



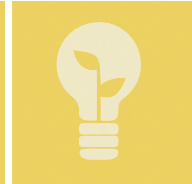
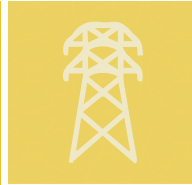
Improve the Quality of Life  
for the People of Africa



# African Development Bank in **North Africa**



Light up &  
Power Africa



## Addressing Together the Bank's High **5** for transforming North Africa

Industrialize  
Africa



Integrate  
Africa



Feed  
Africa



# 2016



AFRICAN DEVELOPMENT BANK GROUP



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The Annual Report of the African Development Bank's North Africa Regional Department was prepared by Vincent Castel (Chief Country Economist), Kaouther Abderrahim Ben Salah (Senior Macro-economist) and Alia Amimi (Economist). The report presents Bank's Engagement in the region and socio and economic development as of December 31, 2015.

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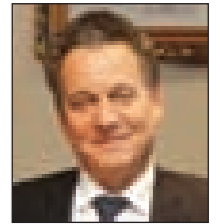
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## Preface



Since 2015, and to accelerate the transformation of the African continent, the African Development Bank is committed to focus its efforts on five priority areas : Lighting Africa, Feeding Africa, Integrating Africa, Industrializing Africa and improving the quality of life for the people of Africa. These new priorities perfectly meet the challenges facing North Africa to ensure a more inclusive development as highlighted by the social demands which were in several countries of the region since 2011.

The **industrialization** of the region through the development of value chains and the sophistication of goods and services is one of the most important challenges to be addressed, for these economies to respond to the issue of unemployment especially among youth and to create better jobs. Indeed, economies whose export structure is more diverse tend to have a higher income per capita and countries that export more sophisticated products tend to have faster growth.

From the perspective of **energy**, the rapid increase in demand observed in all North African countries is explained by population growth, the development of productive activities and the improvement of the quality of life. The changes in demand and structure, are a major challenge for all electricity companies that must invest heavily to satisfy this demand. Fossil fuels (oil, natural gas, coal) in all North African countries account for between 95% and almost all of the primary energy supply. The efficient use of these resources must be strengthened. However, these countries have a considerable bearing on renewable energy, and countries the ability to deploy multiple technological options. Efforts by all countries in this direction should be supported and are full of promises.

**Integration**, should also be promoted through infrastructure development that strengthen the national

network and those that connect the countries with each other and the world. This development is necessary to expand the size of markets and reduce the cost of movement of goods, persons and services. This development also strengthens the cooperation, exchange and reduces inequalities in the region by ensuring better access to basic services and economic opportunities.

**Agriculture** in North Africa is back on the front scene since the rising of food prices at the end of 2006 as the food security of the region largely depends on global markets. Social movements in the region have also drawn attention to the importance of agriculture, because people in the least developed regions are heavily dependent (directly or indirectly) on this sector. But it is also a sector where value chains must be developed and which must be industrialized so that economies can benefit from the sector's full potential and so that rural living conditions can be improved.

Finally, **improving the quality of life of African** and especially women and young people is at the heart of aspirations of North African populations. Indeed, the top priority today is to allow them to participate in the economy with all the advantages and the potential they represent. For that, the quality of all basic services including education, access to quality health care, vocational training must be improved as well as the promotion of entrepreneurship.

This annual report in Chapter 6 presents for each country and for each project financed by the Bank how the Bank supports North Africa to meet these five priorities.

Moreover, the report presents in the thematic section progress but also short and medium term issues and challenges that countries face and which influence the progresses made in achieving the objectives of the five priorities set by the Bank.

In **Chapter 1**, "Overview of the region of North Africa", we present an overview of the situation in the North African countries in light of recent experience.

**Chapter 2**, entitled "Development and macroeconomic prospects in North Africa," presents the economic trend but also the forecast for regional growth in the future.

**Chapter 3**, entitled "Challenges Facing Public Sector Management and Private Sector Development" introduces the recent changes concerning the development of private sector and public sector management.

**Chapter 4**, entitled "Social Development in North Africa," examines social developments, in particular, improvements in the coverage of health services and education, reducing inequalities but also to the promotion of gender in region.

We hope that this report will be useful and look forward to receiving any feedback from you.

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



## Acronyms

<b>AEO</b>	African Economic Outlook
<b>AfDB</b>	The African Development Bank Group
<b>AFESD</b>	Arab Fund for Economic and Social Development
<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>AMINA</b>	Microfinance Initiative for Africa of the African Development fund
<b>AMU</b>	Arab Maghreb Union
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>BCI</b>	Banque pour le Commerce et l'Industrie
<b>BCM</b>	Banque Centrale de Mauritanie
<b>BIO</b>	Belgian Investment Company for Developing Countries
<b>BMC</b>	Basic Medical Coverage
<b>BMICE</b>	The Maghreb Bank for Investment and Foreign Trade
<b>CBE</b>	Central Bank of Egypt
<b>CEN-SAD</b>	The Community of Sahel-Saharan States
<b>CESE</b>	Conseil Economique, Social et Environnemental du Maroc
<b>CIMR</b>	Caisse Interprofessionnelle Marocaine de Retraite
<b>CNAM</b>	National Health Insurance Fund
<b>CNEA</b>	National Business Environment Committee
<b>CNED</b>	Caisse Nationale d'Equipeement pour le Développement
<b>CNSS</b>	National Social Insurance Fund
<b>CORC</b>	Cairo Oil Refining Company
<b>CSP</b>	Country Strategy Paper
<b>CTF</b>	Clean Technology Fund
<b>DAIP</b>	Assistance mechanisms for the professional integration
<b>DBPMF</b>	Directorate for Public Sector Banks and the Financial Market
<b>DPEF</b>	Directorate of Education and Training Projects
<b>DWS</b>	Drinking Water Supply
<b>DZFO</b>	Algeria Country Office
<b>EC</b>	European Commission
<b>ECOWAS</b>	Economic Community of West African States
<b>EEDC</b>	Egypt Economic Development Conference
<b>EGFO</b>	Egypt Country Office
<b>EIB</b>	European Investment Bank
<b>EMAF</b>	Export Market Access Funding
<b>ENID</b>	Egypt Network for Integrated Development
<b>EU</b>	European Union
<b>FAO</b>	United Nations Food and Agriculture Organization
<b>FAPA</b>	Fund for African Private Sector Assistance
<b>FDI</b>	Foreign direct investment

<b>FIV</b>	Neighbourhood Investment Facility
<b>FPMEI</b>	Fonds pour les PME et l'innovation
<b>FRR</b>	Revenue Regulation Fund
<b>FSAP</b>	Financial Sector Assessment Program
<b>GCC</b>	Gulf Cooperation Council
<b>GDA</b>	Support for Agricultural Development Groups
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environment Facility
<b>GIS</b>	Geographic information system
<b>GNA</b>	Government of National Accord
<b>GNC</b>	General National Congress
<b>GoE</b>	Government of Egypt
<b>GSM</b>	Global system for mobile communication
<b>HDI</b>	Human Immunodeficiency Index
<b>HIV</b>	Human Immunodeficiency Virus
<b>IADP</b>	North Gafsa Integrated Agricultural Development Project
<b>ICA</b>	Infrastructure Consortium for Africa
<b>ICSP</b>	Interim Country Strategy Paper
<b>IDB</b>	Islamic Development Bank
<b>IFC</b>	International Finance Corporation
<b>IFES</b>	International Foundation for Electoral Systems
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>IMP</b>	IT Master Plan
<b>IPE</b>	Job Loss Allowance
<b>IRMS</b>	Integrated Resources Management Strategy
<b>ISSET</b>	Institut Supérieur d'Enseignement Technologique
<b>JBIC</b>	Japanese Bank for Investment and Cooperation
<b>JISA</b>	Joint Integrated Sector Approach
<b>KFAED</b>	Kuwait Fund for Arab Economic Development
<b>KOFEAC</b>	Korea Africa Cooperation Trust Fund
<b>LEPC</b>	Libyan Export Promotion Centre
<b>LPA</b>	Libyan Political Agreement
<b>LTS</b>	Long-Term Strategy
<b>MAFO</b>	Morocco Country Office
<b>MAPM</b>	Ministry of Agriculture and Maritime Fisheries
<b>MCC</b>	Millennium Challenge Corporation
<b>MDBs</b>	Multilateral Development Banks
<b>MDG</b>	Millennium Development Goals
<b>MENA</b>	Middle East and North Africa Maghreb Leasing Algeria Memorandum of Understanding
<b>MERCOSUR</b>	Mercado Común Sur (Argentina, Brazil, and Uruguay)
<b>MFI</b>	Micro finance institutions
<b>MFN</b>	Most Favored Nation
<b>MIC</b>	Middle income countries
<b>MIC-TAF</b>	Middle Income Country Technical Assistance Fund

<b>MLA</b>	Maghreb Leasing Algeria
<b>MoU</b>	Memorandum of Understanding
<b>MPC</b>	Monetary Policy Committee
<b>MSE</b>	Micro and Small Enterprises
<b>MTS</b>	Medium Term Strategy
<b>MW</b>	Megawatt
<b>MWPP</b>	Multi-Donor Water Partnership Program
<b>NAFTA</b>	North American Free Trade Agreement
<b>NBE</b>	National Bank of Egypt
<b>NDP</b>	National Drainage Programme
<b>NGO</b>	Non Governmental Organisations
<b>NPLs</b>	Nonperforming loans
<b>NREA</b>	New & Renewable Energy Authority
<b>NSSD</b>	National Strategy of Sustainable Development
<b>NTF</b>	The Nigeria Trust Fund
<b>NTMs</b>	Nontariff measures
<b>OCP</b>	Cherifian Phosphates Company
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>ONEE</b>	National Electricity and Drinking Water Authority
<b>OPEC</b>	The Organization of the Petroleum Exporting Countries
<b>ORNA</b>	Country Regional Department North Africa
<b>PAAFE</b>	Programme for matching training-employment
<b>PADESFI</b>	The Financial Sector Development Support Program
<b>PAES II</b>	Second Secondary Education Support Project
<b>PAFEJ</b>	Support to the Training and Employment of Young People
<b>PAFTA</b>	Pan-Arab Free Trade Area
<b>PAI</b>	Integration Support Program
<b>PANE</b>	National Action Plan for the Environment
<b>PAPMV-2</b>	Green Morocco Plan Support Programme - Phase 2
<b>PARAP</b>	Public Administration Reform Support Programme
<b>PARCOUM III</b>	Medical Coverage Reform Support Programme
<b>PARGEF</b>	Economic and Financial Governance Revitalization Support Programme
<b>PDAI II</b>	Gabes Integrated Agricultural Development Project
<b>PDRTRE</b>	Electricity Transmission and Distribution Network Development Project
<b>PIEHER</b>	Integrated Wind Energy Hydropower Rural Electrification Programme
<b>PISA</b>	Program for International Student Assessment
<b>PISEAU II</b>	Water Sector Investment Project Phase 2
<b>PMI</b>	Industrial Modernization Program
<b>PMN</b>	Industrial Upgrading Program
<b>PNDSE</b>	Education System Development Support Project
<b>PNEEI</b>	National Irrigation Water Saving Programme
<b>PPC</b>	Petroleum Pipeline Company
<b>PPP</b>	Purchasing Power Parity
<b>PRECAMF</b>	Project to build the capacities of Microfinance Stakeholders
<b>PRP</b>	Poverty Reduction Program
<b>RADEEMA</b>	Marrakesh Autonomous Water and Electricity Distribution Authority

<b>RAMED</b>	Régime d'Assistance Médicale aux Economiquement Démunis
<b>RE</b>	Renewable energy
<b>RIEEP</b>	Rural Income and Economic Enhancement Project
<b>RMCs</b>	Regional Member Countries
<b>RRA</b>	Renewables Readiness Assessment
<b>RWSSI</b>	Rural Water Supply and Sanitation Initiative
<b>SESP II</b>	Secondary Education Support Project Phase II
<b>SFD</b>	Egypt Social Fund for Development
<b>SFD*</b>	Saudi Fund for Development
<b>SIFEM</b>	Swiss Investment Fund for Emerging Markets
<b>SINEAU</b>	National Water Information System
<b>SME</b>	Small and Medium Enterprises
<b>SNAT</b>	National Scheme of Land Planning
<b>SNIM</b>	National Industrial and Mining Company of Mauritania
<b>SNTF</b>	Société Nationale des Transports Ferroviaires
<b>STRI</b>	Services Trade Restrictiveness Index
<b>TFS</b>	Technical feasibility study
<b>TRAINS</b>	Trade Analysis and Information System
<b>UA</b>	Unit of Accounts
<b>UN</b>	United Nations
<b>UNAIDS</b>	UNAIDS, the Joint United Nations Programme on HIV/AIDS
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Program
<b>UNICEF</b>	Le Fonds des Nations unies pour l'enfance
<b>UPS</b>	Unified Power System
<b>USA</b>	United States of America
<b>USAID</b>	United States Agency for International Development
<b>UTICA</b>	Union tunisienne de l'industrie, du commerce et de l'artisanat
<b>VAT</b>	Value-added Tax
<b>WB</b>	World Bank
<b>WTO</b>	World Trade Organization





# Chapter 1

## Overview – North Africa in 2016



**The North Africa region is in a period of political, economic and social transition.**

Tunisia and Egypt have made significant progress in the establishment of democratic political systems, while the timetable for establishing a unified government and ending the violence in Libya remains uncertain. The decline in natural resources in oil rich countries has given greater impetus to institutional and incentives reforms critical to boosting private sector growth. Moreover, North African countries have established effective legal frameworks to support equal rights for women and have raised girls' enrolment rates at all levels of education, although women continue to face discrimination in the job market.

**The 2015 North Africa Annual Report reviews the progress made by the region in achieving stability, improving the framework for private sector development, and establishing more equitable and prosperous societies.** This first chapter provides an overview and main messages. The second chapter discusses recent macroeconomic developments and reviews fiscal and monetary policies, trade integration, and the sustainability of public debt. The third chapter considers policies to promote private sector development, the role and efficiency of the financial sector, the effectiveness of public sector management, steps taken to ensure environmental sustainability, and the political context. The final chapter reviews social developments, including the quality and coverage of health and education services, poverty reduction and social protection, and gender equality.

## 1. Macroeconomic Developments and Prospects

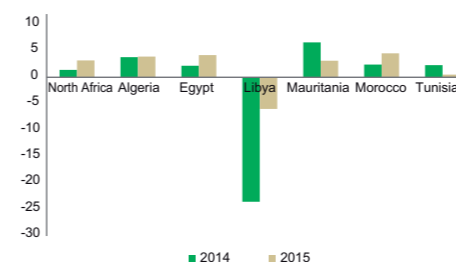
**Real GDP in North Africa expanded 3.5% in 2015, up from 1.4% the year before,**

**reflecting relatively weak growth across all countries in the region.** In last year Annual Report (Taking the pulse of North Africa 2015), macroeconomic developments in 2015 were dominated by changes in the political/security situation and declines in commodity prices.

While all commodity exporters faced significant challenges in maintaining growth rates in the face of sharp falls in export revenues, experience was nevertheless diverse:

- Egypt recorded real GDP growth of 4.2% in 2015, two percentage points higher compared to the year before, as relatively trouble-free elections to Parliament helped restore business confidence and encourage increased FDI inflows.
- GDP growth fell in Tunisia to only 0.5%, as the security situation deteriorated and strikes forced the interruption of mining production.
- Lower oil prices and production reduced Algeria's export revenues by about 7 percent points of GDP in 2015. Nevertheless, drawing down a portion of the country's substantial foreign reserves (which still equaled about 30 months of imports at end-2015) supported imports and consumption, and growth remained roughly the same as in 2014, at 3.9%.
- The impact of lower natural resources prices on Mauritania's fiscal revenues was balanced by efforts to reduce expenditures and raise revenues, which generated an improvement in the fiscal deficit of 0.8 percentage points of GDP at the cost of a more than halving of the growth rate compared to 2014.
- Morocco benefited from lower prices on its commodity exports and a boom in cereal production, and GDP accelerated to 4.5%, two percentage points higher than in 2014.
- Divisions and violence continued to reduce GDP in Libya; GDP fell by 6%, to almost 40% below the level of 2012.

**Figure 1.1: GDP growth in North Africa, percent**

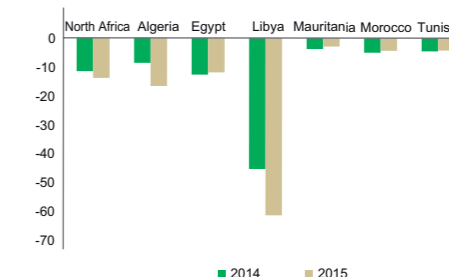


Source: Statistics Department, African Development Bank

**The prospects for growth are mixed.** GDP growth in Morocco is projected to fall by almost 3 percentage points in 2016, due to expected declines in agricultural production. GDP growth is also projected to reduce in Algeria, but to recover strongly in Tunisia. Increased investment in natural resources is expected to support only a small change in growth in Egypt and Mauritania. GDP in Libya may decline (albeit slightly) for the fourth year in a row.

**The deterioration of fiscal balances in the face of commodity price declines was modest in most North African countries in 2015 (figure 1.2).** The exceptions were Algeria, where efforts to sustain expenditures boosted the fiscal deficit by almost 8 percentage points of GDP, and Libya, where the drop in oil exports and continued chaos increased the deficit to 60% of GDP. Governments in Mauritania and Tunisia managed some increases in tax revenues and control of expenditures in reaction to falling revenues from the oil and mineral sectors, while Morocco continued to maintain a low fiscal deficit while benefiting from lower prices on its natural resources imports.

**Figure 1.2: Fiscal balances in North Africa, percent of GDP**



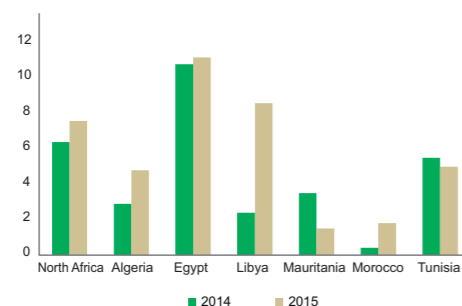
Source: Statistics Department, African Development Bank

**Policy reform in North African countries is laying the groundwork for more sustainable fiscal positions and more efficient public expenditures.** Morocco is continuing the reform program launched in 2014 to broaden the tax base, phase out poorly targeted subsidies and promote more effective expenditure policies through decentralization. Mauritania took steps to raise revenues through higher VAT rates and the introduction of consumption taxes. Egypt is planning efforts to reduce the high budget deficit through an introduction of a VAT and a reduction in subsidies. Tunisia also is addressing excessive expenditures on subsidies. By contrast, Algeria was less successful in its efforts to limit the rise in the budget deficit, which is projected to remain at about 15% of GDP in 2016. Budget planning in Libya by both governments amounts to obtaining financial resources to support the current expenditures essential to maintaining the loyalty of supporters. The adoption of sensible fiscal policies will have to await the reestablishment of political stability.

**Central banks faced significant challenges in controlling price increases in some North**

**African countries over 2015, but broadly speaking price increases remained moderate, except in Egypt and Libya.** Accommodating monetary policies to support demand allowed some rise in inflation in Algeria and Morocco (although price increases remained below 2 percent in the latter country), and continued, relatively high inflation in Tunisia. Authorities followed a somewhat more restrictive policy stance in Mauritania, and inflation fell to below 2 percent. In Egypt, exchange rate depreciation was associated with increasing inflationary pressures towards the end of the year, and authorities adopted a more restrictive stance in December, which is likely to reduce inflation this year. Monetary policy remained in disarray in Libya, with a (somewhat unreliable) estimate of a rise in the CPI of more than 8%.

**Figure 1.3: Consumer price inflation in North Africa, percent**



Source: Statistics Department, African Development Bank

**The sustainability of the macroeconomic program is constrained by the level of public debt in some North African countries.** Egypt will face a significant challenge in servicing its public debt (95.5% of GDP) while financing the rise in public expenditures necessary for growth and avoiding crowding out private sector demand for credit. Mauritania's difficulties in servicing its high debt level of 77.4% of GDP are exacerbated by

institutional weaknesses. By contrast, Algeria has a relatively small level of public debt, but this may expand if oil prices remain low and economic diversification remains limited. Morocco's debt is slightly higher than Tunisia's (in relation to GDP), but Morocco's high share of domestic debt provides some insulation from external shocks, while Tunisia has greater exposure to external creditors. Libya's public debt is only about 20% of GDP, but macroeconomic policy is in shambles and huge demands to sustain life and support recovery will arise once political stability is restored.

## 2. Private Sector Development and the Financial Sector

**Efforts are underway to ease regulatory constraints that limit competition and discourage investment in Tunisia, Egypt, Mauritania, and to some extent in Algeria, and several North African countries achieved some improvement in global rankings of the quality of business environment in 2015.** Morocco has achieved the most success in establishing a diversified economy and supporting private sector growth, in part because of the strength of its public institutions, in part because unlike other countries in the region, Morocco lacks the energy or mineral resources that result in real exchange rate appreciation and thus impair the competitive position of manufactures.

**North African financial systems remain relatively under-developed, heavily bank-focused, and for the most part dominated by the public sector.** Government efforts were underway in 2015 to rationalize state banking institutions in Tunisia, to strengthen banking supervision and encourage the development of electronic banking in Mauritania, to establish a central credit registry for businesses and households in Algeria, to establish an on-line system to track the use of movable property as collateral in Egypt (which should facilitate an

expansion of lending to small businesses), and to strengthen the legal framework for banking supervision in Morocco. Nevertheless, the transition to a more dynamic, private sector banking system remains slow and reliance on capital markets as a source of funding is extremely limited, except in Morocco's diversified and private-sector oriented financial system. The Libyan financial sector has suffered with the explosion of violence, and will require a thorough overhaul once political stability is re-established.

## 3. Public Sector Management and the Political Context

**Public sector management in North Africa suffered some deterioration over the past few years with the political disturbances surrounding the Arab Spring.** Programs in 2015 to strengthen public sector management focused on improving the legal framework for the provision of public services and using the Internet to improve the efficiency of services in Morocco, strengthening merit-based recruitment in Egypt and Tunisia, rationalizing compensation systems and strengthening transparency in Mauritania, and improving the productivity of state enterprises in Algeria. Public sector management continued to deteriorate in Libya with the establishment of competing governments. Despite these considerable efforts, most North African countries score relatively poorly on international comparisons of the effectiveness of public institutions.

**The consolidation of democracy continued in the region. The first Parliament under the new Egyptian regime was convened in January 2016.** Tunisia has made remarkable progress towards democracy since 2011, and a new legislature was elected in late 2014. The Mauritanian Government is reaching out to establish a dialogue with the opposition and is encouraging greater participation of the young in politics. Political stability was maintained in Algeria, although the Government undertook a

reshuffling of the cabinet and changes in the leadership of state corporations. Further progress was made in Morocco in the process of decentralization enshrined in the 2011 Constitution. In Libya, however, rival governments are competing for political legitimacy, while in many areas power remains in the hands of militias.

## 4. Natural Resource Management

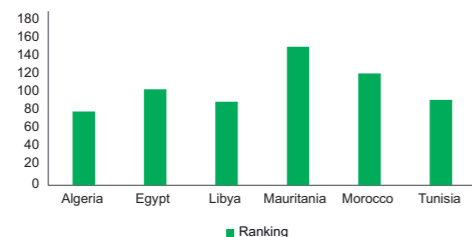
**North Africa faces severe environmental challenges.** Most seriously, the region is one of the most water-scarce regions in the world, and is vulnerable to further deterioration with the onset of climate change. Morocco made progress last year in decentralizing environmental protection activities and promoting organic agriculture. Tunisia has an effective legal framework for the protection of the environment, although strikes in the waste management services and difficulties in enforcing the law have led to some deterioration in environmental management since 2011. Mauritania took steps in 2015 to strengthen the regulatory and legal framework for the environment, both through the ratification of international agreements and the development of domestic policies. Environmental planning in Algeria is focusing on the preservation of natural resources, pollution control, and increasing reliance on renewable energy sources. Egypt's National Strategy for Sustainable Development provides for review of the environmental implications of investment projects and promotes sustainable development practices, although implementation has been limited. Finally, the security situation in Libya has made it impossible to address pressing environmental issues.

## 5. Human resource development

**Social sectors absorb a substantial portion of State expenditures in North African countries.** Net enrolment rates in primary education are high, and the incidence of communicable diseases is low. Significant efforts were made in 2015 to expand health and education services in the

region, with a particular focus on reaching poor and disadvantaged groups. Examples include the provision of scholarships and health insurance to the poor in Morocco, educational reform in Tunisia, and awareness campaigns and other efforts to expand health services coverage in Mauritania. Despite this progress, disparities among regions and income groups in access to services, and in health and education outcomes, remain profound. North African countries tend to score poorly in international rankings of human development (figure 1.4). The average ranking for the region on the UN Human Development Index is 110 (out of a total of 188 countries), and only Algeria ranks in the top half.

**Figure 1.4: Human Development Index (ranking out of 188 countries)**



Source: United Nations Human Development Index 2015

## 6. Poverty Reduction, Social Protection and Labour

**Poverty rates have fallen sharply in North Africa.** In the most recent surveys available, the share of the population living in absolute poverty according to international comparisons had dropped to below one percent in Morocco, 2% in Tunisia, and 11% in Mauritania. Notable achievements in recent years have include

increased coverage of pensions and public insurance schemes in Morocco, policies that significantly reduced inequality in Mauritania, and the shift from universal to more targeted subsidy programs in Algeria, Egypt, and Morocco. As with the provision of services, considerable regional and rural/urban disparities in income and poverty levels remain.

**Labour market rules in North Africa have emphasized the protection of labour, at significant cost in terms of private sector growth, unemployment, and a proliferation of informal sector activities where social protection is limited.** Moreover, the recent decline in natural resources prices has underlined the importance of ensuring a more diversified economy led by private sector activity. While efforts are underway in the region to provide social protection to the unemployed and assist their search for jobs, little progress was made in 2015 in reforming labour market regulation.

## 7. Gender Equality

**The legal framework in North Africa generally provides equal rights for women.** Programs implemented in 2015 to protect women include efforts to combat violence against women in Algeria and Morocco, and training targeted at girls who leave school in Tunisia. Discrimination in favour of women has substantially increased their participation in local and national legislative bodies in several countries. While women tend to have somewhat unequal access to secondary school education, the net enrolment rates in primary school of boys and girls are almost equal, and in Algeria and Tunisia enrolment in tertiary education is significantly higher among women. Nevertheless, women face severe discrimination in the job market, and North African countries are ranked very low in international comparisons of the status of women. Labour force participation rates among women are only about 31% of rates among men. Of those participating in the

labour force, unemployment rates among women exceed that of men by 9 percentage points in Tunisia and 7 percentage points in Algeria. Women also tend to have a higher share of

participation in vulnerable employment, a much lower share of responsible positions, and to receive lower compensation to equivalent jobs, compared to men in the private sector.



## Chapter 2

### Macroeconomic developments and prospects in North Africa



**Economic conditions broadly improved in North Africa in 2015.** Regional GDP increased 3.5%, up from 1.4% in 2014. Progress in achieving political stability in Egypt supported a recovery in growth, which was two percentage points higher than in 2014. A deterioration in social peace in Tunisia contributed to near-stagnation in GDP. Libya remains in a fragile situation, although at least the pace of decline in GDP is easing. Sharp falls in the international prices of oil, iron, gold, and other commodities depressed export revenues in most countries. However, the impact on GDP and external accounts varied considerably, depending on the extent of commodity dependence and the policies pursued. For example, Algeria sustained public expenditures by drawing down financial assets, so that the fall in oil exports was reflected in a sharp rise in the current account and fiscal deficits, and growth remained roughly unchanged. By contrast, declining export revenues cut Mauritania's growth rate in half, but its fiscal deficit fell as the government took steps to control expenditures and raise revenues. Morocco had a very different experience, enjoying lower prices on its commodity imports and a boom in the agricultural sector that led to a near-doubling of GDP growth.

## 1. Recent Developments and Prospects

**The acceleration of GDP in 2015 on average (table 2.1) reflected a very mixed experience across countries.** Continued security concerns and declines in the prices of key primary commodity exports reduced GDP growth in Mauritania and Tunisia, and continued the decline in GDP in Libya, albeit at a slower pace than in 2014. By contrast, Algeria maintained growth at roughly the 2014 level in the face of falling oil prices; a bumper harvest almost doubled the rate of growth of GDP in Morocco, while improved political stability supported a rise of GDP growth in Egypt.

**Our forecast for regional growth in 2016-17 also reflects diverging trends,** as growth is projected to continue at the 2015 pace in Egypt, and increase in Tunisia and (slightly) in Mauritania, while the decline in Libyan GDP continues to moderate. The growth rate in 2016 is forecast to actually slightly decline as the economy adjusts to low oil prices, and in Morocco due to an expected decline in agricultural production.

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

	2014	2015 (e)	2016 (p)	2017 (p)
<b>North Africa</b>	1.4	3.5	3.3	3.8
<b>Algeria</b>	3.9	3.9	3.4	3.0
<b>Egypt</b>	2.2	4.2	4.3	4.5
<b>Libya</b>	-23.5	-6.0	-0.8	3.9
<b>Mauritania</b>	6.6	3.1	3.5	4.5
<b>Morocco</b>	2.4	4.5	1.8	3.5
<b>Tunisia</b>	2.3	0.5	2.0	2.4

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

### • Algeria

**GDP in Algeria increased by 3.9% in 2015, compared to 3.8% in the previous year, despite the decline in the world market price of oil and a continued decline in oil production.** As the oil sector generates 30% of nominal GDP, 50% of State revenue and almost all exports, the Algerian economy has been heavily affected by the decline in international prices. Non-oil sector trends have been significantly more favourable, as value added in real terms for the 2015 fiscal year rose by 7.6% in agriculture, 5.9% in services and 5.3% in construction. GDP growth is expected to ease to 3.4% in 2016, as authorities take steps in limit inflationary pressures, and to decline to 3% in 2017.

### • Egypt

**Real GDP in Egypt expanded 4.2 percent in 2015, almost double the rate of increase in the previous year.** The recovery was supported by increased political stability, marked by almost trouble-free parliamentary elections (although participation was only about 30%), which has improved business sentiment. Greater political stability helped global credit rating agencies-Standard & Poor's, Moody's and Fitch-maintain positive ratings for the economy.

**The successful Egypt Economic Development Conference (EEDC) held in March 2015,** which resulted in actual and pledged investment agreements totaling \$175.2 billion, was followed by the launching of the new Suez Canal Area Development Project (the SCZone), which aims to increase the role of the Suez Canal region in international trading and to develop the ports of Ismaila, Port Said and Ain Sokhna.

**Real GDP growth is projected to reach 4.3% in 2016 and 4.5% in 2017, driven by new**

**investments in the oil and gas sector, and growth in public investment.** Key elements of the Government's policy reforms include fully implementing the subsidy smart card system, the second phase of fuel price increases, implementation of the VAT tax, and increasing efficiency of fiscal expenditures.

### • Libya

**Falling oil production and the civil war has reduced real GDP in Libya by about 40% since 2013.** The pace of decline slowed in 2015, to a fall in GDP of 6%. The departure of most international oil company workers in 2015, the sharp fall in international oil prices, and the reduction of maintenance and capital investment reduced oil output to an average of 400,000 barrels per day from January to October 2015, compared to 1.55 million in 2010. Public and private investment fell sharply in 2015, on the back of falling oil output, and weak consumer and business sentiment. Spending on infrastructure and economic diversification has been severely curtailed to sustain current expenditure. Long-delayed reconstruction works will likely not be revived before the fighting ends and a unified government is established. Economic performance for 2016 and beyond is highly dependent on the formation of a unified government, the re-establishment of security, containment of Islamic State activities, and the recovery of oil production to pre-2011 levels.

### • Mauritania

**Mauritania's GDP increased by 3.1% in 2015, less than half the 6.6% increase in 2014, largely due to the decline in the price of iron ore, its main export product.** The slowdown in economic growth in 2015 was also driven by a fall in investment from 47.2% of GDP in 2014 to 33.3% in 2015. Economic prospects remain promising in the short term due to expected

mining investments, including the new Guelb II mine. We forecast a slight rise in the GDP growth rate in 2016, to 3.5%. Prospects may be better over the longer term, with substantial production increases envisioned in iron ore and gas. Moreover, diversification to fishing, agriculture, livestock, and transport activities hold considerable potential to reduce the country's dependence on minerals, which account for four-fifths of all exports and one-third of State revenue.

• **Morocco**

*Morocco's economic growth, estimated at 4.5% in 2015, was boosted by a sharp rise in cereals production, in part due to Government efforts to promote irrigation and mechanization of the sector.* By contrast, the tourism sector was beset by the security concerns affecting other countries of the sub-region, leading to some decline in overnight stays by non-residents. In the secondary sector, the resumption of construction activities at the end of 2015 offset the poor performance of the mining and refining sectors. Household consumption continued to drive growth in 2015, boosted by increased rural incomes following a good crop year, low inflation (1.8%), easy access to credit (which rose by 5.1%), reduced unemployment (8.7% in July 2015) as well as increased remittances from Moroccans living abroad. Nevertheless, consumption growth fuelled imports of finished products, thus expanding the trade deficit and underscoring the urgent need to develop an export sector with higher value-added.

*Public investment in Morocco increased by 1.8% in 2015.* Large-scale infrastructure projects are underway in ports, railways, and roads to integrate the country into the world economy, boost its territorial integration and reduce inequalities. Foreign direct investment in Morocco increased by 6.8% at end-November 2015 (yoy) totalling over 3.2 billion euros. Political stability,

numerous infrastructure development investment projects, proximity to Europe and rapid growth in domestic demand have all encouraged FDI flows.

*Morocco's GDP is projected to increase by 1.8% in 2016, following the expected decline in agricultural sector activities due to poor rainfall.* Despite the need to control the deficit, public investment would be maintained at levels similar to those of 2015. The education sector is to receive almost one-third of the new positions in the public service.

• **Tunisia**

*GDP growth in Tunisia fell from 2.3% in 2014 to 0.5% in 2015, driven by deterioration of the security situation and persistent economic and social difficulties (especially disruptions in the mining sector).* Industrial production, particularly in the energy sector and mining, is declining, while trends in the services sector were mixed. The agriculture sector benefitted from growing cereal production and a bumper harvest of olives and dates. Growth in 2015 was mainly driven by consumption, which benefitted from public and private sector wage increases and accessible consumption credit. Economic prospects appear modest, with growth forecasted at 2.0% in 2016 and 2.4% in 2017. Tunisia's economic outlook remains highly dependent on the Government's ability to improve the security and social situations. Investment is forecast to rise to 18.5% of GDP in 2016, still well below the 21.9% in 2014, despite the rallying of foreign direct investment.

*The budget deficit eased from 4.4% of GDP in 2014 to 4.2% in 2015.* Expenditures on subsidies fell with the decline in oil prices, but the wage bill rose and tax revenues fell. The significant increase in public spending since the Revolution has mainly been oriented towards current expenditure; the wage bill has almost

doubled in five years, while the investment budget remains under-executed and subject to frequent downward adjustments. Given its fragile economic performance and limited fiscal space, the Government has little flexibility in combating unemployment, which equalled 15% of the labour force in 2015.

**2. Fiscal Policy**

*While reduced commodity prices placed considerable pressure on North African fiscal accounts in 2015, fiscal outcomes depended*

*critically on government policies and the overall economic situation.* Thus, the Algerian Government maintained expenditures in the face of the sharp drop in the price of oil, and the deficit nearly doubled as a share of GDP. In Libya, the rise in the deficit owing to lower oil prices and reduced oil production was compounded by the difficult security situation and political divisions. By contrast, Mauritania's Government achieved a reduction in the deficit despite the drop in the prices of gold and iron ore, and some progress was made in fiscal consolidation in Egypt, Morocco, and Tunisia.

**Table 2.2: Fiscal balances in North Africa, percent**

	2014	2015 (e)	2016 (p)	2017 (p)
<b>North Africa</b>	-11.1	-13.3	-12.1	-11.3
Algeria	-8.3	-16.0	-15.4	-14.7
Egypt	-12.2	-11.5	-9.6	-8.7
Libya	-43.5	-58.9	-60.7	-56.8
Mauritania	-3.7	-2.9	-2.4	-2.2
Morocco	-4.9	-4.3	-3.5	-3.0
Tunisia	-4.4	-4.2	-3.9	-3.7

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

• **Algeria**

*Algeria's fiscal position deteriorated in 2015.* The nearly 12% rise in revenues envisioned in the 2015 Finance Law (passed in December 2014) had become clearly unrealistic by mid-year. However, the Complementary Finance Law adopted in July encompassed only limited changes, and the budget deficit widened from 8.3% of GDP in 2014 to 16.0% in 2015, financed by drawing down financial assets. The 2016 Finance Law includes a revaluation of the VAT rate on diesel, mobile internet access and electricity consumption, and increases in the turnover

tax for mobile telephone operators and in the vehicle road tax.

• **Egypt**

*Egypt's fiscal deficit eased to 11.5% of GDP in 2015 compared to 12.2% in 2014.* Despite weak revenue performance, the Government financed increased expenditures on housing and transport infrastructure, on health and education sectors as mandated by the Constitution, and on social programs largely by reducing spending on electricity and fuel subsidies. One reason the deficit was larger than projected was the delay in the law introducing the VAT, which has been

pushed into 2016. The Government has set a five-year fiscal consolidation plan that aims to cut the budget deficit to around 8% by 2018/19 by further reducing fuel subsidies and introducing new taxes.

- **Libya**

*The poor security situation and the existence of two governments in Libya has made effective budgetary planning impossible.* Both governments have formulated budgets that emphasize current expenditures, although in any event the execution of investment projects in the current climate would be difficult. The drop in oil prices and production (to 10-15% of capacity) has further limited the ability of either government to support expenditures. The fiscal deficit is expected to reach about 58.9 % of GDP in 2015, as reported by both central banks.

- **Mauritania**

*Mauritania's budget deficit fell from 3.7% of GDP in 2014 to 2.9% in 2015.* Lower revenues due to the drop in prices of Mauritania's iron exports and the slowdown in economic activity were balanced by increases in the tax base, a rise in the VAT rate from 14% to 16%, and tax and tariff adjustments. The fiscal position also was supported by an increase in current transfers. Efforts were made to control expenditures: current expenditures (excluding mining industries) fell by 1.8% of GDP, although investment spending increased slightly (to 13.2% of GDP, compared to 12.9% in 2014).

- **Morocco**

*The Moroccan Government continued its restrictive budget policy in 2015; the fiscal deficit has fallen from 7.3% of GDP in 2012 to 4.3% in 2015.* Lower revenues were offset by controls on expenditures, including the phasing out of hydrocarbon subsidies (excluding butane gas). The authorities announced a deficit

target of 3.5% of GDP for 2016, which will require progress in the tax reform program launched in 2014 to broaden the tax base, and continued steps to strengthen the management of public finance. Additional subsidies (including the sugar subsidy) are to be eliminated, and progress made in the decentralization in line with the provisions of the 2011 Constitution.

- **Tunisia**

*The budget deficit fell from 4.4% of GDP in 2014 to 4.2% in 2015.* Continued progress was made in phasing out oil subsidies, although the decline in subsidies due to lower oil prices in US dollars was moderated by a depreciation of the dinar against the dollar. The 2015 Finance Law provided for a 4.1% increase in operating expenditure but a 21.6% increase in capital expenditure. The budget deficit is expected to decline further, to 3.9% of GDP in 2016. Economic recovery will require that continued efforts to control the deficit are accompanied by increases in public investment, which is expected to average only a little over 5% of GDP over the next two years.

### 3. Monetary Policy

*Average inflation in North Africa increased to 7.6% in 2015, from 6.4% in the previous year (table 2.3).* The decline in international commodity prices helped ease inflationary pressures across the region. Changes in inflation rates in most countries were modest and did not pose a major challenge to macroeconomic policy. Neither the increase in inflation in Algeria and Morocco, nor the decline in inflation in Mauritania and Tunisia, signaled any marked change in economic stability. However, inflationary pressures remained high in Egypt, while one symptom of the chaotic political and security conditions in Libya was a sharp rise in the consumer price index. Inflation in the region is expected to moderate somewhat over the next two years.

**Table 2.3 : Inflation in North Africa (percent)**

	2013	2014 (e)	2015 (p)	2016 (p)
<b>North Africa</b>	6.4	7.6	6.3	6.7
Algeria	2.9	4.8	4.3	4.0
Egypt	10.8	11.2	8.8	10.2
Libya	2.4	8.6	9.7	5.8
Mauritania	3.5	1.5	6.7	6.1
Morocco	0.4	1.8	1.4	1.6
Tunisia	5.5	5.0	4.0	3.5

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

- **Algeria**

*Following declines in the previous two years, inflation in Algeria began rising again in September 2014.* The consumer price index increased by 4.8% in 2015, compared to 2.9% in the previous year. The 8.2% between December 2014 and December 2015 depreciation of the dinar against the euro helped to limit the local-currency decline in oil and gas revenues with falling international prices, but contributed to a 25% rise in the prices of import-intensive products. The Government and the Bank of Algeria continued efforts to control inflation through limits on public spending and the control of consumer goods distribution channels, liquidity absorption and raising of the minimum reserve requirement. However, monetary policy was eased in the second half of the year, given the reduction in excess liquidity, to boost the interbank money market.

- **Egypt**

*Inflation in Egypt remained high in 2015, at 11.2% compared to 10.8% in 2014.* Inflationary pressures intensified towards the end of the year, and the Monetary Policy Committee (MPC) raised its main policy interest rate 50bp to 10.25% in late December. Looking ahead, sustained international commodity price

weakness should help contain inflation, but underlying domestic inflationary pressures remain evident. The pound depreciated by almost 14.5% over the course of the year, but stabilized at a rate of 7.8 against dollar in the last quarter of the year. Net international reserves reached a low of \$16.4 billion in December 2015 (around three months of import cover), which undermined business confidence and capital inflows.

- **Libya**

*Monetary policy in Libya was in considerable disarray in 2015, with two competing ministries of finance and the establishment of a second central bank by the HoR government in June.* Inflation increased to 8.6% in 2015, up from 2.4% in 2014. While the shortfall in oil production and declines in price reduced foreign exchange receipts, official reserves still equalled 30 months of imports in 2015, down from the 43 months of imports in 2014. Libya's reserves may fall to less than 20 months of imports in 2016 if the security situation does not improve and the production of oil does not return to pre-crisis levels.

- **Mauritania**

*Cautious monetary policy, in conjunction with low international food prices, reduced inflation*



*in Mauritania to 1.5% in 2015, from 3.5% in the previous year.* The key interest rate of the BCM and the reserve requirement rate were maintained at 9% and 7% respectively. National authorities intend to adopt a formal framework for predicting liquidity to enhance liquidity management mechanisms and hopefully reduce foreign exchange interventions. Recapitalization of the BCM should be undertaken to support the execution of monetary policy.

- **Morocco**

*Inflation increased in Morocco in 2015, driven by the 2.8% rise in food product prices and 3.9% increase in the cost of housing, water, electricity and other fuels.* Nevertheless, inflation remained at only 1.8%, consistent with the cautious monetary policy initiated in 2011. Bank Al-Maghrib maintained an accommodating monetary policy, keeping its lending rate unchanged in 2015 (after reducing this rate to its lowest-ever level of 2.5% in 2014) and lowering the reserve ratio from 4% to 2% while adjusting the volume of its cash injections to the cash flow needs of banks. By October 2015, net international reserves had increased year-on-year by 23.8%, to exceed 6 months of imports of goods and services, owing to the decline in the price of oil imports. First steps were taken in April 2015 towards introducing greater flexibility in exchange rate determination by modifying the



dirham quotation basket to better reflect the external trade structure.

- **Tunisia**

*Since 2011, the Central Bank of Tunisia (BCT) has adopted an accommodative monetary policy.* The key money market rate (MMR) was reduced from 4.75% to 4.3% in November 2015 to support a resumption of economic activity. International reserves remained stable in 2015, equivalent to 113 days of imports at end-September. In the first nine months of 2015, the dinar depreciated against the dollar by 5.3%, although it appreciated against the euro by 2.8%.

#### 4. Economic Co-operation and the External Sector

Current account deficits remained high or increased in all North African countries in 2015, except Morocco (table 2.4). The decline in international commodity prices contributed to higher deficits in Algeria, Egypt and Libya, although Mauritania and Tunisia managed some decline in the deficit despite a fall in export prices. North African countries have continued to make progress in trade integration over the past few years, through agreements with regional partners, with countries in Sub-Saharan Africa, and with Europe.

**Table 2.4: Current account balances in North Africa (% of GDP)**

	2014	2015 (e)	2016 (p)	2017 (p)
<b>North Africa</b>	<b>-5.1</b>	<b>-9.3</b>	<b>-7.5</b>	<b>-6.6</b>
Algeria	-4.4	-15.6	-17.1	-15.2
Egypt	-0.9	-3.7	-1.1	-1.4
Libya	-30.1	-51.0	-44.5	-33.3
Mauritania	-30.0	-22.2	-20.3	-19.3
Morocco	-5.7	-2.7	-0.7	-0.9
Tunisia	-9.0	-7.6	-5.9	-5.8

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

- **Algeria**

*Algeria's current account deficit rose from 4.4% of GDP in 2014 to 15.6% in 2015.* The 60% decline in oil exports with the fall in the oil price drove a deterioration in the trade balance to 9.3% of GDP, the first significant trade deficit in 16 years. The authorities imposed more rigorous import controls through quotas, application of new standard and quality requirements. Algeria is strengthening its bilateral relations with regional countries, including signature of a preferential trade agreement with Tunisia in 2014.

- **Egypt**

*Egypt's merchandise exports dropped by \$4 billion in 2015, owing to the global fall in oil prices, compounded by some decline in the export of oil products and in non-oil commodities.* The fall in exports was only partially compensated by a \$2.3 billion increase in tourism revenues. Furthermore, a large fall in official remittances, along with depreciation of the pound, widened the current account deficit from 0.9% of GDP in 2014 to 3.7% in 2015. However, the surplus in the balance of payments rose by more than \$2 billion, due to higher FDI inflows and deposits by GCC countries at the CBE. Government policy was challenged during 2015 by a continued shortfall in foreign exchange

inflows. As a result, distortions arose in the foreign exchange market, which the Government tried to manage via the exchange rate peg, US dollar deposit caps, and foreign exchange bureau controls, although these have eased with the 14.5% depreciation of the pound since early 2016.

- **Libya**

*The intense fighting between rival militias and the political divisions in Libya, coupled with the fall in oil prices, significantly reduced the country's export revenues over 2014-2015.* Libya's trade balance shifted from a surplus 30.5% of GDP in 2013 to a deficit of 35.8% in 2015, which largely accounts for the deterioration in the current account of 64.6 percentage points of GDP over the two years. Return to a more sustainable external position is likely to be slow.

- **Mauritania**

*Mauritania's trade deficit equalled about 15% of GDP in 2015, up from 14.5% in 2014.* The decline in the prices of iron ore and gold was balanced by a similar fall in imports with the decline in international commodity prices. However, the current account deficit fell to 22.2% of GDP, compared to 30% in 2014, as current transfers rose. Mauritania has numerous areas

of cooperation with neighbouring countries, including: (i) heavy-goods vehicles from Morocco; (ii) sale of electricity to Senegal; (iii) combating illegal migration, drug trafficking and terrorism; (iv) establishment of the banking network; and (v) the Rosso bridge construction project on the Senegal River. In 2015, Mauritania and the European Union signed a new memorandum of understanding in the area of fishing for a period of 4 years. Mauritania is a member of the Arab Maghreb Union (AMU), although its activities remain limited. Mauritania also engages in significant trade with the countries in the Economic Community of West African States (ECOWAS), although it ceased to be a member in 2000.

• **Morocco**

*The development of “new trades of Morocco” which include the automobile and aeronautics sectors, continued in 2015* with the announcement of an agreement between the authorities and PSA Peugeot-Citroën to open a manufacturing plant for the African and Middle East markets. Morocco has signed multiple free trade agreements, especially with the EU, the United States, Turkey and several Arab and African countries. The country’s Trade Facilitation Index ranking improved from 75<sup>th</sup> in 2010 to 44<sup>th</sup> in 2014. Morocco’s open trade strategy contributed to the substantial rise in exports in 2015, particularly in the automobile and phosphate sectors. The value of imports fell by 6% due to lower oil prices, and the current account deficit declined by 3 percentage points of GDP.

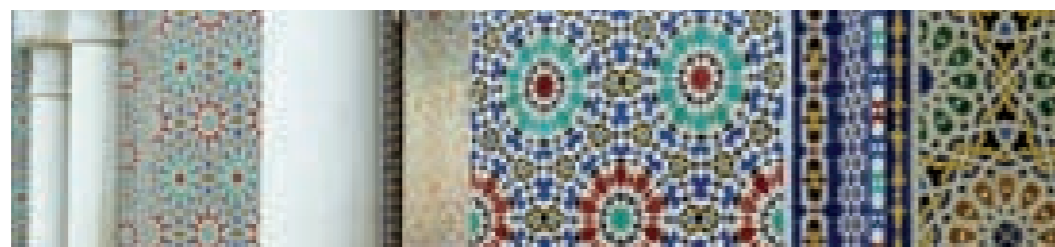
• **Tunisia**

*Tunisia’s trade deficit fell from 14% of GDP in 2014 to 7.8% in 2015, despite lower prices on*

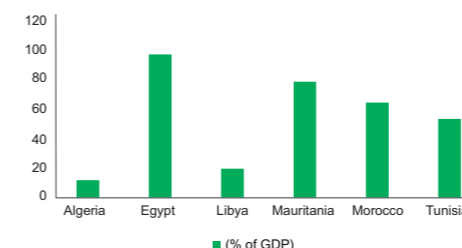
*energy and minerals exports (although olive oil exports rose).* However, imports fell due to slower economic activity and investment (except in the food industry), and the drop in international oil prices, which reduced oil imports by 27.9%. Overall, Tunisia’s terms of trade improved by 4.9% in 2015. Tunisia has made considerable progress in trade negotiations over the past few years through its privileged partnership agreement with the European Union and bilateral trade agreements with Morocco, Mauritania, Libya and Algeria. Special attention is also being given to economic relations with sub-Saharan African countries. According to Doing Business 2016, Tunisia has improved its ranking under the “trading across borders” to 91<sup>st</sup>, from 107<sup>th</sup> in the previous year. Tunisia is likely to achieve further improvements in trade through implementation of the customs reform recently approved by the Council of Ministers.

**5. Debt Policy**

*The level of public debt compared to GDP varied across North Africa, although the contribution of debt to the sustainability of economic policy is problematic.* For example, Libya has a low level of debt, but the availability of resources to fund current expenditures remains uncertain. Algeria, which is stable and has a minimal level of debt, will face challenges in funding public investment going forward if oil prices do not recover. Morocco and Tunisia both have moderate levels of debt, but Morocco’s large share of domestic debt will provide some insulation from external shocks, while Tunisia has a large share of external debt. A large portion of Mauritania’s public debt is on concessional terms, but the country faces a substantial challenge to the sustainability of the debt.



**Figure 2.1: Public debt levels in North Africa (% of GDP)**



*Note: Data for Algeria, Morocco, and Tunisia are end-2015, while Egypt, Libya, and Mauritania are end-2014*  
*Source: Statistics Department, African Development Bank*

• **Algeria**

*Algeria’s public debt equalled only 10.7% of GDP, despite some increase in 2015.* While the repayment of public debt has reduced its level to less than one-tenth that of 2004, the decline in oil prices is forcing the Government to re-examine its debt management policies. While public investment has been funded almost exclusively with local financial resources since 2009, the 2016 finance bill reintroduced the possibility of relying on external financing for major projects going forward. Moreover, the Government intends to tap domestic financial markets rather than rely on budgetary resources to fund some public investments. This policy could significantly increase the domestic public debt, although much of the debt owed by State-owned corporations (nearly a third of domestic debt) should eventually disappear with the adoption of rules governing the bankruptcy of non-solvent State-owned companies. Thus, despite the still low level of debt, there is cause to wonder about the Algerian economy’s capacity to fund public investments through debt financing.

• **Egypt**

*Egypt’s external debt was only 12.5% of GDP in March 2015.* While borrowing from the GCC subsequently increased external debt, this borrowing has been on a concessional basis, so that external debt service indicators remain low. The public sector’s domestic debt increased to 90% of GDP in June 2015, largely reflecting ongoing, large fiscal deficits that require financing. The Government has resumed its debt consolidation efforts and targets a debt-to-GDP ratio of 80/85% for FY18/19, down from 95.5% in FY 2013/2014.

• **Libya**

*Libya’s public debt equalled only 19.6% of GDP in 2004, and foreign reserves were about 12 times the size of external debt.* Nevertheless, the substantial declines in government revenues in 2014 and 2015 have forced the governments to borrow in order to finance expenditures. In order to avoid further social breakdown, the two governments have maintained their salary and subsidy expenditures, despite the decline in revenues. If oil revenues do not recover quickly, these policies could result in an unsustainable rise in borrowing.

• **Mauritania**

*Mauritania’s external public debt equalled 77.4% of GDP in 2014, largely owed to external creditors.* The IMF’s 2014 debt sustainability analysis downgraded the country’s debt distress risk status from ‘moderate’ to ‘high’ because of a deterioration of its institutional capacity and the higher volume of new scheduled debt disbursements. The authorities are undertaking efforts to improve the institutional environment and stabilize debt levels, including the definitive settlement of the passive debt owed to Kuwait, in order to quickly regain a moderate debt distress risk rating.

- **Morocco**

*The latest reports of the Moroccan Central Bank (Bank Al-Maghrib) and the IMF concluded that Morocco's public debt will remain sustainable in the medium term.* As about three-quarters of the debt stock is domestic (47.9% of GDP versus 15.7% for external debt), the impact of exchange rate fluctuations is small. Also, 78.8% of the external debt is denominated in euros, so that increases in the debt due to currency depreciation would be matched with improved incentives for the exports required to service the debt. Fiscal consolidation and active debt management efforts made have reduced the average interest rate from 5.1% in 2010 to 4.4% in 2014, while the average maturity rose from 5.7

years to 6.5 years. Standard & Poor's maintained its outlook on Morocco at "stable" in April 2015, and also confirmed its long- and short-term foreign and local currency sovereign credit ratings at "BBB-/A-3".

- **Tunisia**

*Tunisia's debt stock amounted to 52.7% of GDP in 2015, compared to 49.4% in 2014.* Tunisia's public debt is considered sustainable because of its long maturities (10 years on average) and low interest rates - although it has been on the increase over the past few years. However, since 61.1% of public debt is external, it remains highly exposed to exchange rate fluctuations.



# Chapter 3

## Challenges Facing Public Sector Management and Private Sector Development



**The region achieved some improvement in the business climate in 2015, marked by increased political stability in Egypt and progress in reform programs in Mauritania, Morocco, and Tunisia.** North African financial systems mostly remain small and dominated by inefficient public sector banks, with the important exception of Morocco's strong, diversified private banking system. By contrast, North African countries made significant improvements in the efficiency and transparency of public sector administration, although the region's rankings on international comparisons of public sector administration remain mediocre, at best. In Libya, however, violence and the division between two governments have devastated the private sector and rendered public sector management ineffective.

## 1. Private sector development

**The business climate in North African countries has continued its slow improvement since the events of the Arab Spring, although substantial difficulties remain, to a varying extent, across the region.** Morocco, Tunisia (marginally) and Mauritania (significantly) advanced in global rankings of the quality of the business environment, although Algeria's position declined slightly. Libya remains the lowest-ranked country in the world. New laws have been passed, or are nearing approval, that would improve competition and ease constraints on investment in Tunisia, improve the policy and institutional framework facing private firms in Algeria, and simplify the business environment and establish a new economic zone in Egypt. Morocco is continuing a reform of the regulatory system, and Mauritania is streamlining public services and promoting mediation and arbitration to settle business disputes.

### • Algeria

**The Algerian private sector remains underdeveloped, with the exception of a few family-owned corporate groups with extensive**

**ties to the public sector.** The World Bank's 2016 Doing Business Report ranks Algeria 163<sup>rd</sup> out of 189 countries. Regulation of labour and land markets remains constraining, and the measures recently taken are too partial to improve the business environment. The size of the informal sector, which accounts for almost half of Algeria's transactions, is also considered a major obstacle to commercial and industrial activities. Legislation recently approved by the Council of Ministers would address the regulatory framework for FDI, the incentives system for private firms, and the institutional framework facing business. In light of these activities, the private sector has already been encouraged to invest in major projects, particularly in the housing and transport sectors.

### • Egypt

**The Government of Egypt promulgated a new investment law in 2015 designed to facilitate market entry and exit procedures, and expedite litigation and dispute resolution.** Legislation has been passed to regulate the new Economic Zone that has been created as part of the Suez Canal Area development project. As a reflection of improved business sentiment, 2015 witnessed a surge in mergers & acquisitions, with 29 deals executed and 11 others in the pipeline for the first quarter of 2016. The total value of the announced deals is in excess of 20 billion pounds.

**However, the business environment remains weak with numerous challenges,** reflected in the World Bank's 2016 Doing Business rank falling to 131 from 126 the year before.

### • Libya

**According to the Mo Ibrahim Index 2015, Libya is one of Africa's poorest-performing countries in terms of business environment,** scoring 16.4 out of 100 in 2014 compared to 40.3 in 2013, below the African average of 40.7. The 2016 Doing Business report ranks the Libyan business environment as the worst in the world. The

economy is dominated by the oil sector, and more than 85 percent of the workforce is employed in the public sector. More than 70 percent of public expenditure in the 2015 budget was allocated to wages and subsidies, leaving few resources for developing the infrastructure required to support private sector growth. In addition, the political division has created significant uncertainty concerning the potential for reform.

### • Mauritania

**Mauritania is among the ten countries in Doing Business 2016 that made the most progress in improving their business environment,** thanks to programs to streamline payment procedures at the National Health Insurance Fund (CNAM) and the National Social Insurance Fund (CNSS), the institution of a one-stop service and a single form for starting a business, the creation of an International Centre for Mediation and Arbitration, and a revision of the trade code. The country intends to continue its improvement efforts in the areas in which it records poor performance in Doing Business rankings, especially in resolving insolvency (189<sup>th</sup> in 2016), paying taxes (187<sup>th</sup>), getting electricity (152<sup>nd</sup>), and protecting minority investors (134<sup>th</sup>).

### • Morocco

**Morocco's Government has embarked on a far-reaching program to improve the regulations governing business.** Last year, Moroccan authorities established the National Business Environment Committee (CNEA), which brings together representatives from the public and private sectors to discuss regulatory reform. The simplification of 70 business measures, the reform of property registration and regulations governing building permits, and the opening of an online tax payment system for an additional number of companies are being either finalized or implemented. A common business identifier database has been established to facilitate business information sharing between the various

administrative services. And efforts are underway to encourage the use of arbitration and conventional mediation to settle disputes. Immediate plans to improve the investment climate include speeding the reimbursement of accrued VAT credit to enterprises, the drafting of a new investment law, and developing an action plan to improve control of corruption.

### • Tunisia

Tunisia's economic model suffers from many structural handicaps, which include labour regulations and administrative bottlenecks that significantly constrain investment. According to a World Bank survey published in February 2014, business managers devote, on average, 25% of their time and 13% of their annual turnover to complying with regulations. Tunisia scores poorly on the World Bank's Doing Business rankings, particularly in starting a business and investor protection. Efforts to improve the climate for investment include a new law to strengthen competition and price control mechanisms, and the planned investment code to establish a more level playing field for investors, facilitate employment of foreign experts, ease constraints on developing agricultural land, and establish institutions to oversee government activities affecting investment.

## 2. Financial Sector

**The financial sectors in most North African economies remain small, dominated by the public sector and dependent on public cash infusions.** Most North African economies rank poorly on international comparisons on access to credit and financial sector development. Given limited development and the availability of public resources, most banking systems do not confront serious, immediate threats to their solvency, although Tunisia is struggling to ensure that its state-owned banks are adequately capitalized. The major exceptions to this picture are Morocco, which boasts a strong, well-diversified financial system with widespread access to banking

services, and Libya, where the financial system has ceased to provide a significant amount of credit.

- **Algeria**

*The Algerian financial system is inadequately developed and poorly diversified; public sector banks held 86.8% of total assets at end-2014.* In the latest report of the World Economic Forum 2015-2016, Algeria is ranked 135<sup>th</sup> (out of 140) in financial market development. The banks are relatively well capitalized, profitable and liquid, and financial stability does not raise any particular concerns given the small size of Algeria's financial system and limited integration with international financial markets.

*Access to financing remains the biggest challenge to business according to the 2015-2016 World Economic Forum report.* Algeria is ranked 174<sup>th</sup> in the 2015-2016 Doing Business report with regard to getting credit. Consumer credits have been authorized again, after having been suspended in 2009, but are restricted to products manufactured or assembled in Algeria (a list is prepared by the Ministry of Trade). Banking intermediation is improving gradually, in terms of network development, number of accounts, volume of deposits collected and credits distributed. A new central credit register for businesses and households has been operational since September 2015 and should be used in the processing of applications from the month of October.

- **Egypt**

*Egypt's banking system is relatively stable and well capitalized, but financial intermediation is low.* Only 10 percent of Egyptians have an account at a formal financial institution. However, industry experts foresee an expansion as the younger population takes an interest in new forms of banking. Four "mobile wallets"—MobiCash, Phone Cash, Flous and Vodafone Cash—have

been launched in Egypt in the last 15 months. One positive development in 2015 was the new Law to establish an online system to notarize pledges on movables, which should make it easier for SMEs to gain access to credit.

- **Libya**

*The Libyan financial sector remains predominantly in the hands of the state despite the 2011 revolution; licenses for foreign banks are unlikely to be issued until a single national unity government is in place.* The extent and diversity of financial services provided are limited, and the state-owned banks, though heavily capitalised, are not lending. Since the start of the political conflict in 2014, most of the credit system has been frozen and very little, if any, credit has been allocated to private companies, while commercial banks hold half of their assets in certificates of deposit. According to the Global Competitiveness Index 2014-2015, access to finance is the second most problematic factor for doing business in Libya, after government instability. Libya ranks last in terms of the availability and affordability of financial services, and last on the World Bank's Doing Business index on the ease of getting credit and protecting investors.

- **Mauritania**

*Mauritania's banking sector is well capitalized and has adequate liquidity.* Modernization of the payments system has continued, as evidenced by the development of electronic banking with generalization of the use of interbank cards and the 25 percent rise in the number of automated teller machines in 2014. Moreover, most banks now issue international payment cards with usage limits that are among the highest in the region. However, the banking system remains vulnerable to shocks due to high credit concentration (especially short-term credits), exposure to exchange rate risk and increased competition which aggravates banking vulnerabilities. The

number of banks has risen from 10 in 2009 to 20, which has significantly narrowed intermediation margins; the weighted average lending rate of banks fell from 15.1 percent in 2012 to 11.4 percent in 2014. Some banks do not comply with the minimum capital requirement and are inadequately provisioned.

- **Morocco**

*The Moroccan banking sector is one of the most developed on the continent.* Some 64 percent of the population had access to banking services at end-2014, nearing the Bank Al-Maghrib target of two-thirds of the population. Unlike other North African economies, Morocco also has a thriving stock market, with market capitalization equal to over 50 percent of GDP. In 2014 and 2015, the Moroccan government continued its policy of increasing the depth of financial markets by establishing new mechanisms, such as a futures market for financial instruments, and new products, such as real estate investment schemes. The Banking Law of 2015 strengthens the supervisory powers of the Central Bank, seeks to modernize macro-prudential supervision, and introduces a legal framework for the development of participatory banks. The directive on equity funds went into effect from January 2014, and equity levels remain well above the Basel III requirement. One challenge is ensuring that small- and medium-sized enterprises have adequate access to credit. After the guaranteed loans launched in 2012, the Central Bank implemented a new programme for SMEs, which was strongly supported by the banks.

- **Tunisia**

*The poor performance of the Tunisian financial sector, which is fragmented and dominated by the State, is a major challenge for the Tunisian economy.* As of March 2015, the capital asset ratio for the banking system was 9.5 percent, less than the statutory requirement of 10 percent, due

to the 3.5 percent ratio for state-owned banks. The Heritage Foundation ranked Tunisia 30<sup>th</sup> of 100 countries in 2015 for financial independence, and 131<sup>st</sup> overall out of a total of 188 countries studied. Poor governance in the Tunisian banking sector has led to inadequate risk monitoring, a poor diversification of credit portfolios and an unusually high rate of bad debts (16% of loans in 2015, down from 24.2% in 2011 but high compared to the ratios recorded in other regional countries). The Standard & Poor's (S&P) rating agency has relegated the Tunisian banking sector to Group '9', (the rating scale goes from 1, the lowest risk, to 10, the highest risk). The non-banking sector in Tunisia remains underdeveloped. Capital and fixed-income securities markets are still relatively modest, and market capitalization is about 24 percent of GDP, compared to 76 percent in Morocco.

### 3. Public Sector Management

*Significant progress has been made in strengthening public sector management in the region over the past two years.* Morocco's administration has prepared legal provisions and implemented technological improvements to strengthen the provision of public services, Tunisia has made substantial progress in merit-based public sector recruitment, Mauritania is improving administrative efficiency and strengthening accountability, Algeria is reorganizing public sector commercial activities to improve productivity, and Egypt is taking steps to provide more public information on the budget and strengthen merit-based recruitment and training in the civil service. Nevertheless, the region's performance in key international comparisons of public sector administration, including transparency, corruption, and efficiency, remains at best mediocre. And the chaos governing public sector administration in Libya, marked by competing governments, was further deepened by the establishment of a second central bank.

- **Algeria**

*The Algerian authorities are initiating improvements in public sector support for the economy to cope with the challenges presented by the decline in the price of oil.*

A special taskforce was set up in the Office of the Prime Minister, responsible for crosscutting interaction with all institutions involved in the country's economic development. The reorganization of the commercial public sector into 12 new industrial groups, undertaken in February 2015, is aimed at creating true national champions that are engines of growth. Similarly, Article 66 of the 2016 Finance Law providing for the opening-up of the capital of State-owned corporations, which should improve their competitiveness, although the law is currently being challenged. Other activities include the reinforced anti-corruption drive, efforts to streamline administrative procedures (in the context of fiscal consolidation) and increase public access through e-government, and the expected adoption of the constitutional reform bill in 2016 to strengthen the separation of powers and improve transparency and control mechanisms.

- **Egypt**

*The Egyptian Government had adopted a new strategy to improve the quality and accountability of services.* A new Civil Service Law was introduced to Parliament in 2015 that aimed to strengthen merit-based employment and promotion, and to provide training targeted at enhancing productivity. However, the new Parliament failed to approve the legislation in early 2016, which reflects the sensitivities surrounding the issue and concerns for future public sector reform. Nonetheless, the Government has also taken steps to make reforms more transparent and accountable to the public, such as publishing the 'citizen's budget' to provide information on revenue collection and expenditure allocations. The tendering process for two Build Operate & Transfer deals is currently

underway for the commercial registry and the real estate registry.

- **Libya**

*Libya's fragile political situation and divided public administration has blocked progress on policy formulation.* Libyan institutions and line ministries have suffered from a lack of institutional capacity to deliver services efficiently since 2011. Libya's performance on the Accountability and Transparency Index of the Global Integrity Indicators was only 24 out of 100 in 2015. The existence of two parallel governments claiming international legitimacy and control over state institutions and resources, the increasing power of armed militias, and the expansion of the informal economy have considerably impaired ethics in government administration.

- **Mauritania**

*Mauritania implemented several improvements in public sector management in 2015.* An integrated State personnel management system was established, a modern website was designed for the Ministry of Public Service, and efforts simplify and modernize administrative procedures continued. A draft decree was adopted in September to harmonize and simplify the compensation system for State employees and staff in public sector administration. Finally, the Government has instituted a public investment programme, complete with a medium-term expenditure framework (2016-2018) to support investment programming as well as monitoring tools. The monitoring and verification of public sector accounts was strengthened through the implementation of permanent controls by the General State Inspectorate and the Court of Auditors, the conduct of internal audits and the institution of standards and publication of procedures manuals. The Government has continued implementation of the national anti-corruption strategy, and has increased transparency in the granting of oil stocks.

- **Morocco**

*Morocco has achieved high standards in public sector administration compared to many other countries in the region.* Morocco is ranked 49<sup>th</sup> out of 144 under the "Institutions" pillar of the World Economic Forum, although its rating on the rule of law was average, and 52<sup>nd</sup> out of 157 countries for property rights and the judicial system in the Fraser Institute's 2015 Report on Economic Freedom. Over the past decade, the government has undertaken a program to consolidate and modernize its public administration. The Ministry of Public Service and Modernization of the Administration has prepared a framework law setting the main principles governing relations between the administration and users of public services, and addresses requirements in the 2011 Constitution. The recent development of the e-government programme is improving the efficiency of public services and coordination among ministries. Finally, the much-awaited adoption of the government's employment and skills reference framework should enhance the matching of profiles of public service employees with public service objectives and the expectations of citizens and businesses.

- **Tunisia**

*Tunisia is deemed to have one of the most efficient administrations on the continent, although the many cabinet reshuffles and reorganizations of various public institutions since 2011 have undermined efficiency.* Moreover, efforts to decentralize Tunisia's administration have made little progress. According to the 2015 Global Integrity Report, Tunisia has made remarkable progress over the past three years in appointing civil servants on the basis of merit. To build a solid foundation for good governance, the Constitution of the Second Tunisian Republic contains a large number of provisions that guarantee the independence of the judiciary. In practice, however, judicial independence is limited. The 2015

Global Integrity Report gives Tunisia a score of 33 out of 100 for integrity in the public service, ranking it within the fourth-lowest group of countries. According to Article 29 of the Code of Criminal Procedure, Tunisian civil servants are required to report cases of alleged corruption. However, there is no law protecting officials against recrimination or other negative consequences, and no formal rules to prevent conflicts of interest, nepotism, undue benefits and favouritism in all branches of the government.

#### 4. Political Context

*North African states made steady progress in 2015 in consolidating political reform and strengthening the political process.* New elections were held in Morocco that should enable greater local autonomy, Tunisia continued its progress towards democracy with the formation of a new government, Mauritania is improving the openness of the political system and a new Constitution was adopted this year in Algeria, and the first Egyptian parliament under the new political arrangements convened in January 2016. In Libya, however, the situation remains chaotic amid failure to agree on a unity government.

- **Algeria**

*The political and social situation in Algeria remains relatively stable, despite some cabinet reshuffles and changes in the management of major State-owned companies, the intelligence service and security services.* It appears that constitutional reform, which was announced as an important milestone in the political reform process initiated by President Abdelaziz Bouteflika, already happened in early 2016, followed by a new cabinet reshuffle.

- **Egypt**

*Parliamentary elections that were concluded in late 2015 in Egypt led to the convening of the*

**first parliament session on January 10 2016.**

This marks the final major step of the official political roadmap set out by the Government in 2014. Confidence has been bolstered as the new Parliamentarians start to work through the legislative agenda.

- **Libya**

***In 2015, Libya had two governments in place claiming international legitimacy and control over state resources, the Islamist-backed GNC in Tripoli and the internationally recognised HoR government in Tobruk.***

However, the Tobruk-based government controls very little territory itself and is mostly dependent on the forces of its ally for military support. The struggle between the two governments has created an extremely fragile security environment, which has facilitated the emergence of the Islamic State in the country. The Libyan Political Agreement (LPA) entailed the formation of a one-year interim Government of National Accord (GNA) within 30 days of the accord's signature to end the political crisis. The LPA also called for the creation of a national army without committing to a timeframe. A first cabinet comprising 32 ministers was formed in January 2016 but failed to receive the vote of confidence of Libya's internationally recognized parliament (HoRs). Over the last two months, talks have been ongoing to review the composition of the cabinet and pass a vote of confidence in the new government.

- **Mauritania**

***The Mauritanian Government took steps in 2015 to increase political openness and promote the involvement of youths in the management of public affairs.*** Several preliminary meetings were held with the opposition, and a preparatory meeting on inclusive dialogue took place in September 2015. The Government also promoted human rights through: (i) ratification of the Arab Charter

on Human Rights; (ii) adoption of a law criminalising acts of torture and other cruel, inhuman or degrading treatment; (iii) adoption of a communication strategy on eradication of the legacies of slavery; (iv) establishment of a National Torture Prevention Mechanism; (v) establishment of the National Programme to Consolidate Social Cohesion; and (vi) preparation of the National Human Rights Promotion and Protection Action Plan.

- **Morocco**

***The Moroccan regional and communal elections of September 2015 were an important step towards implementation of the devolution and decentralization process enshrined in the 2011 Constitution.*** The elections sanction the new organic laws pertaining to regions, prefectures, provinces and municipalities, which enable citizens to be more involved in the management of local affairs. The regions and other local government authorities have been endowed with own financial resources and State allocations, which are increased whenever State powers are devolved to local authorities. Elections to the chamber of advisors, composed of members representing local authorities, professional organizations and employees, were held in October 2015. This chamber consolidates the decentralization process by controlling the impact of public policies on local government bodies. Parliamentary elections, which will determine the composition of the next Government, should take place in October 2016.

- **Tunisia**

***Tunisia has made remarkable progress towards democracy since 2011.*** Adoption of the new constitution in early 2014 led to the holding of legislative and presidential elections in October and December 2014. The Assembly of Representatives of the People (ARP) in the Second Tunisian Republic was established

in October 2014, and a government led by Mr. Habib Essid won a vote of confidence in February 2015.

## 5. Environment

***North Africa faces significant environmental challenges in the form of soil erosion, desertification, seismic risk, and pollution generated from the exploitation of energy and mineral resources.*** Preserving the environment and natural resources wealth for future generation is an important priority of all governments. However, the Libyan conflict and Tunisia's difficulties in enforcing the law and resolving labour disputes have impeded efforts to protect the environment. Other countries are making progress in improving sustainability through legal and institutional measures, although evidence on the effectiveness of these measures is limited.

- **Algeria**

***Algeria has ratified all international conventions on the environment and incorporated environmental issues in its planning documents and legislation.*** The National Scheme of Land Planning (SNAT 2010 - 2030) takes into account the preservation of natural resources. Sectoral laws seek to control pollutant emissions and protect resources. The national programme for the development of new and renewable energies and energy efficiency is aimed at increasing the renewable energy share in national electricity production to 40 percent. Mechanisms to limit environmental degradation include the National Environment and Pollution Control Fund to help companies eliminate pollution, the National Fund for Protection of the Coastline and Coastal Areas, and the Fund for Desertification Control, which are all funded in part by the State budget. Lastly, a tax system based on the "polluter pays" principle has been instituted. A network of specialized State agencies is implementing the environmental

policy, with the support of decentralized services.

- **Egypt**

***Egypt faces severe environmental challenges, including air and water pollution, and soil contamination.*** Egypt is ranked 50<sup>th</sup> out of 178 countries in the environmental performance index, developed by Yale and Columbia in cooperation with the World Economic Forum to supplement the Millennium Development Goals for the environment. The National Strategy of Sustainable Development (NSSD) provides a framework for sustainable development policies and the review of environmental issues for major investment projects. Key goals of the NSSD include the adoption of integrated environmental management for water resources, estimation of the costs of environmental degradation and mitigation efforts, improvements in institutions and legislation, and increasing public participation in the resolution of environmental challenges. However, little progress has been made in implementing this strategy.

- **Libya**

***Libya's performance on the Resource Governance Index produced by the National Resource Governance Institute is very poor, with a score of 19 out of 100 in 2014.*** Libya's score on measurements of accountability and democracy and corruption control, a "failing" 10 out of 100, was particularly low. The environmental sustainability index for 2014 ranks Libya 120<sup>th</sup> out of 178 countries, indicating serious environmental degradation. A major environmental concern is the depletion of underground water because of overuse in agriculture, causing salinity and sea-water penetration into the coastal aquifers. Moreover, Libya is Africa's most water-stressed country, with minimal surface water and no perennial rivers, and with only 95 cubic meters of available water per person per year.



- **Mauritania**

*Mauritania's Government made significant progress in strengthening the institutional and regulatory framework for the environment in 2015, including ratification of the Minamata Convention on Mercury, the Nagoya Protocol, and the United Nations Convention on Biological Diversity.* The document Renewables Readiness Assessment (RRA), an assessment of renewable energy in Mauritania, was officially launched, and a wind plant commissioned. Furthermore, the fisheries sector development strategy was approved and, for the first time, a review of public spending in the environmental sector was conducted. Mauritania's environmental policy is governed by the National Sustainable Development Strategy (SNDD) and its 2012-2016 National Action Plan for the Environment (PANE). Environmental impact controls were increased during 2015, particularly in industrial production sites and quarries.

- **Morocco**

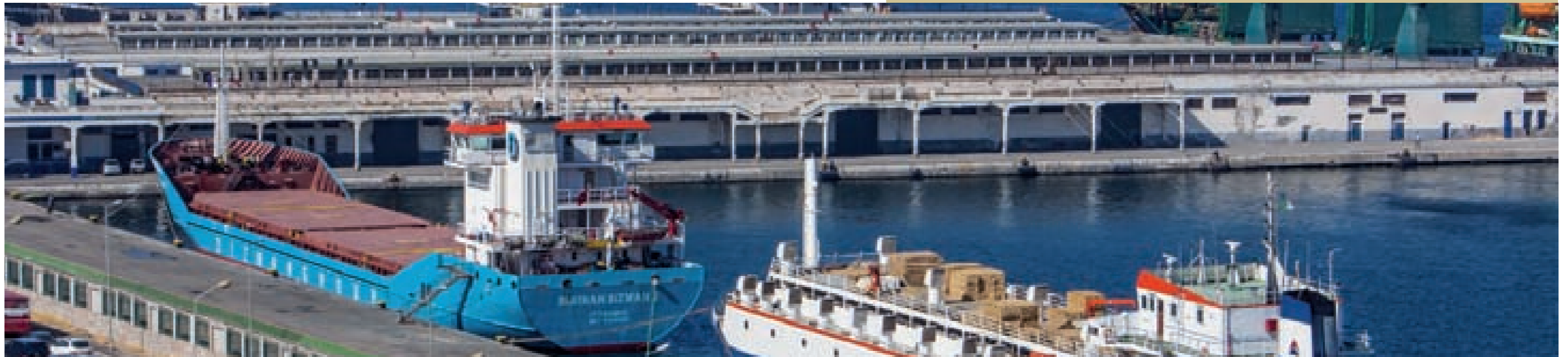
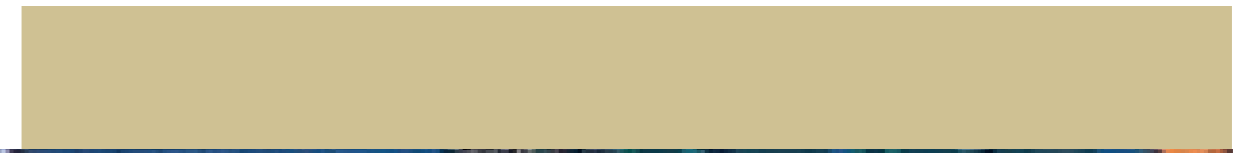
*Moroccan authorities have made significant efforts over the past five years to address fragile ecosystems marked by the growing frequency of droughts and soil erosion.* The institutional framework is evolving rapidly with: (i) the adoption in 2014 of Framework Law N°. 99/12 on the National Charter for Environment and Sustainable Development, which establishes an environmental tax system; (ii) preparation of the National Sustainable Development Strategy in 2015; and (iii) the formulation of sector-wide frameworks such as Law N°. 10-95 to guide water resource planning and management. The management of environmental issues was decentralized in 2015, in keeping with the regionalization process. The Government also is establishing an agricultural register to enhance understanding of natural resource use, continuing with the promotion of green sub-sectors (e.g. organic farming and renewable energy), and has committed to reducing its greenhouse gas

emissions under the UN Framework Convention on Climate Change.

- **Tunisia**

*Tunisia's authorities have always considered environmental protection a top priority.* Several public institutions responsible for environmental issues and natural resource management have been created since independence, such as the Coastal Protection and Management Agency (1995), the Tunis International Centre for Environmental Technologies (1996), the National Gene Bank (2003) and finally the National Waste

Management Agency (2005). However, the management of environmental issues has deteriorated significantly since 2011, mainly due to an increase in the number of strikes within the waste management sector and difficulties authorities have faced in enforcing the law. Environmental protection is one of the priorities and objectives of the Government in its 2016-2020 guidance note published in September 2015, which provides for conserving water resources, increasing the recycling of wastes, increasing reliance on renewable energy, reducing the energy intensity of production, and increasing connections to public sewerage systems.



# Chapter 4

## Social Developments in North Africa



**North African governments continue to provide substantial resources for health, education, other social services, and poverty alleviation.** Primary education enrolment rates are high, and the incidence of communicable disease low. Over the past year, some countries achieved improvements in targeting of assistance, in particular the replacement of universal subsidies with efforts to reach the poor. All countries, however, face considerable disparities in access to services and in health outcomes between rural and urban areas. While the role of labour market regulations in lowering productivity in the region is recognized, little progress has been made in easing labour market controls. Finally, the legal framework in most North African countries guarantees women equal rights, and their participation in politics has increased. However, in practice women face severe discrimination in the workforce and poorer economic prospects than men.

## 1. Human resource development

**Most North African governments allocate a substantial share of expenditures to health and education, and this has paid dividends in terms of high enrolment rates in primary education, improvements in access to health care, and the maintenance of low rates of incidence of HIV/AIDS, malaria and tuberculosis.** Nevertheless, there are major differences in access to health and education services between rural and urban areas, and illiteracy rates remain high (e.g. in Morocco and in Mauritania despite some recent improvement). School enrolment rates and access to health care services have plummeted in Libya.

### • Algeria

**Algeria has made considerable progress in meeting the Millennium Development Goals (MDGs), as evidenced by its ranking in the 83<sup>rd</sup> position (compared to 93<sup>rd</sup> the previous year) in the UNDP's 2015 report.** However, Algeria is facing growing inequality in health services. Many

clinics have been established since the opening of the sector to private investment in the early 1990s. A two-tier system has emerged, where the quality of care in the public sector is deteriorating. Households' share in financing health care has increased significantly, despite the increase in budget allocations to the sector. Legislation being considered would provide for patient contribution for some services, but also for some free services and an expansion of the third-party payer system for medicines.

**The prevalence of HIV/AIDS, malaria and, to a lesser extent, tuberculosis is relatively low in Algeria. HIV/AIDS prevalence is less than 0.1% within the general population, but is concentrated in vulnerable communities.** Testing, care and treatment of patients are conducted free of charge at the 61 screening centres. Algeria has adopted a national strategy to eliminate mother-to-child transmission of HIV, in collaboration with UNICEF and UNAIDS, and a National Tuberculosis Control Programme that is regularly updated. More than 22,000 tuberculosis cases were identified in 2014, of which only 8,445 cases have a contagious pulmonary condition.

**The quantitative targets under the Millennium Development Goals in the area of education have been achieved.** However, problems persist in terms of sector effectiveness and efficiency, despite education accounting for one-fifth of the State budget (the second biggest expenditure item after national defence). The primary enrolment ratio is 97%, with good gender parity.

### • Egypt

**Egypt has made progress in achieving the Millennium Development Goals.** Of the 16 initial targets, 3 were achieved five years before the deadline. However, major challenges remain to be addressed, including population growth, gender inequality and youth unemployment. Egypt

also struggles to achieve universal access to treatment of hepatitis. Egypt ranks 110 out of 187 countries in the 2014 Human Development Index (HDI), compared to 112 in 2012.

**The Egypt Network for Integrated Development (ENID) reports that villages in rural Upper Egypt are the areas at greatest risk of a strong cycle of underdevelopment, in which poverty is rampant, unemployment is high, and access to services is minimal.** Among the 1,000 poorest villages, many are located in 7 Upper Egypt governorates, including 112 in Qena alone. Extensive food insecurity is also concentrated in Upper Egypt governorates, with the prevalence of poor access to food ranging from medium to very high. The percentage of the population with income below the poverty line and poor food consumption has risen significantly in Assuit, Sohag, Qena and Luxor.

### • Libya

**The armed conflict in Libya has reduced school enrolment rates.** The nationwide school assessment conducted by the Ministry of Education in 2015 reported an average drop of 21% in the enrolment for boys and 17% for girls. Benghazi is the most affected province; enrolment rates are as low as 50%, as almost three-quarters of schools are no longer functional. Out of 239 establishments, 110 are inaccessible due to the conflict and 64 are occupied by internally displaced persons; as a result, education for 57,500 students has been disrupted. Across the country, 150,000 children are at risk of no longer having access to education because of the security situation. In the Global Competitiveness Report 2014-2015, Libya is ranked last out of 144 countries in terms of the quality of education.

**Health and protection needs have also significantly deteriorated.** Critical shortages of essential medicines and a run-down primary health-care system have been reported since the start of the political division, with more than 62%

of the population suffering from low access to health services and essential medicines. The already fragile health system has also been affected by the decreasing levels of investment in the health sector since 2014, which was aggravated by the departure of most of the humanitarian and health-care NGOs as a result of the intensification of the conflict and the expansion of the Islamic State terrorist group in the country.

**Libya has a low HIV/AIDS prevalence rate of less than 0.2%, with 11,910 people estimated to be living with HIV/AIDS in 2011.** However, the 2015 country progress report for Libya by the National Centers for Disease Control states that the civil war has resulted in the deterioration of essential services (including drug rehabilitation centres), while creating several additional risk factors with the potential to fuel HIV. In 2012, the HIV prevalence among people who inject drugs in Tripoli was an alarming 87%, according to the results from bio-behavioural surveys conducted by the Liverpool School of Tropical Medicine.

### • Mauritania

**According to the 2015 Human Development Report, Mauritania's human development index (HDI) stands at 0.506, ranking it in the 156<sup>th</sup> position out of 188 countries.** Mauritania has gained five spots in global rankings, but remains within the category of countries with low human development.

**Major changes in the structure and curriculum content of the education sector have helped achieve a gross enrolment ratio in primary schooling of 100.9% in 2013/2014, compared to 98.8% in 2008/2009.** The gender parity index (GPI) in primary schools is slightly above 1 (1.05), meaning that the net primary school attendance rate is slightly higher among girls than among boys. However, it is only 0.84 in secondary schools. Two new primary school teacher training colleges were created in 2015, which was

declared the "Year of Education" by the Government. Mauritania's literacy rate has increased in recent years, reaching 63.7% in 2013. Major constraints on attacking illiteracy include lack of material and human resources, and of organized linkages between traditional, faith-based and formal education.

**Efforts made by the Government to expand the supply of health services, improve access to quality medicines and promote universal health insurance have increased coverage in many communities** Over 80% of the population lives within 5 kilometers of a health care facility. Awareness campaigns on preventive measures helped to check the spread of diseases such as malaria, tuberculosis, and HIV/ AIDS. Despite this progress, however, the maternal mortality rate (582 per 100,000 according to the General Population and Housing Census 2013) and the under-five mortality rate (115 to 1000 according to GPHC 2013) remain high. The prevalence of malnutrition in all its forms increased in 2015 (14%) compared to the pre-harvest period of 2014 (12%).

- **Morocco**

**The AfDB, the Office of the Head of the Government and the MCC identified poor quality of education in Morocco as one of the major constraints to growth in 2015.** Education and training are among Morocco's key national priorities, absorbing almost a quarter of the State budget. In 2009, the country initiated an emergency plan that raised the net primary enrolment ratio from 90.1% in 2007-2008 to 99.6% in 2012-2013. Progress has been particularly noticeable in the rise in enrolment rates in rural areas from 84.5% to 97.9%, and among girls from 88% to 99.1%. Nevertheless, major problems remain. In rural areas, only 69.5% of the relevant age group reach high school and 30.6% reach college. In 2015, the National Agency to Combat Illiteracy reported that 10 million Moroccans were illiterate and requested an acceleration of efforts to end illiteracy.

**Morocco has implemented the Tayssir programme, which provides scholarships worth MAD 60 to MAD 100 per month to schoolchildren who meet the attendance criteria.** Originally targeted to disadvantaged areas, the program was generalized in 2015. Many private initiatives are supplementing government action on vocational training, including the training centre set up by Renault and the development of the zoopoles where professionals from the milk and meat sectors provide training to attendees.

**The expansion of access to health care continued in 2015 with the establishment of medical coverage for 260,000 students within the public system.** In 2014, some 55% of the population enjoyed medical coverage through a mandatory basic health insurance or RAMED, which targets the poorest. Efforts to extend the coverage of health care have been impeded by the shortage of health personnel, estimated by CESE at 6000 doctors and 9000 nurses in 2014. Measures are being taken to fill this gap, including the training of 3000 doctors per year. Inequities in health care supply remain high, reflected in 2015 by differences of over 6 years in life expectancy in certain localities.

- **Tunisia**

**Tunisia's experience in malaria eradication could benefit other countries that are located in the same Palaeartic region.** Malaria was eradicated from Tunisia in 1979 through appropriate policies and adequate control measures put in place since independence. However, the 2014 report of the Pasteur Institute in Tunis highlighted the vulnerability and receptivity of the country to malaria and underscored the need to step up vigilance.

**Tunisia has relatively low tuberculosis (TB) prevalence compared to other North African countries.** TB prevalence in Tunisia was 31 cases per 100,000 inhabitants in 2012,

compared to 103 in Morocco and 89 in Algeria. However, the decline in incidence of tuberculosis has slowed in recent years. A tuberculosis control guide was adopted in 2014 under the National Tuberculosis Control Programme for 2008-2015. The key to the programme's success is free screening and treatment, and mandatory reporting of all cases.

**In 2014, the number of HIV cases rose to 2,300 in Tunisia, with 260 new cases. Young people aged 20 to 40 years are the most affected.** Prevention measures are available, case management and treatment are free, and screening is free and anonymous. The number of new cases rose after the Revolution, due to the low priority given to awareness campaigns in a context of the political transition. A strategy is being implemented to reduce new infections by 58% and the number of deaths by 60% by 2017.

**The net enrolment ratio among both boys and girls aged 6 to 11 years in Tunisia is 99%, among the highest rates in the continent.** However, regional disparities persist. Tunisia's scores in the latest PISA test results (2013) are well below the OECD average (67.7% of students under-perform in mathematics, compared to an OECD average of 12.3%). A program is being prepared to address the challenges of education equity and quality in Tunisia, and will be implemented in 2016.

## 2. Poverty Reduction, Social Protection and Labour

**North African countries have adopted labour market regulations that offer strong protection for workers, at some cost in terms of high unemployment rates (12.9% in Mauritania), large informal sectors (33.9% of non-agricultural workers in Tunisia), and limited private sector growth.** Poverty has fallen in recent years in several countries, although

important disparities remain between rural and urban areas. Social protection, including pensions, unemployment and health insurance, and various subsidies absorb a considerable portion of government budgets. Efforts have been made to shift from universal subsidies to more targeted programs, to improve targeting and to extend the coverage of programs to reach all of those in need. Libya is once again the outlier, as poverty and lack of access to social services has no doubt skyrocketed with the deteriorating security situation.

- **Algeria**

**The measurement of poverty and poverty trends must be improved in Algeria.** Although various reports indicate a net decrease in poverty, the number of beneficiaries of social assistance programmes is growing steadily. In this context, the mapping of poor communities is ongoing to improve the targeting of social assistance programmes.

**Welfare programmes account for nearly a fifth of the Algerian Government's budget.** The National Economic and Social Council (CNES) estimates total social transfers at almost 25% of GDP, a significant share of which is in the form of universal subsidies: 1.2% to support commodity prices and 11% to support fuel prices (the latter rate should decrease slightly due to the increases provided for in the 2016 Finance Law). The Social Development Agency is involved in the integration of vulnerable communities through programmes to support social inclusion, community development and infrastructure development. The authorities have also implemented assistance mechanisms for the professional integration (DAIP) of first-time job seekers and new university and vocational training graduates. These policies consist mainly of subsidized activities (allowance for activities of general interest - IAIG), non-residential vocational training, and support measures for laid-off workers, the unemployed and assisted persons.

Lastly, there are also many housing programmes (eradication of insecure housing, social housing development and participatory social housing).

**The social security system, which is universal and egalitarian, has 9.47 million participants from the public and private sectors.** It is based on the principle of mandatory membership for all workers and a broad definition of indirect beneficiaries. The system provides social insurance (sickness, maternity), disability and death insurance, old age insurance, industrial accident and occupational disease insurance, family allowances and unemployment insurance. However, the size of the informal sector, demographic changes and labour market difficulties (rising unemployment in recent years that may have exceeded 11% in 2015) exclude many workers from this system. To ensure broader coverage, a draft decree is being developed to guarantee social coverage for graduates during the job-search period, seasonal workers in the agricultural sector and professional athletes.

**Financing the social security system remains a challenge.** A programme of voluntary tax compliance was adopted in 2015. The collection of contributions from companies should be improved to ensure the survival of the system. Minor reforms in financing have been gradually introduced into the finance laws since 2006, through additional resources from taxation. Measures have also been introduced to encourage employers in difficulty to meet their obligations to the social security funds.

**Algeria is a signatory of the fundamental conventions of the International Labour Organization, and its labour law enshrines the rights to employment, safety at work, social security and health at work.** Employment is protected and the causes of termination of employment are strictly defined. A revision of the Labour Code has been announced for several years to harmonize investment requirements with worker protection requirements.

## • Egypt

**The Government of Egypt is taking firm action to address the issues of social equity, job creation and improved social service delivery.**

The new constitution approved in 2014 increased targets for government spending on education, higher education and health as a percent of GDP to 4%, 2% and 3% respectively, and institutionalized a social pension as a right of the handicapped, the old and the unemployed. Government is aware that current policies, especially the fiscal consolidation measures and subsidy reforms, may have unintended negative effects on the poor and the vulnerable. To mitigate this, the Government is putting in place an array of measures to protect the poor and the vulnerable, including exempting the lowest income quartile from a potential subsidy reform. The Government also is implementing well-targeted social protection programs (such as the Takaful and Karama schemes – see below), using part of the fiscal space generated through the reform program.

**In April 2015, the government launched an initiative as part of its Cash Transfer Program, Takaful and Karama (Solidarity and Dignity), under which poor families receive the equivalent of \$43–\$83 a month, while some elderly people and people with disabilities receive \$47 a month.** The program aims to cover 1.5 million families by 2017. Takaful provides income support conditional on 80% school attendance by children ages 6–18, on medical check-ups for mothers and children under 6, and on attending nutrition classes. In contrast, Karama provides unconditional income support to the elderly and people with disabilities. Any credit left over from baladi bread can be converted into points, providing incentives to buy other food products.

**A national database to consolidate social safety net programs is being constructed.** This Unified National Registry has made some

progress toward linking the smart card to other social assistance and social security databases. In time, it will enable the programs to expand to the entire country.

**UNDP estimates that 26.3% of Egypt's population is below the nationally set poverty line.** A weak economic recovery since the revolution has also reduced the ability of new market entrants to access jobs; unemployment was almost 13% in 2015, while youth unemployment reached 29%. Women have to struggle more than men to find jobs, and have an unemployment rate of almost 25%. The UNDP's estimate of multidimensional poverty, which takes into account other aspects of poverty, is 4.2 percentage points higher than income poverty, mainly due to limited access to high-quality, affordable healthcare and education.

## • Libya

**It is impossible to measure poverty in Libya, but no doubt it has increased over the past few years.** The dramatic decline in government revenues and spending in 2014 has threatened the state of social safety-net programmes, the civil war restricted access to goods and services including food and health care, and attacks on commercial ports have disrupted critical food supplies. The price of wheat and flour has increased by 500% and 350% respectively, compared to the pre-crisis levels. According to humanitarian partners, more than 1.3 million people face difficulties in accessing food due to lack of resources. The provision of social safety nets is problematic because of the fragility of the state and the prevailing political conflicts.

**Libya ranks 133<sup>rd</sup> of 144 countries in terms labour market efficiency, according to the 2014-15 Global Competitiveness Index.** Although the labour law protects labour rights, including working hours, minimum wage, and freedom of association, the law does not protect the right of workers to form and join independent

unions. Moreover, the labour market regulations really only concern national workers, while the rules pertaining to foreign workers are unclear to most firms. According to a report published in 2015 by the World Bank on “Labor Market Dynamics in Libya: Reintegration for Recovery”, while 77% of firms employ foreign workers, only 28% understand the regulations for employing foreign labour. The quota for Libyan nationals is officially 25% under Article 51 of the Labour Code. In the private sector, most firms report a minimum quota of 33% Libyan nationals as required. A reform of the labour laws was initiated prior to the 2014 conflict. However, because of the instability and the fragile institutional environment, there is no clear enforcement of basic labour standards and labour regulation is not considered as an obstacle to private firms in Libya, according to the enterprise survey conducted by the World Bank in 2015.

## • Mauritania

**Poverty and inequality remain major concerns in Mauritania. The number of people living below the poverty line fell by 1.8% per year from 2008-2014, but by the end of the period the poverty rate was 31%, or above the target of 28% under the Millennium Development Goals.** The GDP growth rate required to slash poverty to 25% by 2015 was calculated at 7-8%, while growth averaged about 5%. The incidence of poverty among female-headed households was 27.4%, compared to 32.3% for male-headed households. A decline in inequality made a significant contribution to poverty reduction from 2008-14, reflecting the effectiveness of public policies over this period.

**In 2014, the vulnerable employment rate was 54.6%, while the national unemployment rate was estimated at 12.9%.** Unemployment remains higher among women (19.3%) than among men (9.9%), while youth unemployment (aged 14-34) is estimated at 21.0% in 2014.

Youth unemployment in urban areas is even higher, with a rate of 27.4% compared to 11.3% in rural areas. Unemployment particularly affected persons with no training at all (49.2%) or with at most primary education (28.1%).

**The employment problem is aggravated by illiteracy, limited training in high-growth occupations and limited access to finance for income-generating activities.** Programs to reduce illiteracy remain very limited, while those dealing with vocational training do not match the scale of the challenge. Furthermore, the shortage of job promotion mechanisms, the inadequacy of investment initiatives and employment promotion structures, and the limited access to means of production for disadvantaged groups impede access to jobs.

**Microfinance, considered to be one of the effective tools for promoting job creation and combating poverty, suffers from a mismatch between supply and the needs of the population and various sectors.** This is compounded by inequality between rural and urban areas, limited coverage of the national territory, weak technical and financial capacities of microfinance institutions, and a shortage of training facilities. To address this problem, the Government adopted a national microfinance sector promotion strategy, including a 2015-2019 action plan. It also hopes to build on the achievements of the Microfinance Capacity-Building Project (PRECAMF 1) funded by the AfDB.

#### • Morocco

**In 2011, less than one Moroccan in 100 (0.1% in urban areas and 0.5% in rural areas) lived on less than one dollar a day.** This result is the culmination of many reforms initiated since the 1990s to combat poverty. Nevertheless, inequalities remain strong and are perceptible in access to basic public services (health and education in particular) and jobs.

**Programs initiated since the constitutional reform of 2011 have been aimed at improving the coverage and efficiency of pensions, unemployment insurance and health insurance.** The Job Loss Allowance (IPE), Morocco's first unemployment insurance scheme, was launched in May 2015 with State provision of seed funds amounting to MAD 500 over a three-year period. Under this program, individuals insured by CNSS (the social security fund) who involuntarily lose their jobs receive an allowance equivalent to 70% of the shadow wage rate, not exceeding the minimum wage, for a period of 6 months. To be eligible for this allowance, the recipient must be in search of a job and receive training. Since mandatory health insurance and family allowances are guaranteed during payment of the allowance, the JLA period will be factored into old age pension calculations. This mechanism will not benefit all workers, as only 2.9 million of the 3.6 million private sector workers are registered with the CNSS and therefore entitled to IPE.

**In 2015, the Government announced that it would soon raise family allowances to MAD 300 for the third child, increase the minimum threshold for civil pensions to MAD 1500, as well as other benefits.** This follows an increase in family allowances paid for the first three children (fixed at MAD 200 and MAD 36 for the next 3) obtained through social dialogue between the Government and Moroccan economic and social partners since 2011. Apart from developing new benefits, Morocco has continued to streamline untargeted social transfers. Morocco reduced energy subsidies, widely considered unfair and expensive, between 2013 and 2015.

**Many stakeholders agree that labour market regulation must be reformed, despite the organizational and legislative changes made in the past.** A major priority of the Government is to reduce the unemployment rate from 10.1% in 2015 to 8% in 2016, and easing labour market regulations would help increase the employment

of young graduates. Several programmes have been implemented to curb unemployment, particularly among young graduates, including Idmaj (Insertion), Moukawalati (My business), and Ta'hil (Qualification).

#### • Tunisia

**Tunisia's poverty rate fell from 32.4% in 2000 to 15.5% in 2010 (the poverty rate is calculated from the results of the household survey conducted every 5 years, and the 2015 survey will be processed this year).** This general decline did not greatly benefit the Centre East, Central and Western parts of Tunisia, where disparities with the rest of the country widened. Inter-regional inequalities increased during the 2005-2010 period, which may have driven the feelings of alienation felt by communities in disadvantaged governorates and partly accounts for the uprising in 2011.

**Tunisian's labour laws comply with the rules laid down by the International Labour Organization (ILO).** Tunisia has ratified 58 ILO Conventions, including its eight fundamental conventions. However, the 2015 report of the ILO Committee of Experts on the Application of Conventions emphasizes that, under Convention 111, the Tunisian Government should pass a law prohibiting discrimination based on race, colour, national origin, religion, political opinion or social origin, and take concrete measures to eliminate discrimination in practice. The Committee of Experts commended the Government for its efforts to improve safety and health conditions (as provided in Convention 62 on safety), especially in the construction sector. A national plan was developed in 2015 to promote safety at work, achieve a 20% reduction in industrial accidents (especially fatal and dangerous accidents), and provide a diagnosis of occupational hazards to improve prevention.

**Tunisia still has some of the most rigid labour regulations in the MENA region and on the**

**continent.** The 2015-2016 Global Competitiveness Report ranks Tunisia 133<sup>rd</sup> out of 140 countries in terms of labour market efficiency. Given the lack of reforms and the failure to revise labour market laws, informal labour persists in many sectors. After the Revolution, Tunisia recorded a significant increase in the share of informal workers in total non-agricultural employment, which reached 33.9% in 2013.

**Workers in Tunisia's formal sector are protected by the requirement of an employment contract, compulsory social protection, and a guaranteed minimum wage.** The scope of social security extended to various socio-professional categories is considerable compared to that in other North African countries. Tunisia has created security plans for most occupational groups in the labour market; the legal coverage rate for the working population was approximately 95% of the workforce in 2013. Furthermore, Tunisia applies an inter-professional guaranteed minimum wage (SMIG) and an agricultural guaranteed minimum wage (SMAG), which were increased in 2015.

### 3. Gender Equality

**Women have equal legal status with men in most North African countries, although some discriminatory provisions remain in some laws.** Women have achieved greater participation in national parliaments and local governing bodies, in part due to positive discrimination. Nevertheless, considerable barriers remain to equal participation in the economy. Women generally have higher rates of unemployment, dramatically lower rates of labour force participation, higher rates of illiteracy, lower salaries for similar work. They work either in the public sector or in vulnerable employment in the private sector, a significant part in the agriculture/ low productivity and the informal sector. A significant part of the educated women are unemployed. As a result, North African countries are ranked very

low in international comparisons of gender equality.

- **Algeria**

*The protection of women against violence was strengthened in 2015 through the adoption of a law prescribing tougher penalties against perpetrators of violence.* Hence, discrimination against women originates more from custom than from the law. The literacy rate of women in Algeria has increased significantly (although it is still lower than the rate for men) and access to all levels of education, from primary to tertiary, is guaranteed. The share of women enrolled in university is rising significantly and is higher than that of men. Progress has been in improving women's participation in politics, thanks to a policy of positive discrimination. There are currently 143 female Members of Parliament (MPs) out of 462 MPs, or 31% compared with 8% in the previous legislature. However, women constituted only 18% of the labour force in 2015, and the female unemployment rate was 16.6% in 2015, against a national average of 11.2%.

- **Egypt**

*Egypt ranks 136<sup>th</sup> out of 145 countries in gender equality, according to the Global Gender Gap report 2015.* The sub-component that most contributes to Egypt's low rank is the political empowerment of women, an area that has seen no progress since 2006. Women are strongly discriminated against in the labour market, and make up only 33% of the labor force. According to the Global Gender Gap report, the main employment disparities are in managerial positions, senior government official positions and careers in the legislative line. Women earn the equivalent of almost one third of what their male counterparts earn in similar positions. Although the government does not have a clear published strategy to achieve gender equality and women empowerment, women issues have been put under focus in the Egypt Vision 2030 Sustainable

Development Strategy. Gender representation has been put on the forefront in the composition of the new Parliament.

- **Libya**

*Equality is guaranteed for men and women under Libyan law.* Girls and boys enjoy equal access to primary and secondary education.

*However, in practice women confront significant discrimination.* Female participation in the labour market is only 30% compared to 76.4% for men. According to the "Libya Status of Women Survey" 2013 conducted by the International Foundation for Electoral Systems (IFES), the majority of currently or formerly married women do not have access to independent economic resources. Domestic violence may have increased since 2011, given the increased rate of criminality, weapons circulating and lack of security and laws.

- **Mauritania**

*The Government of Mauritania's program to improve the status of women include efforts to combat discrimination against women, mainstream gender into public policies, develop a gender institutionalization strategy, sign international human rights conventions and support women's rights organizations.* Some improvement was seen in 2015 in women's participation in Parliament (9 women out of the 56 senators, 31 women out of the 147 members of the National Assembly), elective positions (35.4% of municipal councillors, 6 district council mayors) and senior level positions (8 women out of 28 ministers and 4 secretaries general). However, economic and political decision-making generally remains the preserve of men. In 2015, the Government provided professional training for 250 girls who dropped out of school and established a fund to finance income-generating activities. The status of women remains insecure in terms of access to economic and financial

resources, and employment. The labour force participation rate for men is 69%, compared to only 27.5% for women.

- **Morocco**

*The preamble and Article 19 of Morocco's 2011 Constitution enshrine the principle of full equality between men and women.* This has resulted in the establishment of the "Ikram" programme and several institutions, including the Observatory on Violence against Women. Further efforts are required to improve the status of women, as the country is ranked 139<sup>th</sup> out of 145 in the 2015 Global Gender Gap. Only 23.6% of rural girls attend secondary school. Of the total illiterate population aged over 10 years (36.7% of the population), 64.7% are rural women. Unemployment among women is 22.7%, and women are largely employed in sectors that rely on low-skilled labour (agriculture, textiles), offer low wages (hotels), or lack labour protection. Women also find it difficult to obtain positions of responsibility: they occupy 0.1% of such positions in the private sector and 7% in the public sector (CESE, 2014).

*Women have made progress in political participation in 2015.* The reform introduced by Organic Law N°. 34.15 to increase women's representation in local assemblies yielded nearly half of the seats at stake in the municipal councils to women (double the number held in 2009). Moreover, a third of all elected representatives in

regional elections are women. The 2015 quotas reserved for women in Parliament (15%) and in local government bodies (33%) have been respected.

- **Tunisia**

*The 1956 Staff Regulations Code places Tunisia at the very forefront of the Arab world in terms of women's situation in society.* However, major legal disparities persist. Legislation inspired mainly by Muslim law provides more limited inheritance rights for women than for men. Women's participation in the legislature has improved markedly. The adoption of the gender parity principle during the first ANC elections led to the election of 49 women out of the 217 seats. In 2015, women held over 72 of the 216 seats in the ARP, thus ranking Tunisia in the 36<sup>th</sup> position out of 142 countries in 2015, according to UN Women's global rankings of "women in parliament".

*Article 5 bis of the Labour Code prohibits all gender discrimination at the workplace, and gender equality at the work place is now enshrined in the Constitution (Article 40).* However, women made up only 28% of the workforce in 2015. The unemployment rate for women was 21.6% in the first quarter of 2015, compared to 12.5% of men. Only 6.5% of the business leaders registered with UTICA (the major Tunisian employers' association) are women.



# 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 to 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.

### Five Operational Priorities

The Strategy outlines five main development priorities for the institution that were set by the President Akinwumi Adesina, building on the ten year Bank Strategy. The High 5s are to : Light up and Power Africa;

Feed Africa; Industrialize Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa.

These focus areas are essential in transforming the lives of the African people and therefore consistent with the United Nations agenda on Sustainable Development Goals (SDGs).

In fact, the Bank is responding to the challenge of supporting inclusive growth and the transition to green growth by scaling up investment and implementation of the TYS by focusing on five priority areas, referred to as the High 5s.

### Light up & Power Africa

Over 640 million Africans have no access to energy, corresponding to an electricity access rate for African countries at just over 40 percent, the lowest in the world and as access to energy is crucial not only for the attainment of health and education outcomes, but also for reducing the cost of doing business and for unlocking economic potential and creating jobs.

The Bank has launched a New Deal on Energy for Africa, which is built on five inter-related and mutually reinforcing principles: (i) raising aspirations to solve Africa's energy challenges; (ii) establishing a Transformative Partnership on Energy for Africa; (iii) mobilizing domestic and international capital for innovative financing in Africa's energy sector; (iv) supporting African governments in strengthening energy policy, regulation and sector governance; and (v) increasing African Development Bank's investments in energy and climate financing.

The aspirational goal of this priority area is to help the continent achieve universal electricity access by 2025 with a strong focus on encouraging clean and renewable energy solutions.

### Feed Africa

Africa's potential for agricultural production is enormous, with 60% of the world's unused arable land. Increased food demand and changing consumption habits are leading to rapidly rising net food imports, which are expected to grow from US \$35 billion in 2015 to over US \$110 billion by 2025 and structural food insecurity is a particular challenge in fragile economies, which are disproportionately susceptible to resource and commodity price shocks.

The Bank has developed a strategy for long-term agricultural transformation in Africa, that will help unlock the potential of low-income countries using an approach where countries start treating the sector as a business and a starting point for industrialization. The Bank will also invest in regional infrastructure and enhanced policy dialogue to remove trade barriers. Finally, the Bank will prioritize agricultural projects that target gender inequality and enable women to have equal access to opportunities throughout agricultural value chains.

### Industrialize Africa

African economies still rely too heavily on raw commodities; between 2011-2013 manufactured goods made up only 18.5 percent of exports, while 62 percent of total imports were manufactured goods, a commercial imbalance that drains wealth away from the continent. Consequently, most countries have not created the jobs necessary to absorb the significant number of youth.

Through the Industrialize Africa priority, the Bank will address a diversity of challenges and foster value creation, formal employment and positive commercial gains, including through regional trade and enhanced balance of payments

### Integrate Africa

Intra-African trade is the lowest globally due to the continent's difficult physical landscape that makes connection between communities, countries, and even entire regions challenging. The Bank TYS acknowledges the opportunities provided by regional integration in boosting infrastructure, trade, industrialization and the movement of people;

Hence, the Bank tend to play a key role in the regional integration through the development of regional power markets and brokering and coordinating regional infrastructure projects as it will scale up its investments in infrastructure development. The Bank will also work with other stakeholders to assist in strengthening RECs and national authorities to encourage and support regional 'soft' infrastructure sector integration, cross-border investments, elimination of non-tariff trade barriers, the harmonization of investment and engineering codes, and quality assurance and certification standards.

### Improve the Quality of Life for the People of Africa

Despite the encouraging economic development enjoyed by many African countries during the last decade, many of them are still characterized by widespread poverty and inequality. Health and education outcomes are among the lowest in the world and the continent's population has insufficient access to sanitation and safe drinking water. Failure to tackle these issues could deprive a whole generation of Africans the opportunities to develop their potential, escape poverty and support the continent's trajectory toward inclusive growth and economic transformation.

The objective of this priority is to ensure that Africa's demographic growth yields significant economic dividends and contributes to inclusive growth and the Bank will continue its work promoting an enabling human development policy environment as well as strengthening institutions that deliver basic services.

Central to this initiative will be an emphasis on job creation, for which the Bank has prepared a Jobs for Youth in Africa (JfYA) strategy which objective is to create 25 million jobs and train 32 million young people, impacting 50 million African's over the next decade.

### 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



## Regional Overview



North African countries have always been an important player in the Bank Group's history. They have all shown strong commitment through their presence in Khartoum (Sudan), when newly independent African countries gathered to discuss the creation of a premier financial institution for Africans, by Africans. All manifested their support by signing the Agreement establishing the Bank in 1964, 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 countries in 1982,

North African countries still hold roughly 18.33% 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. North African countries have always had an appetite to collaborate with the Bank group in different ways, either through reform programs, economic development plans or institutional capacity building.

Since the beginning of its operations, the Bank has approved loans and grants to the private and public sectors of North African economies totaling UA 19.833

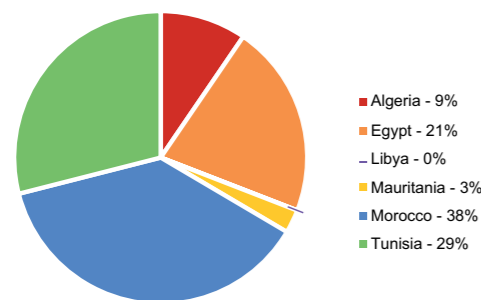
billion (USD 28.77 billion), which represents about 30% of Bank's total loans and grants approvals for all regional member countries.

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

Since its inception:

- Algeria has benefited from financing of operations totaling UA 1891.5 million;
- Egypt has benefited from financing of operations totaling UA 4,233.5 million;
- Libya has benefited from financing of operations totaling UA 3.0 million;
- Mauritania has benefited from financing of operations totaling UA 513.2 million;
- Morocco has benefited from financing of operations totaling UA 7,447.9 million; and
- Tunisia has benefited from financing of operations totaling UA 5,747.2 million.

**Figure 6.1: Cumulative Loans and Grants by Country in North Africa (1968 - 2015)**



The Bank Group has also funded few 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

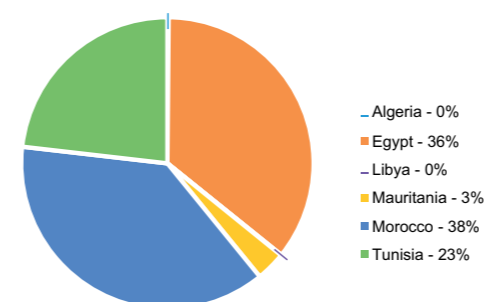
Currently, the Bank's operations are cast against the backdrop of North Africa's specific economic, social and regional needs. Although dominated by middle income countries with relatively good access to capital markets, the region still needs substantial investments in infrastructure and private sector 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. The Bank Group is closely linking its support in the region, to the evolving internal developments in the countries and also designing interventions responding to the challenges faced by the region especially in view of the current unsettling conflicts in and around the region.

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: Active portfolio as of end 2015**

Country	Number of operations	Volume of operations (UA m)
Algeria	10	6.3
Egypt	33	1,616
Libya	1	2.41
Mauritania	11	149.1
Morocco	36	1,710
Tunisia	33	1,051
<b>Total</b>	<b>124</b>	<b>4,535</b>

**Figure 6.2: Country Allocation of the Portfolio of North Africa (December, 2015)**



### The Bank's Ongoing Portfolio

As of December 2015, the Bank Group's portfolio in North Africa comprised over 124 approved and ongoing operations, with a total net commitment value of UA 4.54 billion (USD 6.26 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. Over the next period, the Bank is strategically planning to continue to bridge North Africa's infrastructure gap and unlock constraints on the growth of the regional economy. This could eventually tap into new opportunities for regional integration projects among the countries of the region.

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 2015, the ongoing operations portfolio is comprised of 33 operations that amount to UA 1.62 billion (USD 2.24 billion) in net commitments. The ADB public sector window accounts for close to 90% of the net commitments, followed by private sector window (9%), and grants (1%). Active operations are dominated by the power supply sector, which accounts for 61% of approvals; multi-sector which accounts for 24.5%, the transport sector, which accounts for 6%; the social sector, which comprised close to 2.9%; and water resource and sanitation development, which represents 2.9%. The Bank also approved and disbursed the Economic Government and Energy sector reform program in the form of budget support for US\$ 500 million as well as approved in December 2015, the Country Strategy Paper (2015-2019) with a focus on two pillars, namely, Infrastructure (for private sector competitiveness and sustainable and inclusive growth) and Governance (for enhanced transparency, efficiency and fairness and increased private sector participation).

In **Morocco**, by end of 2015, the ongoing operations portfolio is comprised of 36 operations amounting to UA 1.71 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 and multisector account respectively for 0.1 % and 4.1% of the portfolio. The Bank has approved in 2012 its strategy in Morocco (CSP 2012-2016), it mainly focuses on two pillars (i) governance; and (ii) 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 61% of the total portfolio, in addition to operations in the field of energy accounting for 12% and 5% for agriculture operations. And, finally, 12% multi-sector operations (including the financial sector).

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 10 technical assistance (TA) operations for a

total amount of almost UA 6.3 m (USD 8.7 million). It focuses mainly on capacity building of public entities (ministry of finance, ministry of agriculture, etc.) and strategic studies.

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 3.5 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. It is also extremely timely in the current context where different sides in the country are seeking to reconcile and form a national unity government.



# Algeria



Membership year	1964
Start of lending operations	1971
Number of ADB operations approved, 1967-2015	44
Number of ADF operations approved, 1967-2015	3
Subscribed capital, in (%) as of 31 December 2015	4.213
Subscribed capital, in (%) as of 31 December 2015	4.191
Number of approved and ongoing operations	10
Total commitments on ongoing operations (in UA million)	6.28



## People's Democratic Republic of Algeria

### Recent Developments<sup>1</sup>



With an economy heavily dependent on the hydrocarbon sector (96% of exports earnings, 49% of budget revenues, 30% of GDP in 2015), the continuing fall in oil prices since June 2014, represented a major challenge for the countries in 2015. Algeria is therefore facing important challenges in the current environment, including: the widening budget deficit, the deterioration of the external position, the shrinking of liquidity on the money market, and gross domestic product (GDP) slows.

The growth of gross domestic product (GDP) stood at 3.9% in 2015 against 3.8% in 2014, driven mainly by agriculture and a rebound in the hydrocarbon sector. This recovery in the hydrocarbon sector, particularly in the fourth quarter of 2015, happens after nine consecutive years of downward trend in a context of decline in oil price since June 2014. This economic situation should be an opportunity to accelerate reforms aimed at the diversification and structural transformation of the economy.

The trade balance shows a 9% deficit of GDP in 2015 for the first time in 16 years, due to the non-coverage of imports (30% of GDP) by exports (21% of GDP), resulting in decreased official foreign exchange reserves which are nevertheless significant (144 billion at end 2015) with low external debt (1.8% of GDP).

State accounts are affected by the erosion of the Revenue Regulation Fund (FRR), following the significant decline in oil taxation, from 20% to 13% of GDP between 2014 and 2015. With the total revenue declining (27% of GDP

in 2015 against 33% in 2014) and the budget spending remaining high (43% of GDP in 2015 and 2014), the overall deficit widened from 16% of GDP in 2015 against 8.3% in 2014.

The monetary sector recorded a contraction of bank deposits, another consequence of the oil price drop. The Bank of Algeria should answer this contraction by bank rediscounting of recovery to revitalize the interbank money market, the first in 14 years. The transaction, announced earlier this year, has been launched in April 2016.

Inflation reached a rate of 4.8%, up after two consecutive years of decline, due to rising prices of food and manufactured goods.

The unemployment rate is estimated at 11.2% nationwide, an increase of 0.6 points compared to 2014; reaching 16.6% for women against 9.9% for men. the youth unemployment rate (16-24 years) was 29.9%.

Politically, the constitutional reform expected for 2013 and heralded as a milestone in the process of political reforms initiated by President Abdelaziz Bouteflika, took the form of a revision of the Constitution adopted in February and ratified in March 2016. The document contains several safeguards on civil rights and political freedoms. It imposes a limit of two presidential terms, and an important economic and social measures to promote social justice throughout the country, promoting a diversified economy, improve the business climate and fight against corruption.

<sup>1</sup> This section is culled in part from the African Economic Outlook 2016.



## Note From The Algeria Field Office

Mr. Boubacar Sidiki Traore, Resident Representative



A successful and outstanding partnership since 1964. 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 seventh 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 is primarily focused 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 growth and diversification of the Algerian economy. 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.

In total, the active portfolio of AfDB in Algeria includes ten technical assistance operations funded with grant resources. The total amount of this portfolio is approximately UA 6.3 million, equivalent to about US \$ 9 million.

The execution of these operations is satisfactory, particularly for the three new operations that took effect in late 2015 and aimed to consolidate, deepen and expand the quality of the country dialogue and partnership between Algeria and the Bank. These are: (i) the study on the diversification of the economy; (ii) the project to support the development of SMEs / SMIs in Algeria; and (iii) the study on inclusive growth and employment.



## Overview of Bank Group Operations in Algeria (1971-2015)

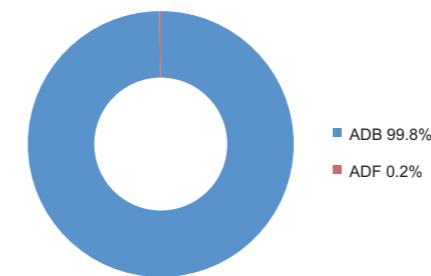
The close and fruitful cooperation between Algeria and the African Development Bank is almost five decades old. The approval of the first project for Algeria by the Bank's Board of Directors on 21 March 1971 paved the way for a total of 44 operations for a cumulative amount of about UA 2.057 billion as at the end of December 2015. These operations concerned 23 projects (including one in the private sector), three studies, 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.

The operations approved by the Bank between 1971 and 2015 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%).



Algeria has made the strategic choice of developing infrastructure, which underpins all sustainable development.

**Figure 6.3: Cumulative Bank Group Loans and Grants by Institutions in Algeria (1971 – 2015)**



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 National Regional Development Plan (SNAT) was approved in 2010 for a period of twenty (20) years. Its action builds on updating the evaluation, every five (5) years, of programmes for territorial actions and extension of implementation of this new planning strategy, which targets: (i) 21 Sectoral Master Plans; (ii) 9 Regional Programming Plans; (iii) 4 Metropolitan Area Development Master Plans; and (iv) 48 Wilaya Regional Development Plans. The country's infrastructure development is organized around this strategy.

Regarding energy, the national renewable energies fund, resourced primarily by 0.5% of oil royalties, carries on the measures begun as part of the objective to make Algeria a major renewable energy production and distribution country by 2030. This would allow the country to produce 40% of its electricity from solar energy by 2030. Achieving this ambitious goal will require public funding.

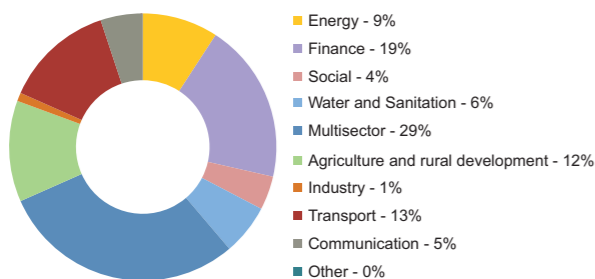
Algeria currently has seventy-two (72) dams in operation with a capacity of 7 billion m<sup>3</sup>. Of the 12 dam projects launched under the five year period 2010-2014 8 could be approved during 2015. In addition Algeria has invested in an ambitious program of desalination of sea water, the program national plans, by 2019, achieving 43 desalination plants.

## Feed Africa

Agriculture is a priority of the Algerian authorities to reduce food dependency and diversify its economy.

By 2015, the Agricultural and Rural Renewal policy, launched in 2009, continued. It was built on three pillars based on the following fundamental conceptual choices: (i) agricultural renewal; (ii) rural renewal; and (iii) human capacity building and technical support for producers (PRCHAT). Its implementation during the period (2010-2014) has produced tangible results, in terms of achieving objectives: plantations (90%), forest rehabilitation (29%), water and soil conservation (73%), water mobilisation (46%), land development (57%), opening up of rural areas (71%), forestry infrastructure and equipment (72%), energy (solar (82%), livestock (82%). The Action Plan of the Government for 2015-2019 aims with regard to agriculture : an increase in irrigated area of one million hectares, support for water saving, a substantial increase in planted areas olive trees to reach one million hectares, the development of regulatory infrastructure ( cold stores, silos) , promotion of mechanization without forgetting cereals , milk and fruit growing.

**Figure 6.4: Cumulative Bank Group Loans and Grants by Sector in Algeria (1971 – 2015)**



The Bank has supported Algeria in the implementation of its various agricultural and rural development programs, and has been since the beginning of their cooperation in 1971. This partnership continued through support to capacity building of the Ministry of Agriculture and rural Development for the implementation of the agricultural

and rural renewal policy. In this context, a technical assistance project to the implementation of the creation of new farm program is currently running. Two other operations are being prepared to support the capacity building in the context of: ( i) the economics of irrigation water to support the fight against desertification and ( ii) support to the implementation of an integrated agropole.

## Industrialize Africa

Algeria's strong external financial position, marked by solid external reserves of USD 153 billion dollars in September 2015 and a very low external debt level (less than 2% in 2015), 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.

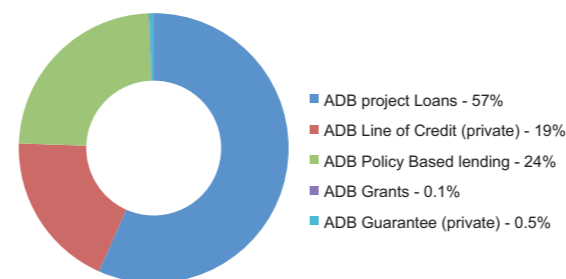
Through these programmes, major reforms have been implemented by the Government with the following main objectives: (i) improve the legal and regulatory framework for doing business; (ii) promote and diversify external trade; (iii) enhance public financial management (debt management, tax reform, etc.); (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.

## Integrate Africa

The Algerian road network is growing steadily, thanks to the implementation of the Road and Highway Master Plan 2005-2025. The network reached 115,000 km at

the end of 2013. The completion of the East-West highway (1,216 km), the launching of construction works for the Upper Plateaux Highway (1,020 km), and the implementation of programmes to open up the South (North-South motorway, the Trans-Saharan road) are all part of the country's road network extension objectives.

**Figure 6.5: Cumulative AfDB Loans and Grants by Instrument in Algeria (1971 – 2015)**

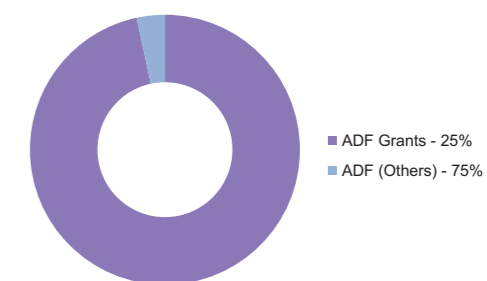


The Algerian railway network one of the most modern in Africa, is operated by the national railways company (Société Nationale des Transports Ferroviaires - SNTF), extends over 4,200 km mainly covering the North of the country. It is expected that the rail network will reach 10,000 km with the construction of more than 6,000 km of new lines and the reinforcement of 4,000 Km of links to several wilayas. The ambition of the public operator is wearing the Algerian rail network to 12,500 kilometers by 2025. In addition, there were plans for the electrification and doubling of the North track to allow the movement of high-speed trains. These projects are conducted by the SNTF and its subsidiary, which are among Algeria's oldest companies boasting staff stability, an accumulation of proven expertise and a significant capitalization of experience. The Bank contributes to the modernization of SNTF through an update of the project SNTF CIO Plans to guide actions, investment and personnel training for the next decade.

International maritime transport is a strategic activity for the Algerian economy. It ensures the bulk (95%) of its trade (80% of which oil exports), through 11 commercial ports. The major ports include the Arzew and Skikda oil ports (hydrocarbons account for 91% of the traffic,

representing 70% of national traffic), and the Bejaia and Algiers mixed ports (20% of national traffic). The ports are managed by 10 public port enterprises with the status of joint stock company (JSC) ensuring, in general, all port services and activities.

**Figure 6.6: Cumulative ADF Loans and Grants by Instrument in Algeria (1971 – 2015)**



In Algeria, all infrastructure construction is financed from the State budget through the public Treasury. The national infrastructure list is always derived from economic and social development strategies, the objective being to fulfil economic and social imperatives.

Regarding economic imperatives, the State provides full funding for roads, highways, dams, hillside reservoirs, desalination stations and waterworks, power plants, development of industrial and tourism activity areas, ports, airports, fishing ports, opening of tracks in the rural areas, electrification of irrigation schemes (Saharan Agronomy), reforestation, wastewater treatment stations and all production development support operations. Before any infrastructure project receives public financing, it is the subject of preliminary, feasibility and detailed studies that examine successively the project's economic opportunity, the choice of the optimal variant, technical sketches and the details of studies. This paves the way for bidding once the project is declared eligible. Works follow-up and monitoring is ensured by a specialised firm independent of the contractor in charge of implementing the contract.

The response to social demand is through the construction of health, education and prevention facilities, housing, socio-cultural facilities (libraries, cinemas, theatres,

stadiums and places of worship). In the construction of these facilities, public banks take over from the State in terms of financial monitoring.

Regarding physical implementation, all procurement for the facilities passes through a public procurement board that identifies, based on strict criteria, the operator(s) in charge of implementation and the Technical Inspection Agency and standardization (CTC) officer responsible for the project's technical monitoring. Acceptance takes place after all reservations have been lifted and the performance bond established.

Since the beginning of its operations in Algeria, loans approved by the Bank Group in the transport sector amount to UA 280.6 million, accounting for 13.7% of all Bank commitments in the country. It has enabled the Algerian authorities to modernize the transport sector by improving the efficiency and quality of services while enhancing national (between East, Centre and West) and regional (Maghreb and Sahel) integration as well as ensuring rigorous project monitoring and supervision and acceptable costs for Bank-financed infrastructure projects.

In 2015, 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 near 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 2015, excess liquidity at bank level still remain structural. However, the pursuit of rising credits and the important 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 have been taken and it should facilitate the financing of the 2015-2019 investment programme, especially as credits to the economy (39% of GDP) remain low compared to similar countries in both the public and private sectors.

The stock market still remains highly limited. In fact, only 4 companies are listed late 2015 while a fifth will go public in 2016. The 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.



**Improve the Quality of Life for the People of Africa**

Algeria has made significant strides in terms of human development, especially towards achieving the Millennium Development Goals (MDG). Indeed, the 2015 Human Development Report ranks Algeria 83<sup>rd</sup> in the category of countries winning 10 places from 2014 with a high human development index out of a total of 187 countries studied, representing an upward since 2008.

Despite these strides, major challenges remain for Algeria on the social front particularly unemployment, which was estimated at 11.2% in 2015, mainly among young people and women. 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 newpathologies 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



Algeria is a non-borrowing country since 2004, which receives advice and technical assistance from the Bank. The "Information Note Country - on Algeria" (NIPA) 2015-2016 finalized in May 2015, for information on the status and prospects of dialogue with the country. It provides a framework for a comprehensive dialogue with the Algerian authorities in order to explore areas and instruments for more specific cooperation and strategic interest for the country. It focuses on areas of following intervention (i) Governance and public sector capacity building of the administration, and (ii) Private Sector, Economic Diversification and Employment.

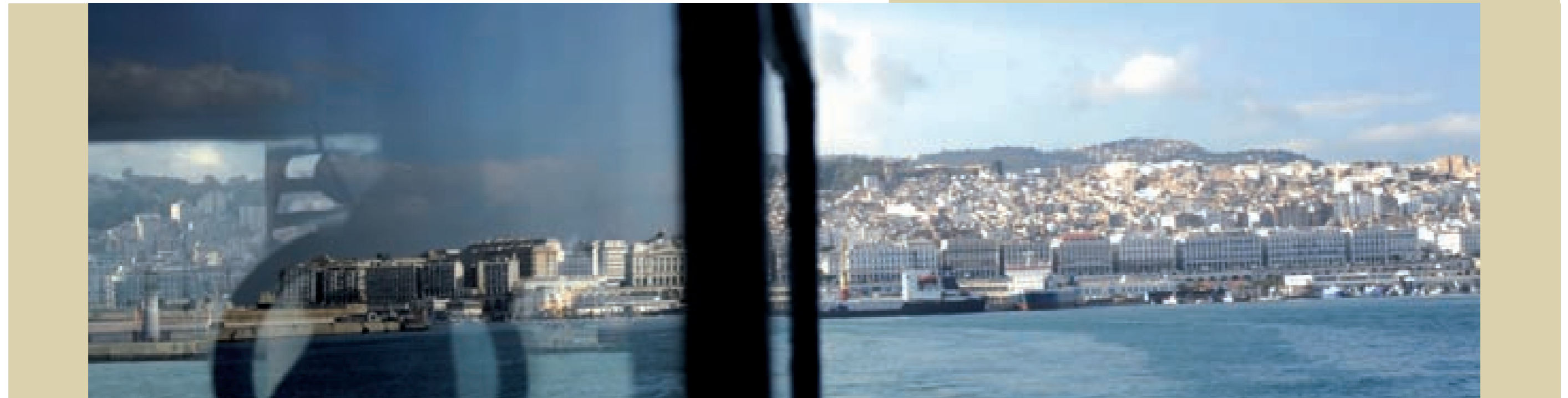
Cooperation between the Bank and Algeria focuses on technical assistance, advisory services, training and capacity building, economic and sector work as well as private sector promotion. In particular, analytical

work helps to inform dialogue and improve the quality-at-entry of projects. They enable the Bank and the authorities to better understand the key development issues and challenges facing Algeria, including economic diversification, job creation, private sector development and, in general, support for a more inclusive growth.

The AfDB portfolio includes ten (10) technical assistance operations, totalling approximately UA 6.3 million. Apart from technical assistance in the transport sector - "Update of the Information Management Plan (PDI) of the Public Railways Company (SNTF)" financed by the Korean Fund, KOAFEC, all Bank operations in Algeria are funded through the resources of the *Middle Income Country Technical Assistance Fund (MIC- TAF)*. It is worth noting that solely for 2015, four new operations were approved by the Bank for Algeria.

These include two strategic studies on "Inclusive growth and employment" and "Diversification of the Algerian economy," an SME Development Support Project and assistance for the establishment of a geographic information system (GIS) for water resources. These four projects amount to an additional commitment of UA 2.9 million.

In addition to the technical assistance operations, the Bank has taken equity in investment funds (e.g: MPEF II, ECP Africa Fund, AIG Infrastructure Fund, MPEF III) of a regional nature, i.e. these funds seek to invest in companies operating in North African countries, including Algeria. Hence, the Bank contributes to local private sector development by strengthening the equity capital of companies.










High-Fives



# Achieving the High-Fives in Algeria

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
Project for the Modernization of the Collaboration and Communication System of the Ministry of Finance ADB MIC Grant Amount UA 496 500			●		
Capacity Building to Support a Training Program for the Ministry of Finance ADB MIC Grant Amount UA 497 000			●		
Project to Support the Modernization of Information System of Public Banks ADB MIC Grant UA 0.75 million			●		
Project to Support the Redefinition of the e-Algeria Strategy and the Implementation Method for the e-GOV Pillar ADB MIC Grant Amount 798,652 UA			●		●
Project for the Development of Small and Medium Enterprise ADB MIC Grant Amount 792 165 UA			●		
Support Project to Young Agriculture Entrepreneurs ADB MIC Grant Amount 400 000 UA		●	●		●
Study on Economic Diversification in Algeria ADB MIC Grant Amount UA 781 350			●		
Technical Assistance for the Implementation of the Study on Inclusive Growth and Employment ADB MIC Grant Amount 553,784 UA			●		●
Technical support to the rail sector Donation KOAFEC 625 555 USD			●	●	
Establishment of a System of Geographic Information in Support of the National Agency for Water Resources (SIG-ANRH) ADB MIC Grant Amount 750 000 UA		●	●		●

## Project for the Modernization of the Collaboration and Communication System of the Ministry of Finance

<b>ADB MIC Grant Amount</b>	UA 496 500
<b>Co-Financiers</b>	Government of Algeria
<b>Approval Date</b>	July 2009
<b>Expected Completion Date</b>	December 2016
<b>Executing Agency</b>	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.

- A second phase supports staff training initiatives to facilitate implementation of the new architecture.

### 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;

### 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



High-Fives



<b>ADB MIC Grant Amount</b>	UA 497 000
<b>Co-Financiers</b>	Government of Algeria
<b>Approval Date</b>	November 2011
<b>Expected Completion Date</b>	December 2017
<b>Executing Agency</b>	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.

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

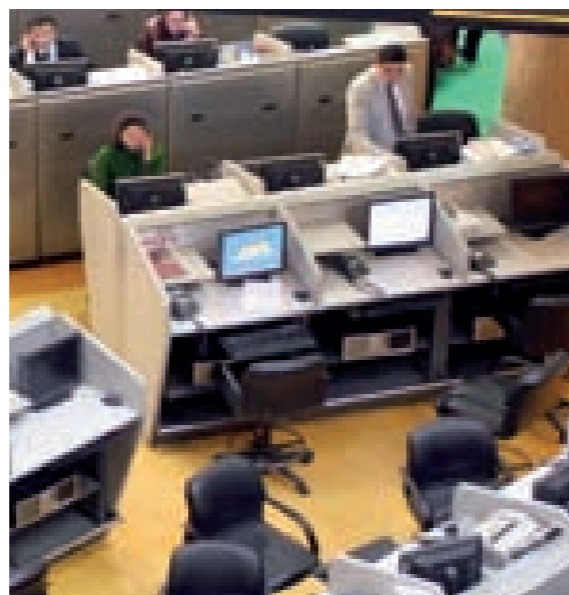
This project will entail:

- 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;
- 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 high potential young managers.



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



High-Fives



<b>ADB MIC Grant</b>	UA 0.75 million
<b>Co-Financiers</b>	Government of Algeria
<b>Approval Date</b>	August 2012
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	Algeria
<b>Executing Agency</b>	Ministry of Finance

### Background and Objectives

In recent years, Algeria has embarked on a programme to modernize its banking and financial sector. This reform, 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.

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



High-Fives



<b>ADB MIC Grant Amount</b>	798,652 UC
<b>Approval Date</b>	February 2014
<b>Expected Completion Date</b>	June 2017
<b>Executing Agency</b>	Ministry of Post, Information and Communication Technologies

### 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



High-Fives



<b>ADB MIC Grant Amount</b>	UA 792 165
<b>Approval Date</b>	March 2015
<b>Expected Completion Date</b>	December 2018
<b>Executing Agency</b>	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.

### 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



High-Fives



<b>ADB MIC Grant Amount</b>	400,000 UA
<b>Approval Date</b>	December 2012
<b>Expected Completion Date</b>	November 2017
<b>Executing Agency</b>	Ministry of Agriculture and Rural Development

### Background and Objectives

The agriculture sector is one of the country's development priorities and its estimated contribution to GDP formation was near 10% these last years. The Ministry of Agriculture and Rural Development has adopted an agricultural and rural renewal policy which is being implemented.

This project contributes to the promotion of agricultural outreach services for improved agricultural productivity and integrating young people to play an important role in local and regional development dynamics. More specifically aims to : i) Strengthening the capacity of stakeholders involved in the implementation of the program of creation of new farms; ii) To fight against unemployment of young graduates through training and installation of small businesses for young agricultural and rural entrepreneur.

### Description

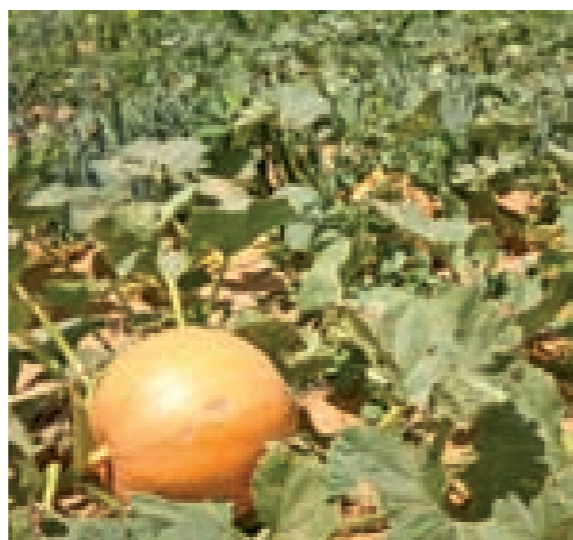
In its operational phase, the project will:

- 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 main results of the project are:

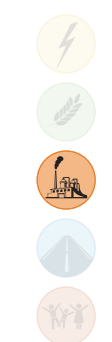
- Strengthening institutional capacity of the National Consultancy for Rural Development (BNEDER) and training of executives of the Ministry of Agriculture (30 trainers in total);
- Improving the knowledge and the professional qualification of stakeholders: 100 young agricultural entrepreneurs (JEA ) and rural (JER) will be trained and accompanied installed.



## Study on Economic Diversification in Algeria



High-Fives



<b>ADB MIC Grant Amount</b>	UA 781 350
<b>Approval Date</b>	April 2015
<b>Expected Completion Date</b>	December 2017
<b>Executing Agency</b>	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 grant resources will be used to make available to the authorities the services of an internationally renowned consulting firm, for the realization of the study on economic diversification.

### 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.





High-Fives



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

<b>ADB MIC Grant Amount</b>	553,784 UC
<b>Approval Date</b>	March 2015
<b>Expected Completion Date</b>	December 2017
<b>Executing Agency</b>	Ministry of Employment

## Background and Objectives

The study aims to assess the impact of growth on employment in order to propose solutions to the challenge of unemployment, especially among young people. It will make proposals and recommendations for sectoral and cross-cutting strategies accompanied by an action plan that operationalizes them.

## Description

The grant resources will be used to make available to the authorities the services of an internationally renowned consulting firm, to conduct the study. The firm:

- Will make an inventory of the quality of growth and its impact on employment;
- Identify the factors that could make the job-creating growth (particularly for young people and women);
- Develop a map of the workforce, with a segmentation profiles in high demand or low demand in the future; and
- Anticipate the reforms to be implemented in the skills development sector and training in connection with the labor market on the one hand, while initiating urgent measures in terms of diversification of the economy, on the other.

## 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.



High-Fives



# Technical support to the rail sector

<b>Grant KOAFEC</b>	625 555 USD
<b>Approval Date</b>	May 2014
<b>Expected Completion Date</b>	December 2016
<b>Executing Agency</b>	Ministry of Transport (SNTF)

## Background and Objectives

The rail sector in Algeria has known in recent years a remarkable development driven by the desire of the authorities to open up remote areas of the country and to ensure a balanced economic and social growth.

This sector has benefited large financial resources for the implementation of an ambitious work in 2025. The intervention of the bank is performed as part of the Action Plan for Economic Cooperation Korea-Africa run Bank (KOAFEC). A budget of 559,625 (USD) was allocated as technical assistance to Algeria, especially for the development of railway information system of SNTF.

The project aims to develop a study to update the IT Master Plan (IMP) of SNTF, plans the necessary infrastructure and appropriate applications systems.

## Description

The project will proceed in its operational phase:

- A diagnostic study for the update of the IDPs;
- The implementation of two (2) projects to start the implementation of the new IDPs in the SNTF;
- Training of officials from the Ministry of Transport and SNTF.

## Expected Outcomes

- The update of the Railway Information System for SNTF which will guide the actions, investment and staff training for the next decade;
- The acquisition and development of computer tools and business software recommended by the new IT infrastructure plan; and
- Knowledge exchange between Algerian and Korean railways, which will allow the strengthening of bilateral cooperation.





High-Fives



# Establishment of a System of Geographic Information in Support of the National Agency for Water Resources ( SIG-ANRH )

<b>ADB MIC Grant Amount</b>	750.000 UA
<b>Approval Date</b>	May 2015
<b>Expected Completion Date</b>	December 2018
<b>Executing Agency</b>	Ministry of Water Resources (ANRH)

## Background and Objectives

Despite the satisfactory results in terms of public water service and sanitation, Algeria has initiated additional efforts in areas such as improving the quality of service. In this context, the Bank has been requested to support the implementation of a geographic information system (GIS) for the benefit of ANRH the Ministry of Water Resources.

The technical assistance aims to improve the capacity of the ANRH in the management of existing data and to promote the production of additional information on water resources for their protection and sustainable use. This strengthening of water resources information management capacity ANRH meet the needs of public and private sectors for studies, planning and the development of knowledge concerning water resources.

## Description

The operation includes:

- The implementation of a GIS for the benefit of ANRH through the diagnosis and assessment of the current collection system of seized and data processing; followed by the development of GIS;
- Training of staff of the Ministry of Water Resources involved in the data processing system.

## Expected Results

The main expected results are:

- The structuring of all water resources data in a single repository for the exchange of information;
- Adaptation of the current organization of the ANRH to ensure the proper functioning of the information base; and
- The implementation of a GIS to facilitate actions and actions of policy makers and managers in the field of water resources.



# Egypt



Membership year	1964
Start of lending operations	1974
Subscribed capital, in (%) as of June 2015	5.411
Number of operations in the current portfolio	33
Total loan amount of operations in the current portfolio (in UA million)	1.616

## Arab Republic of Egypt Recent Developments

There has been a lengthy political transition following President Mubarak's removal from office in 2011. The political roadmap has now been completed with ratification of a new constitution in January 2014, presidential elections held in May 2014, and parliamentary elections completed in December 2015. However, the security situation remains fragile reflecting the Government's fight against radical Islamists. As a result, Egypt's political and economic outlook remains uncertain and depends partly on the Government's ability to deliver on its ambitious reform program to address the demands of the 2011 revolution for social justice, public security, an open and accountable society, and more inclusive growth.

Despite the political uncertainties, increasing signs of economic recovery have been surfacing since 2014. Growth has been steadily picking up to 4.2% in 2014/15 from an average of 2% over 2011/12 (Jul-Jun). Private investment also increased during the first half of 2014/15 with higher activity mainly in the gas, manufacturing and real estate sectors. An increase in FDI is also materializing, fostered by the Egypt Economic Development Conference held in March 2015, which resulted in pledged investments of USD 38.2 billion, and agreements for additional potential projects of USD 92 billion.

However, recent performance of other economic indicators has been mixed. Inflation remains relatively high – it averaged 10.4% in 2015 similar to the year before despite lower oil and global commodity prices. Inflationary pressures have arisen from an expansionary fiscal policy, which maintained a large fiscal deficit of 11.5% of GDP in 2014/15 (down from 13.8% in 2013/1), due to lower revenues (reflecting slow growth) and higher spending (to address social demands). The deficit is likely to narrow

somewhat to around 9% of GDP in 2015/16 assuming success with fiscal consolidation reforms (along with reforms to strengthen the business environment and the energy sector) agreed in October 2015.

To finance the fiscal deficit, the GoE has relied extensively on domestic borrowing, which has pushed up domestic debt to around 80% of GDP in 2014/15 from 65% in 2010/11, which in turn has crowded out the private sector. Public debt sustainability risks remain significant although they are mitigated by the ambitious fiscal reforms and a receptive domestic investor base. External debt is expected to rise but remain comfortable over the next few years at around 17-18% of GDP.

On the external front, the Central Bank of Egypt has been seeking to strike a balance between curbing inflationary pressures and boosting growth whilst keeping the exchange rate steady. Success in stabilizing the exchange rate has been mixed and heightened market uncertainty persists underscoring concerns on the need to further liberalize exchange rate policy to help address FX shortages.

Meanwhile, the current account deficit is likely to have widened to more than 3% of GDP in 2014/15 compared to 1% of GDP the previous year due to significantly weaker exports of goods and services (tourism and Suez Canal receipts), stagnant transfers, and robust import demand. Stronger capital and financial account inflows, reflecting deposits from GCC countries, a resumption of higher net portfolio investment inflows, and higher revenues from the new Suez Canal should help alleviate some of these pressures this year. However, FX reserves remain low having fallen to around USD 13 billion in December 2015 (less than 3 months of imports), from a recent high of USD 35.1 billion in mid-2010 (nearly 7 months of imports).

## Note From the Egypt Field Office Mrs. Leila MokkaDEM, Resident Representative



With parliamentary elections completed in December 2015, the third and final element of the political transition has been successfully accomplished. Meanwhile, the Government of Egypt (GoE) has been deploying efforts to restore security given recent terrorist attacks and implementing important policy reforms to attain political stability. Despite these efforts, the political outlook remains dependent on the Government's ability to successfully address demands for social justice in an open and accountable society, as well as its capacity to safeguard public security and press on with reform efforts.

The focus is now largely on Egypt's economic rebound and achieving macroeconomic stability. There are signs that economic conditions are improving, however, momentum nationwide needs to be sustained if the Government's aims of significantly reducing unemployment, increasing social justice, and improving livelihoods within a safe and transparent state are to be met.

Reflecting the return to a more normal economic and political situation, the Bank approved a Full Country Strategy Paper (CSP) for 2015-19 in December 2015. The CSP, which is aligned with the Government's new Economic Reform Program, is focused on two pillars: (i) Infrastructure (to support private sector competitiveness and sustainable and inclusive growth); and (ii) Governance (to support enhanced transparency, efficiency and fairness and increased private sector participation). Overall, the CSP's main objective is to support the economic recovery and macroeconomic stabilization process, along with helping create jobs and improving livelihoods.

The improved situation also helped pave the way for a resumption of lending in 2015 with a USD 500 mn loan that was approved and fully disbursed in December 2015 under the Economic Governance and Energy Support Program – a welcome boost to Egypt's FX reserves. Meanwhile, throughout 2015 the Bank continued to show flexibility and focus in strengthening its assistance to the Government and key stakeholders using grants and Bank guarantee products for both advisory services and project preparation.

Moreover, the normalization helped the Bank ramp-up its High Level policy dialogue in key areas of strategic importance with the Government in order to fully re-engage with one of the bank's largest borrowers. Some of the main areas of focus include: (i) Enabling Youth Initiative as a tool for Youth agribusiness development; (ii) MSME development and financial inclusion; (iii) Promoting renewable energy under the framework of the Clean Technology Fund; (iv) Supporting regional integration via several major initiatives; (v) And boosting donor coordination in the water & irrigation sector to increase investment and aid effectiveness, which led to the finalization of a Joint Integrated Sector Approach.

The Bank office in Egypt will maintain high level dialogue on key areas of strategic importance to its ongoing and strategic priorities. Some of the key results from 2015 include dialogue with other partners on the National Strategy for Micro, Small and Medium Enterprises; on renewable energy under the framework of the Clean Technology Fund (CTF). The Bank has taken the lead to work with the Government on regional integration with Africa through providing grant support: study on the navigation line along the Nile to link up with the Mediterranean sea (Korean TF); energy in the Nile basin countries (Korean TF); and support to the Egyptian Agency of Partnership for Development for promotion of trade and investments between Egypt and COMESA (MIC TAF). The office has also worked on the water sector by signing the Joint Integrated Sector Approach (JISA). Finally, in support of the Government's priority on youth (as President Sisi has named 2016 as Year of Youth) by including Egypt as a pilot country for needs assessment under the President Adesina's high-level initiative, ENABLE Youth.

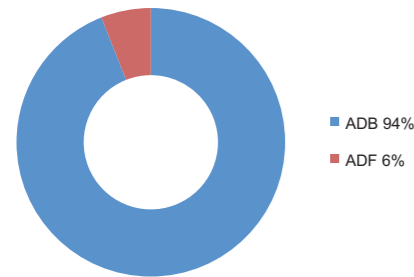
Looking ahead, the Bank will seek to increase its delivery of knowledge-based services and enhanced levels of funding to Egypt in-line with the strategic areas identified with the Government in the CSP as well as support Egypt in pushing the regional integration agenda. In order to remain a relevant and trusted partner to the Government, the Bank plans to increase co-financing opportunities with other development partners and financiers as well as use new and innovative financial instruments that can leverage the Bank's balance sheet to Egypt's advantage.



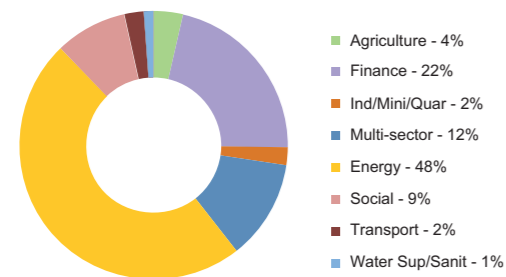
## Overview of Bank Group Operations in Egypt

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 6.7: Cumulative ADB Loans and Grants by Instruments in Egypt (1974 – 2015)**



**Figure 6.8: Cumulative ADB Loans and Grants by Sector in Egypt (1974 – 2015)**



### Light up & Power Africa

Energy sector performance has a major influence on economic growth and social welfare. In FY 2013/14, the

energy sector accounted for 18% of GDP and is estimated to have provided about 300,000 direct jobs. With almost universal supply of electricity countrywide, the main demand comes from industry, public services, agriculture, commercial and residential sectors.

The major challenges being faced by the energy sector include:

- Heavy reliance on fossil fuels for primary energy. Out of the 36,000 MW current installed power generation capacity, 90% is thermal based on gas and oil, 8% hydro, and the remaining is renewables (mostly wind).
- Growing gap between supply and demand causing insecurity and low reliability of energy provision. Demand for electricity has been growing steadily at an average of 6.5% per year during the last decade, primarily driven by increases in population and economic activity along with increased urbanization.
- Low private sector participation in the energy sector. This is gradually changing as the expected level of new investments required in the sector (about US\$ 7 billion) exceeds what the Government can provide. Thus private participation is imperative should those high levels of investment be achieved.
- Generous energy subsidies have been a barrier to developing clean energy. Fuel subsidies and low costs have encouraged inefficiencies in energy use by industries and consumers, which have had an adverse effect on the environment and job creation. For example, energy subsidies soared from EGP 40 billion (USD 7.2 billion) in FY 2005/06 to EGP 140 billion (USD 20 billion) in FY 2013/14, representing about 7% of GDP.

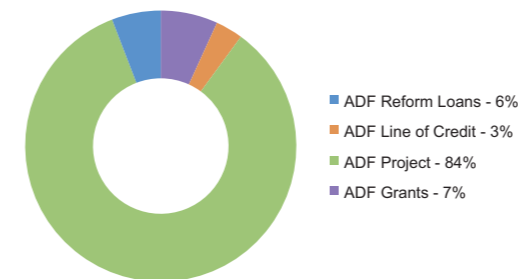
To address these challenges, the Government published in March 2015 a White Paper outlining its vision for the energy sector. The vision is based on three main pillars: targeting energy security, sustainability and governance. The White Paper lays out the following key directions for achieving this vision: (a) Expansion of energy infrastructure;

- (b) Diversification of the energy mix with emphasis on clean energy;
- (c) Improving governance, accountability and transparency through market restructuring and promotion of private sector participation; and
- (d) Reforming energy subsidies and rationalizing tariffs.

The Bank remains committed to support the energy sector as lighting up and powering Africa is one of the Bank's High 5's or core development goals. Since we began lending in 1974, we have financed 25 operations in Egypt's power sector, aimed at reducing the energy gap and helping the country achieve its goal of a 7-percent annual increase in electricity supply.

Over the past decade, we have financed four power generation projects with a total commitment of US\$1.5 billion, while also providing technical assistance and capacity building programs in the sector. The Kureimat and Abu Qir power projects were both successfully completed and have been in operation since 2011 and 2012, respectively. Ain El-Sokhna commenced operations in 2015 and is scheduled for final completion by end-2016. The Suez project is due to be finished in 2017.

**Figure 6.9: Cumulative ADF Loans and Grants by Instruments in Egypt (1974 – 2015)**



Collectively, our power projects will help achieve the following:

- Increase the generation capacity connected to the national grid by 4,000 megawatts, representing about 15 percent of the total targeted increase until 2017.
- Create about 9,000 direct jobs for the construction, operation and maintenance of the plants.
- Create new business opportunities for local industries

and services (about 40 percent of the total project costs are spent in the local economy).

- Help meet demand for about 7 million new customers to be connected to the grid between 2011 and 2017.

### Feed Africa

Agriculture (including fisheries) is the major water user, consuming about 70%, while municipal/potable and industrial subsectors consume only 3.5% and 1.5%, respectively. Agriculture is of crucial importance to the economy despite the sector's share of GDP falling steadily from over 20% in the mid-1980s to about 14% in 2015. Agriculture helps drive growth and provides rural employment and income. The sector employs around 1/3 of the workforce and provides livelihoods for 55% of the population (many of whom depend on agriculture as their main source of income and employment). Employment in agriculture has fallen steadily over the last 20 years, which has contributed to a rise in overall unemployment, especially among young graduates.

The main challenges in the sector include limited water resources and water scarcity. In addition, agricultural development has been hindered over many years by waterlogged and high salinity soils due to the expansion of irrigation without adequate drainage. More recent problems are caused by climate change and its impact on water resources, the loss of land caused by climate change, and low efficiency of on-farm irrigation. Based on the gaps and the pressing needs in the agriculture and irrigation sectors, the government's main project priorities are: (i) Land Reclamation Program for food security; (ii) Irrigation Improvement Program at Farm Level and Irrigation Level for water use efficiency; (iii) National Drainage Program for promoting agriculture productivity; (iv) Infrastructure development for Integrated water resources management; and (v) Agriculture-waste management for climate change and sustaining the environment.

Based on the above, the Banks' interventions in the agriculture sector will focus on food security, water use efficiency, and environmental sustainability. A long term program (lending) should be put in place with at least 3

sub-programs to be financed during the period including land reclamation, irrigation improvement, and water infrastructure. The non-lending approach will focus on project preparation, and capacity building. This approach can significantly enhance the government's ability to achieve maximum water use efficiency, food security and employment.



The transport sector has a major role to play in the socio-economic development of Egypt, with key objectives of social and spatial inclusion, facilitating the development of new agricultural and industrial zones and boosting the services sector, particularly tourism. In 2012 the Government developed a National Transport Strategy, which defines transport's role as a "catalyst for national economic growth and promoting Egypt as a global hub". It defines its key pillars as: (i) transforming Egypt into a hub for international trade; (ii) implementing transport as an instrument to promote national, social, demographic and economic development; (iii) building integrated and multimodal concepts; (iv) enhancing opportunities for mobility to improve the quality of life; (v) improve quality, security, and safety; and (vi) reduce CO2 footprint.

The Bank is engaged in the sector through the Sharm El Sheikh Airport loan with an amount of 94.07 million UA and the related MIC TAF grant for Airport Centre of Excellence with an amount of 1.19 million UA.



Though the Egyptian economy grew strongly between 2004-2010, growth was not inclusive, leading to the January 2011 revolution. The revolution was driven by pressures caused by rising poverty rates, chronic unemployment, and a widening wealth gap with stark regional disparities. During the interim transition period, the poverty rate increased to 26.3% in 2012/13 while

almost half of the population was vulnerable to poverty. Poverty is concentrated in Upper Egypt (51.5%), and is multidimensional with serious implications on nutrition, health, and education. Unemployment remains high. With 850,000 new entrants to the labor market annually, coupled with a large mismatch between the skills of the graduates and the needs of the labor market and limited entrepreneurship, official unemployment reached 13.6% in 2012/13 before falling to 12.6% in 2015. The youth are the hardest hit by unemployment, with highest levels recorded for university graduates (44%) followed by skilled technicians (38%) versus low unemployment for unskilled labor at 2.3%. Though Egypt has a social safety net, it is complex with fragmented programs that have historically resulted in leakages and enhanced inequalities largely due to weak targeting.

Against this backdrop, the government has initiated bold reforms and has put in motion a set of integrated actions to improve access to and quality of the social services provided. The most salient of these include: (a) adoption of a new constitution in 2014 which provides social protection benefits as rights; (b) budget reforms, with a focus on expenditure reforms. Notably the Government has introduced two cash transfers for the poor and disabled (Karama and Takaful – dignity and solidarity); (c) critical subsidy reforms were introduced regulating the amount of subsidized fuel per car and limiting leakages, improving the efficiency of electricity usage, transferring food subsidy system for a commodity based to an allowance based system, and improving the bread quality and distribution; (d) housing programs have been launched with a dedicated social housing component targeting the young active poor and introducing mortgage financing; (e) a labor intensive employment program; (f) training for employment programs and (g) declaring 2016 as the Year of Youth, with a special push to finance small businesses owned by young people.

To date, we have financed 20 operations in the social sector, including projects in education, health, poverty alleviation, microfinance and gender sub-sectors. While some, like the Health Sector Support Program, have focused on policy reforms, others aim to improve financial inclusion to enhance shared prosperity.

Our ongoing operations include:

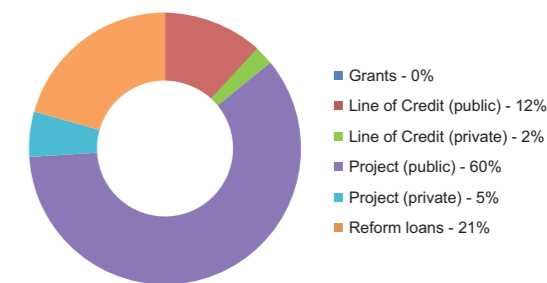
- The Rural Income and Economic Enhancement Project (RIEEP), in tandem with two technical assistance grants supporting agribusiness lending and agriculture value chain development.
- The Support to Micro and Small Enterprises in Organic Clusters project, which aims to create an overall enabling environment for MSMEs operating out of organic clusters and help them spur economic growth and employment.
- The Green Growth: Industrial Waste Exchange and SME Entrepreneurship Hub, which aims to develop a sustainable, integrated industrial waste exchange system to improve efficiency, promote new, innovative SMEs, create green jobs, and reduce the environmental impact of industrial waste.
- The Franchising Sector Support program, which aims to support the growth of the franchising sub-sector within SMEs through lending programs with commercial banks.

In total, the Bank's investments in financial inclusion and supporting MSMEs through loans worth US\$ 400 million have resulted in the creation of over 183,000 jobs and increased access to finance for over 135,000 people.

The current portfolio comprises 11 multi-sector operations ranging from support to franchising sector, to transaction advisory services to strengthening the rule of law which includes support to the Court of Cassation and Ministry of Justice. Other sub-sectors include capacity building to various Ministries (Ministry of International Cooperation; Ministry of Foreign Affairs - Egyptian Agency of Partnership for Development; Ministry of Planning - Institute of National Planning) and institutions (Central Bank of Egypt). The largest operation includes the Governance and Energy Support Project, carried out in partnership with the World Bank, to the tune of US\$ 500 million to shore up key policy reforms. This operation will advance fiscal consolidation through revenue enhancement and measures to contain the wage bill; ensure energy security through improved governance in power and gas sectors and subsidies reforms and enhance the business environment by improving environment for

investment and industrial growth, and fostering open competition, transparency, good regulatory governance and financial inclusion.

**Figure 6.10: Cumulative Loans and Grants by Instruments in Egypt (1974 – 2015)**



The water demand in Egypt is increasing due to population growth, improving living standards, and increasing pressure from industry and agriculture. Agriculture is the major user, consuming about 70% of water. Municipal, potable and industrial subsectors consume only 3.5% and 1.5%, respectively. The major challenge for Egypt is to close the gap between the limited water resources available and competing users' rising demand for water. Egypt does not have one overarching law on integrated water resource management.

The main objectives in the water sector are: (a) Short term: expand water and wastewater services, especially rural sanitation services; (b) Medium term: maintain a strong leadership and ownership of the reform process of the water supply and sanitation sector especially in water tariffs; and, (c) Long term: conduct and implement a plan to tackle water scarcity.

The development of the water sector remains limited due to the "business-as-usual" assessment of investment needs and despite important achievements in the sector over the last three decades. There is a pressing need to prepare a detailed strategic assessment and a country baseline study to develop management and business scenarios for sludge-to-energy in Egypt to cover shortages already existing, minimize sludge application risk, and encourage national and international investment.

Significant efforts are required to upgrade sewage sludge treatment processes to reduce the environmental and public health impact arising from inadequate sewage sludge treatment and management.

The Bank' interventions in the water sector in Egypt can have an added value by helping to address sanitation and

environmental issues. A long term programme (lending) should be put in place and 2 or 3 sub-programmes could be financed during the period including sanitation infrastructure, sludge facilities and institutional reforms. This approach can significantly enhance the government's ability to achieve significant results in rural sanitation quality and coverage.



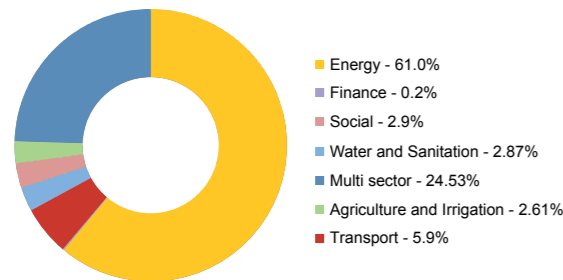


# Bank Group Strategy & Ongoing Activities in Egypt

## Sectoral Break-down

Currently, the Bank Group's on-going portfolio in Egypt comprises 33 operations with a total commitment of UA 1.616 billion in the core areas of power (see below for sector breakdown), finance, water and sanitation, social, multi sector and agriculture. The portfolio is composed of 90% public sector loans, 9% private sector operations and 1% grants. This operations are broken down into (9 public sector loans + 1 private sector loan + 23 grants (1 AWF; 1 FAPA; 11 MIC TAF; 2 CTF; 5 MENA TF; 1 NEPAD-IPPF; 1 TFT; 1 Emergency Relief).

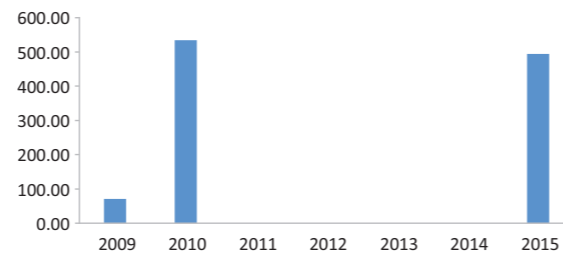
Figure 6.11: Ongoing Commitments by sector



## Loan and Grant Approvals 2009 – 2015

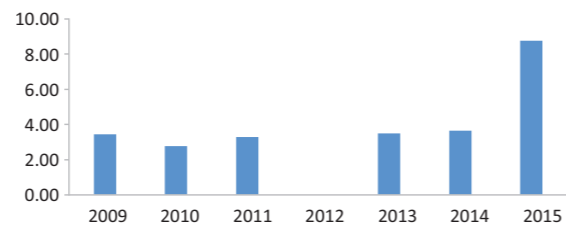
Due to headroom constraints, the Bank was not able to deliver on its lending program between 2010-2014 as indicated in Figure 6.12. The Bank resumed its lending in 2015. The total amount of loans approved in 2015 was UA 494.44 million with UA 360.82 million for the Economic Governance and Energy Support Program, UA 94.07 million for Sharm El Sheikh Airport, and UA 39.55 for the National Drainage III.

Figure 6.12: Loan Approvals (UA mn)



During this interim period of zero lending, the Bank continued its assistance through grant support. The total grant approvals amounted to UA 26.58 million through 2009-2015. As can be seen from figure 6.13, the amount of grants (7) approved in 2015 amounted UA 9.18 million, more than twice 2014.

Figure 6.13: Grant Approvals (UA mn)



## Demonstration of high level dialogue






The Bank office in Egypt has maintained high level dialogue on key areas of strategic importance to its ongoing and strategic priorities. Some of the key results from 2015 include:

- Dialogue on promoting MSMEs with high-level authorities: The result is that the Bank is currently one of three donors, along with USAID and CIDA, working with the Government on the National Strategy for Micro, Small and Medium Enterprises.
- Enabling Youth Initiative: EGFO and the Minister of International Cooperation and Managing Director Social Fund for Development discussed the Enabling Youth Initiative as a tool for agribusiness development. Results: SFD submitted a concept note shortly to be reviewed within the generic Bank Enabling Youth Initiative.
- Dialogue on renewable energy (RE): The Bank increasingly during this year has been maintaining high level strong policy dialogue with and providing advice to the government on promoting renewable energy (RE), under the framework of the Clean Technology Fund (CTF). The Resident Representative backed by the Energy expert has been actively working with the various authorities on trying to push the projects forward, including overcoming the related policy issues. The results are that: (i) through the Bank work the Bank managed to have senior government officials to participate in the workshop, and aligned them with their Tunisian counterparts, such that the two countries have managed to get a common position and somehow defended their interest and maintained their CTF allocation. The process continues; (ii) the Bank (through EGFO) is among a few development partners (GIZ, WB & UNDP) that are providing policy advice to the government on the re-establishment of the Energy Planning Authority (EPA).
- Dialogue on regional integration: Through the ongoing dialogues and discussions, the Bank is providing grant support: study on the navigation line along the Nile to link up with the Mediterranean sea (Korean TF); energy in the Nile basin countries (Korean TF); and support to the Egyptian Agency of Partnership for Development for promotion of trade and investments between Egypt and COMESA (MIC TAF).
- Dialogue on aid coordination in water & irrigation sector: The Resident Representative took actively part in the dialogue with the Minister of Water Resources and Irrigation along with key development partners to make Government take measures. The dialogue aims to enhance investment- and aid effectiveness for the modernization of agricultural water management, in collaboration with concerned Government of Egypt agencies and development partners (DPs). The result of this joint dialogue is the finalization of a Joint Integrated Sector Approach (JISA). An MOU as been signed third quarter 2014 in that regard. Dialogue continues to take active part in the aid-coordination process as well as pipeline building in Bank's selected areas of focus in particular water waste sector.

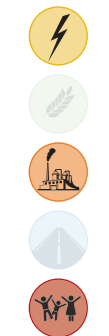


# Achieving the High-Fives in Egypt

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
Suez Thermal Power Plant ADB Loan Amount UA 346.18 mn	●		●		●
Ain Sokhna Thermal Power Project ADB Loan Amount UA 283.30 mn	●		●		●
Abu Qir 1300 MW Thermal Power Plant Project ADB Loan Amount UA 210.72 mn	●		●		●
Egyptian Refining Company (ERC) ADB Loan Amount UA 128.17 million (private sector loan) UA 16.02 million (sub convention loan)	●		●		●
Study on the Integration of Wind Energy ADB Grant Amount UA 0.49 mn (MIC TAF)	●		●		●
Study on the Improvement of Power Efficiency ADB Grant Amount UA 0.49 mn (MIC TAF)	●		●		●
CTF Project Preparation for Suez Gulf Wind Project ADB Grant Amount UA 0.63 mn (CTF)	●		●		●
CTF Project Preperation for Kom Ombo Concentration Solar Power ADB Grant Amount UA 0.64 mn (CTF)	●		●		●
Sharm El Sheikh Airport (Loan) and Airport Centre of Excellence (Grant) ADB Loan Amount UA 94.07 million (ADB & AGTF loan) UA 1.19 million (MIC TAF grant)				●	
Rural Income and Economic Enhancement Project ADB Loan Amount UA 44.06 mn ADB MIC Grant Amount UA 0.59 mn (MIC TAF)		●			●
Support to Parliament : Building Capacity and Mainstreaming Inclusive Growth and Decentralization ADB Grant Amount UA 1.89 mn (MENA TF)					●
Social Audit to improve Governance and Accountability in Social Sectors Grant Amount UA 0.12 mn (Multi-Donor TFT)					●
Green Growth : Industrial Waste Management and SME Entrepreneurship Hub Grant Amount UA 1.28 mn (MENA TF)			●		●
Support to MSMEs in Organic Clusters Grant Amount UA 1.28 mn (MENA TF)			●		●
Gabel El-Asfar Wastewater Treatment Plant ADB Loan Amount UA 46.44 mn			●		●
Transaction Advisory Services for the Procurement of the Navigation Satellite (NAVISAT) System ADB Grant Amount UA 1 mn (NEPAD IPPF Grant)				●	
Strenghtening the Rule of Law : Enhancing Effective and Transparent Delivery of Justice and Rule-Making ADB Grant Amount UA 1.55 mn (MENA TF)			●		●

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
Statistical Capacity Building Program II (SCB II) ADB Grant Amount UA 0.59 mn (MIC TAF)					●
Franchising Sector Support Program ADB Grant Amount UA 25.15 mn			●	●	
Support to « Egyptian Agency of Partnership for Development » (EAPD) ADB Grant Amount UA 1.2 mn (MIC TAF)			●	●	
Strengthening the « Institute of National Planning » (INP) ADB Grant Amount UA 1.2 mn (MIC TAF)			●		●
Support to Egypt's Economic Development Conference, Egypt the Future Grant Amount UA 0.39 mn (MIC TAF)			●		
Modernization of the Central Bank of Egypt (CBE) Clearing and Settlement Depository System (CSD) for Government Securities ADB Grant Amount UA 0.88 mn (MENA TF)			●		
Economic Governance and Energy Support Program ADB Grant Amount UA 360.82 mn	●		●		●
Building Capacity and Institutional Strengthening of Ministry of International Cooperation (MOIC) ADB Grant Amount UA 3.215 mn (MENA TF)	●	●	●	●	●
Master Plan for the Rehabilitation Maintenance of Major Hydraulic Structure in Egypt ADB MIC Grant Amount UA 0.59 mn (MIC TAF)		●			●
Feasibility Study for the Use of Renewable Energy for Pumping Irrigation Water ADB Grant Amount UA 0.79 mn (MIC TAF)	●	●			
National Drainage Programme (NDP) ADB Loan Amount UA 39.55 mn		●			

## Suez Thermal Power Plant



<b>ADB Loan Amount</b>	UA 346.18 mn
<b>Co-Financiers</b>	Islamic Development Bank, EEHC
<b>Approval Date</b>	December 2010
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Suez
<b>Executing Agency</b>	Egyptian Electricity Holding Company (EEHC)

Increase reserve capacity from 10% to 20%.

### Background and Objectives

The project aims at increasing generation capacity and maintaining the reliability of power system to contribute toward meeting the electricity demand on the Unified Power System (UPS) in the short-to-medium term.

### Description

The Project involves the construction of a 650 MW steam cycle power plant with following main components, namely;

- civil works;
- supply and installation of equipment;
- environmental monitoring;
- project management; and
- wrap-up insurance.

### Expected Outcomes

This project intends to:

- Production of 650 MW;
- Total UPS installed generation capacity increases to at least 41,000 MW;
- EEHC annual supply growth rate reaches 6.2%;
- Number of consumers increases to 34 million and

### Project Status

- Implementation of the project is very advanced and the power plant is being prepared for start-up, commissioning and testing. The project is expected to come on line in June 2016. One operational the plant will produce a maximum of 650 MW which will increase the total UPS installed generation capacity to at least 41,000 MW.



## Ain Sokhna Thermal Power Project



<b>ADB Loan Amount</b>	UA 283.30 mn
<b>Co-Financiers</b>	World Bank, Kuwait Fund for Arab & Economic Development (KFAED), Arab Funds for Economic and Social Development (AFESD)
<b>Approval Date</b>	December 2008
<b>Expected Completion Date</b>	June 2017
<b>Location</b>	El-Ain Al-Sokhna
<b>Executing Agency</b>	Egyptian Electricity Holding Company/East Delta Electricity Production Company

### Background and Objectives

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.

### Project Status

- The plant is operational since mid-2015 with two 650-megawatt gas/oil-fired units to generate power. It is Egypt's first supercritical thermal power plant – an advanced generation of power plants that uses eco-friendly technology to increase the efficiency of power generation and reduce emissions;
- The project contributed to increasing the total generation capacity from 20,452 MW in 2005/6 to about 36,000 MW in 2015;
- The plant created some 3,000 direct jobs over its construction phase and up to 250 permanent jobs, in addition to indirect jobs due to the spillover effect;
- The government has requested to use part of the loan contingency for some additional small works and for balance to be used for new energy project (Damanhour). The project is due for final completion in mid-2016.

## Abu Qir 1300 MW Thermal Power Plant Project

## Egyptian Refining Company (ERC)



<b>ADB Loan Amount</b>	UA 210.72 mn
<b>Co-Financiers</b>	Islamic Development Bank (IsDB), Kuwait Fund for Arab & Economic Development (KFAED), Arab Funds for Economic and Social Development (AFESD)
<b>Approval Date</b>	November 2007
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Alexandria
<b>Executing Agency</b>	West Delta Electricity Production Company/ Egyptian Electricity Holding Company

<b>ADB Loan Amount</b>	UA 128.17 million (private sector loan) UA 16.02 million (sub convention loan)
<b>Co-Financiers</b>	European Investment Bank, KEXIM Guaranteed facility, NEXI covered facility, KEXIM loan and guaranteed facility
<b>Approval Date</b>	March 2010
<b>Expected Completion Date</b>	May 2017
<b>Location</b>	Greater Cairo Area
<b>Executing Agency</b>	Egyptian Refining Company

### Background and Objectives

The project aims at increasing the generation capacity by 1300 MW to partly meet the electricity demand on the Unified Power System in the short-to-medium term.

- 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.

### 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

### Expected Outcomes

The project intends to:

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

### Project Status

- The project has been in operation since Dec 2012 producing 1,300 MW; contributing to increasing the total generation capacity in the country to about 30,803 MW;
- The Project has satisfied 4% of the total energy demand of all consumers;
- The project created a maximum of 3,600 jobs for the nationals of Egypt;
- The project is completed and fully disbursed.

### Background and Objectives

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).

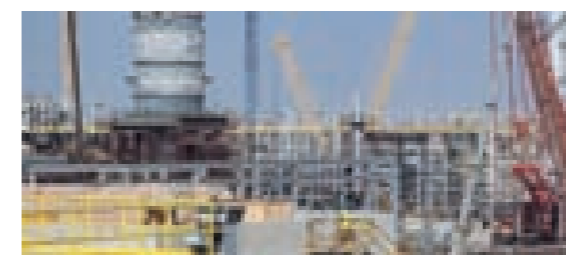
### Expected Outcomes

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.

### Project Status

- Built alongside the state-owned Cairo Oil Refining Company (CORC) and the Petroleum Pipeline Company (PPC), ERC, is a Public-Private Partnership, highlighting the benefits of the public and private sectors working together;
- As well as bringing in about US\$3 billion into the country in foreign direct investment, the complex has created thousands of jobs – an estimated 10,000 over the construction process and more than 700 permanent ones;
- At the end of 2015, overall project progress of 63.19% reported is showing 7.46% behind the current plan. Engineering delays are primarily in the Civil, Structure, Piping isometrics and Instrumentation engineering related to KT units;
- The project is expected to be completed by 2017.



## Study on the Integration of Wind Energy

<b>ADB Grant Amount</b>	UA 0.49 mn (MIC TAF)
<b>Co-Financiers</b>	Egyptian Electricity Transmission Company
<b>Approval Date</b>	May 2011
<b>Expected Completion Date</b>	June 2016
<b>Location</b>	Egypt
<b>Executing Agency</b>	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.

### Project Status

- The main output from the study - final technical report – has been prepared and is under finalisation. Nonetheless, a second phase of the study will be required in order to achieve the full objectives originally foreseen.



## Study on the Improvement of Power Efficiency

<b>ADB Grant Amount</b>	UA 0.49 mn (MIC TAF)
<b>Approval Date</b>	May 2011
<b>Expected Completion Date</b>	June 2016
<b>Location</b>	Egypt
<b>Executing Agency</b>	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.

### Project Status

- The final study report has been prepared and finalised. Some of the findings from the study are already under implementation for improving the efficiency of the power plants that were investigated.



## CTF Project Preparation for Suez Gulf wind Project

<b>ADB Grant Amount</b>	UA 0.63 mn (CTF)
<b>Approval Date</b>	November 2011
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Gulf of Suez
<b>Executing Agency</b>	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.

### Project Status

Project extended:

- Savings will be used to procure legal/financial adviser expert to assist NREA in set up of SPV.



## CTF Project Preparation for Kom Ombo Concentration Solar Power

<b>ADB Grant Amount</b>	UA 0.64 mn (CTF)
<b>Approval Date</b>	November 2011
<b>Expected Completion Date</b>	June 2016
<b>Location</b>	Kom Ombo
<b>Executing Agency</b>	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 trough 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.

### Project Status

To be closed by June but project objectives will not have been met due to lack of political decision on CSP technology.



## Sharm El Sheikh Airport (Loan) and Airport Centre of Excellence (Grant)

## Rural Income and Economic Enhancement Project

<b>ADB Loan Amount</b>	UA 94.07 million (ADB & AGTF loan) UA 1.19 million (MIC TAF grant)
<b>Approval Date</b>	April 2015
<b>Expected Completion Date</b>	December 2019
<b>Location</b>	Sharm el Sheikh
<b>Executing Agency</b>	Egyptian Airports Company

<b>ADB Loan Amount</b>	UA 44.06 mn
<b>ADB MIC Grant Amount</b>	UA 0.59 mn (MIC TAF)
<b>Co-Financiers</b>	US 0.59 mn (FAPA)
<b>Approval Date</b>	January 2010
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Social Fund for Development

### Background and Objectives

### Description

- Contributing to economic growth by supporting the services sector, including the tourism industry. Employment generation, as a result of increased tourism activities. The project will finance new runway and aprons to allow the airport to reach a capacity of 10 mpax, and 34 operations/ hour;
- Develop a strategy and action plan for the development of the Airports Centre of Excellence, and recommendations for Egyptian Airport Company institutional progression.

The Bank will finance the cost of the airfield and control tower and associated systems along with the strengthening of the Airports Centre of Excellence. The other co-financer, Islamic Development Bank will finance the new terminal building. The rest of the expansion will be borne by the Government (control tower, air navigation system, supporting infrastructures).

### Background and Objectives

### Expected Outcomes

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.

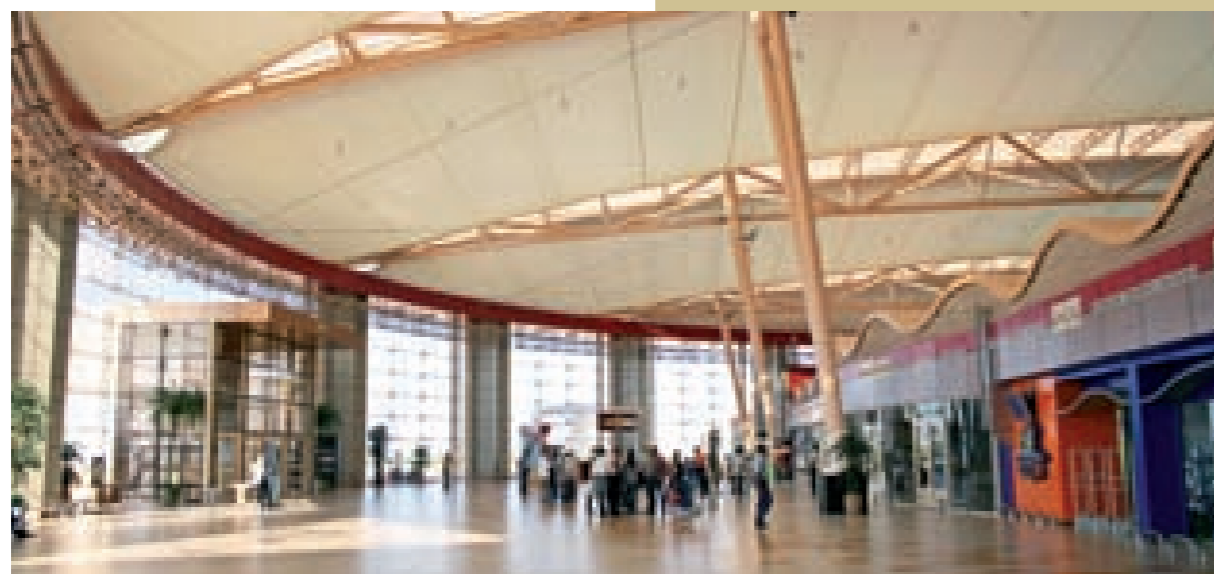
Therefore the Bank Group is supporting a project with the objective to improve the socio economic livelihood of the economically active rural smallholder farmers engaged in the production, processing and marketing of selected agricultural commodities.

- RIEEP had funded nearly 80,000 SMEs – an increase of 317 percent on the target – and created more than 70,000 jobs. An estimated 43 percent of this funding went to women-owned enterprises;
- Diversified access to finance by developing three dedicated agribusiness lending strategies - for the National Bank of Egypt, the Industrial Development and Workers' Bank, and the Social Fund for Development;
- Trained 409 staff of partner financial intermediaries on the specifics of agribusiness lending;
- Developed an initial study on a weather-based crop index micro-insurance product to help small farmers mitigate risk;
- Trained 29 farmers associations in Minya, Assiut, Sohag, and Beni Suf in entrepreneurship, marketing, and horticulture and dairy production;
- Trained 375 women producing homemade dairy products in 12 villages in Minya through basic and advanced training - some of these women have now started profitable micro-businesses;
- Organized farmers' markets in four governorates in Upper Egypt, that resulted in sales of EGP 4.9M to promote produce of small scale agribusiness entrepreneurs and expose them to new marketing venues;
- Enhanced capacities of input suppliers and traders were enhanced through trainings on business management, horticulture and dairy related subjects;
- Organized policy dialogue and stakeholder consultations to discuss key issues and produced two policy briefs on "Contract Farming" and "Agricultural Solidarity Fund".

### 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.





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

<b>ADB Grant Amount</b>	UA 1.89 mn (MENA TF)
<b>Approval Date</b>	June 2014
<b>Expected Completion Date</b>	September 2017
<b>Location</b>	Cairo
<b>Executing Agency</b>	African Development Bank (Bank executed)

### Background and Objectives

Within the current transitional phase following the 25<sup>th</sup> 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.



## Social Audit to Improve Governance and Accountability in Social Sectors

<b>Grant Amount</b>	UA 0.12 mn (Multi-Donor TFT)
<b>Approval Date</b>	June 2013
<b>Expected Completion Date</b>	na
<b>Location</b>	Cairo
<b>Executing Agency</b>	Bank executed 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.







## Green Growth: Industrial Waste Management and SME Entrepreneurship Hub

<b>Grant Amount</b>	UA 1.28 mn (MENA TF)
<b>Co-Financiers</b>	Egyptian Government
<b>Approval Date</b>	February 2013
<b>Expected Completion Date</b>	March 2017
<b>Location</b>	Cairo
<b>Executing Agency</b>	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.

- 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.



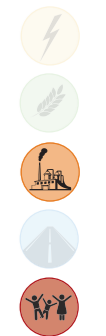
### Description

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:



## Support to MSMEs in Organic Clusters

<b>Grant Amount</b>	UA 1.28 mn (MENA TF)
<b>Co-Financiers</b>	Egyptian Government
<b>Approval Date</b>	February 2013
<b>Expected Completion Date</b>	September 2016
<b>Location</b>	Cairo, Damietta
<b>Executing Agency</b>	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.

- Increase organic MSMEs contribution to manufacturing value added (pilot project).

### Expected Outcomes

The main expected outcomes of the program are as follows:

### 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

- 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.



## Gabel El-Asfar Wastewater Treatment Plant

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

High-Fives

High-Fives

<b>ADB Loan Amount</b>	UA 46.44 mn
<b>Co-Financiers</b>	AFD, Egyptian Government
<b>Approval Date</b>	October 2009
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	Cairo
<b>Executing Agency</b>	Ministry of Housing, Utilities and Urban Development/Construction Authority for Potable Water and Waste water

<b>ADB Grant Amount</b>	UA 1 mn (NEPAD IPPF Grant)
<b>Approval Date</b>	March 2013
<b>Expected Completion Date</b>	June 2017
<b>Location</b>	Cairo
<b>Executing Agency</b>	Ministry of Civil Aviation

### Background and Objectives

### Expected Outcomes

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.

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:

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 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.

- Increase the average capacity throughout the treatment process by at least 5,000,000 m<sup>3</sup>/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.

### 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.



### Background and Objectives

### Expected Outcomes

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.

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.

### 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.



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

<b>ADB Grant Amount</b>	UA 1.55 mn (MENA TF)
<b>Approval Date</b>	June 2014
<b>Expected Completion Date</b>	August 2017
<b>Location</b>	Cairo
<b>Executing Agency</b>	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.



## Statistical Capacity Building Program II (SCB II)

<b>ADB Grant Amount</b>	UA 0.59 mn (MIC TAF)
<b>Co-Financiers</b>	Egyptian Government
<b>Approval Date</b>	May 2011
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Cairo
<b>Executing Agency</b>	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;
- 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.



## Franchising Sector Support Program

<b>ADB Grant Amount</b>	UA 25.15 mn
<b>Approval Date</b>	February 2009
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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.

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 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

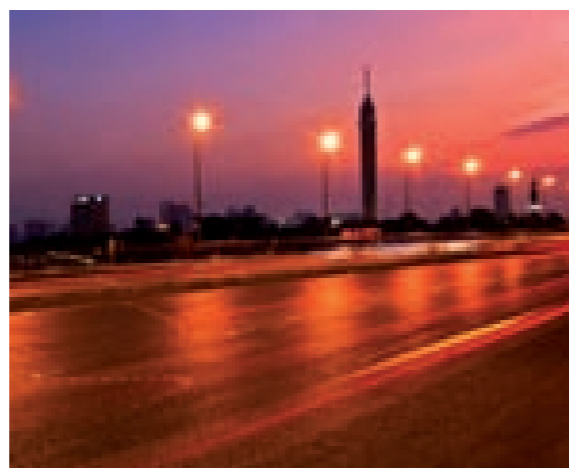
The Bank Group is providing a long-term loan to the Egyptian government with an on-lending agreement to the Egyptian Social Fund for Development (SFD). SFD is the executing agency, and will pass on the funds to local FIs for on-lending to franchisees. An associated technical

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.



## Support to “Egyptian Agency of Partnership for Development” (EAPD)

<b>ADB Grant Amount</b>	UA 1.2 mn (MIC TAF)
<b>Approval Date</b>	April 2015
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Cairo
<b>Executing Agency</b>	EAPD – Ministry of Foreign Affairs

### Background and Objectives

Seizing the opportunity of Enhanced Egyptian trade and investment flows from / to Africa.

### Description

The project is structured into four main components:

- Development of an Egypt-Africa Trade and Investment Information Portal to facilitate and boost Egypt-Africa trade and investment;
- Capacity-building of EAPD and Egyptian officials;
- Organizing Egypt-Africa Investment Forum; and
- Marketing and Investment Promotion.

### Expected Outcomes

The main expected outcomes of the envisaged intervention will be:

- **Outcome 1:** Endow EAPD with the tools and information necessary to become an Egypt-Africa trade and investment hub;
- **Outcome 2:** Strengthen the institutional capacity of EAPD to support Egyptian private sector to invest and trade in Africa; and
- **Outcome 3:** Promote Egypt-Africa trade and investment.



## Strengthening the “Institute of National Planning” (INP)

<b>ADB Grant Amount</b>	UA 1.2 mn (MIC TAF)
<b>Approval Date</b>	May 2015
<b>Expected Completion Date</b>	February 2018
<b>Location</b>	Cairo
<b>Executing Agency</b>	INP – Ministry of Planning

### Background and Objectives

INP to become a leading institution in development planning in Egypt and in the region.

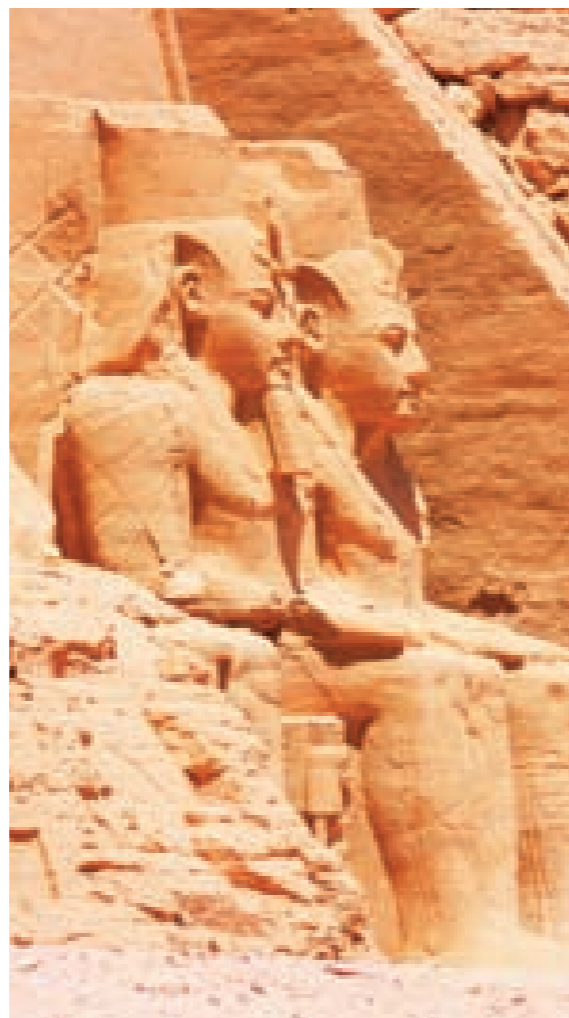
### Description

The project is structured into four main components (i) Provision of Infrastructure; (ii) Strategic Positioning; (iii) Capacity Building and Enhancing Education Environment; and (iv) Project Management.

### Expected Outcomes

The main expected outcomes of the envisaged intervention will be to:

- Strengthen INP’s capacity in areas of training, research and advisory services with training and equipment; and
- Improve delivery of INP products and services to targeted beneficiaries (locally and regionally).



## Support to Egypt’s Economic Development Conference, Egypt the Future

<b>Grant Amount</b>	UA 0.39 mn (MIC TAF)
<b>Approval Date</b>	November 2014
<b>Expected Completion Date</b>	April 2016
<b>Location</b>	Cairo
<b>Executing Agency</b>	Ministry of International Cooperation

### Background and Objectives

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 Egypt Economic Development Conference (EEDC) from March 13-15 2015 in Sharm El Sheikh. 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

Project is structured into three main components:

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

### Outcomes

- Successful holding of EEDC which was attended by 1,500 persons;
- The value of agreements signed at the EEDC are worth US\$ 33 billion;
- Capacity at MOIC was strengthened, seasoned national experts availed as well as various IT equipment.



# Modernization of the Central Bank of Egypt (CBE) Clearing and Settlement Depository System (CSD) for Government Securities



High-Fives



<b>ADB Grant Amount</b>	UA 0.88 mn (MENA TF)
<b>Co-Financiers</b>	EBRD
<b>Approval Date</b>	July 2015
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	Cairo
<b>Executing Agency</b>	Central Bank of Egypt

## Background and Objectives

Improved contribution of the financial market to the economic and social development of Egypt. The overall objective is the implementation of the new CSD platform at CBE which is expected to deliver the following: (a) Substantial reduction of potential systemic risks related to payment systems and settlement; (b) Enable the introduction and pricing of new instruments; (c) Allow for better pricing of government securities; and (d) Creation of a benchmark yield curve which will facilitate the growth of the corporate bond market. The specific objective of the assignment is to coordinate the various work streams within CBE and support CBE's management and departments implementing the various project components.

- Project Management: a project management company will be tasked with providing advisory services and implementation support to the Central Bank of Egypt (CBE) for this project. It will be required to assist CBE in defining its requirements based on best practices. The following deliverables are expected from the Project management Company: (i) Implementation Planning and Project Management; (ii) Vendor Contractual Negotiations and Agreements; (iii) Change Management Planning & Execution; and (iv) Implementation of new Process workflows.



## Components

- IT Financial infrastructure: this component will comprise of the procurement of the following systems: a primary market auctioning systems; secondary market Central Securities Depository (CSD); collateral management system; repo auction platform; yield curve pricing model; government securities trading platform; interface with other systems; and data warehouses and information dissemination platforms. A detailed request for proposal (RfP) will be sent out covering the specific business requirements and systems functionalities;

# Economic Governance and Energy Support Program



High-Fives



<b>ADB Grant Amount</b>	UA 360.82 mn
<b>Co-Financiers</b>	World Bank
<b>Approval Date</b>	December 2015
<b>Expected Completion Date</b>	December 2016
<b>Executing Agency</b>	Ministry of Finance

## Background and Objectives

Promote inclusive and resilient growth through fiscal consolidation; improved governance, efficiency and private sector engagement in the energy sector; and improved business environment.

## Project Status

- Given the budget support operation was based on prior actions, all the outcomes as outlined in the reform matrix for year 1 have been achieved prior to disbursement;
- Full tranche of USD 500 million was disbursed in Jan 2016.

## Description

The project has three main components which are:

- Advancing Fiscal Consolidation;
- Ensuring Sustainable Energy Supply;
- Enhancing the Business Environment.

## Expected Outcomes

The key outputs of the Program are (i) Expanded and efficient tax base and improved revenue collection, improved efficiency of public expenditure, and enhanced fiscal transparency; (ii) Enhanced energy sector security (enhanced efficiency and viability of the power and gas sector, and improved efficiency in energy consumption); and (iii) Enhanced business environment (Streamlined and transparent industrial licensing regime, Enhanced and open competition, and Improved access to credit for MSMEs and women entrepreneurs).





High-Fives



## Building Capacity and Institutional Strengthening of Ministry of International Cooperation (MOIC)

<b>ADB Grant Amount</b>	UA 3.215 mn (MENA TF)
<b>Approval Date</b>	December 2015
<b>Expected Completion Date</b>	December 2019
<b>Location</b>	Cairo
<b>Executing Agency</b>	MOIC

### Background and Objectives

Strengthen the efficiency and effectiveness of MOIC in aid coordination, management of Official Development Assistance (ODA), and resource mobilization to contribute to the socio-economic welfare of the country and the GoE's institutional setup.

structure for the ministry, which will enable it to achieve its objectives. They will assist the ministry to develop job descriptions and a skill matrix in line with the enhanced organizational structure, and acquire a new manual of human resources systems, policies and procedures.

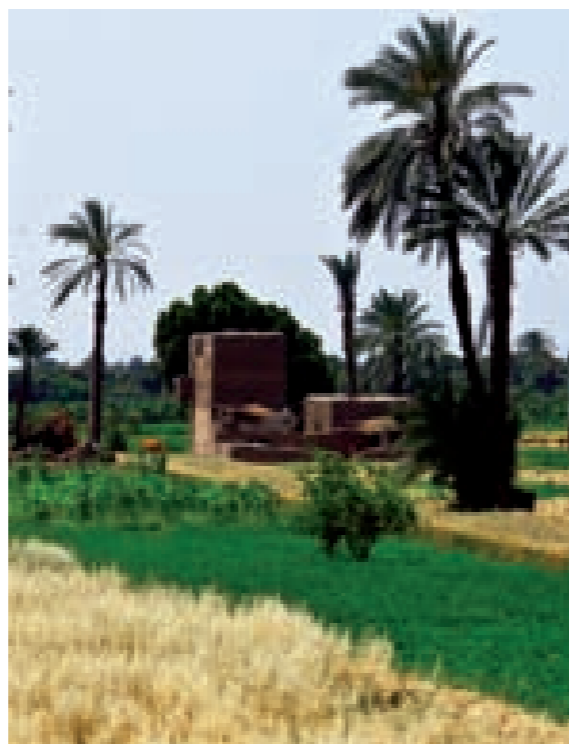
### Description

The project will have four inter-related components:

- Organizational and institutional strengthening;
- Enhancing the technical infrastructure of MOIC;
- Staff training and skills development which would contribute to improving the ministry's effectiveness to carry out its missions; and
- Project management.

### Expected Outcomes

- The technical assistance support is expected to raise variety of human resources skills and institutional capacity. In the area of management and leadership, the training courses are expected to enhance managers' understanding of leadership styles, and managerial skills;
- The above activity is expected to come up with a proposal for an improved and effective organization



High-Fives



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

<b>ADB MIC Grant Amount</b>	UA 0.59 mn (MIC TAF)
<b>AWF Grant Amount</b>	UA 1.19 mn (AWF)
<b>Co-Financiers</b>	Egyptian Government
<b>Approval Date</b>	November 2009
<b>Expected Completion Date</b>	October 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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. 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.





## Feasibility Study for the Use of Renewable Energy for Pumping Irrigation Water

<b>ADB Grant Amount</b>	UA 0.79 mn (MIC TAF)
<b>Approval Date</b>	March 2015
<b>Expected Completion Date</b>	March 2018
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Water and Irrigation

### Background and Objectives

The study aims at assessing the feasibility of using renewable energy in pumping irrigation water for sustainable agriculture and to combat climate change. The feasibility study will contribute to the design of the National Reclamation Program and the preparation of investment project for the national land reclamation project.

The study will focus on the newly reclaimed land in the south and western desert, and northern coast using the deep groundwater. The study will include the implementation of two pilot areas to evaluate the very deep groundwater in south desert and the shallow groundwater in the northern coast. This study will enable the GoE officials to have sufficient and detailed knowledge in order to form a judgment and make informed decisions on the use of renewable energy for pumping irrigation water from the various sources, including solar and wind sources.

The specific objective of the study is to assess the sustainability, socioeconomic and environmental feasibility of the use of RE sources to pump water for irrigation.

The proposed study will provide an excellent opportunity to promote the use of suitable renewable energy technologies and capacity building.

### Description

The project has two major components:

- Feasibility Study and Preparation of an Investment project using RE for Irrigation System;
- Capacity Building that will include training, operation and study coordination.

### Expected Outcomes

- An investment project using RE for irrigation system prepared and ready for implementation in the new reclaimed lands; and
- Capacity building for GWS/MWRI Staff, and increased awareness for the use of RE for pumping irrigation water.



## National Drainage Programme (NDP)

<b>ADB Loan Amount</b>	UA 39.55 mn
<b>Approval Date</b>	June 2015
<b>Expected Completion Date</b>	December 2021
<b>Location</b>	Assuit and Qena
<b>Executing Agency</b>	Egyptian Public Authority for Drainage Projects (EPADP)

### Background and Objectives

The National Drainage Program is a key part of the government's Water Resources Development Strategy which seeks to optimize the efficiency of water resource use as well as improve the efficiency of the drainage systems. The Program aims at increasing agricultural productivity and incomes of households in the project area. The National Drainage Program began in the 90s under NDP-I which was financed by the World Bank and other development partners. NDP-II was approved in 2000 and was financed by the WB, KfW, EIB and the Government of Egypt for a total amount of approximately USD 320 million. The NDP-II received additional financing and an extension in 2010 and is expected to end in 2015. The NDP will finance the third phase of the National Drainage Program which addresses the aims of the national development initiatives to expand agricultural production capacities and improve the efficiency of sector resource use through the development of new water resources infrastructure while stimulating the economy. This is expected to result in higher crop yields in the target areas, higher farm incomes, and poverty reduction in general.

- Strengthening EPADP Capacity for Operation and Maintenance;
- Project coordination and management.

### Expected Outcomes

- Increased House Hold income and food security;
- Increased efficiency of drainage for 125,000 feddans.



### Description

The project has three major components:

- Construction and rehabilitation of subsurface and surface drainage;



# Libya



Membership year	1972
Subscribed Capital, in (%) as of December 2015	3.702
% of Total Voting Power as of December 2015	3.683

## Libya

### Recent Developments

The worsening of the political and security situation in Libya has had serious consequences on the economy, public finance and official reserves. Ongoing clashes and fights have steadily reduced the country's oil production and exports. In 2015, Libya produced an average of 500,000 barrels per day compared 1.8 million barrels per day in 2010. The situation was further compounded by decreasing global oil prices. As a result, GDP contracted by an estimated 6.1 percent in 2015 obliging the government to proceed with important cuts in public expenditures in order to reduce the fiscal deficit, estimated to reach 68% of GDP. The current account balance and official reserves have also suffered from the political crisis and the significant fall in International production and oil prices. The Current account deficit is estimated to have reached 58.9% of GDP in 2015 while Official reserves stood at about 30 months of imports in 2015, against 50 and 43 months of imports respectively in 2013 and 2014. The real value of the Libyan dinar has also depreciated by 35 percent against the US dollar in 2015. Notably, Libya's official reserves are projected to decline to less than 20 months of imports if the security situation does not improve and the production of oil does not return to pre-crisis levels in 2016.

Public and private investment has significantly decreased in 2015, on the back of falling oil output, weak consumer and business sentiment, and an increasingly contractionary fiscal policy. Prior to the political conflict that started in June 2014, the government had planned to implement investment programmes to build three green-field refineries and to promote the domestic petrochemicals industry by expanding refinery capacity at an estimated cost of USD 60 billion. However, with the existence of two rival governments, investment plans remained on hold. Spending on infrastructure and economic diversification has been severely curtailed in order to sustain high current expenditure. Long-delayed reconstruction works will likely not be revived before the fighting ends and a GNA is in place.

In 2015, inflation significantly increased to 8.6%, compared to 2.4% in 2014. It has been mainly driven by supply-chain disruptions, which have more than offset the impact of high food and fuel subsidies. The fragile security situation has had direct and indirect effects on food and housing prices, which together make up 60% of the consumer price index basket.

Uncertainties about the security situation will remain in 2016 and 2017, which will exert upward pressure on inflation. Hence, it is projected to increase to 9.1 % in 2016.

The business environment has also dramatically deteriorated since mid-2014 as a result of heightened insecurity and political instability. Notably, violent attacks and fights, lead to significant destruction of the country's economic infrastructure. In 2015, Libya was ranked as the worst country in the World in terms of getting a credit and dealing with construction permits. Moreover, according to a survey conducted by the World Bank in 2015, 80% of responding firms ranked political and economic instability as well as corruption as the most binding constraints to do business in Libya.

In December 2015, Libyan leaders from the country's two rival parliaments signed a national unity agreement in the Moroccan town of Skhirat. Since the start of the political crisis, the United Nations Support Mission in Libya (UNSMIL) has hosted several rounds of political dialogue aimed at putting an end to the deepening political and security crisis with an agreement on the formation of a national unity government. Efforts have also been deployed during 2015 by the Arab League, Libya's neighbours (Egypt and Algeria), the United States and European countries (notably Italy and the UK) to help resolve the crisis.

A new unity government with members from the internationally recognized government in Tobruk and the GNC in Tripoli has been announced in March 2016 and has started moving to capital Tripoli in April.



## 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.










High-Fives



# Achieving the High-Fives in Libya

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
Leading the Way Program : Pilot Project for Developing Leadership Capacity to Support Libya's Transition MENA TF Amount USD 3.5 million	●	●	●	●	●
Development of Health Finance Strategy in Libya Nigeria Technical Cooperation UA 0.22 million					●

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

<b>MENA TF Amount</b>	USD 3.5 million
<b>Co-Financiers</b>	Ministry of Planning, Libya (USD 2 million)
<b>Approval Date</b>	December 2013
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	International
<b>Executing Agency</b>	African 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



High-Fives



<b>Nigeria Technical Cooperation Fund Amount</b>	UA 0.22 million
<b>Approval Date</b>	March 2014
<b>Expected Completion Date</b>	July 2015
<b>Location</b>	National territory
<b>Executing Agency</b>	African 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.

- Target the roots of the health system and develop the key elements that will reshape the health system in the 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.

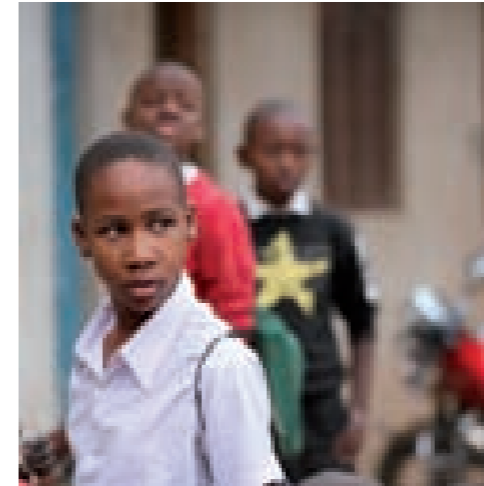
## Expected Outcomes

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, 1967-2015	15
Number of ADF operations approved, 1967-2015	53
Number of NTF operations	2
Subscribed capital, in (%) as of December 2015	0.058
Number of approved and ongoing operations	9
Total commitments on ongoing operations (in UA million)	139

## Islamic Republic of Mauritania

### Recent Developments<sup>1</sup>

Mauritania's economy was rocked in 2015 by the drastic and continuing decline in the prices of iron ore, the country's main export product. Indeed, after a surge driven by the commodity boom and marked by over 5% annual growth, Mauritania recorded a non-extractive GDP growth rate of 3.1% in 2015 against 6.6% in 2014. Due to diminishing mining revenue, the overall fiscal deficit (excluding grants) increased to 5.6% of non-extractive GDP against 4.1% in 2014. However, owing to countercyclical policies initiated by the Government, several macroeconomic gains have been preserved. Thus, inflation remained contained, at a lower level (around 1%) than in 2014 (3.5%). The current account deficit narrowed (also driven by lower oil prices), from 30% of GDP in 2014 to 22.2% in 2015. Official reserves remained at a comfortable level at the end of 2015, estimated at USD 809 million, or 6.8% of non-extractive imports (5.5 months of imports), against USD 639.1 million, or 4.7 months of imports in 2014. Thanks to the operation of the Guelb II deposit, a new mining field, the revitalisation of manufacturing activities and intensification of structural reforms, economic prospects remain promising at the short term. The projected real GDP growth in 2016 is 4.2%.

The year 2015 brought into focus the progress made by Mauritania towards improving the institutional and regulatory framework for business, despite the several lingering challenges. Mauritania rose in the 2015 edition of the World Bank's Doing Business to the category of the top ten countries having recorded the greatest progress in their business environment. It gained 8 spots in 2015 to rank 168<sup>th</sup>. In the area of starting a business, Mauritania gained 91 spots in 2015 to rank 70<sup>th</sup>. The country intends, through the implementation of its Doing Business roadmap, to continue its improvement efforts on areas where its performance is weak, especially in

resolving insolvency, paying taxes, getting electricity, and protecting minority investors. The Government also intends to continue the revitalization of its anti-corruption strategy, private investment promotion strategy and its financing mobilization strategy.

The year 2015 was also characterized by the publication of the country's new poverty profile based on the Permanent Survey on the Living Conditions of Households (EPCVM) in 2014. Indeed, according to the findings of this survey, poverty declined from 42% in 2008 to 31% in 2014, that is, an average decrease of 1.8% per year in the percentage of people living below the one-dollar-a-day poverty line. An analysis of the poverty reduction breakdown between economic growth and redistribution effects showed that the impact of redistribution significantly contributed to poverty reduction between 2008 and 2014. Despite this commendable performance, the MDG 1 target of halving poverty by end-2015 (that is, 28% of the poverty incidence for Mauritania), was not achieved.



Moreover, the issue of decent employment persists. Indeed, the vulnerable employment rate remains high (54.6%) and youth unemployment continues to be a concern in urban areas with a rate of 27.43% against 11.32% in rural areas. These challenges justify the Government's efforts to foster the population's welfare. It is against this backdrop that was prepared the Strategy for Accelerated Growth and Shared Prosperity (SCAPP) for the 2016-2020 period the roadmap

of which was adopted by the Council of Ministers in September 2015.

The year 2015 was also characterized by progress in the promotion of human rights. Indeed, in August 2015, Parliament voted a law recognizing slavery as a crime against humanity, and amplifying penalties for this practice. The authorities are working both to apply this law and to implement the roadmap on the eradication of this practice.



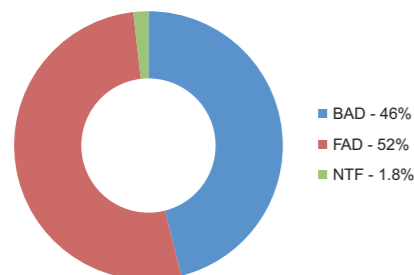
<sup>1</sup> This section is drawn from the 2015 African Economic Outlook.

## 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 6.14: Cumulative Bank Group Loans and Grants by Institutions in Mauritania (1972 – 2015)**



### Feed Africa

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.

### Industrialize Africa

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%.

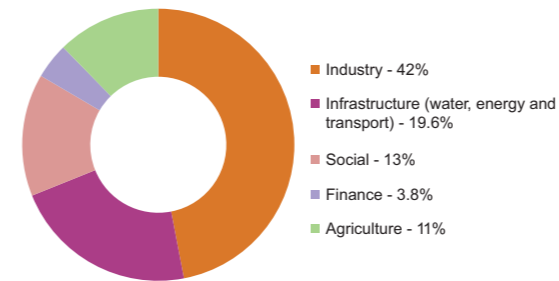
The mining sector has benefited from a series of developments since 2009, including the reopening of the Akjoujt copper mine following an investment of more than USD 104 million by copper mining consortium MCM. In addition, MCM began producing gold in 2009, with an annual target of 60,000 ounces.

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.

The financial system remains modest and partitioned compared to the other Maghreb countries. The low level of banking intermediation is a constraint on the

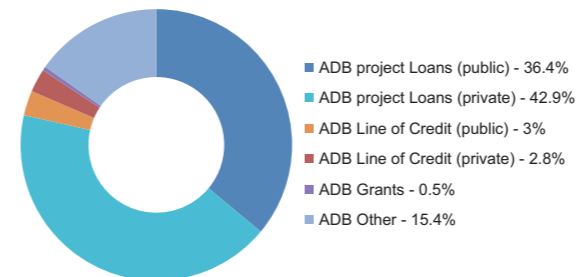
mobilization of national savings and access to credit and, at the same time, impedes economic growth.

**Figure 6.15: Cumulative Bank Group Loans and Grants by Sector in Mauritania (1972 – 2015)**



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%.

**Figure 6.16: Cumulative AfDB Loans and Grants by Instruments in Mauritania (1972 – 2015)**



The Bank has contributed to the development of the Mauritanian financial sector by providing lines of credit and technical assistance to several local financial

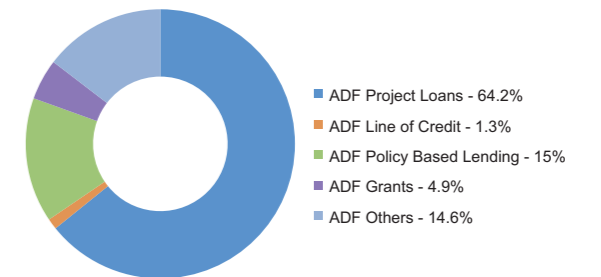
institutions. This support has helped to foster local entrepreneurship and promote SMEs.

### Improve the Quality of Life for the People of Africa

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 6.17: Cumulative ADF Loans and Grants by Instruments in Mauritania (1972 – 2015)**





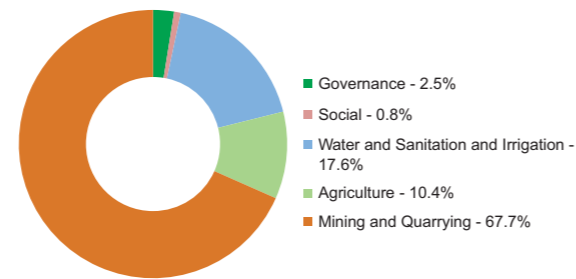
## Bank Group Strategy & Ongoing Activities in Mauritania

The combined report of the Country Strategy Paper (CSP) mid-term review and 2013 review of the Bank's portfolio in Mauritania is the most recent cooperation document 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 focus areas, as established by the CSP 2011-2015 for Mauritania, namely infrastructure development (pillar I) and the improvement of economic and financial governance (pillar II). These two pillars represent the country's development priorities, as set out in the PRSP III and are also consistent with the Bank's 2013-2022 strategy. Therefore, they remained unchanged for the remainder of the CSP, namely 2014-2015. There will be a particular focus on promoting inclusive growth, following the adoption during the mid-term review mission of the country's road map for the promotion of inclusive growth, the latter being also one of the major objectives of the Bank's 2013-2022 strategy. In addition to inclusive growth, the fight against climate change, training and capacity building are central to the objectives pursued by the Bank's operations during the period 2014-2015.

The Bank's portfolio in Mauritania has 9 operations for a total commitment of UA 139 million (see Annex 5). The portfolio of public sector projects comprises 8 projects with 6 financed by the ADF, including one multinational. The amount of financing under ADF is UA 23.3 million. The support from Trust Funds and other special initiatives amount to UA 4 million. This involves an emergency humanitarian aid financed by the Special Relief Fund (SRF), technical assistance supported by FAPA (Technical Assistance to SNIM) and financing under the RWSSI initiative. The portfolio currently consists of a single operation without sovereign guarantee; this is a loan of UA 111.75 million to finance the SNIM Expansion Project (GUELB II). The mining sector is the Bank's main focus area in Mauritania with 81% of the total portfolio commitments. The breakdown of the Bank's interventions for the public sector alone indicates that the agriculture

sector accounts for 45% of the portfolio. It is followed by water and sanitation (37%), governance (10%) and the social sector (7%).

**Figure 6.18: Portfolio by Sector in Mauritania (December, 2015)**










High-Fives



# Achieving the High-Fives in Mauritania

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
National Integrated Rural Watersector Project (PNISER) ADF Loan Amount UA 3.97 million (ADF Loan), UA 2.44 million (ADF Grant) and UA 3.08 million (RWSSI Grant)		●			●
Public Investment Management Support Project (PAGIP) ADF Loan Amount UA 0.74 million	●	●	●	●	●
Support Project to Governance for the Promotion of Inclusive Growth (PAGOCI) ADF Grant Amount UA 2.0 million			●		●
Support to the training and Employment of Young People (PAFEJ) ADB Grant Amount UA 2.0 million					●

## National Integrated Rural Watersector Project (PNISER)

<b>ADF Loan Amount</b>	UA 3.97 million (ADF Loan), UA 2.44 million (ADF Grant) and UA 3.08 million (RWSSI Grant)
<b>Co-Financiers</b>	Government of Mauritania and Beneficiaries
<b>Approval Date</b>	December 2012
<b>Expected Completion Date</b>	December 2018
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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.



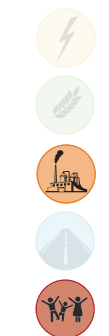
## Public Investment Management Support Project (PAGIP)

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



High-Fives

High-Fives



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

<b>ADF Grant Amount</b>	UA 2.0 million
<b>Co-Financiers</b>	Government of Mauritania
<b>Approval Date</b>	January 2015
<b>Expected Completion Date</b>	December 2018
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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.

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.

### Description

The project focuses on two components:

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

### 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.



### 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)

Social sector



High-Fives



<b>ADB Grant Amount</b>	UA 2.0 million
<b>Approval Date</b>	September 2014
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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, 1967-2015	152
Number of ADF operations approved, 1967-2015	9
Subscribed capital, in (%) as of December 2015	3.515
Total Voting Powers, in (%) as of December 2015	3.498
Number of approved and ongoing operations	36
Cumulative commitments on ongoing operations (in UA million)	1.710

## Kingdom of Morocco

### Recent Developments<sup>1</sup>



In 2015, the Moroccan Government continued its restrictive fiscal policy begun in 2011, while implementing structural reforms to ensure the gradual restoration of macroeconomic balances. The new Organic Law on Finance, published in the Official Gazette in June 2015, replaces the previous framework dating from 1972. In line with the provisions of the 2011 Constitution on public finance, the Organic Law on Finance will help to support regionalization and administrative devolution as well as ensure coherence between the operations of all players at the territorial level. The law also strengthens the legislature's control on public finances through budget oversight and public policy evaluation. It complements the efforts to improve the governance of public institutions and enterprises.

The objective to slash the budget deficit to 4.3% of GDP should be achieved by end-2015. In June 2015, the Government announced a deficit target of 3.5% of GDP for 2016. This performance is the continuation of the downtrend in the budget deficit which went from 7.3% of GDP in 2012 to 5.5% in 2013 and 4.9% in 2014. The trajectory is in compliance with Morocco's commitments under the IMF second Precautionary and Liquidity Line of 2014 and is in line with the deficit target of 3% by 2017.

Net international reserves recorded a marked improvement in 2014 and 2015. In October 2015, they posted a year-on-year increase of 23.8%, the equivalent of 6 months and 21 days of goods and services import, compared with 4 months and 12 days in August 2014. In recent years, reserves have improved substantially, driven by the significant reduction in trade deficit (particularly due to the fall in oil prices) and huge inflows of grants for the State and loans for public institutions. The trend reflects the significant inputs of loans for public institutions.

This performance also reflects the Kingdom's proactive policy towards improving the business climate in order to support the transformation of its economic model. On the one hand, significant steps have been taken, particularly in respect of the legal framework, taxation and foreign exchange. On the other, major public investments are on-going, with the completion of financing for the Nador West Med Port Project or the continued development of the high-speed train (TGV) line. The initiatives are bearing fruit, given that the automotive industry became the leading export earner in 2015. These developments are accompanied by the search for new partners, since Morocco continues to position itself in 2015 as a platform for access to African markets. Nevertheless, efforts should be pursued to reduce growth volatility by making it less dependent on the not-so-intensive agricultural sector. In 2016, this sector will be severely affected by the poor rainfall and only a 1.8% growth is expected.

Moreover, other challenges still remain. In particular, Morocco must address the deep inequalities (in terms of gender, geography, education, access to basic services) which could undermine the inclusiveness of growth. In this context, in 2015, Morocco kept up the significant momentum to reform its regulatory and institutional framework to meet the requirements of the 2011 Constitution. Firstly, the decentralization process culminated, in 2015, in territorial reform and regional and municipal elections, reflecting the gradual transfer of powers from the State to local governments. Secondly, the State is pursuing the development of access to basic social services (medical coverage for 260 000 public higher education students and the generalization of the "Tayssir" scholarship system). Thirdly, the State has remained committed to improving the functioning of and access to public services (Public

<sup>1</sup> This section is drawn from the 2015 African Economic Outlook.

Service Charter, e-Govt. and fight against corruption). Lastly, the promotion of gender equity was continued with the establishment of a quota system for elected women in the 2015 elections.

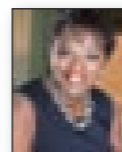
Morocco is seeking to sustainably develop its business model. This approach is promoted by the National Sustainable Development Strategy and reflected in the

adoption of new laws such as the Water Law. Scheduled to host COP22 in 2016, Morocco is the second African country to commit to reducing its greenhouse gas emissions. These actions should, however, be more decentralized, particularly in cities. The challenges in terms of sustainable development of urban areas are still many, especially with the rapid growth of peripheral neighbourhoods.



## Note from the Bank's Field Office in Morocco

### Mrs. Yacine Fal, Resident Representative



In 2015, the Bank recorded substantial commitments in Morocco, totalling nearly EUR 2 billion at the end of the year. Three lending operations were scheduled, including two reform programme loans granted as budget support, which was approved by the Board of Directors for an amount of UA 270 million. These operations concern the financing of the Economic Competitiveness Support Programme (PACEM) for UA 80 million and the Green Morocco Plan Support Programme II for UA 100 million, approved by the Board of Directors on 14 October 2015. An investment loan to finance the Nador West Med Port Complex Project for UA 90 million was also approved by the Board on 16 September 2015. In addition, the Bank developed four technical assistance operations financed from the resources of the Middle Income Countries Fund.

In addition, the Bank's Country Office in Rabat in 2015 conducted a portfolio performance review, which awarded a positive rating for project and programme implementation in Morocco.

Several milestones have marked the year 2015. In particular, the President of the African Development Bank Group (AfDB) undertook a working visit to the Kingdom of Morocco in February 2015. During the visit, the President, along with the Head of the Moroccan Government, presided over the launching of the Study conducted by the AfDB at the request of the Kingdom of Morocco: "Diagnosis of Growth for Morocco: Analysis of Constraints on Broad and Inclusive Growth", in collaboration with the Millennium Challenge Corporation (MCC) of the United States. This economic and sector analysis, for which extensive consultation was undertaken with all stakeholders, particularly Ministries, the private sector and civil society, highlights the major constraints on private investment promotion in Morocco and sheds light on major obstacles that should be overcome within a more efficient development strategy in the medium to long term.

The year 2015 also recorded the initial steps in the establishment of Africa50, whose headquarters is located in Casablanca, under the auspices of Casablanca Finance City. Following its constituent general meeting in Casablanca (Morocco) on 28 and 29 July 2015, Africa50, an innovative financial initiative specializing in infrastructure and supported by the African Development Bank (AfDB), announced the mobilization of over eight hundred million dollars. Subscriptions were made, with contributions from 24 member countries of the institution, including Morocco and the African Development Bank. Africa50 will focus on the development and funding of national and regional high-impact projects in the areas of energy, transport, ICT and water. Africa50 is targeting a financial capacity of 3 billion dollars in the medium term, and 10 billion dollars by the end of a decade.

Furthermore, the Bank, in collaboration with several partners, organized sector workshops, including a regional consultation workshop on the dynamics of the African Housing Market with UN-Habitat, to focus on opportunities and challenges, as well as the respective roles of the public sector, the private sector and Development Finance Institutions. A capacity building workshop on the negotiation of complex contracts in the energy sector was also organized in collaboration with ICA & ALSF.

Lastly, the Bank pursued efforts, as facilitator, towards comprehensive dialogue on a new regional economic space under construction between Morocco and the rest of Africa.

The Bank's presence in the field has improved portfolio quality and performance, and ensured the institution's active participation in strengthening aid coordination, alongside other bilateral and multilateral partners of Morocco. Such cooperation has developed in consultations within thematic groups, as well as through joint operational missions.

The Bank, which has already established itself as a leading partner, will vigorously continue to support the Kingdom

in its ambitious development programme based on structural reforms and its major innovative and environment-friendly infrastructure projects, with due regard for social inclusion.

The excellent cooperation with the authorities, facilitated by close strategic convergence between the Bank and

Morocco, is expected to sustainably strengthen the growing portfolio performance, particularly through diligent operational collaboration and implementation of the Letter of Agreement on the application of national procurement procedures for national competitive bidding, supplemented by many capacity building activities.

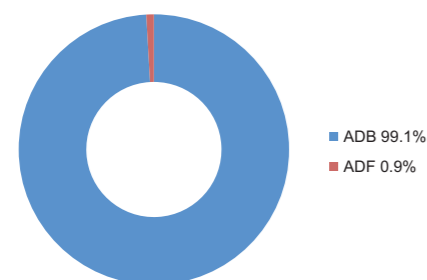


## Overview of Bank Group Operations in Morocco



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 6.19: Cumulative Bank Group Loans and Grants by Institutions in Morocco (1970 – 2015)**



Since 1970, the Bank has approved 152 operations with a total commitment of EUR 7.85 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 2015, new approvals represented accounted for over EUR 332 million.

### Light up & Power Africa

Morocco has limited fossil fuel resources and depends heavily on external markets (95%) for the modern energy supply required to meet the growing demand generated by its economic growth, the rising living standards and growth of its population, the urbanization and the generalization of electricity access in rural areas brought about by the Global Rural Electrification Programme (PERG). Launched in 1995, PERG, whose field activities are still on-going, has helped to raise Morocco's electrification rate from 18% in 1995 to 98.95% at end-2015 by electrifying 38 598 villages (3 663 of them by means of photovoltaic kits), thus enabling more than 12 million rural Moroccans to have access to electricity.

Over the past decade, domestic power demand has increased by an average of 6.5% annually. During this period, electricity demand doubled from 16 779 GWh in 2003 to 33 529 GWh in 2014. This surge in demand calls for the development of substantial power generation resources. In 2014, the total power generation capacity stood at 8 000 MW. It is heavily dominated by the thermal generation method (using coal, gas, oil, etc.), which accounts for 68% of the total installed capacity. The rest consists of power generated

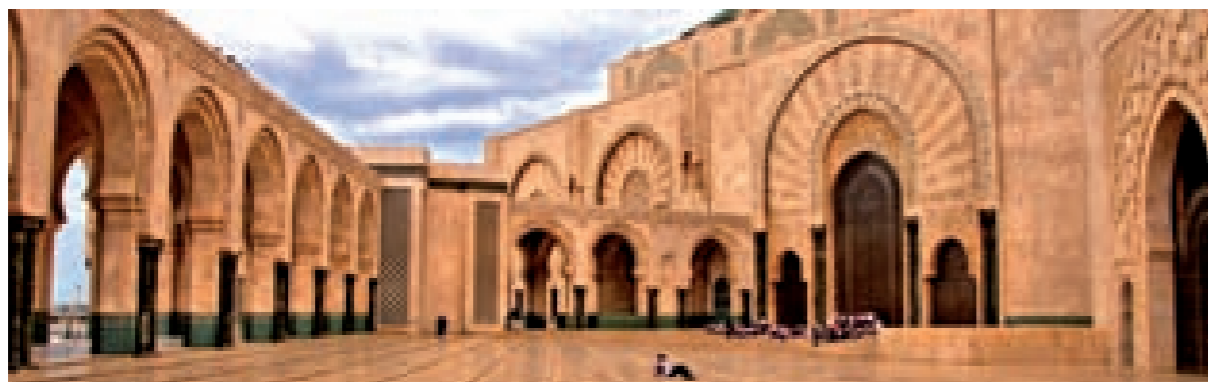
using hydro (22%), wind and solar (10%) energy. The demand for electricity drawn from the grid in 2014 was met with power from plants fired by coal (47%), fuel oil (7%) and natural gas (16%), as well as with power from hydro (6%) and wind (5%) plants or from other sources (1%), and imported from Europe (18%) through the two underwater electrical connections between Morocco and Spain. Hydropower generation varies significantly from year to year, given its dependence on climatic factors (rainfall). The predominance of power generation based on imported fuels has negative repercussions on the cost of generation, especially in the event of an increase in oil, gas or coal prices.

The main challenges facing Morocco's energy sector are: (i) the high dependence on external sources (95%); (ii) the surge in demand averaging 6.5% annually. According to projections, primary energy demand will triple from almost 16.15 Mtoe in 2010 to 43 Mtoe by 2030, while electricity demand will quadruple from 26 500 GWh to 96 000 GWh over the same period, requiring a total installed power of 12 000 MW, compared with 6 407 MW at end-2011; and (iii) the predominance of the thermal power generation method using imported fossil fuels (coal, gas and oil), which accounts for 68% of the current electricity generation.

Adopted in March 2009, the new energy strategy aims to enhance the security of power supply and availability, and ensure its widespread availability at reasonable cost. These goals will be achieved through diversification of sources, development of the national energy potential, particularly renewable energy resources, promotion of energy efficiency and closer integration into the regional energy system. The strategy will be implemented by deepening energy sector reforms through the renovation of the legal and regulatory framework, the introduction of a new governance system by reorganizing the current one and establishing rules of transparency and competition for better visibility to operators and consumers. Steering this profound transformation of the national energy landscape calls for enhanced management capacity, the upgrade of the human and material resources available to the various players, and the raising of the latter's awareness regarding the imperatives of change at both the technological and societal level.

The new energy strategy is supported by the official launching of Morocco's Solar Plan (2 000 MW) in Ouarzazate by His Majesty King Mohammed on 2 November 2009, and Morocco's Integrated Wind Energy Programme (2 000 MW) on 28 June 2010 in Tangier. In addition to these two programmes, there is the hydroelectric programme (2 000 MW). When the three programmes are completed by 2020, Morocco will have a renewable energy capacity of at least 6 000 MW, which will enable the country to achieve the objective of increasing the proportion of renewables in the energy mix to 42% by 2020. The two major projects are intended to strengthen the supply from domestic resources, reduce Morocco's energy dependence and protect the environment. The goal is to increase the contribution of renewables in the primary energy consumption from nearly 5% in 2009 to 8% in 2012, and to reach 10 to 12% by 2020 and 15 to 20% by 2030. Their share in the power generation will reach 42% by 2020.

Since it began its operations in 1967, the African Development Bank Group has financed 21 projects in Morocco as part of the 17 energy sector projects/programmes, for an approved amount of UA 1 189 million. The Bank's interventions have helped to develop and strengthen power generation facilities, power transmission and distribution, as well as promote rural electrification. Projects undertaken by the Bank include: (i) the second 400 kV underwater electrical interconnection (28 km) between Morocco and Spain, which was commissioned in 2006, doubling the capacity of Morocco's power import from Europe from 700 to 1400 MW; (ii) the third double circuit 400 kV interconnection line between Morocco and Algeria, commissioned in October 2009, which helped to strengthen the two existing 225 kV interconnections and increase the capacity of power exchange between the two countries from 400 MW to 1 700 MW; and (iii) the Ain Beni Mathar Integrated Thermo-Solar Combined Cycle Power, inaugurated by His Majesty King Mohamed VI on 28 March 2010. With a total capacity of 472 MW, including 20 MW from its solar component, the ABM plant, which uses thermo-solar technology for large-scale power generation, is the first of its kind in Morocco and Africa.





The portfolio of Bank-financed active operations comprises three on-going projects and one programme. They are financed by the Bank with its own resources through AfDB loans totalling EUR 668.820 million and loans from the Clean Technology Fund (CTF), totalling USD 344 million, mobilized by the Bank in its capacity as the CTF executing agency.

The energy sector accounts for 45.5% of the overall volume of the Bank's portfolio in Morocco. On-going Bank-financed operations are contributing towards achieving the objectives of Morocco's new energy strategy, namely: (i) diversification of sources of power generation; (ii) security of the country's power supply; (iii) access to electricity for all Moroccan homes; and (iv) environmental conservation. These operations are also in line with the CSP 2012-2016, Pillar I of which focuses on supporting the development of green infrastructure. The operations include:

- Electricity Transmission and Distribution Network Development Project (PDRTRE): AfDB loan of EUR 109.820 million, approved on 2 December 2009;
- Ouarzazate Solar Complex Project - Phase I - NOORo I Plant (160 MW): AfDB loan of EUR 100 million and a CTF-AfDB loan of USD 100 million, approved on 16 May 2012, co-financed with 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);
- Integrated Wind Energy Hydropower Rural Electrification Programme (PIEHER): AfDB loan of EUR 359 million and CTF loan of USD 125 million, approved on 13 June 2012, co-financed with the Islamic Development Bank (IsDB), the European Investment Bank (EIB), KfW and the European Union (Neighbourhood Investment Facility);
- Ouarzazate Solar Complex Project - Phase II - NOORo II (200 MW) and NOORo III (150 MW) Plant: AfDB loans (2) of EUR 100 million and two CTF-AfDB loans totalling USD 119 million, approved on 3 December 2014, co-financed with AFD, EIB, the World Bank, KfW and EU/NIF.

## Feed Africa

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 m<sup>3</sup> by 2025 compared to 800 m<sup>3</sup> 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<sup>3</sup>, 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<sup>3</sup> 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 agricultural sector operations in Morocco for a total of EUR 702 million. The agricultural sector portfolio in Morocco, which has been inactive since 2000, was re-launched in 2009. Currently, it comprises three ongoing projects. These projects represent a total financing of UA 138.15 million (or EUR 175.84 million), of which a loan of UA 132.24 million (or EUR 137.36 million) and a grant of UA 0.79 million (or EUR 1 million), and concern the following operations: the National Irrigation Water Saving Programme Support Project (PAPNEEI), the Green Morocco Plan Support Programme - Phase 2 (PAPMV-2), and Green Growth Promotion Technical

Support. Two operations were completed by 31 December 2015, namely: Technical Support for the Development of Irrigation Infrastructure (ATDII) and Technical Support for the Promotion of Young Agricultural Entrepreneurs (ATPJEA).

Ongoing Bank-funded operations are contributing towards achieving the objectives of the Green Morocco Plan strategy aimed at promoting water saving irrigation and improving the competitiveness of the agricultural sector. These operations comprise:

- National Water Saving Irrigation Support Project financed by the Bank with an ADB loan of EUR 53.59 million, approved on 14 December 2009. The project concerns the development of localized irrigation infrastructure and production improvement support in the areas of operation of the Loukkos, Tadla and Doukkala Agricultural Development Authorities, spanning 20 000 ha;
- Green Morocco Plan Support Project - Phase 2 (PAPMV-2), financed with an ADB loan of EUR 121.25 and approved on 15 October 2015. PAPMV-2 aims to help strengthen the competitiveness of the agricultural sector for inclusive, gender-sensitive and green economic growth. It is based on the strategic guidelines of the Government's medium-term development programme, particularly the Green Morocco Plan (PMV), which is the instrument for implementing the Agricultural Strategy 2008-2020. Its specific objective is to improve sustainable natural resource management through green governance and the inclusive development of agricultural sector value chains. It complies with AfDB strategy the guidelines for Morocco by supporting sector governance and the creation of inclusive value chains that would reduce regional disparities while supporting the sustainable sophistication of the economy.

## Industrialize Africa

The financial sector in Morocco displays a high level of stability as underscored in the latest IMF report on the

Financial Sector Assessment Programme (FSAP 2015). The banking sector remains the backbone of the Moroccan financial system, with total assets (Morocco activity) worth MAD 1.096 billion, that is 125% of GDP in 2013, up 5.3% from 2012. In 2014 it stood at MAD 1.103 billion, representing a slight increase of 0.7%. However, the slowdown of the sector's growth on the domestic side was offset by the strong performance on the international front, largely due to the dynamism of groups such Attijariwafa Bank and the Moroccan Bank for External Trade (BMCE), which posted a strong performance internationally, particularly in Africa. To these two banks may be added the Banque Populaire, which is increasingly consolidating its recently established presence in Africa.

Despite the relative increase in the loss ratio, the banking system remained generally solid, profitable and adequately capitalized. The outstanding credit granted to the economy continued to grow, albeit at a slower pace, mainly due to the increasingly selective credit policy adopted by banks: 2% at end-2014, compared with 3.6% and 5.4% in 2013 and 2012, respectively. Meanwhile, the rate of non-performing loans increased by one percentage point from the previous year, and stood at 6.9%. This reflects the impact of the international economic situation, notably in Europe and particularly in the tourism, real estate and building material sectors. However, the provisioning rate remained satisfactory (65%), so too bank capitalization, since the solvency ratio stood at 13.3%. Profitability remained relatively sound, with a rate of return on assets of around 1% and a 10.2% rate of return on equity in 2014, compared with 10.6% in 2013. As a result of the satisfactory performance of the market, net banking income totalled MAD 44 billion, representing an increase of 9.3% from 4.5% in 2013.

However, there are lingering challenges, including the inadequate financial culture of the population, which should be addressed in order to further promote financial inclusion. The same applies to the territorial dimension of financial inclusion, which is a challenge to be tackled to improve the access of rural households and VSMEs to financial services. Lastly, given the persistent difficulties faced by farmers and agricultural VSMEs in accessing

credit, more targeted efforts should be made to improve agricultural sector financing.

In the financial sector, relations between Morocco and the Bank have experienced renewed vitality since 2009 with the launching of the first phase of the Financial Sector Development Support Programme (PADESFI), which marked the start of second generation reforms aimed at promoting the financial inclusion of the population and VSMEs, enhancing the sector's governance mechanisms to align them with international standards and deepen capital markets. The level and quality of dialogue with the Government as well as the sector's players has created a climate of trust conducive to the implementation of other programmes and projects, thus consolidating the Bank's presence in the sector. The various actions undertaken as part of a high-quality dialogue with the Government have helped to confer on the Bank a leading role in financial sector dialogue and interventions in Morocco.

The implementation of reforms included under the three phases of the Financial Sector Development Support Programme (PADESFI), supported by the Bank in 2009, 2011 and 2014, helped to strengthen the resilience of the financial sector and improve access to financial services for the population and VSMEs. In this regard, one of the important outcomes is the improved access to financial services, particularly with the substantial increase in the population's banking access rate (64% in 2014 from 35% in 2009) and a real leap in the access of VSMEs to financing, with the number surging from 328 in 2010 to 2 027 in 2014 (a 518% increase rate), mainly thanks to the guarantee provided by the Central Guarantee Fund (CCG).

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:

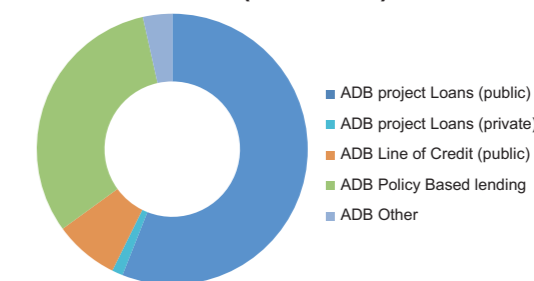
- Building State capacity to ensure transparent and responsible use of public resources and citizens' capacity to hold their government to account;
- Improving performance in the various sectors and providing citizens with resources to monitor results; and
- Promoting a business environment that will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

**Figure 6.20: Cumulative ADB Loans and Grants by Instruments in Morocco (1970 – 2015)**





## Integrate Africa

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 14 operations in this sector, for a total of over UA 1.3 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 2016, and its current physical implementation rate is 72%.

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%.

Furthermore, the Board of Directors of the Bank has approved a project on the construction of a deepwater port, Nador West Med, located on the Mediterranean coast in the Oriental region. This infrastructure should contribute to the attractiveness of the region and enable the development of its economic potential.



## Improve the Quality of Life for the People of Africa

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 requirements 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 300 million and aim to:**

- 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.

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.

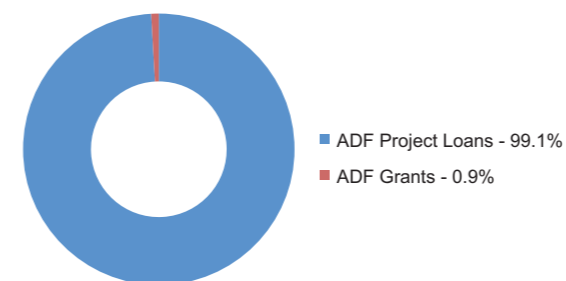
The Government therefore considers that the attention paid to basic education, continuing training, non-formal education, the fight against illiteracy, health care, housing and the fight against precariousness and opening up of rural communities and mountainous regions constitutes an investment of economic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

**Figure 6.21: Cumulative ADF Loans and Grants by Instruments in Morocco (1970 – 2015)**



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 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 entire loan was disbursed 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

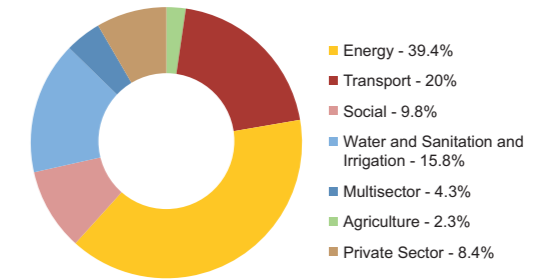
vocational training evaluation system, (iii) establishment of job and competency frameworks (REC)/Lists of Jobs and Trades (REM) for the BPW sector, (iv) establishment of a university graduate integration monitoring unit, and (v) support for national dialogue with civil society, and (vi) a training kit 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.






At the Mid-term review of the Strategy, the pillars were maintained and refocused. The two pillars of the strategy are: i) Governance and ii) Infrastructure for the period 2014-2016. The action of the Bank will focus on issues of competitiveness and performance of social action within the pillar "Governance" and on the issue of the reduction of regional disparities and competitiveness for the "infrastructure" pillar.

Figure 6.22: Portfolio by sector in Morocco (December, 2015)



# Achieving the High-Fives in Morocco

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
Project to Increase Capacity on the Tangier-Marrakech Railway ADB Loan Amount 300 million Euros				●	
Third Airport Project ADB Loan Amount 240 million Euros				●	
NADOR WEST MED ADB Loan Amount 113 million Euros			●	●	
Railway Infrastructure Reinforcement Project ADB Loan Amount USD 112 million				●	
Development of Transport Networks and Distribution of Electricity (PDRTRE) ADB Loan Amount 109 820 000 Euros	●				
Integrated Wind Energy, Hydro-Power and Rural Electrification Programme (PIEHER) ADB Loan Amount UA 320 million (+ UA 78 million from FTP)	●				●
Ouarzazate Solar Power Plant Project- Phase 1 (NOOR1) ADB Loan Amount 100 million (USD 100 million USD from FTP)	●				
Ouarzazate Solar Power Plant Project- phase 2 &3 (NOOR II & III) ADB Loan Amount 100 million (+ USD 119 million)	●				
Training-Employment Matching Program ADB Loan Amount UA 116 million			●		●
Establishment of a Geographic Information System and a Health Care Card ADB MIC Grant Amount UA 0.5 million					●
Establishment of an Integrated Vocational Training Evaluation System ADB MIC Grant Amount € 140 400			●		●
Study on Growth and Employment in Morocco ADB MIC Grant Amount € 704 600			●		●
Development Strategy of Private Education ADB MIC Grant Amount UA 0.47 million			●		●
Preparation of a Health Financing Strategy ADB MIC Grant Amount € 295 000					●
Establishment of a Digital University – International University of Rabat ADB MIC Grant Amount UA 774 600				●	●
Medical Coverage Support Programme – Phase III ADB Loan Amount 115 million Euros					●
Grants for Countries in Transition Grants for Countries in Transition € 1.4 million					●

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
Economic Competitiveness Support Programme (PACEM) ADB Loan Amount USD 112.5 million			●		
Tenth Drinking Water Supply and Sanitation Project ADB Loan Amount €33.84 million					●
Project to Strengthen the Drinking Water of the Coastal Zone of Rabat-Casablanca ADB Loan Amount € 162.31 million and US 55.06 million					●
Study of the drinking Water Supply Master Plan for the Northern Part of the Moulouya Water Basin ADB MIC Grant Amount UA 204 994					●
Water Supply in Marrakech ADB Loan Amount €120 million (+ USD 37 million)					●
Office Cherifien des Phosphates (OCP) Investment Program ADB Loan Amount USD 250 million		●	●		
Support Project to the National Water Saving Program (PAPNEEI) ADB Loan Amount € 53.59 million		●			
Green Morocco Plan Support ADB MIC Grant Amount € 121 million		●			●
Technical Support for & Irrigation Infrastructure Development ADB MIC Grant Amount UA 0.49 million		●			
Technical Assistance for the Promotion of Young Entrepreneurs (JEA) ADB Grant Amount (MIC TAF) UA 497 200		●			●
Enhancement of Agricultural Production Through Biotechnology ADB Grant Amount USD 150,000		●			
Strengthening the Supervision of Financial Markets ADB MIC Grant Amount UA 0.480 million			●		
PADESFI III ADB Loan Amount € 100 million			●	●	
Argan Infrastructure Fund ADB Loan Amount UA 13.78 million (Investment Fund)	●		●		
Project to Support the Strengthening of the National Guarantee System (PARSNG) ADB MIC Grant Amount UA 464 988 (about EUR 539 300)			●		
Support Project to Modernise the Debt Management Organisational Framework (P-MOCOGEDE) ADB MIC Grant Amount UA 536 976			●		
Support to the Operationalization of Public-Private Partnerships (PPP) in Morocco ADB Grant Amount (KOAFEC) USD 300 000			●		



High-Fives



# Project to Increase Capacity on the Tangier-Marrakech Railway

<b>ADB Loan Amount</b>	€ 300 million
<b>Approval Date</b>	December 2010
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Tangier-Marrakech
<b>Executing Agency</b>	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 freight 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.



Projects	Light up & power Africa	Feed Africa	Industrialize Africa	Integrate Africa	Improve the quality of life for the people of Africa
Monetary and Financial Code Preparation Support Project (P-COMOFIM) ADB MIC Grant Amount UA 489 258 (about EUR 600 000)					
Support to the National Dialogue with Civil Society ADB TFT Grant Amount € 341,600			•		•
Design and Implementation of a Trainings to the Strengthening of Women's Representation Capabilities in Elected Bodies ADB TFT Grant Amount € 174 600					•
Project to Support the Establishment and Operationalization of a Monitoring and Analysis Structure for Better Coordination of Public Action by the Office of Head of Government ADB Grant under the MIC Fund UA 799 200			•		•
Grant for Financing the Project to Support the Preparation of the Strategic Study on the Department of the Treasury and External finance ADB Grant under the MIC Fund UA 797 600			•		

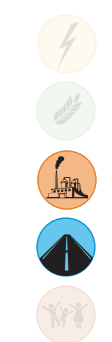
## Third Airport Project

## Nador West Med



High-Fives

High-Fives



<b>ADB Loan Amount</b>	€ 240 million
<b>Co-Financiers</b>	Kingdom of Morocco/National Airports Authority
<b>Approval Date</b>	April 2009
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Casablanca, Fez, Agadir, Marrakech and Rabat
<b>Executing Agency</b>	National Airports Company (ONDA)

<b>ADB Loan Amount</b>	€ 113 million
<b>Co-Financiers</b>	AFESD EUR 177 million, EBRD EUR 200 million, Nador West Med EUR 424 million
<b>Approval Date</b>	September 2015
<b>Expected Completion Date</b>	December 2022
<b>Location</b>	Nador
<b>Executing Agency</b>	Nador West Med

### 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.



### Background and Objectives

The Nador West Med Port Complex (NWM) Construction Project is in line with Morocco's 2012-2016 Economic and Social Development Programme, which seeks to meet the challenge of competitiveness and preserve the country's macro-economic viability. The project is also consistent with the priorities set out in the National Transport and Logistics Strategy 2012-2016. This strategy seeks to harmoniously enhance transport infrastructure development, in line with international standards, so as to improve the Kingdom's connectivity to major global goods and commodities import and export centres and building an efficient, profitable and sustainable multimodal transport system that facilitates the movement of people and goods.

### Description

This project concerns the construction of the first module of the port's facilities. The module will comprise:

- A 4 200 metre-long main breakwater;
- A 1 200 metre-long secondary breakwater;
- A hydrocarbons terminal with three 110 metre-long oil berths;
- Two container terminals with a 1 520 metre-long quay, with an option to add a 1 440 metre-long quay;
- A "specialized bulk cargo - coal" berth with a 360 meter-long quay;

- A "general cargo" terminal with a 320 meter-long Quay; (vii) a roll-on/roll-off berth;
- A 384 meter-long service quay; and
- 100 ha of back-up space. It is estimated to cost MAD 10 billion or EUR 914.28 million.

### Expected Outcomes

The financial structuring of the entire project will be based on a public-private partnership in which:

- The public sector will invest in infrastructure construction, own the port and perform the function of port authority;
- The private sector will invest in the construction of the superstructures and procurement/installation of equipment, and manage all port operations and services through concessions.

Besides promoting the development of trade through shipping in the Oriental Region, the project will contribute to:

- Enhancing the logistic competitiveness of the entire national economy;
- Increasing port capacity;
- Improving operational efficiency of the port in the Oriental Region; and
- Improving living environment and socioeconomic conditions in the project impact area.



# Railway Infrastructure Reinforcement Project



High-Fives



<b>ADB Loan Amount</b>	USD 112 million
<b>Co-Financiers</b>	ONCF: USD 291 millions
<b>Approval Date</b>	January 2016
<b>Expected Completion Date</b>	December 2020
<b>Location</b>	Tangier-Marrakech
<b>Executing Agency</b>	ONCF

## Background and Objectives

The Casablanca-Marrakech line has witnessed a sharp increase in transport demand, driven by the socioeconomic, cultural and tourism potential of both cities.

For instance :

- Passenger traffic has increased by 20% in five years from 3.82 million in 2010 to 4.6 million in 2014;
- Freight traffic surged from 142 000 tonnes in 2013 to 207 000 tonnes in 2014;
- Passenger flows are projected to rise to 4.78 million by end-2015 and 7.41 million by 2020.

This growth is expected to continue at an average annual rate of 4% during the next decade. The Settata-Marrakech segment currently has constraining characteristics, in particular a single 141 km track, with a low curve radius (300 metres) in certain places.

It is therefore necessary to strengthen the capacity of this line to remove constraints listed above and to enable it to face the predictive transport demand.

## Description

the present project aims to:

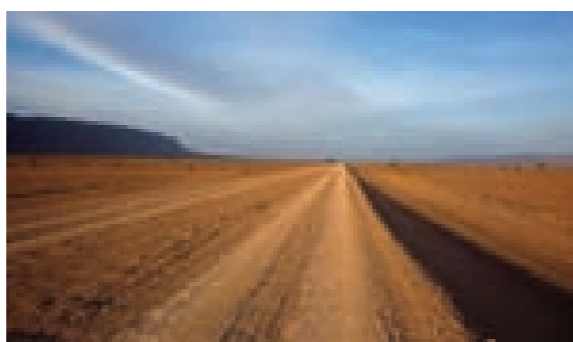
- Complete doubling of 141 km of the track between

- Settata and Marrakech;
- Construction of five modern railway stations between Tangiers and Casablanca.

## Expected Outcomes

Apart from the benefits related to increased railway traffic between Casablanca and Marrakech, the project will generally help to:

- Enhance the logistic competitiveness of the national economy;
- Ease the traffic between Casablanca and Marrakech;
- Increase the operational efficiency of the Casablanca-Marrakech line;
- Expand the capacity of railway stations between Tangiers and Casablanca
- Improve the people's living standards and socioeconomic conditions.



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



High-Fives



<b>ADB Loan Amount</b>	109 820 000 Euros
<b>Approval Date</b>	December 2009
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	Different regions of Morocco (Northern and Eastern, Western region, Central and South)
<b>Executing Agency</b>	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 PDRTRE 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 a new 225 kV HV line (55 km) and a 225/60 kV new position to evacuate the additional power of 315 MW of new gas turbine power plant (TAG) Kenitra;
- Construction of a new 400 kV armored to evacuate the total additional capacity of 700 MW of new units V and VI (350 MW) of coal-fired Jorf Lasfar;
- Construction of three (03) new positions 225/60 kV - 2x100 MVA Jebel Musa, Berkane Chrifia II and including 225 kV lines and associated 60 kV;

- Construction of a 400 kV line (24 km) between the 400 kV substation Fardioua (switchyard with Spain) and the 400 kV Melloussa;
- Construction of a 225 kV line (100 km) loopback Selouane - Driouch- Imzourhen;
- Construction of a 225 kV line (300 km) loopback Errachidia - Tinghir - Ouarzazate Solar Complex - Ouarzazate;
- Realization of the transformation 225/60 kV the existing Post Chichester;
- Extension and strengthening of the position of 225/60 kV El Ouali by installing a new transformer bay and the installation of a third 100 MVA transformer;
- Installation of a new 225 kV bay at the post Oualili for connection to the post of the new 225 kV line Oualili - Matmata;

## Expected Outcomes

The expected project results are:

- The increase in cumulative installed capacity;
- Improved rates access to electricity;
- Increasing the amount of CO2 emissions avoided;
- The reduction of network losses;
- Increased energy transit capacities.



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



High-Fives



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

### Background and Objectives

The Integrated Wind Energy, Hydropower and Rural Electrification Programme (PIEHER) is in keeping with Morocco's new energy strategy, which aims to improve the kingdom's energy security, while also mitigating the effects of power generation on climate change. Morocco's energy strategy aims to increase the proportion of renewables in the energy mix from 10% in 2007 to 42% by 2020, representing approximately 6 000 MW of additional power from renewable energy sources. PIEHER aims, among others, to: (i) improve energy security; (ii) achieve a greater proportion of renewables in the energy mix, thus mitigating the effects of electrical energy generation on climate change; and (iii) ensure energy access in rural areas. Morocco is nearly 97% dependent on the outside world to meet its energy needs.

### Description

PIEHER is structured around three key components, namely: wind energy and hydropower, rural electrification and programme management. The wind energy and hydropower production comprises four projects: the Tangier II Wind Farm (100 MW) the Koudia El Baida Wind Farm – network structures, the Pumped Power Transfer Station Project (STEP) Abdelmoumen (350 MW) and the M'Dez - El Menzel Hydropower Complex (170 MW) - Lot I (construction of two hydropower plants, including their network connection) The Rural Electrification component consists of a Global

Rural Electrification Programme (PERG) Support Project, launched by Morocco in 1995. PERG has allowed Morocco to step up the Rural Electrification rate (RER) from 18% in 1995 to 98.95% at end-2015.

#### The key expected outcomes are:

- Construction of four wind farms with a total capacity of 750 MW;
- Construction of a pumped power transfer station (STEP) as well as a hydropower complex with a total capacity of 520 MW;
- Construction HV transmission lines and sub-stations for connection to the national grid; and
- Construction of MV and LV lines and MV/LV distribution sub-stations for the connection of 86 000 households in 25 provinces of the Kingdom.

### Expected Outcomes

The expected outcomes are:

- An Increase in total installed capacity;
- Improved electricity access rate through the electrification of 86 000 households, comprising about 516 000 Moroccans living in rural areas;
- An Increase in the amount of CO2 avoided (65 million tonnes during the project's life span);
- A reduction in energy product imports; and
- An increase in private sector participation in power generation investments.

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



High-Fives



<b>ADB Loan Amount</b>	€ 100 million (USD 100 million USD from FTP)
<b>Co-Financiers</b>	Kingdom of Morocco/MASEN; BM; AFD; BEI; KfW European Union
<b>Approval Date</b>	May 2012
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Ouarzazate Province
<b>Executing Agency</b>	MASEN

### Background and Objectives

The Ouarzazate Solar Complex Project has a targeted capacity of approximately 580 MW. It is part of Morocco's Ouarzazate Solar Power Plant Programme (NOOR Programme) that was designed under the country's new energy strategy 2010-2030. The Solar Programme aims to develop, by 2020, integrated solar power generation projects that would have a total minimum capacity of 2 000 MW. The Solar Programme will be developed at several sites across the country such as the Ouarzazate Solar Complex. This complex is located at 10 km north-east of Ouarzazate city and covers a total surface area of 3 043 ha acquired by MASEN in 2011 (2 500 ha) and 2012 (543 ha). The Ouarzazate Solar Complex is the first achievement of Morocco's solar programme.

### Description

- 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;
- Increased diversification of Morocco's energy sources;
- Increase quantity of CO2 avoided;
- Greater private sector participation in green power generation investments and the establishment of a local industry for the provision of manufactured inputs;
- Creation of domestic jobs; and
- Export of green energy to Europe in the long term.

The NOORo I 160 MW solar power plant began its commercial operation in January 2016. It was inaugurated by His Majesty King Mohamed V on 4 February 2016.



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



High-Fives



<b>ADB Loan Amount</b>	€ 100 million (+ USD 119 million from FTP)
<b>Approval Date</b>	December 2013
<b>Expected Completion Date</b>	December 2019
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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 production 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



High-Fives



<b>ADB Loan Amount</b>	UA 116 million
<b>Co-Financiers</b>	Moroccan Government
<b>Approval Date</b>	July 2013
<b>Completion Date</b>	December 2014
<b>Location</b>	Kingdom of Morocco
<b>Executing agency:</b>	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 branch targeted by the new vocational training strategy.

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



High-Fives



<b>ADB MIC Grant Amount</b>	UA 0.5 million
<b>Co-Financiers</b>	Moroccan Government
<b>Approval Date</b>	December 2013
<b>Cancellation Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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



High-Fives



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

- Each training establishment has a self-evaluation tool;
- Each operator has a monitoring and management tool;
- The Ministry has a national management tool.

### 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;



## Study on Growth and Employment in Morocco



High-Fives



<b>ADB MIC Grant Amount</b>	€ 704 600
<b>Co-Financiers</b>	Ministry of Economic Affairs and Finance
<b>Approval Date</b>	December 2012
<b>Expected Date of Completion</b>	December 2016
<b>Location</b>	Kingdom of Morocco
<b>Executing Agency</b>	Ministry of Economic Affairs and Finance / Research Department

### 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.

- 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.

### 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;



## Development Strategy of Private Education



High-Fives



<b>ADB MIC Grant Amount</b>	UA 0.47 million
<b>Co-Financiers</b>	Moroccan Government
<b>Approval Date</b>	March 2011
<b>Expected Date of Completion</b>	December 2014
<b>Location</b>	Morocco
<b>Executing Agency</b>	Ministry of Education and Vocational Training

### 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



High-Fives



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



## Establishment of a Digital University – International University of Rabat



High-Fives



<b>ADB MIC Grant Amount</b>	UA 774 600
<b>Co-Financiers</b>	Moroccan Government
<b>Approval Date</b>	October 2013
<b>Date prévue d'achèvement</b>	December 2017
<b>Lieu</b>	Rabat
<b>Organe d'exécution</b>	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.



## Medical Coverage Support Programme – Phase III



High-Fives



<b>ADB Loan Amount</b>	€ 115 million
<b>Co-Financiers</b>	Moroccan Government
<b>Approval Date</b>	December 2013
<b>Expected Completion Date</b>	December 2014
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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%).



## Grants for Countries in Transition



High-Fives



<b>Grants for Countries in Transition</b>	€ 1.4 million
<b>Approval Date</b>	2013
<b>Expected Completion Date</b>	Not yet determined
<b>Location</b>	Nationwide
<b>Organe d'exécution</b>	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.

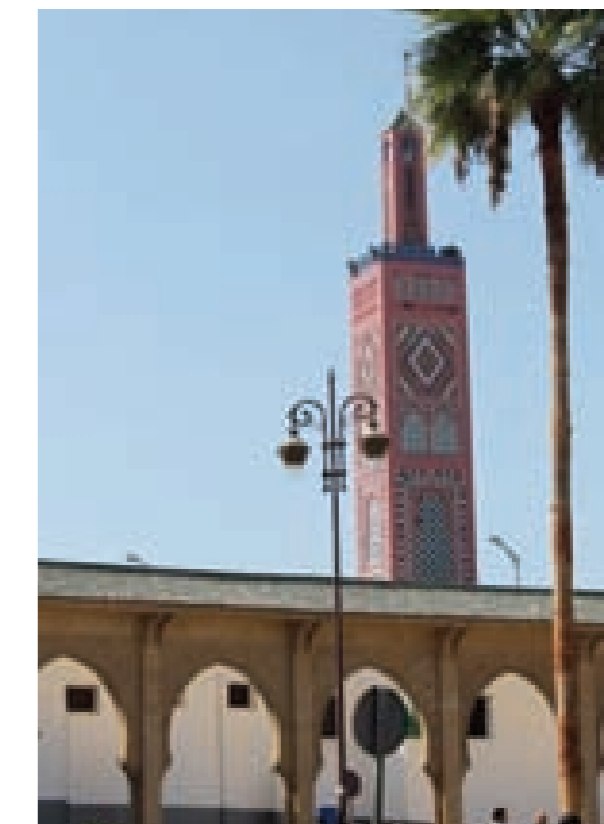
### Description

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.



## Economic Competitiveness Support Programme (PACEM)

<b>ADB Loan Amount</b>	USD 112.5 million
<b>Approval Date</b>	July 2015
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Economy and Finance /Department of the Treasury and External Debt

### Background and Objectives

PACEM seeks to consolidate and deepen the reforms implemented under the Economic and Financial Governance Revitalization Support Programme (PARGEF). PACEM represents a new phase of support that takes the baton from PARGEF and will be implemented over the period 2015-2016. The choice of this standalone programme-based support operation is justified by the need to align the Bank's intervention with the Government's current strategy (Economic and Social Programme), which ends in 2016, and with the strategic framework of the Bank's intervention in Morocco for the 2012-2016 period.

PACEM's goal is to create conditions for accelerated and inclusive economic growth by strengthening the competitiveness of the Moroccan economy. In particular, it aims to improve the efficiency of private and public investment, with a view to maximizing the impact of the latter on growth, economic transformation and job creation.

### Description

The programme is designed around:

(i) **Two main thrusts:**

- Support the authorities in implementing reforms to lift constraints on private investment as identified in

the Growth Diagnosis and related mostly to the legal framework for business, integration of the informal sector, facilitation of procedures and the fight against corruption; and

- Help the State to better play its role as public authority and major economic actor vis-à-vis the private sector, notably by improving public investment efficiency through: better governance of public enterprises and establishment, implementation of sector budgets with objective-based programmes, and improvement of public procurement management.

(ii) **Two complementary components:**

- Improve the private investment climate; and
- Improve public investment efficiency.

### Expected Outcomes

- Improved private investment climate: Transparency and attractiveness of the investment environment; strengthening the fight against corruption; coordination between public and private stakeholders; efficiency of the commercial legal system; and broadening of the entrepreneurship base.
- Strengthening of public investment efficiency: Good governance of public investment; results-based public resource allocation; and transparency in business relations between the State and the private sector.

## Tenth Drinking Water Supply and Sanitation Project

<b>ADB Loan Amount</b>	€ 33.84 million
<b>Co-Financiers</b>	Kingdom of Morocco/National Drinking Water Authority
<b>Approval Date</b>	November 2008
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Taounate, Khénifra, Settât, Marrakech, Tamesna and other neighbouring rural centres
<b>Executing Agency</b>	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, Settât, 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 Settât water supply and pumping facilities.





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

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



High-Fives

High-Fives



<b>ADB Loan Amount</b>	€ 162.31 million and US 55.06 million
<b>Co-Financiers</b>	Kingdom of Morocco/National Office for Electricity and Drinking ONEE
<b>Approval Date</b>	May 2010
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	National/coastal Rabat/Casablanca
<b>Executing Agency</b>	ONEE

<b>ADB MIC Grant Amount</b>	UA 204 994
<b>Co-Financiers</b>	Moroccan Government
<b>Approval Date</b>	January 2013
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Northern Region of the Eastern
<b>Executing agency</b>	ONEE Water branch

### 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.



### 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



High-Fives



<b>ADB Loan Amount</b>	€ 120 million (+ USD 37 million)
<b>Co-Financiers</b>	Moroccan Government
<b>Approval Date</b>	November 2012
<b>Expected Completion Date</b>	December 2018
<b>Location</b>	Marrakech
<b>Executing Agency</b>	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 project required the recruitment of technical assistance to support the ONEE in the preparation of calls for proposals for firms.

The recruitment 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;

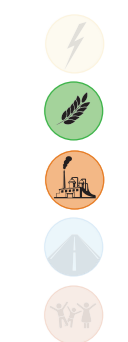
- Empower ONEE (Water Division) as producer and distributor, as well as the Independent Board for water and electricity distribution in Al Haouz and Al Kelaa, "RADEEMA" as a distributor. To accompany the changing demands of the population in the region until 2030 (when the affected population will be 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



High-Fives



<b>ADB Loan Amount</b>	USD 250 million
<b>Co-Financiers</b>	AFD, EIB, IDB, KfW, local and international commercial banks
<b>Approval Date</b>	June 2011
<b>Expected Completion Date</b>	May 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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.

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.

### 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



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

<b>ADB Loan Amount</b>	€ 53.59 million
<b>Co-Financiers</b>	Kingdom of Morocco/Ministry of Agriculture and Maritime Fisheries
<b>Approval Date</b>	December 2009
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Tadla, Doukkala, Moulouya and Loukkos
<b>Executing Agency</b>	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<sup>3</sup> and gains energy value at Dhs 8 million per year;
- 25% increase in the average value of additional water production/m<sup>3</sup>;
- 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).

## Green Morocco Plan Support

<b>ADB MIC Grant Amount</b>	€ 121 million
<b>Co-Financiers</b>	Kingdom of Morocco/Ministry of Agriculture and Maritime Fisheries
<b>Approval Date</b>	October 2015
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Morocco
<b>Executing Agency</b>	Ministry of Agriculture and Fisheries/ Ministry of the Economy and Finance

### Background and Objectives

The Programme aims to help strengthen the competitiveness of the agricultural sector in inclusive and green growth. In particular, PAPMV-2 supports the Green Morocco Plan (PMV), which is the instrument for implementing the Agricultural Strategy 2008-2022. Its specific objective is to improve sustainable natural resource management through green governance in the agricultural sector and the inclusive development of agricultural sector value chains.

### Description

The components of PAPMV-II are:

The first component, "Promotion of green governance in the agricultural sector", will help to: (a) strengthen the legal, regulatory and institutional framework of green governance in the agricultural sector (through adoption by the Council of Ministers of the National Sustainable Development Strategy and forwarding to the SGG of the bill to amend the Water Law); (b) operationalize green governance in the agricultural sector (through the development of a PPP project bank); and (c) ensure natural resource monitoring and evaluation with a view to their sound management and preservation (by institutionalizing the six regional environmental and sustainable development observatories). These measures will, among others things, allow for the conservation of an additional 250 000 m<sup>3</sup> of water in 2016 and reconversion of 312 000 ha to localized irrigation in 2016.

The second component, entitled "Inclusive development of agricultural sector value chains", will help to: (a) structure value chains (through the publication in the Official Gazette (OG) of the implementing decrees of the law on agricultural aggregation or the launching of Souss Agropolis activities);

(b) upgrade value chains (through the launching of integrated platforms such as the Casablanca Zoopolis and the Meknès Qualipolis, and the signing of management agreements with stakeholders, OG publication of the implementing decree of the law organizing the profession of private agricultural adviser); and (c) ensure the inclusive mobilisation of vulnerable stakeholders (youths and women). These measures will attract an additional MAD 1 200 million in private investments for programme contracts in the sector in 2016, and create 3 300 jobs for youths and women in 2016.

### Expected Outcomes

The programme envisages: (i) the validation of a strategic guidance note to enforce the Nagoya Protocol; (ii) the creation and registration at OMPIC of the collective trademark called "Terroir du Maroc"; (iii) the broadening of the comprehensive climate insurance product to include all arboreal sub-sectors and provinces, and the launching of a pilot parametric insurance project; (iv) the design of an ecological agriculture sub-sector development strategy and the launching of pilot activities; (v) the raising of the Tamwil El Falleh ceiling from MAD 100 000 to MAD 200 000 to promote the financial inclusion of smallholders of both sexes; (vi) the preparation of a Young Agricultural Entrepreneurs (JEA) incubator concept and a JEA guide; (vii) the creation of a budget item on gender in the investment budget of the Ministry of Agriculture under the 2015 Appropriations Act; and (viii) the finalisation of a gender mainstreaming strategy study in the agricultural sub-sectors (capitalizing on the outcomes of the diagnostics conducted under PAPMV-1). The implementation of these measures will specifically help to: (i) define a framework for protecting and valuing the intangible assets of farmers of both sexes; (ii) strengthen the inclusion and resilience of smallholders of both sexes; and (iii) strengthen youth and women's integration in PMV.

## Technical Support for & Irrigation Infrastructure Development



High-Fives



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

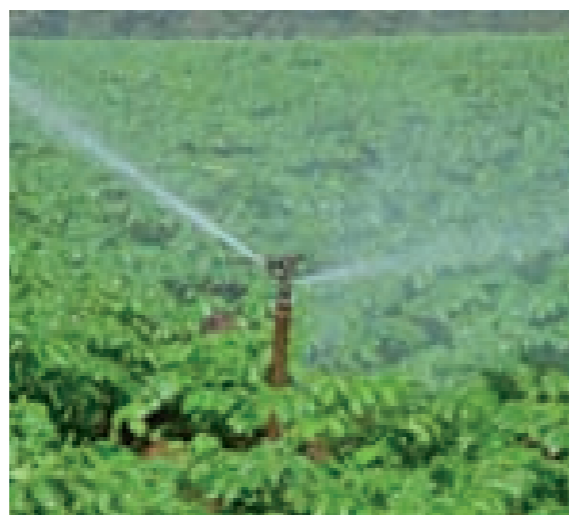
The main project components are:

- 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)



High-Fives



<b>ADB Grant Amount (MIC TAF)</b>	UA 497 200
<b>Approval Date</b>	January 2012
<b>Expected Completion Date</b>	October 2015
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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



High-Fives



<b>ADB Grant Amount</b>	USD 150,000
<b>(Assistance Fund for South-South Cooperation)</b>	
<b>Approval Date</b>	December 2012
<b>Expected Completion Date</b>	April 2015
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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.

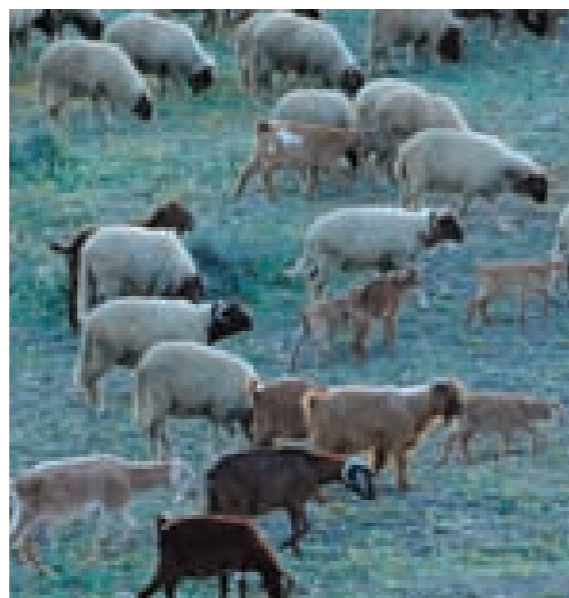
### Description

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



High-Fives



<b>ADB MIC Grant Amount</b>	UA 0.480 million
<b>Co-Financiers</b>	CDVM
<b>Approval Date</b>	October 2010
<b>Expected Completion Date</b>	June 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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:

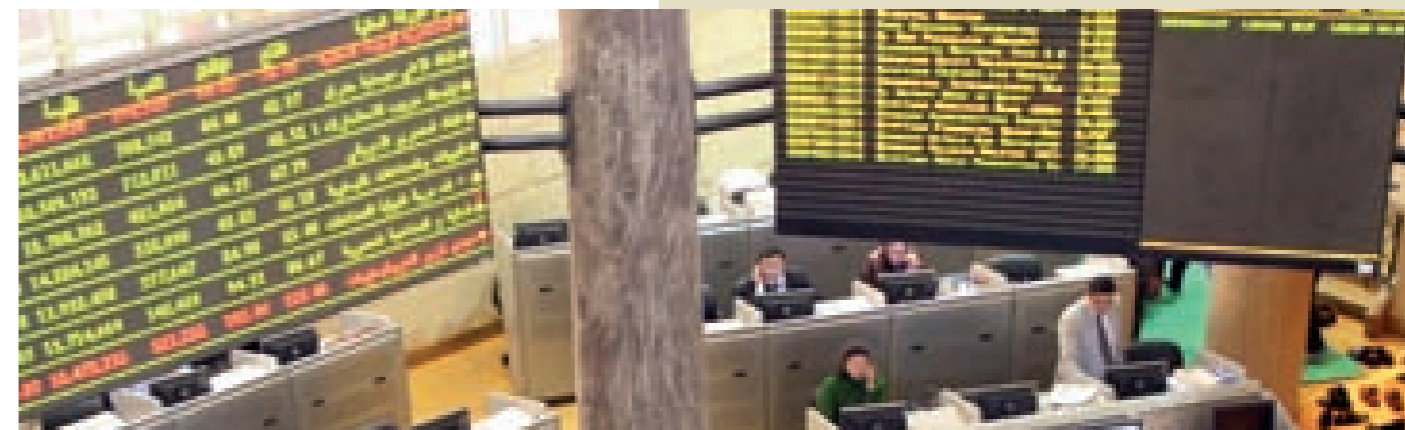
- Studies and recommendations on information management;

- 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:

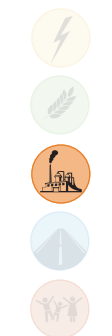
- The effective management of the information system and improved knowledge of information crucial to DCVM;
- The Strengthening of CDVM in the development of domestic markets alongside improved social responsibility and the establishment of its position as a guarantor of market integrity.



## PADESFI III



High-Fives



<b>ADB Loan Amount</b>	€ 100 million
<b>Approval Date</b>	October 2014
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Economy and Finance

### Background and Objectives

PADESFI III is an extension of PADESFI I and II, approved by the Bank in 2009 and 2011. The outcomes of the previous programmes were positive, notably with the increase in the population's banking access rate from 35% in 2009 to 64% in 2014, and a doubling of credit to SMEs/VSEs over the same period. Moreover, these outcomes were achieved within a healthier financial governance context, especially with a reduction in the risk portfolio in the micro-credit sector.

The goal of PADESFI-III is to create the required conditions for inclusive economic growth by consolidating the financial sector and fostering broader financial inclusion. Its specific objective is to strengthen financial sector development, particularly by improving access of the population and enterprises to financial services, deepening the sector and strengthening its governance.

### Description

The Program is based on four pillars:

- Improved access to financial services for the population;
- Improved access to financing for enterprises, especially VSMEs;
- Enhancement of the financial sector governance mechanism; and

- Deepening of the capital market.

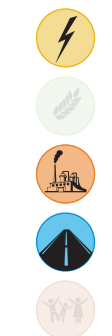
### Expected Outcomes

- Improved student access to financial services with notably: (i) virtually all scholarship students issued the Al Barid Bank credit card called "MINHATY", by end-2014, enabling them to receive their grants from the Bank, among other operations; (ii) the doubling of the number of students using the CCG "Enseignement Plus" banking service to obtain loans to finance their studies;
- Increased access of the population to mobile banking services with over 150 000 beneficiaries within less than a year of the launch of the "Mobile banking" product by Al Barid Bank;
- The population's increasing access to banking services, which rose to 57% in 2012 and 64% in 2014 from 35% in 2009;
- Stabilization of the predominance of women among microcredit beneficiaries with a credit stock representing 55% of the total;
- Promotion of women's entrepreneurship: more than 200 female promoters of VSME projects have had access to credit through the new guarantee product known as "Ilayki", specifically dedicated to women promoters of micro-businesses, within less than a year of the product's launch.

## Argan Infrastructure Fund



High-Fives



<b>ADB Loan Amount</b>	UA 13.78 million (Investment Fund)
<b>Approval Date</b>	February 2010
<b>Expected Completion Date</b>	December 2018
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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.



## Project to Support the Strengthening of the National Guarantee System (PARSNG)

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

<b>ADB MIC Grant Amount</b>	UA 464 988 (about EUR 539 300)
<b>Approval Date</b>	January 2011
<b>Expected Completion Date</b>	June 2014
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Central Guarantee Fund (CCG)

<b>ADB MIC Grant Amount</b>	UA 536 976
<b>Co-Financiers</b>	Department of the Treasury and External Financing to the tune of UA 180 872
<b>Approval Date</b>	September 2012
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Department of the Treasury and External Financing

### Background and Objectives

As part of the Financial Sector Development Support Programme (PADESFI) supported by the Bank, the Government initiated a number of key reforms, including those aimed at improving the efficiency of the national guarantee system. In this context, the CCG was selected as sole player of the guarantee system.

In coping with its new responsibilities as the sole player of the national guarantee system in Morocco, the CCG continues to face a twofold constraint: (i) the weakness of its information system; and (ii) the weakness of its risk management system. Hence the need to provide the CCG with:

- A modern and integrated information system that is:
  - able to cover all the products and support customer-oriented business processes;
  - able to support the various phases which the CCG intervention portfolio undergoes; and
  - open to partners and customers in order to facilitate exchanges between stakeholders on the basis of electronic documents; and
- A comprehensive risk management system akin to that in banks, in order to have better risk control and ensure the sustainability of the system.

### Description

In this context, the project's overall objective is to improve access to finance for SMEs and the target

population by strengthening the national guarantee system. Its specific objectives are to: (i) modernize the CCG information system through a complete overhaul and to broaden its scope to cover all products and their life cycle; and (ii) improve and extend the overall system for managing the risks faced by the CCG in its guarantee operations.

The project has two interrelated components: (i) the first one relates to the overhaul and modernization of the information system; and (ii) the second to the improvement and extension of the overall risk management system, and its integration into the information system.

### Expected Outcomes

- Share of private investment in GDP increased from 10.5% in 2010 to 12% in 2014;
- 31 592 beneficiaries supported (including individuals and businesses) in 2014, compared with 20 000 in 2010, representing a surge of approximately 58%;
- Average time required to process a guarantee request was halved from two weeks in 2010 to one week in 2014; and

Satisfaction survey conducted in the first half of 2013 on the services delivered by the CCG revealed a 96% banking satisfaction rate.

### 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

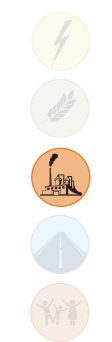
The expected outputs of the project in the short term are:

- 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.

## Monetary and Financial Code Preparation Support Project (P - COMOFIM)



High-Fives



<b>ADB MIC Grant Amount</b>	UA 489 258 (about EUR 600 000)
<b>Co-Financiers</b>	Department of the Treasury and External Financing to the tune of UA 180 872
<b>Approval Date</b>	September 2012
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Department of the Treasury and External Financing

### Background and Objectives

Since the early 1990s, Morocco's financial sector has been subject to a far-reaching reform process with the support of technical and financial partners, including the Bank (PASFI and PADESFI). These reforms, carried out through successive tinkering, led to the proliferation of legal and regulatory instruments governing the sector. As a result, the body of legislation applicable to the Moroccan financial sector currently comprises widely scattered instruments dating from various periods. This makes the legislation not only inaccessible but also unintelligible. Thus, certain areas of the financial sector are governed by instruments such as the Trade Code, foreign exchange regulations, legislation relating to limited liability companies, etc. Hence the need for clarification and coherent pooling of instruments governing the sector, particularly its banking and capital market components.

The overall objective of the project is to strengthen governance of the capital market by improving the accessibility and quality of the financial sector regulation mechanism. Its specific objectives are to: (i) improve the accessibility, intelligibility and security of the law governing banking and financial activities; (ii) streamline and clarify the legal framework governing the financial sector; (iii) facilitate fundamental sector reforms; and (iv) support changes in the Casablanca Financial Centre, in terms of regulation—a crucial factor in burnishing its appeal.

### Description

The P- COMOFIM will be implemented in three successive phases: (i) fundamental choices; (ii) technical preparation; and (iii) COMOFIM delivery.

The implementation of this project should: (i) strengthen the transparency, availability and relevance of information on the legislative and regulatory framework of the financial sector; (ii) lead to the efficiency and effectiveness of financial centre control; and (iii) strengthen the attractiveness of the Moroccan financial sector, notably in the context of the CFC Project, which will increase the visibility and legibility of the financial sector for potential investors.

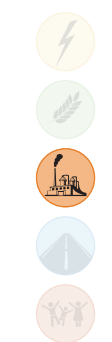
### Expected Outcomes

- The contribution of the Casablanca Finance City to the economy should increase from 0% of GDP in 2012 to 1% of GDP in 2015; and
- The contribution of the financial sector to the economy should increase from 5.9% of the overall value added in 2011 to 7% of the overall value added in 2015.

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



High-Fives



<b>ADB Grant Amount (KOAFEC)</b>	USD 300 000
<b>Approval Date</b>	April 2015
<b>Expected Completion Date</b>	September 2016
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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.





## Support to the National Dialogue with Civil Society



High-Fives



<b>ADB TFT Grant Amount</b>	€ 341,600
<b>Approval Date</b>	December 2013
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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.

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

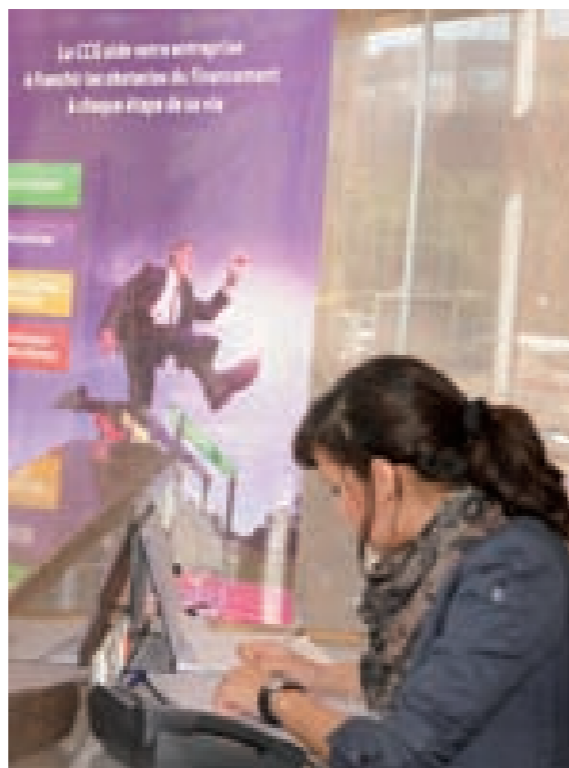
### Description

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:



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



High-Fives



<b>ADB TFT Grant Amount</b>	€ 174 600
<b>Approval Date</b>	February 2014
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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.

- 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.

### 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;



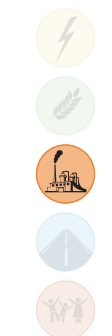
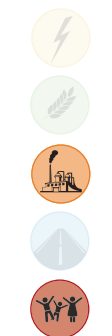
## Project to Support the Establishment and Operationalization of a Monitoring and Analysis Structure for Better Coordination of Public Action by the Office of Head of Government

## Grant for Financing the Project to Support the Preparation of the Strategic Study on the Department of the Treasury and External finance



High-Fives

High-Fives



<b>ADB Grant under the MIC Fund</b>	UA 799 200
<b>Approval Date</b>	July 2016
<b>Expected Completion Date</b>	July 2018
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Office of the Head of Government

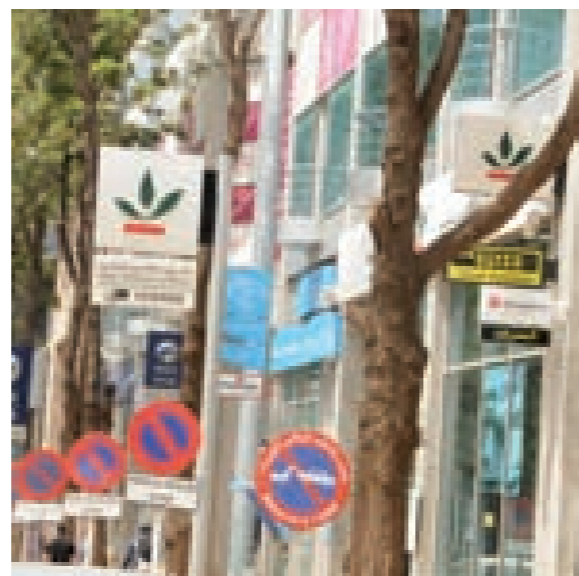
<b>ADB Grant under the MIC Fund</b>	UA 797 600
<b>Approval Date</b>	July 2016
<b>Expected Completion Date</b>	July 2018
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Economy and Finance

### Background and Objectives

The project aims to support the Office of the Head of Government in the establishment and operationalization of an internal structure tasked with providing insights and opinions on key issues related to the national economy and economic policies that are submitted to it by the Head of Government. More specifically, the project aims to: (i) monitor and analyse the indicators of the Moroccan economy in coordination with various national bodies; (ii) carry out research and analysis in the economic, social and environmental sectors, with a view to informing policymakers on key reforms to be implemented; (iii) monitor public policy implementation, identify potential problems and propose appropriate solutions; (iv) ensure strategic monitoring in the economic and financial spheres; and (v) facilitate dialogue between the various components of the sector, private operators, academia and civil society on key issues of the Moroccan economy.

### Expected Outcomes

- The capacity of women will be strengthened to enable them to consolidate their positioning in the municipal and regional electoral process;
- The capacity of women will be strengthened to enable their effective and efficient participation in the management of local affairs; and
- The population in general and young people in particular are aware of the importance of women's participation in politics and the management of local affairs.



### Description

The project comprises three components:

- Identification of practical modalities for monitoring the structure and its action plan;
- Mobilization of specific expertise for operationalization of the new structure; and
- Communication.

### Background and Objectives

The project's objective is to support Moroccan authorities by conducting a strategic study for re-engineering the organizational and operational process of the Department of the Treasury and External Finance (DTFE) with a view to optimizing its resources and ensuring greater efficiency and effectiveness in discharging its tasks.

- Optimize and clarify the areas of intervention and working procedures;
- Assess and improve the file processing procedure; and
- Promote coordination between sub-structures and the various relevant departments of the Ministry of Economy and Finance.

The establishment of a system for the forward-planning of jobs and skills in the DTFE will seek to:

- Tailor training programmes and recruitment criteria to the needs DTFE services;
- Revitalize the mobility mechanism; and (iii) prepare for succession.

### Description

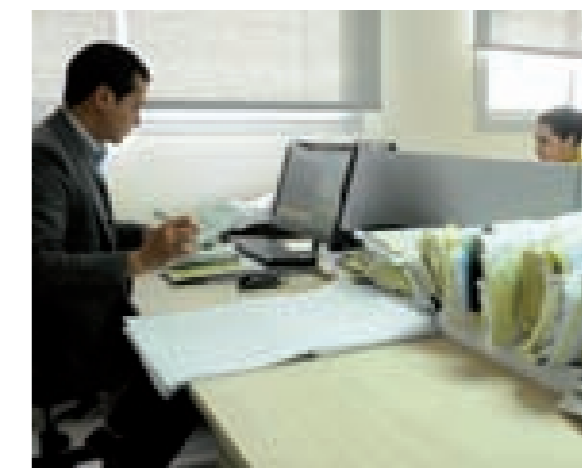
The project comprises five components:

- Project management: crosscutting support of the DTFE;
- Preparation of the new DTFE organizational structure;
- Deployment of tools for the forward-planning of jobs and skills within the DTFE;
- Change support actions; and
- Communication and dissemination.

### Expected Outcomes

More specifically, the reorganization of DTFE structures aims to:

- Support all tasks performed by the Department;



# Tunisia



Membership year	1964
Start of lending operations	1968
Number of AfDB operations approved, 1967-2015	136
Subscribed capital, in (%) as of December 2015	1.408
Number of approved and ongoing operations	37
Total commitments on ongoing operations (in UA million)	1.202

## Republic of Tunisia

### Recent Developments<sup>1</sup>

The year 2015 was marked by a growth rate of 0.5% (as against 2.3% the previous year) despite a 3% forecast in the 2015 Finance Law. This poor performance is mainly due to the decline in non-manufacturing production in the first quarter of 2015, particularly a decline in production in the hydrocarbon sector and virtual stoppage in phosphate production in the central region of the country as a result of social conflicts. This decline was only partially offset by growth in the agriculture sector, non-commercial services, and the manufacturing industry. Meanwhile, the traditional tourism sector, which generates foreign exchange and jobs (400,000 direct and indirect jobs, 7% of GDP), recorded a sharp drop in activity, with about 35% decline in tourism revenue, compared to 2014.

Tunisia must therefore face major challenges, such as unemployment and reducing regional disparities within a context of weak economic performance and significant macroeconomic imbalances. Despite a slight decline mainly due to recruitment in the public service, unemployment remains high, with an average rate of 15% in 2015. Unemployment is still higher among women (21.1%) than men (12.5%), and particularly high among higher education graduates (31.4%). Furthermore, regional disparities persist and are mainly due to the low public investment rate and inadequate institutional capacity of the decentralized and devolved administrations. Administratively centralized but economically polarized, Tunisia suffers from economic and social inequalities between the regions. The country is characterized by the concentration of activities in the coastal areas, coupled with metropolization. A gap has been created between coastal cities and smaller towns in the hinterland and, to a lesser extent, between urban and rural areas, with the North-West, Centre-West and

South regions suffering most from these inequalities. The results of the last population census conducted in 2014 show that in terms of equipment and road infrastructure, health and leisure services, Kasserine, Sidi Bouzid, Gafsa, Jendouba, Kebili and Kairouan governorates lag behind the national average, the coastal governorates average, and even the hinterland average.

The slow growth of the Tunisian economy in 2015 is mainly due to the deteriorating security situation and persistent economic and social difficulties. Social unrest, especially in the mining basin, and the deterioration of the security situation have severely impacted economic activity. Consequently, due to the significant negative basic effect in 2015, the economic outlook for 2016 and 2017 is modest, with growth forecasts of 2.0% and 2.4% respectively. The early months of 2015 were marked by continued decline in the overall industrial production index (-1.8% as against -1.2% in 2014). This trend is reflected in slower decline in energy production (-4.2% as against 7% in 2014), steady drop in mining production (-39% as against -35.6% in 2014), and decline in the production of manufacturing industries (-0.2%), particularly the chemical industries and, to a lesser extent, the textile industry, as well as mechanical and electronic industries.

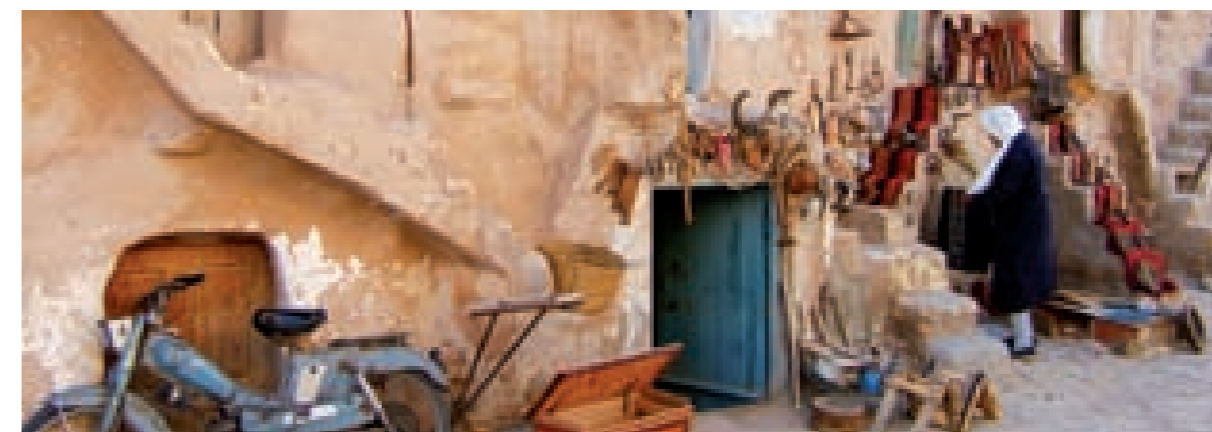
The trends in the service sector are mixed. While a negative growth was recorded in the tourism and transport sectors, standing at 15% and -6% respectively in the third quarter of 2015, the telecommunication and financial services sectors recorded positive growth rates of 7.8% and 3.3% respectively. The agriculture sector benefited from rising cereal production and a good harvest of olives and dates. Growth in 2015 was mainly driven by consumption, which is expected to continue being

the main growth driver in Tunisia in 2016 and 2017. It benefited from government measures, with salary increases in the public and private sectors, accessible consumer credit and a relatively moderate inflation rate of about 5%. The investment rate is expected to stand at 18.5% of GDP, as against 21.9% in 2014, despite resumption of foreign direct investment (FDI) in the 2nd quarter 2015, the effect of which should, however, be nuanced taking into account the strong basic impact and depreciation of the dinar. In the medium term, the resumption of investment will necessarily depend on an improvement of the domestic and regional (Libya) security situation and accelerated implementation of reforms. In such a case, the most optimistic scenario developed by the government projects an investment rate of 22% over the 2016-2020 period, while the most pessimistic scenario projects a rate of 15.3%.

The budget deficit stood at 4.2% of GDP in 2015, as against 4.4% in 2014. Such consolidation is due to reduction of subsidies in the budget, facilitated by the decline in international oil prices. However, the reduced deficit was offset by the retrospective payroll increase in May 2015 under union pressure, as well as lower yield than expected tax revenue. Within this context, the composition of public expenditure and its effectiveness for growth remains a cause for concern. Indeed, since the revolution, the significant increase in public expenditure has mainly concerned current expenditure and particularly the payroll which has almost doubled in five years to 13% of GDP, whereas the capital budget is under-executed and subject to frequent downward adjustments. However, the Tunisian authorities expect a return to a surplus primary balance as from 2020.

Faced with a fragile economic performance and limited fiscal space, the flexibility of the government in the fight against unemployment is narrow. In 2015, it remained high and reached 15% of the active population. Unemployment remains higher among women (21.1%) than men (12.5%) and is particularly high among higher education graduates (30%). Moreover, economic prospects remain highly dependent on the government's ability to improve the security and social climate. In its Guidance Note published in September 2015 in preparation for the Strategic Development Plan (SDP) 2016-2020 being finalized, the Tunisian government expects an annual growth of 3% of GDP and 4% in 2016 and 2017 and a return to potential growth (4.5%) in 2018. However, uncertainties in regard to security, the lack of movement on priority structural reforms and the deteriorating political climate coupled with a negative base effect marked by the entry of Tunisia into recession from the second quarter 2015 are expected to ultimately generate a lower than the government projections estimated at 2% in 2016 and 2.4% in 2017. However, due to lower oil prices the fiscal consolidation and improvement in the current account should continue in 2016 and 2017 and inflation continue to recede.

The economic transition remains the main challenge currently Tunisia and its success seems closely related to the decentralization process including the holding of municipal elections in 2016, which should contribute to the promotion of local democracy, a key to the success of a participatory and sustainable urban planning, promoter of investments and of economic development

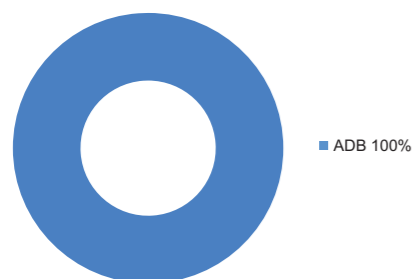


<sup>1</sup> This section is drawn from the 2016 African Economic Outlook.

## 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.

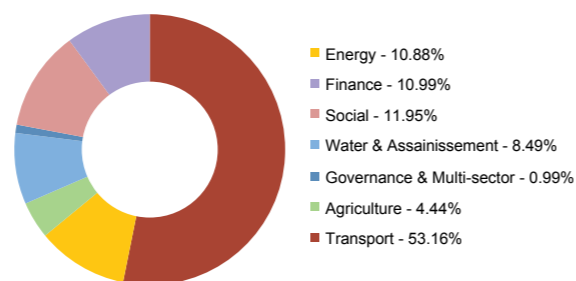
**Figure 6.23: Cumulative Bank Group Loans and Grants by Institutions in Tunisia (1968 – 2015)**



Over the 1968- 2015 period, the Bank Group approved 136 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%).

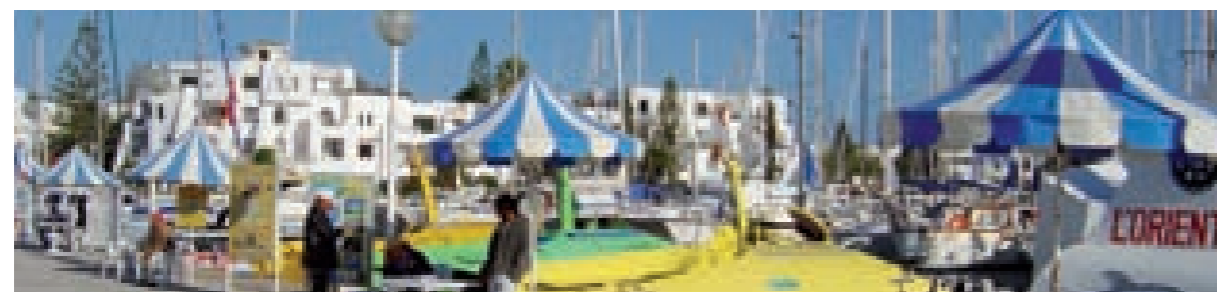
**Figure 6.24: Portfolio by sector in Tunisia (December, 2015)**



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.

At 31 December 2015, the Bank's active portfolio comprised thirty-seven (37) operations including eighteen (18) projects funded from ADB loans totaling 1,185,492 448.34 UA and nineteen (19) technical assistance for a total amount of UA 17 million of which thirteen (13) operations financed from the technical Assistance Fund for middle income



countries (FAT / PRI), five (5) operations financed from the Fund for the transition in North Africa and the Middle East (FTANMO), one (1) transaction funded from the FAPA and an operation financed by the African water Facility (AWF). The total net commitments under the active portfolio, amounted to UA 202.5 million 1.

The public sector represents 80.88% of all ongoing operations, 0.75% of which are technical assistance operations and the private sector (19.12%). The infrastructure sector mobilizes over 70% of resources allocated to the social sector portfolio with support for reforms in the regions (11.95%), followed by agriculture (4.44%), and governance and multisector operations (0.99%). The implementation rate stood at 66.57% at end December 2015 and a score of 2.60 out to 3 was awarded to the active portfolio; which indicates 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.

### Light up & Power Africa

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.

### Feed Africa

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 Zaghuan IADP and the evaluation of the IADP approach.



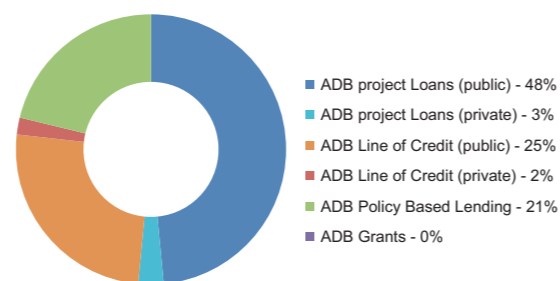
Transport plays a major role in the Tunisian economy. It contributes 6% of Gross Domestic Product (GDP) and creates almost 140,000 direct jobs, i.e. over 4.5% of the employed labour force. Tunisia's Tenth and Eleventh National Development Plans gave a key role to the transport sector with a view to promoting 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.



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.

**Figure 6.25: Cumulative ADB Loans and Grants by Instruments in Tunisia (1968 – 2015)**



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 Zarat 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).

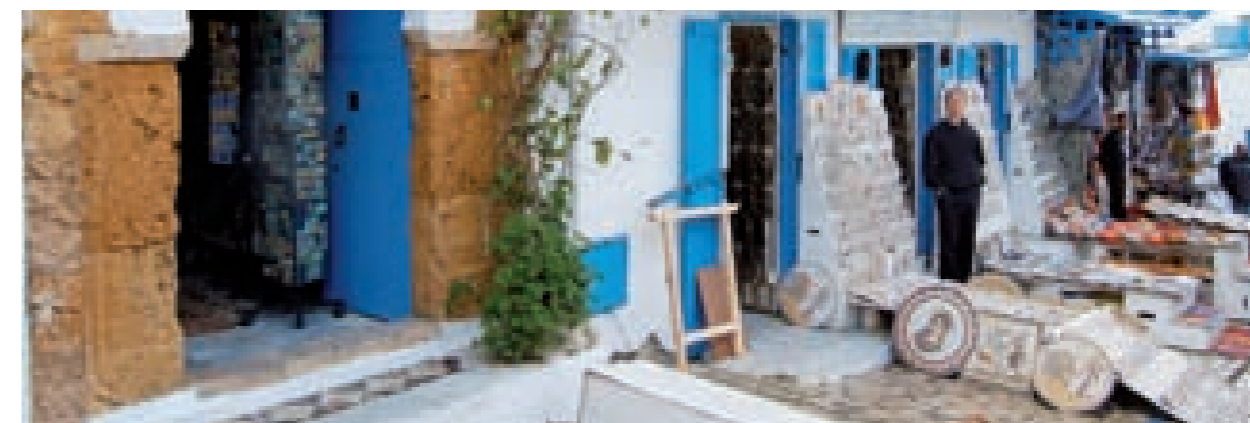
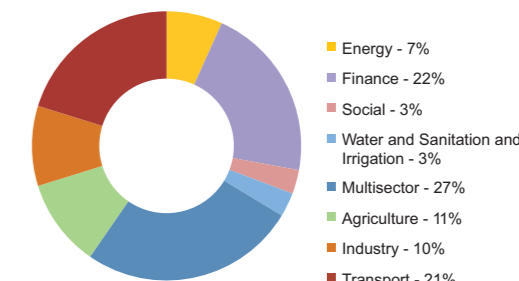
Since 1968, the Bank has regularly approved support for the development of health education in Tunisia.

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 6.26: Cumulative Bank Group Loans and Grants by Sector in Tunisia (1968 – 2015)**



## 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.



# Achieving the High-Fives in Tunisia

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
Road Project V ADB Loan Amount UA 162.50 million				●	
Road Project VI ADB Loan Amount UA 206 million				●	
Highway Project Gabes-Medenine-Ras Jedir ADB Loan Amount UA 118.04 million				●	
Road Safety Strategy ADB MIC Grant Amount UA 1 million				●	
Study of the National Transport Master Plan for 2040 ADB Grant Amount UA 0.8 million				●	
Road Infrastructure Modernization Project Amount of AfDB loan EUR 144 million				●	
Electricity Distribution Networks Rehabilitation and Restructuring Project ADB Loan Amount UA 42.34 million	●				
Water Sector Investment Project Phase 2 (PISEAU II) ADB Loan Amount € 22.91 million					●
Support for the Programme to Strengthen Drinking Water Agricultural Development Cooperatives (GDA) ADB MIC Grant Amount UA 587,138		●			●
Gafsa Integrated Agricultural Development Project ADB Loan Amount UA 19.19 million		●			
Preparatory Study of the 500km of Rural Feeder Roads ADB MIC Grant Amount UA 0.79 million		●		●	
Integrated Agricultural Development Project (IADP) of Gabes II ADB Loan Amount UA 18.2 million		●			
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)		●			
Support Programme for Regional Development and Job Creation (PADRCE) Amount of AfDB loan UA 160 million			●		●
Programme to Build Tunisia's Managerial Capacity to Support the Transition ADB MENA Grant TF UA 1 million			●		●
Operationalisation of Public-Private Partnerships ADB MIC Grant Amount UA 1.4 million			●		
Support to Improve Implementation of AfDB Projects in Tunisia TFT Grant Amount UA 0.33 million	●	●	●	●	●

Projects	Light up & power Africa 	Feed Africa 	Industrialize Africa 	Integrate Africa 	Improve the quality of life for the people of Africa 
E-Government and Open-Government Implementation Support Project ADB MIC Grant Amount UA 0.68 million			●		●
Projet ETAP-Nawara ADB Loan Amount UA 50 million	●		●		
Project to Increase Internal Resource Mobilisation by Improving Tax System Efficiency and Enhancing Transparency MENA TF Grant Amount UA 1.92 million			●		●
Support for the Souk At-Tanmia II Initiative TFT Grant Amount € 1 975 102.06			●		●
Support to the Holistic Social Business Movement of Tunisia ADB TFT Grant Amount UA 0.22 million			●		●
Evaluation of the Performance of the Tunisian Social Welfare System and the Challenges of Informality TFT Grant Amount UA 0.22 million					●
SME Apex Facility Line of Credit ADB Loan Amount UA 32.11 million			●		
SME Support Project, Backed by the Small and Medium-Sized Enterprises Financing Bank (BFPME) FAPA Grant Amount UA 0.62 million			●		
Project in Support of the Operationalization of the Public Procurement Reform Action Plan ADB MIC Grant Amount UA 0.53 million			●		
SINEAU AWF Grant Amount € 1.973,000					●
Treated Wastewater Quality Improvement Project ADB Loan Amount UA 28.19 million					●
Rural Drinking Water Supply Program (RDWS) ADB Loan Amount UA 85.2 million					●
Study for the Protection Against Floods in Greater Tunis ADB MIC Grant Amount UA 0.58 million					●



## Road Project V



High-Fives



<b>ADB Loan Amount</b>	UA 162.50 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	May 2008
<b>Expected Completion Date</b>	June 2017
<b>Location</b>	All 24 of the country's Governorates, with the exception of Kasserine, Gafsa, Kebili, Tataouine and Tozeur
<b>Executing Agency</b>	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 70km/km<sup>2</sup> and 12,600 km of paved roads, the national classified road network serves all the Governorates of the country and provides links with neighbouring countries. This network accounts for virtually all movements of persons and 80% of the transportation of goods.

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

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

To further consolidate these achievements the project will also upgrade the road infrastructure with a view to ensuring a safer, more efficient, high quality transport system. Specifically the project's objective is to improve the level of service of the classified road network so as to intensify intra and inter regional trade and improve

the accessibility of the country's principal development poles.

### Description

The project comprises four main components:

- Developmental road works to be carried;
- Rehabilitation works;
- Strengthening works; and
- Constructions works.

### Expected Outcomes

The project intends to:

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



## Road Project VI



High-Fives



<b>ADB Loan Amount</b>	UA 206 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	September 2010
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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 11<sup>th</sup> 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

## Road Safety Strategy



High-Fives

High-Fives



<b>ADB Loan Amount</b>	UA 118.04 million
<b>Co-Financiers</b>	Japanese International Cooperation Agency and the Government of Tunisia
<b>Approval Date</b>	June 2011
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	South East Tunisia
<b>Executing Agency</b>	Société Tunisie Autoroutes and the Tunisian Government

<b>ADB MIC Grant Amount</b>	UA 1 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	September 2013
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Countrywide
<b>Organe d'exécution</b>	Ministry of Internal Affairs

### Background and Objectives

### Expected Outcomes

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.

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.

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.



### Background and Objectives

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.

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).

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.

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 Government requested the Bank to finance a strategic study on road safety in Tunisia.

### 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.

### Description

The objective of the study is to develop Tunisia's institutional capacity with a view to reversing the spike in

# Study of the National Transport Master Plan for 2040



High-Fives



<b>ADB Grant Amount</b>	UA 0.8 million
<b>Approval Date</b>	July 2014
<b>Expected Completion Date</b>	December 2016
<b>Organe d'exécution</b>	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.



# Road Infrastructure Modernization Project



High-Fives



<b>Amount of AfDB loan</b>	EUR 144 million
<b>Amount of AGTF grant</b>	USD 509 million
<b>Amount of TSF/MIC grant</b>	UA 1.2 million
<b>Co-financiers</b>	Government (50%)
<b>Approval date</b>	October 2015
<b>Expected Completion Date</b>	December 2020
<b>Location</b>	Governorates in the hinterland (West, Centre-West)
<b>Executing Agency</b>	Ministry of Equipment, Housing and Regional Development

## Background and Objectives

Since the 2011 revolution, the country has made significant progress towards establishing a new continuous, inclusive and sustainable development model. However, it is clear that reducing regional disparities and improving living conditions in the poor areas will constitute the two main pillars of the new strategy. Thus, to support the strong economic and social growth projected for the country, infrastructure improvement is essential for boosting trade by developing poorly serviced destinations and helping to reduce transport costs. To that end, the Government intends to implement a large-scale road network upgrading programme of which this project forms part. The investment requirements for this programme by 2030 are estimated at TND 30 billion or EUR 14 billion. Funding for the priority phase of the programme, amounting to TND 2.13 billion, will be provided by four donors, including the Bank.

## Description

The Road Infrastructure Modernization Project (PMIR) completes the Tunisian classified road network upgrading actions undertaken since the late 1990s. It seeks to rehabilitate 719 km of classified roads, of which the largest portion is in the hinterland Governorates (West, Centre-West and North-West), which unlike the coastal regions have less economic infrastructure. The PMIR is also intended to upgrade some structures on the classified network to make them more resilient to climate change, as well as ensure that their characteristics are consistent with the expected service level and traffic on the network.

The PMIR, using its national counterpart contribution, will finance the periodic maintenance of 2,500 km of classified roads that had been upgraded under previous road projects financed by the Bank (AfDB II, AfDB III, and AfDB IV), the Government, and

other donors over the past few decades. The roads, with an average age of 10 to 15 years, have been subject to regular routine maintenance since their commissioning, and now require renewal or reinforcement of their surface to extend their lifetime. The PMIR, using a grant, also supports efforts towards modernizing the management of the road network in Tunisia through a road sub-sector upgrading study for the commercialization of road management and sustainability of financing its maintenance. It also finances the preparation of a pavement design catalogue for Tunisia taking into account the climatic conditions of the country and the available construction materials.

The purpose of PMIR is to improve the quality of the classified road network and traffic conditions for users in the targeted areas. Its sector goal is to contribute to promoting an efficient and good quality transport system so as to support growth and create favourable conditions for greater export competitiveness.

The PMIR is part of the priority programme to upgrade the road network in Tunisia. Its implementation will improve the mobility of users on the classified road network by reducing transport constraints due to the narrow gauge of the carriageways and their structural condition. Furthermore, its implementation will contribute to safeguarding the existing road network, while promoting intra and inter-regional trade and reducing regional social disparities. Lastly, it will help to reduce accidents and improve road infrastructure resilience to climate change.

## Expected Outcomes

The project intends to:

- Improve the service quality;
- Save energy; and
- Reduce the environmental impact of electricity distribution.

# Electricity Distribution Networks Rehabilitation and Restructuring Project



High-Fives



<b>ADB Loan Amount</b>	UA 42.34 million
<b>Co-Financiers</b>	The Tunisian Government/Tunisian Electricity and Gas Company
<b>Approval Date</b>	July 2009
<b>Expected Completion Date</b>	July 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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 11<sup>th</sup> 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.



# Water Sector Investment Project Phase 2 (PISEAU II)



High-Fives



<b>ADB Loan Amount</b>	€ 22.91 million
<b>Co-Financiers</b>	AFD, WB, Various grants, Tunisian Government
<b>Approval Date</b>	March 2008
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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:

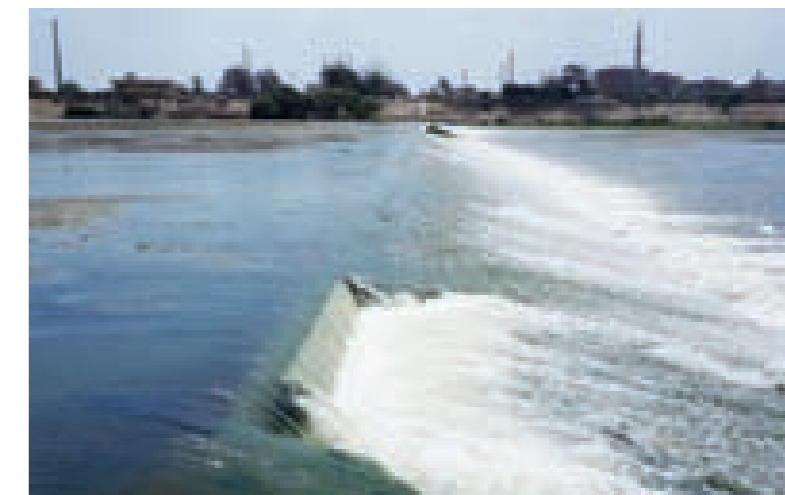
- Developing and strengthening irrigation management in the project area;
- Establishing and rehabilitating drinking water supplies;
- Developing underground water management;
- Establishing and monitoring an environmental protection system; and

- 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)



High-Fives



<b>ADB MIC Grant Amount</b>	UA 587,138
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	October 2009
<b>Expected Completion Date</b>	September 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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 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.



## Gafsa Integrated Agricultural Development Project



High-Fives



<b>ADB Loan Amount</b>	UA 19.19 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	February 2013
<b>Expected Completion Date</b>	June 2019
<b>Location</b>	Gafsa
<b>Executing Agency</b>	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;



## Preparatory Study of the 500 km of Rural Feeder Roads



High-Fives



<b>ADB MIC Grant Amount</b>	UA 0.79 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	December 2013
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Zaghouan, Beja, Jendouba, le Kef, Silina, Kairouan Sidi Bouzid, Kasserine, Gabes
<b>Executing Agency</b>	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.

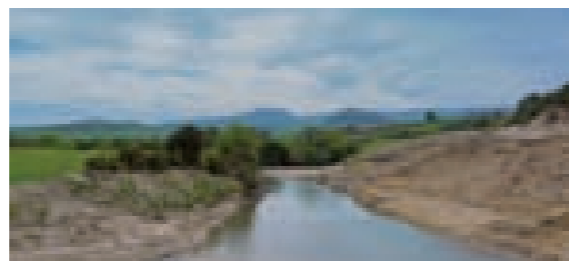
The project components are:

- 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



High-Fives



<b>ADB Loan Amount</b>	UA 18.2 million
<b>Approval Date</b>	November 2014
<b>Expected Completion Date</b>	December 2019
<b>Executing Agency</b>	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



High-Fives



<b>ADB Grant Amount</b>	UA 0.39 millions (MIC TAF)
<b>Approval Date</b>	October 2014
<b>Expected Completion Date</b>	June 2017
<b>Executing Agency</b>	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:

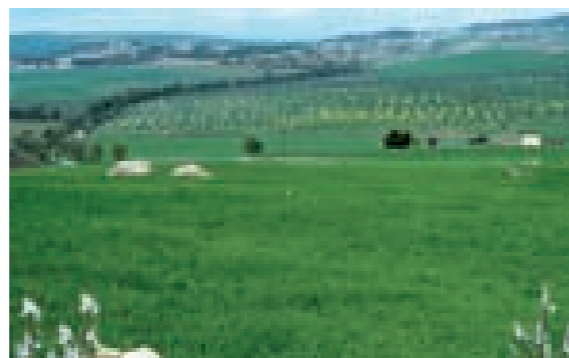
- The evaluation of the IADP experience;
- The study of the possibilities of promoting organic agriculture;
- The development of studies related to infrastructure IADP Zaghouan: they will be carried out in two phases and will (i) to study the feasibility and profitability of infrastructure and facilities 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; (li) a preliminary design study of infrastructure projects; (lii) infrastructure detailed designs included in the Projects and tender documents for the execution of works; (lv) a study of the project baseline.



## Support Programme for Regional Development and Job Creation (PADRCE)



High-Fives



<b>Amount of AfDB loan</b>	UA 160 million
<b>Co-financiers</b>	European Union
<b>Approval Date</b>	September 2015
<b>Expected Completion Date</b>	-
<b>Location</b>	Hinterland regions
<b>Executing Agency</b>	Ministry of Investment Development and International Cooperation

### Background and objectives

PADRCE seeks to contribute to accelerated and inclusive growth in Tunisia through regional development and establishment of an enabling environment for investment and job creation.

agreements with vocational training; and (vi) the women who will benefit from microfinance activities and the 235,000 families receiving social assistance. The indirect beneficiaries are the Tunisian population, who will, in particular, benefit from the reduced regional disparities.

### Description

PADRCE has three mutually supporting pillars:

- (i) regional development and local governance;
- (ii) skills development and improved quality of the workforce; and
- (iii) support for boosting the private sector and promoting MSMEs.

### Expected Outcomes

The beneficiaries of the direct PADRCE impacts are:

- (i) the hinterland regions, (ii) the 58,000 annual higher education graduates, 66% of whom are girls, as well as vocational training graduates who have projects, (iii) the 108,000 young people without qualifications or activities, 83% of whom are women (ILO, 2013); (iv) the 11 000 SMEs and domestic and foreign investors who will benefit from the improved business climate and quality of labour; (v) the vocational sectors that will sign partnership



## Programme to Build Tunisia's Managerial Capacity to Support the Transition



High-Fives



<b>ADB MENA Grant TF</b>	UA 1 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	May 2013
<b>Expected Completion Date</b>	June 2017
<b>Location</b>	Countrywide
<b>Executing Agency</b>	President of the Government

### 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.

- Preparation of the pilot programme for Level 1 training;
- Evaluation of the pilot programme for Level 1 training;
- Consolidation of the Project implementation structure.

### 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 Government.

### Expected Outcomes

The expected outputs of the project are:

- Design of the format and content of the Levels 1 and 2 training programmes;



## Operationalisation of Public-Private Partnerships



High-Fives



<b>ADB MIC Grant Amount</b>	UA 1.4 million
<b>Approval Date</b>	May 2013
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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

<b>TFT Grant Amount</b>	UA 0.33 million
<b>Approval Date</b>	April 2013
<b>Expected Completion Date</b>	December 2015
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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

<b>ADB MIC Grant Amount</b>	UA 0.68 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	December 2012
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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.



## Projet ETAP-Nawara



High-Fives



<b>ADB Loan Amount</b>	UA 50 million
<b>Approval Date</b>	June 2014
<b>Expected Completion Date</b>	Not yet determined
<b>Executing Agency</b>	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 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<sup>3</sup> 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



High-Fives



<b>MENA TF Grant Amount</b>	UA 1.92 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	December 2013
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Direction Generale des Impots, Ministry of Finances

### 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.



## Support for the Souk At-Tanmia II Initiative

## Support to the Holistic Social Business Movement of Tunisia



High-Fives

High-Fives



<b>TFT Grant Amount</b>	€ 1 975 102.06
<b>Approval Date</b>	January 2014
<b>Expected Completion Date</b>	June 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	AfDB

<b>ADB TFT Grant Amount</b>	UA 0.22 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	April 2013
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Countrywide
<b>Executing Agency</b>	Yunus Social Business (YSB)

### 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 2<sup>nd</sup> 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.



### 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.

## Project in Support of the Operationalization of the Public Procurement Reform Action Plan



High-Fives



<b>ADB MIC Grant Amount</b>	UA 0.53 million
<b>Approval Date</b>	December 2013
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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.

## Evaluation of the Performance of the Tunisian Social Welfare System and the Challenges of Informality



High-Fives



<b>TFT Grant Amount</b>	UA 0.22 million
<b>Approval Date</b>	April 2013
<b>Expected Completion Date</b>	April 2016
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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



High-Fives



<b>ADB Loan Amount</b>	UA 32.11 million
<b>Co-Financiers</b>	The World Bank
<b>Approval Date</b>	July 2011
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	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)



High-Fives



<b>FAPA Grant Amount</b>	UA 0.62 million
<b>Approval Date</b>	April 2013
<b>Expected Completion Date</b>	December 2016
<b>Location</b>	Countrywide
<b>Executing Agency</b>	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,

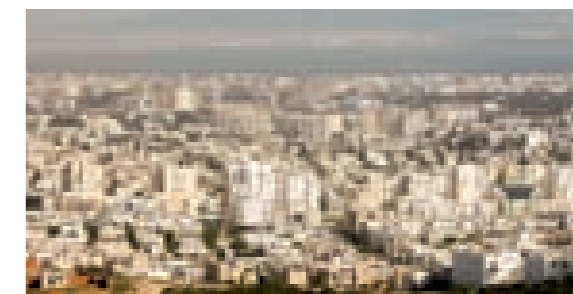
containing technical and financial information that helps to improve the quality of project appraisal and monitoring as well as dissemination of lessons; and

- 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.



## SINEAU

## Treated Wastewater Quality Improvement Project



High-Fives

High-Fives



<b>AWF Grant Amount</b>	€ 1.973,000
<b>Co-Financiers</b>	The Tunisian Government, PISEAU
<b>Approval Date</b>	December 2009
<b>Expected Completion Date</b>	June 2016
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Unite de Gestion par Objective (UGO)

<b>ADB Loan Amount</b>	UA 28.19 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	January 2012
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	Nationwide
<b>Executing Agency</b>	The Tunisian Government

### 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<sup>3</sup> in 208 to 2800 million m<sup>3</sup> in 2030;
- That demand for water per capita decreases from 250 sq ft per annum in 2008 to 215 m<sup>3</sup> per capita in 2030.



### 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)



High-Fives



<b>ADB Loan Amount</b>	UA 85.2 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	October 2011
<b>Expected Completion Date</b>	December 2017
<b>Location</b>	Nationwide
<b>Executing Agency</b>	Ministry of Agriculture and Environment

### Background and Objectives

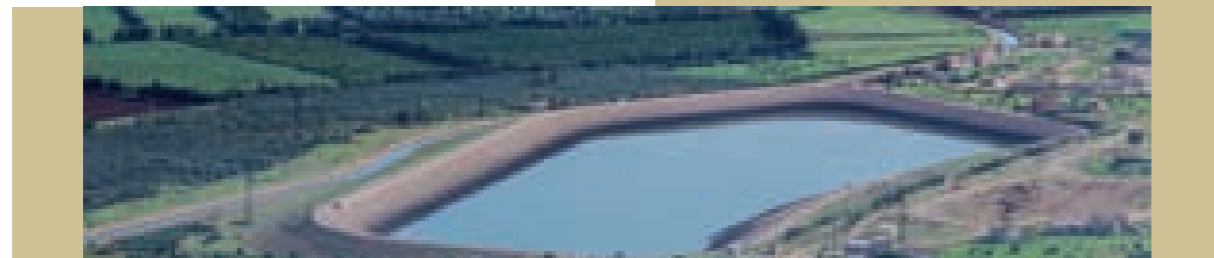
Thanks to various DWS programs implemented by the Tunisian government, the access rate to drinking water is 100% in urban areas and 93.5% in rural areas. However, despite efforts made, the highly dispersed and most disadvantaged communities will have no access to drinking water.

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



High-Fives



<b>ADB MIC Grant Amount</b>	UA 0.58 million
<b>Co-Financiers</b>	The Tunisian Government
<b>Approval Date</b>	October 2009
<b>Expected Completion Date</b>	December 2014
<b>Location</b>	Greater Tunis
<b>Executing Agency</b>	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.

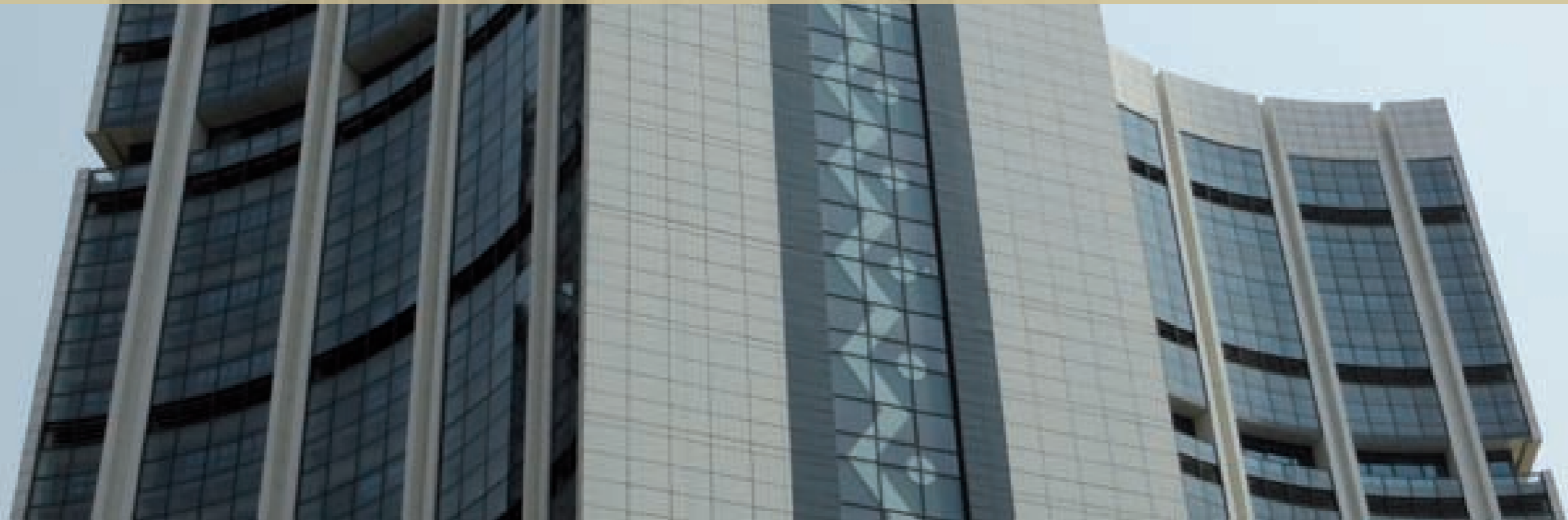
### Expected Outcomes

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

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