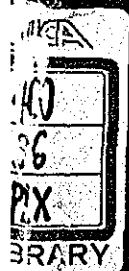


形成調査 報告資料 アフリカ地域



N/O. 20

内部検討資料

アフリカ地域

プロジェクト形成調査 (アフリカ開発銀行との第5回定期協議)

報告資料



平成4年5月

国際協力事業団

199113201-2990-060

SC

目 次

ペ ー ジ

1. 調査の概要

1.1 派遣の目的と経緯-----	1
1.2 調査団の構成-----	1
1.3 調査日程-----	2
1.4 <u>協議概要</u> -----	3
1.5 次回調査への提言-----	4

2. 連携案件協議

2.1 新規候補案件-----	6
2.2 前第4回協議案件のレビュー-----	8
2.3 過去の連携案件のレビュー-----	8

3. 資料編

3.1 連携協力実績一覧	
3.2 ミニッツ (Minutes of Consultations)	
3.3 面会者リスト	
3.4 ADB 組織図	
3.5 ADB 国別援助計画 (Economic Prospects and Country Programming)	



1126335 {7}

1. 調査の概要

1.1 派遣の目的と経緯

(1) 調査の目的

アフリカに関し豊富な情報・経験を有する地域開発銀行であるアフリカ開発銀行グループとの連携協力のもと、JICAが今後アフリカにおいて実施し得る開発調査等の協調案件を発掘・形成するため、昭和61・62・63・平成元年度に引続き協議を行う。

(2) 調査の経緯

我が国は、アフリカ開発銀行（AfDB）に対し域外加盟国中第2位、アフリカ開発基金（AfDF）に対し全体で第1位の出資国という大きな責務を果たしており、JICAからも国際協力専門員を2名を含む長期専門家5名を派遣した実績がある。

他方、JICAはこのADBグループと昭和61年度から毎年定期協議を実施し、同グループの融資予定を前提としてJICAが開発調査を行う、連携案件の発掘・形成を行っている。この結果、JICAは昭和61年度の第1回協議を受け「モリシャス 国ボトルス給水計画」のF/S 及びD/D を実施するとともに、平成元年度の第4回協議を受け「モロッコ 國小規模水力発電所建設計画」 F/S の実施につき、現在「モ」国政府とS/W 協議中である。

今回2年ぶり5回目の協議となる本件調査では、新たにADB側より提案のあった連携候補4案件についてJICA開発調査による協力の可能性を協議するとともに今後の連携協力促進の段取りの検討を含む、上記実施済ないし実施中の連携案件に係る協調促進の調整を行ったものである。

1.2 調査団の構成

総括	金井盛一	JICA	企画部	地域第三課	課長
開発調査	伊藤絢子	外務省	経済協力局	開発協力課	課長補佐
協力企画	浜川 格	JICA	企画部	地域第三課	

1.3 調査日程

(1) 調査期間

平成4年3月22日～3月30日(9日間)

[ただし、金井、浜川の両名は帰路パリにて、3/30・31 開催された” アフリカ
地域在外公館経済協力連絡会議” にオブザーバー参加し、4月2日帰国。]

(2) 調査日程

日順	月日	曜日	行 程		調 査 内 容
1	3/22	日	東京(AF-275)パリ		往 路
2	23	月	パリ(UT-807)アビジャン		大使館(担当書記官)打合せ
3	24	火	アビジャン 泊		大使館、ADB日本理事表敬・打合せ ADB 協力局 表敬・打合せ
4	25	水	アビジャン 泊		ADBと協議、融資担当副総裁表敬
5	26	木	アビジャン 泊		ADBと協議(ミニッツ 協議)
6	27	金	アビジャン(UT-818) ———		ADBと協議(ミニッツ 署名) ADB 日本理事、大使館報告
7	28	土	—————パリ		帰 路
8	29	日	パリ(AF-276)	パリ 泊	資 料 整 理

9	3/30	月	東京	パリ泊	伊藤帰国 金井、浜川フランス事務所打合せ アフリカ公館経協会議（於、在仏大）
10	3/31	火			アフリカ公館経協会議
11	4/1	水	パリ（AF-276）		フランス事務所報告
12	4/2	木	東京		帰国

1.4 協議概要

（1）昨平成2年度は、ADB側から連携候補案件の提示がなかったこと及び日本側開調予算の事情で取り止めとなったため、今回の協議は丸2年ぶり、5回目の協議となった。

JICA/ADB 連携は、①情報交換、②ADB 融資予定案件に対するJICA開発調査の実施、③JICAからADB への専門家派遣の3つの形態で双方のメリットを期待したものである。（今回、③については別途、国総研の鈴木次長がADB と非公式に協議にする機会があったため、本件調査団のT/R からは切り離れた。）

（2）ADB のカウンターパートは協力局であるが、局長、次長、二国間協力課長と要のポストに人事異動があったため、協議は連携についての基本的事項の確認から行われた。総括業務担当の副総裁をはじめ会談した関係者は連携の必要性、意義については一様に理解を示し、賛同したが、事務方窓口である協力局は個別開発調査案件請負による現在の連携方式については強い不満を示した。

このため協力局は新たな連携方式を提案をしたい意向であった。

（3）この提案は、今回が初めてではなく過去の協議においても指摘されてきたものである。

即ち日本からの委託金のかたちでの資金供与を受け、この資金を日本とADB の

協定に基づき一定の条件下で開発調査等に活用する方式である。これは、ADB の調達システムを適用することによる権限行使と案件選定等に係る裁量権の確保が狙いのである。

調査団は、現在の JICA のシステムでは対応困難な旨説明したが、本件については次回協議で具体的な提案があることも想定される。

(4) 次に先方から強い要望があったのは、92年度融資ブレッジ案件28件について環境インパクト・アセスメントがなされていないため、JICAで年内の早い時期に短期の補完調査を実施して欲しいとの要請があった。本件は甚だ急かつ先方の都合のみによる要請であるとともに、通常の JICA のシステムでは対応が難しいと判断されたのでその旨回答した。

(5) 最後に、我が方にとり重要な情報である ADB の国別援助計画13ヵ国分を入手できた。これは JICA 地域課で推進中の国別アプローチ強化に役立つものである。

1.5 次回調査への提言

(1) 我が国がマルチの開発金融機関である ADB や世銀等との連携協調を図ってきたのは、これら機関の融資と我が国開発調査を結びつけて、いわゆる事業化の”打率を上げる”ことを主眼としてきた。とくにアフリカは、事業化の資金メドが立てにくい状況にあり、ADB の融資は資金源として貴重である。

また、アフリカ地域に対する我が国の情報は少なく、優良案件の発掘も難しいところ、同地域で比較的しっかりした組織である ADB との連携は、我が国対アフリカ援助の足腰を鍛える意味でも有益と考えられる。

(2) かかる観点に立ち、87年以来5回にわたり協議を実施してきたところであるが上記開発調査による連携の実績は、2件目の実施につき要請国と調整中の段階で調査が終了した第1号案件事業化のメドもまだ立っておらず、連携開始当初の思惑に比し必ずしもスムーズに運んでいるとは言い難い状況にある。

このため今次協議においては、現在調整中のモロッコ案件について ADB 協力局がフォローアップに至るまで関係三者間の調整に努める旨の合意を得ることができたが、我が方としても関係各部署が中心となり、今後、本案件及び資金手当てが未定であるモーリシャス案件のフォローアップを図っていく必要がある。

(3) また協議概要にて報告の通り、前々回の協議に引き続き今回の協議においても ADB 側より再三にわたり、現行の連携方式を見直し、他のドナー同様 ADB の技術協力に対する我が国の資金委託を内容とする”協定方式”に切り替えるよう提案越すとともに、次回協議における ADB 側の具体的提案の可能性についても示唆あった。

このため今後、本件開調連携の促進を図り、具体的内容のともなった協議とするために、次回の協議において先方の提案に対する我が方の対案を改めて検討しておく必要がある。

(4) 他方、我が国はこれまで ADB に対し 5 名の専門家を派遣してきた実績もあるところ、今後の調査団においても開発調査とあわせ専門家派遣に対する要望聴取や情報収集を行ない連携を促進することも重要と思料される。

なお今後は開調連携を支援するため、案件形成のできる専門家を ADB に派遣することが検討課題である。

(5) 最後に、さらなる連携協議を促進する観点より、90年、91年と世銀において開催した JICA 紹介セミナーと同様なものを ADB においてプロジェクト形成調査とあわせて実施する可能性も考えられる。

2. 連携実績の確認

2.1 新規連携候補案件

(1) ADB 側提示候補案件

本件調査団の派遣に先立ち、我が方よりADB に対し平成4年度連携候補案件を照会したところ、本年1月、次の4案件を回答越した。

① マラウイ国カランガ市、サリマ市、マンゴシ市下水処理改善計画F/S

20 m / m

(Feasibility Study to improve sanitation in KARONGA, SALIMA and MANGOSHI Townships in Malawi)

② マラウイ国ヴィフィア・パルプ、製紙計画

(VIPHYA Pulp and Paper Project in Malawi)

③ マラウイ国ムランジュ・ボーキサイト資源調査

(MULANJE Bauxite feasibility and Pilot Plant Study in Malawi)

④ セネガル国9都市地籍調査

(Nine Town Cadastral survey in Senegal)

ADB 側より右回答とともに送付されたプロジェクト概要票をもとに、JICA社調部、鉦調部及び外務省開協課と検討した結果、上記①のマラウイ国地方三都市下水改善案件を継続検討とし、今回の定期協議で詳細TOR 及び関連情報を入手することとした。

他の3案件(②、③、④)については、要請内容が「プロジェクト事業化のための共同出資要請」や「商業ベースによるパイロット操業への協力要請」、またJICAの地形図作成調査で扱っていない「縮尺1/2,500の地籍図作成」と、現行の開発調査スキームでは対応困難なものであったため、候補から除外することとした。

(2) 候補検討案件に係る協議結果

融資計画については、担当である JENNKINNS-JOHNSTON 東アフリカ課課長及び NAUNAKANDO 融資担当官がともに出張中で、代理の MOAHLOLI 融資担当官が対応することとなったため、具体的融資意向等確認できなかった。

他方、詳細 TOR 及び関連情報について、本案件の技術審査を担当する南部地域事業部／イワラ・工業局／公益事業課の DESAI 課長（同課長は、既協調案件である「モリツス 国ボトルス給水計画」の担当でもある。）及び NJUGNA 担当官を訪ねたが、両氏は本件をまったく承知していなかったため、協力局に調整を委ね、後日同局から我が方へ詳細 TOR 及び関連情報を入手次第送付越すこととした。

その結果、我が方は右 TOR ・情報等を入手後検討のうえ、6 月初旬に ADB に対し本案件を実施するか否かにつき回答することとした。また、ADB は JICA が調査を実施する場合、二国間ベースの調査の進捗に支障なきよう、先方政府に対し必要な調整を図ることに合意し、この旨ミニッツに記した。

なお、連携候補案件の選定手順は以下の通り。

- －通常各事業課が実施する調査は、ADF 予算の 10% を割り当てた技術協力基金 ("TAF"=Technical Assistance Fund) を使って行われる。
- －他方、協力局内に他のマルチ及びバイのドナーから協定による一定の用途条件が付された委託金がプールされており、各課割り当て分の TAF が不足した場合に、事業課は協力局へ右委託金による資金繰りを依頼する。
- －協力局では、ADB が一定の裁量権を確保できる使い勝手の良い委託金を優先的に優良案件から充当していく傾向にある。

このため、ADB が裁量権を行使できない JICA 型の個別調査一括請負方式は、敬遠されがちで優良案件に結びつきにくい構造となっており、前回に引き続き今回の協議でも ADB 側より委託金方式への切り替えが強く求められた。

2.2 前第4回協議のレビュー

- (1) 前回協議（90年 3月）においてADB より連携候補案件として提案越した「モロッコ国ゾーンⅠ小規模水力発電開発計画調査」については、現在バイでモロッコ政府とS/W に関し詰めている段階であるところ、91年 6月に派遣した我が方予備調査団に対しADB 側が融資見通しにつき明言しなかったため、調査実施に際し懸念が残されていた。このため、今次協議において改めて本件がADB の融資予定案件であることをミニッツで確認した。（ミニッツ：8-1 参照）
- (2) また、モロッコの他地域（ゾーンⅣ）における小規模水力発電計画調査が完了しつつあり、近くADB に融資要請される可能性が今回明らかになったところ、モロッコ融資担当官は、本件要請があれば審査せざるを得ず、これが認められる場合には、JICAがこれから調査する類似案件に対する融資は難しくなるうとして調整のうえ、「モ」政府が一括要請することが望ましいとの意見であった。またインフラ・工業局も、プロジェクト全体を見たうえで融資要請するのが適当として、JICA、ADB、「モ」政府の三者がその方向で合意に達するべく協力局が調整することを示唆した。

我が方よりADB に対し、右調整を要請したところ、ADB 側は協力局を窓口にしてS/W 協議への参加を含み調整役をできるかぎり果たすことを訳した。（ミニッツ：8.参照）

これまでの「連携」では案件選定後、バイの調査実施に至るとADB の関与は薄くなる傾向があったが、今回協力局が調査のフォローアップに至るまで調整を図る用意があると表明した点は前進と考えられる。

2.3 過去の連携案件のレビュー

1987年（S61年度）の定期協議において、連携第1号案件に決まった「モーリシャス国ポートルイス給水計画」の現状についてフォローした。本件は1992年3月にJICA社会開発調査部によるF/S、D/Dが完了し、事業化の資金手当てを待っている状況にある。

本プロジェクトの概算コストは、約140億円（外貨ポーションは約70% 約98億円）で、その構成は以下の通りである。

LOT-I = 約36億円 (下部構、整地、アクセス道路等建設コスト)

LOT-II = 約88億円 (ダム本体及び付帯設備コスト)

LOT-III = 約16億円 (導水管及び浄水場建設コスト)

TOTAL 約140億円 (外貨分約98億円)

モーリシャス担当の DESAI 公益事業課長に確認したところ、ADB としては本プロジェクトに融資する意向はあるが、まだ正式要請がなされていない。また、融資限度額は LOT-III の部分程度で、残りについては OFCF ほかの協調融資を期待しているとのことであった。なお設計がオーバーデザインではとのコメントもあった。

連携の成否が資金手当の目途がついて成功という視点に立つなら、本件の資金手当で見通しも余断を許さない状況にあり、今後の推移を見守る必要がある。

本件に対する日本側融資意向につき、帰国後 OECF 担当に確認したところ、現在「モー」国に今年度要請案件のプライオリティーを再確認中であるが、これまでのところ4件中3位と低く、少なくとも今年度実施の可能性は低いとのことであった。

○ OECF が 今秋 (1992) ~~再要請~~
2012 の Mission を
決定

3 . 資 料 編

3.1 連携協力実績一覧

2088

- 名 (鈴木治夫)

上記協議のほか、個別の協調案件に係る協議も実施されている。

2、JICA/AfDB 定期協議による開調実績

- 資源調査牌

上記案件のほか、第三回定期協議において「モロッコ国ウェドエルハシェフ・ダムプロジェクトに係る環境インパクト調査」の実施につき合意したが、定期協議後、右調査が「モ」国政府の自己資金で完了していることが判明したため、JICAによる調査を断念した。

日本技術協力南米に創設

- ① (定期協議外)

4. 專門家派遣

- | | | | |
|-----|------|---------------|-------------------|
| (1) | 堀江照彦 | (S49 年度～51年度) | 交通経済分野／(財)計量計画研究所 |
| (2) | 古川勝信 | (S52 年度～54年度) | 交通経済分野／無所属 |
| (3) | 松島吉洋 | (S57 年度～59年度) | 財務分析分野／日本銀行 |
| (4) | 中村吉昭 | (S63 年度～H2年度) | 工業技術分野／国際協力専門員 |
| (5) | 今井千郎 | (S63 年度～H1年度) | 社会環境分野／国際協力専門員 |

5. その他

- (1) 第三国研修
①第1回協議にてJICA第三国研修のスキームを説明。
②第2回協議にてJICAより、AfDBが域内加盟国で実施する訓練コースに対する第三国研修の適用を提案。
③第3回協議にてAfDB側より「AfDB職員及びメンバー国の公務員を対象とした銀行業務の研修（実施は外部コンサルに委託）」に対する資金協力要請があったが、スキームに馴染まないとして実施に至らず。
④第4回協議では、とくに話題に上らず。
- (2) AfDB職員に対する奨学金
第4回協議にてAfDBより右要望があったが、JICAスキームでは対応困難として日本代表理事に相談するよう回答した。

3.2 ミニッツ

(Minutes of Consultations)

MINUTES OF CONSULTANTATION
BETWEEN
THE AFRICAN DEVELOPMENT BANK GROUP (ADB)
AND
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

Abidjan, 23rd to 26th March, 1992

1. As in March 1990 in Abidjan, a team from Japan International Cooperation Agency (JICA) headed by Mr. Seiichi KANAI visited the African Development Bank (ADB) from 23rd to 26th March, 1992, and had a series of discussions on future cooperation programmes in the African region.
2. JICA delegation met with the Director and Deputy Director of the Cooperation Department and various officials in charge of projects in the Bank Operational Departments. They paid a courtesy call on Mr. Ferhat Lounes, Vice President, Central Operations.
3. The main purpose of the mission was to identify and discuss potential study projects which could be conducted by JICA through its development study programme during fiscal year 1992. JICA made a presentation of its general activities and development study programme in particular. The ADB representatives took note of this.
4. The opportunity was also taken to review the achievement of collaboration in the past and discussion on possible ways and means for enhancing the effectiveness of future collaboration between AfDB and JICA.
5. Concerning the cooperation relation between JICA and the Bank Group, the Bank explained that it had entered formal cooperation agreements with donor countries and agencies with a view to seeking funds for the implementation, under its supervision, of prefeasibility/pre-investment studies and training activities. ADB was satisfied with the technical

A

File

assistance expertise provided by JICA in the past and is looking forward to benefit from JICA assistance in specific areas such as Environment Impact Assessment studies and private sector development in Africa. To that end ADB suggested that JICA should come into a formal agreement (with ADB) specifying the type of assistance. It is essential that JICA and ADB agree on the type of cooperative arrangements which would best suit both parties.

6. JICA stated that formal cooperation agreement cannot be established and that JICA/ADB cooperation should be maintained through minutes of consultants, as it is, and that JICA's task is to extend technical cooperation on a grant basis to Developing countries.

7. It was strongly felt that coordination among JICA, ADB and any recipient country are necessary to facilitate the smooth implementation of the collaborative projects and Cooperation Department of ADB agreed to take the role of coordination.

8. JICA explained on the progress made in "Master Plan Study on Rural Electrification with Small-Scale Hydro in Morocco zone - I" in the Kingdom of Morocco, which was identified during the previous consultation of March 1990. JICA requested that ADB handle coordination between Morocco, ADB and JICA. ADB is ready to play this role if JICA can provide at the earliest possible date a programme of activities including the scope of work. This programme will form the basis for discussions with the Moroccan authorities and will ensure follow-up of the study until its full completion. JICA will report to ADB of the progress made at different stages of the study and consult ADB, as necessary matters that may arise from or in connection with the study.

8.1 This study and the other mentioned below relate to the projects which ADB will finance in the future based on the official request made by the recipient country, if the result of studies is proved feasible.

ELB

/

9. ADB proposed in January 1992, the following studies for possible cooperation with JICA in fiscal year 1992.

- i) MALAWI: Feasibility Study to improve sanitation in KARONGA, SALIMA and MANGOSHI townships;
- ii) MALAWI: VIPHY Pulp and Paper Project;
- iii) MALAWI: MULANNJE Bauxite feasibility and Pilot Plant Study;
- iv) SENEGAL: Nine Town Cadastral survey.

9.1 JICA explained its position about the 4 projects mentioned above. They were interested in the feasibility study to improve sanitation in Karonga,, Salima and Mangoshi townships in Malawi, and requested for TOR and other relevant information. Meanwhile JICA explained that their position about the last other three projects was negative.

9.3 JICA will inform ADB at the beginning of June, as to whether or not it will undertake the study selected. ADB agreed to make, upon the positive response from JICA, the necessary arrangements with the concerned governments for smooth conduct of studies on a bilateral basis.

10. JICA indicated its emphasis on the technical aspect of the studies, the possible coverage of the studies such as Basic Reference Study, Master Plan Study, Feasibility Study and Detailed Design Study, and the average size of a study.

11. In reference to ADB's selection of projects/studies, JICA expressed its sectoral and geographical preference as follows:

- Sectorwise: Transportation, Water Resource Development (River Basin Development), Comprehensive Regional Development, Environment and Agricultural Development. (Energy)

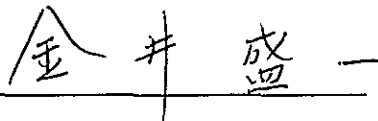
Fe

g

- Countrywise: Basically, all member countries of ADB. However, in those countries where there is a JICA Representation or a Japanese Embassy, appropriate support can be expected.

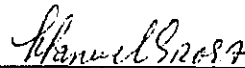
12. Concerning these sectoral and geographical priorities mentioned above, however, it should be noted that those priorities may change from time to time and they do not necessarily coincide with JICA's priorities for its bilateral technical cooperation.

13. Finally, it was confirmed that such regular meetings are beneficial to JICA and ADB. Both parties agreed, in principle, to strengthen their efforts toward further development of ADB/JICA cooperation based on clear understanding of what is expected from each side. The next consultative meeting is expected to be held in the 1993 first quarter.



Seichi KANAI
DIRECTOR
THIRD REGIONAL DIVISION
PLANNING DEPARTMENT

Date: March 27, 1992



Emmanuel GROGA
DIVISION CHIEF
BILATERAL COOPERATION DIVISION
COOPERATION DEPARTMENT

Date: March 27, 1992

LIST OF PARTICIPANTS

JICA Delegation

Mr. SEIICHI KANAI (Mission Leader)	Director, Third Regional Division, Planning Department, JICA
Ms. AYAKO ITO	Assistant Director, Development Cooperation Division, Economic Cooperation Bureau, Ministry of Foreign Affairs.
Mr. ITARO HAMAKAWA	Third Regional Division, Planning Department, JICA

ADB Representatives

Messrs. EMMANUEL GROGA	Division Chief, Bilateral Cooperation Division, Cooperation Department
P.M MBAYE	Division Chief, Industry and Development Bank Division, Infrastructure and Industry Department
K. OPSAL	Environmental Expert, Environment and Social Policy Division, Central Projects Department
SALOMU SHABANI	General Agriculture and Rural Development Division, North Region
A. KHOZA	General Agriculture and Rural Development Division, South Region
MITCH BENEDICT	Cooperation Officer, Bilateral Cooperation Division, Cooperation Department
SOUISSI	Country Programmes Division III, North Region
D. CHOKKI	Public Utilities Division, North Region
MATONDO	Public Utilities Division, North Region
Mrs. F. DIOP	General Agriculture and Rural Development Division, North Region
Mrs. R. SAAD	General Agriculture and Rural Development Division, South Region

3.3 面会者リスト

1. アフリカ開発銀行／African Development Bank(ADB)

Mr. Ferhat LOUNES 総括業務（政策、調査、渉外等）担当副総裁
VICE PRESIDENT, CENTRAL OPERATIONS

Mr. I. U. IHEME 協力局局长
DIRECTOR, COOPERATION DEPARTMENT

<全体協議>

Mr. Elie K. M. SANVEE 協力局次長
DEPUTY DIRECTOR, COOPERATION DEPARTMENT

Mr. Emmanuel GROGA 協力局二国間協力課課長
DIVISION CHIEF, BILATERAL COOPERATION DIVISION
COOPERATION DEPARTMENT

<個別協議／モロッコ 案件>

Mr. Mustapha SOUISSI 北部地域事業部 国担当局 上級融資担当官
SENIOR LOAN OFFICER, COUNTRY PROGRAMMES
DEPARTMENT, OPERATIONS-NORTH REGION(NCPR)

Mr. Fundani MATONDO 北部地域事業部 インフラ・工業局 公益事業課（電力
担当）
POWER ENGINEER, PUBLIC UTILITIES DIVISION,
INFRASTRUCTURE & INDUSTRY DEPARTMENT, OPERA-
TIONS-NORTH REGION(NISIR)

〔注〕公益事業課の責任者はMiss G. YIRGA 課長であるが、調査団訪問時は出張中のため、担当のMr. MATONDO が対応した。

Mr. Desiré CHOKKI

北部地域事業部 インフラ・工業局 主任エコノミスト

PRINCIPAL ECONOMIST, INFRASTRUCTURE & INDUSTRY

DEPT., OPERATIONS-NORTH REGION

< 個別協議 / モーリシャス案件 >

Mr. Shashi DESAI

南部地域事業部 インフラ・工業局 公益事業課課長

DIVISION CHIEF, PUBLIC UTILITIES DIV., INFRA-

STRUCTURE & INDUSTRY DEPT., OPERATIONS-SOUTH

REGION(SISI)

< 個別協議 / マラウイ案件 >

Mr. B. H. Scott MOAHLOLI

南部地域事業部 国担当局 東アフリカ課 融資担当官

(代 理)

LOAN OFFICER, EAST AFRICA DIV., COUNTRY PRO-

GRAMMES DEPARTMENT, OPERATIONS-SOUTH REGION

(SCPR)

[注] 東アフリカ課の責任者はMr. D. JENKINS JOHNSTON 課長、またマラウイ担当の融資担当官はMr. NAUNAKANDOであるが、ともに調査団訪問時は出張中であったため、Mr. MOAHLOLIが対応した。

(地方 3 都市下水案件)

Mr. Shashi DESAI

南部地域事業部 インフラ・工業局 公益事業課課長

DIVISION CHIEF, PUBLIC UTILITIES DIV., INFRA-

STRUCTURE & INDUSTRY DEPT., OPERATIONS-SOUTH

REGION(SISI)

Mr. NJUGNA

(同課担当)

[注] ただし、両名とも本案件を承知していなかった。

(紙・バルブ案件及び ポーサイト案件)

Mr. M'BAYE

南部地域事業部 インフラ・工業局 工業・開発銀行
課課長

DIVISION CHIEF, INDUSTRY & DEVELOPMENT BANKS
DIV., INFRASTRUCTURE & INDUSTRY DEPT., OPERA-
TIONS-SOUTH REGION

<出資国代表理事室>

金井達也

理事 (日本)

EXECUTIVE DIRECTOR (JAPAN)

Mr. Harry M. MAPONDO

理事 (マラウイ)

EXECUTIVE DIRECTOR (MALAWI)

2. 在象牙海岸共和国日本大使館

西村元彦

特命全権大使

高原寿一

参事官

國枝 正

一等書記官

後藤 章

一等書記官

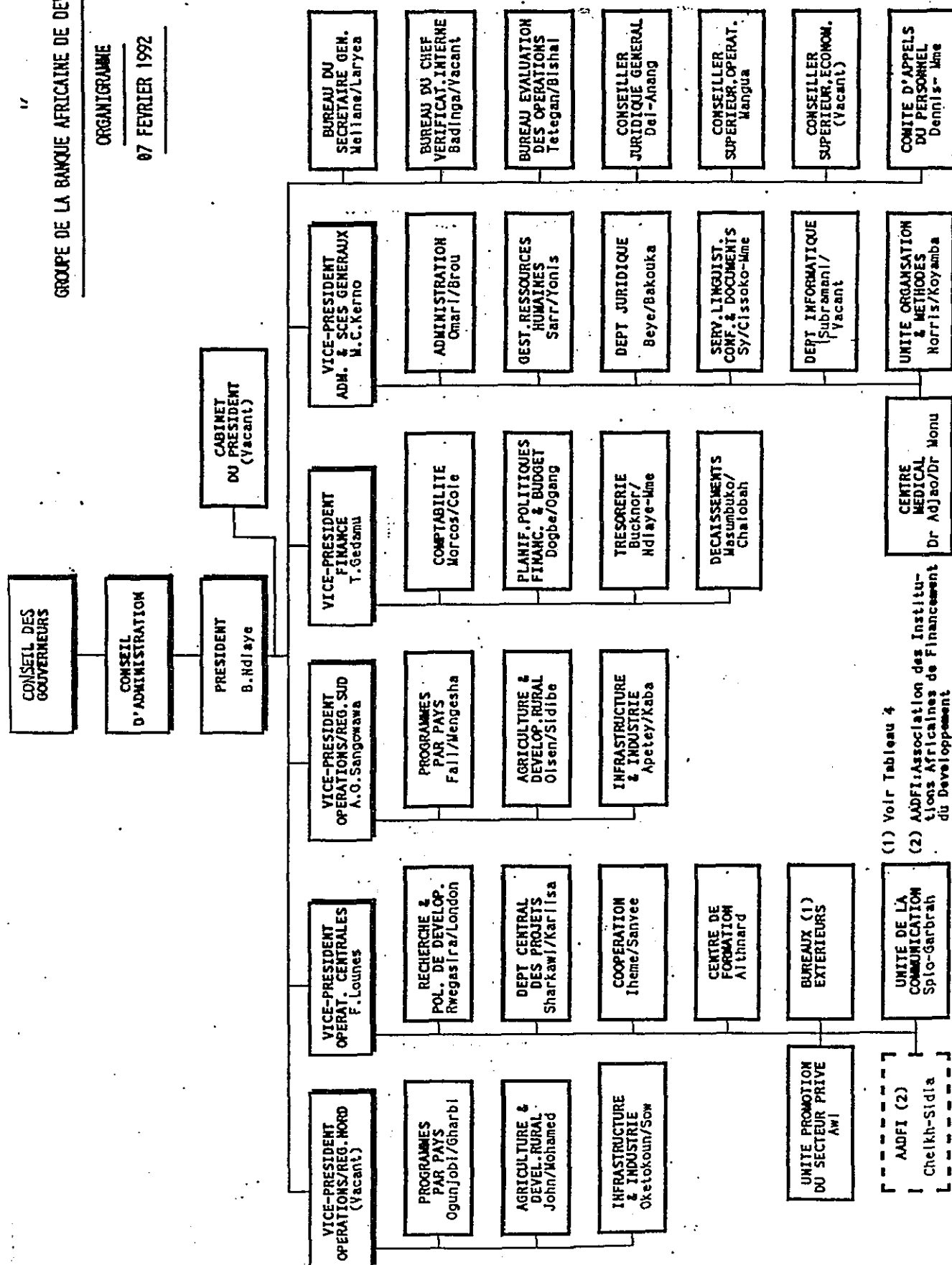
小畑永彦

二等書記官

3.4 A D B 組織図

BANQUE AFRICAINE DE DEVELOPPEMENT
ORGANIGRAMMES

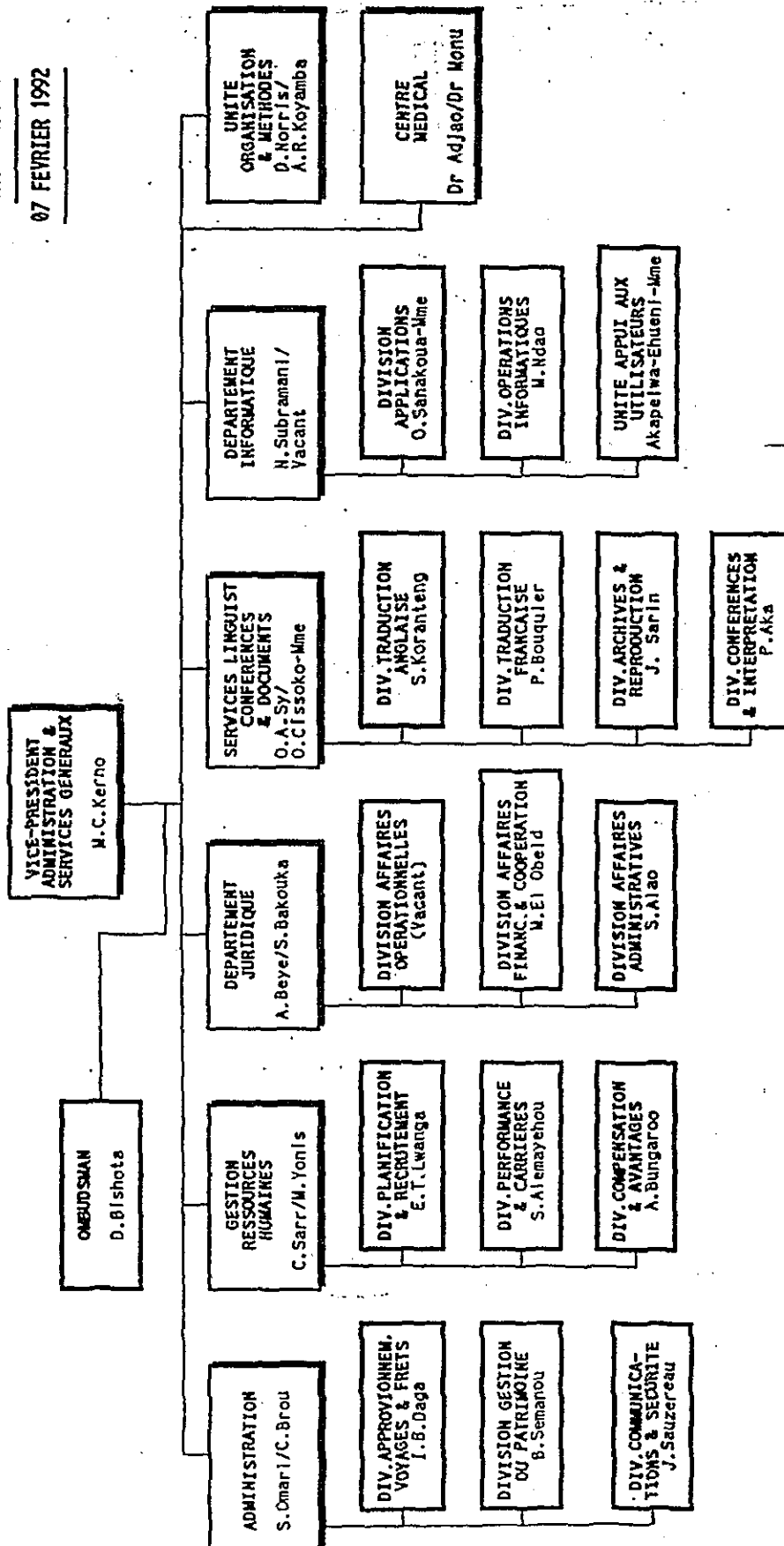
07 FEVRIER 1992



VICE-PRESIDENCE : ADMINISTRATION & SERVICES GENERAUX

ORGANIGRAMME

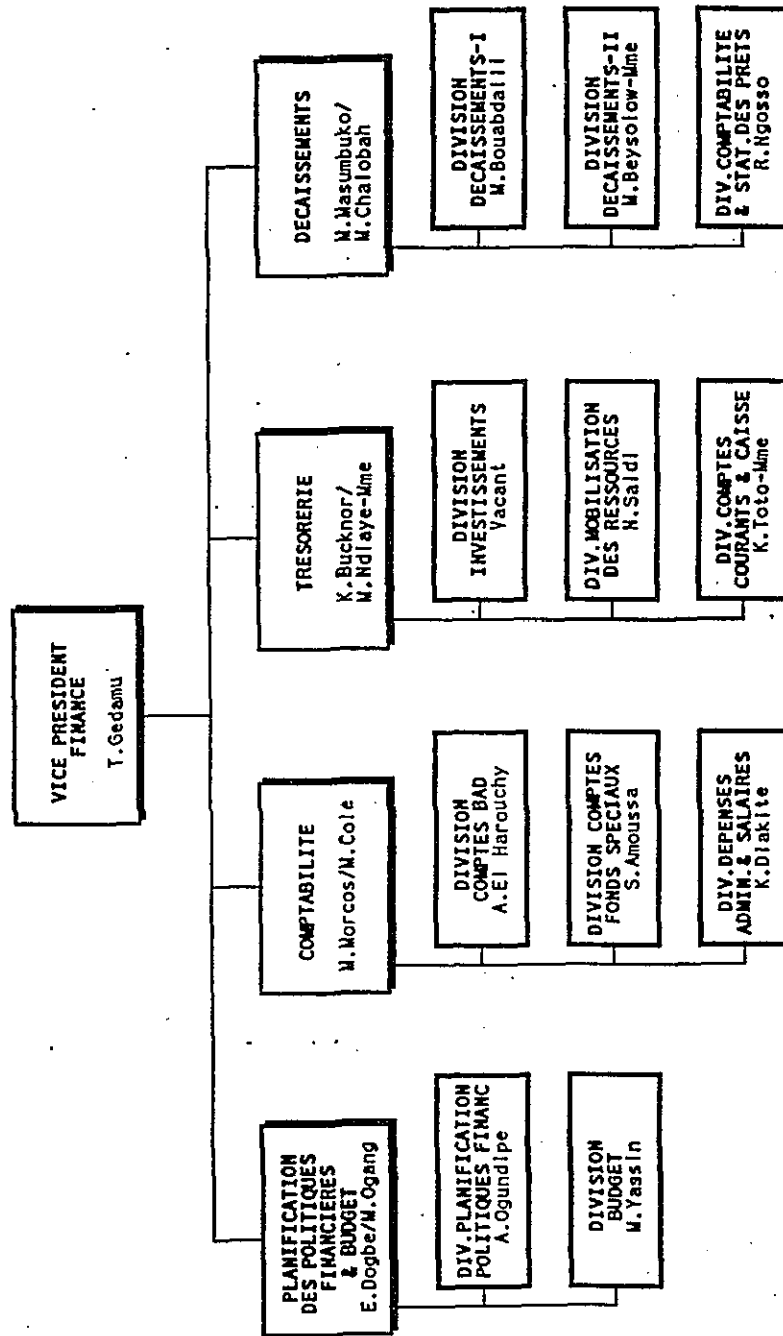
07 FEVRIER 1992



VICE-PRESIDENCE : FINANCE

ORGANIGRAMME

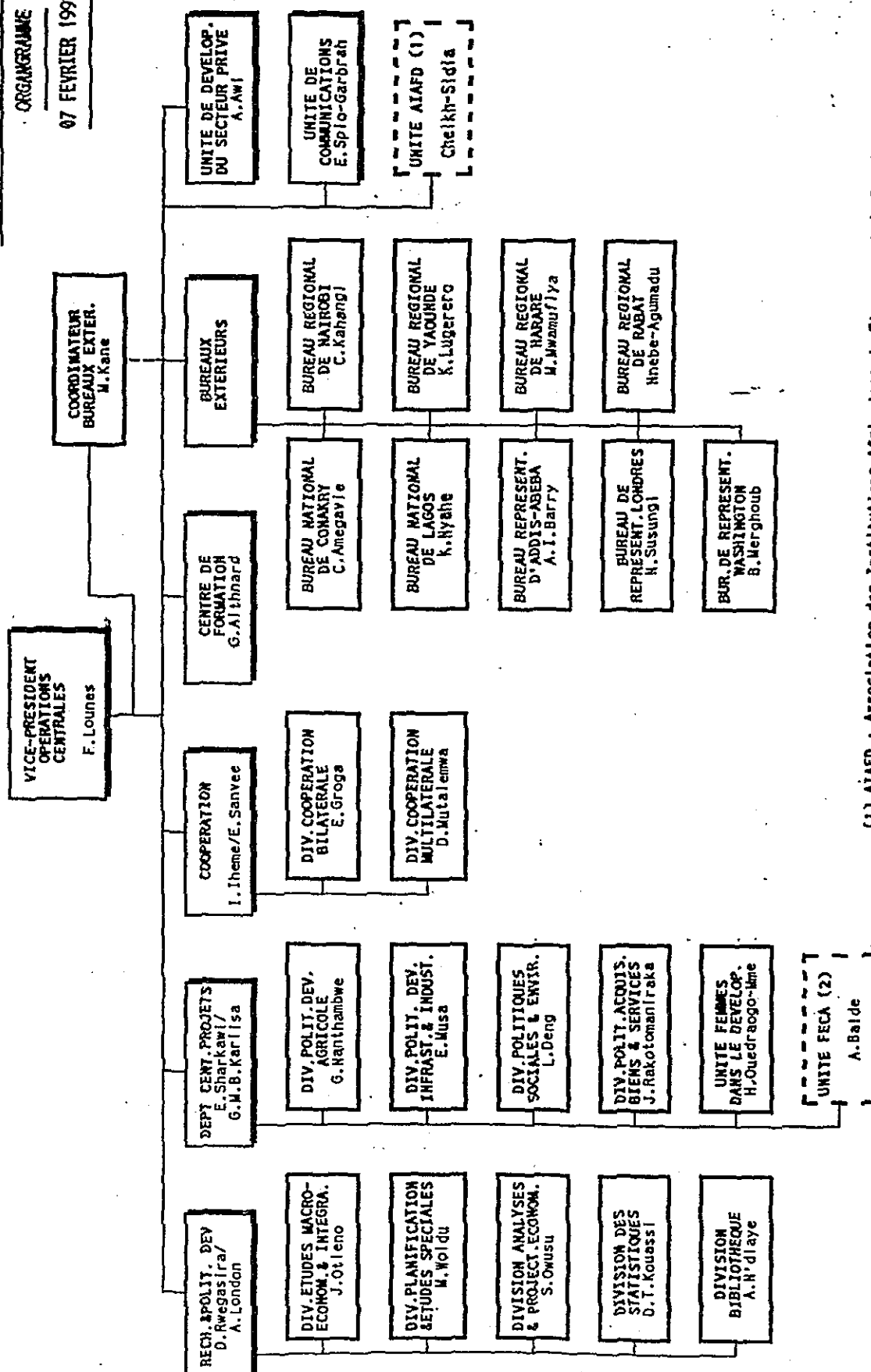
07 FEVRIER 1992



VICE-PRESIDENCE : OPERATIONS CENTRALES

ORGANIGRAMME

07 FEVRIER 1992

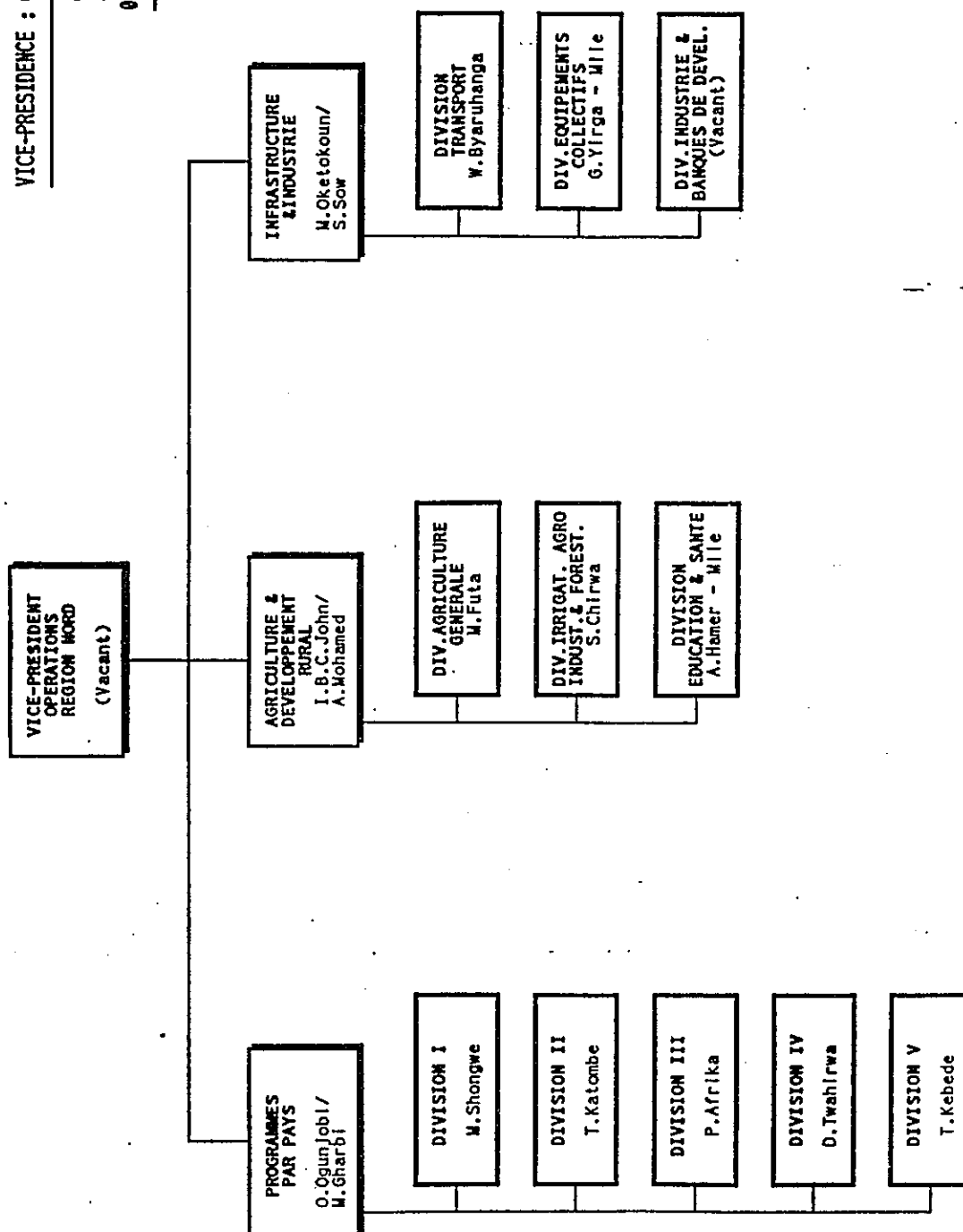


(1) AIAFD : Association des Institutions Africaines de Financement du Développement
 (2) FECA : Federation des Consultants Africains

VICE-PRESIDENCE : OPERATIONS - REGION NORD

ORGANIGRAMME

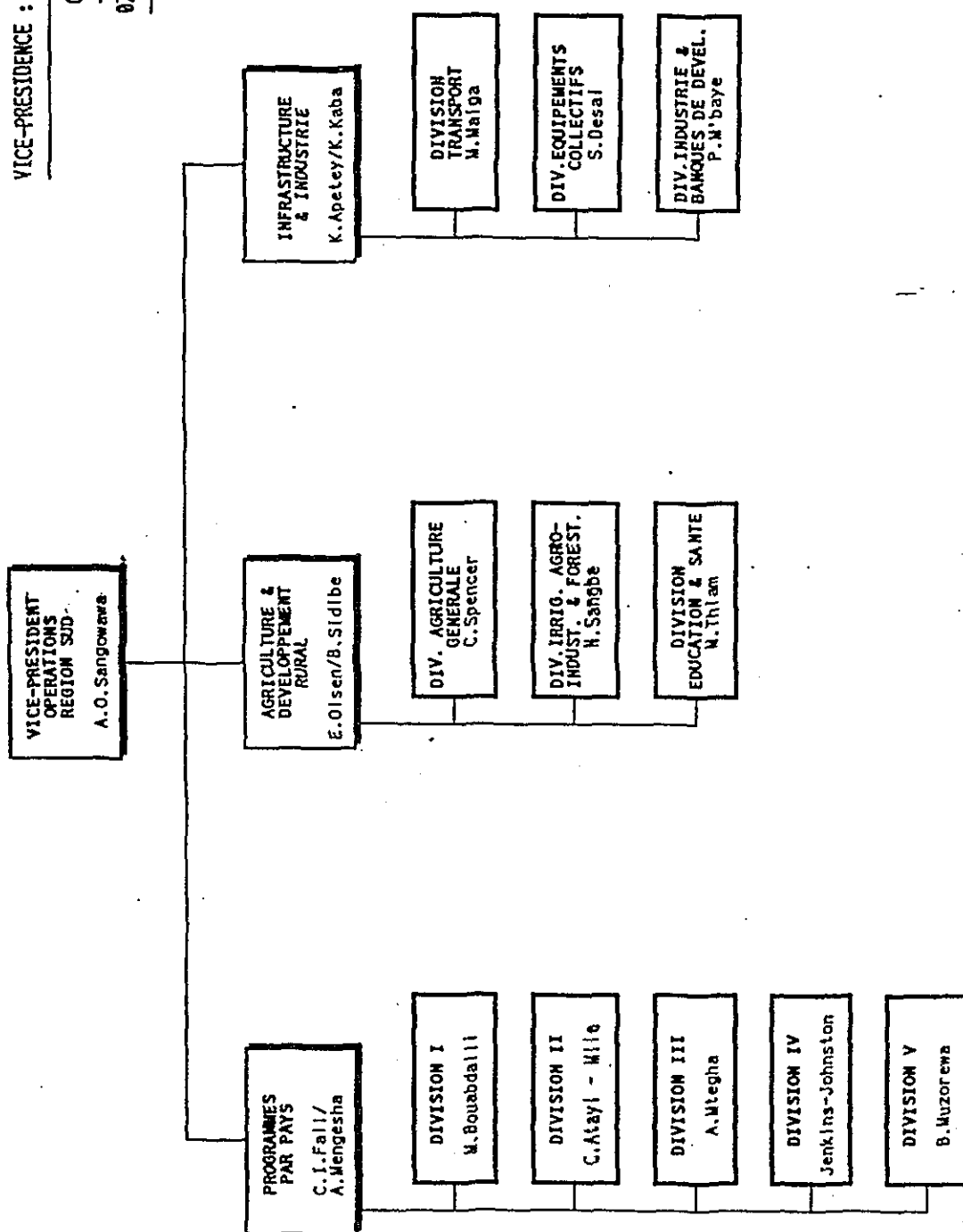
07 FEVRIER 1992



VICE-PRESIDENCE : OPERATIONS - REGION SUD

ORGANIGRAMME

07 FEVRIER 1992




3.5 A D B 国別援助計画

(Economic Prospects and Country Programming)

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM :  BABACAR NDIAYE
President

SUBJECT : ALGERIA : ECONOMIC PROSPECTS AND COUNTRY
PROGRAMMING PAPER 1992-1994

Socio-Economic Context and Economic performance

1. Algeria, the second largest country in Africa, covering an area of 2,831,741 km², with an estimated population of 24.7 million inhabitants in 1990, belongs to the category of countries referred to as "medium income", with a per capita GNP of US\$ 2088. Since its independence in 1962, Algerian economic development has depended mainly on the diversified exploitation of its hydrocarbons (petroleum and gas) and the substantial income from this source was largely invested in industry and allowed for the pursuit of an ambitious social policy. The industrial sector occupies a predominant position in the national economy in that it accounted for an average of 53% of the total value added between 1985 and 1990. The limited amount of arable land and water resources, as well as the orientation towards a rapid industrialisation, account for the decreasing contribution of agricultural production to food security.

2. While real per capita GDP grew at an average rate of 2.8% per year during the 1970s, signs that the Algerian development model, based on the mechanism of centralised allocation of resources, was running out of steam appeared at the beginning of the 1980s. The production growth rate decreased while treasury operation deficits increased and exchange rate reserves dropped drastically. Like other countries which are major exporters of hydrocarbons, the Algerian economy deeply felt the sharp fall of oil prices on the international market from 1985 and went into recession until 1988. The subsequent decline in revenue directly affected the welfare of the population and stirred up social tension because of the persistent high rate of unemployment.

3. It was against such a background that the Government embarked upon a massive reform programme with a view to moving towards a mixed economy, requiring market mechanisms to guide the public sector. The reforms covered: i) privatisation of socialist estate farms; ii) Government disengagement from the direct management of enterprises in the public sector; iii) trade and price liberalisation; iv) modernisation of the tax system; v) institution of a system which will give more independence and responsibility to the Central Bank in the conduct of monetary policies. Efforts at stabilisation and adjustment combined with an improving external context were reflected in a 2.8% growth recovery during the period 1989-1990, and the reorganisation of government finance.

4. However, the Algerian economy must address some problems. First of all, inflationary pressures have been growing rapidly in the last three years. Moreover, the burden of servicing the external debt, contracted mainly at market conditions, absorbs more than 2/3 of export revenue and limits the volume of resources required for economic recovery. Lastly, the fragile balance of payments situation will put pressure on the level of international reserves. In addition to short-term constraints, the economy has to deal with some persistent obstacles like: i) scarcity of water resources and the poor quality of land, which would have to be farmed using expensive techniques in order to preserve the present degree of food security, which varies between 26% and 38% for the consumption of cereals, legumes and dairy products; ii) a high population growth rate, (2.8% per year) which increases unemployment and calls for substantial investments to create jobs and infrastructure; iii) lack of horizontal integration and poor utilisation of industrial production capacity and iv) the deterioration of existing infrastructure, due to lack of maintenance.

5. Taking into account the dependency on rainfed farming and the rather modest rise in the use of irrigation, only 3% of the country's total area would likely be used for farming. Several studies have shown, however, that production could increase rapidly while boosting the yield per hectare and reducing the amount of fallow land. Also, it is estimated that large-scale irrigation today only covers 40% of the identified potential. However, even though it is less fertile and ecologically more vulnerable, the land situated at the centre and the south could be cultivated through techniques appropriate for dry land farming. In order to achieve that aim, a series of actions need to be taken which would aim at: procurement of inputs; revitalisation of the markets; streamlining of marketing channels; motivation of farmers in terms of income and mobilisation of the financing needed for irrigation installations.

6. Algeria has an adequately diversified industrial base however only 60% of its available capacity is used. The industrial sector conceals an unutilised potential, as well as substantial possibilities to increase productivity, exploitation of which depends on the supply of necessary inputs and spare parts; improved maintenance in order to avoid frequent closure of factories; improvement of workers skills, through vocational training. At the domestic level, companies which formerly applied Government directives find themselves subjected henceforth to competition with national private companies and importers as a result of which it has become necessary for them to be more efficient or to incur market sanctions. At the external level, the procedure for liberalising trade and prices, the transparency of the new tax system and the non discriminatory handling of foreign investments are some of the assets which the Algerian Government should use to attract foreign partners in new sectors. Between now and the end of the 1990s, it is expected that exports of industrial goods could account for nearly 10% of total exports.

7. For many more years, hydrocarbons will constitute the driving force for growth, more so because Algerian gas reserves are among the most substantial in the world, contrary to those of crude oil which, at the present rate of extraction, will be exhausted in another thirty years. Algeria has a dynamic policy for upgrading and marketing its gas for its traditional customers (North American and European community countries) as well as for other markets like Turkey and Yugoslavia. Thus export revenue from gas could move from US\$ 3.26 billions in 1990 to 5.84 billions in 1995 and 7.43 billions in 1997. As for oil, the prospects are more uncertain because they are influenced by many factors and *inter alia*, by the demand of industrialised countries, OPEC production quotas, as Algeria is a member of OPEC, and by the production of non-OPEC countries. Recent projections, which should be considered with prudence, anticipate an increase in proceeds from petroleum and exported by-products from US\$ 8.86 billions in 1990 to 9.37 billions in 1995 and to 9.67 billions in 1997.

The Bank Group's Operations and Medium-Term Programme

8. To-date, the ADB Group's commitments in the Democratic People's Republic of Algeria include 13 projects, one programme and one study, respectively in the public utilities sector (three), industry and development banks (one), transport (three), agriculture (five projects and one study), social (one), and one policy-based loan. The total amount of loans approved is UA 608.61 millions from the ADB and FUA 670,000 from the ADF.

9. ADB did not participate in the financing of projects and programmes in Algeria between September 1978 and November 1986 because of the Algerian Government's decision to provisionally suspend borrowing from the ADB, a period which coincides with the production of a significant financial surplus and with the limitation of ADB's resources until 1982. In fact, even though ADB's operations in Algeria started in 1971, 96% of them only took place between 1986 and 1991.

10. By the end of 1991, ADB Group financing of the agricultural sector will reach 37.80% and will become the leading sector for ADB group operations. Non-project operations accounting for 24.70% take second place. The transport sector comes third, with 15.15%. The social sector, industry and development banking sector come fourth (13.30%), fifth (6.60%), and sixth (2.45%), respectively.

11. Implementation of ADB operations in Algeria is behind schedule especially in the start-up phases. This situation is characteristic of projects and programmes financed in Algeria since 1986. On the other hand, all projects implemented before this date have been completed and are operational.

12. Even though the growth of the volume of ADB operations has been more sustained than in the past, the rate is still very slow compared to the volume of Algerian public investment during the same period which was evaluated at UA 31.12 billion, that is, 2.2% of the latter. The following lessons can be drawn from the ADB Group's operations:

- i) projects financed by the Bank Group corresponded to the economic and social development priorities of Algeria;
- ii) the implementation of some projects is behind schedule due to cumbersome administrative procedures; the low level of autonomy of executing agencies and the fact that the persons responsible for the projects are unfamiliar with the Bank's procedures; and
- iii) dialogue between the Bank and the Government concerning medium and long-term economic reform and development policy should be intensified in order to better adapt the Bank's 1992-1994 lending programmes to this country's priorities.

13. Since 1986, the Bank Group firmly resumed its operations in Algeria by financing projects, giving a line of credit and in 1990, supporting the Government's economic reform programme. The orderly passage from an economy governed by imperative planning towards a decentralised economy, undoubtedly represents the most important development to have affected the Algerian economy in the last few years but it is also a long and exacting task for which the international community intends to deploy substantial assistance. Beyond the inevitable reforms there is still the acute problem of long-term development such as the establishment of additional infrastructure to sustain the production system and satisfy the population's needs both for the consumption of goods as well as for collective services like education, health and access to housing. The objectives of increasing income and creating large

numbers of job opportunities in order to reduce, if not stabilise, unemployment must not relegate to the background the requirement for long-term, durable and equitable development.

14. Within the context of the 1992-1994 triennial programming cycle of its operations in Algeria, the Bank Group will undertake fairly rapid measures concerning projects and programmes and take steps which will gradually reinforce the country's analytical and management capacity through institutional support operations and by raising bilateral funds for studies. During the 1992-1994 period, the Bank Group should allocate its resources preferentially to multisectoral and non-project programmes (30.4%) and then by decreasing order of importance: to agricultural and industrial sectors (to the tune of 25.0% of commitments for each of them) to telecommunications and transport (15%) and to others, for example, human resources, if the Algerian Government presents requests along that line.

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : B. N DIAYE
For PresidentSUBJECT : BOTSWANA: ECONOMIC PROSPECTS AND COUNTRY
PROGRAMMING 1989 - 1991

1. Botswana has a land area of about 582 000 km² over two thirds of which is part of the Kalahari desert and an estimated population of 1.212 million in 1987. With per capita GNP estimated at US\$ 1 644, it is classified among the middle income countries of the world. The mining sector (mainly diamonds) is dominant accounting for about 45 percent of GDP and 85 percent of total exports. The Agricultural output, mainly livestock activities accounts for 3.5 percent of GDP and the industrial sector about 5 percent.
2. The economy experienced a remarkable growth over the period 1978/79-87/88, with average annual real growth rate of GDP at 10.5 percent. This resulted from the expansion of diamonds output. The mining sector grew at an average of 23 percent annually in real terms during 1978/79-85/86 and 11 percent over 1986/87-87/88. The increase in diamond output was reinforced by a sustained price boom in the diamonds market from 1987 to 1989.
3. Government revenue grew phenomenally from pula 270 million in 1980/81 to pula 1625 million in 1987/88. This was largely due to the surge of mineral royalties and dividends, and the increase in Botswana's share of the Southern African Customs Union (SACU) customs and excise pool. In relative terms, the total revenue including external grants increased from 37.5 percent to GDP in 1982/83 to 59.4 percent in 1986/87. This facilitated a rapid increase of total government expenditure from pula 388 million in 1982/83 to pula 1 253 million in 1987/88.
4. The overall budgetary surplus grew from pula 103 million in 1983/84 to pula 539 million in 1986/87 and pula 513 million 1987/88. Consequently, the Government accumulated cash balances in the Bank of Botswana to the tune of pula 2.5 billion by the end of 1988/89 fiscal year. The rapid growth of the economy and government revenue resulted in high growth of monetary aggregates leading to excess liquidity in the economy. To stimulate the sluggish demand for credit in the economy. The Bank of Botswana reduced the prime interest rate from 14.5 percent in 1982 to 8.5 percent in 1989.

5. The balance of payments has remained strong largely as a result of the fortune in the diamonds subsector. Total exports increased from pula 332 million in 1981 to about pula 2 703 million in 1988. The current account surplus increased remarkably from pula 2.1 million in 1982 to pula 1 063 million in 1987. Botswana enjoys the benefits of a bouyant net capital inflows in the form of foreign direct investment, especially in the mining sector, and official development assistance. It also borrows discretely from multilateral and bilateral sources. The overall balance of payment surplus increased steadily from pula 67 million in 1982 to pula 978 million in 1987. The international reserves reached US\$ 2.2 billion in 1988, and US\$ 2.6 billion in September 1989. The total external public debt outstanding was US\$ 332.6 million as at March 1989, and the debt service ratio was on the average 5 percent from 1987 to 1989.

6. In spite of the remarkable economic growth and prudent management of financial resources by the Government, the economy faces fundamental and structural constraints. The country is landlocked and about 80 percent of the land is part of the Kalahari dersert. Droughts are recurrent, and was persistent recently for seven years till 1986/87. The economy remains inadequately diversified, as it depends heavily on the mineral sector which is highly vulnerable to uncertainties in the world market. Unemployment is a serious problem and coexists with acute shortages of skilled technical, managerial and artisanal manpower. The economy suffers from food deficit and has to depend on commercial food imports and food aid. It is also vulnerable to political developments in South Africa, on which it depends on for about 75 percent of its imports and outlet to the sea.

7. The Government has been implementing development plans to address the constraints in the economy. The focus is on the development of economic and social infrastructure, manpower development, employment creation and rural development. Through appropriate fiscal and monetary policies, the Government facilitates the flow of foreign assistance and private direct investments, and promotes the full participation of the private sector in the economy.

8. External assistance is crucial in achieving diversification and sustained growth in the economy. This would be in the form of medium to long-term loans and grant to develop support infrastructure, diffuse the bottlenecks in specific sectors and respond to the recurrent emergency situations.

9. Since the inception of the Bank Group operational activities in 1972, loans for 20 projects, 2 lines of credit and 3 studies have been approved. Operational experience shows that project implementation has been generally satisfactory. However, future project preparations have to take due note of the serious domestic shortage of certain categories of manpower and inputs, and logistic difficulties. Consequently, appropriate provisions have to be made towards realistic implementation schedules.

10. It is proposed that the medium-term Bank Group programme focuses on infrastructure and manpower development. The emphasis will be towards laying the foundation for diversification of the economy and diffusing existing bottlenecks in the critical sectors.

5 June, 1990

Original : FRENCH

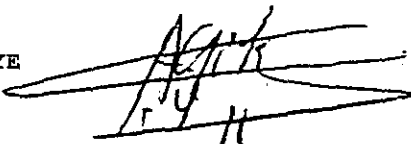
Translated by : F. BONGJOH

M E M O R A N D U M

TO : THE BOARD OF DIRECTORS

FROM : Babacar NDIAYE

for President

SUBJECT : REPUBLIC OF CHAD : ECONOMIC PROSPECTS AND COUNTRY PROGRAMME (EPCP)

1. During the GCI-IV and ADF V consultations it was decided that the Bank work out a more systematic approach to the programming of Bank Group Operations in regional member countries. A paper entitled "Economic Prospects and Country Programme" on the approach proposed to the Bank for programming was discussed during the second ADF-V consultation in Paris. In this paper an indicative procedure for discussing these "EPCPs" and an example of the outline of their contents is proposed. It has accordingly been decided that Management adopt this methodology for the preparation of reports and submit these reports to the ADF Board of Directors in Abidjan. The present report is intended to fulfil this commitment.

2. Even before the period 1979-1982 during which the intensification of a latent conflict upset its productive and administrative machinery, Chad was considered one of the region's least developed countries and its economy was particularly vulnerable to the effects of a somewhat periodic drought and to external shocks. From 1960 to 1978 the real GDP growth rate at market prices was less than one per cent, which implied that the real average per capita income had declined, and hence, the living conditions of inhabitants had not improved. From an economic point of view, the war period 1979-1982 resulted in a stagnation of growth and consequently development, the disorganization of economic circuits and the considerable destruction of the production machinery and infrastructure which was moreover undeveloped.

3. When the war ended in 1982, the Government of Chad embarked on a national economic reconstruction programme with the support of the international community. After a sharp revival of economic activity, the country had to cope with the deterioration of the cotton sector, the true base

of the economy and in which there were many structural and administrative shortcomings. To overcome these difficulties, the Government first adopted for the cotton sector a set of emergency measures which it subsequently complemented with a Public Sector Economic and Financial Restructuring Programme (PREFSP) as a first step in a broader medium-term adjustment process.

4. To assist the Government, the ADB Group through the present study proposes an operational strategy based on priorities defined by the Government, the assessment of the economic situation of the country as a whole and the experience of the Bank Group in the financing of projects and programmes in Chad. With a view to mobilizing external assistance on an orderly and consistent basis, the Government of Chad is preparing a ten-year master plan with clearly defined objectives up to 1995. The three-year action programme (1989-1991) of the Bank Group takes into consideration the objectives and measures contained in the above-mentioned documents and aims at :

- (i) continuing economic and financial policy reforms to restore the stability of public finances; restructuring the banking system, vitalizing productive sectors (including the cotton sector and public enterprises);
- (ii) contributing to the development of the industrial sector, especially by developing hydrocarbon resources so as to enable Chad to break away from dependence on external resources in this connection;
- (iii) developing human resources through education and health projects taking into account the fact that Chad lags behind in this area;
- (iv) contributing to the development of road infrastructure; and
- (v) strengthening institutions participating in economic development in general both at the levels of the Government and government branches.

6. The present report is submitted to the Board of Directors for their consideration as well as for their information.

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : Babacar NDIAYE
PresidentSUBJECT : GABON - ECONOMIC PROSPECTS AND COUNTRY PROGRAMMING

1. During consultations on GCI-IV and ADF-V, it was decided that the Bank should prepare a more systematic approach to the programming of Bank Group operations in regional member countries. The present report on the Gabonese Republic falls within the framework of this new programming approach.

2. Gabon's economic trend is marked by the growth of land-locked extractive activities, with the result that when a commodity loses its impetus, another one takes over from it provisionally. Thus, after independence, manganese mining was intensified while forest production entered a consolidation period; and, when the production of manganese and uranium stabilized, oil expansion started. However, the importance of oil in the economy is henceforth such that it is difficult to imagine another resource that can offset the decline of oil in the future. The current crisis in the Gabonese economy is attributable to the reversal of the oil market situation. Highly marked in 1986 (-27%), mitigated in 1987 (-13.8%), the economic recession continued in 1988 (-6.2%). From 1985 to 1988, GDP dropped by an average rate of 16.2%. The oil value added was the hardest hit : -33% per annum and its contribution to GDP dropped from 43% in 1985 to 23% in 1988. To cope with the dramatic fall in earnings, expenditure had to be adjusted to a level compatible with the financing capacity of the budget deficit. Accordingly, from 43% of GDP in 1985, total expenditures represented only 30% of GDP in 1989. Capital investment, in particular, was the most affected by this adjustment movement : a yearly average of -39% between 1985 and 1989. The stringent measures to cut down expenditures made it possible to reduce the overall deficit of State financial operations from 15.4% of GDP in 1986 to 7.1% in 1989. These measures also helped reduce the current balance deficit from its culminating 1986 point (30.5% of GDP) to 5.8% in 1989.

3. The upsetting of the macro-financial balances in 1986 revealed the structural weaknesses of Gabon's economy. The Government perceived that it was beset by quite unprecedented problems, whereas these problems had been there but were masked by the oil boom. Some of these problems, such as the limited size of the domestic market, the narrow productive base and lack of skills, are common to many countries on the continent, while the others are specifically related to the oil syndrome whose symptoms assumed different forms in the case of Gabon : excessive expansion of the current budget; wage increase in the whole economy without any common measure with the increase in productivity; excessive expansion of the State especially within the framework of public corporations, low production and entrepreneurship incentives.

4. To cope with the new situation, the Government adopted a drastic stabilization programme at the end of 1986. However, the Gabonese Government, aware of the unpredictable nature of the medium-term trend of oil price, and of the excessive dependence of its economy and finances on oil, targeted a restructuring of the economy in order to re-channel it towards non-oil productive sectors. Consequently, the Government approached the World Bank and the African Development Bank to help it identify possible ways and means of achieving this objective in the medium-term. The first stage of a structural adjustment programme was implemented with the financial assistance of IBRD and ADB.

5. The Structural Adjustment Programme was implemented one year behind schedule. It should, however, be admitted that the programme was highly ambitious and complex; but the authorities showed real determination in implementing the agreed measures. The reform of public corporations constituted the bulk of this programme. Following the diagnostic audit of 34 PC, the Government took measures in respect of 22 of them : 5 were liquidated; 7 were opened to private sector controlling interest and the other 10 would be restructured. If only one performance contract was signed with Air-Gabon, negotiations were entered into to conclude similar performance contracts with five other big corporations. In April 1988, the President of the Republic issued a very important decree. The decree streamlined the management bodies of the P.Cs, limited the number of executive directors and stipulated a 15% reduction in the wage-bill of each P.C. Finally, to adjust the financial position of the sector, the Government injected CFA. F 6.4 billion to settle 20% of the cross arrears between the State and

the P.Cs. With regard to incentives reform, the Government has made a great deal of progress to increase the pressure on the cost structure and stimulate the private sector. Prices have been liberalized, with the exception of a highly restrictive list; and quantitative import restrictions have been removed. In addition, there are no more export taxes except on natural resources. Besides, the National Assembly has modified the Labour Code by adopting provisions to reduce the rigidity of wage-rates. It has likewise adopted a new Investment Code and modified the Participation Codes to favour the making of competitive investments and the development of a local capital market.

6. The adjustment effort will be pursued under a second programme whose major thrusts have been identified by a joint IBRD/ADB mission which visited Gabon in April 1990. Apart from the pursuit of the stabilization policy, the broad outlines of this programme are as follows:-

(i) continuation of the reform of public corporations;

(ii) improvement of incentives and reduction of factor costs;

(iii) improvement of the social conditions of the people, especially with regard to health services, education, social housing.

7. The gross financing requirements of the 1990-1992 period are estimated at CFA.F 385.4 billion. The African Development Bank will be called upon to participate in covering this financing requirement by providing substantial support to the Gabonese Republic in this very delicate phase. As a guide, a financial package of UA 180 million is proposed for the 1990-1992 period. Subject to a few assumptions on the disbursement pattern, the proposed lending programme will make it possible to meet 7.8% of the residual financing requirement for the 1990-1992 period. The Bank's contributions will seek to achieve the following objectives :

(i) support to reform efforts through the adjustment of public finance, structuring of state corporations and alleviation of the social effects of structural adjustment;

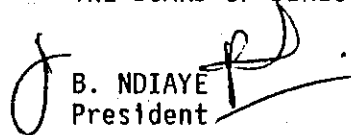
- (ii) improvement of the education and health system infrastructure;
- (iii) diversification of the non-oil economy, especially through support to agriculture and the promotion of small and medium-scale enterprises;
- (iv) pursuit of the road maintenance policy of opening up the regions in order to unify the domestic market and densify trade.

In view of these objectives, the Bank's future operations will be channelled towards the following sectors:- policy reform and social dimensions of adjustment, education and health, agriculture, road maintenance and the promotion of industrial and agricultural SMEs.

8. The present document is hereby submitted to the Board members for consideration.

M E M O R A N D U M

TO : THE BOARD OF DIRECTORS

FROM :  B. NDIAYE
President

SUBJECT : THE GAMBIA: ECONOMIC PROSPECTS AND COUNTRY
PROGRAMMING PAPER, 1991-1993

1. The Gambia has a total land area of 10,368 square km, and an estimated population of 880,000 in mid-1990. With per capita GNP estimated at US\$ 264, it is classified among the poorest countries in the world. The economy is dominated by the agricultural sector which accounts for about 31 percent of the GDP and engages about 75 percent of the population in largely smallholder activities. The economy is structurally undiversified, relying on mainly groundnuts which accounts for about 72 percent of the domestic exports and 60 percent of the cropland. Manufacturing activities which are limited to basic consumer goods are responsible for about 6 percent of the GDP. Tourism is an important sector and accounts for about 7 percent of the GDP.

2. Faced with the deterioration of the economic situation in the early 1980's, the Government prepared an Economic Recovery Programme (ERP) for the period 1985/86-89/90 in July 1985. The ERP was supported by an IMF arrangement and two structural adjustment loans by the World Bank and the African Development Bank, as well as substantial financial support from other donors. The impact of the programme was remarkable. The average GDP growth rate in real terms over 1986/87-89/90 was 5.4 percent. Domestic savings and investment ratios increased from 6.9 percent and 15.8 percent of GDP respectively in 1989/90.

3. The domestic revenue (excluding grants) increased considerably in recent years from D 106 million in 1982/83 to D 319 million in 1986/87 and D 508 million in 1989/90. Taxes on international trade were dominant, accounting for about 60 percent of total domestic revenue. External grants constitute a substantial proportion of total revenue, being responsible for an average of 26.7 percent of total revenue. Domestic revenue averaged 28 percent of GDP, recurrent expenditure 26.7 percent and total revenue (including external grants) 38.2 percent.

4. The distribution of recurrent expenditure shows that staff emolument accounted for 26.1 percent, interest payments on internal and external debt 21 percent and other charges (non-salary expenditure) 35.6 percent during 1985/86-89/90. Budgetary support to parastatals, largely the

Gambia Produce Marketing Board was responsible for an average of 33.4 percent of the recurrent expenditure during 1986/87-87/88. However with the public enterprise reform and rationalization of parastatals, such transfers declined considerably, and was phased out in 1990/91 fiscal year.

5. The Government adopted tight monetary and credit policies to correct the external and internal imbalances in the economy. The rate of growth of broad money declined from an average of 30.5 percent during 1984/85-87/88 to 12.6 percent during 1988/89-89/90. Total domestic credit declined by an average of 35.1 percent during 1986/87-89/90 compared to an increase of 47.2 percent in 1985/86. The monetary authorities introduced a flexible exchange rate system in January 1986. This system has been sustained and resulted in fixing the exchange rate on the basis of the market situation. The Government has taken measures to decontrol prices and tariffs, especially of utilities. The tight demand policies had significant dampening impact on the price level. This was reflected by the decline of inflation rate from 70 percent in 1985/86 to 9 percent in 1987/88, and was sustained around that level during 1988/89-1989/90. The interest rates has been restored to positive real levels. The average lending rate was 27 percent in the first quarter of 1991.

6. The Gambia's total exports increased from an average of SDR 58.1 million annually during 1985/86-87/88 to SDR 85.5 million in 1989/90. About 79 percent is accounted for by re-exports to mainly neighbouring countries. Imports increased steadily from SDR 73.7 million in 1985/86 to SDR 108.6 million in 1989/90. The trade deficit averaged SDR 22 million annually during 1986/87-89/90. Over the period 1985/86-89/90, the current account deficit (excluding official transfers) was an average of SDR 32.5 million annually. This was matched by official transfers which averaged SDR 33.6 million annually. Consequently, the current account surplus was SDR 7.1 million in 1987/88 and SDR 4.3 million in 1988/89.

7. The net capital account has been in surplus since 1986/87 through 1989/90, largely because of favourable policy environment which promoted increased donor assistance. The overall balance was in surplus at an average of SDR 16.2 million annually. This facilitated the increase in gross official reserves from less than a week of imports in 1985/86 to 2.6 months in 1987/88 and estimated 2.4 months of imports in 1989/90. The total outstanding public external debt (including IMF) of Gambia was estimated at SDR 270 million as at June 1990. The multilaterals accounted for 67.5 percent, the bilaterals for 25.1 percent and commercial sources for 8.4 percent. Most of the external assistance is on concessional terms. The Bank Group accounts for the largest share, 46.3 percent of the multilateral debt (excluding the IMF facilities). Over the past six years, the Gambian Government has successfully improved the structure of its public debt and eliminated outstanding arrears. The proportion of total debts to GDP declined from 15.3 percent in 1987 to 15.1 percent in 1990 while the share of commercial sources declined from 28 percent to 8.4 percent. The debt service ratio averaged at 39.7 percent annually during 1987-90, and is estimated to decline to 26.3 percent in fiscal year 1990/91, as a result of the elimination of arrears.

8. The Gambia faces fundamental and structural constraints. The fundamental problems include limited resource base, climatic and environmental factors and vulnerability to exogenous developments in the world market. The other problems include rapid population growth, undiversified production base, under-developed economic and social infrastructure, institutional constraint and rapid growth of unemployment co-existing with serious shortage of professional managerial and technical manpower.

9. The climate is sahelian and drought occurs in regular cycles every 4 to 5 years. The dependence on groundnut as the major foreign exchange earner is vulnerable to the uncertainties of the weather and developments in the world market. The economy and the market size are small. The country has no significant material or human resource endowment that can potentially result in a reasonable comparative advantage in production for export. The Gambia relies heavily on the fragile cross-border and re-export trade. The state of economic and social infrastructure is inadequate to support the current and envisaged scale of industrial and commercial activities. Unemployment is becoming significant, especially among primary and post primary school leavers.

10. The country has a large informal sector that is responsible for over 60 percent of the productive and commercial activities. The sector is characterised with low productivity which is the root of the widespread poverty in the economy. The proportion of women in this sector, especially the agricultural and commercial activities is high. Environmental problems result from rapid population growth, urbanization, devegetation, traditional agricultural system and livestock management.

11. In spite of the remarkable progress made on the macroeconomic front under the Economic Recovery Programme (ERP), some serious structural and institutional constraints persist. Among others, there is no investment financial intermediary to provide investment finance in the economy. The commercial banks concentrate their lending on short-term trade and commercial activities.

12. The Gambia has, however, a significant natural endowment which offers a lot of potentials for growth. This includes a sizeable land mass of which 60 percent is considered suitable for cultivation; and the River Gambia and its tributaries which provide important inland transportation, fishing activities and potentials for irrigation. The large stock of various species of livestock and fisheries products are potential sources of future export diversification and can also form the base for resource-based industries. Tourism development has the potentials of providing foreign exchange directly, and by stimulating the agricultural and other productive sectors through backward linkages.

13. The Gambia has created a conducive environment for effective private sector activities through the successful implementation of monetary, fiscal, institutional and public enterprise reforms under the Economic Recovery Programme (ERP). This has restored the confidence of multilateral and bilateral agencies as well as potential private investors. The Government of The Gambia launched a Programme for Sustained Development (PSD), over the period 1991-93, to consolidate the economic reforms that were started under the ERP.

14. External support is crucial in achieving a sustained longer-term growth in The Gambia. The success of the Economic Recovery Programme (ERP) was largely due to the substantial support of external donors, in the form of budgetary, project, programme and balance of payment assistance. The assistance has been on the most concessional terms.

15. Since the inception of the Bank Group operational activities in The Gambia in 1974, 21 loans and one study have been approved. Operational experience shows that there have been difficulties in the start-up and implementation of projects arising from inadequate executive and management capacity.

16. The objective of the Bank Group medium-term programme for 1991-93 is to support the Government's Programme for Sustained Development through the removal of infrastructure and institutional bottlenecks towards facilitating rapid growth of output in the productive sectors. The programme will be guided by the orientation of the Government's Programme for Sustained Development, the key problems identified in this paper, the Government's medium-term priorities and framework of the PIP. It is proposed that the Bank Group programme focuses on agriculture and rural development, transportation and utilities, and social sectors; as well as multi-sector adjustment. There will also be a component for technical assistance and institutional support.

0308D

5 February, 1992

Original: ENGLISH

M E M O R A N D U M

TO : THE BOARD OF DIRECTORS

FROM :  Babacar NDIAYE
PresidentSUBJECT : GHANA : ECONOMIC PROSPECTS AND COUNTRY
PROGRAMMING PAPER, 1991-1993

1. Ghana has a total land area of 238,537 km², an estimated population of 14.5 million and per capita GNP of US\$ 400 in 1990. The economy is dominated by the agricultural sector which is responsible for 45 percent of the GDP. The industrial sector (including mining) accounts for about 14 percent of the GDP and Services (mainly trade and Government services) 41 percent.

2. Against the background of serious economic deterioration in the 1970's through the early 1980's, the Government implemented the Economic Recovery Programme (ERP) during 1983-86, with the support of the World Bank and the IMF. The ERP successfully moved the exchange rate towards realistic level, restored interest rates to positive real level and made improvements in public sector management and wage structure. The ERP was followed by two phases of a structural adjustment programme (SAP) over the periods 1987-88 and 1989-90, to address the structural problems of the economy. The programmes resulted in sustaining the annual average real growth of GDP at 5.4 percent during 1984-90. The investment and savings to GDP ratios increased from 9.4 and 5.4 percent respectively in 1986 to 15.8 and 8.2 percent respectively in 1990. The favourable performance was largely attributable to the significant contribution of the agricultural, industrial, transportation and trade sectors.

3. The Central Government revenue increased remarkably from an average of 6.4 percent of the GDP during 1980-83 to 13.4 percent during 1986-90. Taxes on international trade remained the major component of domestic revenue, accounting for 38.5 percent. Taxes on goods and services were responsible for

28 percent while taxes on income and property accounted for 24.5 percent. Recurrent expenditure averaged 10.5 percent of GDP during 1986-90, yielding an average recurrent surplus of 2.9 percent. The total expenditure averaged 21.2 percent of GDP and the overall budgetary deficit amounted to 3.6 percent of GDP. This was, however, more than financed by foreign grants and project assistance which averaged 4.1 percent of GDP.

4. The monetary authorities adopted a tight stance in money and credit creation as measures of liquidity and credit control. Total domestic credit growth rate declined from 111 percent in 1986 to an average of 14 percent during 1988-90. The credit expansion to the private sector declined from 80 percent in 1986 to 5 percent in 1989. Consequently, inflation rate dropped from 122 percent in 1983 to 10.4 percent in 1985. However, inflation accelerated to an average of 30.2 percent annually during 1986-1988 and 37.6 percent in 1990. This trend was due, in part, to rise in food, petroleum and transportation prices and the rapid depreciation of the exchange rate. Interest rates were systematically adjusted upwards, but remained negative in real terms.

5. The total exports increased from an average of 4.5 percent of the GDP during 1980-83 to 17.5 percent during 1986-90. However, in value terms, exports declined from US\$ 506 million in 1983 due to inappropriate policies. With the implementation of the ERP and the structural adjustment programme (SAP), exports picked up and increased from US\$ 567 million in 1984 to US\$ 879 million in 1988 and US\$ 870 million in 1990. However, in spite of the improvement from 1984, the 1990 exports value is still significantly below the 1980 level. On the other hand, imports increased steadily from US\$ 539 million in 1983 to US\$ 1,272 million in 1990 due to the requirements of the ERP and SAP. This worsened the trade deficit from US\$ 96 million in 1986 to US\$ 401 million in 1990. The unfavourable flow of non-factor and factor services, particularly debt repayments, resulted in current account deficits, averaging US\$ 299 million annually during 1981-83, and US\$ 336 million during 1988-90.

6. The overall balance of payments was however, in surplus from 1987 to 1990, averaging US\$ 119 million annually, largely due to the conducive policy environment that promoted the flow of increased donor assistance. Direct foreign investment was modest at an average of US\$ 5 million annually during

1985-88 and US\$ 15 million during 1989-90. The gross official reserves improved to 11 and 10 weeks of imports respectively in 1989 and 1990. The total domestic debt as at end December 1989 was Cedi 48.6 billion. These were owed mainly to the private sector and commercial banks respectively. The Government has paid off the debt to the monetary authorities with the assistance of external donors.

7. On the other hand, the total medium and long-term external public disbursed and outstanding debt (DOD) amounted to US\$ 3.1 billion at the end of December 1990. The shares of multilateral and bilateral donors were 65 percent and 30 percent respectively. The share of short-term commercial credits declined from 16 percent in 1986 to 5 percent in 1990. Ghana benefitted from debt forgiveness and cancellations which amounted to a total of US\$ 445.9 million (US\$ 345.8 million in 1989 and US\$ 100.1 million in 1990). Some of the creditors that cancelled the debts are Germany US\$ 263.3 million, United States US\$ 82 million, Canada US\$ 67 million, France US\$ 33.1 million and Denmark US\$ 0.5 million. The debt service ratio (including repurchases of IMF facilities and arrears reduction) peaked at 67 percent in 1988 and declined to 39 percent in 1990.

8. Ghana faces fundamental and structural problems which include climatic and environmental factors; vulnerability to exogenous factors in the world market for the principal exports; rapid population growth; undiversified production and export base; inadequate economic and social infrastructure; financial institutional constraints that limit resource mobilisation and investment; poor response of private sector investment to monetary and fiscal incentives; rapid growth of unemployment and serious shortage of professional, managerial and technical manpower.

9. Cocoa alone is responsible for 41 percent of total exports and 12 percent of Government revenue. The agricultural system is largely rain-fed and faces low productivity and poor incentive structure. Farm level investment is low due to little access to credits, low household income and savings. The northern savanna region experiences regular cycles of drought, which is exacerbated by the poor range management. The rapid growth of population, urbanisation and the demand for fuel-wood collectively put pressure on agricultural land and forestry resources, urban infrastructure, utilities and services, as well as reduce the quality of life. The coastal

areas experience coastal erosion which threatens the existency of some coastal settlements. The status of social services remains inadequate due, in part to budgetary constraints.

10. The industrial sector is largely agro-based and has not developed strong linkages to the primary sectors. It is heavily import dependent for machinery, equipment and critical inputs. A large proportion of the enterprises are state owned and they survive on public subsidy. The response of the private sector to fiscal and monetary incentives has been slow indeed due to problems on the macroeconomic front, existing regulatory framework and inadequate infrastructure.

11. Ghana is endowed with a significant amount of natural resources which provide the potential for sustained growth. It has a sizeable land mass, of which only 30 percent of the estimated 10 million hectares of arable land is under cultivation. The rivers and their tributaries offer the potentials for inland transportation, irrigation and hydropower development. Only about 7.5 percent of the 120,000 hectares of land with irrigation possibilities is irrigated and about 50 percent of the estimated hydro potential of 10,000 GWH is currently exploited. The large livestock, fisheries and forestry resources can enhance the development of resource-based industries. Ghana is also endowed with economic deposits of a range of mineral resources. In addition the long coastline with sandy beaches and a wide range of vegetation offers the potentials for tourism development.

12. The economic reforms in the past seven years have resulted in, among others, stable exchange rate, a better environment for private sector activities. Except for strategic industries, the Government is in the process of divesting its holdings in most production and commercial activities. The reforms which have been sustained have won the confidence of donors and investors. A lot of reforms have been implemented to provide the enabling environment to promote private investment and the remaining obstacles are in the process of being removed. Ghana has a large number of its nationals working abroad in a broad range of professions. The right type of incentives can facilitate the repatriation of a substantial part of their savings, as well as motivate the skilled ones to return into critical management and technical positions.

13. *Ghana's success in the programmes of economic recovery and the structural adjustment programmes are mainly due to the substantial concessional support of donors. The focus has been on project, programme and balance of payment support, as well as technical assistance.*

14. *Since the inception of operational activities in Ghana in 1973 the Bank Group has financed 26 projects and 4 studies. Operational experience shows that there have been difficulties in the start-up and implementation of projects arising from inadequate executive and management capacity. However, the situation has improved with time.*

15. *The objectives of the Bank Group medium-term programme is to support the Government's adjustment programme for promoting private investment and sustained development. The programme will aim at the removal of policy, institutional and infrastructural bottlenecks towards the attainment of growth through market-based resource allocation. The programme will focus on agriculture and rural development; industries (especially agro-based); transportation and utilities; social sectors; multi-sector operations; institutional support; and other concerns. There will be a component for technical assistance; studies and institutional support.*

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : BABACAR NDIAYE
President

SUBJECT : GUINEA-BISSAU : ECONOMIC PROSPECTS AND COUNTRY PROGRAMME

1. The present document submitted to the Board for consideration is intended to highlight the basic problems and trends of Guinea-Bissau's economy and to assess the development strategy adopted by the Government with a view to directing Bank Group actions more efficiently through the implementation of a lending programme for the period 1991-1993.

2. A country situated on the west coast of Africa, between Senegal to the North and Guinea-Conakry to the South-east, the Republic of Guinea-Bissau covers an area of 36,925Km² and has a population of 1,000,000 inhabitants. It is one of the ten (10) poorest nations in the world : per capita income is under US\$200; the death rate is very high owing to inadequate supply of drinking water, lack of medical facilities (1 hospital bed for 700 persons) and physicians (1 physician per 10,000 inhabitants), and the presence of endemic diseases. The situation is all the more tragic as nearly 40% of the population is under 15 years of age.

3. Agriculture plays a major role in the economy of Guinea-Bissau. It provides almost 90% of the population's subsistence resources, contributes 50% of GDP and accounts for virtually total export earnings. In addition, the manufacturing industry which is still at its infancy has units primarily for the processing of agricultural products, thereby making of agriculture the most decisive factor in the industrialization strategy. However, the economy of Guinea-Bissau has a good development potential in terms of agriculture, forestry, fisheries and mines. There would be a considerable increase in agricultural production by the simple extension of cultivated areas of land, which at present account for one third of the potential estimated at almost 1 million hectares : the twofold increase in the area of land cultivated and in productivity, which is now very low, would easily make it possible to feed the entire population and even export large

surpluses of food products. With regard to stockbreeding, the present stock of 250,000 cattle , 355,000 goats, 122,000 pigs and 600,000 chickens is considerable. The country has untapped wealth : forest reserves (2.6 million hectares of forest - 50 million m³), mineral resources, bauxite (176 million tons), phosphates 100 million tonnes) and petroleum. With 220 km of coastline and a 160 Km platform and large areas of inland water, the potential number of catches obtained through rational fishing carried out without destabilizing the ecology is estimated at 350,000 tonnes a year and would substantially meet national requirements.

4. The importance of agriculture to economic activity as a whole has been such that poor agricultural performance has been one of the major causes of the serious financial and economic difficulties which Guinea-Bissau has been encountering since 1970. In actual fact, the inadequate level of growth in this sector has led to a sharp increase in food imports and a marked decline in agricultural export products. These difficulties are characterized by low economic growth, a very high inflation rate and a great strain on public finances and on the balance of payments (accumulation of arrears). The deterioration of the economic situation is due partly to exogenous factors (drought, deterioration of the terms of trade) and to inappropriate economic and financial policies (the lack of significant investments, the inappropriateness of the price structure, overvalued exchange rate, negative interest rates, price controls, inefficiency of trade circuits ...). In actual fact, over the period 1981-1985 economic and financial indicators pointed to an average increase of 1% of real GDP a year, an increasing budget deficit of almost 25% of GDP, an increase in the inflation rate from 9% in 1977 to about 40% in 1984 and a debt service ratio of 150.

5. To put an end to the deterioration of the economic and financial situation encountered by Guinea-Bissau, the State Council gradually reformulated its economic policy by attaching special importance to agriculture and the market system. To strengthen its new development strategy following the mixed results of the 1983-1985 economic stabilisation programme supported by financial assistance from IMF and two RIC loans from IDA for the rehabilitation of basic infrastructure, the State Council designed and implemented a 1987-1988 Structural Adjustment Programme co-financed by ADF, IDA, IMF and bilateral funds. Guinea-Bissau made considerable progress by way of structural adjustment through the implementation of the reform of basic economic structures; this resulted in sound economic and financial indicators over the period 1987-1988 :

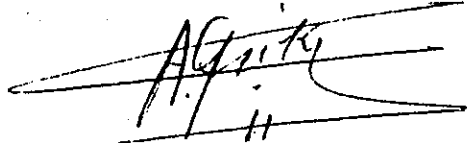
- a growth rate of about 5% based on a rapid expansion of agriculture;
- a reduction of the budget deficit from 10% to 4% of GDP; and
- a significant increase in exports in real terms in spite of climatic conditions and the drop in the world prices of cashew nuts which considerably held down the correction of the balance of current transactions observed in 1987.

6. In spite of the encouraging results, the economy continues to encounter serious problems especially with regard to debt and the unstable balance of payments (the outstanding debt and the debt service by the end of 1988 respectively represented 1,600% and 100% of the volume of exports) and with regard to the actual economy, whose production levels remain below their potential. The correction of these macro-economic imbalances and the revival of national production require substantial financial and technical assistance from the development partners of the Government of Guinea-Bissau. In this connection, the ADB Group will have an active role to play in supporting the efforts of the Government through a lending programme covering the period 1991-1993.

M E M O R A N D U M

TO : THE BOARD OF DIRECTORS

FROM : B. NDIAYE
For President



SUBJECT : KENYA : ECONOMIC PROSPECTS AND COUNTRY
PROGRAMMING 1989 - 1991

Kenya is strategically located astride the equator on the eastern coast of Africa, with a coastline of about 1000 km along the Indian Ocean. With a population of 21.8 million (1987) growing currently at the rate of 3.9% per annum, the country has one of the highest demographic growth rates in the world.

During the first decade of independence, Kenya enjoyed such remarkable economic performance that it became one of the fastest-growing and most stable economies in Africa. The real GDP grew by an average 6.5% per annum, and real per capita income registered an aggregate growth of 30%, during the period. This strong economic performance was also relatively broad-based, with all the three key sectors of agriculture, industry and tourism experiencing high growth rates. The economic growth was also accompanied by relative macroeconomic stability. This was reflected in a low annual average inflation rate, as well as modest deficits on the current account. Kenya was also able to build up large external reserves (equivalent to 5 months of imports), and enjoyed a very low debt service ratio of only 3.0% of export earnings.

However, by 1974 this picture of strong economic performance began to change into a far less favourable one. With the onset of the oil crisis in 1973, Kenya's terms of trade deteriorated rapidly. Unfavourable weather conditions also exacerbated structural weaknesses in the country's agricultural sector. Prevailing low levels of agricultural producer prices began to act as a disincentive; and inefficiencies in the marketing structure

became evident. Between 1974 and 1985, agricultural sector growth declined to 3.5%, from about 4.7% during the preceding decade; and industry's increasingly protectionist and import-substitution nature, combined with the decline in agricultural production, began to act as a constraint to further growth in industrial output. In effect, Kenya's overall economic performance declined markedly in the second half of the 1970s; so that between 1974 and 1981, the GDP growth rate averaged 4.7% per annum compared to the 6.5% per annum registered during the previous decade. The external debt service ratio reached 25% in 1985, compared to a ratio of 3% in the previous decade.

In response to these adverse developments, the Government in the early 1980s launched a series of structural adjustment operations to stabilize the economy and to lay the basis for resumption of sustainable growth. Through these stabilization and adjustment measures implemented during 1980-1985, significant achievements were realised in the areas of increasing agricultural prices; simplifying the import-licensing classification system, and gradually moving towards a unified tariff structure. The Government also succeeded by 1984 in reducing the budget deficit to 4.0% of GDP, the current account deficit to 2.0% of GDP, and the annual rate of inflation to 11.0% as against the 20% inflation rate in 1980. Overall, however, these adjustment measures were not far-reaching enough to eliminate the major problems and constraints facing the economy, as highlighted in the attached EPCP.

To effectively tackle these problems and constraints, the Kenyan authorities launched Sessional Paper No.1, of 1986 "Economic Management for Renewed Growth". Within this framework, the Government has issued the Sixth Development Plan 1989-1993. As highlighted in the attached EPCP, the achievement of the long-term goals of the new development strategy is expected to be facilitated by a series of medium-term programmes of adjustment principally in agriculture, industry, the financial sector, health and education. These adjustment programmes are already under implementation and are beginning to have the desired effect. Between 1985 and 1987 economic recovery has begun to emerge with the economy having sustained an average growth of over 5% for the past three years.

As highlighted in the EPCP, with the launching of Sessional Paper No.1/86, and the series of sectoral adjustment programmes envisaged over the medium-term, there has emerged a determination by the Government to address the fundamental structural problems and sectoral constraints which have beset the economy since the 1970s. These programmes, inevitably, call for significant external donor support in order to meet the financing requirements, as indicated in chapter 3 of the attached EPCP. Unless the required external funds are forthcoming, the Government would have no other option but to slow down the pace of policy implementation.

Past Bank Group lending to Kenya generally emphasized projects in the sectors of transport, industry and public utilities, and fell in line with Government's objectives of improving the roads network, enhancing industrial production capacity and ameliorating water supply, sewerage and electricity supply facilities. As highlighted in chapter 4, of the attached Paper, implementation of the projects in these sectors has generally been satisfactory, with the exception of the sewerage and rural water supply projects where problems were encountered; and where important lessons of experience have been learnt. These lessons will be taken into account for future Bank Group operations in the country.

Based upon past experience, as well as upon the priorities of the Government's current economic development and structural adjustment objectives, the Bank Group's strategy for 1989-1991, as proposed in this Paper, will focus on (i) assisting in the series of macroeconomic and sectoral adjustment operations that are currently underway, while at the same time (ii) financing selected projects that are in accordance with overall growth and development strategies of the Government. It is in pursuit of these twin objectives of both non-project (quick-disbursing) and project-lending operations (for capacity improvement) that the Bank Group has already supported during 1989 a water supply project for Nairobi and an industrial sector adjustment credit. In view of the country's heavy external debt burden, and the adjustment-process needs for concessional funding, as much ADF resource blend with ADB as possible is envisaged; so that the external debt burden is not worsened during the first phase of the adjustment period down to

1992/93. The proposed programme envisages a total commitment level of the order of FUA 80 million and ADB 133 million over the 1989-1991 period, for both project and policy-based lending operations.

In implementing the proposed lending programme in Kenya during 1989-1991, the Bank Group, as indicated in the Paper, will be alive to the need to reinforce aid co-ordination, particularly at the local level. The Bank Group will also pursue with the Kenyan Government a number of policy and institutional issues, highlighted in the Paper, that require analysis, study and continued dialogue.

The Board is hereby invited to consider the Economic Prospects and Country Programming Paper for Kenya.

12 September 1991

Original: FRENCH

Translated by: Mrs. Moïra Ferran

M E M O R A N D U M

TO : THE BOARD OF DIRECTORS

FROM : Babacar NDIAYE
PresidentSUBJECT : REPUBLIC OF MALI: ECONOMIC PROSPECTS AND COUNTRY PROGRAMMING :
1991 - 1993

1. This Economic Prospects and Country Programming Report aims at presenting the economic trends of the Republic of Mali for the 1986-1990 period and at reviewing the Government's strategy. This review will lead to the formulation of a 1991-1993 programme of operations for Mali by the African Development Bank Group (ADB).
2. During the two decades which followed independence, Mali's economy was characterized by deep-seated economic and financial imbalances. Although external factors like the land-locked situation of the country, the deterioration of the terms of trade and especially long and disastrous years of drought account to a great extent for these imbalances, the situation is also due largely to the inconsistent economic policies which were the hall-mark of the then state-controlled economy. Indeed, the highly centralized administrative system and the near non-existence of a modern industrial sector laid the groundwork for a development strategy designed and fully controlled by the State. This led to a resolutely interventionist economic policy by which public enterprises and a public sector employment policy pursued with total disregard for the country's limited resources.
3. In the 1980s, this interventionist policy led to structural imbalances evidenced by the public sector's poor performance and huge financial losses which consequently resulted in contracting loans from the banking sector and thereby accumulating arrears. Over the same period, the share of public enterprises in the industrial sector's production was 70%. It reached 50% of total exports and 70% of private domestic credit distributed. The establishment of monopolies,

the introduction of price control while curbing inflation ultimately meant the transfer of the rural sector's resources to the urban sector and keeping the private sector out of the production business.

4. Against this alarming background, the Mali Government launched a series of recovery measures starting 1982, but their application was impeded by a lack of internal financial resources resulting from the fall in 1986, of the price of cotton, the country's main export. However, the Government's determination to redirect the economic policy won the support of bilateral and multilateral financiers. Consequently, the Mali Government was able to undertake a structural adjustment programme for which it sought help from the ADB. However, unforeseeable weather conditions, the fluctuations of the prices of the country's main agricultural exports (cotton, groundnut) and insufficient domestic savings require continued and immense support from the international community and it is in that light that this report was written.

5. Mali belongs to category A of the ADF classification of regional member countries and is eligible for ADF-VI resources during 1991-93. For future operations in Mali, the Bank Group should use resources at concessional terms especially for rural sector development, infrastructure and social sector support. However, the mining sector should, following consultations with the principal multilateral donors, the World Bank in particular, explore the possibilities of financing the mining sector with semi-concessional resources. The TAF resources which represent 10% of ADF's resources, might besides be used to finance projects involving the institutional strengthening of the main ministries.

6. Given the Government's sectoral priorities, the review of the country's overall economic situation and given the Bank Group's experience in project financing in Mali, the priorities proposed for future ADB Group operations are the following:

i) lending support to the implementation of structural adjustment programmes;

ii) in the rural sector: ensuring greater food security by developing food crops and laying the foundation for the diversification of the economy;

- iii) in the transport infrastructure and energy sector: financing projects that will promote industrial development;
- iv) in the social sector: improving the quality of education projects and projects which aim at improving the people's health;
- v) in the mining sector: developing extraction activities, and
- vi) regarding institutional support: strengthening the main ministries involved in the management of the economy.

7. The Board of Directors is invited to consider and subsequently to approve this document.

4 October, 1990

Original: English

MEMORANDUM

TO : THE BOARD OF DIRECTORS

FROM : J. B. Ndiaye
PresidentSUBJECT : MAURITIUS: ECONOMIC PROSPECTS AND COUNTRY PROGRAMMING PAPER
(EPCP) 1991-93

1. The island of Mauritius is a middle income country with a per capita income of Rs 23,327 (Us \$1896 in 1989). It has a population of 1.23 million (1989) and an area of 1865 km². Mauritius registered strong economic growth amidst favourable budgetary and balance of payments position during the period 1982 and 1988. This performance was manifested in rapid real GDP growth of 6.7% per annum; low level of inflation (5.26% per annum); rapid real growth of Gross Capital Investments (19.4% annually); high savings ratio of 18% of GDP, reduced debt service ratio from 12.0% to 6.2% of export earnings from goods and services and large surpluses in the overall balance of payments position boosting levels of foreign reserves to cover about 22 weeks of imports.

2. The healthy economic and financial performance has been the result of policy prescriptions introduced under stabilization and structural adjustment programmes pursued since 1979 and 1980 as well as favourable external factors such as decline in oil prices, lower international interest rates, favourable terms of trade, strong external demand for Mauritius exports, preferential trade arrangements under EEC and US markets and US dollar depreciation during the 6-year period. Main policies adopted under the stabilization programme,

introduced with the assistance of the IMF involved liberalization of exchange rate and trade regimes, reductions in consumer subsidies, wage restraint policies, restriction of credit and monetary expansion, and installation of fiscal discipline. As elaborated in the EPCP, under the Structural Adjustment Programme, the GOM was able to boost aggregate supply by: restructuring sugar industry and encouraging agricultural diversification; promoting export processing industries and tourism, strengthening energy planning capacity; and improving public resource management.

3. These measures fervently pursued by the Government over the past 6 years enabled Mauritius to redress most of the economic policy and management deficiencies as well as institutional weaknesses that had hampered its growth and development. Notwithstanding the strong economic and financial performances, as well as the improved policy environment, Mauritius still faces a major challenge of sustaining current growth trends in view of key issues/problems identified by the report as follows: declining productivity, inadequacies of financial and banking systems, skilled manpower shortages and wage problems, narrow economic bases, increasing openness and vulnerability of economy to external shocks and uncertainties in preferential trade arrangements.

4. To address these issues as well as exploit the country's growth potential in the medium-term, the GOM has introduced its Fifth National Development Plan (FNDP) 1988-90 which is backed by a public sector investment programme covering that period and beyond. The primary objective of the FNDP is to sustain the current high economic growth and financial stability as well as ensure an improved and more equitable living conditions in the country. While specific policies and programmes are proposed towards dealing with the key issues mentioned earlier, the core strategy of the Plan remains the development of productive activities in export processing zone, sugar and tourism sectors through private sector initiatives. Emphasis is also placed on diversification of EPZ products and markets, encouragement of tourism activities to take environmental considerations more seriously, to expand the exports of special sugars and to encourage the production of high value cash crops. Other new sources of growth in the medium-term are identified as development of services such as data processing, secretarial services for exports and expansion of Mauritian investments abroad, e.g. Madagascar and PTA countries. The role of the Government is expected to be confined towards

development of the necessary infrastructure and institutions; creation of appropriate policy environment for the private sector to flourish and complementing the efforts of the private sector in the productive sectors. The medium-term programme is expected to be pursued with the assistance of both domestic and foreign resources. The preference for foreign resources is from concessionary sources.

5. The Bank Group operations in Mauritius till 1989 amounted to UA 74.0 million and were spread in industry (55.9%) public utilities (16.1%) and infrastructure (28.0%). The relatively high concentration of resources in industry reflects Bank Group's adherence to the GOM's policy of encouraging private investment in the productive sectors of the economy. Part of the industrial sector resources was in support of a New Industrial Strategy aimed at expanding manufacturing for exports. The Bank Group's resources spent on infrastructure was also significant and were geared towards constructing new roads and bridges as well as repairing existing ones damaged by a cyclone. The rest of the resources spent on public utilities specifically went into the provision of water and sewerage facilities. In all, the past resources seemed to have been channelled towards redressing sectoral problems identified by the report.

6. As indicated in the EPCP, the Bank Group's medium-term lending programme (1991-93) is designed to support the GOM's medium-term strategy to sustain the current strong economic growth and financial stability as indicated in the FNDP and the Public Sector Investment Programme as well as to complement the efforts of other donors in Mauritius.

7. Given Mauritius classification as middle income and category 'C' under ADF-V the totality of Bank Group resources allocated to the country during 1991-93 is proposed to be from ADB resources with the proviso that TAF resources would be made available when needed and available.

8. Bank Group proposed resources amounting to UA 75 million (US \$100 million), as indicated in the report would be directed towards fostering diversification and increasing the productivity of agriculture, manufacturing and services sectors. Specifically, the resources would support the modernization and mechanization of the process of production with the view to

enhancing the value added of products while addressing the emerging problems of labour shortage and environmental degradation. Some resources are also earmarked for rehabilitation of ports and roads infrastructure towards the end of the programme period.

9. In implementing the proposed 1991-93 Lending Programme, political and institutional issues of mutual concern to the Bank Group and the Government relating to the tariff system, the Environmental Action Plan, human resource development and the effect of rapid industrialization on the society are identified.

10. The Board is invited to consider and approve the proposed country programming paper.

AFRICAN DEVELOPMENT BANK

ADB/ED/WP/90/71

13 August, 1990

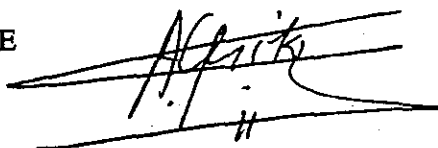
Original : FRENCH

Translated by: K. ANSAH-SEM

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Babacar N DIAYE
For President



SUBJECT : NIGER : ECONOMIC PROSPECTS AND COUNTRY PROGRAMMING
1990-1992

1. Under GCI-IV and ADF V, a systematic approach to the programming of Bank Group operations was established. Consequently this document which is submitted to the Board of Directors was written in accordance with the proposed plan with a view to appreciating the relationship between national economic and social development strategies and Bank Group operations, taking into account Niger's recent economic situation and the political changes that are likely to occur.

2. The external debt service burden, the fall in world prices and in the international demand for uranium affected Niger's growth and economic development during the 1980's. That is why GDP which showed a see-saw evolution recorded between 1981 and 1987 a growth rate clearly below the population growth rate. Exports during the period 1985-1987 averaged F.CFA 112 billion per annum, representing 87% of their 1982-1984 level. However, the current trade deficit which had reached a record figure of F.CFA 76.5 billion in 1982 was contained through the recovery measures taken under the stabilization and social adjustment programmes over the period 1987-1991 so as to remove certain difficulties which affect Niger's economy.

3. Niger's economic and social development is affected by a number of difficulties. These among others, are :

- (i) physical climatic and soil constraints and the dominant practice of traditional agriculture;

- (ii) *financial difficulties which hamper measures intended for agriculture, especially in the field of irrigation and the diversification of crops the most prominent of which are millet and sorghum;*
- (iii) *the quantitative and qualitative inadequacy of road infrastructure in many areas with relatively substantial agricultural potentialities;*
- (iv) *the inadequacy of the agricultural production used as local raw materials in manufacturing industries;*
- (v) *the adverse impact of transport costs and of imported electricity on the production and marketing costs of certain Niger products;*
- (vi) *the slump in the uranium market and the difficulties of the public and parastatal sector due to poor management;*
- (vii) *inadequate social infrastructure with regard to the population pressure and institutional weaknesses particularly in economic management capability.*

4. The five-year economic and social development plan for the period 1987-1991 defines in accordance with short and medium-term objectives, the following strategies :

- (i) The continuation of structural adjustment and financial rehabilitation. This concerns the principal points of the 1986-1988 programme, especially the restructuring of the parastatal sector and the revitalizing of the private sector;
- (ii) The rational management of natural and human resources. This will be done through the anti-desertification campaign, demographic control, as Niger's population increases by 3.1% per annum, and by the improvement and strengthening of the educational and medico-sanitary system;
- (iii) National economic revival. GDP in real terms shows an increase on the average by 3.3% per annum from 1988 to 1991. The most significant annual growth rates would come from agriculture (3.4%), animal husbandry (4%), industries other than mining (5%) and services other than public administration (4%).

5. The principal sectoral strategies are as follows :

- (i) in the rural development sector, the principal goals are food self-sufficiency and improved revenue through the improvement and diversification of agricultural production, water control and making the people responsible;
- (ii) concerning the industrial sector, the principal objective is the development of local resources and diversification. This will be done by the creation of a climate conducive to private initiative and the concentration of public efforts on the strategic branches such as agro-industry and animal husbandry;
- (iii) in the energy area, meeting national needs and reducing outside energy dependence;
- (iv) in the fields of education and health, the principal objectives are an increase in the percentage of children attending school and improved training through the construction, rehabilitation of classrooms and teacher training on the one hand, and an improvement in preventive and curative services by the strengthening of health infrastructure on the other hand.

6. These strategies and objectives are supported by comprehensive public investments amounting to F.CFA 580 billion. The sectoral distribution of these investments reflects the very urgent nature of rural development which should receive 39.5% of the resources and of the transport and communications sector (19.3% of resources). Concerning its implementation, the five-year plan is accompanied by three-year public investment programmes the first of which covered the period 1987-1989 and amounted to F.CFA 310.5 billion. External financing should cover more than 90% of requirements. Consequently the mobilization of increased external aid is of cardinal importance in meeting the global financing of Niger's economy in the short and medium terms. To this end, the Bank Group which has for many years been participating in the financing of Niger's economic and social development will continue its action while giving prominence to a certain number of areas considered priority ones for the period 1990-1992. The objectives of the Bank Group's three-year programme are therefore centred round the following points :

- (i) Agricultural development with a view to increasing this sector's production. The increase in agricultural production should make it possible to improve the degree of food self-sufficiency and ensure adequate and regular supply of raw materials to the existing oil-mills. To achieve this, the rural sector will use overall about 38% of programmed resources.
- (ii) The development of transport infrastructure whose main objective will be to ensure the opening up of the areas with great agricultural potential. To do this, the transport sector will have to use 15% of the resources.
- (iii) Education.
- (iv) Improvement of macro-economic management through structural adjustment and institution building programmes. These operations will take up about 22% of the resources.

7. This programme should be made flexible to facilitate Bank Group operations in the other sectors. These operations will be justified, either to support past actions or to attain the above-mentioned goals, or to reduce certain regional or sub-regional disparities in economic and social infrastructure.

8. Owing to the low average per capita income in Niger, it is proposed that the Bank Group utilise principally concessional resources, particularly those of the ADF and the NTF. However, efforts will be made to identify the projects submitted for Bank financing or at least for the mixture of the various resources of the Bank Group.

9. The Board is invited to consider and approve the proposed *Economic Prospects and Country Programming* report.

AFRICAN DEVELOPMENT BANK

SEYCHELLES

ECONOMIC PROSPECTS AND COUNTRY PROGRAMMING

1990 - 1992

SCPR

OCTOBER 1990

FOR THE EXCLUSIVE USE OF THE BANK GROUP.

1242H

EXECUTIVE SUMMARY

1. ECONOMIC BACKGROUND

1.1 Seychelles is spread over a very large area in the Indian Ocean and comprises about 115 islands with a total land area of 453 square kilometres. Mahe is the main island and is 930 km from Madagascar, 1590 km from Mombasa, Kenya, and 2180 km from Bombay, India. The total population of Seychelles was estimated at 67,036 in mid-1989. The natural rate of growth of population is about 2.1% a year, but the actual population growth is about 0.8% a year, because of an annual net emigration of nearly 1,000.

1.2 The Seychelles economy is characterised by the dominance of tourism and activities related to it. Hotels and restaurants alone accounted for 8.3% of real GDP in 1988 and an average of 15.1% of formal employment and a much higher percentage of indirect employment during the period 1983-1988. Tourism is now the main foreign exchange earner and in 1989 brought into the country more than seven times the foreign exchange of domestic exports of merchandise. Because of Seychelles' long tradition in fishing as an island country, the fisheries sector has grown to take a second position to tourism as a source of foreign exchange earnings even though the sector's contribution to real GDP in 1988 was only 1.6%. The low share of the fisheries sector in GDP is partly due to Seychelles' dependence on artisanal fishing. Industrial fishing, on the other hand, is booming but is dominated by foreign vessels operating in Seychelles Exclusive Economic Zone (EEZ).

1.3 The industrial sector has grown quite significantly in the 1980s and accounted for an average of 9.6% over 1983-1988. The manufacturing sector has accounted for an average of 6.9% of GDP over the period 1983-87, while the handicrafts sub-sector has remained stagnant at 1.0% of GDP over the same period. Agricultural performance has been poor due to the many constraints facing the sector.

1.4 There has been considerable improvement in the social sector, both in health and education, which has been manifested in general decline in mortality rates, improvement in hospital care, an increase in health personnel, improvement in primary, secondary school and post-secondary school's enrollment as well as a significant expansion in learning, number of schools and student teacher ratio.

(ii)

1.5 On the macroeconomic front, the economy of Seychelles has performed reasonably well. Real GDP growth has been sustained since the economy recovered from the recession of 1982-83. It grew over 1984-88 by an average of 5.5% per annum. This impressive growth rate was due to a higher level of activity in tourism, manufacturing, building and construction, transport, finance and business. In 1988 real GDP growth was estimated at around 4.2%, and the projection for 1989 appears to show a continued strong level of performance. Underlying this growth in GDP was a healthy growth in investment by an average of 21.2% of GDP over the whole period, prudent fiscal and monetary policies.

1.6 The major economic problems facing Seychelles include the economy's major dependence on tourism and its vulnerability to the vicissitudes of the economic fortunes of the western industrial countries, declining agricultural output including poor performance of the fisheries sub-sector because of its continued dependence on traditional methods of fishing; low level of industrial development which is due to a number of constraints among which are the small size of the domestic market, limited natural resources and relatively high production costs. On the macroeconomic front the economy is characterised by persistent and large current account deficits and a rising debt service ratio.

1.7 Confronted with these problems, the Government has been preoccupied with formulating, designing and adopting appropriate development programmes to deal with the problems. Since independence the Government has adopted six rolling five-year development plans. As a result of these development plans, the country has made considerable investments in infrastructure, education, health and social services which have brought about a substantial progress in those fields. Recent development plans have emphasized productive and economic sectors.

(iii)

1.8 In terms of the likely future behaviour of the economy, a macro-economic scenario exercise attempted for Seychelles as part of the 1990-1994 national development planning exercise shows that economic growth will be strong, sustainable and consistent with a policy goal of relative reduction in the burden of foreign debt. GNP will grow at 2.6% per annum over 1989-1994. A large share of capital expenditures will be financed by domestic savings. Exports will be buoyant and consumption will be restrained; there will be a reduction in foreign dependency, an increased self-reliance and a transition to development that rests on a much greater degree on Seychelles' resources; the average annual rate of change of formally employed labour force will be 3.0% and that of the total labour force 3.1%.

1.9 Seychelles has a potential for growth in the agricultural sector for increasing food production, and in the fisheries sub-sector because of an EEZ stretching over an ocean space of over 1 million square kilometres with considerable marine resources, especially tuna stocks, whose careful exploitation would provide a significant base for diversification of the country's economy, create employment, and become a major source of foreign exchange earnings that can enlarge the basis for sustainable social and economic development. Tourism also has a high potential for growth, particularly the development of eastern routes to provide more access to the Japanese markets which are less adequately tapped.

1.10 To attain the economy's potential, the Government is implementing sound macroeconomic and sectoral policies. On the latter policies and strategies, greater importance are being given to small farmer agriculture over state farms and cooperatives in the context of efforts to enlarge private initiatives, both in production and in the marketing, processing and export of agricultural produce. Policies under implementation include those intended to secure major increase in efficiency and productivity in agriculture through improved extension services, small-scale mechanization, irrigation, drainage and rain shielding on exposed and erosion-prone slopes. In the fisheries sub-sector, the Government's main objective is to develop a national tuna harvesting capability to reinforce the existing processing capability, through the acquisition of urgently needed three small purse seiners.

1.11 In the manufacturing sector, emphasis is being given to the creation of both import substituting and export-oriented industries as well as to the more efficient use of local raw materials. Among the measures under implementation which are designed to improve the prospects for tourism are the restriction of accommodation units to no more than 100 beds, exercising a strict control over the siting, design and planning of new hotels. Other measures are planned to be adopted to guide infrastructure development.

2. BANK GROUP OPERATIONS

2.1 Bank Group lending operations in Seychelles began in June 1978 and as at August 1989, there were six loans from ADB totalling UA 28.4 million which financed five projects; three loans from the ADF together amounting to FUA 11.7 million which financed two projects and study; and three NTF loans amounting to UA 8.0 million with two of these loans co-financing two projects with ADB while the third NTF loan provided resources for a line of credit.

2.2 The sectoral allocation of Bank Group resources so far made to Seychelles shows that the social sector received 36.4%, transport 22.3%, public utilities 17.9%, agriculture 16.9% and, lastly, industry 6.3%. The sectoral allocation is consistent with the Government's development strategy for the period 1978-1984 which stressed infrastructural and social development. The Bank's intervention strategy in the second half of the 1980s, did not reflect the Government's re-orientation to economic and productive investments and continued to emphasise infrastructure and the social sectors. The Bank's inability to increase its intervention in the economic and productive sectors is more a reflection of the Government's inability to create investment opportunities in those sectors. This observation is being taken into account in the design of the Bank's future strategy for Seychelles.

3. BANK GROUP MEDIUM-TERM PROGRAMME

3.1 The objective of the Bank Group's medium-term programme for 1990-92 is to support Government efforts to consolidate the gains made in the social and infrastructure sectors so as to provide better quality of life to all Seychellois; to strengthen and increase the economic and productive sectors

with a view to creating employment, and enhancing foreign exchange earning capacity; and to ensure the revival of agriculture and also have a safer environment, both at country and sub-regional levels.

3.2 In sectoral terms, the tentative lending programme during the period will put increasing emphasis on public utilities (water supply and sewerage disposal). The Bank's assistance will also benefit tourism, fisheries, agro-processing and industrial enterprises. Tourism and fisheries are the economy's leading foreign exchange earners and they also make significant contributions to employment and income generation. As such, the Bank's intervention in fisheries will support Government efforts to exploit fisheries' vast potential. Industrial production will also be stimulated through Bank's intervention. In keeping with the Government's objective of consolidating the gains made in the social sector, some financial support will be given to the improvement of health and education facilities. In agriculture, the thrust of Bank Group intervention will be to identify and produce high value agricultural crops which will be able to bring significant returns to the land. It is also expected that the Bank's intervention in the agricultural sector will stress environmental improvement involving both re-afforestation and programmes to keep the sea environmentally safe.

AFRICAN DEVELOPMENT BANK

ZIMBABWE
ECONOMIC PROSPECTS AND COUNTRY PROGRAMMING
1991 - 1993

SCPR _____ **OCTOBER, 1990**

FOR THE EXCLUSIVE USE OF THE BANK AND THE FUND

EXECUTIVE SUMMARY

1. Economic Background

i Zimbabwe became independent in 1980 after fifteen years of liberation struggle. It is a land locked country in the southern part of Africa. Total population in 1989 was estimated at 9.0 million growing at about 2.9 percent per annum. Land area is estimated at about 391,000 square kilometers 73 percent of which is suitable for crop farming, the rest can support livestock. There is plenty of water for hydro-electricity, industrial, agricultural and domestic uses. Mineral resources such as gold, asbestos, coal, nickel, iron ore, platinum and phosphate exist in exploitable quantities.

ii The foudation of the industrial sector was laid during the second world war when as a result of a change in the trade route, certain commodities became either unavailable or costly thus prompting domestic production. In addition demand for construction activities increased as a result of the use of Zimbabwe as a training ground for British soldiers. After the war, the forming of the Federation of Rhodesia (North Rhodesia is now Zambia and South Rhodesia, Zimbabwe) and Nyansaland (now Malawi) in 1953 and making Zimbabwe the industrial heartland of the federation further boosted industrial expansion. In the UDI days, the sector was further expanded to produce consumer goods so as to beat sanctions. Today, the sector is well developed but require substantial rehabilitation. Infrastructure such as roads, energy and communication systems exist, and like the industrial sector, require rehabilitation and expansion.

iii Economic performance in the last decade was not encouraging given the resources of the country. The GDP grew at at an average annual rate of 3.2 percent while the population grew at about 2.9 percent, meaning that the standard of living of the people did not improve much in the decade. Real per capita income rose from Z\$ 438 in 1980 to only Z\$ 470 in 1989. Unemployment situation worsened, rising from 11 percent of the labour force in 1982 to 21 percent in 1987. The situation has further deteriorated since the last figure.

iv Public sector performance was poor. Overall deficit rose from 8 percent of the GDP in 1981/82 to 13 percent in 1987/88. Prudent fiscal and monetary policies particularly the financing of the deficits from pension and provident funds, government bonds and other non-monetary creating means instead of through bank credits helped to slow down the rate of inflation which was estimated to be about 14 percent over the decade.

v The overall balance of payments showed surpluses particularly from 1985 but the situation is fragile as the surpluses were made as a result of tight foreign exchange controls which led to the compression of imports with serious consequences for efficiency and expansion of the economy. Debt outstanding and disbursed was US\$ 5578.2 million in 1989 or 44.8 percent of the GDP. Zimbabwe is not in arrears in debt servicing, in fact debt service ratio climaxed at 33.0 percent in 1987, and declined to 22.4 in 1988. Because of demand pressures, it rose to 25.6 in 1989 and may further rise even to unmanagable levels if appropriate policy measures are not taken.

vi Both external and internal factors were responsible for the poor performance of the economy. Amongst the external factors were the drought which devastated agriculture between 1982 and 1984, the geographical location of the country (landlocked) which meant high transportation costs, and made the country vulnerable to the political situation in both the RSA and Mozambique, adverse terms of trade for its exports and oil price hikes. Internally, the decline of investment was a major factor. Investment declined from 23 percent of the GDP in 1982 to 10.7 percent in 1989. That level was not enough for maintenance, not to talk of expansion of the productive base. Investment did not grow due to the shortage of foreign exchange and some policies taken by the Government such as the labour and wage regulations.

vii It must be brought to perspective that production in Zimbabwe is largely in the private sector, and winning private sector confidence will be crucial to the growth of this economy. At independence, the Government wanted to address the inequality in wealth and income by making land and other means of production available to the majority black population that have been hitherto deprived, increase the income of the people by fixing wages, guarantee them employment through labour regulations, protect them from higher prices through price controls and build them up for a world of work through large public sector expenditure on education and health. Also the public sector got into production through direct participation and creation of parastatals to make more goods and services available. In addition there were tight controls over profit, interest and capital repatriation. On top of these was the acute shortage of foreign exchange brought about by the tight allocation system and the overvalued exchange rate. The outcome of all these measures was not favourable to the economy.

viii Attempts were made during the decade to correct the distortions. They included export promotion measures such as the Export Revolving Fund created in 1983 (similar funds were created towards the end of the decade for agriculture and mining), devaluation of the currency by 20 percent in 1982 and the adoption of a managed float thereafter which has resulted in an average annual devaluation of about 11 percent, gradual movement away from price controls with the result that only few essential items are now left under rigid price control, investment incentives such as the 50 percent profit repatriation allowance, and generous tax holidays.

ix It was clear at the end of the decade that those measures were not enough. The productive base has been further eroded, and developments in the RSA pointed to the fact that the region will sooner or later become very competitive. Also, the quality of output has been deteriorating which meant that Zimbabwe's products would not be able to compete internationally. In July 1990, Government made its intention clear in the Economic Policy Statement (EPS) that it has to liberalize trade to make the economy competitive and pursue structural adjustment to increase production and exports. To ease the problem for producers who until now have been under protection, trade liberalization will be spread over a five year period, from 1991 to 1995.

x The trade liberalization period also coincides with the Second National Development Plan period in which the Government aims at achieving a 5 percent growth rate of the GDP. That growth rate would necessitate an average annual investment of 24-25 percent of the GDP. The target growth rate is not overly ambitious, but would require tremendous savings effort. The private sector, with appropriate incentives, would probably continue to save up to 16

percent of the GDP annually. If exports are expanded through incentives and trade liberalization, thus maintaining the high credit rating of the country, foreign capital inflow may cover 6 percent of the investment requirement. The public sector would have to save 2-3 percent of the GDP annually to cover the balance. This is rather tough for a Government that has been dis-saving to the tune of over 10 percent of the GDP in the decade, but that level of saving could be achieved if the proposed parastatal reforms, cost recovery in education and health and reduction of public sector employment stated in the EPS are carried out.

2. Bank Group Operations

xi The ADB Group will continue to assist the Government to attain its objectives. In the last ten year, ADB group has extended a total of UA 272 million to the Government of which 87 percent was in ADB loans, the rest 13 percent was ADF/TAF. The Bank Group supports a blend for the country so as to keep the debt service ratio low. In total 14 projects have been supported. Emphasis has been on agriculture and resettlement to support the main sector of the economy and the rural poor, the industrial sector to expand production and exports, infrastructure such as roads and utilities such as energy, water and communication which are crucial for growth in the producing sectors, and education and health for manpower development.

xii The level of project implementation has generally been satisfactory despite the manpower problems and poor co-ordination particularly on the resettlement projects. Unfamiliarity of executing agencies with the Bank Group's rules and procedures has often caused delays in project implementation. The rate of disbursement is low relative to the achieved level of project implementation, although 49 per cent of ADB's commitment and 24 per cent of ADF's commitment were approved only in 1990. The disparity is due largely to the choice of reimbursement method selected by the Government. Generally, the country is receptive to Bank Group's advice.

3. Bank Group's Medium Term Lending Programme

xiii An indicative lending programme of about UA 370 million (ADB 95 percent, ADF/TAF 5 percent) or an average of UA 130 million per annum is proposed for the next three years, 1991-93. This will be about 15 percent of the total foreign exchange requirement of the country over the period. Experience in 1989 when the Bank Group approved a total of UA 135 million for the country showed that this level can be readily absorbed by the country.

xiv The programme will focus primarily on the Agricultural Sector to which about 24.3 percent of the total programme is allocated for investments in irrigation infrastructure, provision of agricultural credits, development of agro-processing and livestock, marketing, extension services and land consolidation. About 16.2 percent of the programme will go to the transport sector to finance railways rehabilitation, rural roads, highway maintenance and the oil pipeline from Feruka to Harare. About 12.2 percent will be allocated to energy and telecommunications which is critical for the success of the structural adjustment programme and trade liberalization. Investments in this sector will support the interconnection with the Cabora Bassa Scheme in Mozambique, construction of distribution systems, rehabilitation of existing generating plants

and the rehabilitation and modernization of telecommunication systems. About 12.2 percent of the programme will support education and health projects especially rural health and technical education. Industry and mining are allocated 12.2 percent to support medium to small scale enterprises, and tourism. The remaining 4 percent will support social action programmes in the context of structural adjustment.

xv Apart from the financial assistance, the Bank will also offer to the Government its advice on macro and sectoral issues as may be needed from time to time. This will be done through consultations with the Government, regular review of the economic situation, comments on studies and the investment programmes, review of project feasibility studies, and participation in donor group meetings. Sector studies or specialized studies on key issues will be encouraged and undertaken if needed to support the development effort.

xvi The Bank's Resident Mission will be called upon to play a more active role in this respect. The mission will liaise more closely with the Government in identifying projects suitable for ADB Group funding, carry out regular and frequent supervision of on-going projects so as to detect problems early enough and design solutions to cut down on delays and cost overruns. It will also play a more active role in aid co-ordination.

20

