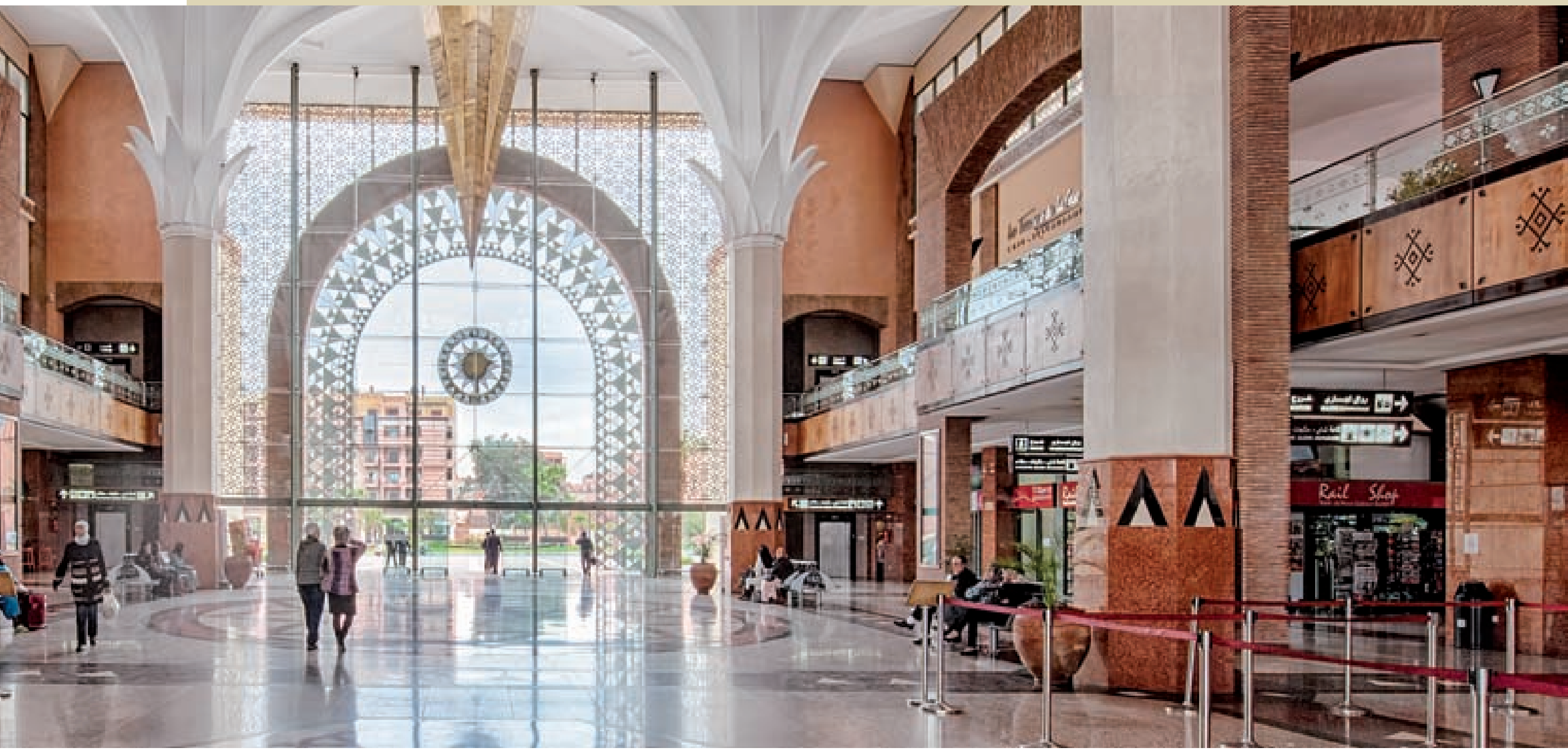
***In order to reduce poverty and precariousness, the Government intends to extend social protection and improve targeting and efficiency of service delivery to citizens.*** In 2012, for example, this was reflected in the generalization of the medical assistance scheme (RAMED). The Government is trying to more effectively streamline social action by improving the efficiency of transfers and establishing a single identifier. Reform of the pension system will be one of the next challenges.

***As regards education and vocational training, the emergency programme seeks to: (i) extend the mandatory duration of schooling to 15 years, (ii) allocate more resources to students, and (iii) guarantee them more efficient vocational training, ended in 2012.*** The Government is currently preparing strategies for vocational training and education (2015), which are expected to address the issues of training-employment matching, competitiveness, entrepreneurship and the fight against inequalities in skills development.

***In order to strengthen social inclusion, the Bank has continued to support the development of a closer training-employment match and youth employability, especially of young women.*** To that end, the Bank supported the implementation of a programme for matching training-employment (PAAFE), through a budget support operation (EUR 116 million - July 2013). The Programme's objective is to improve the employability of educational system graduates through technical and vocational training that is more deeply rooted in the productive environment, improvement of the relevance and guidance of higher education, and more effective sector coordination and governance. The main outcomes of the PAAFE are: (i) overhaul of training toolkits for higher education; (ii) drafting of a Bill establishing the National Agency for Higher Education Evaluation; (iii) establishment of a graduate integration mechanism; (iv) establishment of delegated management systems in vocational training, and (v) improvement of governance.

***Social inclusion has also been supported by interventions in the social protection sector.*** PARCOUM III is a budget support operation for an amount of EUR 116 million aimed at extending basic medical coverage and improving access to health care services. The first disbursement of EUR 70 million was made following: (i) the establishment of an inter-ministerial committee on medical coverage; (ii) submission of proposed scenarios for the coverage of self-employed workers, and (iii) mobilization of resources allocated to RAMED. These reforms were supplemented by two technical assistance operations approved in 2013 and now in the start-up phase, concerning the preparation of: (i) a health mapping decision-making information system for Morocco (MIC) and; (ii) the health sector financing strategy (TFT).

***Major technical assistance operations have contributed to the development of social sector interventions:*** through transition fund grants, (i) funding of the health financing strategy, (ii) establishment of an integrated vocational training evaluation system, (iii) establishment of job and competency frameworks (REC)/Lists of Jobs and Trades (REM) for the BPW sector, (iv) establishment of a university graduate integration monitoring unit, and (v) support for national dialogue with civil society, and (vi) a training kit to build women's capacity to assume elected office. Through grants for middle-income countries: (i) support for the development strategy for private education establishments, (ii) support for the establishment of a Digital University at Rabat International University, and (iii) establishment of a geographical information system at the Ministry of Health.



# Bank Group Strategy & Ongoing Activities in Morocco

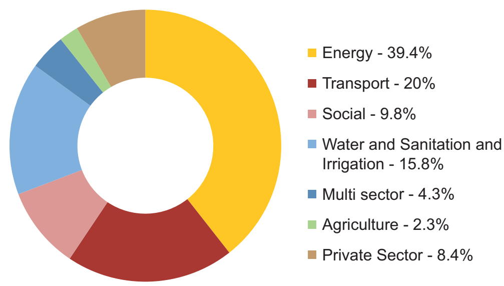
The Bank Group's strategy in Morocco (CSP 2012-2016) was approved by the AfDB Board of Directors in April 2012. The two pillars adopted for this CSP are: (i) enhancement of governance and social inclusion; and (ii) support for the development of "green" infrastructure.

Bank support for the Government's efforts in governance and social inclusion is therefore a sign of continuity.

Indeed, under its previous strategy for Morocco, the Bank, together with the World Bank and the European Union, participated actively in the preparation and implementation of the Public Administration Reform Support Programme (PARAP), which was implemented in several phases. PARAP helped to improve public administration efficiency in the management of human and budgetary resources. Similarly, the Bank supported financial sector modernization by funding the Financial Sector Reform Support Programme (PADESFI). Under the first pillar of the strategy currently being implemented, the Bank has, in collaboration with the other development partners (European Union, World Bank, French Development Agency, etc.), continued to support second-generation reforms by broadening the scope of its intervention to new areas (education and local governance).

Under Pillar I: Enhancement of Governance and Social Inclusion, the operations approved during the first two years of implementation of the 2012-2016 CSP were the following lending programmes: (i) the Green Morocco Plan Support Programme; and (ii) PARAP (new generation), the Training-Employment Matching Support Programme and the Medical Coverage Reform Support Programme (PARCOUM III). There are also 13 non-lending operations: (i) Technical Assistance for MTEF Development; (ii) Study on the Preparation of Competency Frameworks for Logistics Jobs; (iii) Study on the Relationship between Inclusive Growth and Employment in Morocco; (iv) Technical Assistance for the Promotion of Young Agricultural Entrepreneurs; (v) Modernization of the Debt Management Organizational Framework; (vi) Preparation of the Monetary and Financial Code; (vii) Health Sector Financing Strategy; (viii) Technical Assistance for National Dialogue on the New Constitutional Roles of Civil Society; (ix) Assessment of the Quality of Vocational Training; (x) Study on the Identification of BPW Sector Skills Requirements for the preparation of a training programme by 2015; (xi) Toolkit for Women's Participation in Elective Bodies; (xii) Establishment of a Support System for the Integration of Higher Education Graduates; and (xiii) Establishment of the Digital University at Rabat International University.

**Figure 5.20: Current Portfolio by sector in Morocco**




Under Pillar II: Support for "Green" Infrastructure Development, the approved operations are: (i) the Marrakesh Region DWS Project; (ii) the Ouarzazate Solar Power Plant Project; and (iii) the Integrated Wind Energy, Hydro-Power and Rural Electrification Project.

After the second year of implementation of the 2012-2016 CSP, the portfolio was rejuvenated with a total of 20 new operations. A review of the portfolio's sector distribution shows that infrastructure (energy, transport, water and sanitation) is the Bank's main area of intervention. Through its massive involvement in the infrastructure sector, the Bank has helped to enhance the attractiveness of this country which is sparing no effort to become a regional investment, production and trading hub.

The second focus area for Bank operations is structural reform support. Given their scope and complexity, Bank support for the country's reform programmes is developed and implemented jointly with other development partners.


شيشاوة
اكادير
CHICHAOUA
AGADIR
مراكش النخيل
الدار البيضاء
MARRAKECH PALMERAIE
CASABLANCA
40
60

# Second Program of National Rural Roads

| | |
|---|---|
| **ADB Loan Amount** | € 45 million |
| **Co-Financiers** | Special Rural Funds and Government; local Communes; BEI; BM; AFD; FADES; OPEP; FKDEA; JICA; Hassan II Funds; Italian Cooperation and EU |
| **Approval Date** | September 2007 |
| **Expected Completion Date** | December 2014 |
| **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:

- The construction of paved and earth roads;
- The construction drainage systems;
- The installation of related works;
- The inspection and supervision of works; and
- Audit operations.

## Expected Outcomes

The project intends to:

- Provide better 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.

Transport

# 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 recording 2.9% per year between 2004 and 2007 before the international crisis caused a 21.8% per year contraction. 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 by 2016.

## 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 40 km 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;
- Employment creation of both direct and indirect jobs during the project implementation and operational phases, especially in the logistic zones created;
- Improving the competitiveness of railway transport especially on the rail freight market niche.

Transport

# Third Airport Project

| | |
|---|---|
| **ADB Loan Amount** | € 240 million |
| **Co-Financiers** | Kingdom of Morocco/National Airports Authority |
| **Approval Date** | April 2009 |
| **Expected Completion Date** | November 2015 |
| **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.

# Development of Transport Networks and Distribution of Electricity (PDRE)

| | |
|---|---|
| **ADB Loan Amount** | UA 100 million |
| **Approval Date** | December 2009 |
| **Expected Completion Date** | December 2017 |
| **Location** | Different regions of Morocco (Northern and Eastern, Western region, Central and South) |
| **Executing Agency** | National Electricity Office |

## Background and Objective

The Moroccan electrical network is operating at a very similar level of its permissible limits. Indeed, the current configuration of high-voltage transmission network (EHV) and National Electricity Office (NEO) high voltage (HV) presents significant operational problems (saturation, appearance of constraints or surcharges, increased level of losses, degradation level of security provision). Given this critical situation and changes in demand electricity, a reinforcement scheme of the transport network has been developed by the NEO. This has resulted the PDRE Project without which the supply of electricity can not be satisfied in the requirements for reliability and security.

## Description

The main project components are:

- Construction of HV line 225 kV of 55 km and a station 225/60 kV to evacuate the additional power of 300 MW of power Kenitra;
- Construction of a 400 kV substation to evacuate the additional power of 700 MW installed at the Jorf Lasfar;
- Construction of a 400 kV line of 24 km, seven 225 kV lines of 519 km and 7 lines of 60 kV and two 133 km lines HTA 73 km; and
- Construction of 3 posts 225/60 kV and 100 MVA 225/60 kV of 4 posts 70.

## Expected Outcomes

The expected project results are:

- The increase in cumulative installed capacity;
- Improved rates access to electricity;
- Increasing the amount of $CO_2$ emissions avoided;
- The reduction of network losses;
- Increased energy transit capacities.

# Integrated Wind Energy, Hydro-Power and Rural Electrification Programme (PIEHER)

| | |
|---|---|
| **ADB Loan Amount** | 320 million UC (+78 million UC from FTP) |
| **Co-Financiers** | Kingdom of Morocco/National Office for Electricity and Drinking Water (ONEE); BEI; KfW; European Union |
| **Approval Date** | June 2012 |
| **Expected Completion Date** | June 2018 |
| **Location** | Nationwide |
| **Executing Agency** | National Office for Electricity and Drinking Water (ONEE) |

## Background and Objectives

The Integrated Wind Energy, Hydro-Power and Rural Electrification Programme is in keeping with Morocco's energy strategy vision of which aims to: (i) improve energy security, (ii) achieve a greater proportion of renewables in the energy mix, thus reducing the effects of the generation of electricity on climate change, and (iii) ensure energy access in rural areas. To 97%, Morocco depends on the outside world to meet its energy needs. Over the past ten years, electricity consumption has increased at an average annual rate of 6 to 8%, as a result of the country's robust economic development and the implementation of a major Global Rural Electrification Programme (PERG). It is also expected that this rise in demand for electricity will continue at an annual rate of 5 à 7% over the next ten years (see Annex IV), in line with forecast GDP growth of 5.5%. Morocco's energy strategy aims at increasing the proportion of renewables in the energy mix from 10% in 2007 to 42% in 2020, which accounts for approximately 6,000 MW of additional renewable energy.

## Description

The main project components are:

- The construction of four wind farms with a total capacity of 750 MW;
- The construction of a pumped power transfer station (STEP) as well as one for a hydro-power complex with a total capacity of 20 MW;
- The construction of transmission lines and step-up transformers for connection to the national grid; and
- The construction of MV and LV lines and MV/LV distribution sub-stations in order to connect 86,000 households in 25 provinces.

## Expected Outcomes

The expected project outcomes are:

- An increase in total installed capacity;
- Improved electricity access rate through the electrification of 86 households, i.e. about 516,000 Moroccans living in rural areas;
- An increase in the amount of $CO_2$ prevented (65 million tonnes during the project's life span);
- A reduction in energy product imports; and
- Increased private sector participation in electric power generation investments.

# Ouarzazate Solar Power Plant Project – Phase 1 (NOOR1)

| | |
|---|---|
| **ADB Loan Amount** | € 100 million (+ € 70 million from FTP) |
| **Co-Financiers** | Kingdom of Morocco/MASEN; BM; AFD; BEI; KfW European Union |
| **Approval Date** | May 2012 |
| **Expected Completion Date** | December 2016 |
| **Location** | The province of Ouarzazate |
| **Executing Agency** | MASEN |

## Background and Objectives

The Ouarzazate Solar Power Plant Project – Phase I will enable Morocco to honour its national and international commitments. It is part of the Moroccan Solar Plan designed under Morocco's energy strategy and, on a larger scale, it forms part of the Concentrated Solar Power (CSP) Investment Plan of the Middle East and North Africa Region (MENA). This investment plan was prepared with countries of the region under the aegis of the ADB and the World Bank. It will enable participating countries to contribute their solar resources to the global effort to combat the effects of climate change, while significantly increasing the world's installed CSP capacity.

## Description

The project comprises:

- The construction of a 160 MW CSP plant with a 3-hour storage capacity (solar field, generator, energy transmission facility, site development, storage facilities and related infrastructure).

## Expected Outcomes

The expected project outcomes are:

- The management of large-scale solar energy generation and increase in total installed capacity;
- The increased diversification of Morocco's sources of energy;
- The increase in the quantity of $CO_2$ prevented;
- Greater private sector participation in green electric power generation investments and establishment of a local industry able to provide manufactured inputs;
- The creation of domestic jobs and;
- In the longer term, export of green energy to Europe.

# Ouarzazate Solar Power Plant Project – phase 2 & 3 (NOOR II & III)

| | |
|---|---|
| **ADB Loan Amount** | €100 million (+ USD 119 million) |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2019 |
| **Location** | Countrywide |
| **Executing Agency** | MASEN |

## Background and Objectives

Phase II aims to achieve the targeted full capacity of Ouarzazate solar complex by developing PPP, as in Phase I, two new thermal concentrating solar power plants with a total capacity of 350 MW of which 200 MW Parabolic mirrors (NOOR II) and a 150 MW solar tower (NOOR III). Each plant will have a thermal energy storage device for its operation at full capacity for at least five hours after sunset. The storage devices and allow better integration of the power generation NOOR NOOR II and III at peak hours are between 17 hours and 22 hours in winter and between 18 hours and 23 hours in summer. The total production of NOOR NOOR II and III is estimated to average 1100 GWh per year. They will annually prevent the emission of 522,000 tons of CO2 compared with oil-fired power plants, hence the project's contribution to mitigation of climate change.

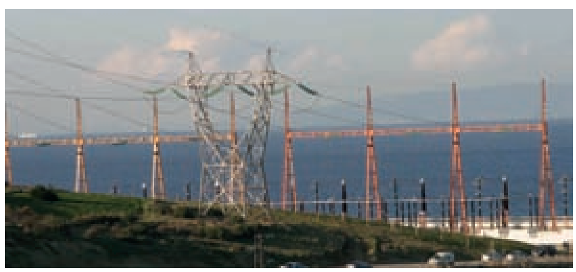
## Description

The main project components relate to the following energy infrastructure:

- NOOR II Central parabolic mirrors of 200 MW with a thermal energy storage device of 5 hours and a production of 600 GWh / year;
- Central NOOR III solar tower about 150 MW with a thermal energy storage device of 5 hours and a roduction of 500 GWh / year.

## Expected Outcome

- A (01) Central solar thermal concentrating parabolic mirrors 200 MW built (NOOR II) with a thermal storage device for at least five (5) hours with an annual production of 600 GWh;
- A (01) Central solar thermal tower constructed 150 MW (NOOR III) with a 5-hour storage device with an annual production of 500 GWh;
- A cumulative annual output of the proposed 1,100 GWh per year;
- 522,000 tonnes of CO2 whose emission will be avoided annually 13 million tons of CO2 during 25 years of plant operation NOOR III;
- increased participation of private production of renewable electricity into the electric energy bouquet of Morocco;
- Local industrial development in the field of renewable energy;
- Job creation during construction and during 25 years of operation of solar power plants.



# Training-Employment Matching Program

| | |
|---|---|
| **ADB Loan Amount** | UA 116 million |
| **Co-Financiers** | Moroccan Government |
| **Approval Date** | July 2013 |
| **Expected Completion Date** | December 2014 |
| **Location** | Kingdom of Morocco |
| **Executing agency:** | Ministry of Economy and Finance, Ministry of Education, Ministry of Higher Education and Research |

## Background and Objectives

The objective of the Programme in Support of Matching Training and Employment is to improve the employability of technical, vocational and higher education graduates in order to boost the development of economic sectors and ensure greater compatibility between training and the labour market.

This support will enhance the performance of educational and training establishments while improving sectoral governance. To that end, PAAFE contributes to: (i) greater private sector involvement in educational and training mechanisms; (ii) diversification and professionalization of academic and training programmes; (iii) the improvement of equity; and (iv) strengthening of sectoral coordination and governance.

## Description

The measures which contribute to the achievement of these results are classified into three components:

- Component 1: Increase technical and vocational education performance in response to labour market needs. The objective of this component is to propose reforms that adapt the training curricula to market needs;
- Component 2: Improve the relevance and management of higher education. This component mainly seeks to support key reforms of the new education strategy that are likely to generate a significant impact in terms of graduate employability and the development of potential resources;
- Component 3: Improvement of Sectoral Coordination and Governance.

## Expected Outcomes

The overall expected outcomes of the programme are:

- Greater involvement of the productive sector in the national training mechanism through strengthening of the link between academic training and work-place experience and the delegation of training to professionals;
- Extension of the training system to ensure greater equity;
- Improvement of the quality of public and private training establishments;
- Diversification and professionalization of public and private training programmes;
- Institutionalisation of quality assurance; and
- Improvement of sectoral coordination and governance.

The programme will indirectly affect the entire Moroccan population mainly through its catalytic effect on the long-term training of human capital. Specifically, PAAFE will directly benefit 879,269 eligible secondary school students (of whom 48% are girls), 510,000 higher education students (of whom 47% are girls), 370,000 vocational training interns (of whom 43% are girls), 30,000 unskilled job seekers, as well as businesses in the professional branchestargeted by the new vocational training strategy.

# Establishment of a Geographic Information System and a Health Care Card

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.5 million |
| **Co-Financiers** | Moroccan Government |
| **Approval Date** | December 2013 |
| **Cancellation Date** | December 2016 |
| **Location** | Nationwide |
| **Executing Agency** | Ministry of Public Health |

## Background and Objectives

The Moroccan economy saw a 4.6% increase in their GDP between 2004 and 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 (GIS). 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 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 on health care provision;
- The reference document for the introduction of the health map is validated and delivered to the Ministry of health.

# Establishment of an Integrated Vocational Training Evaluation System

| | |
|---|---|
| **ADB MIC Grant Amount** | € 140 400 |
| **Co-Financiers** | Ministry of Employment and Vocational Training |
| **Approval Date** | December 2012 |
| **Expected Date of Completion** | August 2015 |
| **Location** | Kingdom of Morocco |
| **Executing Agency** | Ministry of Employment and Vocational Training |

## Background and Objectives

The objective of this support is to improve the quality and relevance of training courses in order to facilitate job market insertion for young people. The establishment of a vocational training quality evaluation system will increase the results-based accountability of centres and improve the overall governance of the system.

## Description

The main project components are:

- Review of the different tools and instruments;
- Design of the evaluation system;
- Preparation of a computer application to support the evaluation system;
- Training of Ministry officials at regional and central levels; and
- Support to the Ministry during installation.

## Expected Outcomes

The expected outcomes are:

- Availability of useful consolidated information for the management of the sector in order to improve training centre quality;
- Each training establishment has a self-evaluation tool;
- Each operator has a monitoring and management tool;
- The Ministry has a national management tool.

# Study on Growth and Employment in Morocco

| | |
|---|---|
| **ADB MIC Grant Amount** | € 704 600 |
| **Co-Financiers** | Ministry of Economic Affairs and Finance |
| **Approval Date** | December 2012 |
| **Expected Date of Completion** | December 2015 |
| **Location** | Kingdom of Morocco |
| **Executing Agency** | Ministry of Economic Affairs and Finance / Researsh Departement |

## Background and Objectives

This study aims to build knowledge on conditions that will foster more inclusive growth with a view to guiding the Government's reform actions and the Bank's operations in Morocco. Following the economic crises of the past five years and the events of the Arab Spring, it has become necessary to update, supplement and deepen the analyses of the growth and employment creating sectors.

## Description

The main stages of the study are:

- The diagnosis of the impact of the growth plan on employment;
- The identification of existing and foreseeable constraints to ensure faster job-creating and more inclusive growth;
- Strategic directions, action plan and monitoring/ reporting system;
- The dissemination of the study results and project audit.

## Expected Outcomes

The expected outcomes are:

- Increase knowledge of the conditions for inclusive and job-creating growth;
- Mainstream the issue of job creation in public policies; and
- Enable the Government to better understand and incorporate job promotion policies in its economic and social programme.

Social sector

# Development Strategy of Private Education

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.47 million |
| **Co-Financiers** | Moroccan Government |
| **Approval Date** | March 2011 |
| **Expected Date of Completion** | December 2015 |
| **Location** | Morocco |
| **Executing Agency** | Conseil Supérieur de l'Enseignement |

## Background and Objectives

Though the government of Morocco has implemented a number of reforms to its education system since 1999, the sector continues to experience important challenges. These include the absence of clear economic and educational models for the sector and a lack of regulation in the sector. As a result, the government intends to pursue the development of private sector education for which it requested financial support from the Bank.

The objectives of this project are to elaborate a strategic and integrated plan for the development of private education at the graduate level, primary level and professional education. The project also intends to propose operational plans for each sector.

## Description

The project will entail the following components:

- The creation of a strategic and integrated plan for private sector development which will include the creation of a diagnostic on each of the three levels of education;
- A comparative study on private sector education in 5 case countries;
- The creation of operational plans on the private sector development strategy.

## Expected Outcomes

The project will lead to:

- A methodological note on the diagnosis;
- A report on the field survey and benchmarking on models of teaching and private education;
- A diagnostic report will include a description and analysis of Moroccan private sector education.

# Preparation of a Health Financing Strategy

| | |
|---|---|
| **ADB MIC Grant Amount** | € 295 000 |
| **Co-Financiers** | Kingdom of Morocco /Ministry of Health |
| **Approval Date** | December 2012 |
| **Expected Date of Completion** | April 2015 |
| **Location** | Kingdom of Morocco |
| **Executing Agency** | Ministry of Health |

## Background and Objectives

The objective is to establish a financing strategy for the entire health sector which will serve as a reference document for the implementation of medical coverage, the improvement of health-care supply and improvements concerning the sector's efficacy and sustainability.

## Description

The project's main components are:

- Support to the development process and operationalization of the health financing strategy;
- Building the Ministry's capacities including the regional directorates in order to allow decision makers to take and implement decisions relating to health financing.

## Expected Outcomes

- A draft health sector financing strategy; and
- An MTEF organized around programmes and sub-programmes including key performance indicators.

Social sector

# Establishment of a Digital University – International University of Rabat

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 774 600 |
| **Co-Financiers** | Moroccan Government |
| **Approval Date** | October 2013 |
| **Date prévue d'achèvement** | December 2017 |
| **Lieu** | Rabat |
| **Organe d'exécution** | International University of Morocco |

## Background and Objectives

In a bid to narrow the digital divide and position the Kingdom on the international scene, Morocco, in consultation with public and private stakeholders, launched the "2013 digital plan" in 2010. To consolidate its position in this strategic sector, Morocco has to invest massively in digital technologies while training a critical mass of highly-qualified human resources in this area.

Based on the assumption that developing digital technologies in higher education will boost graduate employability, the goal of such technical assistance is to promote the development of innovative teaching methods using ICTs as the framework for designing academic and training curricula.

The International University of Rabat (UIR), which promotes the project, is developing a vast partnership network with academia and the private sector to provide top-quality training.

## Description

This technical assistance comprises two main components:

- Technical assistance studies and services to provide digital solutions, steering of the development of detailed digital solutions and capacity development;
- Procurement of appropriate equipment and software to be used for the deployment of the digital platform.

## Expected Outcomes

This project should lead to:

- The enhancement of training to guarantee success and employability;
- Collaboration and communication with other universities; and
- Better positioning of the university within the knowledge economy.

# Grants for Countries in Transition

| | |
|---|---|
| **Grants for Countries in Transition** | € 1.4 million |
| **Approval Date** | 2013 |
| **Expected Completion Date** | Not yet determined |
| **Location** | Nationwide |
| **Organe d'exécution** | Government of Morocco |

## Background and Objectives

Under the Transition Countries Fund, six grants were allocated to support the Government in various sectors, particularly: (i) vocational and higher education, to enhance the employability of graduates; (ii) health, in order to institute a strategy for financing the sector; (iii) capacity building for women in elective positions; and (iv) the last grant that will enable the Government to continue its dialogue with civil society on its new roles defined in the new constitution.

## Description

The project's main components are:

- Vocational training;
- Establishment of an integrated quality assessment system;
- Identification of the skills requirements in the civil works sector;
- Higher education: Support in the establishment of a national mechanism to enhance the employability of Moroccan university graduates;
- Civil society: Support to the national dialogue on the new constitutional roles of civil society organisations;
- Health: Support to the preparation of a new health sector financing strategy;
- Local communities: Institute a package to train women for elective bodies.

## Expected Outcomes

This technical assistance will help the Government in key development and capacity-building actions.

# Medical Coverage Support Programme – Phase III

| | |
|---|---|
| **ADB Loan Amount** | € 115 million |
| **Co-Financiers** | Moroccan Government |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2014 |
| **Location** | Nationwide |
| **Executing Agency** | Ministry of Health and Ministry of Finance |

## Background and Objectives

Morocco intends to improve access to basic social services for its population by developing social welfare mechanisms. RAMED and basic medical coverage are indeed two of the Government's nine major projects. They are consistent with the Kingdom's poverty reduction policy as stated in the Government's programme (January 2012) and in the Speech from the Throne on 30 July 2012.

PARCOUM III will support structural reforms in social welfare and help to cover the financing deficit in the Government's programme. This programme will help the Moroccan Government to define a long-term social welfare vision for its entire population, by addressing challenges related to reform coordination and financing.

## Description

After establishing coverage mechanisms for public and private sector employees and for the economically disadvantaged, the Government intends to pursue these efforts by developing the same mechanisms for the so-called "independent" population. The goal of the programme is to support the Kingdom of Morocco in its efforts to promote universal coverage of its social protection mechanism. This programme seeks to improve the social and medical protection of Moroccans, especially the most vulnerable social segments, by expanding basic medical coverage and access to quality health services.

To that end, the programme lays emphasis on:

- The steering and financing of reform;
- The extension of medical coverage; and
- The regulation of healthcare supply.

## Expected Outcomes

The programme should help extend social welfare coverage to a larger proportion of the population (from 46% to 60%), a reduction of the share of direct payments in health expenditure (from 53% to 48%) and an improvement in the perception of the quality of health care services (from 23% to 40%).

# PADESFI III

| | |
|---|---|
| **ADB Loan Amount** | € 100 million |
| **Approval Date** | October 2014 |
| **Expected Completion Date** | December 2014 |
| **Location** | Countrywide |
| **Executing Agency** | Ministry of Economy and Finance |

## Background and Objectives

The PADESFI III is a continuation of PADESFI I & II, approved by the Bank in 2009 and 2011. The results of these previous programs were positive including increased banking penetration rate of 35% population in 2008, 60% in 2013 and over the same period a doubling of the outstanding loans to SMEs / VSEs. Moreover, these results were obtained in a governance framework over the remediated area including a reduction in portfolio risk as well in the banking sector than in micro-credit.The purpose of PADESFI III is to contribute to creating conditions for inclusive economic growth through the consolidation of the financial sector and greater financial inclusion. Its specific objective is to strengthen the development of the financial sector in particular through enhancing the access of the population and enterprises to financial services and deepening the sector and strengthening its governance.

## Description

The Program is based on four pillars:

- Improving the access of the population to financial services;
- Facilitating access to finance for businesses;
- Strengthening the governance of the financial sector; and
- Deepening of the capital market.

## Expected Outcomes

The expected overall results after the implementation of the Programme are:

- Improving the access of the population to financial services;
- Improving access to finance for businesses, especially micro-businesses;
- Strengthening the financial sector governance system; and
- Deepening of the capital market.

Compared to the two previous programs, the PADESFI III is targetting greater financial inclusion of the most vulnerable young people in the case, especially students, and women and the SME / VSE operating in regions other than the axis Casablanca – Rabat.

# Tenth Drinking Water Supply and Sanitation Project

| | |
|---|---|
| **ADB Loan Amount** | € 33.84 million |
| **Co-Financiers** | Kingdom of Morocco/National Drinking Water Authority |
| **Approval Date** | November 2008 |
| **Expected Completion Date** | December 2016 |
| **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, and 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.

# Support Project to the National Irrigation Water Saving Program (PAPNEEI)

| | |
|---|---|
| **ADB Loan Amount** | € 53.59 million |
| **Co-Financiers** | Kingdom of Morocco/Ministry of Agriculture and Maritime Fisheries |
| **Approval Date** | December 2009 |
| **Expected Completion Date** | December 2016 |
| **Location** | Tadla, Doukkala, 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. This explains the high priority given by the Government to the National Economy Program Irrigation Water aiming at converting to drip irrigation a total area of 500 000 ha.

The objective of the project is to ensure rational and positive utilization of irrigation water resources against the backdrop of resource scarcity. It will ensure a rational and beneficial use of irrigation water resources in a context of increasing scarcity of this resource. It aims at the development of irrigation infrastructure in localized action of the Uffizi agricultural development in Loukkos areas, Tadla, Doukkala and Moulouya about 20,000 ha involving 5,853 farms with a population target of nearly 30,000 inhabitants, divided by river basin as able as follows: (i) Tadla (2860 ha, 654 farms, gravity irrigation), (ii) Doukkala (3336 ha farm in 1581, and aspersive gravity irrigation) (iii) Loukkos (7,785 ha, 2,118 farms, irrigation aspersive) and (iv) Moulouya (6,000 ha, 1,500 farms aspersive irrigation).

## Description

The main project components are:

- Modernization of irrigation infrastructure;
- Support for the development of irrigation water;
- Project coordination and capacity building.

## Expected Outcomes

The expected results of the project are:

- Increase of irrigated area drip of 20,000 ha;
- 40% increase in average yield of major crops;
- Improvement of production for 5853 farms with a population of 30,000 inhabitants;
- Creation of a water saving of 68.6 million m$^3$ and gains energy value at Dhs 8 million per year;
- 25% increase in the average value of additional water production/m$^3$;
- Strengthening the capacity of agriculture and users associations (15 Associations);
- Creation of infrastructure for the conversion of conventional irrigation to drip irrigation at four basins on an area of 20,000 ha (Tadla, Doukkala Loukkos and Moulouya);
- Creation of three research programs and development of targeted and localized irrigation experiments;
- Organization of producers to support value chains and marketing (aggregation process).

# Project to Strengthen the Drinking Water of the Coastal Zone of Rabat-Casablanca

| | |
|---|---|
| **ADB Loan Amount** | € 162.31 million and US 55.06 million |
| **Co-Financiers** | Kingdom of Morocco/National Office for Electricity and Drinking ONEE |
| **Approval Date** | May 2005 |
| **Expected Completion Date** | December 2014 |
| **Location** | National/coastal Rabat/Casablanca |
| **Executing Agency** | ONEE |

## Background and Objectives

The project is based on the appropriate use and management of water resources and sustainable water management. At the national level, the strategy aims to strengthen national water policy. It parts on the achievement of ambitious goals, including the needs in water and the preservation of water resources against the effects of global warming, the radical change in the management of water resources. The water strategy will protect the country's water resources and also support, over time, economic development in Morocco.

The project aims at reinforcing drinking water production and supply cities along Rabat-Casablanca as well as in urban centers and surrounding rural areas.

## Description

The main components of the project are:

- Strengthening the supply of drinking water in the coastal zone close to Rabat-Casablanca;
- Pumping Stations;
- Water treatment;
- Treated water pipes.

## Expected Outcomes

This project will result in :

- Ensuring access to safe drinking water by 2030 in targeted areas;
- Strengthening and improving the quality of access to drinking water for nearly 5 million people in 2014, including 700,000 in rural areas.

# Study of the Drinking Water Supply Master Plan for the Northern Part of the Moulouya Water Basin

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 204 994 |
| **Co-Financiers** | Moroccan Government |
| **Approval Date** | January 2013 |
| **Expected Completion Date** | December 2015 |
| **Location** | Ouja |
| **Executing agency** | ONEE Water branch |

## Background and Objectives

The purpose of the grant is to support the Water Branch of the National Water and Electricity Corporation (ONEE) in the conduct of the Study on the Drinking Water Supply Master Plan for Urban and Rural Communities in the Northern Part of the Moulouya Water Basin. The objective of this study is to plan sustainable drinking water supply in the region. It also seeks to prepare needs-resources assessment of the study area and design supply plans to cover the long-term water needs of urban and rural communities in the study area while conducting an exhaustive diagnosis of the current drinking water supply situation.

## Description

The project has a single component, namely the Study on the Drinking Water Supply Master Plan for the Urban and Rural Communities in the Northern Part of the Moulouya Water Basin, to be conducted in three phases, referred to as missions.

The three missions are as follows:

- Mission I: Study of Drinking Water Supply Needs by 2035;
- Mission II: Inventory and Analysis of the Resources Used and/or Allocated to Drinking Water Supply and Needs/Resources Analysis; and
- Mission III: Drinking Water Supply (DWS) Master Plan of the Study Area.

## Expected Outcomes

This study concerns the drinking water supply master plan for urban and rural communities in the northern part of the Moulouya water basin. The study will provide the requisite tools for drinking water supply planning in order to ensure DWS sustainability in this region.

# Water Supply in Marrakech

| | |
|---|---|
| **ADB Loan Amount** | €120 million (+ USD 37 million) |
| **Co-Financiers** | Moroccan Government |
| **Approval Date** | November 2012 |
| **Expected Completion Date** | December 2018 |
| **Location** | Marrakech |
| **Executing Agency** | ONEE |

## Background and Objectives

The water supply project in the region of Marrakech is funded by an ADB loan amounting to EUR 120 million and USD 37 million approved by the Bank in November 2012 and signed in December 2012. This project is at its development stage. It was launched in late February 2013. the poject required the recruitement of technical assistance to support the ONEE in the preparation of calls for proposals for firms.

The recruitement process for this technical support component is ongoing. Effectiveness and first disbursement conditions have been met. The first calls for proposals were launched in early December 2013.

## Description

This project has two components:

- Development of production infrastructure for storage and water supply;
- Technical Support.

## Expected Outcomes

This project will result in:

- Ensure safety of drinking water supply for about 2 million from 2017 in the area, Al Haouz and Al Kelaa, experiencing development urban, tourism and industrial importance;
- Empower ONEE (Water Division) as producer and distributor, as well as the Independent Board for water and electricity distribution in Al Haouz and Al Kelaa, "RADEEMA "as a distributor. To accompany the changing demands of the population in the region until 2030 (when the affected population will be around 3 million inhabitants, more than a million in rural areas);
- Help Youssoufia Phosphates "OCP" meet its needs for industrial water for the Ben Guerir and El Youssoufia sites.

# Office Cherifien des Phosphates (OCP) Investment Program

| | |
|---|---|
| **ADB Loan Amount** | USD 250 million |
| **Co-Financiers** | AFD, EIB, IDB, KfW, local and international commercial banks |
| **Approval Date** | June 2011 |
| **Expected Completion Date** | May 2015 |
| **Location** | Nationwide |
| **Executing Agency** | OCP |

## Background and Objectives

This project aims to finance the short and medium term Investment Program (IP) of the Office Chérifien des Phosphates (OCP) S.A in order to strengthen its competitiveness and leading position in the rock phosphate and derivatives (e.g. fertilizers) export markets. OCP became a limited liability company (OCP SA) in 2008. It specializes in the extraction, beneficiation and marketing of phosphate and its derivatives. The Moroccan Government owns 94% of its shares against 6% for the Banque Commerciale Populaire. OCP S.A is planning to obtain a credit rating in early 2012 in order to access international capital markets.

## Description

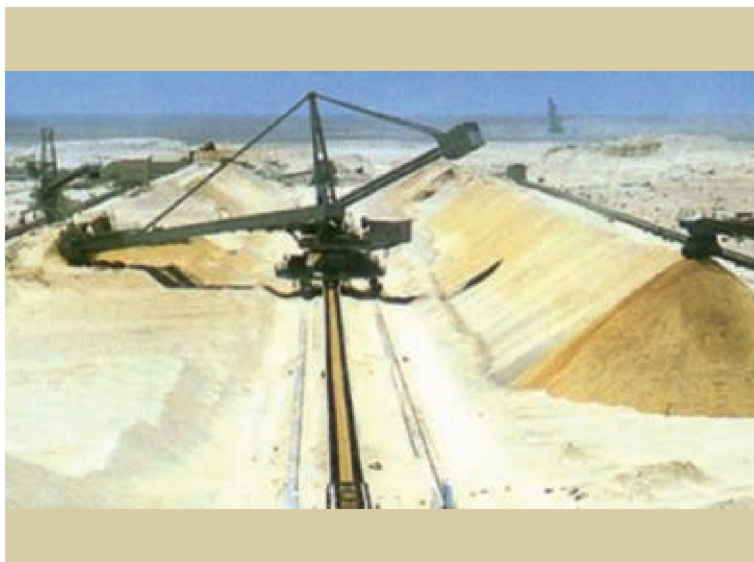
This project will entail:

- The financing of the investment program, OCP.

## Expected Outcomes

This project will result in

- An increase in phosphate production capacity from 28 to 47 (Million Tons Per Year);
- A reduction in production costs by changing the rock transportation method from the mines to the ports through the construction of about 400 km-long ore conveyors ("slurry pipeline"); and
- The establishment of infrastructure to locally process 80% of phosphate into phosphoric acid and fertilizers.



# Technical Support for & Irrigation Infrastructure Development

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.49 million |
| **Co-Financiers** | Kingdom of Morocco/Ministry of Agriculture and Maritime Fisheries |
| **Approval Date** | February 2011 |
| **Expected Completion Date** | December 2015 |
| **Location** | Loukkos, Doukkala and Tadla |
| **Executing Agency** | Ministry of Agriculture and Maritime Fisheries |

## Background and Objectives

To address the situation marked by the scarcity of water resources and the impacts of climate change, and with a view to ensuring consistency between the Water Strategies and the GMP as well as providing support to the implementation of the PNEEI, this operation aims to enhance water resources by promoting irrigation infrastructure in a context of climate change. This technical support will help to increase water productivity on a sustainable basis through support to the PNEEI by focusing on two main thrusts: (i) the design and preparation of strategic tools for monitoring and ensuring the consistency of the Water Sector and GMP policies; and (ii) the preparation and establishment of tools to streamline PNEEI implementation.

## Description

The main project components are:

- Preparation of strategic tools for the irrigation sector;
- Establishment of operational tools for water management and capacity building; and
- Coordination and auditing of the operation.

## Expected Outcomes

The expected project outcomes are:

- Improved planning of water resources over an area of 400,000 ha;
- Promotion of irrigation water conservation over an area of 30,000 ha;
- Increased agricultural production and productivity;
- Improvement of water service in the main irrigation areas (30,000 ha); and
- Preparation of a Water Conservation Investment Programme.

# Technical Assistance for the Promotion of Young Entrepreneurs (JEA)

| | |
|---|---|
| **ADB Grant Amount (MIC TAF)** | UA 497 200 |
| **Approval Date** | January 2012 |
| **Expected Completion Date** | October 2015 |
| **Location** | Countrywide |
| **Executing Agency** | Ministry of Agriculture and Maritime Fisheries |

## Background and Objectives

The project objective is to contribute to the fight against unemployment among young graduates through the promotion of micro enterprises and the establishment of incubation structures to support young entrepreneurs through targeted training.

## Description

The main project components are:

- Program formulation and selection of JEA;
- Training, installation and support of JEA;
- Evaluation and replicability of the JPO promotion model;
- Coordination and audit of the operation.

## Expected Outcomes

The expected project results are:

- Technical support to the promotion of agricultural Young Entrepreneurs;
- Establishment of a youth employment promotion model focuses on entrepreneurship;
- Promotion of agricultural outreach services;
- Promoting PPP approach to agricultural services;
- Establishment of an incubator for youth employment;
- Emergence of 160 small and medium agricultural enterprises run by young people.

# Enhancement of Agricultural Production Through Biotechnology

| | |
|---|---|
| **ADB Grant Amount** | USD 150,000 |
| **(Assistance Fund for South-South Cooperation)** | |
| **Approval Date** | December 2012 |
| **Expected Completion Date** | April 2015 |
| **Location** | Countrywide |
| **Executing Agency** | Ministry of Agriculture and Maritime Fisheries |

## Background and Objectives

The Group of the African Development Bank (ADB) awarded a 150 000 USD grant to the Moroccan Government, from the Assistance Fund for South-South cooperation. It is expected that grant resources fund the achievement of technical assistance services to the Ministry of Agriculture for the transfer of biotechnology to the development of agricultural products in Morocco. The services will be performed by three individual consultants: a specialist in development of agricultural products, food biotechnology specialist and a specialist in marketing of agricultural products. The grant funds are housed at the Bank; consultants will be recruited on the administrative budget of the Bank and made available to the Commodities Branch (IA) of the Ministry of Agriculture and Marine Fisheries.

## Description

The main project components are:

- Strengthening the capacity of stakeholders (farmers, cooperative and industrial) for the transfer of commodity development technologies in agricultural and by-products;
- Diagnosis of the current situation will be carried out to identify the technologies and products to promote as well as training needs and biotechnology transfer (notebooks loaded and hygiene).

## Expected Outcomes

- The strengthening of cooperatives and technical support to enroll in a process of innovation;
- The development of the valuation of identified agricultural products and targeted (5 products);
- The search for greater competitiveness of agricultural products and increasing the added value of these products;
- The development of specifications and load hygiene manuals identified products.

# Strengthening the Supervision of Financial Markets

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.480 million |
| **Co-Financiers** | CDVM |
| **Approval Date** | October 2010 |
| **Expected Completion Date** | June 2015 |
| **Location** | Nationwide |
| **Executing Agency** | CDVM |

## Background and Objectives

The overall objective of the project is to strengthen capital market governance through capacity building CDVM, the organization responsible for regulating and controlling the market. The specific objectives include strengthening the monitoring of financial information governance and adopting a proactive approach based on management and monitoring of risks. The project also aims to improve the service quality of CDVM with all stakeholders of capital markets.

## Description

The project will consist of the following:

- Studies and recommendations on information management;
- The implementation and automation of information management and control corresponding to the actual deployment systems and solutions appropriate to the Information Management systems at CDVM.

## Expected Outcomes

The project will result in:

- The effective management of the information system and improved knowledge of information crucial to DCVM;
- The Strengthening of CDVM in the development of domestic markets alongside improved social responsibility and the establishment of its position as a guarantor of market integrity.

# Argan Infrastructure Fund

| | |
|---|---|
| **ADB Loan Amount** | UA 13.78 million (Investment Fund) |
| **Approval Date** | February 2010 |
| **Expected Completion Date** | December 2018 |
| **Location** | Nationwide |
| **Executing Agency** | RMA Watanya |

## Background and Objectives

The Argan Infrastructure Fund is a closed-end fund that will invest primarily in Morocco and other North African countries. The Fund will target areas in energy, transport and logistics, water and electricity distribution, environmental services, telecommunications along with other infrastructure related sectors.

The Fund's objectives are to develop appropriate infrastructure and related sectors with private sector participation. More specifically the project aims to increase economic growth, and increasing private sector participation in infrastructure projects by leveraging the Fund's equity investment.

## Description

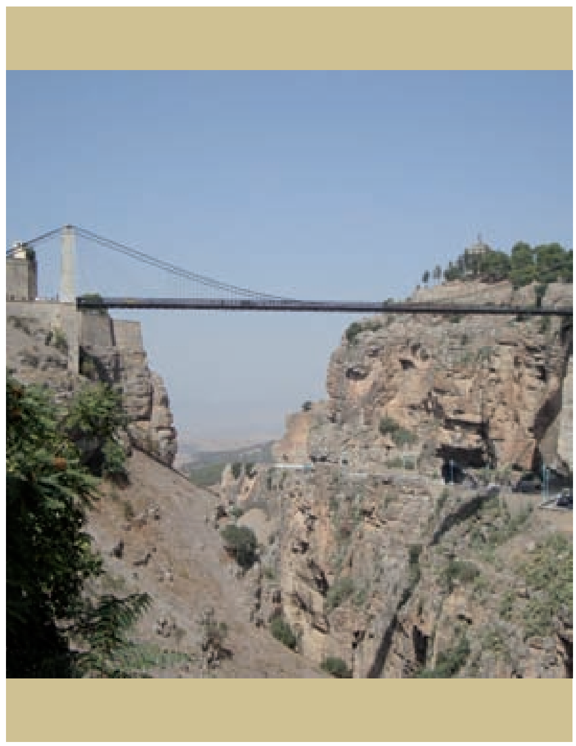
The project will entail:

- Sourcing and undertaking appropriate investment opportunities and managing investments in equity, infrastructure and infrastructure related projects.

## Expected Outcomes

The Fund is expected to contribute to:

- Expanding potential industrial capacity, improving efficiencies for industries that have suffered from down time as a result of power shortages;
- In transport and logistics the Fund will contribute towards providing or improving access to markets, particularly Europe, through new and improved transport/logistics facilities.



# Strengthening of the Caisse Centrale de Garantie

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.46 million |
| **Co-Financiers** | Caisse Centrale de Garantie |
| **Approval Date** | January 2011 |
| **Expected Completion Date** | December 2015 |
| **Location** | Nationwide |
| **Executing Agency** | Caisse Centrale de Garantie |

## Background and Objectives

The Caisse Centrale de Garantie (CCG) is a unique system through which the government of Morocco facilitates access of SMEs to finance. Its mission is to provide support to the creation, expansion and modernizations of companies. The proposed project aims to modernize the information system of the CCG through a complete overhaul and expand its scope to all products and their life cycle, as well as improving the management of risk faced by the system.

## Description

The project will entail:

- Technical assistance to service providers;
- The provision of software and hardware infrastructure;
- Training of IT development techniques.

## Expected Outcomes

The grant will result in:

- The design of the target information system, taking into account existing needs;
- The implementation of the information system and its deployment through the integration of all processes and products;
- The modernization of the CCG, including the improvement of efficiency of the system;
- The automatization of the risk management device;
- The improvement of conditions relating to access to finance.

# Support Project to Modernise the Debt Management Organisational Framework (P-MOCOGEDE)

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 536 976 |
| **Approval Date** | February 2013 |
| **Expected Completion Date** | February 2017 |
| **Location** | Rabat |
| **Executing Agency** | Ministry of Finance |

## Background and Objectives

Cognizant of the importance of organising debt management structures, the Treasury sought to adapt its organisation to applicable international best practices by creating a debt management unit (pôle dette) in June 2010. The new unit comprises the domestic debt division, the external debt division and the international financial markets division and the risk management division. The ultimate goal of this reform is to create a single framework for the Treasury financing and debt management strategy and also create optimal conditions to achieve this objective.

The main missions of the pôle dette are to: (i) make all necessary proposals and conduct all necessary studies on debt policy; (ii) handle the issue and investment of Treasury bills; (iii) prepare the Treasury's external financing policy and strategy; and (iv) manage Treasury debt, prepare and implement public external debt restructuring strategies and centralize the relevant data.

## Description

The overall objective of the project is to institute a new organizational framework for the pôle dette and the tools needed to improve efficiency in the management of government debt and cash flow.

Its specific objectives are to:

- Reorganise the structures that comprise the pôle dette into a front office, middle office and back office;
- Establish a framework to control and manage risks related to debt and cash-flow management operations;
- Establish an internal audit framework for pôle dette activities;
- Institute performance indicators for debt and cash-flow management; and
- Identify the training needs of pôle dette staff and ensure their training in order to enable them perform the new tasks under good conditions.

## Expected Outcomes

The expected outputs of the project in the short term are:

- Mastery of the debt and cash-flow management process that will translate into a reduction of the timelines for disseminating bidding results and;
- Control of debt and cash-flow management risks that will translate into at least a 20% reduction in the number of operational incidents as of 2016.

# Support to the Operationalization of Public-Private Partnerships (PPP) in Morocco

| | |
|---|---|
| **ADB Grant Amount (KOAFEC)** | USD 300 000 |
| **Approval Date** | April 2015 |
| **Expected Completion Date** | September 2016 |
| **Location** | Countrywide |
| **Executing Agency** | PPP Cell (Ministry of Economy and Finance) |

## Background and Objectives

The objective is to support the Ministry of Economy and Finance (MEF) in the establishment of a legal framework for public policy PPP matters by supporting the PPP unit of the DEPP, so enable transparency, efficiency and effectiveness of public spending and help the Government of Morocco to meet its public policy objectives (economic transformation, job creation, the nature of services and sectors covered, balanced development in the countries, the nature of partnerships established). The proposed project should enable the rapid implementation of a number of PPP transactions to produce tangible results and make rapid gains (learning by doing and reassure foreign and local investors).

## Description

The proposed project will contribute to the establishment of a legal framework for public policy on PPPs in Morocco to support (i) strengthening governance in the delivery of public services and the design of the PPP contract, (ii) increasing the efficiency of public investment and (iii) to job creation and economic sophistication. In addition, the proposed project will be based on the exchange of knowledge, exchange of staff and case studies that will benefit the Morocco of the South Korean experience in terms of PPP.

## Expected Outcomes

The development and implementation of well-structured and balanced PPP involves:

- Identification of key challenges in the current situation;
- Training and sensitization of government officials on PPP principles;
- The implementation of a process of selection and systematic and transparent approval;
- Strict implementation of standardized quantitative and qualitative methods to achieve balanced and sustainable model.

Financial sector

# Development of a Monetary and Financial Code (COMOFIN)

| | |
|---|---|
| **ADB Grant Amount (MIC TAF)** | € 489,258 |
| **Approval Date** | October 2012 |
| **Expected Completion Date** | December 2015 |
| **Location** | Countrywide |
| **Executing Agency** | Ministry of Economy and Finance |

## Background and Objectives

The overall objective of the project is to strengthen governance of the capital market by improving the accessibility and quality of financial sector regulation device. Its specific objectives are: (i) improving accessibility, interpretability and security of the law governing banking and financial activities, (ii) the simplification and clarification of the legal framework governing the financial sector ( iii) facilitation fund sector reforms, and (iv) support, in terms of regulation, developments of the financial center of Casablanca, determinant of its attractiveness.

## Description

The project to support the development of the Moroccan Monetary and Financial Code will be to regroup and reclassify, according to a precise methodology, all the laws and regulations governing the Moroccan financial sector. It will take place in phases. The first will focus on the basic choices especially as regards the determination of the scope and the principle of codification. The second will deal with the technical preparation, particularly the establishment of legal scanned funds. The third concerns the actual coding.

## Expected Outcomes

The expected results are essentially as follows:

- The availability of an information tool for effective management and automated control of the texts regulating the sectors of banks and capital markets;
- The role of regulators and the state in the development of the financial sector is more efficient.

# ATTIJARIWAFA Bank Line of Credit

| | |
|---|---|
| **ADB Loan Amount** | UA 65 million |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2015 |
| **Location** | Countrywide and Africa |
| **Executing Agency** | ATTIJARIWAFA BANK |

## Background and Objectives

This transaction provides the opportunity to AWB finance structural projects in its subsidiaries as well as SMEs and SMIs both in Morocco and in the subsidiaries. The resources of the LOC will be primarily allocated to branches of AWB outside of Morocco (60% of resources) in order to help them meet the growing needs of medium and long term resources expressed by local entrepreneurs and to better establish the group's presence in Africa, particularly in Sub Saharan Africa. Resources allocated to Morocco will they, fully used for long-term investment financing of Moroccan SMEs. At least 35% of project resources will go to SMEs. Essential to the development of the economies of countries of operation AWB, SMEs have a significant economic potential of job creation, diversification of production, the development of local entrepreneurship, and integration with major industries. It is anticipated that this credit line extended through the well-established and efficient network AWB, have a positive impact on all the economies concerned, including the creation of over 2,000 jobs.

## Description

The purpose of this project is the provision of a control line to AWB to finance its operations (including loans to SMEs) in Africa.

## Expected Outcomes

Projects funded through this credit line will help create at least 2,000 jobs and will collect at least 45.65 million euros in taxes. Furthermore, supporting the AWB's growth strategy, the Bank will help strengthen the capacity of AWB and disseminate methods that are deemed to be strong and effective. Subsidiaries AWB will also benefit from best practices and synergy of the Group through the consolidation of their risk management, audit and internal control procedures.

# Support to the National Dialogue with Civil Society

| | |
|---|---|
| **ADB TFT Grant Amount** | € 341,600 |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2015 |
| **Location** | Countrywide |
| **Executing Agency** | Ministry for Relations with Parliament and Civil Society |

## Background and Objectives

Under the provisions of the new constitution as part of the activation of participatory democracy, ministerial decision, a national dialogue is ongoing. To support the government in this dialogue, the Bank approved a grant from the funds of the countries in transition of 335,200 euros. The goal through this support is consultation of all stakeholders in civil society to develop a public consultation policy.

## Description

The main project components are:

- Launch conference of national dialogue;
- Organization of national Forum;
- National Conference and academic seminar;
- Exchange visits abroad and meetings with RME;
- Organization of national meetings;
- National Conferences.

## Expected Outcomes

Consultation with all actors of civil society to the implementation of the provisions of the new constitution in particular those relating to participatory democracy:

- Development of a national charter of participatory democracy;
- Preparation of draft laws concerning the rights of motions and petitions.

# Design and Implementation of a Trainings to the Strengthening of Women's Representation Capabilities in Elected Bodies

| | |
|---|---|
| **ADB TFT Grant Amount** | € 174 600 |
| **Approval Date** | February 2014 |
| **Expected Completion Date** | December 2015 |
| **Location** | Countrywide |
| **Executing Agency** | Ministry of Interior |

## Background and Objectives

The overall goal of this project is to help improve local governance in local authorities. These courses will educate women to be candidate in the upcoming municipal elections and also to strengthen the capacity of elected women in financial management and planning. These two areas are the main weaknesses identified during this electoral term.

## Description

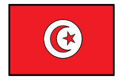
The main project components are:

- Conducting trainings;
- Awareness Workshop for elected women and those with the will to participate in local and regional decision-making;

## Expected Outcomes

- Women's capacity will be strengthened to enable them to consolidate their position in the election, municipal and regional processes;
- Women's capacities are strengthened to enable them to exercise their effective and efficient participation in the management of local affairs;
- The population in general and young people in particular are aware of the importance of women's participation in political life and the management of local affairs.

# Tunisia



| | |
|---|---|
| Membership year | 1964 |
| Start of lending operations | 1968 |
| Number of AfDB operations approved, 1967-2014 | 128 |
| Subscribed capital, in (%) as of December 2014 | 1.408 |
| Number of approved and ongoing operations | 39 |
| Total commitments on ongoing operations (in UA million) | 810.67 |

# Republic of Tunisia
## Recent Developments[1]

The year 2014 marked the end of four years of political transition, with the successful conclusion of the constitutional and electoral processes. However, the positive change in the political situation has not yet impacted on the economic situation. Furthermore, despite the more peaceful political situation and emergence of a clear majority in Parliament, security tensions remain, an example of which is the Bardot attack in March 2015.

Tunisia's economic growth rate was expected to be 2.4% in 2014, compared to 2.3% in 2013. The Government had initially assumed 4% growth when drafting the 2014 Finance Law, but the forecast was lowered to 2.8% in March 2014, two months after the formation of the government of the new Prime Minister Mehdi Jomâa. This poor performance was because of difficulties in the first half of 2014, especially serious problems in the phosphates and oil and natural gas sectors. Phosphates output was up 20% in 2014 to 3.79 million tonnes but below the 5 million tonne target set by the Gafsa Phosphates Company (CPG). Oil production fell from 70,000 to 58,000 barrels a day. Non-manufacturing industrial output and productivity were still hampered by technical problems, outdated equipment and a difficult social environment (strikes, demonstrations, etc.) Difficulties in the mining and oil and gas sectors since 2011 have had a high cost, estimated by the authorities at about 1% of annual GDP. As a result, growth in 2014 was largely driven by services, manufacturing and agriculture.

Some economic indicators have improved. The budget deficit accounted for 4.9% of GDP and could fall further in 2015 as a result of lower crude oil prices, and consequently a reduction in subsidies. Inflation also slowed down to 5.5%. Unemployment fell slightly due to the public sector employment support policies implemented since 2011. The average unemployment rate fell slightly by -0.1% to 15.2 % in 2014 compared to 2013. Unemployment among graduate jobseekers dropped by 0.5% albeit to a still alarming 31.4%. This high rate is due to sluggish growth, a poor business climate, and the labour supply not matching the real needs of business. Government debt (external and domestic) has been rising steadily since 2011 due to the government's fiscal stimulus policy, and is expected to rise to 53% of GDP in 2015 from 51.7% in 2014.

Several factors could fuel a rise in growth to an estimated 3% in 2015 and 4.1% in 2016. Lower oil prices to around an average of USD 65 barrel for crude oil should hold in 2015 and play a positive role on at least two levels. On the one hand, lower oil prices should improve the energy shortfall which was 3.6 billion Tunisian dinars (TND) in 2014. On the other hand, they should also help to stabilize the economy by cutting the trade, current account and budget deficits. The drop in oil prices should also help to make Tunisia more competitive and improve the situation in the Euro zone which has also been helped by the fall of the Euro against the US dollar. Exports and foreign direct investment (FDI), in particular, should be boosted by these favourable conditions created by measures to support demand and by the ECB's helpful quantitative easing monetary policy.

On the domestic front, continued budgetary discipline begun in 2014 should curb the budget deficit in 2015 and 2016 through strict control of spending, thus raising new revenue that could revitalize public investment and benefit the private sector through this vicious circle. The Government could also benefit from the favourable conditions created by lower oil prices to step up reform of energy subsidies and obtain more budgetary leeway. The clear parliamentary majority should facilitate approval

[1] This section is drawn from the 2015 African Economic Outlook

of structural reforms delayed by the 2011-2014 transition, including financial sector reforms and laws on competition, bankruptcy and public-private partnerships (PPP). A smaller energy shortfall (26.7 % of the trade balance in 2014) should help reduce the trade deficit and improve the current account balance. Inflation should continue to slow down in 2015 and 2016.

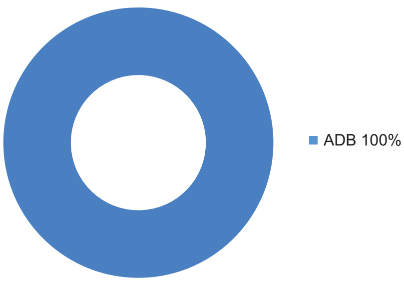
Regional disparities remain one of the country's main difficulties and the cause of the social disturbances, which led to the revolution in 2011. Centralized on the administrative and political fronts, but polarized on the economic front, Tunisia is faced with increasingly wide economic and social inequalities despite past performances and measures implemented since independence. The country is thus characterized by concentration of activities in the coastal regions, coupled with the phenomenon of metropolization. The gap has widened between the large coastal towns and medium-sized towns of the country's interior – as well as, to a lesser extent, between urban and rural areas. The North-West, Centre-West and South have gained little from the benefits of growth. At the core of the revolution, this challenge continues to dominate the political agenda and discourse.

The success of the economic transition will partly depend on the new government's response to this problem. Within this context, regional development appears more urgent than ever.

# Overview of Bank Group Operations in Tunisia

As a middle-income country, Tunisia is eligible for the AfDB window resources to finance and implement its development projects and programmes. Moreover, since the establishment of the Middle-Income Countries (MIC) Trust Fund as well as several bilateral and multilateral trust funds, Tunisia also benefits from grants to finance technical assistance operations aimed at enhancing knowledge of the country's main challenges and development and building its institutional capacity.

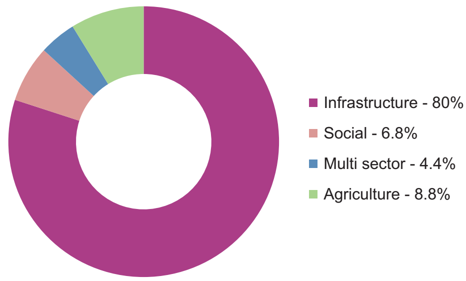
**Figure 5.21: Cumulative Bank Group Loans and Grants by Institutions in Tunisia (1968 – 2014)**




Over the 1968-2014 period, the Bank Group approved 131 operations in the form of projects, programmes, studies and capacity building support operations representing cumulative net commitments of about UA 5.375 billion.

The distribution of these resources shows a concentration in reform support and financial sector support operations (37% of cumulative net commitments), followed by transport (23%), agriculture and industry (16%), the social sector (15%), and energy (9%).

**Figure 5.22: Current Portfolio by sector in Tunisia**




Following a significant reduction in its new operations in 2013 as a result of its lower commitment capacity in North Africa, the Bank began to revive its operations in Tunisia in 2014 with the approval of 2 projects aimed at supporting the development of the agriculture and energy sectors, and has continued to support the implementation of its ongoing operations.

In 2015, the Bank intends to step up its operational activities in the country with an energy project and the continuing preparation of 2 other operations, including a budget support operation. In 2015, several technical assistance operations will supplement the Bank's support to Tunisia's development efforts.

As at 30 April 2015, the Bank's active portfolio comprised forty (40) operations thirteen of which were financed from AfDB loans for a total amount of UA 843.65 million and twenty-seven (27) technical assistance operations for a cumulative amount of UA 19.53 million, sixteen (16) of

which are financed by the Middle Income Country Technical Assistance Fund (MIC/TAF), eight by the Middle East and North Africa Transition Fund (MENATF) and by the Transition Fund, two (2) operations by FAPA and one by the African Water Facility (AWF). Total net commitments on the active portfolio stand at UA 863.18 million.

The public sector represents 94.00% of all ongoing operations, 2.26% of which are technical assistance operations and the private sector 6.00%. The infrastructure sector mobilizes 80% of the resources allocated to the portfolio, followed by agriculture (8.8%), the social sector (6.8%), governance and multi-sector operations (4.4%). The implementation rate was 61.62% at the end of April 2015 and a score of 2.60 out of 3 was awarded to the active portfolio, which is a good performance.

Infrastructure development is a constant priority of the Government's economic policy and the AfDB's 2014-2015 interim operations strategy for Tunisia. Consequently, the Government's sector policy attaches high priority to major infrastructure projects in order to address the aspirations of the 2011 change in political regime. The sector investment programme aims to strengthen the economy's competitiveness, reduce regional disparities and promote accelerated and inclusive economic growth in order to reduce poverty and improve the living conditions of the population, especially in the country's interior.

The Bank provides support for the implementation of already approved infrastructure projects, particularly in the transport, water and energy sectors in order to build on previous achievements and improve its comparative advantage in infrastructure.

## Transport Sector

Transport plays a major role in the Tunisian economy. It contributes 6% of Gross Domestic Product (GDP) and creates almost 140,000 direct jobs, i.e. over 4.5% of the employed labour force. Tunisia's Tenth and Eleventh National Development Plans gave a key role to the transport sector with a view to promoting a trade-oriented economy.

The Bank is providing support for the implementation of the National Transport Development Programme. To that end, it is making efforts to ensure efficient implementation of its sector portfolio comprising 3 projects and one study: (i) Improvement of the Classified Network - Road Project V; (ii) Road Project VI; (iii) Construction of the Gabes-Médenine-Ras-Jedir Motorway; and (iv) the Road Safety Strategy Study.

In 2014, the AfDB also financed the National Transport Master Plan for 2040 in order to provide the country with a coordinated transport system aimed at meeting, under the best economic and social conditions, the growing needs of individuals, firms and professional organizations.

## Energy, water and sanitation sector

For over two decades, Tunisia has faced increasing annual demand for energy of about 3% which has resulted in: (i) a growing productive sector, but also social development and new needs of consumers driven by higher household living standards; and (ii) opening up of the country to the outside world and infrastructure reinforcement.

In order to meet this demand, Tunisia has prepared and adopted an energy policy with the following main objectives: (1) development of national oil and gas resources; (2) development of national energy infrastructure, regional energy cooperation and integration in order to provide the country with a secure, permanent and cost-effective supply of energy; (3) pursuit of the strategy to develop the use of natural gas as a substitute for other hydrocarbons such as liquefied petroleum gas and diesel; and (4) promotion of energy efficiency through the management and rational use of energy, the development of new and renewable energies, and environmental protection.

Implementation by the Tunisian Electricity and Gas Company (STEG) of the Electricity Distribution Networks Rehabilitation and Restructuring Project (Electricity VIII) which was awarded an AfDB loan of EUR 47.6 million is ongoing with highly positive results.

In addition to the efforts it is making to help Tunisia rehabilitate and restructure the electricity distribution networks in order to reduce energy losses, shorten outage times and improve the safety of users and STEG staff, the Bank approved the following 2 sector projects in 2014 and 2015: (i) the ETAP-Nawara project which aims to develop oil and gas production from the South Tunisian oil fields on the one hand, and, on the other, process it and transport it through pipelines; and (ii) the natural gas transportation and distribution network development project, which aims to connect 19 municipalities of the country's West region to the STEG natural gas supply system and to facilitate access by small and medium-sized industries, the tertiary sector and households in the area to less expensive and polluting fuel.

Over the past three decades the development of the water and sanitation sector has been a high priority in Tunisia's economic and social development plans. The efforts made have helped to improve drinking water supply conditions in terms of quality and quantity both in rural and urban areas. These efforts have also provided the country with substantial water and sanitation infrastructure. The drinking water supply rate is 100% in urban areas and 93.5% in rural areas.

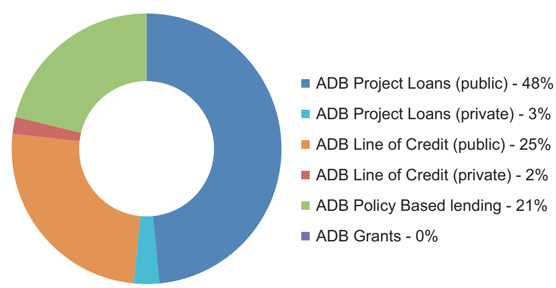
Despite the outstanding results obtained in drinking water supply and sanitation services, especially in the country's interior, certain segments of the population, particularly in the interior of the country, remain without access to drinking water. Tunisia is also increasingly facing a serious water crisis. Forecasts predict a 20% reduction in rainfall, 40% in surface water run-off and water stress linked to 4 degree increase in the average temperature by the end of the century. Against this backdrop of water scarcity, promotion of the re-use of treated water in agriculture has become one of the country's strategic priorities.

The Government has adopted a National Treated Wastewater Re-utilization Plan aimed at minimizing the discharge of TWW into sensitive natural environments by transferring it to irrigated areas in the centre of the country.

The Bank is continuing to support the implementation of already approved sector projects, in particular, the Rural Drinking Water Supply Project and the Treated Water Quality Improvement Project. The rural DWS programme aims to improve access to drinking water supply in the disadvantaged rural areas of the Tunisian territory, while the second project aims to upgrade sanitation infrastructure to a high level and build the capacities of ONAS in order to improve the quality of treated water with a view to its future re-use.

Implementation of the following 5 technical assistance operations was pursued in 2014 with AfDB's financial and technical support: (a) North and East Greater Tunis Flood Protection Study, (b) the Zaraat Sea Water Desalination Study (by concessioning), (c) Strategic Water Sanitation Study for 80 Municipalities with under 10,000 inhabitants; (d) Study on the Improvement of Rural Drinking Water Supply Conditions in Bizerte and Beja Governorates, (e) the National Water Information System (SINEAU).

**Figure 5.23: Cumulative ADB Loans and Grants by Instruments in Tunisia (1968 – 2014)**




## Agriculture Sector

With a contribution of about 12% to GDP, the agriculture sector is one of the main drivers of the Tunisian economy. The rural population, which represents one-third of the total population, is among the hardest hit by the effects of poverty. One-quarter of the country's work force is employed in the agriculture sector.

In order to help Tunisia eliminate its agricultural development constraints and reduce rural poverty, the Bank provides regular support to the Government's sector efforts. Implementation with AfDB financing of the Kairouan Integrated Rural Development Project (IRDB), the second phase of the Water Sector Investment Programme (PISEAU 2) and the North Gafsa Integrated Agricultural Development Project (IADP) is continuing with satisfactory results.

In order to strengthen its support for sector development, the AfDB approved in 2014 the Gabes II Integrated Agricultural Development Project aimed at reducing rural poverty in the Governorate, as well as regional disparities. The Bank is also providing support for the implementation of the following technical assistance operations: (i) preparation study for the Gabes and Gafsa Integrated Agricultural Development Projects (IADP); (ii) preparation study for the 500 km rural roads project; and (iii) Support for Agricultural Development Groups (GDA). In 2014, it also approved an MIC grant to support the conduct of preparation studies on the Zaghouan IADP and the evaluation of the IADP approach.

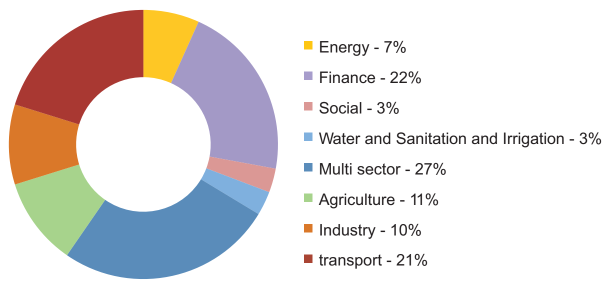
## Social Sector

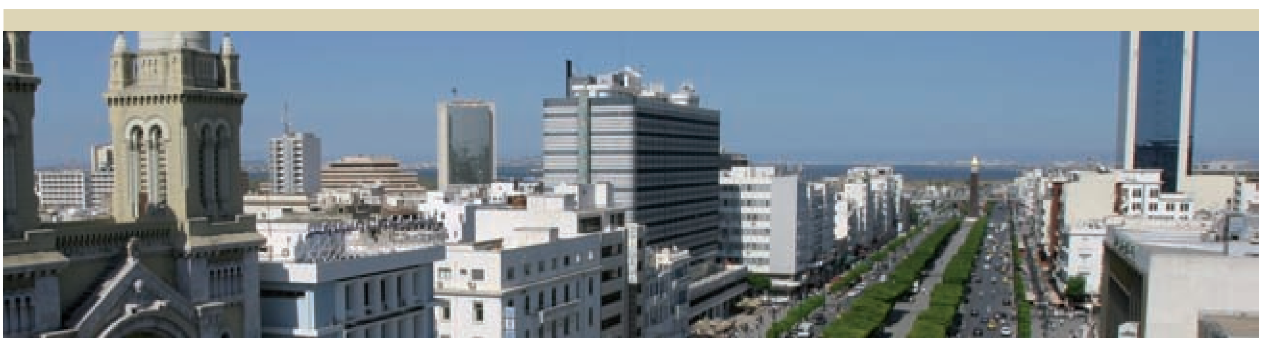
Since 1968, the Bank has regularly approved support for the development of health education in Tunisia.

As a result of the projects financed by the Government and the donor community including the AfDB, Tunisia has consolidated the progress made in previous decades in education and health. Tunisia has also made significant improvements in its social indicators. However, job creation remains insufficient to meet annual young graduate demand.

In order to support the development efforts in the social sectors, the Bank has worked with the Government to implement the second Secondary Education Support Project (PAES II) completed in November 2014 and on the full implementation at the end of September 2014 of the Health Services Export Strategy Development Study. In addition to the efforts made, the Bank has conducted, on the basis of financing from bilateral and multilateral trust funds, several studies aimed at improving the employability of young graduates, promoting a solidarity-based economy in Tunisia, and conducting a quantitative and qualitative analysis of health sector human resources. The AfDB has also supported the Government's efforts to foster self-employment and safeguard available jobs in small and medium-sized Tunisian enterprises by implementing the line of credit to SMEs and the Souk At-Tanmia initiative.

**Figure 5.24: Cumulative Bank Group Loans and Grants by Sector in Tunisia (1968 – 2014)**



# Bank Group Strategy and Ongoing Activities in Tunisia

The 2014-2015 Interim Country Strategy Paper (iCSP) for Tunisia was approved by the Bank's Boards of Directors on 8 March 2014. It succeeds the previous 2012-2013 interim strategy implemented in the wake of the January 2011 Revolution. It is focused on two (2) pillars: (i) Governance and (ii) Infrastructure. Drawing on the lessons of the first Interim Strategy, the 2014-2015 iCSP aims to help Tunisia to create the conditions for accelerated growth and job creation in a concern for regional balance and inclusive development. Under this strategy, the Bank's main concerns are to support the improvement of governance by supporting reforms and capacity building, as well as by implementing investment programmes and strategies, especially in infrastructure.

To that end, the country has been able to mobilize UA 112.9 million for lending operations. These resources were supplemented by UA 6.75 million for technical assistance operations from the Middle Income Country Technical Assistance Fund (MIC/TAF), the Middle East and North Africa Transition Fund, and the Fund for African Private Sector Assistance (FAPA). As at 31 March 2015, two other loans had been approved. These were the second phase of the Gabes Integrated Agricultural Development Project (PDAI II) and the Natural Gas Distribution and Development Project in the South-West Governorates.

The holding of parliamentary and Presidential elections and the formation of a new Government starts a new cycle requiring redefinition of the Bank's intervention strategy in Tunisia. The next Country Strategy Paper for Tunisia will therefore be aligned on the Government's Guidance Note and the 2016-2020 Five-Year Plan under preparation by the country, as well as on the Bank's 2013-2023 Long-Term Strategy (LTS). It will cover the 2016-2020 period.

# Road Project V

| | |
|---|---|
| **ADB Loan Amount** | UA 162.50 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | May 2008 |
| **Expected Completion Date** | June 2015 |
| **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/km$^2$ 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.

Transport

# Road Project VI

| | |
|---|---|
| **ADB Loan Amount** | UA 206 million |
| **Co-Financiers** | The 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;
- 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.

# Highway Project Gabes-Medenine-Ras Jedir

| | |
|---|---|
| **ADB Loan Amount** | UA 118.04 million |
| **Co-Financiers** | Japanese International Cooperation Agency and the Government of Tunisia |
| **Approval Date** | June 2011 |
| **Expected Completion Date** | December 2017 |
| **Location** | South East Tunisia |
| **Executing Agency** | Société Tunisie Autoroutes and the Tunisian Government |

## Background and Objectives

The region directly influenced by the project in Southeastern Tunisia (including Ben Gardane, Tataouine, Medenine, Zarzis and others) has one of the highest poverty and unemployment rates in the country. This project aims to improve the general efficiency of the transport system so as to increase national and international exchanges in Tunisia. Specifically, the project will facilitate the movement of people and goods between Gabes and the Tunisian-Libyan border.

Due to the creation of both direct and indirect employment resulting from the construction of the highway, the project will contribute to the government's objectives to reduce unemployment amongst the youth as well as regional disparities, notably in areas that have previously been excluded from highway projects.

## Description

The project entails:

- The construction of 195,020 km of 2x2 roads between Gabes and Ras Jedir;
- The creation of tolls between Gabes and Ras Jedir.

## Expected Outcomes

This project will result in:

- The creation of over 2,000 direct jobs in the construction phase, and 160 direct jobs in the operational phase;
- The creation of 30,000 indirect jobs in the tourism sector;
- The reduction of transportation costs and the general improvement of travel conditions between Gabes and the Tunisian-Libyan border.

# Road Safety Strategy

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 1 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | September 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Countrywide |
| **Organe d'exécution** | Ministry of Internal Affairs |

## Background and Objectives

In March 2010, the UN General Assembly adopted a resolution declaring the 2011-2020 decade as the "Decade of Action for Road Safety", with a view to stabilising and subsequently halving the number of road accident deaths in the world. A similar resolution was also adopted under the aegis of continental bodies (African Union, UN Economic Commission for Africa).

Although some progress has been made, road safety remains a major problem in Tunisia. In 2012, 9,351 accidents were recorded, which is well in excess of the European average, even though Tunisia's vehicle ownership rate is four times lower. The accidents are quite serious with a casualty rate of one death for every 6 accidents and 1.2 injured per accident.

To ensure a gradual reduction in the number of road accidents and the number of persons killed each year, the Tunisian Governement requested the Bank to finance a strategic study on road safety in Tunisia.

## Description

The objective of the study is to develop Tunisia's institutional capacity with a view to reversing the spike in road accidents and associated costs. It will broaden the scope for reflection by helping the Tunisian Government to prepare a comprehensive and multi-dimensional road safety strategy, which will translate into a two-tier action plan.

The study will comprise the following stages:

- A comprehensive diagnosis to supplement the one conducted under the study funded by the European Investment Bank (EIB);
- Analysis of the institutional, financial, legislative and regulatory frameworks governing safety;
- Definition of a road safety strategy;
- Study on the new structure;
- Identification of a short and medium-term action plan; and
- Support to database improvement.

## Expected Outcomes

The main expected outcomes are:

- A reduction in the number of road accident deaths and injuries; and
- A sustainable reversal of the road insecurity toll with the ultimate objective of a 50% reduction in the number of deaths by 2020.

Transport

# Study of the National Transport Master Plan for 2040

| | |
|---|---|
| **ADB Grant Amount** | UA 0.8 million |
| **Approval Date** | July 2014 |
| **Expected Completion Date** | December 2016 |
| **Organe d'exécution** | Ministry of Equipment, Housing and Territorial Development |

## Background and Objectives

Transport plays an important role in the Tunisian economy: it contributes up to 6% of Gross Domestic Product (GDP) and provides nearly 140,000 direct jobs, or more than 4.5% of the employed population. The tenth and eleventh national plans for Tunisia's development have given a central role in the transport sector with a view to promoting an economy oriented towards trade.

## Description

The study aims to give the Tunisian government a comprehensive national master plan of the transport sector in 2040 may give the country a coordinated transportation system that is able to meet the needs of individuals, companies, and organizations, the best economic and social conditions. At the sector level, the master plan will allow the transport sector to have a planning tool for prioritizing investments based on public and private resources available taking into account the environmental and social requirements and promoting an efficient transportation system and inclusive.

## Expected Outcomes

The study should lead to the following result: the national master plan of the transport sector by 2040, including a strategic framework and a mid- and long-term investment plan is established and validated. The consulting firm will be selected to achieve the Master Plan work closely with officials from the Ministry of Transport and all national structures involved in the transport sector.

# Electricity Distribution Networks Rehabilitation and Restructuring Project

| | |
|---|---|
| **ADB Loan Amount** | UA 42.34 million |
| **Co-Financiers** | The Tunisian Government/Tunisian Electricity and Gas Company |
| **Approval Date** | July 2009 |
| **Expected Completion Date** | August 2015 |
| **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.

# Integrated Agricultural Development Project for Kairouan (IADP)

| | |
|---|---|
| **ADB Loan Amount** | UA 14.713 million |
| **Co-Financiers** | The Tunisian Government, Beneficiaries, Micro credit Associations |
| **Approval Date** | March 2006 |
| **Expected Completion Date** | June 2015 |
| **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.

Agricultural sector

# Water Sector Investment Project Phase 2 (PISEAU II)

| | |
|---|---|
| **ADB Loan Amount** | € 22.91 million |
| **Co-Financiers** | AFD, WB, Various grants, Tunisian Government |
| **Approval Date** | March 2008 |
| **Expected Completion Date** | December 2014 |
| **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.

# Support for the Programme to Strengthen Drinking Water Agricultural Development Cooperatives (GDA)

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 587,138 |
| **Co-Financiers** | The 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.

# Study of the Preparation of the Gabes and Gafsa PDAIs

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.38 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | July 2012 |
| **Expected Completion Date** | December 2014 |
| **Location** | Nationwide |
| **Executing Agency** | Government of Tunisia |

## Background and Objectives

Tunisia has made considerable progress in terms of poverty reduction and improvement of social indicators, but regional disparities remain a major challenge for the country. The coastal regions are more developed than those of the centre and south. Over the past decade, these regions have also benefited from 65% of public investment. These geographical disparities combined with poor governance, high unemployment (especially among young graduates) were the main triggers and drivers of the Tunisian Revolution. To contribute to a reduction of regional disparities, the Transitional Government decided to implement Integrated Agricultural Development Projects (PDAI) in the country's disadvantaged regions.

The study aims to: (a) analyze and define the infrastructure for the Gafsa and Gabes PDAI under preparation; (b) analyze and determine the conditions for micro-project implementation; and (c) analyze and determine the project baseline situation and the establishment of a monitoring and evaluation system.

## Description

The study will be conducted in 2 phases:

- Phase I will focus on the preliminary designs (PD): at the PD level, the preparation of engineering designs for the sites identified as well as structural requirements. An overall estimate of the development works will also be presented;
- During the second phase, details of all the components and scenarios of the SIA, DWS and rural road works will be defined in detail along with their costs as well as the agronomic and socio-economic studies and the roles and responsibilities of the different parties involved in their management. In this phase the recurrent operating costs will be determined in relation to the sustainability of the investments.

## Expected Outcomes

The outcomes will be:

- An estimate of the total development costs of the North Gafsa and South Gabes PDAI; detailed definition of all the components and scenarios of the SIA, DWS and rural road works along with their recurrent operating costs, in relation to the sustainability of investments; preparation of agronomic and socio-economic studies;
- Determination of roles and responsibilities of the different parties involved in the management of the aforementioned PDAI;
- And the preparation of PDs, the details and justification of the options retained for the development works in the feasibility study as well as the definition of the characteristics of the proposed infrastructure and development works.

# Gafsa Integrated Agricultural Development Project

| | |
|---|---|
| **ADB Loan Amount** | UA 19.19 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | February 2013 |
| **Expected Completion Date** | June 2019 |
| **Location** | Gafsa |
| **Executing Agency** | Ministry of Agriculture |

## Background and objectives

Despite Tunisia's substantial investments in the agricultural sector over the past decades, a huge segment of the rural population continues to live on very modest incomes.

In the wake of the January 2011 Revolution, the transition government resolved to combat poverty and reduce regional disparities through greater investment in the most disadvantaged regions of the country. Phase II of the Gabès Integrated Agricultural Development Projects (PDAI II) is one of the components of this regional development programme.

## Description

The objective of the project is to contribute to rural poverty reduction in the Gafsa Governorate. It hinges on three components, namely:

- Rehabilitation of rural infrastructure;
- Participatory agricultural development; and
- Project coordination and management.

## Expected Outcomes

The main expected project outcomes are:

- Creation of SIAs over 760 ha;
- Development of rural roads (50 km);
- Implementation of WSC works on 5,000 ha;
- Electrification of water points;
- Planting of fruit trees over 1,940 ha;
- Support to farmers;
- Micro-projects for women and the youth;
- Apurement; and
- Remembrement foncier.

# Preparatory Study of the 500 km of Rural Feeder Roads

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.79 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Zaghouan, Beja, Jendouba, le Kef,Silina, Kairouan Sidi Bouzid, Kasserine, Gabes |
| **Executing Agency** | Ministry of Agriculture (DGDR) |

## Background and objectives

Irrigated farms play a major role in Tunisia's economic and social development as well as its food security. The development of rural feeder roads in irrigated areas improves the conditions for input supply, produce marketing and the conduct of farming operations (cultivation, fertilizer spreading, harvests...), thus helping to cut production costs and post-harvest losses.

Furthermore, feeder roads also open up rural areas, thus improving living conditions for local communities. Since 2011, the State has launched a programme to pave feeder roads. Hence, 410 km of roads are being developed under a project co-financed by the Kuwait Fund for Arab Economic Development (KFAED). Furthermore, the Government decided to implement a new project to develop 500 km of feeder roads in the most disadvantaged governorates of the country in order to reduce poverty in the regions concerned and improve the living conditions of rural communities by developing agricultural production and improving infrastructure. The objective of this project is to reduce poverty in the regions concerned and improve the living conditions of rural communities by enhancing agricultural production and infrastructure.

## Description

The first component comprises a study on surveillance and construction of 500 km of feeder roads in the irrigated areas while; the second component relates to implementation of the project's environmental and social management plan.

The project components are:

- Infrastructural study; and
- Coordination and management of the operation.

## Expected Outcomes

The conduct of studies prior to project appraisal will make it possible to:

- Obtain the updated and precise cost of proposed investments;
- Prepare technical studies and bidding documents which would be available as soon as the loan becomes effective; and
- Launch the construction of feeder roads in the first year of project implementation.

# Integrated Agricultural Development Project (IADP) of Gabes II

| | |
|---|---|
| **ADB Loan Amount** | UA 18.2 million |
| **Approval Date** | November 2014 |
| **Expected Completion Date** | December 2019 |
| **Executing Agency** | Ministry of Agriculture |

## Background and objectives

This project is an extension of the first phase of Gabes IADP. This first phase was a great success and allowed, among others, to protect land against erosion, improve the use of the water surface by different types of development on an area of law 18,000 ha, enhancing by planting fruit trees around 13,000 ha of irrigation development on nearly 680 acres and build 110 km of rural roads. The Project objective is to contribute to poverty reduction in the Governorate of Gabes through the increase of farmers' income.

## Description

The IADP of Gabes II will focus on three components: (i) rural infrastructure; (Ii) participatory agricultural development; and (iii) Coordination and management of the project and its main activities are: i) Irrigation Management; ii) Rural Drinking Water Supply; iii) Rural Drinking Water Supply; iv) Environmental Protection; v) Strengthening Institutions and Capacities.

## Expected Outcomes

The main deliverables of the project are: (i) Creation of irrigated areas of 760 ha; (Ii) development of rural roads (50 km); (Iii) implementation of water conservation works and soil in 5,000 ha; (Iv) electrification of water points; (V) fruit plantation on 1,940 ha; (Vi) technical support to farmers; (Vii) micro-projects for women and youth; and (ix) clearance and land consolidation.

# Evaluation Studies of the Experience of the Integrated Agricultural Development Projects (IADP) and Preparation of the IADP of Zaghouan

| | |
|---|---|
| **ADB Grant Amount** | UA 0.39 millions (MIC TAF) |
| **Approval Date** | October 2014 |
| **Expected Completion Date** | June 2017 |
| **Executing Agency** | Ministry of Agriculture |

## Background and objectives

To help reduce regional disparities, the Transitional Government has decided to implement integrated agricultural development projects (IADP) in disadvantaged regions. He submitted in that context, the AfDB, a request for financing IADP Zaghouan. In order to improve project design and ensure quality at entry, it is necessary to undertake, during the preparation process, a number of studies on an assessment of the experience of previous IADP, study the possibilities of development of organic olive growing, rehabilitation / creation of PPI, AEP, and rural roads and the Project baseline.

## Description

The proposed studies objectives are:

- The evaluation of the IADP experience;
- The study of the possibilities of promoting organic agriculture;
- The development of studies related to infrastructure IADP Zaghouan: they will be carried out in two phases and will (i) to study the feasibility and profitability of infrastructure and facilities offered on the sites chosen for the Following the identification / preparation mission and (ii) focus on the detailed design of facilities selected in the first phase, the tender documents for the work and an environmental impact assessment and site to be developed by social; (D) A baseline study. This will define the project monitoring indicators and measure said indicators in the situation draft.

## Expected Outcomes

The expected results are:

(i) an analytical report on the earlier experiences of IADP financed by the Bank in Tunisia; (Ii) a report containing proposals for activities and the cost to a subcomponent "promotion of organic farming. This report will identify particularly small farms that could evolve to the status of "organic farms" and define the support that the Project will bring to help them in this regard; (Ii) a preliminary design study of infrastructure projects; (Iii) infrastructure detailed designs included in the Projects and tender documents for the execution of works; (Iv) a study of the project baseline.

# Support to the Holistic Social Business Movement in Tunisia

| | |
|---|---|
| **ADB Grant Amount** | UA 1.76 million (MENA TF) |
| **Approval Date** | June 2014 |
| **Expected Completion Date** | Not yet determined |
| **Executing Agency** | Ministry of Employment and Vocational Training |

## Background and objectives

The Bank has addressed the youth employment crisis since 2011 through a joint initiative of Youth Employment. The social enterprise model has been successful in Bangladesh, India, Haiti, Albania and other countries. The Bank hopes that it will see the same success in reducing poverty in Africa by encouraging the poor to participate in social and environmentally sound businesses to generate income, develop entrepreneurship and create jobs. The Holistic Social Business Movement Program for Africa will be piloted in Tunisia. The Bank has chosen this country, by evaluating the youth unemployment situation. If this pilot program is successful, the Bank intends to extend the Social Movement holistic business to other African countries.

This program was developed in partnership with the African Union Commission, the United Nations Economic Commission for Africa, and the narrow International Labour Organization. In collaboration with the Government of Tunisia, development partners and the private sector, the program aims to rrésoudre the crisis of youth employment by reducing regional disparities, promote regional development, providing social services and strengthen the voice and citizen empowerment. It aims to reform the law on microfinance and reshape labor law for an active labor market, contribute to consolidate programs of the labor market for highly qualified young to make them more employable in the long term, and the support of short-term employment of unskilled workers.

## Description

The Project purpose is to support the establishment of a social economy process in Tunisia. The project consists of six components:

- Strengthening the capacity of national implementation structure of the project;
- Structuring the incubator and accelerator;
- Implement the incubator;
- Train the project stakeholders and implement monitoring of the committee;
- Select and support projects focused on social development; and
- Manage the project.

## Expected Outcomes

The expected results are:

- Economic and Social Inclusion Promotion through sponsorship and investment in social activities (products and services) initiated by vulnerable populations in disadvantaged regions;
- Job creation from these activities for vulnerable populations; and
- Development of private investment and entrepreneurship.

# Programme to Build Tunisia's Managerial Capacity to Support the Transition

| | |
|---|---|
| **ADB MENA Grant TF** | UA 1 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | May 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Countrywide |
| **Executing Agency** | Not yet determined |

## Background and objectives

In the wake of the January 2011 Revolution, it became necessary to review the country's managerial model in order to overhaul the poor governance that had plagued management of the country hitherto. At the request of the Transition Government, the Bank approved a pilot capacity-building training project for several decision-makers in the country to ensure success of the Transition.

## Description

The project objective is to build the managerial capacity of Tunisian decision-makers in order to enhance their decision-making efficiency.

This pilot project focused on the following two components:

- Define and steer a training programme for senior officials of the government and political parties; and
- Manage a training programme for middle-level executives in the Tunisian Governement.

## Expected Outcomes

The expected outputs of the project are:

- Design of the format and content of the Levels 1 and 2 training programmes;
- Preparation of the pilot programme for Level 1 training;
- Evaluation of the pilot programme for Level 1 training;
- Consolidation of the Project implementation structure.

Multi sector

# Operationalisation of Public-Private Partnerships

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 1.4 million |
| **Approval Date** | May 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Countrywide |
| **Executing Agency** | PPP Unit (Premier Ministère) |

## Background and objectives

Following the 2011 Revolution, the Transition Government resolved to promote public-private partnerships in order to reduce the public debt burden while boosting investments, with a view to improving the quality of service provision, enhancing the quality of corporate governance and attracting more foreign direct investments.

Accordingly, a new law was adopted by the National Constituent Assembly. This law, which is the legal framework for the promotion of PPPs, will serve as the springboard for raising private sector resources to finance the country's economic and social development, especially infrastructure projects.

At the request of Tunisian authorities, the Bank accepted to build the capacity of the entity tasked with implementation of the PPP law.

## Description

The project objective is to support the Tunisian Government in the operationalization of the new law on public-private partnerships (PPPs). This will be done in 2 interdependent phases. Phase 1 will focus on capacity-building support while Phase 2 will focus on the identification and preparation of pilot projects to be implemented through the PPP approach.

## Expected Outcomes

The main expected outcomes are:

- PPP regulations and institutional framework;
- Establishment of the entity in charge of PPPs;
- Capacity development and skills transfer;
- Development of a list of PPPs to be implemented and preparation of pilot projects; and
- Consultation and communication.

# Support to Improve Implementation of AfDB Projects in Tunisia

| | |
|---|---|
| **TFT Grant Amount** | UA 0.33 million |
| **Approval Date** | April 2013 |
| **Expected Completion Date** | December 2015 |
| **Location** | Countrywide |
| **Executing Agency** | African Development Bank |

## Background and objectives

The AfDB's portfolio of ongoing projects in Tunisia remains one its largest portfolios in regional member countries (RMCs). Since 2011, implementation of the Bank's active portfolio has been plagued by difficulties that affect its performance. Some of these difficulties have been compounded by the tense political situation in the country. The most significant of these difficulties include: (1) ignorance of the Bank's procurement rules and procedures by officials of ministries; (2) protracted delays by the Tunisian Government, especially the Major Tender Board, in transmitting its non-objection regarding bidding documents and shortlists to executing agencies; (3) difficulties in applying AfDB rules to small decentralized contracts despite the measures taken by the Bank to ensure ex poste review of contracts; (4) dual application of national procurement procedures and the AfDB rules and procedures for the recruitment of consultants; (5) protracted delays between approval and first disbursement; and (7) delays in the submission of project audit reports.

At the request of the Transition Government, the Bank decided to make special efforts to improve the quality and monitoring of new project supervision and launching missions, particularly by reinforcing mission teams in the field with greater assistance from the Procurement, Fiduciary Management and Disbursements Services.

## Description

The project objective is to improve portfolio performance.

The project will hinge on the following 3 components:

- Improvement of short-term project implementation;
- Preparation of an institutional support; and
- Project implementation.

## Expected Outcomes

The main expected outcomes are:

- Contribution to the formulation and implementation of solutions to short-term and structural problems affecting the portfolio in order to speed up project implementation and disbursements;
- Conduct of an indepth diagnosis of the structural problems affecting project implementation and monitoring of public investments by State bodies; and
- Preparation of an institutional support project to build the capacity of State bodies responsible for the implementation and monitoring of public investment programmes.

# E-Government and Open-Government Implementation Support Project

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.68 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | December 2012 |
| **Expected Completion Date** | Not yet determined |
| **Location** | Nationwide |
| **Executing Agency** | The Tunisian Government |

## Background and Objectives

Until December 2010, Tunisia lagged significantly in terms of social inclusion, citizen participation and control. The public administrations were highly centralized and the State was omnipresent in the lives of the population. In this context, the development of civil society was limited and exchanges between the Government and population were never optimized.

The 2011 revolution profoundly changed the situation regarding the importance attached to transparency and good governance. Tunisians now aspire to greater transparency and openness of public services to civil society; which will create greater citizen commitment. This new environment provides Tunisia with a unique opportunity to improve governance through greater transparency and opening up of the public administration.

The project objective is to develop the use of ICTs in the Administration in order to strengthen e-governance, improve the Administration's efficiency and build closer ties with its citizens.

## Description

The project objectives are to:

- Design an e-Government master plan aimed at clarifying the vision of the development of on-line services and improving their quality;
- Strengthen participatory democracy through the promotion of Open-Government, by developing two national platforms for Open-data e-participation;
- Support the implementation of e-government through a) capacity building for civil servants in the area of e-governance, and b) improving sensitization of the general public on, and their access to e-Government projects.

## Expected Outcomes

The study outcomes will be:

- The reformulation of the e-government strategic plan;
- The development of two e-governance platforms, i.e. a national open data platform and a national e-participation platform; and
- The building national capacities on the basis of training activities for civil servants in the public administration, communication on the government programme focused on the promotion of governance and enhanced efficiency of the Tunisian administration as well as the procurement of small items of equipment.

Multi sector

# Projet ETAP-Nawara

| | |
|---|---|
| **ADB Loan Amount** | UA 50 million |
| **Approval Date** | June 2014 |
| **Expected Completion Date** | Not yet determined |
| **Executing Agency** | Ministry of Energy/ETAP |

## Background and Objectives

The pipeline linking the area of the Sahara region housing the largest oil resources of Tunisia to the industrial zone of Gabes had reached the limits of its capacity, which could increase the country's energy deficit if additional investments n ' were made in the sector. The project will help reduce the trade deficit of Tunisia. Indeed, the increased production will have a positive impact on the trade balance through the generation of foreign exchange as well as the savings of foreign exchange through import substitution. The ETAP program of investment including Nawara project aims to develop the production of oil and gas from the oil fields of southern Tunisia, to ensure their treatment and transportation from infrastructure as pipeline.

## Description

Transport equipment and storage of hydrocarbons should be established for the processing and export of production.

## Expected Outcomes

Deliverables are:

- Construction near Nawara of a central well to contain all the gas from different fields of southern storage for compressing and transporting it in the pipeline of Trapsa;
- Creation of a 28 inches in diameter pipeline, 370 km long with a daily capacity of 10 million $M^3$ to ensure the export of condensed gas (natural gas, propane and butane);
- Establishment of Gabes processing and marketing of natural gas structure, propane and butane.

# Project to Increase Internal Resource Mobilisation by Improving Tax System Efficiency and Enhancing Transparency

| | |
|---|---|
| **MENA TF Grant Amount** | UA 1.92 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Nationwide |
| **Executing Agency** | Not yet determined |

## Background and objectives

The main challenges facing the Government after the 2011 Revolution are the creation of jobs in sufficient numbers and quality, the promotion of inclusive growth and the reduction of regional disparities to ensure sustainable development in Tunisia.

At the request of Tunisian authorities, the Bank agreed to support the efforts of the Transition Government to improve tax system efficiency and enhance transparency.

## Description

The project objective is to support activities likely to create a positive impact on Tunisia's business environment and which could produce significant results in terms of:

- Improved mobilisation of domestic resources; and
- Improved international cooperation and fiscal transparency.

## Expected Outcomes

The expected results are:

- Changes in the laws and procedures to establish transparency and effective exchange of information in accordance with Global Forum standards with a view to ensuring the effective utilisation of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters;
- Establishment of an effective unit for information-sharing; changes in laws and in the policy governing treaties and rules on price transfer to address the issue of tax base erosion and transfer of profits;
- Preparation of an effective audit of the multinational corporations in the country;
- Establishment of a tax analysis unit;
- Production of internationally comparable income statistics;
- Implementation of an improved risk-based approach for tax collection and efficient resource mobilisation following changes in the tax administration structure that show the application of international best practices, an efficient approach to combatting tax offences and better-targeted inspections;
- Adoption of programmes for taxpayers (improvement of services to taxpayers) with an increase in the number of consultations with civil society and the private sector.

Multi sector

# Support for the Souk At-Tanmia II Initiative

| | |
|---|---|
| **TFT Grant Amount** | € 1 975 102.06 |
| **Approval Date** | January 2014 |
| **Expected Completion Date** | June 2016 |
| **Location** | Nationwide |
| **Executing Agency** | AfDB |

## Background and Objectives

In order to respond concretely to the key concerns and expectations of young Tunisians and the fight against unemployment in Tunisia, the Bank launched in July 2012, the Partnership Souk At-tanmia. The initiative is, to date, the largest mobilization in the country to support entrepreneurship, bringing together almost 20 partners representing the community development institutions, the public and private sectors and civil society in Tunisia. The Partnership intends to fight against the problem of unemployment in Tunisia and the emergence of a new generation of young entrepreneurs with a spirit of initiative, but have no access to the necessary funding and support to start their business. The pilot edition Souk At-tanmia was successful and ended in December 2013. It has funded 61 projects, of which 63% is in the regions and 51% by youth. The positive results and lessons learned from this pilot edition, the Partnership has launched a new edition of Souk At-tanmia in April 2014. The first program was implemented to support business creation. A second program to support the expansion of SMEs is being prepared and will also be launched as part of this 2nd edition.

## Description

Souk At-tanmia aims to create new opportunities for underserved entrepreneurs, helping them start their own businesses. To do this, the Partnership provides integrated support, which combines financing (in grants) and support services and capacity building to enable them to cope with financial constraints and lack of capacity that Tunisian entrepreneurs face. The second edition is based on lessons learned from the pilot edition but also the best practices observed in Tunisia and elsewhere. The grant is now proportional to the overall cost of the project with grants capped at 35,000 DT for projects not exceeding 100 000 TD and 50,000 TD for those with a total cost of less than 300 000 TD. To ensure the sustainability of the projects selected, the accompanying program was enhanced and more adapted to the needs of beneficiaries and the pace of development projects and their implementation.

## Expected Outcomes

The project should contribute to the creation of nearly one hundred new businesses in Tunisia, part of which will be located in disadvantaged areas. Furthermore, it is expected that women, youth and the unemployed benefiting from this initiative. This business creation in turn will help create new jobs and contribute to the fight against unemployment in Tunisia.

# Support to the Holistic Social Business Movement of Tunisia

| | |
|---|---|
| **ADB TFT Grant Amount** | UA 0.22 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | April 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Countrywide |
| **Executing Agency** | Not yet determined |

## Background and objectives

The Bank has battled the youth unemployment crisis since 2011 through a joint youth employment initiative. The social enterprise model has been successful in Bangladesh, India, Haiti, Albania and other countries. The Bank hopes that this model will achieve the same success with poverty reduction in Africa by encouraging the poorest people to participate in the creation of sustainable businesses, develop the entrepreneurial spirit and create jobs.

The entrepreneurial social programme for Africa will be piloted in Tunisia. The Bank chose Tunisia after assessing its youth unemployment situation. If this pilot programme succeeds, the Bank will extend this programme to other African countries.

This programme was designed in partnership with the African Union Commission, the UN Economic Commission for Africa, and the International Labour Organisation. Working closely with the Tunisian Government, development partners and the private sector, the programme seeks to resolve the youth unemployment crisis, reduce regional disparities. It seeks to amend the Microfinance Act, adapt the labour law to a more active labour market, strengthen labour market programmes for highly-skilled youth in order to increase their long-term employability and support short-term employment for unskilled workers.

## Description

The objective of the project is to support the emergence of a strong socio economics concept in Tunisia.

The project focuses on the following 6 components:

- Capacity building of the national project implementation structure;
- Structuring of the project incubator and the project accelerator;
- Implementation of the project incubator;
- Training of project stakeholders and establishment of a monitoring committee;
- Selection and support of social development projects; and
- Project management.

## Expected Outcomes

- Economic promotion and social inclusion through sponsorship and investment in social activities (products and services) initiated by the poor in disadvantaged regions;
- Job creation, through the above-mentioned activities, for poor communities; and
- Development of private investment and entrepreneurship.

Financial sector

# Evaluation of the Performance of the Tunisian Social Welfare System and the Challenges of Informality

| | |
|---|---|
| **TFT Grant Amount** | UA 0.22 million |
| **Approval Date** | April 2013 |
| **Expected Completion Date** | December 2015 |
| **Location** | Countrywide |
| **Executing Agency** | Centre de Recherches et des Etudes Sociales (CRES) |

## Background and objectives

This planned study falls within the context of transition in Tunisia and it is consistent, in particular. with the need to for the authorities to better understand the social issues which triggered protests against the former regime.

Hence, evaluation and measurement of the performance of social welfare mechanisms in Tunisia, the programme of assistance to needy families, free medical aid programmes and their contribution to improving the standards of living of beneficiary communities are crucial concerns in the Transition Government's social policy. The study will also focus on identification of the determinants of informality and will target non-contributive social programmes, with the ultimate goal of identifying a series of reforms that can lead to the establishment of a Social welfare framework (SPF).

The project will help to provide institutional support to the Research and Social Studies Centre (CRES) and will indirectly buttress the efforts of the Ministry of Social Affairs to steer the social safety net reforms.

## Description

The study will focus on 2 components, namely:

- Evaluation and measurement of the performance of targeted social welfare mechanisms in Tunisia and their contribution to improving the standard of living of beneficiary communities; and
- Preparation of a social welfare programmes reform plan and the establishment of a social protection framework.

## Expected Outcomes

- Improvement of the capacity of CRES and the Ministry of Social Welfare to analyse and steer social welfare programmes;
- Development of institutional capacity within CRES and the Ministry of Social Welfare to design, monitor and evaluate social safety nets;
- Development of inter-institutional capacity between CRES, INS and the National Social Security Fund (private sector) to facilitate monitoring and management of issues relating to informal employment and the extension of social coverage;
- Enhancement and better dissemination of knowledge on informality and precarity; and
- Initiation of an institutional dynamics with a view to establishing a social protection framework.

# SME Apex Facility Line of Credit

| | |
|---|---|
| **ADB Loan Amount** | UA 32.11 million |
| **Co-Financiers** | The World Bank |
| **Approval Date** | July 2011 |
| **Expected Completion Date** | December 2016 |
| **Location** | Nationwide |
| **Executing Agency** | Central Bank of Tunisia |

## Background and Objectives

The protests that accompanied Tunisia's revolution caused a meaningful disturbance to the country's economic activity, which was further exacerbated by the events in neighboring Libya. The Bank promptly reacted to the needs of the transition government to ensure social support measures would be in place to address the needs of the population. This SME APEX Facility aligns with the goals of the Budget Support Program (BSP).

The proceeds of the LoC will be used by Tunisia to support SMEs in various sectors of the economy which have demonstrated their viability but may require additional funding as the economy experiences a slowdown. The sectors covered will include, agro-processing, manufacturing, construction, innovative projects including renewable energy, transportation and services.

## Description

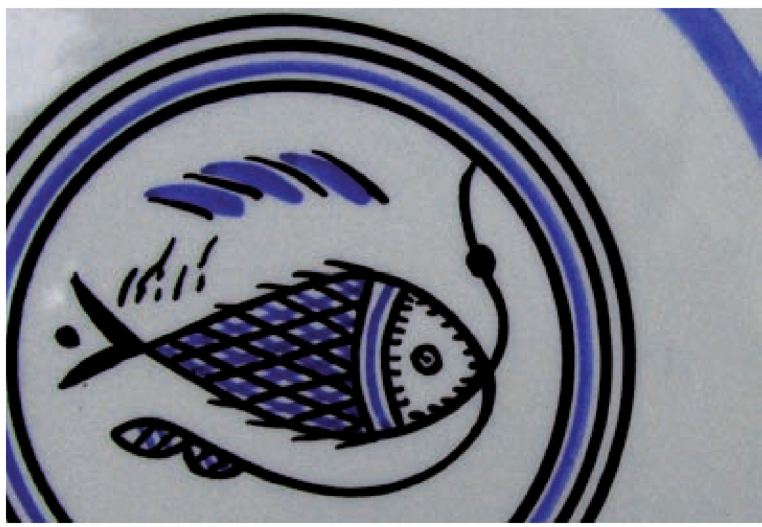
The line of credit will:

- Finance 140 SME projects, including 14 in innovative sectors;
- Provide technical assistance to 1000 entrepreneurs and SMEs and 10 financial institutions.

## Expected Outcomes

It is expected that this project will led to:

- Increased availability of short and long term loans to viable SMEs experiencing short term financial difficulties;
- Increase availability of financing to new business with strong potential;
- Strengthen financial institution capacity to lend;
- The expansion of Tunisia's SME sector in terms of its contribution to economic and employment growth.



# SME Support Project, Backed by the Small and Medium-Sized Enterprises Financing Bank (BFPME)

| | |
|---|---|
| **FAPA Grant Amount** | UA 0.62 million |
| **Approval Date** | April 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Countrywide |
| **Executing Agency** | BFPME |

## Background and objectives

The Small and Medium-Sized Enterprises Financing Bank (BFPME), which is one of the main national structures involved in the funding of small and medium-sized enterprises, has become an essential stakeholder in the country.

In the wake of the revolution, the Transition Government resolved to strengthen the role of BFPME with a view to boosting private sector development through the creation and expansion of SMEs in Tunisia in order to fuel job creation and reduce regional disparities.

At the request of the Government, the Bank, using resources from the Japanese Trust Fund, financed an institutional capacity-building project for BFPME to help it achieve the targets set for it by the Government.

The project objective is to help the PFPME improve its services to SMEs in all governorates of Tunisia.

## Description

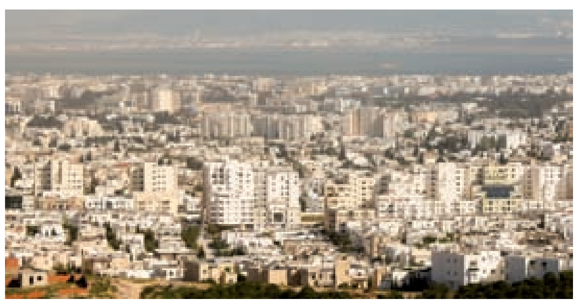
The support will focus on the following components:

- Staff capacity-building for BFPME through certified training, in order to improve on its services to SMEs in all the governorates of Tunisia;
- Creation of a database on key sectors of activity, containing technical and financial information that helps to improve the quality of project appraisal and monitoring as well as dissemination of lessons; and
- Advice and technical support to certain businesses with high potential but which are experiencing difficulties in the current economic context.

## Expected Outcomes

The main expected outcomes are:

- Skills development for BFPME staff through training;
- Creation of a database on key sectors of activity, containing technical and financial information that helps to improve the quality of project appraisal and monitoring as well as dissemination of lessons learnt; and
- Advice and technical support to certain businesses with high potential but which are experiencing difficulties in the current economic context.



# Project in Support of the Operationalization of the Public Procurement Reform Action Plan

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.53 million |
| **Approval Date** | December 2013 |
| **Expected Completion Date** | December 2016 |
| **Location** | Nationwide |
| **Executing Agency** | Commision Superieure des Marches |

## Background and objectives

From 2011, Tunisia initiated profound changes through structural reforms to ensure better economic governance, greater transparency and increased control by the population of the management of public affairs in general and of public finance in particular. This commitment stems from the expectations expressed in the wake of the Revolution. It initially translated to a determination to modernize the national procurement system, with a view to upgrading it to international standards in terms of transparency and integrity by endowing it with a coherent and efficient regulatory and institutional framework.

Hence, in March 2012, the Government, with the support of the African Development Bank and the World Bank, initiated a self-evaluation of its national procurement system based on the OECD/DAC method. This was done by a national committee open to all stakeholders involved in public procurement (including the private sector and civil society). The self-evaluation yielded an appraisal report and an action plan which were validated by the Government during its cabinet meeting of 24 August 2012. The report revealed shortcomings in terms of the integrity and transparency of the public procurement system, the legislative and regulatory framework, the institutional and managerial framework, etc.

Based on the findings of this self-evaluation, the country plans to implement a series of reforms to improve the procurements system, in keeping with an action plan that focuses on:

- Governance and rationalisation of the legal framework;
- Transparency;
- Performance; and
- Professionalization.

## Description

The project objective is to support Tunisia's efforts to implement the measures and actions adopted to address the shortcomings of the national procurement system, detected through the self-evaluation conducted by Tunisia with ADB and World Bank support.

The project will be implemented over a period of 24 months and will focus on the following three components:

- Support for the implementation of the public procurement system action plan approved by the Government;
- Development of public procurement capacity and information system; and
- Project management.

## Expected Outcomes

- Implementation of the public procurement system action plan approved by the Government; and
- Development of public procurement capacity and information system.

# SINEAU

| | |
|---|---|
| **AWF Grant Amount** | € 1.973,000 |
| **Co-Financiers** | The 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 risks that demand for water exceed supply due to population growth and living standards have 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

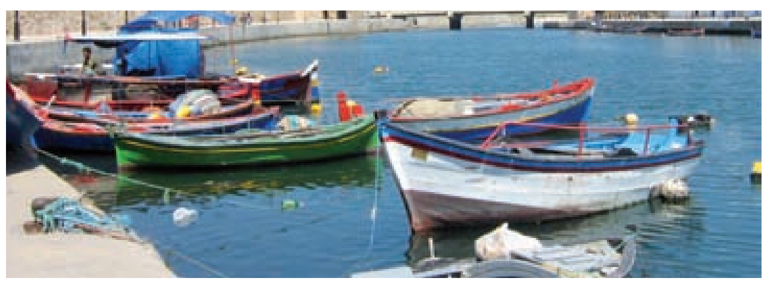
This project will entail:

- 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 $m^3$ in 208 to 2800 million $m^3$ in 2030;
- That demand for water per capita decreases from 250 sq ft per annum in 2008 to 215 $m^3$ per capita in 2030.



# Treated Wastewater Quality Improvement Project

| | |
|---|---|
| **ADB Loan Amount** | UA 28.19 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | January 2012 |
| **Expected Completion Date** | December 2014 |
| **Location** | Nationwide |
| **Executing Agency** | The Tunisian Government |

## Background and Objectives

An arid and semi-arid country, Tunisia is faced with increasingly pronounced water stress due to the negative impacts of climate change on water resources, increasing water requirements for the economy as well as the degradation of water resources as a result of human activities. About 88% of traditional water resources are harnessed, 80% of which are used in agriculture. While Tunisia's water requirements are rising rapidly to support a growing economy, the water resource potential is declining due to a combination of natural factors related to climate change and artificial factors related to human activities.

To help address the challenges of its development at an early stage, Tunisia engaged in the rational management of its water resources. One of the thrusts identified to ease the pressure on these resources is the use of non-traditional water resources (waste water and treated salt water). The Treated Wastewater Quality Improvement Programme is the first stage in a process to use and enhance treated wastewater.

The project's main objective is to improve the population's living conditions through environmental protection, mitigation of the negative impact of wastewater discharge and support to the National Wastewater Reuse Programme.

## Description

The project will serve to upgrade sanitation infrastructure and help building ONAS's capacities in order to improve wastewater quality for its reuse for watering and water table recharging activities as well as for water discharge in sensitive environments in compliance with the required standards.

## Expected Outcomes

The project outcomes will be:

- The achievement of a wastewater reuse rate of 50% by 2016, compared to 30% at present;
- The contribution to aquifer recharging and easing of water stress;
- The development of irrigated agriculture and agricultural productivity;
- The creation, under integrated mini-projects, and revitalization of income-generating activities;
- The promotion of agricultural employment and contribution to the settlement of rural and peri-urban communities;
- The development of the fishery and tourism sectors in the regions concerned,
- The sludge enhancement and production of fodder to make up the shortfall; and
- The improvement of the inhabitants' living conditions through a reduction in the non-compliant treated waste water discharged on the Mediterranean.

# Rural Drinking Water Supply Program (RDWS)

| | |
|---|---|
| **ADB Loan Amount** | UA 85.2 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | October 2011 |
| **Expected Completion Date** | December 2017 |
| **Location** | Nationwide |
| **Executing Agency** | Ministry of Agriculture and Environment |

## Background and Objectives

Thanks to various DWS programs implemented by the Tunisian government, the access rate to drinking water is 100% in urban areas and 93.5% in rural areas. However, despite efforts made, the highly dispersed and most disadvantaged communities will have no access to drinking water.

The Rural Drinking Water Supply Program (RDWS) will respond to this demand by covering twenty of Tunisia's 24 governorates. It targets the most disadvantaged rural communities on the national territory, whose isolation and dispersal make it difficult for them to access low-cost drinking water.

## Description

The program will entail:

- The construction of 161 new DWS systems;
- The rehabilitation of 150 simple DWS systems;
- The rehabilitation of 7 complex DWS systems to be transferred to SONEDE;
- The improvement of water conditions in three transfer areas;
- The training of 100 DGGREE experts;
- The recruitment of 20 rural engineers.

## Expected Outcomes

The program will provide:

- Drinking water access to 328,191 rural inhabitants;
- Training in water treatment quality for 100 DGGREE and CRDA experts;
- Jobs for 20 rural engineers and technicians;
- Technical, administrative, financial and accounting capacity building for the grassroots management of drinking water networks.

# Study for the Protection Against Floods in Greater Tunis

| | |
|---|---|
| **ADB MIC Grant Amount** | UA 0.58 million |
| **Co-Financiers** | The Tunisian Government |
| **Approval Date** | October 2009 |
| **Expected Completion Date** | December 2014 |
| **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.

# Chapter 7

## Staff & Contact Details


BAD
ADB

# Regional Department North (ORNA) Tunis

| Surname | First Name | Title |
|---|---|---|
| Mr. Kolster | Jacob | Director, ORNA |
| Mrs. Diarra Thioune | Assitan | Regional Economist |
| Mr. Charaf-Eddine | Abdourahamane | Chief Country Programme Officer-Tunisia |
| Mr. Ahmed | Yasser | Chief Country Programme Officer-Egypt, Libya & Tunisia |
| Mrs. Triki | Thouraya | Chief Country Economist-Libya & Tunisia |
| Mr. Ndong Ntah | Marcellin | Resident Chief Economist-Mauritania |
| Mr. Ould Tolba | Mohamed | Chief Agricultural Economist/OSAN |
| Mrs. Chouchane | Audrey | Chief Research Economist/EDRE |
| Mr. Yaro | Mamadou | Chief Regional Financial Management Coordinator/ORPF |
| Mr. Dakpo | William Coovi Firmin | Chief Regional Procurement Coordinator/ORPF |
| Mrs. Ennaifer | Selma | Chief Financial Management Specialist/ORPF |
| Mr. Trape | Philippe | Principal Country Economist-Tunisia |
| Mrs. Eita | Yasmine Moustapha H. | Principal Country Programme Officer |
| Mr. Bouzgarrou | Malek | Principal Country Programme Officer-Algeria, Mauritania & Morocco |
| M. Lohoues | Hervé | Principal Country Economist-Algeria |
| Mr. Belhaj | Riadh | Principal Risk Officer/FFMA |
| Mrs. Wu Chebili | Blandine | Principal Procurement Officer/ORPF |
| Mr. Gueye | Mouhamed | Principal Education Economist/OSHD |
| Mrs. Lannes | Laurence | Principal Health Economist/OSHD |
| Mr. Rodrigues | Fernando | Senior Investment Officer/OPSD |
| Mr. Ben Abedelkarim | Oussama | Senior Education Economist/OSHD |
| Mrs. Abderrahim | Kaouther | Economist |
| Mr. Mouaffak | Amine | Regional Programme Officer |
| Mr. Haj Salem | Hatem | Senior Operation Assistant |

# Regional Department North (ORNA) Tunis

| Surname | First Name | Title |
|---|---|---|
| M. Methamem | Hassen | Team Assistant |
| Mrs. Miled | Sana | Secretary |
| Mrs. Essid | Imen | Secretary |
| Mrs. Hassine | Wafa | Administrative Assistant |
| Mrs. Mansouri | Henda | Secretary/ORPF |
| M. Aich | Mohamed Heni | Assistant |
| M. Akermi | Bouzid | Assistant |
| M. Attouani | Hatem | Assistant |
| Mrs. Ezzine | Marwa | Administrative Assistant |
| Mrs. Barbaria | Sonia | Consultant |
| Mr. Ben Halima | Slaheddine | Consultant |
| Mr. Alaya | Bara | Consultant |
| Mrs. Dridi | Wassila | Consultant |
| Mrs. Capelli | Clara | Consultant |
| Mr. Bahri | Mohamed | Consultant |
| Mrs. Chauvin | Mickaelle | Consultant |
| Mrs. Mansour | Samia | Consultant |
| Karagueuzian | Charlotte | Consultant/EDRE |
| Labben | Mohamed | Consultant/ORPF |
| Livingston | Nicholas | Consultant |
| Kies | Ali | Consultant/OITC |

African Development Bank Group
Rue de Dollar - les Berges du Lac 2 - Zahrabed, Tunis
Tunisia
Telephone: (+216) 71 10 29 70 / 71 10 34 27
Fax: (+216) 71 10 37 36

# Egypt Country Office (EGFO)

| Surname | First Name | Title |
|---|---|---|
| Mrs. Mokadem | Leila | Resident Representative |
| Mr. Bhakta | Prajesh | Chief Country Programme Officer |
| Mrs. El Sokkary | Gehane | Principal Socio-Economist |
| Mr. Ammar | Tarek | Principal Private Sector Specialist |
| Mr. El Askari | Khaled | Senior Infrustructure Expert |
| Mr. Elwan | Yasser | Senior Irrigation Engineer |
| Mr. Abdelmeguid | Saad | ICT Officer |
| Mr. Algindy | Ayman | Procurement Expert |
| Mrs. El Sawy | Reem | Executive Secretary |
| Mrs. Sobhi | Amira | Administrative Assistant |
| Mrs. Ezzat | Zeinab | Assistante administrative |
| Mrs. Elmenshawy | Rasha | Receptionist |
| Mr. Ibrahim | Tarek Salama | Driver |
| Mr. Rahman | Mohsen Ahmad | Driver |
| Mr. Shafik | Emad Awni | Driver |
| Mrs. Hassan | Zeinab | Consultant |

African Development Bank Group
Egypt Field Office (EGFO)
72b, Al-Maahad El-Eshteraky st. 5th floor
Afreximbank Bldg. – Opposite to Marryland Roxy /Heliopolis
Cairo, Egypt
Telephone: (+202) 22 56 37 90/1
Fax: (+202) 22 56 37 92

# Morocco Country Office (MAFO)

| Surname | First Name | Title |
|---|---|---|
| Mrs. Fal | Yacine | Resident Representative |
| Mr. Castel | Vincent | Chief Country Economist |
| Mr. Diarra | Emmanuel | Principal Financial Economist |
| Mr. Breteche | Olivier | Principal Country Programme Officer |
| Mr. Moussa | Adama | Principal Power Engineer |
| Mr.More Ndong | Pierre | Senior Transport Engineer |
| Mr. Khiati | Driss | Agricultural Sector Specialist |
| Mr. El Ouahabi | Mohammed | Water & Sanitation Specialist |
| Mrs. Kilani-Jaafor | Leila | Social Development Specialist |
| Mr. Rais | Walid | Financial Analyst |
| Mr. El Arkoubi | Mohammed | Procurement Officer |
| Mr. Alami | Mouad | ICT Officer |
| Mr. Bellamy | Khalid | Administrative & Financial Officer |
| Mrs. Arraki | Sanna | Administrative Assistant |
| Mrs. Serrokh | Iman | Disbursement Assistant |
| Mrs. Ghannami | Habiba | Secretary |
| Mrs. Haous | Amina | Secretary |
| Mr. Quabil | Mohammed | Driver |
| Mr. Essaouabi | Jamal | Driver |
| Mr. Mourgues | Thibaut | Consultant |
| Mr. Charrier Rachidi | Driss | Consultant |
| Mr. Shin | Dong Yub | Consultant |
| Mrs. El Youssefi | Imane | Stagiaire |

African Development Bank Group
Morocco Field Office (MAFO)
Nr. 30 lotissement Al-Andalous, Hay Ryad, Rabat I BP 21555 Rabat Annakhil, Hay Ryad
Rabat, Maroc
Tel: (+212) 05 30 17 73 00 - Ext. 7308 / 7309
Fax: (+212) 53 01 77 30 0

# Algeria Country Office (DZFO)

| Surname | First Name | Title |
|---|---|---|
| Mr. Traore | Boubacar | Resident Representative |
| Mr. Benbhamed | Tarik | Macro-Economist |
| Mrs. Benchouk | Saida | Procurement Officer |
| Mrs. Ghezali | Hadia | Administrative & Financial Assistant |
| Mr. Madi | Mohamed | IT-Assistant |
| Mrs. Loucif | Karima | Secretary |
| Mr. Smaili | Sid-Ahmed | Driver |
| Mr. Bouchenak | Bachir | Driver |

African Development Bank Group
Algeria Field Office (DZFO)
Commune Hydra Paradou
3, rue Hamdani Lahcène, Daira Birmouradrais
Algiers, Algeria
Telephone: (+213) 21 43 53 95
Fax: (+213) 21 43 53 92

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