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AFRICAN DEVELOPMENT FUND



MID-TERM REVIEW REPORT

ADF-VI

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CHAPTER 1

THE ADF-VI MID-TERM REVIEW IN PERSPECTIVE

1.0 Scope and Objective of the Review

1.0.1 At the conclusion of the consultative meetings on the Sixth General Replenishment of the Resources of the African Development Fund (ADF-VI), State Participants agreed to a programme of Fund operations for the three-year period 1991-1993; and set the funding level at FUA 2.65 billion. Additional special contributions, amounting to FUA 60.4 million, were pledged by Italy, the Netherlands and Norway. In order to assist in the effective implementation of ADF-VI policies, Deputies of State Participants decided to undertake a review after the Fund has had experience of its first year's operations. The review would assess Fund performance in conformity with a number of specific directives issued in their "Report on the Consultative Meetings on the Sixth General Replenishment of the Resources of the African Development Fund" (ADF-VI/CM.5/91/54/Rev.6). This Report was formalized in two documents, subsequently approved by the Board of Directors -- **ADF-VI Lending Policy and Guidelines and Procedures For the Utilization of the Technical Assistance Fund**. This Mid-Term Review Report summarizes the directives; and outlines actions so far taken, and those to be undertaken subsequently, in responding to the directives.

1.0.2 Before introducing the issues considered in this Report, it may be useful to indicate the Bank Group's past efforts in evaluating its overall performance. In this regard, it may be recalled that the Group has, for some time now, been undertaking periodic evaluation exercises -- some at Management's initiative, and others at the behest of Governors and Fund Deputies. The following listing indicates the main reviews so far undertaken:

- (i) **1977:** Evaluation of the ADF's lending policies and procedures, at the request of the Board of Directors;
- (ii) **1984:** Management's own review of progress in the implementation of the First Five-Year Operational Programme (FYOP.1);

- (iii) **1985:** A Presidential Reflections Committee, which recommended measures for the enhancement of Bank Group contributions to Africa's development;
- (iv) **1989-1990:** Mid-Term Review of implementation of the directives issued by Governors at the conclusion of the negotiations on the Fourth General Capital Increase of the Bank (GCI-IV);
- (v) **1990:** Mid-Term Review of the Fund's performance during the ADF-V period, at the request of Deputies; and
- (vi) **1991:** Management's Review of Bank Group Performance under the Second Five-Year Operational Programme (FYOP.2), 1987-1991, in connection with the preparation of the Third Five-Year Operational Programme (FYOP.3).

These review exercises have been useful in sharpening the focus of Bank Group institutions and guiding them towards fuller achievement of their overall mandates. There have been significant direct benefits from these reviews, especially with respect to improvements in the quality of the institutions' operations and, consequently, in the services rendered to borrowing countries. Management, therefore, welcomes this opportunity to review the operations of the Fund under the sixth replenishment of its resources, and is confident that this stock-taking will enable the Fund to continue to improve its performance so as to respond with increasing effectiveness to Africa's development challenges in the 1990s.

1.0.3 Paragraph 48 of the ADF-VI Report identifies the following as the main issues to be considered in the present Mid-Term Review:

- (i) The trend of lending and TAF operations of all kinds as between the different country groupings;
- (ii) The progress made in improving the process of allocation, including the EPCPs and the associated policy dialogue;
- (iii) The classification of Namibia and the arrangements for Nigeria;
- (iv) The progress made on loan quality issues;
- (v) The progress made in defining and implementing the new directions agreed on poverty reduction (including the development and application of indicators), environmental aspects, and the support of women as development agents;

- (vi) The trend of sectoral lending (particularly for agriculture and the social services), progress on the intended population policy and updating of other sectoral policy papers;
- (vii) The trend of policy-based lending and its relationship to the second SPA; this including the results of the formal evaluation and lessons learned from earlier PBL;
- (viii) The objectives and results of technical assistance operations;
- (ix) The effect of the decision setting the Fund's liquidity level;
- (x) Progress in matching the Fund's human resources to its tasks under ADF-VI; and
- (xi) The operation of the Rules of Procedure regarding consideration of loan proposals by the Board of Directors.

1.0.4 A preponderant part of this Report will be devoted to discussing the measures taken in addressing the issues raised above. Following this introduction, Chapter 2 outlines the directives and the actions taken in meeting them during the eighteen-month period from January, 1991 to June, 1992. Where relevant, actions that will be taken in the immediate future are also indicated. This discussion is presented under three broad categories relating to operations and development policy; finance; and staffing implications. Chapter 3 summarizes the principal issues which, building on current efforts, should engage the Fund for the remainder of the ADF-VI replenishment period and on to the ADF-VII period. The Chapter, therefore, also provides some preliminary indications of the associated resources which the Fund will require to assist it in consolidating its current achievements; in working towards a more substantial attainment of its goals; and in enhancing its participation in Africa's development efforts in the years ahead.

CHAPTER 2

REVIEW OF THE IMPLEMENTATION OF ADF-VI DIRECTIVES

2.0 Introduction

2.0.1 This chapter discusses the measures taken by the African Development Fund in implementing the ADF-VI directives, within the framework of the **ADF-VI Lending Policy and the Guidelines and Procedures for the Utilization of the Technical Assistance Fund**. With the main elements of each directive provided for ease of reference, the discussion is presented under the three major areas of Fund activities. In the first category are issues relating to operations and development policy, including, eligibility and allocations, lending operations, sectoral and inter-sectoral priorities, and loan quality. This is followed by a discussion of financial issues, including ADB-ADF cost-sharing, the liquidity level of the Fund, the Fund drawdown system, and the alignment of the Units of Account of the Bank and Fund. The third part deals with staffing implications, and takes up such issues as recruitment to address new Fund initiatives and efforts to stabilize staff positions. The chapter concludes with a recapitulation and broad assessment of the Fund's performance at mid-term, summarizing achievements and indicating those areas in which further action would be required.

A. OPERATIONS AND DEVELOPMENT POLICY

2.1 Eligibility and Allocations

2.1.1 *Directive: Category A and B countries will be eligible for ADF-VI resources. The upper limit of eligibility will be a per capita GNP of US\$990. The Report on the Sixth General Replenishment of the Fund will serve as a basis to update and complete the Lending Policy which has been applied during ADF-V. For this purpose, Management will submit a revised document to the Board of Directors for approval (Paras, 4,7)¹.*

2.1.1.1 Action Taken

2.1.1.1.1 **Action 1.** Two documents, the ADF-VI Lending Policy and the Guidelines and Procedures for the Utilization of the Technical Assistance Fund, were submitted by

¹ References are to paragraphs in the ADF-VI Report of Deputies.

Management to the Board of Directors which adopted them in October, 1991. The Policy groups countries into categories according to their 1989 per capita GNP (see Table 2.1). As indicated, thirty-three countries with per capita GNP of up to US\$510 are placed in Category A; ten countries with per capita GNP between US\$511 and US\$990, in Category B; and eight countries with per capita GNP above US\$990, in Category C. It is notable that Namibia was categorized as a Category B country, with its per capita GNP notionally set at \$989. Altogether, in line with the new Lending Policy, 43 countries are eligible for all ADF-VI resources. Eight Category C countries are eligible only in the case of multinational projects involving a Category A or B country, or have access to the Technical Assistance Fund (TAF) on a loan basis, involving a grant element of 50 per cent which corresponds to loans bearing an interest charge of 3.25 per cent on disbursed amounts, repayable over 20 years, including a grace period of 10 years.

2.1.2 *Directive: Ninety per cent of the resources, net of those earmarked for policy-based loans and technical assistance, shall be allocated to Category A countries and the remaining ten per cent to Category B countries. Up to 10 per cent to be earmarked for TAF of which Category A countries will be eligible for 85 per cent, Category B for 12 per cent, and Category C for 3 per cent. Up to 22.5 per cent of ADF-VI Replenishment resources and any recommitted refloes would be earmarked for policy-based loans (Para. 8).*

- *Relative poverty should be reflected in the continued differentiation between countries in Category A and in Category B. Within those categories, Management would apply to the amount available for traditional lending the size of population at a weight of 45 per cent and relative poverty (per capita GNP) at a weight of 55 per cent (Para.13).*
- *State participants agreed that the priority for TAF should be operations linked to prospective loans, and an indicative figure of 80 per cent should be adopted for such operations (Paras. 33, 48).*

2.1.2.1 **Actions Taken**

2.1.2.1.1 **Action 1.** The indicative country allocations were calculated as shown in Table 2.2. It should be noted that policy-based lending was not allocated in advance, since allocations for this lending instrument are guided by a different set of criteria.

2.1.2.1.2 **Action 2.** Commitments for project lending and for technical assistance amounted to FUA 1107.46 million (of which FUA 46.35 million was committed to multinational projects) and FUA 118.89 million respectively during the period to June, 1992. Annex A provides a detailed listing of all ADF-VI operations undertaken during this period. Table 2.3 shows the commitments of Fund resources by country category; and, as indicated,

excluding multinational activities, Category A countries have used 93.5 per cent of the total resources; and Category B countries 6.2 per cent. For project activities, Category A countries accounted for 94.2 per cent of Fund commitments and Category B for the remaining 5.8 per cent.

2.1.2.1.3 Action 3. With respect to TAF resources, over the eighteen-month period, FUA 91.54 million or 86.8 per cent of country-specific commitments went to Category A countries; and FUA 10.35 million, equivalent to 9.8 per cent, to Category B countries. Category C countries received FUA 3.53 million or 3.4 per cent. Multinational or regional activities accounted for an additional FUA 13.48 million of TAF commitments during the period.

2.1.2.1.4 Action 4. With respect to the utilization of TAF resources, 63.9 per cent of these resources went to project preparation activities, while 36.1 per cent went to institutional support (Table 2.4). This distribution is at variance with the 80 per cent indicative allocation recommended for the preparation of projects, programmes, or sectoral adjustment credits, or assistance in their implementation. But it should, however, be noted that the distinction between institution-building and project generation is not always precise; and that several TAF institutional support activities are closely tied to building local capacity to assist in the overall management of existing projects, as well as the generation of new projects (see Box 2.1). In 1991, for example, there were four technical assistance operations, amounting to FUA 10.8 million, which were classified as institution building but which had the ultimate goal of carrying out design studies. Thus, on the whole, it can be said that TAF resources are used essentially to meet the fundamental objective of project generation, as was intended.

2.1.2.1.5 Action 5. Table 2.4 shows the distribution of loans by lending instrument. By mid-term, project loans accounted for 70.9 per cent of the resources committed; policy-based loans, 19.4 per cent; and TAF operations, 9.7 per cent -- a distribution that is consistent with the allocations proposed in 2.1.2 above.

2.1.2.2 Action To Be Taken

2.1.2.2.1 Action 1. Management will, in the second half of the ADF-VI period, programme TAF activities to conform more closely to the recommended distribution of

BOX 2.1**TAF RESOURCES – INSTITUTION BUILDING IN LESOTHO**

Lesotho is currently attempting to redress major macroeconomic and structural imbalances in its economy which have resulted in a severe decline in the country's rate of growth. Since 1988, a number of policy and adjustment measures have been implemented, with a view to achieving this objective. The implementation of these measures has, however, not been without serious difficulties, in large part due to the lack of the required technical capacities in the central administration, principally the Ministries of Finance and Planning.

The ADF Technical Assistance Grant (FUA 0.84 million) will provide the planning and revenue Departments and the office of the Chief Financial Controller (CFC) with the training required to identify and analyze projects, among which are those financed by the Bank Group; to formulate appropriate macroeconomic and related policies; to assess taxes and duties; and, generally, to monitor developments in Government projects and programmes and the economy as a whole. The development of Ministry training programmes and associated curricula at the National University of Lesotho will help to institutionalise the broad training function; and on-the-job training of counterparts to technical assistants to be engaged in this exercise will ensure the sustainability of the support. Short-term courses, internal and external, will be provided to all planning and revenue collection departments and the office of the Chief Financial Controller. A total of 1,078 trainees will undertake courses in project analysis, capital budgeting, macroeconomic analysis and modelling, taxation, accountancy, and customs and excise management. The technical assistants will also help to meet the operational needs of the Ministries. However, more importantly, they will introduce proper departmental guidelines and procedural methods to ensure the smooth functioning of Ministry activities and greater efficiency in operations.

Overall, this TAF Grant will strengthen Lesotho's capacity in the areas of planning, financial and budgetary management; and will enhance Government capabilities in project analysis, capital budgeting, revenue collection and debt management.

resources between project preparation and institution-building activities. Management has already directed the giving of high priority to project-related assistance in programming TAF operations for 1993. The aim is that for the ADF-VI period, taken as a whole, the indicative targets will be reached.

2.1.3

Directive: Nigeria would be eligible for an indicative programme equivalent to the largest indicative programme for which any other Category A country is eligible. Namibia should be eligible for Fund resources as if it belonged in Category B. These arrangements should be re-examined during the proposed Mid-Term Review. (Paras. 9, 10).

2.1.3.1 Actions Taken

2.1.3.1.1 **Action 1.** As indicated in Table 2.2, Nigeria received an initial indicative allocation of FUA 139.09 million for project lending, and FUA 19.46 million for TAF operations, the same as the largest indicative allocation to any Category A country -- to Ethiopia. Namibia was treated as a Category B country, and was allocated FUA 8.61 million for project lending, and FUA 1.53 million for TAF operations, in line with its notionally set per capita GNP of \$989.

2.1.3.1.2 **Action 2.** An examination of the case of Nigeria indicates that it is currently a strong performer (high GDP growth, adjustment reforms, etc.) and that it should, therefore, be able to use its entire indicative allocation. In addition, the lending programme in Nigeria is supported by substantial ADB lending. Namibia's performance rating is currently considered to be satisfactory, given which, it should also be able to use its indicative allocation. The World Bank has recently estimated Namibia's 1991 GNP per capita as US\$1,120; vid., "Operational Directive 3.10", September 1992.

2.1.4

Directive: The poorest countries in Africa should have their needs met as far as possible by concessional resources. State Participants requested the competent instances of the Bank to re-examine its policy on lending to the poorest Category A countries (Para. 11).

2.1.4.1 Actions Taken

2.1.4.1.1 **Action 1.** With respect to concessionary and ordinary loans, Table 2.5 indicates those Category A countries which, from January, 1991 through June, 1992, received ADB loans, or blends of ADB and ADF resources. Thus, of total ADB

commitments approved, amounting to UA 2268.90 million, only UA 156.76 million or 6.91 per cent went to Category A countries, excluding Nigeria. When consideration is given to the fact that five of the loans were blended with concessional resources from the ADF and other donors, the unblended portion of ADB commitments made to Category A countries becomes even smaller, falling to UA 89.76 million or 3.96 per cent. Indeed, of the nine countries which received ADB loans, the majority were judged to be strong performers, and none was classified as a weak performer or core programme recipient, either by the ADB or the World Bank. In addition, virtually all of the Category A countries which borrowed from the ADB during the eighteen-month period and which received blended loans were, as indicated, SPA members. Moreover, the amounts in question were relatively small and, in all instances, significantly less than the average size of ADB loans in the past five years (UA 41 million).

It should also be noted that the majority of the ADB loans to Category A countries (excluding Nigeria) were either for foreign exchange generating/saving activities or in sectors with high rates of return such as industry (see Table 2.6). For instance, one of Guinea's loans was accorded for a project which had commercial purposes -- shrimp farming; and Mali's loan was a line of credit to be extended through a development bank. With regard to non-concessional lending to Nigeria, a Category A country, it should be noted that given its relatively stronger economic position, its greater absorptive capacity, and the limited availability of ADF resources, Nigeria's lending programme can reasonably be supported by non-concessional Bank resources.

While concerns raised on Bank lending to Category A countries are fully appreciated, it would be impractical to deny them any access whatsoever to ADB resources, given well established estimates of these countries' resource requirements and the limited availability of concessional resources. Indeed, the situation has sometimes led countries to get non-concessional loans (such as supplier's credit) on stiffer terms than those provided by ADB. Non-concessional resources have, therefore, been prudently and selectively employed to support projects with attractive returns and those which enhance the balance of payments of borrowing countries. This approach is consistent with the Bank Group's actual approach to Category A lending during the Second Five-Year Operational Programme (FYOP.2). The experience of FYOP.2 reveals that there has been restraint in extending ADB resources to Category A countries -- restraint which takes into consideration the country's own

investment needs; the Bank Group's assessments of the individual country's absorptive capacity; assessments of country risk; the degree of Bank Group exposure in the borrowing country; and the possibilities for blending ADB and ADF resources.

It will be recalled, for instance, that, for the FYOP.2 period (1987-91), 30 per cent of ADB resources was initially allocated to Category A countries. Yet, taking into consideration the various factors outlined above, over this period, the ADB actually committed only 16 per cent of its resources to these countries (excluding Nigeria, which joined this Category in 1991). In fact, in two of the five years, 1987 and 1991, ADB commitments to Category A countries did not exceed 5 per cent. In reaching its lending decisions, therefore, consideration is given to the economic situation in individual borrowing member countries; their capacity to undertake additional levels of indebtedness; and the view that a good number of Category A countries should, at this time, rely more on the concessional resources of the Fund, rather than on the resources of the Bank. However, Management is also aware that in some Category A countries, there are identifiable pockets of profitable investments which can be successfully financed by non-concessional resources; and which, given their export orientation and potential, provide useful and important complementary support to on-going adjustment and reform programmes. Over time, such investments can contribute significantly to reducing external indebtedness and enhance the overall economic prospects of these countries. The broad strategy employed in extending non-concessional resources to Category A countries thus seeks to establish a prudent balance between the clear development resource needs of the borrower and the additional risks to the Bank that may arise from such lending.

Recently, the donor community has been taking a new look at the debt situation of ADF-recipient countries and in particular those in Category A which are debt-distressed. Donors have expressed support for assistance aimed at debt reduction, including clearance of arrears to the ADB. The requirement for such support includes a beneficiary country declaring willingness to desist or suspend borrowing from the ADB. The possibility of such an arrangement was discussed at the Consultative Group Meeting on Uganda in May 1992. If applied adequately, the arrangement could serve to mitigate problems of non-concessional borrowing by low-income countries facing wide financing gaps.

2.1.4.1.2 **Action 2.** With special reference to blending, a guidelines paper has recently been prepared and presented to the Boards of Directors. In the case of Category A countries, it is proposed in these guidelines that only those projects which generate positive cash flows and above-market rates of return be considered for blending; and that preference should be given to investments aimed at export promotion and/or those which can generate significant foreign exchange savings. However, these guidelines, if approved, will be constrained by current blending opportunities, which depend so importantly on the volume of ADF resources. As demonstrated above, the bulk of the ADF-VI resources is already allocated to Category A countries, for which ADB lending is expected to remain limited. With relatively little ADF resources available to Category B and none at all to Category C countries, a formal blending policy could face considerable practical operational difficulties. Thus, the guidelines conclude that ADF-VII should consider including a definition of blending for Category B and C countries, with the possibility that additional concessional resources will be made available to these latter two categories of countries, to increase the opportunities for blending in overall Bank Group operations.

2.1.5 *Directive: Resource allocation under ADF-VI should be based to a much greater extent than in the past on performance. A country which is successful in making particularly strong performance efforts should be eligible for an enhanced programme, allowing its indicative programme, calculated on its needs assessments to be increased by a maximum of 25 per cent. Conversely for a country judged to be performing less adequately, the Fund should be able to reduce its indicative programme down by a maximum of 25 per cent. A country which does not meet any of the accepted performance criteria would be confined to a core programme. (Paras. 12, 14, 15, 16, 18, 19).*

2.1.5.1 **Actions Taken**

2.1.5.1.1 **Action 1.** The development of performance assessment criteria took up most of 1991, after the conclusion of the ADF-VI consultations in February of that year; and their implementation commenced in 1992. These assessments are strictly for internal use by Management as confidentiality in such an exercise is crucial for objectivity. It could be noted, however, that the current assessment criteria have been expanded beyond those contained in the directives, i.e. demand management; growth with equity and poverty reduction; and efforts to achieve long-term sustainable development. In assessing performance, Management has additionally taken into consideration the quality and

sustainability of the Bank Group portfolio in the borrowing country; the existence and degree of implementation of certain key social policies (corresponding to the criterion "growth with equity"); and effectiveness of public administration and governance (see Annex B).

2.1.5.1.2 Action 2. To date, preliminary assessments of performance have been undertaken for all countries, except Libya (where there are no Bank Group operations) and Liberia and Somalia (which are under civil war). Sixteen countries (including 5 Category C countries) were rated as strong performers; 26 countries (including 3 Category C countries) as satisfactory; 5 as weak performers and 2 as "Core" countries. It is expected that within a few months, all countries will receive their final formal assessments for 1992, and the reallocation of Fund resources among strong performing, satisfactory, weak and core countries will take place. Several countries are currently being monitored closely for possible downgrading to core status, to which a few countries are already assigned.

The rankings derived from these preliminary assessments were compared with the performance ratings of the SPA countries. All seventeen of the "satisfactory" countries, so classified in the context of the SPA, were also judged to be satisfactory or strong performers by ADB analysts. A complete correspondence between the two rating systems is not necessary or required. The above demonstrates, however, that there is now a good degree of concordance in the two assessments, particularly for positive ratings.

Given current lending patterns, it is fully anticipated that the bulk of Fund resources will be allocated to the performing countries. In fact, in the first eighteen months of ADF-VI, of the seven countries classified as core or weak performers, only one had access to ADF resources. It must be said, though, that some of the weak or core performing countries are also currently in arrears to the Fund; and so new loan signatures are not allowed. Within the Category A countries, the average commitment to countries in the "satisfactory" performance category was determined to be FUA 21.16 million in the period up to June, 1992, while the average for the "strong performing" countries was FUA 48.97 million (see Table 2.7). Beyond this, only strong and satisfactory performers also have a much larger proportion of their indicative allocations (including PBL) committed than do the weak performers. The case is not as strong for Category B countries; the amounts committed are smaller relative to the amounts for Category A.

2.1.5.2 Actions To Be Taken

2.1.5.2.1 **Action 1.** Management will continue to refine its approaches to the measurement of performance, drawing, as necessary, on the experience of other multilateral institutions.

2.1.5.2.2 **Action 2.** The final allocation of ADF resources between performing and non-performing countries will be made by a Senior Management Committee. The Committee will examine the weak, core, and strong performers, and decide on amounts which can be reduced from the poorly performing and core countries and transferred to the better performing countries with a strong pipeline of viable projects. The decision on allocations for the 1993 lending programme will be made in the second half of 1992.

2.2 Lending Operations

2.2.1 *Directive : Deputies agreed that up to 22.5 percent of ADF-VI Replenishment resources and any recommitted reflows would be earmarked for policy-based loans; and only countries implementing monitored adjustment programmes, such as under the Special Programme of Assistance for Africa (SPA), would be eligible for PBL. While welcoming Management's account of Fund's experience so far with PBL, State participants looked forward to examine the results of the proposed fuller formal evaluation during the Mid-Term Review (MTR). They agreed that the allocation to any given country shall not exceed 50 per cent of planned allocation to the country over the ADF-VI period (para. 8, 32).*

2.2.1.1 Actions Taken

2.2.1.1.1 **Action 1.** Eligibility of countries for PBL in the 1991 and 1992 Lending 15 Programmes was determined within the framework of SPA (see Table 2.8). All beneficiaries are eligible members of SPA and/or are implementing economic reform programmes supported by the international donor community. The Fund has systematically participated in all SPA coordinating meetings; and has collaborated extensively with other donors in the preparation, financing and monitoring of all policy-based operations.

2.2.1.1.2 **Action 2.** Allocations to PBL have been kept within the specific limit of 22.5 per cent of total ADF-VI replenishment resources. Sixteen countries benefitted from PBL

between January 1991 and June 1992, with commitments amounting to FUA 238.0 million (see Table 2.9). This represents about 19.4 per cent of total ADF commitments for the period.

2.2.1.1.3 Action 3. Allocations of PBL have been made annually, based on assessment of countries' social and economic situations, growth prospects and resource requirements. A preliminary classification of countries, as to their performance vis-à-vis ADF-VI criteria for determining PBL levels, has been done within the context of the Country Strategy Papers (CSPs) introduced in 1991 (Annex C). Based on this classification, performing countries may be rewarded with increased allocations of up to 25 per cent of their indicative allocations, while non-performing countries may have their indicative allocations reduced by a similar amount. A country which does not meet or ceases to meet the accepted criteria will be confined to a core programme which shall not exceed 20 per cent of its indicative programme for each three-year period. Allocations of PBL for ten countries were below 50 per cent of their ADF-VI indicative allocations. However, six countries - Benin, Central African Republic, Comoros, Equatorial Guinea, Mauritania and Zambia - have used ADF-VI resources for PBL in excess of 50 per cent of the indicative allocations (see also Table 2.9). In order to enhance the Bank Group's leverage in policy dialogue and ensure meaningful presence in member countries, there is the need for significant Fund participation in programmes. The relative excess has been the most in the case of Mauritania with 83.7 per cent. Even there, ADF's contribution of FUA 15 million amounted to only 12.2 per cent of total financial requirements of the programme. ADF's contribution was the lowest and compared with 32.9 per cent and 23.6 per cent for IDA and the Arab Fund respectively. The limit was exceeded by smaller margins in other cases; these involved SPA countries with reform programmes requiring substantial support. Fund interventions assisted in bridging financing gaps which could impede the implementation of programmes in these countries since alternative sources of funding were not available.

2.2.1.1.4 Action 4. Allied to its policy-based lending operations, the Fund has continued its work on the Social Dimensions of Adjustment (SDA); and a number of adjustment programmes which the Fund has assisted have been accompanied by an SDA component -- as in Zimbabwe, Uganda, Malawi, Mali, Sierra Leone and Mauritania. The Bank Group is

exploring further means of building upon the achievements of the first phase of the SDA project. These efforts will be an integral part of the Bank Group's poverty alleviation action programme.

2.2.1.1.5 Action 5. To date, the Fund has financed 41 PBL operations either as structural adjustment loans or sectoral adjustment loans. Out of these operations, 23 are still under implementation. Of the 18 completed operations, project completion reports (PCRs) have been prepared for 10 of them and are being programmed for the rest. PPARs have been prepared for 4 operations with more to be covered in 1993. Although a full formal evaluation of the Fund's broad experience with PBL operations has not yet been undertaken, some further critical observations can be made at this time, based on Management's on-going experience with this lending instrument.

It is to be recalled that policy-based lending operations usually arise with the borrowing country in serious economic difficulty. Weak export earnings, large external payments imbalances, a high level of external indebtedness, a financially overburdened public sector, and excessive industrial protection, all ultimately find expression in declining and often negative rates of per capita income growth and, in some instances, the very threat of economic and financial collapse. This is often compounded by other factors, such as drought and other natural disasters. The severity of the economic situation necessitates swift financial assistance.

However, to engage the resources of the Fund first requires the submission by the intended PBL recipient of a "Letter of Development Policy" outlining its medium-term development objectives for reform and sustainable growth over a period of two to three years, as well as measures to accomplish these objectives. To facilitate the design of a coherent policy framework, the Fund has usually insisted on prior existence of a programme supported by the IMF and the World Bank, as a basis for its own intervention. But, although the Fund's participation in the design of the programmes has been limited to a few cases, the package of reform measures were, without exception, prepared in close consultation or in harmony with those of the World Bank essentially and the International Monetary Fund.

Building on this on-going collaboration, some efforts have recently been made to intervene earlier in the design stage of these programmes. For instance, in the context of the analysis contained in the Economic Prospects and Country Programming Papers and Country Strategy Papers, the Fund is now better placed to identify areas where further policy reform operations are necessary and should be undertaken. Agreement has also been reached with the World Bank and the IMF to participate in all missions related to Public Expenditure Reviews and Public Investment Programmes, as was the case for Uganda, Burundi and Cameroon recently. Beyond this, the Fund now ensures that, without exception, all identification, preparation, appraisal, supervision and mid-term review missions for policy-based operations, in which it is associated, are undertaken jointly with the World Bank and the IMF. Finally, in the context of SPA or Consultative Group Meetings, PBLs are discussed at the initial stages; on-going operations are also closely and jointly monitored; and lessons drawn are taken into account in formulating future programmes. Thus, more and more, the Fund has been able to assume a more pro-active role in PBL operations, in collaboration and close partnership with both the World Bank and IMF. For instance, in Equatorial Guinea, following agreement on the Policy Framework Paper, an ADF-funded structural adjustment loan was prepared, appraised, approved by the Board and launched ahead of another major donor. In Mali, the Fund is undertaking an operation to address financial disequilibrium which became apparent following an earlier programme co-financed with the World Bank.

Regarding the results of its efforts, it needs first to be said that adjustment and reform are a necessary condition for improving economic circumstances -- necessary, because of the severity of the economic situation that gave rise to this form of intervention in the first instance (see the case of Benin, Box 2.2). But it needs also to be said that reform and adjustment efforts, while necessary, are not a sufficient condition for a sustainable turnaround in the economic fortunes of the countries in question.

Based on its experience to date, there are indications that the results of the various adjustment measures have been broadly successful, although there have been clear instances of unrealized expectations. Some countries have managed to restore fiscal balances; and have recorded some easing of the foreign exchange constraint, following significant exchange rate adjustments. In other countries, the implementation of the reform measures has clearly resulted in the more efficient use of resources; and has encouraged

BOX 2.2

POLICY-BASED LENDING: THE CASE OF BENIN

Since 1983, Benin has been facing a difficult economic and financial situation with slowing production growth, falling per capita income and worsening internal and external imbalances. At the end of 1984, the financial system was virtually paralyzed. The budget deficit, on a commitment basis, remained high between 1985 and 1988, at nearly 11 per cent of the GDP. Interest on foreign debt increased and the share of payroll expenses grew appreciably during the 80s increasing to 75 per cent of operating expenditures, and peaking at 81 per cent in 1986.

The deteriorating economic situation led to serious social and political tensions. Public discontent reached such a level that there were anti-government demonstrations toward the end of 1989. Parallel to this, the possibility of refinancing the economy through the Central Bank had been exhausted and the Benin Banks were unable to honour withdrawal requests. This lack of liquidity in the banking sector, leading to a virtual paralysis of the economy, played an important role in the Government's decision to adopt an adjustment programme. Against this background, the authorities initiated a fundamental reorientation of policies in the context of a medium-term programme (1989-1992), supported by the IMF under its Structural Adjustment Facility (SAF) and by the World Bank. The ADF played an active role in support of this first SAL, with an FUA 12 million structural adjustment package in 1990. Following elections in the first half of 1991, the newly elected Government reaffirmed its commitment to the adjustment process by adopting the economic and financial programme for the period July 1991 - June 1992. In support of this the IMF approved in July 1991 the second annual instalment under the SAF; and the ADF also approved an FUA 15.00 million policy-based loan in November 1991.

As a result of the continuing reform efforts, there has been some improvement in economic growth -- 4 per cent in 1990 and 3 per cent in 1991 -- fuelled, in part, by strong increases in food and non-food production. In 1991 there was significant improvement in the budget deficit, from 9.7 per cent of the GDP a year earlier to 7.7 per cent. Government revenues increased sharply to 11 per cent of the GDP in 1991, compared with 9.6 per cent in 1990; and the rate of inflation declined to about 1 per cent over the same period. Significant progress was also made in rationalizing the state-owned enterprise sector, reducing the number of Government personnel and reforming trade. The Government's portfolio decreased from 60 industrial and commercial concerns in 1986 to 29 at the end of 1990. The first programme of voluntary separation (1990-1991) enabled 1,590 State employees to leave. A second programme will allow 8000 civil servants and military personnel to resign and is scheduled to begin before the end of 1992, once an agreement on the conditions of eligibility is drawn up. Important advances were also made in reforming the financial sector. Four new private banks have been established since 1989. By December 31, 1991 they had mobilized deposits amounting to CFA 43 billion. With respect to the liberalization of foreign trade, the Government has prepared a draft bill to eliminate import licenses for goods from countries outside the franc area, the EEC and ACP. The Government also completed tariff reforms that reduced from 16 to 4 the number of tax categories. The Government has also adopted a new investment code to promote the private sector.

greater competitiveness through the use of more realistic pricing practices in domestic and foreign trade. However, measures aimed at export promotion and trade liberalization -- with primary emphasis on providing financial incentives, or the removal of constraints to exports, through necessary reforms related to export quotas, licensing, duties, the regulatory framework, etc. -- have not generally been as successful. One important lesson to be drawn in this respect is the need for a considerable time-lag between the implementation of adjustment measures and the response of exports to those measures. Indeed, while, for instance, the PBLs undertaken by the Fund have correctly included major downward exchange rate adjustments, the effects on export earnings has been negligible, and in many instances have been accompanied by additional domestic price pressures.

Experience also shows that the broad economic impact of the adjustment programmes is limited in the short term. Any attempt to link PBLs directly with short-term economic growth is, therefore, fraught with difficulties, notwithstanding the gains that may be made with regard to price stabilization and improved monetary and fiscal management. This situation arises essentially as a result of the tight compression of demand that is required to stabilize the economies in the short run. However, the economic balance that is restored initially is attained at a lower level equilibrium, with weakened demand and slower economic growth.

On the other hand, the reform programmes have often included measures to strengthen institutions in the countries concerned, and efforts along this line have been relatively successful. Some of the countries that have implemented reforms have been able to achieve a greater degree of accountability and transparency in national economic management. Moreover, the inclusion of institutional development components in PBLs has generated other complementary activities, including studies related to public enterprise reform. The issues thus identified have often been subsequently addressed through project/sector lending or technical assistance loans.

More recently, policy-based operations have been undertaken as a complement to the other traditional operations of the Fund, and have facilitated the implementation of conventional projects. This complementarity has allowed certain project-specific issues to be dealt with more effectively; and newly designed projects for the Fund's assistance have also benefitted from policy measures and institutional improvements undertaken under previous adjustment programmes.

The broad conclusions, noted above, are drawn mainly from the various post-evaluation audits which the Bank Group systematically undertakes on all completed operations, culminating in Programme Performance Audit Reports (PPARs). With specific reference to PBL operations, as at June 1992, seven (7) PPARs had been completed, including four (4) on operations financed by the Fund -- Senegal SAL I; Zambia SECAL Agriculture; Gambia SAL I; and Mauritania SAL. By the end of the ADF-VI period, a further fifteen (15) PPARs shall be completed, including ten (10) on operations financed by the Fund. An Overview Report, containing findings and the programming lessons learned, is to be prepared by the end of the ADF-VI period.

Some tentative conclusions drawn from existing Reports may be further summarized as follows:

- (i) There is a necessity for up-dated in-depth analytical studies on the macroeconomic and structural problems of the RMCs to ensure consistency among different policies.
- (ii) Internalization of programmes and continued policy dialogue are a necessary condition for sustained results.
- (iii) The administrative capacity of the RMCs to design, plan, execute, monitor and evaluate (ex-ante and ex-post) reform programmes is a prerequisite to the attainment of the overall objectives of the adjustment measures.
- (iv) Reform and adjustment packages must address the accompanying negative effects on the social sector.
- (v) There is a need to accelerate the process of creating the appropriate environment to encourage and enlarge private sector involvement in economic activity and, therefore, to facilitate the sustainability of the adjustment process.
- (vi) In engaging in policy-based operations, it is essential that such operations be viewed in a longer term context, given the difficulty of addressing fully, and resolving, major structural problems through short and medium-term programmes. For, although the borrowing country's economic difficulties often find expression in the traditional macroeconomic indicators, they often reflect deep-rooted structural disequilibrium. Policy-based lending operations should, thus, realistically be seen as the initial stage of a continuing process that seeks to correct economic disequilibria over a long-term time horizon.

2.2.1.2 Actions to be Taken

2.2.1.2.1 **Action 1.** Future PBL operations will continue to integrate SDA concerns in the design of SAPs in preference to the treatment of SDA as a post-SAP exercise.

2.2.1.2.2 **Action 2.** The Fund will deepen its cooperation with other international organizations, including the World Bank, in the areas of programme preparation/appraisal, monitoring and evaluation, as well as the preparation of public sector expenditure programmes.

2.2.1.2.3 **Action 3.** The Fund will intensify its efforts in preparing Programme Performance Audit Reports (PPARs) to be able to draw out more lessons of experience from policy-based operations. Towards the end of ADF-VI period, the Fund will undertake the preparation of a post-evaluation synthesis report based on completed PBL operations.

2.3 Sectoral and Inter-Sectoral Priorities

Strategy on Poverty Alleviation

2.3.1 *Directive: State Participants emphasized the importance of putting in place a specific Action Programme for Poverty Alleviation and encouraged Management to present the intended Programme to the Board of Directors as early as practicable in 1991; continue to identify specific indicators that would facilitate monitoring of the impact of domestic efforts and external assistance; exchange information and experience with other international institutions engaged in similar work; and seek ways for enhancing the role of NGOs in poverty alleviation within the framework of the Action Programme (Paras. 23, 24).*

2.3.1.1 Actions Taken

2.3.1.1.1 **Action 1.** It was not practicable to present an action programme for poverty alleviation to the Board of Directors in 1991. However, following a study commissioned to assist in preparing the Bank's policy framework on poverty alleviation, A Poverty Alleviation Strategy and Action Programme has been formulated and presented to the Board of Directors in September 1992. The strategy was drawn up taking into account the relevant experiences of the Bank Group and those of other development agencies. The Strategy consists of an integrated package of measures comprising support for: an enabling policy environment; key sectoral and inter-sectoral priorities; donor coordination; involvement of NGOs and

grassroots groups; targeting the poor; beneficiary participation; and, use of local resources. These components are to be rendered mutually reinforcing through inter-disciplinary programming and sectorally coordinated interventions.

2.3.1.1.2 Action 2. An Action Programme has been drawn up to implement the Strategy. Within the Bank Group, the Programme calls for measures to improve country programming and project cycle activities to enhance capacity for more effective poverty-focused interventions. Especially necessary would be the incorporation into programme and project work of: country policy performance indicators (to assess a government's willingness to pursue poverty reduction measures); poverty-related social indicators (to prepare more effective EPCPs, CSPs, Appraisal Reports, PCRs and PPARs); and, project-level indicators (to monitor and evaluate impact on poverty reduction -- see Box 2.3 for illustration of issues). Also important to the overall success of the Strategy are activities which are largely external to the Bank Group -- donor coordination, NGOs and grassroots groups participation, and RMCs commitment to poverty reduction. These would call for increased Bank Group efforts in policy dialogue with RMCs and in aid coordination with donors and NGOs. Management will issue necessary directives on the approaches and procedures to be followed in implementing the Strategy.

Health and Education

2.3.1.1.3 Action 3. Although the Action Programme has not yet been formally adopted by the Board of Directors, the Fund has, nonetheless, sought to ensure that its operations reflect both the broad goals expressed by Management during the ADF-VI consultations and the principal elements of the directives noted above. Thus, for instance, there has been a modest increase in the number and quality of rural targeted basic health, and primary and informal education projects, from 25 in 1990 to 29 in 1991. The Fund's principal pre-occupations in the health sub-sector are to identify strategies for effective Mother and Child Health care (MCH); providing the necessary upkeep and training of qualified staff; and securing the requisite budgetary allocations for these activities by governments. In education, the main concern is on basic education and the relevance of school programmes; curriculum development; and the provision of text books and other teaching materials. Other important

BOX 2.3

POVERTY-FOCUSED PROJECTS: DESIGN AND IMPLEMENTATION ISSUES**Design Issues:**

- Is there a clear and practical strategy for targeting benefits to the poor?
- Is there evidence that the project beneficiaries have participated in the design of the project?
- Have monitoring and evaluation objectives and requirements with regard to impacts on the poor been clearly identified in the MPDE?
- What are the key poverty-related parameters that need to be monitored and evaluated regularly?
- Are firm benchmarks and monitorable indicators for measuring progress in reducing poverty regularly?
- Are baseline studies proposed and do these have an adequate poverty focus?
- Does the monitoring system provide continuing feedback on implementation and communicate relevant information to the concerned implementing agencies?
- Are there mechanisms for monitoring flows of benefits to different income groups?
- Are benefit flows monitored by gender?
- Does the monitoring system specify the data to be collected, frequency and timing of collection, by whom, the method of analysis, and how the information is to be diffused and acted upon?
- Has the number of evaluations (interim and post), their timing, and on who will perform them been identified?
- Can the system identify actual or potential successes and problems, and is it sensitive enough to be able to detect shifts in needs at the grassroots?
- Is the system flexible enough to allow evolution of objectives so that they remain relevant to the information needs of a changing environment?
- Is the proposed monitoring and evaluation system cost-effective?
- Are training components in participatory strategies included for project agents?

Implementation Issues:

- Is there evidence that the project beneficiaries have been regularly consulted during implementation?
- Is there evidence that the project staff have solicited opinions from targeted groups on project progress and acted upon any of their recommendations?
- Has the monitoring unit made effective use of secondary data sources (health clinic data, existing surveys, etc.)?
- Do written outputs of the monitoring unit treat problems of the poor and progress made in alleviating them?
- Have training sessions in participatory strategies been run for project agents?

issues include meeting the essential requirements of teaching staff, and women's education at all levels, including technical and vocational education. Priority is also given to the rehabilitation and reactivation of existing services. A useful example of this broad thrust of Fund programming is the Basic Education and Technical and Vocational Training Project in Ethiopia, illustrated in Box 2.4.

2.3.1.1.4 **Action 4.** To reinforce the poverty alleviation focus of its operations in the social sector, the Bank Group is also at present participating in an inter-agency regional programme aimed at identifying mechanisms for securing the necessary recurrent budget allocation for rural health services. Similarly, the Bank will administer the OAU-WHO Special Health Fund for Africa -- a non-profit Fund launched by the OAU in 1990 to mobilize local and international contributions for providing support to local communities, in their efforts to address child survival, safe motherhood, adolescent health, better nutrition, water supplies, health education and disease control. In addition, the Bank contributes, with other donors, to the Tropical Diseases Research (TDR) programme of the WHO, which is engaged in identifying and developing pharmaceutical products against the seven major tropical diseases.

Population

2.3.1.1.5 **Action 5.** With respect to broad population issues, the Fund signed a cooperative agreement with the UNFPA and continues to cooperate with agencies such as UNICEF, UNESCO, FAO, TDR (WHO) which have interest and expertise in the area. In order to sensitize RMC officials and Bank Group staff on the problems associated with unchecked population growth and on the required policies and programmes, population constituted the main theme of the Bank's African Development Report (ADR) in 1992. In addition, the theme of the 1992 Annual Meetings symposium was "Population Policies for Sustainable Economic and Social Development in Africa". In September 1992, the Bank Group sponsored an international conference on **Population and Sustainable Development in Africa**. This conference was intended to assist in shaping the Bank Group Population Policy Paper to be presented to the Board by the end of 1992. The Policy Paper will factors of population growth and dominant cultural values; poverty and quality of life; status of women, environment and natural resources; health and education; urbanization and migration.

BOX 2.4

BASIC EDUCATION AND TECHNICAL AND VOCATIONAL TRAINING PROJECT IN ETHIOPIA

The development of education in Ethiopia has, in recent years, been seriously hampered by both the long-running war and drought in the country. These two factors are among the principal causes of the damage and destruction of educational institutions and the displacement of youngsters from their schools. The current education priorities defined by the Government include two main features -- the development of basic education (primary and lower secondary education); and the strengthening of technical education and vocational training. It is around these two orientations that this 1992 ADF-VI social sector project (FUA 16 million) was conceived.

The objectives of the project are on the one hand, to expand access to, and improve the quality and relevance of, basic education; and on the other hand, to foster specialized manpower development. In quantitative terms, the project aims at providing 32,000 new primary school places; 7,280 new lower secondary school places; and 500 new places for technicians in the field of electrical power and electronics. The project, which will be executed over a period of four years, will comprise components for basic education and for technical and vocational training. These include construction, furniture and equipment for 80 primary schools, 7 lower secondary schools, and 7 Awraja (District) Pedagogical Centres (APCs).

The project is in line with efforts towards making qualitative and quantitative improvements to the education system. It supports the emergency programme for the reconstruction and re-establishment of primary and secondary schools and other educational institutions destroyed by the war. The project components were selected to form part of an integrated and coherent education development programme, within the framework of the Emergency Recovery and Reconstruction Programme. By providing primary and lower secondary schools to the war-affected regions of the country and to other areas with low participation rates, the project will correct a major current imbalance in access to schooling. In addition to enhancing access to general education, the project will also contribute to the improvement of the quality of education, through the strengthening of educational support services and the reinforcement of education broadcasting services. The APCs, in fulfilling their functions of coordination, training, research and professional guidance and teaching materials development, will assist in improving the quality of the pedagogical process in regular school education.

Earlier manpower revealed an acute shortage of technicians in the various public utilities (EELPA, ETA, Ethiopian Airlines) and in the country in general. This shortage has become a very serious issue particularly in the very rapidly developing electrical and electronics area. On the other hand, there will be a large number of expected high school graduates in the country, with limited opportunities for technician level study who will be underutilized as far as their technical potential is concerned. The project will enhance the overall efforts to provide training and job opportunities for these graduates. The technicians trained as a result of this project will be absorbed into various public utility organizations such as EELPA and ETA, as well as other industrial public and private enterprises.

2.3.1.1.6 Action 6. In terms of specific operations, efforts have begun to identify programmes for addressing directly the population problem. For instance, a health study in Burkina Faso (Box 2.5) seeks to address the demographic behaviour of the population; to develop manpower potentials; and to identify future population projects. A related study in Mozambique is evaluating and reviewing existing health facilities in three provinces with a view to addressing the issues of refugees and returnees. The presence of large numbers of refugees and returnees in given localities in the receiving countries results in the degradation of forest resources; and places excessive burdens on social services and the fragile infrastructure. The Fund is, thus, cooperating with the United Nations High Commission for Refugees (UNHCR) in assisting affected countries cope with the influx of refugees and returnees. For instance, a recent joint ADB/UNHCR mission to Sudan identified the Environmental Improvement Project in the Eastern State, and the Kassala Forest and Energy project. These projects and others will also seek to provide support for reforestation, health, education and income-generating activities for the refugees, returnees and local populations in the affected areas.

Income-Generating Activities

2.3.1.1.7 Action 7. In line with the poverty alleviation focus of its activities, the Fund has sought to encourage the development and diversification of income-generating activities for the poor through:

- (i) Participation in inter-agency efforts to identify and fund activities aimed at diversifying the sources of income for the poor with a view to stabilizing and increasing their incomes. For instance, the Kenya Agriculture Sector Loan and the Tanzania Livestock Marketing Project seek to improve peasants' incomes by improving their productivity and efficiency in the marketing of crops and livestock. The projects provide production inputs; help develop and rehabilitate marketing infrastructure; and encourage market liberalization, through policy dialogue with the respective governments.
- (ii) Provision of agricultural lines of credit, specifically targeting small and medium-scale farmers, with an increasing share of the lines of credit being channelled through institutions other than the traditional development banks. For instance, in Zaire's Rural Development Project in North and South Ubangi, a Fund line of credit is channelled through an NGO, Centre de Developpement Integral (CDI), under

BOX 2.5

BURKINA FASO: POPULATION SECTOR STUDY

In accordance with the recommendations of the Consultative Committee meeting held in July 1990 in Dakar, Senegal, this population study project in Burkina Faso was carried out in April 1991, financed with TAF resources amounting to FUA 0.9 million. It was based on the expressed concern of the Government of Burkina Faso over the unprecedented rate of population growth in that country and the consequent deterioration of socio-economic conditions. The study had the objective of analyzing:

- the population situation of Burkina Faso and identifying the major associated social and economic issues;
- the civil registration and census data, with a view to making demographic indicators available for use at different Ministries and administrative agencies;
- the national population policy document; the implementation of the programme of action; and the government's position on the population sector in the context of its national development plan;
- the principal causes of morbidity, mortality and nutritional status; and
- the manpower situation; rural-urban migration; and urbanization.

The study reflects an important practical operational concern of Management. By making baseline data and indicators of socio-economic development available, it is now possible to identify areas of priority action. From its analysis of data on education and health sector, the study has revealed the low participation rate, high drop-out rate and very high illiteracy rate of women in Burkina Faso. These findings indicate priority areas of concern for future projects and programmes, including,

- (i) programmes on Maternal and Child Health care and family planning, to reduce maternal mortality, infant and childhood mortality;
- (ii) programmes to improve the civil registration system, to ensure the availability and accuracy of essential population and health data;
- (iii) programmes on literacy of women, to improve the role and status of women; and
- (iv) programmes/projects that would have an implicit or explicit impact on migratory and urbanizations pattern in the country.

agreement with the Government. The NGO provides both economic services (production, processing and marketing of produce, infrastructural development, etc.,) and social services (basic education, vocational training, health, etc.,).

- (iii) Providing education and credit facilities to women for productive and transformation related activities. In the Green Zones project in Mozambique (see Box 2.6), the Fund finances the provision of production inputs, including a line of credit to women producers. The line of credit is provided through cooperatives with the management of the credit funds and credit supervision provided by the Project Management Unit. Similar Fund-supported projects include the Skills Development Project for Women in The Gambia; and the Women's Community Development Project in Ghana -- both of which also seek to promote productive activities and increased access to credit by women.
- (iv) Funding vocational and skill-providing training projects. The Technical and Vocational Education projects in Kenya, Central African Republic and Mauritius are examples in this respect.

2.3.1.1.8 Action 8. Concurrently, as a follow-up to the SDA initiative, activities are under way to:

- (i) Initiate actions for improving the conditions of the poor and vulnerable groups in reforming economies, and introducing measures that enhance their participation in productive activities. Examples of these initiatives are the Social Development Fund in Zimbabwe; the Employment Fund in Zambia; and the labour-intensive PASAICA project in Madagascar.
- (ii) Develop poverty profiles as critical inputs to country programming. Uganda, Mauritania, the Gambia, and Burundi are programmed in the first phase of this exercise. The Uganda poverty profile is under preparation; and work on other profiles will be started, as resources become available.
- (iii) Train 60 officials from 18 RMCs (i.e. Burkina Faso, Cameroon, Cape Verde, Chad, Egypt, Ethiopia, Ghana, Guinea, Guinea-Bissau, Madagascar, Malawi, Mozambique, Nigeria, Senegal, Togo, Uganda, Zambia and Zimbabwe) in the "**Design and Management of Poverty Targeted Programmes**". Training is to be co-sponsored and co-conducted with the World Bank. A 10-day training session took place in Kampala, Uganda in May 1992; and a second is scheduled in Ouagadougou, Burkina Faso, in November 1992.

BOX 2.6

GREEN ZONES WOMEN DEVELOPMENT PROJECT -- MOZAMBIQUE

The Government, early in 1991, requested the Bank Group to provide support to the farming activities of the Green Zones Women Cooperative of Maputo; and the FAO Investment Centre was requested by the Bank Group to prepare the project in September 1991. After examining the project preparation report, a Bank Group mission visited Mozambique to appraise the project, and followed up with a post appraisal mission, from which resulted the Green Zones Women Development Project (FUA 8.0 million).

The project aims at increasing the production of poultry broiler meat and vegetables; providing employment to and increasing the incomes of women cooperative members within the Green Zones of Maputo; and improving the socio-economic welfare and enhancing their role in project management. The project will support:

- (i) The General Union of Cooperatives (UGC) Management through the provision of technical assistance, additional local manpower training, transport and office equipment;
- (ii) The construction of 4 breeding houses, the rehabilitation of the feed mill, a hatchery and a training centre, including the provision of associated equipment and generators;
- (iii) Agricultural production by strengthening the poultry management units; by supporting extension and credit services through the provision of additional staff, staff in-service and farmer training, and training materials; and by providing poultry breeding stock and breeders' feed, veterinary services and transport; and
- (iv) The purchase and supply of credits for inputs such as day-old broiler chicks, broiler feed, veterinary medicines and vaccines, pesticides, fertilizers, improved vegetable seed, knapsack sprayers and handtools.

The major quantifiable economic benefit of the project would be increased annual poultry meat and vegetable production from 200,000 birds to 1 million birds and 4,740 tonnes to 7,460 tonnes respectively. Of the increased production, about 20 per cent will be consumed by the involved households and the rest sold, thereby raising the cooperative women's cash income. Additional household consumption of poultry meat would be important, given the low level of animal protein intake, owing to the scarcity of other types of animal meat. The sale of poultry meat and vegetables to the city of Maputo would not only raise cash income to farmers, but would also increase consumption by the city population, owing to the increased availability of supplies. Local production would, in turn, reduce import requirements and thus save foreign exchange. The 6,000 smallholder women farmers who are members of the cooperative movement are expected to benefit directly from this project, not only from the income resulting from increased poultry and vegetable production, but also from training and extension services on improved production practices and technologies under the project.

- (iv) Training of 70 Bank staff in the identification, appraisal and implementation of SDA/targeted poverty programmes -- 40 in 1991, and 30 in 1992.

2.3.1.2 Actions To Be Taken

2.3.1.2.1 Action 1. The implementation of the guidelines for the integrated Action Programme for Poverty Alleviation (APPA) will need to be vigorously pursued; and mechanisms will need to be put in place to ensure effective delivery and follow-up. Beyond this, APPA should realistically be seen only as a beginning; and should, accordingly, be revisited and reshaped in line with actual Fund experience over the years.

2.3.1.2.2 Action 2. Related to this, the Fund will need to develop and maintain country baseline data, with a view to monitoring poverty reduction efforts in each country. To maximize inter-agency cooperation, the Fund should enhance arrangements under which staff will have access to standardized operational data of other agencies with comparable operational interests. These arrangements will facilitate the identification of other agencies involved in various sectors in which the Fund is active.

2.3.1.2.3 Action 3. With respect to population activities, additional specialized staff will need to be recruited to strengthen policy and programme development and implementation expertise in the areas of population, family planning and nutrition.

Environment

2.3.2 Directive: *State Participants welcomed Fund intentions to increase its emphasis on environmental concerns, and urged the Fund to advance the implementation of the environmental policy paper; put in place as soon as possible an effectively functioning system ensuring the completion of environmental impact assessments; ensure that the forest projects it finances place increased emphasis on conservation of forest areas and protection of biological diversity; support efforts to strengthen the implementation of the Tropical Forestry Action Plan in RMCs; expand its programmes in energy conservation, end-use efficiency, and renewable energy; and significantly increase the number of staff to enable the institution to effectively undertake expanded responsibilities in this area (Paras, 27, 28).*

2.3.2.1 Actions Taken

2.3.2.1.1 Action 1. Technical and procedural guidelines have been developed for use in the environmental examination of projects; and in classifying them according to

various environmental categories. Environmental screening of the projects in the 1992 lending programme was initiated in December 1991; and environmental categories are recorded in the project briefs circulated to the Board. The following specific measures may be cited:

- (i) A 10-day environmental training workshop for Bank staff was conducted in October 1991. The training focussed on the use of technical and procedural guidelines; and the sensitization of project staff on the potential environmental aspects of projects in different sectors.
- (ii) Establishment of three environmental categories for classification of all projects in the lending programme during a given period. In Category I are those projects that would adversely affect the environment and therefore require an Environmental Impact Assessment (EIA) study. As for projects falling in Category II, only mitigating measures would be required; and these are included in the appraisal report. In Category III are those projects that are environmentally friendly and/or neutral, and would not require any special action.
- (iii) A total of 186 projects in the 1992 lending programme were screened; and 26 were classified as Category I. This process took about four staff weeks. A further 24 staff weeks were used in the preparation of Terms of Reference (TORs) for the twenty-six projects requiring EIAs. Summaries of the EIAs are sent to the Boards of Directors, for information, 120 days prior to presentation of the appraisal report to the Board. It should be noted that this screening is a continuing process, as the technical information improves through various preparatory phases.
- (iv) The current procedures for handling Category I projects are as follows: The initial environmental screening is based on the project briefs that are prepared for the current year's lending programme. The categorization is discussed with the relevant projects department; and it may be confirmed, or left in abeyance until more data are furnished. For those projects confirmed as Category I, a request is addressed to the country, to determine whether an EIA study already exists. Where it does, a copy is sent to the Bank for review and the preparation of a summary for the Board. Where no such study exists, requests are addressed to bilateral sources to mobilize funding for the preparation of the EIA. As of June 1992, funds had been mobilized for 23 studies related to projects in 1992/93 lending programmes. When each study is completed, a summary is prepared and circulated to the Board. In the future, the Fund will insist on a satisfactory EIA study being carried out by RMCs before consideration of financing. In cases of projects being prepared with TAF assistance, the EIA aspect has been fully incorporated and the process will be much more comprehensive

in respect of review at the country level and, in particular, in respect of the participation of the population and NGOs. It is difficult to demand such participation for studies that are already completed.

2.3.2.1.2 Action 2. Reflecting the increased importance of environmental issues in its regular operations, the Bank Group has begun to move beyond the institutional and administrative arrangements noted above and to undertake project engagements directed entirely to the environment. In August 1992, the Board approved the Madagascar Environmental Programme (Phase I). This Programme, (see Box 2.7), cofinanced with other donor agencies, is an important departure for the Fund that could well signal a trend for future engagements of this kind in the area of the environment.

2.3.2.1.3 Action 3. The Bank Group recognizes the importance of forestry to the economies of Regional Member Countries and the role it plays in environmental protection. It continues to assist RMCs to utilize, manage and conserve their forestry resources to provide economic, social, and environmental benefits on a sustained basis. Specifically, the following measures have been taken:

- (i) A study on the Bank Forestry Position Paper was commissioned in 1991.
- (ii) In 1992, nine projects with strong forestry components were appraised.
- (iii) A Forestry Policy Paper is programmed for Board presentation in the Fourth quarter of 1992.
- (iv) A study on conservation and management of mangrove ecosystems along the West Coast of Africa has been funded from bilateral sources. Contacts have been established with UNDP to coordinate these efforts in the framework of the Global Environmental Facility (GEF).
- (v) Recruitment of two forestry experts in the Operations Departments and another in the Central Projects Department.
- (vi) The Bank Group has collaborated with bilateral and multilateral agencies in the implementation of forestry projects; is actively involved in the Round Table Meetings to prepare National TFAPs in RMCs; and is represented in the informal Forestry Advisers Group established by the donor community to provide increased support for tropical forestry development.

BOX 2.7

MADAGASCAR: ENVIRONMENTAL PROGRAMME PHASE I

The Environmental Programme Phase I is the first integrated environmental programme to be introduced in Madagascar, where the annual cost of degradation to the environment is estimated at more than US\$ 200 million. The Environmental Programme, which forms part of efforts to reverse the current trend of degradation will actively contribute to restoring an environment capable of ensuring sustainable development; and will help to reduce substantially the human and ecological costs of degradation; improve food self-sufficiency; and, generally, provide a higher standard of living for the entire population.

Phase I of the Programme is financed on a parallel basis by ADF (FUA 12.0 million), the Fund having defined and selected a parallel project, and other donors -- IDA, USAID, FRG, CI, WWF, Norway, UNESCO, FAC, Switzerland, ODA, UNDP. Its major components are: i) management of biodiversity; ii) soil conservation; iii) geographical information; iv) security of tenure; v) education and awareness; vi) environmental research; and vii) support to the Environmental Action Plan. Phase I will be implemented over a period of five years, in collaboration with the various technical partners. All components will be executed in a synergic manner, i.e. with each simultaneously dependent on the other. The project defined and selected for ADF financing will be implemented over three years, starting in 1993; and will focus on soil conservation; education and awareness; and environmental research. This programme searches for solutions to the degradation of forested lands, arid lands, habitat and fauna, management of forest cover, arable lands and deteriorated land, management of water resources, coastal resources and energy resources, conservation of biodiversity, ecological tourism and environment.

Madagascar's Programme offers various potential environmental, technical and socio-economic benefits. In technical terms, new methods of soil conservation and for the protection of natural zones will be introduced to the broad mass of the population. Residents in peripheral zones, as well as those in protected areas, will acquire special new techniques for producing seedlings in small rural nurseries and, as a result, will be in a significantly better position to choose plantation methods and techniques. In socio-economic terms, the programme will generate greater popular awareness of and sensitivity to environmental issues, with the result that Madagascar's world famous biological sites, currently threatened, will be conserved. This will enable Madagascar to develop its tourism sector by drawing on its ecological wealth. The programme will lay the foundations for economic development based on tourism, marketing of natural forest products, development of parks and reserves, and agro-based industry. It will enable the rural populations to upgrade certain species of the fauna and flora for genetic and cynegetic improvement programmes. Measures to promote land security will also be important for managing activity in the agriculture sector; and the projected slowdown in the rate of deforestation will make it possible to conserve a greater part of the natural forests, raise agricultural production and check the deterioration of roads and infrastructures. Moreover, the programme will help to directly create employment in both the public and private sectors; these new jobs will be derived from conservation, mini-projects, cadastral survey and cartographic activities. The development of ecological tourism will bring about the development of cottage industries, agriculture and fisheries which will provide additional incomes, especially for the rural population.

2.3.2.1.4 Action 4. The Bank Group's Energy Sector Policy Paper is under preparation and is expected to be presented to the Boards of Directors by the end of 1992. However, measures with respect to the end-use efficiency are already being incorporated in both agricultural and industrial projects and programmes. For instance, Fund technical assistance resources were used to finance a study on the Africa Energy Programme. The study seeks to map out an energy development master plan; and identify various policy issues that need to be addressed. Energy conservation and the precise modalities for achieving it are among the principal preoccupations of the study.

2.3.2.1.5 Action 5. The number of staff dealing directly with the oversight of the implementation of the Bank Group's environment policy increased significantly from 1 in January 1991 to 5 in June 1992. Moreover, staff dealing with the social policy (i.e. population, health, education, SDA/poverty alleviation) has increased from zero to three (i.e. a demographer, an economist/statistician, and a social policy analyst) during the same period. Thus, the Division dealing with environmental and social policy issues now comprises nine professional staff and a Division Chief. In addition, 35 staff weeks of consultancy on environmental issues, and 21 staff weeks on social policy, were engaged during the period January 1991 - June 1992. Also two project assistants were engaged during the period. A study of the long-term staffing requirements for environment was bilaterally funded. The draft report has been received and is under review by Management.

2.3.2.1.6 Action 6. The ADB Group is hosting in its headquarters an Environmental Dimension of Development Secretariat (EDDS) sponsored jointly by the World Bank and the United Nations Sudano-Sahelian Office (UNSO). EDDS aims at establishing a regional programme facility for enhancing the capacities of African governments to better respond to their environmental and development priorities by designing strategic frameworks for sustainable development (e.g., National Environmental Action Plans).

2.3.2.2 Actions To Be Taken

2.3.2.2.1 Action 1. Work on the review of lending programmes for environmental categorization will continue. Funds for EIA studies will continue to be sought to assist RMCs.

2.3.2.2.2 **Action 2.** In spite of recent improvements, more needs to be done to strengthen staffing in the area of the environment. Thus, there is need for urgent follow-up to the recent study on long-term staffing requirements.

Women in Development

2.3.3 ***Directive:** State participants requested that the Fund report to the Board of Directors in 1991 on its strategy to implement the policy and plan of action contained in the Policy Paper on Women in Development (WID). (Para.31)*

2.3.3.1 **Actions Taken**

2.3.3.1.1 **Action 1. Training:** Management, in 1991, presented to the Board of Directors a paper outlining its strategy and plan of action for addressing the specific concerns of women in development. In implementing its strategy a major initial concern was on training. To this end, the following activities were undertaken:

- (i) **Sensitization of Senior Management:** A session to sensitize Senior Management on gender issues in the context of Bank Group operations was held in March, 1992. The participants included Executive Directors, Vice-Presidents, Directors and Deputy Directors.
- (ii) **Staff Training:** Staff training carried out, to date, has had two objectives -- the first, to create a general awareness concerning the important role of gender in the development process; the second, to provide the staff with the necessary tools, and training in their utilization for incorporating gender issues into the regular project cycle. The latter objective, however, has so far been limited to the priority sectors, i.e. agriculture, industry, health and population. To date, 78 of the Bank's professional staff have undergone the general training, and 49 more, the specialized sectoral training. Evaluations of both sessions have enabled the Bank Group to develop a future training strategy whose basic aim is to cover the entire professional staff within a period of two years.
- (iii) **Training of Planners and Policy Makers in the RMCs:** This constitutes a crucial focus of the WID training strategy, encouraging member countries to integrate gender concerns into their general development plans and policies, in addition to influencing the specific requests for project funding and project design. This level of training is part of the five-year programme of activities, to be partly supported by external technical and financial assistance. In addition to this, the Bank is in the process of developing specific initiatives both with UNIFEM and the Economic Development Institute of the World Bank.

2.3.3.1.2 Action 2. Elaborating Guidelines: Within the overall strategy of furnishing both ADB staff and planners in RMCs with the necessary tools for taking gender issues into account in development planning, several guidelines have been developed. These guidelines follow closely both the Bank's project cycle and the nature of projects funded by the Bank. It is envisaged that the use of these guidelines will become a part of regular procedure and will result in more efficient project design. Specifically, use of these guidelines will allow projects to be more effective in reaching the most vulnerable groups, including women. These guidelines include:

- (i) **Guidelines for incorporation of gender issues in the sectors of agriculture, industry, health and population:** These sectors were seen to be a priority because they address more directly the basic needs of the poorest sectors of the population, in addition to their role in employment creation and income generation. During 1993, it is planned that similar guidelines will be developed for the education, transport and public utilities sectors.
- (ii) **Guidelines for incorporation of gender concerns into EPCPs:** Given the significant role of the EPCP in determining country lending strategies, guidelines have been developed for the appropriate incorporation of gender concerns into EPCPs. A series of orientation seminars relating to the use of the guidelines will be held for country economists.
- (iii) **Guidelines for WID-specific projects:** Increasingly during the past two years and consequent upon the dissemination of the Bank's WID policy document, several proposals have been, and continue to be, received from RMCs requesting funding for WID-specific projects. Guidelines were therefore developed with the broad aim of assisting Bank staff and RMC officials in handling and formulating of WID-specific project proposals. Paragraph 2.3.1.1.7 makes reference to Fund-supported WID-specific projects in Mozambique, The Gambia and Ghana. Box 2.8 provides further illustration of similar Fund interventions -- the case of Senegal.

2.3.3.1.3 Action 3. Operational Activities: Several strategies have been adopted -- all aiming at improving project design -- such that gender issues are incorporated at all stages of the project cycle. As a result, the WID staff has become increasingly involved in operational activities. For instance:

BOX 2.8

WOMEN'S GROUPS SUPPORT PROJECT-- SENEGAL

The project (FUA 4.1 million) aims at improving the socio-economic situation of Senegalese women and children through an integrated approach, covering the five regions of Dakar, Thies, Diourbel, Kolda and Tambacounda. It will involve 500 Women's Groups (GPF), affiliated to the FNGPF, more than 25,000 women, and close to 5,000 children; and will be geared towards increasing the women's capacity to generate additional income through multi-purpose training; more efficient management of domestic time; and easier access to credit for productive investments.

To this end, the project will institute the following:

- (i) A training scheme in functional literacy and information, education and communication that is capable of reaching 10,000 women each year;
- (ii) A support and advisory scheme for women's groups that will assist in matters concerning investment projects for the generation of additional income, as well as in the institution of a credit fund for undertaking such investments;
- (iii) A network of private day- and health-care centres for about 5,000 children, through the training of 225 women in education and health psychology, as well as providing basic equipment for the day-care centres established;
- (iv) The establishment of 50 community centres for the women's groups in landlocked villages of less privileged regions;
- (v) Agricultural equipment and wells to alleviate the domestic chores of women in similar regions; and
- (vi) Improved structures for the development of women, through training in project management.

The principal benefit of this project is that it will lead to a richer integration of women into the development process in Senegal. Their training, particularly with respect to functional literacy, farming methods, the individual and collective management of productive activities, and marketing will be improved. Their organizational and analytical capacities will increase with the experience acquired in the management of equipment and the credit fund. Considering that women play an essential role in the Senegalese family, with each having an average of 7 children, it is likely that the number of beneficiaries for this project will reach 175,000 women and children, most of whom belong to that section of the population that is already most vulnerable.

- (i) Twenty-four (24) projects have been selected for purposes of gender-screening from the 1992 lending programme, with the objective of following them closely as they move through the various stages of the project cycle. These projects cover the priority areas of health, education, agriculture, and structural adjustment, in addition to WID-specific projects.
- (ii) A system of gender screening has been designed such that, from the identification stage, all projects will be placed in specific categories according to the degree of gender analysis required. Some indicators for gender impact analysis will be included in the project logframe.
- (iii) The various RMCs have been allocated among WID staff, to allow individual staff members to monitor more closely and systematically Bank Group operations in the specific countries for which they are responsible.
- (iv) The WID staff have also been very active in participating in both Working Group meetings and Loan Committees (17 during the first quarter of 1992). In addition, they have assisted in developing terms of reference and guidelines for preparation, appraisal and study missions.

2.3.3.1.4 Action 4. Gender-Disaggregated Data: A major bottleneck in undertaking gender analysis in the context of project design has been the lack of readily available gender disaggregated data. In an effort to correct this, a statistician has recently joined the Central Project Department with the task of enriching and managing the current WID data-bank.

2.3.3.1.5 Action 5. Cooperation Activities: The principal aim of these activities has been to foster coordination and cooperation with various multilateral and bilateral organizations in the area of gender responsive development. Specifically the following activities are underway:

- (i) A five-year programme of activities has been prepared; and is to be submitted to the donor community for financial and technical assistance. This programme covers the areas of training, studies, research, short-term resource persons, short-term consultancies and inter-institutional coordination.

- (ii) The Bank was actively involved in all the activities pertaining to the IFAD initiative on the Economic Advancement of Rural Women; and it has agreed to sponsor the first regional meeting to follow-up on the recommendations of the Geneva Summit on the Economic Advancement of Rural Women.
- (iii) Specific cooperation is under way with UNIFEM, with the aim of developing a consolidated gender training plan for Africa. A preliminary meeting is planned for October 1992, to bring together representatives of African training institutions, and resource persons active in the area of gender training.

2.3.3.1.6 Action 6. Women and Credit: Recognizing the lack of credit as a major hindrance to African women's productive capacities and given the paramount role that provision of credit can play in increasing incomes and, therefore, in reducing poverty, the following activities are envisaged:

- (i) An international FAO/ADB consultation on augmenting African women's access to credit is planned for November 1992 at ADB headquarters. Major donor agencies, representatives of African financial institutions and NGOs will participate. This meeting will provide an opportunity for reviewing the Bank Group's approaches to women and credit in Africa.
- (ii) The Bank will be participating in two important activities relating to the enhancement of women's economic positions. The first is sponsored by the African Project Development Facility under the theme of **The Role of Women in Promoting African Entrepreneurship**. The second is the African Regional Agricultural Credit Association's Workshop on **Women's Access to Financial Services**. As indicated earlier, actual Fund lending operations during ADF-VI have sought to address the specific question of women and credit (see Boxes 2.6 and 2.8, presented earlier).

2.3.3.2 Actions To Be Taken

2.3.3.2.1 Action 1. Internal mechanisms should be strengthened such that project beneficiaries, notably women, can become more involved in the design and implementation of project activities.

2.3.3.2.2 Action 2. Although an internal dialogue on women and population activities has begun, this remains an area that requires further consolidation.

Agriculture and Social Sectors

- 2.3.4** *Directive: State Participants agreed that Fund actions in the ADF-VI period should produce a breakdown rising to 40 per cent for agriculture and 20 to 25 per cent for the social sectors (Para. 29).*

2.3.4.1 Actions Taken

2.3.4.1.1 Action 1. ADF-VI loans and grants approved for agriculture accounted for 35.7 per cent of total ADF lending, as at June 30, 1992. In the social sector, commitments over the same period accounted for 25.1 per cent of ADF lending. Thus, for the first eighteen months of ADF-VI, commitments of the agriculture and social sectors combined equaled 61 per cent, compared to the indicative target of 60-65 per cent, reflecting the broad poverty alleviation focus of Fund operations.

2.3.4.1.2 Action 2. The principal preoccupation of Management as far as operations in the agricultural and social sectors are concerned is less with meeting the 60-65 per cent target indicated in the ADF-VI Report, but more so with ensuring that operations are consistent with the main theme of poverty alleviation. Thus, in Sierra Leone, TAF resources are used to assist in developing a pipeline of future agricultural projects that reflect such development concerns. Similarly, the Mwanza Rural Development Project in Malawi (Box 2.9) attempts to address the many wide-ranging issues related to rural development. Thus, while Management makes an effort to attain the recommended sector targets, greater operational emphasis is placed on ensuring that the projects are consistent with principal concerns of the Fund; and that they meet the long-term development needs of borrowing countries.

2.3.4.2 Action To Be Taken

2.3.4.2.1 Action 1. For the remainder of the ADF-VI period, effort will be concentrated on identifying as many viable agricultural and social sector projects as possible, within the limits of individual country allocations. This will involve the exploitation of information and projects identified and designed by recently completed TAF operations. Second, collaborative co-financing efforts with FAO and IFAD will be undertaken to identify available projects. Continued emphasis will be put on project cycle-related TAF activities in order to generate future projects in the sectors.

BOX 2.9

MWANZA RURAL DEVELOPMENT -- MALAWI

In 1988, the FAO Investment Centre undertook a project preparation mission on behalf of the Bank Group. The FAO preparation report was revised in 1990; and, in response to the Government's request, the Bank sent a mission to Malawi in 1991, from which the Mwanza Rural Development Project (FUA 8.7 million) resulted. The objectives of the project are to:

- (i) increase the incomes and welfare of the smallholder population of Mwanza District;
- (ii) protect the land resources and maintain and raise the long-term productivity of the land; and
- (iii) improve the country's balance of payments, by increasing production of export and import-substituting agricultural commodities.

The project aims at increasing agricultural production by encouraging farmers, through extension and training, to adopt research recommendations and by providing supportive infrastructure. The project would raise the long-term productivity of land by providing for measures to reduce soil erosion and land degradation; and to manage land resources.

The major quantifiable economic benefit of the project would be increased production of a range of food and cash crops, and meat and eggs. The increased production would, in part, be sold, thereby raising farming households' cash incomes, and would in part be consumed on the farm, particularly by those households with smaller holdings. Increased consumption of livestock products would be particularly important, given the low level of animal protein intake, while higher sales of cash and food crop products would increase foreign exchange earnings and reduce import requirements.

A total of about 13,575 farm households, or 27 per cent of the total farm households in the area, would be expected to benefit directly, by adopting the improved crop production practices and technologies offered under the project. A further 3,000 or so would be expected to increase the production of beef as a result of improved veterinary and animal health facilities, while many more would increase their production of eggs and poultry meat.

The project would also create significant employment opportunities in the area, under the District Roads Improvement Programme (DRIMP). It would also involve the construction and rehabilitation of boreholes and shallow wells; the improvement of spring catchments; and the establishment of two pipe-borne water supply schemes. These would provide a clean and safe source of drinking water to 63,000 people. Under the project, the Women's Programme of the Ministry of Agriculture would be strengthened to enable it to play a much more active role, in promoting women's participation in agricultural programmes, and in income-generating activities and project management. At least 30 per cent of farmers receiving training under the project would be women.

Regional Integration and Cooperation

2.3.5 *Directive: State Participants urged the Fund to make an increasingly effective contribution, in accordance with Article 2 of the Fund Agreement, to promote greater regional and sub-regional cooperation. Progress in this important area would improve the prospects for increased intra-African trade, and reflect the world-wide movement towards enlarging markets and reducing trade barriers (Para. 34).*

2.3.5.1 Actions Taken

2.3.5.1.1 Action 1. The year 1991 witnessed greater willingness and efforts towards continental economic integration when 34 African Heads of State and Government signed the Treaty Establishing the Pan-African Economic Community. The Bank participated in the preparation of the Treaty; and is a member of the Joint OAU/ECA/ADB Secretariat charged with the technical drafting of the protocols related to the Treaty. The Bank is also represented in the Committee of Eminent Persons charged with the responsibility of reviewing the Treaty establishing ECOWAS; and has financed a study on Financing Regional Integration efforts in ECOWAS.

2.3.5.1.2 Action 2. The Bank set up a Task Force, comprised of ten eminent persons, to assist it in identifying areas of action over the short, medium and long terms, within the framework of the Treaty Establishing the Pan-African Economic Community. The Task Force proposed a greater role for the Bank in facilitating African economic integration in the areas of trade, financial and monetary cooperation, private sector promotion, and technical assistance for sub-regional bodies. Similarly, a workshop on regional integration was jointly organized in June 1992 by the Global Coalition for Africa, the Commission of the European Communities, and the ADB. It recommended that the co-sponsoring bodies continue to focus their attention on developing appropriate strategies and instruments for African economic integration. In the same vein, and partly in response to the ongoing political developments in Southern Africa, the Bank launched in 1991 a major study -- funded by Denmark, Finland, Norway and Sweden -- on the opportunities and prospects for economic integration of Southern Africa in the post-apartheid period. The principal objective of the study is to identify concrete multinational and integration projects and programmes in the sub-region, for financing by the Bank Group and other donor agencies. The study is expected to be completed in late 1992.

2.3.5.1.3 Action 3. The Bank participated in the preparation of the programme of reforms in UDEAC (Union Douanière de l'Afrique Centrale). The major components of this programme are the harmonization of external tariffs; fiscal coordination; and measures to facilitate intra-regional transport. The UDEAC member countries agreed to these measures and they are now incorporated into the individual country's SAL which the Fund is currently supporting, as in Equatorial Guinea and the Central African Republic.

2.3.5.1.4 Action 4. The Bank has also taken an initiative to strengthen regional trade in West Africa, and thereby increase the possibilities for economic integration in the sub-region. Specifically, in collaboration with the OECD, an inter-agency unit (CINERGIE) was set up within the Bank for the promotion of trade. The project will be limited initially to West Africa (ECOWAS member states, Chad and Cameroon) and will last 30 months in its first phase. In order to further the understanding of such trade flows, the Unit will also carry out in-depth studies on various factors affecting regional and inter-regional trade. The CINERGIE initiative, if successful, could be extended to other sub-regions of the Continent.

2.3.5.1.5 Action 5. Beyond these efforts, and more specifically, at the operational level, over the first 18 months of ADF-VI, the Fund has financed a number of projects and studies geared to the promotion of trade and integration between African countries. Among these are the Trans-Kgalagadi Road project, linking Botswana and Namibia; the PTA Multinational Roads Rehabilitation studies in Uganda, which seek to establish the feasibility of 7 roads linking Uganda with neighbouring countries; and the Tazara Landslides Rectification project in Tanzania and Zambia, which aims at minimizing disruptions to railway transport between the two countries due to frequent landslides. Similarly, the Fund has committed FUA 5.25 million to the OMVS Diama Dam project to strengthen the right bank dyke of the Diama Dam Project, mainly to protect the Mauritanian delta against floods to control the area's water supply; and to control the Diama Dam water plan. In addition, TAF resources have been used to support various studies of a multinational character. These include (see Annex A) the African Energy Programme; the Batoka-Gorge Hydro-Electricity Study; the CEPGL Seeds Study; the OMVG Agriculture and Bridge Study; the PTA Roads Study; and the Warda/ADRAO Rice Study. These interventions, though small compared to total available Fund resources, reflect Management's continuing effort to encourage and promote, where possible, greater regional integration and cooperation among borrowing countries, despite the lack of any special Fund allocation for this purpose.

2.4 Loan Quality Issues

Country Programming

2.4.1 *Directive: State Participants, noting that satisfactory internal management systems, procedures and guidelines for improving the Fund's quality of lending now exist, called for the full implementation of these improvements. They emphasized the need for loan proposals to set out clearly their relationship with EPCPs, Sector Policy Papers, and post-evaluation findings. They also requested that the work programme for preparation and revision of EPCPs and Sector Policy Papers be submitted each year to the Board of Directors (Paras. 35, 36, 38).*

2.4.1.1 Actions Taken

2.4.1.1.1 Action 1. Fund lending operations are carried out following guidelines and procedures detailed in the Operations Manual, to ensure loan quality and conformity with policies, priorities and objectives of the Bank Group, as well as the project's technical, economic, financial, environmental and institutional soundness. In addition, Management prepares a three-year rolling programme and an annual lending programme to further improve the process of loan programming. These programmes are based on the commendations contained in the EPCPs and CSPs. Weekly coordination meetings are also held to monitor the processing of projects included in the lending programme.

2.4.1.1.2 Action 2. EPCPs and CSPs are the principal country programming documents, setting out the Bank Group lending strategy for each member country. A number of steps have been taken to improve the quality and substance of these documents so as to enhance country programming and loan quality. The guidelines for the preparation of EPCPs and CSPs have been formalized and included in the Operations Manual. The forms and contents as laid down in the Manual are being respected. The outline of EPCPs has been revised to include special areas of Fund orientations such as poverty alleviation, gender issues, population, environmental management and regional integration. Emphasis is also increasingly being placed on sectoral issues, by engaging the services of consultants to assist with sectoral analysis during the preparation of EPCPs. These measures have increased significantly the opportunities for, and quality of, policy dialogue with regional member countries.

2.4.1.1.3 Action 3. The work programme for the preparation and revision of EPCPs and CSPs is prepared each year by the Country Programmes Departments and is available to the Board of Directors, on request.

2.4.1.1.4 Action 4. Country lending strategies, as set out in the EPCPs and CSPs, constitute the basis for designing the Bank Group's medium term lending programme in each borrowing country. Consequently, the preparation of EPCPs precedes project identification, so that the choice of projects and programmes to be financed is guided by the objectives and strategies previously spelled out in EPCPs. Loan proposals are, therefore, screened to ensure consistency with EPCPs; and the appraisal reports contain a section demonstrating this consistency. The magnitude of intervention in each country is determined following the recommendations of the CSP. Based on an analysis of its performance, each country is classified into one of the following categories: core, weak, satisfactory and strong -- to determine the appropriate level of Bank Group intervention in that country.

2.4.1.1.5 Action 5. EPCPs are prepared every three years, while CSPs are prepared or updated annually to complement and update EPCPs. A schedule of completed EPCPs and the programme for their preparation or updating in 1992/93 is presented in Table 2.10. As indicated, the table also shows that 28 of the 51 expected CSPs were finalised in 1991. Twenty-three others are currently being finalised. The delay in the preparation of the CSPs was due to the fact that the operational guidelines were under preparation for most of 1991, when the directive was issued. The table also reveals that not all the EPCPs are updated on schedule. One constraining factor in the timely preparation or updating of EPCPs and CSPs has been the shortage of economists. To address this problem, the two Country Programmes Departments are being strengthened with recruitment of additional economists -- 16 since the start of the ADF-VI period, with a further 3 expected by the end of 1992. This should facilitate considerably the pace and depth of EPCP and CSP preparation and updating -- which explains the rather high scheduled output for 1992.

2.4.1.1.6 Action 6. In addition to EPCPs and CSPs, the preparation of country-specific Sector Policy Papers has also received increasing importance in country programming. Management strives to ensure that loan proposals in a particular sector are in conformity with the policy guidelines indicated for that sector.

2.4.1.1.7 Action 7. Projects Performance Audits Reports (PPARs) are prepared for each completed project, after the Project Completion Report (PCR) has been prepared. The lessons drawn from such reports are continually incorporated into project design work and guidelines, with a view to improving loan quality. For instance, it was previously assumed that conditions precedent to first disbursement would be fulfilled immediately; but this did not usually occur and numerous project start-up delays were experienced. Currently, a realistic period for the fulfilment of first conditions is taken into consideration in planning the project's implementation schedule. Furthermore, cost estimates of many projects were made before the designs were finalized, resulting in under-estimation of project costs. At present, most projects are based on detailed design and tender documents which help in making the cost estimates more realistic. There have been cases where tenders have been called before the projects are submitted to the Board. It was also assumed in the past that project managers could be easily recruited -- an assumption that often proved unrealistic. At present, effort is made to identify project managers in advance. Where a TAF grant has been made for a study, the coordinator of the study will be available for implementation of the resulting project. In many cases, the borrowing country is asked to appoint a national administrator who will be responsible for the recruitment of the technical team and other matters related to the project unit. Finally, it is a general condition that the borrower will arrange for the project to be audited. However, in many cases, execution difficulties arose. As a result, funds are now provided in each project for an independent audit of project operations.

2.4.1.2 Actions To Be Taken

2.4.1.2.1 Action 1. To enrich EPCPs and CSPs, greater attention will be given to the preparation of sector studies. To facilitate this, there will be the need to strengthen staffing in the Projects Departments.

2.4.1.2.2 Action 2. Although the number of countries per economist has declined from 3.6 in 1990 to 2.0 in 1992, not all the newly recruited economists were fully operational until recently, since almost all assumed duty towards the end of the first quarter of 1992. The medium-term plan is to achieve a ratio of 1.5, so as to further enhance the quality of economic work.

2.4.1.2.3 Action 3. The Fund will continue to improve the guidelines for country performance assessment and country exposure. The guidelines for country performance are being finalized for inclusion in the Operations Manual, while a paper on country exposure will be presented to the Board before the end of 1992. Both documents will assist Management to make further improvements in country programming. Beyond this, loan portfolio risk assessment would supplement the contributions of EPCPs, sector policy papers and post-evaluation findings in the country programming process.

Project Cycle Management

2.4.2 Directive: *State Participants emphasized the need for:*

- *loan proposals to set out clearly their relationship with the EPCPs, sector policy papers and post-evaluation findings;*
- *submission to the Board of Directors of Quarterly Operational Summaries and project briefs at least three months before project presentation;*
- *strengthening loan supervision once a project has received funding; and*
- *implementing the project appraisal guidelines as presented in the Operations Manual (Paras. 35,38).*

2.4.2.1 Actions Taken

2.4.2.1.1 Action 1. All loan proposals are screened to ensure consistency with the strategic policy objectives spelt out in the EPCPs as well as their conformity with sectoral policy guidelines (see section 2.4.1 above). In each loan proposal, explanation is given as to the relevance of the proposal to the policy objectives set out in the country programming and sectoral policy documents.

2.4.2.1.2 Action 2. Quarterly Operational Summaries containing information on all projects are compiled on the basis of data provided by the Programming and Project Departments; and are coordinated through weekly Coordination Committee meetings.

2.4.2.1.3 Action 3. Project briefs are prepared regularly for the entire lending programme period. These are updated from time to time and have formed the basis for the

appraisal of new projects. These briefs, along with the Quarterly Operational Summaries, are usually submitted to the Board three months in advance of presentation of the related projects.

2.4.2.1.4 Action 4. A system of practices and procedures for the supervision of projects once approved has been established and detailed in the Operations Manual. The system provides guidelines for the planning and scheduling of principal supervision activities, and of their management and reporting. This system is adhered to and has also proven useful in fostering dialogue with borrowers. Along with these improvements, the terms of reference for supervision missions have been tightened for improved effectiveness. Desk supervision has become more rigorous with increased availability of telefax and improved telex facilities which enable project managers to monitor projects in greater detail. Technical supervision missions have been increased -- in most cases supervising more than one project at a time. In 1991, 143 supervision missions were carried out, compared to 106 missions in 1990. By mid-year, 1992, the number of supervision missions undertaken was more than half of that undertaken in 1991. This reflects not simply the trend increase in operations, but also the larger number of staff days per project devoted to supervision. In addition, Project Managers are increasingly undertaking consultation missions to Bank Headquarters to discuss disbursement and other matters relating to project implementation.

2.4.2.1.5 Action 5. In accordance with the project appraisal guidelines in the Operations Manual, appraisal missions are preceded by desk study of background documents including Back-to-Office Reports from preparation missions, and the Preparation Reports themselves. Internal and inter-departmental working groups are standard features in reviewing project documents to ensure quality and conformity with relevant policies. The MPDE (Methodology for Project Design and Evaluation) logframe approach is being used increasingly to ensure structured analysis. This will become mandatory by the end of 1992. Issues of WID, environment, poverty alleviation, private sector promotion, institutional and managerial capacities are considered and, where appropriate, explicitly built into project design.

2.4.2.1.6 Action 6. Additional loan officers and economists have been recruited to increase follow-up and supervision missions in order to ensure smoother project

implementation. At least two follow-up/launching missions are budgeted and actually undertaken per country each year, for individual projects approved. For problem projects, efforts have been made to field joint missions, usually involving staff of the Programmes, Projects and Disbursement Departments.

2.4.2.1.7 Action 7. The Fund has endeavoured to give institutional support -- to assist in project generation -- in cases where such capacity was low. Such cases include (see also Box 2.1, presented earlier):

- (i) Institutional support (FUA 2.7 million) to the Ministries of the Economy and Finance, Smallholder Corporative Action, Economic Development, and Planning and Cooperation, in Burkina Faso, to assist in the creation of a special unit responsible for ex-ante and ex-post evaluation of economic policies and development projects and programmes.
- (ii) Institutional support (FUA 3.0 million) to the Ministry of Public Works and Communications (Gambia) to improve the planning, budgeting and management of transport sector investments; and to evaluate the technical feasibility and economic viability of upgrading the Essan-Faraferri section of the North Bank Road.

Special attention in this regard is given to the use of TAF to strengthen Project Implementation Units and the economic ministries. Such support helps to ensure that project viability in appraisal reports is based on soundly calculated economic and financial rate of return. The Bank Group has increasingly moved to insist on positive real rate of interest to ensure project cost recovery.

2.4.2.2 Action To Be Taken

2.4.2.2.1 Action 1. The Bank Group now has in place a system of guidelines and procedures to ensure effective project cycle management. Staffing considerations aside, Management's principal concern in the immediate future will be to ensure greater application of the existing guidelines and procedures. Related to this, Regional Offices should be strengthened in order to assume a greater role in loan administration, in line with their

recently revised and expanded terms of reference. Similarly, further steps should be taken to institute the Project and Loan Management System (PALMS), as a principal mechanism for project registration and monitoring.

Rule on Deferral of Consideration of Loans Proposals by the Board of Directors.

2.4.3 *Directive: State Participants invited the Board to "adopt a rule of practice ... to allow an automatic deferral to the next regularly scheduled Board meeting provided it does not take place within the next four weeks" and which would "enable two Directors to defer consideration of any loan proposal in respect of which they cite specific reasons of a technical or economic nature, for a period not exceeding three months; provided that the total period of deferral resulting from the use of these two procedures should not exceed three months in respect of any loan proposal" (Para. 40).*

2.4.3.1 Application of the Rule.

2.4.3.1.1 This rule has been adhered to and applied only in the case of 2 of the ADF-VI projects submitted to the Board of Directors by June, 1992.

Rule on the Extension of the Period for Circulation of Project Documents from 21 to 28 Days prior to Consideration of the Project by the Board.

2.4.4 *Directive: State Participants expressed appreciation of the steps taken by the Board to reform its Rules of Procedure, including the proposal to extend the period for circulation of project documents before a Board meeting from 21 to 28 days (Para. 40).*

2.4.4.1 Action Taken

2.4.4.1.1 Action 1. Members of the Board discussed this matter and arrived at a consensus that, effective January 1st, 1992, the period for circulation of project documents, in particular appraisal reports, terms of reference for feasibility studies and TAF memoranda, would be extended to 28 days. The decision has been put into practice.

B. FINANCIAL ISSUES

2.5 ADB/ADF Cost-Sharing

2.5.1 *Directive: Deputies proposed and recommended that the cost-sharing formula be amended to directly take into account the volume of annual commitments of the Fund, as a proportion of the total Bank Group commitments. It was agreed that the fair value of the Fund's share of Bank Group expenditures during the replenishment period, be computed as the average (i.e. 50 per cent) of the cost-share obtained by applying the existing formula which is based on the number of project loans approved, and the number of loans under execution and being repaid, and the cost-share obtained by apportioning expenditures using the same formula, based instead on the volume of project loans approved, and the volume of loans under execution and being repaid (Para.43).*

2.5.1.1 Actions Taken

2.5.1.1.1 **Action 1.** The Fund's share of the Bank Group expenditures calculated on the basis of the formula adopted under ADF-V, decreased from 62.9 per cent in 1990 to 59.5 per cent in 1991. Under the proposed ADF-VI cost-sharing formula, the Fund's share of expenditure in 1991 would have been about 48 per cent, thus leading to a corresponding reduction in the Fund's share of Bank Group costs. During the discussion of the Bank Group budget for 1992, the Board of Directors decided that the proposal made during the ADF-VI replenishment negotiations to reduce the Fund's share in the Bank Group's administrative expenses was subject to consideration by the ADB Board and that for the purpose of the 1992 budget, the ADB would maintain the ADF-V cost-sharing formula. The Boards will review the situation in the context of the 1993 budget discussions, to determine if the revised formula should be applied.

2.5.1.1.2 **Action 2.** In September 1991, Management prepared, at the request of the Board, a memorandum on the Fund's financial condition entitled "An Analysis of the ADF's Financial Results and the Impact on Them of the Fund's Liquidity and Exchange Rate Policies". This paper was discussed by the Finance Committee on 29 October 1991. The document attributed the net losses of ADF to the Fund's share of Bank Group costs, non-accrual of income and loan loss provisions and the relatively low level of liquidity which in turn generated only a modest level of investment income. The Board of Directors expressed concern over the Fund's financial condition, and requested Management to prepare another detailed document on the Fund's finances, while making recommendations on possible

measures to avoid a further deterioration in the Fund's financial condition. In 1992, Management therefore prepared a memorandum entitled "A Review of the ADF's Financial Policies and Performance and the Impact on Them of the Fund's Liquidity and Exchange Rate Policies". This memorandum will be discussed by the Board of Directors in October 1992. The document reviews the Fund's financial condition and analyzes the impact on future net income of measures such as an increase in the Fund's lending rate or fees and the level of liquidity. The document also discusses the potential impact in future years of revisions to the formula for calculating the management fee payments by the Fund.

2.6 Fund Liquidity Level

2.6.1 *Directive: In recognition of the low levels of liquidity agreed to during ADF-V replenishment, the Deputies agreed to increase the Fund's liquidity level to a maximum of FUA 400 million by the end of June 1992, and to review this matter further during the proposed Mid-Term Review (Para. 44).*

2.6.1.1 Action Taken

2.6.1.1.1 Action 1. In preparing the 1992 note encashment schedule, Management took into consideration the increase in liquidity approved for ADF-VI. As at 31 December 1991, the Fund's liquidity stood at FUA 335.05 million (1990: FUA 319.91 million), or 4.3 per cent below the liquidity ceiling of FUA 350 million decided during ADF-V consultations. As at 30 June 1992, the Fund's liquidity amounted to FUA 408.00 million, or 2.0 per cent above that agreed to during ADF-VI consultations. The average liquidity level during the first six months of 1992 was FUA 371.53 million. Management projects that with the encashment of the remaining notes during 1992, the Fund's liquidity will be maintained at the FUA 400 million level. It should be noted that Management prepares monthly cash flow projections and constantly monitors the liquidity level of the Fund, in the light of any substantial changes to disbursement forecasts. As in the past, any excess liquidity over and above what is required for disbursements is invested in short-term instruments principally to generate income to cover the Fund's expenses. For the first half of 1992, investment income is estimated at FUA 16.78 million, compared to FUA 14.38 million for the same period in 1991. The 1992 figure is 10.47 per cent above the budget estimate.

2.7 Fund Drawdown System

2.7.1 *Directive: Deputies recommended that the drawdown system under ADF-V whereby the burden share of encashments was based on the balance of unencashed notes, should be revised to strengthen the commitment authority of the Fund. It was agreed that, under ADF-VI, the encashment of notes for each successive drawdown installment should be pro-rata, in current FUA, to the relative percentage shares assigned to each State Participant in the respective replenishments from which notes are being encashed (Para. 45).*

2.7.1.1 Action Taken

2.7.1.1.1 **Action 1.** In drawing up the 1992 schedule of encashments, Management applied the Real Value Drawdown System, discussed and agreed to during the ADF-VI discussions, under which the encashment burden is determined on the basis of the actual burden share of each State Participant in the various replenishments. Prior to this, the encashment burden share was based on the proportion of each participants' balance of unencashed notes.

2.8 Alignment of the Fund Unit of Account (FUA) with the Bank Unit of Account (BUA)

2.8.1 *Directive: Deputies considered that there might be practical advantages in aligning the FUA with the BUA, and requested Management to examine the issue and present its conclusions to the Board of Directors (Para. 46).*

2.8.1.1 Action Taken

2.8.1.1.1 **Action 1.** During February 1992, Management prepared a Board document ADF/BD/WP/92/08: "Adoption of a New Fund Unit of Account" which was considered and approved by the Board of Directors in June 1992. The document points out that the adoption of a new Unit of Account will not have any adverse effect on the financial policies and practices of the Fund, and hence no transitional arrangements are required before an alignment of the FUA and BUA is implemented. The realignment is expected to harmonise and standardise the financial data of the Bank Group, and thus facilitate performance analysis. In addition, it will make it easier for State Participants to verify the calculation of their encashment obligations by a direct reference to the SDR, whose value is the same as the BUA. In approving the document, the Board requested Management to submit to the Governors of the Fund, for adoption by postal vote, the draft resolution amending the

provisions of Article 1 of the Agreement establishing the Fund, which defines the Fund's Unit of Account. As directed by the Board, the adoption of the new Unit of Account for the Fund will become effective by 31 December 1992.

C. STAFFING IMPLICATIONS

2.9 Recruitment of Additional Staff for the New Initiatives

2.9.1 *Directive: State Participants reviewed the staffing implications of ADF-VI and recognized that additional staff resources would be required to meet ADF-VI operational objectives in the priority areas: country programming, agriculture (including forestry), poverty alleviation, population, women in development and environment. Where possible, additional staffing needs should be met through the Bank's continued redeployment programme (Para. 42).*

2.9.1.1 Actions Taken

2.9.1.1.1 **Action 1.** To meet the additional staff resource needs for the new initiatives, the number of authorized positions was increased from the 1990 levels by 26 per cent in country programming; 13 per cent in the agriculture and rural development sector; and 35 per cent in the social and related areas (poverty alleviation, population, women in development and environment). In responding to this, among the actions undertaken were (i) advertising in key newspaper publications in member countries; (ii) launching a number of recruitment missions in member countries with inadequate staff representation; and (iii) giving priority to female candidates, as well as, candidates from under-represented countries. As a result, over 25,000 applications were received; and they were subjected to rigorous screening and selection procedures designed to identify the most qualified and suitable candidates. In all this, the Bank was able to realize significant increases in the number of staff from countries with inadequate representation, particularly the non-regional member countries whose representation had increased by 62 per cent by the end of 1991. Similarly, the number of female professionals in the Bank increased by 56 per cent during the same period. These recruitment actions to attract qualified candidates to fill the authorized positions, including vacancies resulting from staff turnover, were, on the whole, successful; and, as a result, a total of 57 experts were recruited for the priority areas by the end of 1991, while 15 other experts are expected to be recruited by November 1992 (see Table 2.11).

2.9.1.1.2 **Action 2.** Efforts made to meet, through redeployment, some of the additional staffing needs of the priority areas had limited results, primarily because the Bank Group's existing staff complement does not contain sufficient numbers of staff with the types of skills required to achieve the operational objectives of the new initiatives in areas such as the environment, population and poverty alleviation. Management will, however, continue to use redeployment whenever possible to meet increased staff requirements.

2.10 Stabilizing the Number of Staff Positions

2.10.1 *Directive: State Participants welcomed Management's objective of stabilizing the number of Bank positions by the end of the ADF-VI period and urged them to undertake recruitment actions to obtain staff resources not available within the existing staff complement or due to creation of new positions, and to carry out recruitment actions in accordance with procedures designed to attract qualified candidates from both regional and non-regional members of the Bank Group (Para. 42).*

2.10.1.1 Action Taken

2.10.1.1.1 **Action 1.** Stabilization of staff positions is maintained when the pace of recruitment is congruent with the growth of operations. Stabilization of Bank positions is an objective which can be best achieved when an equilibrium is established between the factors that tend to increase staff and those that tend to decrease it. In the case of the Bank Group, the need to improve project quality, while meeting the staffing requirements of new programmes and initiatives, will tend to increase the number of staff needed to meet the necessary operational objectives. On the other hand, redeployment actions, the use of modern information technologies and the introduction and effective utilization of improved management systems will tend to decrease staff, particularly in the support category. Management has taken certain steps towards meeting the stabilization objective, these include: meeting certain staffing needs through redeployment actions and freezing staffing growth in 1993. It is, however, becoming evident that stabilization may be somewhat constrained because: (i) the operational objectives set out in the FYOP.3, including expanding the activities of the Private Sector Unit and strengthening the activities relating to the social sector, including poverty alleviation and population issues, call for net additional staff resources which cannot be fully met through redeployment; and (ii) the expected impact of the use of automated systems on staffing needs, particularly in finance and administrative

areas will not be evident during the ADF-VI period. Management, however, appreciates the importance of stabilizing staff positions and will continue to work towards its achievement, possibly by the end of 1996.

D. CONCLUSION

2.11 A Recapitulation and The Road Forward

2.11.1 This chapter has reported on the Fund's efforts in implementing the ADF-VI directives related to three main areas of activity -- operations and development policy (covering eligibility and allocations, lending operations; sectoral and inter-sectoral priorities, and loan quality issues); financial issues; and the staffing implications arising from the ADF-VI Report. Broadly speaking, as indicated throughout the chapter, progress has been made in implementing a substantial number of the directives.

2.11.2 For instance, in the area of operations, with respect to loan quality issues, EPCPs have been either prepared or updated; CSPs are being prepared for each country, as part of performance assessment; the guidelines and procedures detailed in the Operations Manual are increasingly being implemented; and the lessons drawn from previous Fund operations are continually being incorporated into project design and implementation. With regard to project cycle management, additional steps have been taken to ensure that loan proposals reflect the policy objectives set out in the country programming and sectoral policy documents; that Quarterly Operational Summaries and project briefs are prepared regularly and submitted to the Board of Directors; that project appraisal guidelines detailed in the Operations Manual are followed; and that project supervision expanded. With respect to sectoral and inter-sectoral priorities, there has been a clear bias in Fund lending operations towards the agricultural and social sectors. In the area of the environment the screening and classification of projects have begun, as well as the processing of Environmental Impact Assessments, the support for the Tropical Forestry Action Programme and initial work on the Energy Sector Policy Paper. Action has also been taken with respect to the strategy on women in development (WID), including the increased attention being given to gender issues in development planning generally and, particularly, in women-specific projects. With respect to financial matters, the issue of administrative cost sharing between the ADB and

ADF was deferred by the Boards of Directors. The Fund liquidity's level has been adjusted in line with the recommended level of FUA 400 million. In drawing up the 1992 schedule of note encashments, Management applied the Real Value Drawdown System, discussed and agreed to during the ADF-VI consultations; and the Board has approved the alignment of the Bank and Fund Units of Account. In the area of **staffing**, some progress has been made in reaching the targets set for the priority areas of Fund activities. Recruitment activities aimed at attracting qualified candidates from both regional and non-regional member countries have been broadly successful, although it was not possible to meet the staffing requirements of the new positions through the redeployment programme, largely because the required skills were not readily available in the Bank's staffing complement. This stabilization of staff positions is recognized as an important objective; and Management will continue to work steadily towards its achievement.

2.11.3 But, beyond a narrow interpretation of the directives, Management also views as equally important, adhering to the spirit of the directives, as reflected in the course of the ADF-VI consultations. Thus, for instance, much of the Fund's lending has been in line with the recommended sectoral allocations; and the projects for which Fund resources were committed broadly reflect the bias towards activities with a poverty alleviation focus, and more specifically, agriculture, basic health care and education, the environment and the role of women. Similarly, while the current distribution of TAF resources between project generation and institution building does not conform precisely to the recommended distribution, TAF resources were, on the whole, biased in this direction. Even on the environment, where the recommended staffing levels (8 by 1991, and eventually 15) have not been achieved, the actions taken so far by Management demonstrate its sensitivity and level of commitment on this issue. But there were some shortcomings. For instance, it has not been possible to undertake the detailed formal evaluation of policy-based lending. Similarly, there have been instances of slippage in the implementation of certain operational guidelines. Critical, in Management's view, is the need to develop mechanisms to ensure that the objectives underlying the directives in areas where shortcomings are evident can be attained in the remainder of the ADF-VI period. Management will exert systematic efforts to rectify the shortcomings during the next 18 months so that an even more complete adherence to the directives will have been achieved by the end of the ADF-VI period.

2.11.4 This review exercise also provides the opportunity for a candid exchange between Management and State Participants on difficulties encountered with the application of certain directives -- all with a view to enhancing the overall performance of the Fund. For instance, regarding country allocations for policy-based lending, it is not clear whether the 50 per cent rule applies to the initial indicative allocation, or the performance-adjusted allocation. If the latter, then the degree of conformity to the 50 per cent rule can, realistically, be determined only at the end of the replenishment period, when all allocations would also have been finally determined. Similarly, in the area of finance, attention should be drawn to the fact that, adhering to the recommended liquidity level of FUA 400 million may unduly reduce the Fund's ability to withstand the adverse effects of non-accruals and loan loss provisions; and may compromise its ability to generate sufficient investment income to cover its administrative expenses. Consideration needs also to be given to the effects of the exchange losses on the Fund's capital base and commitment capacity. Exchange losses on subscriptions reduce the resource base of the Fund and, consequently, the resources available for loan commitments, thus diluting the impact of the replenishment. In addition, the Fund has suffered exchange losses arising from payment of subscriptions in currencies which have considerably depreciated against the Unit of Account. Indeed, the position of the Fund has been worsened by translation losses arising from the quarterly revaluation of its assets and liabilities; and the impact of both the operating and exchange losses has been a sharp reduction in reserves. It may also be recalled that at the conclusion of the ADF-VI Consultations, a new trigger mechanism was put in place to govern the scheme of subscriptions and payments under ADF-VI -- in order to minimize the incidence of delays in depositing instruments of subscription and in releasing subscription tranches for commitment purposes. It was expected that the level of the effectiveness trigger (40 per cent) would be attained by 30 September, 1991. However, by that date, only 5 State Participants had deposited instruments of subscription, representing 26.5 per cent of the total amount pledged. It ultimately took some 13 months for the basic conditions of the effectiveness trigger to be fulfilled, and 10 months for advance subscriptions trigger to be attained. The resultant limitation of the Fund's commitment capacity led to delays in the implementation of approved projects and to increased costs to borrowing countries. State Participants may, therefore, wish to review current arrangements in the context of the forthcoming consultations on ADF-VII.

2.11.5 However, notwithstanding these difficulties -- which, over time, can certainly be resolved -- for the future, the goal of Management is to build on the advances already made, following both the letter and spirit of the directives, to assist the Fund in the richer attainment of its goals. Thus, for instance, to maintain the momentum attained at mid-term, the implementation of the Action Programme on Poverty Alleviation must be a top priority and will require special effort on the part of Management such that actual lending operations and monitoring procedures facilitate the achievement of the goals set forth in APPA. Similarly, the formal assessment of policy-based lending needs to be completed; and efforts need to be undertaken such that staffing recommendations, particularly those related to work on environmental issues, are met. Management will need also to work with other agencies, as necessary, in refining its approaches to performance assessment; and prepare comprehensive studies on issues such as country exposure and loan portfolio risk. Finally, the advances that have been made in several areas -- the environment, women in development, population, and other areas -- would need to be strengthened for greater development impact. Taken altogether, it is clear that, in spite of some shortcomings, the Fund has performed well in the past eighteen months; it is ready to continue on the path it has begun and to face the challenges for the remainder of the ADF-VI period and into the rest of the 1990s. The following chapter presents some indications of the resources that would be required to meet these challenges, in the context of a significantly enhanced role for the Fund in Africa's development efforts.

CHAPTER 3

AFRICA'S EXTERNAL CONCESSIONAL RESOURCE REQUIREMENTS AND ENHANCING THE ROLE OF THE FUND

3.0 Introduction

3.0.1 In the preceding chapter, an assessment was made of the Fund's performance in responding to the directives outlined in the final ADF-VI Report; and, it was demonstrated that, on balance, the Fund has made some important advances during the past year and a half. But it should also be said that adherence to the directives ought appropriately to be seen in the broader African development context. For, however well the Fund has performed in following the directives, Management's ultimate concern rests fundamentally on the Fund's effectiveness in assisting with the development process in the poorer countries of Africa. The volume and quality of such assistance will, in the foreseeable future, continue to be of critical importance for the countries themselves, for the Fund, and even for other donor agencies. This conclusion follows from the solid international consensus that has for some time now emerged on the broad scope of the current development agenda for Africa, summarized under the general rubric of restoring economic growth and laying the foundations for longer term human development; and which calls for focussed action in specific areas such as the environment; the role of women in the development process; and broadly based initiatives on poverty alleviation. The success and effectiveness of the Fund in meeting these challenges would, in turn, depend both on the quality of its interventions and the volume of resources that it brings to bear on such interventions. Thus, against the background of the Fund's achievements at mid-term, and bearing in mind those areas identified for sustained follow-up action during the remainder of the ADF-VI period and beyond, this chapter reflects on the broad question of Africa's external resource requirements; the increasing importance that must be attached to concessional resources in helping to satisfy these overall resource needs; and the special role envisaged for the Fund in mobilizing concessional resources to assist in Africa's current development efforts.

3.1 The Resources Question and the Case for Enhanced Fund Engagement During ADF-VII

3.1.1 In the light of the ongoing economic difficulties in many African countries and the urgent requirement that the Continent returns to a path of sustained growth and development, significant external resources will continue to be needed to supplement domestic savings efforts and to reinforce productivity enhancements resulting from the more efficient use of available human and physical resources. The actual volume of external resources required will naturally depend on the complex interplay of various economic and non-economic factors -- such as the broad public policy framework; some estimate of a reasonable and sustainable rate of real economic growth; the efficiency of the actual investments undertaken; other factors, such as demographic trends, urban-rural migration flows, changes in consumption patterns, and, not to mention, those numerous imponderables which can easily invalidate even the most rigorously derived estimates. The essential point is that any estimate of the external resources deemed adequate to respond to Africa's current development needs is, by definition, conditioned on a set of assumptions, the precise realism of which can be determined only *ex post*.

3.1.2 In considering this fundamental resource question, the document, **The African Development Bank Group in the 1990s: Operational Programme For the Period 1992-96, and Beyond**, provides a useful point of reference. In this document, it is estimated that, to achieve an average rate of real economic growth of 5 per cent, Africa's total external resource requirements would average about \$55 billion annually during the 1992-96 period, rising to about \$67 billion in the next five-year period. Thus, over the period 1992-2001 as a whole, annual external resource requirements are estimated to average about \$61 billion. It is indicated further that, given the current economic circumstances in many borrowing member countries, the bulk of these resources (some 80 per cent) would need to be met from various concessional sources, with the remaining 20 per cent from non-concessional sources -- a distribution which follows the broad pattern of recent external resource flows to the Continent. These estimates, not surprisingly, confirm that Africa's resource needs are substantial -- given the simultaneous imperatives of recovering the economic losses of the past decade; of increasing the volume and rate of investment spending; of restoring and sustaining reasonable rates of economic growth; and of coping with the challenges driven by the international consensus on the short- and long-term development agenda.

3.1.3 Moreover, the Bank Group's estimates cited above are broadly consistent with other independently derived estimates of the Continent's resource needs -- by, for instance, the World Bank and the United Nations. It will be recalled that, making similar broad policy and other assumptions as those made by the Bank Group, but with an initial real GDP growth rate of 4 per cent, rising to 5 per cent by the end of the decade, roughly similar estimates of the resource needs of Africa as a whole -- a figure of \$56 billion annually over the next ten years -- can be derived from the World Bank's projections. Similarly, the United Nations has estimated that, excluding "further significant reductions in external debt service", net Official Development Assistance (ODA) of \$30 billion -- largely concessional in nature and destined mainly to low-income Africa -- would be required in 1992. It was argued further that this amount should grow thereafter, in real terms, at an annual rate of 4 per cent. Converting these amounts into gross flows, and with concessional ODA flows accounting roughly for 80 per cent of total flows, this U.N. estimate translates into average annual requirements of almost \$56 billion, in current dollars. If further significant debt relief is forthcoming, and in the orders of magnitude implied by the United Nations, then the annual resource requirements could rise to some \$63 billion.

3.1.4 Given these various estimates, annual resource flows of roughly \$60 billion will be required to satisfy the Continent's minimum financing needs over the next ten years. And of this amount, it was argued that the Bank Group's possible contribution in terms of non-concessional resources could be in the order of UA 2.35 billion annually. The bulk (80 per cent) of these global resource flows, however, would need to continue to come from concessional sources, given the difficult economic situation in many low-income regional member countries; the need to reduce the burdens of servicing external debt; and simultaneously, the need to increase opportunities for resource blending.

3.1.5 Thus, noting that concessional lending by the Bank Group accounted for slightly over 35 per cent of total Bank Group commitments during the FYOP.2 period, it was also indicated that if the opportunities for significant economic and social progress in low-income Africa are to be seized, the ratio of concessional to total Bank Group lending should rise, calling for annual commitments of concessional resources averaging about FUA 1.5 billion. This would be consistent with the view that resource flows to Africa should, as

much as possible, be on concessional terms. Beyond this, the envisaged concessional contributions reflected the view that the Bank Group should progressively occupy a place of greater prominence in mobilizing resources for development in Africa; and it was conservatively assumed that, by the end of the decade, the Bank Group would contribute concessional resources amounting to slightly more than 2 per cent of Africa's total resource requirements.

3.1.6 Notwithstanding these essentially demand-driven estimates of the Continent's resource needs, and taking into consideration the Bank Group's current operational priorities, as well as the need of regional member countries to stabilize their economies through current reform and adjustment efforts, a level of Bank lending of UA 8.2 billion -- zero real growth, and lower than that implied by the estimates of resource requirements -- was proposed for the 1992-96 period. This level of lending was seen as possible, without compromising the Bank Group's commitment to Africa's long term development agenda. It was emphasized, however, that the proposed UA 8.2 billion non-concessional lending programme still fell considerably short of estimated resource requirements; and would call for special efforts if the overall external resource requirements of the Continent were to be adequately met. In this respect, this proposed level of Bank lending is, to a large extent, conditioned on the assumption of substantial (ADF) concessional resources over the next replenishment period, which, in the context of new approaches to the blending of resources, may allow the Bank Group, as a whole, to maintain its presence in, and offer some reasonable level of support to, all its borrowing member countries. Thus, a Fund lending programme of approximately FUA 5.8 billion was ultimately proposed for the five-year period 1992-96; and given the known contributions to the Fund for the ADF-VI period, this implied a volume of lending for the 1994-96 (ADF-VII) period of approximately FUA 4.0 billion.

3.1.7 This combined volume of non-concessional and concessional resources would permit the Bank Group as a whole to assist borrowing countries in addressing, in a more concerted fashion, several of the major consequences of the current economic difficulties, including the visible deterioration in plant and equipment and in physical infrastructure. Beyond this, it would allow for greater support for policy and other reforms, as countries revitalize their economies and provide the basis for sustained growth. In essence, the envisaged programme of activities would have as its major pillars, greater investments in

reconstruction and rehabilitation; continued policy adjustment efforts, particularly those incorporating strategies for regional trade expansion and integration; private sector development; and broadly based poverty alleviation. The combined concessional and non-concessional resources of all Bank Group institutions would be brought to bear on these issues.

3.1.8 With specific reference to the concessional resources of the Fund, these would be directed primarily to the agricultural and social (health and education) sectors, reflecting the explicit poverty alleviation focus for Fund resources. In **agriculture**, Fund resources would contribute to the recovery of this sector by focusing its interventions in the production, processing and marketing of food and export crops. In order to ensure sustained productivity and better agro-industrial and export performance, particular emphasis would also be placed on agricultural research, training, extension, marketing, distribution and the creation of institutional capacities. Similarly, to ensure the long-term sustainability of the Continent's agriculture, support would also be provided in the form of programmes for the conservation of natural resources and for their sustainable utilization. Interventions in the **health** sector would focus on strengthening the human and institutional capacities to plan and administer health services and programmes, including, in particular, those related to communicable disease control; the procurement and distribution of essential drugs; health care delivery; population policy; and nutrition. Special emphasis will be placed on mother and child health, with a view to reducing the high child morbidity and mortality rates prevalent in many countries in Africa. In **education**, priority would be given to basic education, emphasizing both primary and informal education; manpower development, emphasizing technical and vocational training related to the important sectors of agriculture, animal husbandry, fisheries and industry; and on institutional development, with a view to enhancing capacity for policy formulation, as well as the planning and management of educational resources and programmes. Women's education will receive special attention, particularly in the areas of basic education, and in technical, vocational and teacher training.

3.1.9 However, while the merits of this programming emphasis remain unchallenged and the intended focus of Bank Group operations unaltered, in the light of the recent decisions of the Board of Governors of the Bank on the recommended level of non-concessional lending during the FYOP.3 period, the relative roles of the Bank and the

Fund in implementing the Operational Programme need to be revisited. Indeed, Management's recent discussions with the Board of Directors and the Board of Governors, and discussions among Members of the Boards themselves, regarding the Bank Group's Third Five-Year Operational Programme (FYOP.3), serve as a useful point of departure for reflections on the resources available to the Fund and the place it will need to occupy in the Bank Group's overall operations in the years ahead. This is essential if the Bank Group is to maintain, as a minimum, its current place in Africa's development efforts over this time-frame.

3.1.10 Thus, as a precursor to the forthcoming consultations on the Seventh Replenishment of the Resources of the African Development Fund and the ensuing discussions on an adequate funding level for the ADF-VII period, several interrelated issues will need to be addressed in determining the scope of Bank Group operations, and particularly those of the Fund. First, there is need to reaffirm that the total volume of Bank Group resources, concessional and non-concessional, indicated as necessary to implement the approved programme of activities indicated for the FYOP.3 period, are but a minimum, if the Bank Group is to occupy a meaningful role in Africa's development efforts. Second, there is need to consider the impact of the downward revision in non-concessional lending on the scale and scope of overall Bank Group operations and on the adjustments to the volume of concessional lending that may be necessary to ensure full programme integrity and continuity. Third, consideration must also be given to the new areas of Fund involvement in the near future and the implications which such required interventions may have for the adequacy of available Fund resources. Finally, there is need to address the fundamental question as to whether the Fund has the technical and administrative capacity to undertake the engagements envisaged effectively, and with measurable impact on the development process, especially in the poorer countries of the region. These are all critical questions that need to be squarely addressed as part of the continuing process of evaluating the Fund's performance and of shaping views on suitable replenishment levels for the ADF-VII period.

3.1.11 To consider briefly the first of these questions, it is clear that the Bank Group lending programme envisaged for the FYOP.3 period is a minimum, with zero real growth envisaged for non-concessional lending. Indeed, the level of non-concessional resources earlier proposed, entailed no increase in the Bank's share of non-concessional resource flows

to Africa, and required that other multilateral and bilateral institutions participate more actively in the region's development efforts over the period. Beyond this, it needs also to be said that this volume of resources would assist the Continent in achieving an annual rate of per capita income growth of only 1 per cent. But, considering the sharp decline in economic activity during the 1980s and continuing difficulties related to external indebtedness, declining terms of trade and weak export earnings, a 1 per cent growth in real per capita income, while an undoubtedly welcome movement in the right direction, does not involve a fundamental amelioration in the economic and social condition of much of the population of the Continent, unless sustained over a period of several years, even decades. Indeed, current circumstances are such that, a rate of growth of this magnitude, would, over a period of up to ten years, be barely sufficient to return the Continent to the real per capita income levels that prevailed as far back as the early 1980s. The downward revision of non-concessional lending during the FYOP.3 period would constrain investment levels unless it is offset by the availability of increased concessional resources. Thus, the programme of activities and level of overall lending proposed in the document referred to earlier are realistically a minimum contribution that could be expected of the Bank Group, unless, of course, additional resources from other sources are forthcoming or the rates of investment and economic growth proposed for the Continent are to be reduced to even below the minimum levels already envisaged.

3.1.12 Against the background of this assessment of the strategic importance of the FYOP.3 programme of activities -- driven as it is by the international consensus on the African development agenda -- this leads directly to consideration of the second question raised above; and points clearly to the need to revisit the estimates of the level of concessional resources required if the programmes outlined in the FYOP.3 document are to be realized. It follows that additional concessional resources will be required to occupy a more prominent place in overall Bank Group lending; and that the FUA 4.0 billion earlier proposed could well fall short in meeting this requirement. As indicated earlier, it is certainly the case that this would involve no diminution in the **quality** of the programmes undertaken by the Fund; nor would it mean that the important advances made by the Fund so far during the ADF-VI period would be irreversibly lost. Indeed, Fund programming would continue to make important advances along the lines previously indicated. However, the moot question is whether this level of Fund operations, even taking into account foreseeable

efficiency gains, would not, with the scaling down of non-concessional lending, unduly diminish the Bank Group's place in Africa's development efforts in the years ahead. What should be a matter of concern is that this would be occurring at a time of continuing economic difficulties in Africa; when more, not fewer, resources are needed to address these difficulties; when those countries that have begun to show signs of a turnaround require predictable and significant concessional resources if the recovery is to be sustained; when the views of the international community have already converged on the need for substantially enhanced external resource support; and when the Bank Group, as an African institution, should be at the forefront of these efforts.

3.1.13 Beyond this, and reflecting on the third question, a FUA 4.0 billion level of concessional resources would likely restrict the Fund's operations only to its traditional areas of interventions. It would mean, for instance, that new engagements emerging as a result of the United Nations Conference on the Environment and Development (UNCED) would be minimal -- a situation that would undermine the important initial gains already made by the Fund in addressing environmental issues; and severely limit its active participation in the agenda of action recommended at UNCED. It would also impede progress in supporting population programmes; and it would constrain the possibility that potential new approaches to debt alleviation in the debt-distressed Category A countries, along the lines of the World Bank's Fifth Dimension Debt Reduction Facility. Similarly, it would not only significantly restrict the scope for resource blending for Category A countries, but may also limit the possibilities of exploring bolder avenues for resource blending for Category B and C countries -- for instance on terms applying to loans from the Nigeria Trust Fund. Above all, maintaining the FYOP.3 estimate of concessional lending, would unduly constrain the Fund's efforts towards deepening and enriching its programme of activities, building, as indicated in Chapter 2, on the measured advances made so far in the ADF-VI period.

3.1.14 But in considering the resource question and a possible greater role for the Fund in Bank Group operations, it is especially important to reflect on whether the Fund, indeed the Bank Group as a whole, has the capacity to undertake this level of engagements. Clearly, important advances have been made over the past years to strengthen the Bank Group's capacity to undertake its assignments more effectively and efficiently -- and these continue. The recent staff redeployment exercise; the recruitment of new staff to strengthen

existing activities and to address new areas of operational emphasis; the introduction of staff development and training programmes; internal administrative improvements, including the continuing development of more effective management systems, have all meant that the Institution as a whole has the capacity and experience to perform at the levels called for by an enhanced lending programme. And beyond staffing and other administrative arrangements, it is clear that operational advances already made in country programming; on loan quality issues; on the project pipeline; and on overall guidelines and procedures, if vigorously pursued and continuously enriched, will strengthen the Fund's capacity to meet the challenges ahead. Indeed, the advances outlined in Chapter 2 and the actions envisaged for the rest of the ADF-VI period point clearly to the possibility of enhancing the role of the Fund as an increasingly important vehicle for the transfer of concessional resources to Africa. It should be also stressed that the Fund's transfer of concessional resources to African countries could be achieved by reducing the relatively high trigger level (of 40%) and by simplifying some administrative procedures relating to deposit of subscription instruments. Both these stand in the way of faster utilisation of Fund resources by borrowing countries.

3.2 Conclusion

3.2.1 To maintain that the external resources required by Africa to assist in its development efforts are substantial, is not a matter of controversy. Nor is it a matter of dispute that, as an African institution, the Bank Group needs to occupy a place of growing prominence in the international efforts aimed at addressing Africa's current difficulties. And in this, the African Development Bank, with its non-concessional resources, and the African Development Fund, with concessional resources at its disposal, are the two key agents. With the level of non-concessional lending to the end of the ADF-VII period known with reasonable certainty, two questions emerge as paramount. The first question relates to the level of lending which the Bank should reasonably undertake -- and this has already been indicated in the context of discussions on the Third Five-Year Operational Programme. The second question relates to the volume of concessional Fund resources that would be needed to supplement the non-concessional resources of the Bank, if the envisaged programme of activities of the Bank Group is to be maintained, as it should. In these circumstances, therefore, it is clear that a serious assessment of the concessional resources available to the Bank Group is called for. All things considered -- the development challenges ahead; the

absorptive capacity of borrowing countries; the minimum scale of Bank Group operations deemed reasonable; the steady operational advances made by the Fund; its demonstrated capacity to undertake a larger volume of lending; and, not least of all, the shortfalls in non-concessional resources -- it is Management's view that the forthcoming replenishment of the resources of the Fund should be significant and substantial. However, Management is also aware that the level of concessional resources actually mobilized would, of course, ultimately depend on the willingness and capacity of ADF State Participants to replenish the resources of the Fund to a level adequate enough to attain the goals identified above, and shared equally by both Management and the State Participants.

STATISTICAL TABLES

TABLE 2.1

COUNTRY CATEGORIES AND 1989 PER CAPITA GNP (\$US)

CATEGORY A

1. Benin	380
2. Burkina Faso	310
3. Burundi	220
4. Cen. Af. Rep.	390
5. Chad	190
6. Comoros	460
7. Djibouti	270*
8. Eq. Guinea	430
9. Ethiopia	120
10. Gambia	230
11. Ghana	380
12. Guinea	430
13. Guinea Bissau	180
14. Kenya	380
15. Lesotho	470
16. Liberia	450*
17. Madagascar	230
18. Malawi	180
19. Mali	260
20. Mauritania	490
21. Mozambique	80
22. Niger	290
23. Nigeria	250
24. Rwanda	310
25. S.T. and Prin.	360
26. Sierra Leone	200
27. Somalia	170
28. Sudan	340*
29. Tanzania	120
30. Togo	390
31. Uganda	250
32. Zaire	260
33. Zambia	390

CATEGORY B

1. Angola	620
2. Cape Verde	760
3. Congo	930
4. Cote d'Ivoire	790
5. Egypt	630
6. Morocco	900
7. Namibia	989**
8. Senegal	650
9. Swaziland	900
10. Zimbabwe	640

CATEGORY C

1. Algeria	2170
2. Botswana	1733***
3. Cameroon	1010
4. Gabon	2777
5. Libya	4854***
6. Mauritius	1950
7. Seychelles	4170
8. Tunisia	1260

Source: The World Bank Atlas 1990, except for figures marked with an asterisk (*), which were communicated separately from the World Bank.

** The figures for Namibia are still tentative; for this exercise, a notional figure of US\$989 has been used.

*** ADB estimates.

Note: Throughout this section, all statistical tables are numbered with reference to the corresponding chapter 2. All tables therefore are designated as 2.x.

TABLE 2.2
ADF-VI INDICATIVE COUNTRY ALLOCATIONS

CATEGORY A	Population Million)	GNP Per Capita (US\$)	ADF Allocation (FUA million)	TAF Allocation (FUA million)
1. Benin	4.59	380.00	26.97	3.77
2. Burkina Faso	8.78	310.00	38.92	5.45
3. Burundi	5.30	220.00	41.70	5.83
4. Central African Rep.	2.95	390.00	23.45	3.28
5. Chad	5.54	190.00	47.18	6.60
6. Comores	0.46	460.00	16.09	2.25
7. Djibouti	0.41	270.00	26.71	3.74
8. Equatorial Guinea	0.34	430.00	16.93	2.37
9. Ethiopia	48.86	120.00	139.09	19.46
10. Gambia	0.85	230.00	32.05	4.48
11. Ghana	14.43	380.00	45.25	6.33
12. Guinea	5.55	430.00	26.61	3.72
13. Guinea Bissau	0.96	180.00	40.72	5.70
14. Kenya	23.28	380.00	61.70	8.63
15. Lesotho	1.72	470.00	18.10	2.53
16. Liberia	2.48	450.00	20.18	2.82
17. Madagascar	11.17	230.00	51.22	7.17
18. Malawi	8.23	180.00	54.22	7.59
19. Mali	8.21	260.00	42.21	5.91
20. Mauritania	1.95	490.00	17.92	2.51
21. Mozambique	15.36	80.00	116.14	16.25
22. Niger	7.48	290.00	38.06	5.33
23. Nigeria	113.67	250.00	139.09	19.46
24. Rwanda	6.89	310.00	35.41	4.95
25. Sao Tome & Principe	0.12	360.00	19.69	2.75
26. Sierra Leone	4.04	200.00	42.55	5.95
27. Somalia	6.09	170.00	52.54	7.35
28. Sudan	24.42	340.00	65.99	9.23
29. Tanzania	25.63	120.00	106.02	14.83
30. Togo	3.51	390.00	24.49	3.43
31. Uganda	16.77	250.00	59.19	8.28
32. Zaire	34.44	260.00	90.95	12.73
33. Zambia	7.84	390.00	32.54	4.55
TOTAL CATEGORY A	422.32		1609.87	225.25

TABLE 2.2 (Contd.)
ADF-VI INDICATIVE COUNTRY ALLOCATIONS

CATEGORY B	Population (Million)	GNP Per Capita (US\$)	ADF Allocation (FUA million)	TAF Allocation (FUA million)
1. Angola	9.69	620.00	18.49	3.29
2. Cape Verde	0.37	760.00	10.06	1.79
3. Congo	2.21	930.00	9.49	1.69
4. Côte d'Ivoire	11.71	790.00	17.24	3.07
5. Egypt	53.08	630.00	47.21	8.39
6. Morocco	24.57	900.00	24.66	4.38
7. Namibia	1.60	989.00	8.61	1.53
8. Senegal	7.21	650.00	16.28	2.89
9. Swaziland	0.79	900.00	8.81	1.57
10. Zimbabwe	9.57	640.00	18.03	3.21
TOTAL CATEGORY B	120.80		178.88	31.80

Notes: The computations are based on the following assumptions: i) Replenishment FUA 2,650 million; ii) Technical Assistance Fund 10 per cent; iii) 22.50 per cent unallocated for Policy-Based Lending; iv) 90 per cent of remaining resources allocated to Category A countries; v) 10 per cent remaining resources allocated to Category B countries; vi) Population 45 per cent; vii) Per Capita Income 55 per cent (these are all based on 1989 data for GNP and Population); viii) Namibia is treated "as if" it were Category B and a notional GNP per capital of US\$989 is used; xi) TAF allocations calculated on same methodology with 85 per cent of TAF resources allocated to Category A and 12 per cent allocated to Category B. The 3 per cent for Category C has not been allocated by country.

TABLE 2.3

ADF-VI RESOURCE UTILIZATION BY COUNTRY CATEGORY, JANUARY 1991 TO JUNE 1992
(FUA million)

Category	ADF Projects Amount	%	TAF Project Preparation	TAF Institution Building	Total TAF Amount	%	Grand Total Amount	%
A	999.06	94.2	60.24	31.30	91.54	86.8	1090.59	93.5
B	62.05	5.8	2.79	7.56	10.35	9.8	72.40	6.2
C	0.00	0.0	3.10	0.43	3.53	3.4	3.53	0.3
Sub-total	1061.11	100.0	66.13	39.29	105.41	100.0	1166.52	100
Multinational	46.35		9.78	3.70	13.48		59.83	
Total	1107.46		75.91	42.99	118.89		1226.35	

TABLE 2.4

ADF-VI LOAN AND GRANT APPROVALS BY LENDING INSTRUMENT
(FUA million)

LENDING INSTRUMENT	1991	%	1992*	%	TOTAL	%
Project Lending						
Specific Investments	572.76	65.2	274.7	79.1	847.46	69.1
Lines of Credit	22.00	2.5	0.00	0.0	22.00	1.7
Sub-Total	594.76	67.7	274.7	79.1	869.46	70.9
Policy-Based Lending						
Sectoral Adjustment	12.00	1.4	8.00	2.3	20.00	1.6
Structural Adjustment	179.00	20.4	39.00	11.2	218.00	17.8
Sub-Total	191.00	21.7	47.00	13.5	238.00	19.4
Technical Assistance Operations						
Project Cycle Operations	56.00	6.4	19.90	5.7	75.90	6.1
Institutional Building	37.14	4.2	5.85	1.7	42.99	3.5
Sub-Total	93.14	10.6	25.75	7.4	118.89	9.7
Grand Total	878.90	100.0	347.45	100.0	1226.35	100.0

* To June 30, 1992.

TABLE 2.5

BANK LOAN COMMITMENTS TO CATEGORY A COUNTRIES, JANUARY 1991 TO JUNE 1992

(BUA/FUA Million)

Country	ADB	ADF	No.Loans	No.Blends	SPA member
Kenya	12	12	1	1	yes
Malawi	15	12	1	1	yes
Uganda	15	20	1	1	yes
Zambia	10	10	1	1	yes
Multi (Tanzania/Zambia)	15	20.6	1	1	yes
Guinea	41.50	0	2	0	yes
Mali	12	0	1	0	yes
Tanzania	10	20	1	1	yes
Lesotho	8.26	0	1	0	no
Nigeria	310.1	14.6	4	3	no
Sudan	28	0	1	0	no

TABLE 2.6

NON-CONCESSIONAL LOANS TO CATEGORY A COUNTRIES
(EXCLUDING NIGERIA)

Country	Loan	Amount
1. Kenya (1991)	Agricultural Sector Adjustment	BUA 12 million + FUA 12 million
2. Malawi (1991)	Telecommunications.	BUA 15 million + FUA 12 million
3. Uganda (1991)	Owen Falls Power	BUA 15 million + FUA 20 million
4. Zambia (1991)	Small-scale Enterprises	BUA 10 million + FUA 10 million
5. Multi-sector (Tanzania-Zambia) (1991)	Tazara Landslide	BUA 5 million + FUA 20.60 million
6. Guinea (1992)	Electricity	BUA 11.5 million. Not blended
7. Mali (1992)	Line of Credit to the BMDC	BUA 12 million. Not blended
8. Tanzania (1992)	Telecommunications	BUA 10 million + FUA 20 million
9. Lesotho (1992)	Ceramics and Wall Tiles	BUA 8.26 million. Not Blended
10. Sudan (1992)	Agric Rehabilitation II	BUA 28 million. Not blended
11. Guinea (1992)	Shrimp Farming	BUA 30 million. Not blended

TABLE 2.7

**ADF-VI LOAN COMMITMENTS
JANUARY 1991 TO JUNE 1992**

Country Category	Performance	Average Commitment FUA mill.)	Proportion of Average Allocation* (%)
A	Core or Weak	0.00	0
	Satisfactory	21.16	66
	Strong	48.97	97
B	Core or Weak	2.25	12
	Satisfactory	8.91	66
	Strong	5.48	34

* Includes PBL operations.

TABLE 2.8

**LIST OF REGIONAL MEMBER COUNTRIES PARTICIPATING IN
THE SPECIAL PROGRAMME OF ASSISTANCE (SPA) FOR AFRICA**

- | | |
|-------------------------|---------------------------|
| 1. Benin | 15. Mali |
| 2. Burkina Faso | 16. Mauritania |
| 3. Burundi | 17. Mozambique |
| 4. Central African Rep. | 18. Niger |
| 5. Chad | 19. Rwanda |
| 6. Comoros | 20. Sao Tome and Principe |
| 7. Equatorial Guinea | 21. Senegal |
| 8. Gambia | 22. Sierra Leone |
| 9. Ghana | 23. Somalia |
| 10. Guinea | 24. Tanzania |
| 11. Guinea Bissau | 25. Togo |
| 12. Kenya | 26. Uganda |
| 13. Madagascar | 27. Zaire |
| 14. Malawi | 28. Zambia |

Table 2.9

ADF-VI ALLOCATIONS FOR POLICY-BASED LOANS
JANUARY 1991 TO JUNE 1992
(FUA million)

Country	Basic ADF-VI Allocation (1991-1993) (1)	TAF	Total Allocation	Policy-Based Loan 1991 1992		Total (1991-92) (2)	Percentage (2)/(1)
CATEGORY A							
1. BENIN*	26.97	3.77	30.74	15.00	-	15.00	56.6
2. BURKINA FASO	38.92	5.45	44.37	15.00	-	15.00	38.5
3. BURUNDI	41.70	5.83	47.53	8.50	-	8.50	20.4
4. CENT. AFR. REP.*	23.45	3.28	26.73	15.00	-	15.00	64.0
5. CHAD	47.18	6.60	53.78	-	-	-	-
6. COMOROS*	16.09	2.25	18.34	8.50	-	8.50	52.8
7. DJIBOUTI	26.71	3.74	30.45	-	-	-	-
8. EQ. GUINEA*	16.93	2.37	19.30	-	9.0	9.00	53.2
9. ETHIOPIA	139.09	19.46	158.55	-	-	-	-
10. GAMBIA	32.05	4.48	36.53	-	-	-	-
11. GHANA	45.25	6.33	51.58	20.00	-	20.00	44.2
12. GUINEA	26.61	3.72	30.33	-	-	-	-
13. GUINEA BISSAU	40.72	5.70	46.42	-	-	-	-
14. KENYA	61.70	8.63	70.33	12.00	-	12.00	19.4
15. LESOTHO	18.10	2.53	20.63	-	-	-	-
16. LIBERIA	20.18	2.82	23.00	-	-	-	-
17. MALI	42.21	5.91	48.12	15.00	-	15.00	35.5
18. MADAGASCAR	51.22	7.17	58.39	-	-	-	-
19. MALAWI	54.22	7.59	61.81	10.00	-	10.00	18.4
20. MAURITANIA*	17.92	2.51	20.43	15.00	-	15.00	83.7
21. MOZAMBIQUE	116.14	16.25	132.39	-	-	-	-
22. NIGER	38.06	5.33	43.39	-	-	-	-
23. NIGERIA	139.06	19.46	158.52	-	-	-	-
24. RWANDA	35.41	4.95	40.36	12.00	-	12.00	33.9
25. SAO TOME	19.69	2.75	22.44	-	-	-	-
26. SIERRA LEONE	42.55	5.95	48.50	-	-	-	-
27. SOMALIA	52.54	7.35	59.89	-	-	-	-
28. SUDAN	65.99	9.23	75.22	-	-	-	-
29. TANZANIA	106.02	14.83	120.85	-	30.00	30.00	28.3
30. TOGO	24.49	3.43	27.92	-	-	-	-
31. UGANDA	59.19	8.28	67.47	25.00	-	25.00	42.2
32. ZAIRE	90.95	12.73	103.68	-	-	-	-
33. ZAMBIA *	32.54	4.55	37.09	20.00	-	20.00	61.5
SUB-TOTAL	1609.87	225.23	1835.1	191.00	39.00	230.00	
CATEGORY B							
1. ANGOLA	18.49	3.29	21.78	-	-	-	-
2. CAPE VERDE	10.06	1.79	11.85	-	-	-	-
3. CONGO	9.49	1.69	11.18	-	-	-	-
4. COTE D'IVOIRE	17.24	3.07	20.31	-	8.00	8.00	46.4
5. EGYPT	47.21	8.39	55.60	-	-	-	-
6. MOROCCO	24.66	4.38	29.04	-	-	-	-
7. NAMIBIA	8.61	1.53	10.14	-	-	-	-
8. SENEGAL	16.28	2.89	19.17	-	-	-	-
9. SWAZILAND	8.81	1.57	10.38	-	-	-	-
10. ZIMBABWE	18.03	3.21	21.24	-	-	-	-
TOTAL	1788.75	257.04	2045.79	191.00	47.00	238.00	

Notes: (i) Total amount of PBL from January 1991 to June 1992 is FUA 258.00 million, representing 9.7 per cent of total ADF-VI Replenishment Resources of FUA 2.65 billion; (ii) "*" identifies countries programmed to have used ADF resources for PBL lending in excess of 50 per cent of their indicative allocations.

TABLE 2.10
STATUS REPORT ON ECONOMIC PROSPECTS AND
COUNTRY PROGRAMMING PAPERS (EPCPs) AND
COUNTRY STRATEGY PAPERS (CSPs)

Country	EPCPs		CSPs	
	Date Published	Cycle	Expected Revision/ Preparation	Date of First Issue
1. Algeria	January 1992	1991-93	Current	1991
2. Angola	New	1993-95	1992	1992
3. Benin	December 1989	1989-91	1993	1992
4. Botswana	May 1990	1989-91	1992	1991
5. Burkina Faso	November 1989	1989-91	1992	1991
6. Burundi	May 1989	1988-90	1992	1991
7. Cameroun	New	1993-95	1992	1991
8. Cape Verde	September 1989	1989-91	1992	1992
9. Cen. Af. Rep.	May 1989	1989-91	1992	1992
10. Chad	June 1990	1990-92	Current	1992
11. Comoros	New	1993-95	1992	1992
12. Congo	New	1993-95	1993	1991
13. Côte d'Ivoire	New	1993-95	1992	1992
14. Djibouti	November 1991	1988-90	1992	1992
15. Egypt	July 1989	1989-91	1993	1991
16. Eq. Guinea	December 1988	1989-91	1992	1992
17. Ethiopia	October 1988	1988-90	1992	1991
18. Gabon	January 1991	1990-92	Current	1992
19. Gambia	November 1991	1991-93	Current	1991
20. Ghana	February 1992	1991-93	Current	1991
21. Guinea	November 1989	1989-91	1993	1992
22. Guinea Bissau	May 1990	1990-92	Current	1992
23. Kenya	March 1990	1989-91	1992	1991
24. Lesotho	December 1988	1988-90	1992	1991
25. Liberia	New	TBD	TBD	1992
26. Libya	New	TBD	TBD	1992
27. Madagascar	August 1988	1988-90	1992	1991
28. Malawi	November 1989	1988-90	1992	1991
29. Mali	December 1991	1991-93	Current	1991
30. Mauritania	August 1988	1988-90	1992	1991
31. Mauritius	November 1990	1991-93	Current	1991
32. Morocco	New	1993-95	1992	1992
33. Mozambique	August 1988	1988-90	1992	1992
34. Namibia	New	1993-95	1992	1992
35. Niger	August 1990	1990-92	Current	1991
36. Nigeria	September 1989	1989-91	1992	1991
37. Rwanda	May 1988	1988-90	1993	1991
38. Sao Tomé	December 1989	1989-91	1992	1992
39. Senegal	May 1989	1990-92	Current	1991
40. Seychelles	June 1991	1990-92	Current	1992
41. Sierra Leone	November 1989	1989-91	1992	1991
42. Somalia	October 1988	1988-90	TBD	1991
43. Sudan	New	1994-96	1993	1991
44. Swaziland	November 1988	1988-90	1992	1992
45. Tanzania	August 1987	1988-90	1992	1992
46. Togo	October 1988	1993-95	1992	1992
47. Tunisia	New	1992-94	Current	1992
48. Uganda	November 1989	1988-90	1992	1991
49. Zaïre	May 1989	1989-91	1993	1991
50. Zambia	New	1993-95	1992	1991
51. Zimbabwe	May 1991	1991-93	Current	1991

Notes: TBD = To be determined

TABLE 2.11

RECRUITMENT FOR ADF-VI PRIORITY ACTIVITIES

PRIORITY POSITIONS	RECRUITMENT ACTIONS: 1991-1992	
	Completed	Programmed
Country Programming (including Field Offices)		
Loans Officers	14	2
Country Economists	16	3
Agriculture		
Agronomists	4	
Agricultural Economists	6	2 (1 for CEPR)
Forestry Experts	2	1 (SARD)
Public Health Experts	3	1 (SARD)
Education Experts	2	
Livestock Expert	1	
Women in Development		
WID Coordinators	3	
Environment		
Environmentalists	4	2 (NARD & SARD)
Population Experts	2	1 (SARD)
Poverty Alleviation		
Social Policy Expert (CEPR)		1
Socio-Economist (SARD)		1
Sociologist & Rural Development (NARD)		1
Total	57	15

ANNEXES

ANNEX A

ADF-VI LOAN AND GRANT APPROVALS TO JUNE, 1992

COUNTRY	PROJECT	TOTAL	AMOUNT	SOURCE	SECT	INST	CAT.	YEAR
ALGERIA	CENTRE DE DEV. TECHNIQUE AVANCEE		1.57	TAF	IN	TAP	C	1992
ANGOLA	LUANDA SEWERAGE	17.86	4.50	ADF	PU	PL	B	1991
ANGOLA	WATER SUPPLY STUDIES (3 CENTRES)		1.65	TAF	PU	TAI	B	1991
BENIN	HEALTH	11.13	10.00	ADF	SO	PL	A	1991
BENIN	STRUCTURAL ADJUSTMENT LOAN II	216.14	15.00	ADF	MS	SL	A	1991
BENIN	BENIN-NIGERIA ROAD STUDY	1.57	1.50	TAF	TR	TAP	A	1991
BENIN	DRAINAGE COTONOU & PORTO NOVO	1.50	1.40	TAF	PU	TAP	A	1991
BENIN	COTONOU ACCESS ROADS		13.00	ADF	TR	PL	A	1992
BENIN	INSTIT. SUPPORT TO MIN. P. & S.		3.90	ADF	MS	PL	A	1992
BURKINA FASO	BILANGA-FADA ROAD	13.73	12.36	ADF	TR	PL	A	1991
BURKINA FASO	EDUCATION III	11.15	10.00	ADF	SO	PL	A	1991
BURKINA FASO	STRUCTURAL ADJUSTMENT LOAN	277.19	15.00	ADF	MS	SL	A	1991
BURKINA FASO	HEALTH	13.24	11.90	ADF	SO	PL	A	1991
BURKINA FASO	INST SUPP TO 4 MINISTRIES	2.86	2.70	TAF	MS	TAI	A	1991
BURKINA FASO	POPULATION STUDY	0.87	0.83	TAF	SO	TAI	A	1991
BURKINA FASO	RURAL DEVELOPMENT (PL)		10.25	ADF	AG	PL	A	1992
BURKINA FASO	RURAL DEVELOPMENT (TA)		0.50	TAF	AG	TAI	A	1992
BURKINA FASO	SOCIAL DIMENSIONS OF ADJUSTMENT		0.75	TAF	SO	TAI	A	1992
BURUNDI	STRUCTURAL ADJUST. LOAN I (SUPPL.)		8.50	ADF	MS	SL	A	1991
BURUNDI	REHABILITATION OF RN.3	5.59	5.00	ADF	TR	PL	A	1991
BURUNDI	BUKIRASAZI REFORESTATION	6.00	5.00	ADF	AG	PL	A	1991
C.A.R.	SOCIAL DIMENSIONS OF ADJUSTMENT (PL)		1.70	ADF	SO	PL	A	1991
C.A.R.	STRUCTURAL ADJUSTMENT LOAN	56.50	15.00	ADF	MS	SL	A	1991
C.A.R.	SOCIAL DIMENSIONS OF ADJUSTMENT (TA)		1.30	TAF	SO	TAI	A	1991
C.A.R.	EDUCATION PROJECT		10.00	ADF	SO	PL	A	1992
CAMEROON	ROAD SECTOR REHABILITATION (TA)	113.07	0.55	TAF	TR	TAP	C	1991
CAPE VERDE	SAO VICENTE SHIPYARD	5.55	5.00	ADF	TR	PL	B	1991
CAPE VERDE	PRAIA AIRPORT	26.38	9.15	ADF	TR	PL	B	1991
CAPE VERDE	INST. SUPP TO MIN. OF INDUS. & POWER	1.24	1.18	TAF	MS	TAI	B	1991
CHAD	COTTON	82.55	15.00	ADF	AG	PL	A	1991
CHAD	EDUCATION III	15.59	10.00	ADF	SO	PL	A	1991

COUNTRY	PROJECT	TOTAL	AMOUNT	SOURCE	SECT	INST	CAT.	YEAR
CHAD	POWER SECTOR MASTER PLAN STUDY	1.59	1.40	TAF	PU	TAP	A	1991
COMOROS	STRUCTURAL ADJUSTMENT LOAN	42.09	8.50	ADF	MS	SL	A	1991
COMOROS	SIMA-POMONI ROAD STUDY		0.40	TAF	TR	TAP	A	1992
COTE D'IVOIRE	WEST REGION RURAL DEVELOPMENT	88.54	8.50	ADF	AG	PL	B	1991
COTE D'IVOIRE	PROG. RESSOURCES HUMAINES		8.00	ADF	SO	SA	B	1992
DJIBOUTI	INTEGRATED FISHERIES DEV.	14.46	12.94	ADF	AG	PL	A	1991
DJIBOUTI	MASTER PLAN FOR WATER SUPPLY STUDY	1.21	1.12	TAF	PU	TAP	A	1991
DJIBOUTI	ROAD MAINTENANCE STUDY	1.66	1.50	TAF	TR	TAP	A	1991
EGYPT	INST. SUPP. TO MIN OF COOP.		2.50	TAF	MS	TAI	B	1992
EGYPT	REHAB. OF NATIONAL STANDARD INST		1.70	TAF	IN	TAI	B	1992
EQ. GUINEA	AGRICULTURAL MASTER PLAN STUDY	0.43	0.41	TAF	AG	TAP	A	1991
EQ. GUINEA	HEALTH STUDY	1.30	1.20	TAF	SO	TAP	A	1991
EQ. GUINEA	STRUCTURAL ADJUSTMENT LOAN		9.00	ADF	MS	SL	A	1992
ETHIOPIA	BIRR & KOGA IRRIGATION PROJECT STUDY	5.21	3.69	TAF	AG	TAP	A	1991
ETHIOPIA	PREP. OF OMO-GHIBE MASTER PLAN STUDY	7.79	5.51	TAF	AG	TAP	A	1991
ETHIOPIA	WATER SUPPLY & SANITATION STUDY	2.86	2.50	TAF	PU	TAP	A	1991
ETHIOPIA	ADDIS ABABA AIRPORT STUDY		3.30	TAF	TR	TAP	A	1992
ETHIOPIA	ECON. RECOVERY & REHAB. PROG.		52.00	ADF	AG	PL	A	1992
ETHIOPIA	EDUCATION II		16.00	ADF	SO	PL	A	1992
ETHIOPIA	CHIDA-SODO ROAD		26.00	ADF	TR	PL	A	1992
GABON	NORTH ZONE LIVESTOCK STUDY		0.98	TAF	AG	TAP	C	1992
GAMBIA	INST SUPP MIN OF WORKS & ROAD STUDY	3.21	3.00	TAF	TR	TAP	A	1991
GAMBIA	HEALTH		7.70	ADF	SO	PL	A	1992
GHANA	EDUCATION PROJECT I	17.30	15.00	ADF	SO	PL	A	1991
GHANA	WOMEN'S COMMUNITY DEVELOPMENT (PL)	2.70	1.98	ADF	SO	PL	A	1991
GHANA	PRIVATE SECTOR STRUC. ADJUSTMENT	119.10	20.00	ADF	MS	SL	A	1991
GHANA	HEALTH	18.05	15.00	ADF	SO	PL	A	1991
GHANA	WOMEN'S COMMUNITY DEVELOPMENT (TA)		0.48	TAF	SO	TAI	A	1991
GHANA	SMALL SCALE IRRIGATION STUDY		2.00	TAF	AG	TAP	A	1992
GUINEA	DIECKE OIL PALM & RUBBER PROJECT	29.75	15.00	ADF	AG	PL	A	1991
GUINEA	SIGURI RICE DEVELOPMENT	23.80	9.87	ADF	AG	PL	A	1991
GUINEA	MINING SECTOR STRATEGY STUDY	0.84	0.80	TAF	IN	TAI	A	1991
GUINEA BISSAU	INDUSTRIAL FISHERIES STUDY	1.72	1.60	TAF	AG	TAP	A	1991
KENYA	AGRIC. SECTOR ADJUSTMENT (SA)	119.04	12.00	ADF	AG	SA	A	1991
KENYA	ZIWA-KITALE ROAD	20.94	18.50	ADF	TR	PL	A	1991
KENYA	NYAYO TEA IMPROV. & FOREST CONSERVATION	20.13	16.31	ADF	AG	PL	A	1991

COUNTRY	PROJECT	TOTAL	AMOUNT	SOURCE	SECT	INST	CAT.	YEAR
KENYA	EDUCATION II	22.21	20.00	ADF	SO	PL	A	1991
KENYA	AGRIC. SECTOR ADJUSTMENT (TA)		1.50	TAF	AG	TAI	A	1991
KENYA	LIVESTOCK PRODUCTION		5.00	ADF	AG	PL	A	1992
LESOTHO	INST. SUPPORT TO MINFIN & PLAN	0.95	0.84	TAF	MS	TAI	A	1991
LESOTHO	RURAL HEALTH SERVICES IV		12.00	ADF	SO	PL	A	1992
MADAGASCAR	SOCIAL DIMENSIONS OF ADJUSTMENT (PL)	3.33	1.50	ADF	SO	PL	A	1991
MADAGASCAR	DAIRY PROGRAMME	10.00	7.85	ADF	AG	PL	A	1991
MADAGASCAR	INST. SUPP TO DPRA CADASTRAL PROG.	11.91	10.50	ADF	AG	PL	A	1991
MADAGASCAR	SOCIAL DIMENSIONS OF ADJUSTMENT (TA)		1.00	TAF	SO	TAI	A	1991
MADAGASCAR	CANAL PANGALANES STUDY		2.00	TAF	TR	TAP	A	1992
MADAGASCAR	GAS PROSPECTION (PL)		6.20	ADF	IN	PL	A	1992
MADAGASCAR	GAS PROSPECTION (TA)		1.00	TAF	IN	TAP	A	1992
MALAWI	TELECOMMUNICATION PROJECT II	34.26	12.00	ADF	PU	PL	A	1991
MALAWI	MWANZA RURAL DEV.	10.87	8.70	ADF	AG	PL	A	1991
MALAWI	ENTRE./CAPT. MARKET ADJUST. CREDIT (ECMAL)	109.09	10.00	ADF	MS	SL	A	1991
MALAWI	MSULIRA-NKHOTAKHOTA ROAD	16.56	13.10	ADF	TR	PL	A	1991
MALAWI	AGRIC. SECTOR STUDY	1.84	1.56	TAF	AG	TAP	A	1991
MALAWI	BLANTYRE WATER SUPPLY (PL)		8.30	ADF	PU	PL	A	1992
MALAWI	BLANTYRE WATER SUPPLY (TA)		0.90	TAF	PU	TAP	A	1992
MALI	STRUCTURAL ADJUSTMENT LOAN	84.60	15.00	ADF	MS	SL	A	1991
MALI	BAMAKO ELECTRICITY PROJECT	23.97	10.00	ADF	PU	PL	A	1991
MALI	HEALTH	13.87	12.48	ADF	SO	PL	A	1991
MALI	SELINGUE HYDRO-AGRIC ZONE STUDY	1.77	1.54	TAF	AG	TAP	A	1991
MALI	SIKASSO/KOULIKORO RURAL DEV.		10.00	ADF	AG	PL	A	1992
MAURITANIA	RURAL WATER SUPP. IN SOUTH-EAST MAURITANIA	9.38	8.44	ADF	PU	PL	A	1991
MAURITANIA	PASEP	122.58	15.00	ADF	MS	SL	A	1991
MAURITANIA	SOCIAL DIMENSIONS OF ADJUST	3.04	0.76	TAF	SO	TAI	A	1991
MAURITANIA	ETUDE AEP	2.29	2.17	TAF	PU	TAI	A	1991
MAURITANIA	HEALTH AND POPULATION		10.00	ADF	SO	PL	A	1992
MAURITIUS	EDUCATION I (TA)	13.02	0.43	TAF	SO	TAI	C	1991
MOZAMBIQUE	REHAB. OF MAPUTO/BEIRA DISTRIB. NETWORK	17.88	15.80	ADF	PU	PL	A	1991
MOZAMBIQUE	INST. SUPPORT TO BPD (PL)	4.19	1.61	ADF	IN	PL	A	1991
MOZAMBIQUE	HEALTH STUDY	0.54	0.51	TAF	SO	TAP	A	1991
MOZAMBIQUE	INSTITUTIONAL SUPPORT TO TDM	2.50	1.95	TAF	PU	TAI	A	1991
MOZAMBIQUE	INST. SUPPORT TO BPD (TA)		2.14	TAF	IN	TAI	A	1991
MOZAMBIQUE	GREEN ZONES DEVELOPMENT		8.00	ADF	AG	PL	A	1992

COUNTRY	PROJECT	TOTAL	AMOUNT	SOURCE	SECT	INST	CAT.	YEAR
MOZAMBIQUE	PRIMARY TEACHERS' TRAINING (PL)		18.60	ADF	SO	PL	A	1992
MOZAMBIQUE	PRIMARY TEACHERS' TRAINING (TA)		0.40	TAF	SO	TAI	A	1992
NAMIBIA	COMMUNAL LAND DEVELOPMENT STUDY	0.91	0.69	TAF	AG	TAP	B	1991
NAMIBIA	TRADE POLICY REFORM STUDY		0.85	TAF	MS	TAP	B	1992
NIGERIA	IBADAN WATER II	100.86	3.48	ADF	PU	PL	A	1991
NIGERIA	PLATEAU STATE KEFFI/DOMA	115.55	4.16	ADF	PU	PL	A	1991
NIGERIA	SAVANNAH SUGAR REHAB.	69.58	7.00	ADF	AG	PL	A	1991
NIGERIA	HADEJA VALLEY IRRIGATION	51.67	40.00	ADF	AG	PL	A	1991
NIGERIA	RIVERS STATE RICE DEV. STUDY	1.61	1.50	TAF	AG	TAP	A	1991
NIGERIA	MIDDLE RIMA VALLEY IRRIG. STUDY	2.07	1.87	TAF	AG	TAP	A	1991
NIGERIA	EYONG CREEK RICE STUDY	1.72	1.54	TAF	AG	TAP	A	1991
NIGERIA	ECOLOGICAL AND LAND USE STUDY		0.85	TAF	AG	TAP	A	1992
NIGERIA	INST. SUPPORT TO NACB		5.00	ADF	AG	PL	A	1992
NIGERIA	RIVER BASIN IRRIGATION STUDY		4.00	TAF	AG	TAP	A	1992
RWANDA	GITERAMA-N'GORORERO ROAD II	18.42	9.00	ADF	TR	PL	A	1991
RWANDA	STRUCTURAL ADJUSTMENT PROG.	176.51	12.00	ADF	MS	SL	A	1991
SAO TOME	AIRPORT REHABILITATION (SUPPL)	4.60	3.20	ADF	TR	PL	A	1991
SAO TOME	LIVESTOCK PROG. PRE-INVESTMENT STUDY	0.41	0.39	TAF	AG	TAP	A	1991
SENEGAL	LIVESTOCK DEVELOPMENT	12.64	9.30	ADF	AG	PL	B	1991
SENEGAL	WOMEN IN DEVELOPMENT	8.19	4.10	ADF	SO	PL	B	1991
SENEGAL	ANAMBE CONSOLIDATION		8.50	ADF	AG	PL	B	1992
SIERRA LEONE	EDUCATION II (PL)	16.52	13.63	ADF	SO	PL	A	1991
SIERRA LEONE	AGRICULTURAL LINE OF CREDIT		12.00	ADF	AG	LC	A	1991
SIERRA LEONE	INST. SUPP. FOR DEBT MANAGEMENT UNITS	0.51	0.49	TAF	MS	TAI	A	1991
SIERRA LEONE	AGRICULTURAL MASTER PLAN	1.90	1.82	TAF	AG	TAI	A	1991
SIERRA LEONE	EDUCATION II (TA)		1.11	TAF	SO	TAP	A	1991
SUDAN	INSTITUT SUPPORT TO IBS	1.25	1.19	TAF	IN	TAI	A	1991
SUDAN	19 HOSPITAL STUDY	1.61	1.53	TAF	SO	TAP	A	1991
SUDAN	INSTITUTION SUPPORT TO MOF	3.45	3.00	TAF	MS	TAI	A	1991
SUDAN	KHARTOUM NORTH POWER STATION		1.25	TAF	PU	TAP	A	1992
SWAZILAND	AGRIC. L.O.C. TO SDSB (TA)		0.53	TAF	AG	TAI	B	1991
TANZANIA	TRANSMISSION LINE	88.65	25.00	ADF	PU	PL	A	1991
TANZANIA	ZANZIBAR-PEMBA WATER SUPPLY	9.52	8.50	ADF	PU	PL	A	1991
TANZANIA	LIVESTOCK MARKETING		10.00	ADF	AG	PL	A	1992
TANZANIA	EXPORT PROCESSING ZONES STUDY		0.80	TAF	IN	TAP	A	1992
TANZANIA	FINANCIAL SECTOR RESTRUCTURING		30.00	ADF	MS	SL	A	1992

COUNTRY	PROJECT	TOTAL	AMOUNT	SOURCE	SECT	INST	CAT.	YEAR
TANZANIA	TELECOMMUNICATIONS REHAB.		20.00	ADF	PU	PL	A	1992
TOGO	HEALTH PROJECT	23.96	15.00	ADF	SO	PL	A	1991
TOGO	EDUCATION	13.47	12.00	ADF	SO	PL	A	1991
UGANDA	OWEN FALLS POWER REHABILITATION	252.64	20.00	ADF	PU	PL	A	1991
UGANDA	SEED INDUS. RATIONALISATION	7.88	7.00	ADF	AG	PL	A	1991
UGANDA	FEEDER ROADS PROGRAMME	32.56	19.60	ADF	TR	PL	A	1991
UGANDA	ECONOMIC RECOVERY LOAN II	854.02	25.00	ADF	MS	SL	A	1991
ZAIRE	STUDY: MASTER PLAN FOR TRANSPORT	4.85	4.50	TAF	TR	TAI	A	1991
ZAIRE	INST. SUPPORT TO BUNAQUA	2.41	2.18	TAF	AG	TAI	A	1991
ZAMBIA	ECONOMIC RECOVERY LOAN	544.18	20.00	ADF	MS	SL	A	1991
ZAMBIA	SMALL/MEDIUM SCALE ENTERPRISES DEV.	10.00	10.00	ADF	IN	LC	A	1991
ZAMBIA	KARIBA KAFUE IRRIGATION STUDY	2.21	2.11	TAF	AG	TAP	A	1991
ZAMBIA	CIVIL AVIATION STUDY	1.59	1.50	TAF	TR	TAP	A	1991
ZIMBABWE	SOCIAL DIMENSIONS OF ADJUSTMENT		5.00	ADF	MS	PL	B	1991
ZIMBABWE	ELECTRICITY STUDIES	1.47	1.25	TAF	PU	TAP	B	1991
MULTINATIONAL	TAZARA LANDSLIDES RECTIFICATION	29.38	20.60	ADF	TR	PL	NA	1991
MULTINATIONAL	TRANS-KGALAGADI ROAD (BOTSWANA)	109.51	11.50	ADF	TR	PL	NA	1991
MULTINATIONAL	BATOKA-GORGE HYDRO-ELEC. STY. (ZIM/ZAM)	3.13	2.82	TAF	PU	TAP	NA	1991
MULTINATIONAL	PTA ROADS STUDY (UGANDA)	3.30	3.14	TAF	TR	TAP	NA	1991
MULTINATIONAL	WARDA/ADRAO	3.51	3.16	TAF	AG	TAP	NA	1991
MULTINATIONAL	AFRICAN ENERGY PROGRAMME	3.95	3.75	TAF	PU	TAP	NA	1991
MULTINATIONAL	CEPGL SEEDS STUDY	0.79	0.66	TAF	AG	TAP	NA	1991
MULTINATIONAL	OMVG AGRIC. & BRIDGE STUDY	3.95	3.70	TAF	MS	TAI	NA	1991
MULTINATIONAL	OMVS: DIAMA DAM		5.25	ADF	AG	PL	NA	1992
MULTINATIONAL	TRANS-KGALAGADI ROAD (NAMIBIA)		9.00	ADF	TR	PL	NA	1992

LEGEND:

SECT	= Sector	INST	= Lending Instrument
AG	= Agriculture	PL	= Project Loan
AG	= Agriculture	SL	= Structural Adjustment Loan
IN	= Industry	TAI	= Institutional Support Technical Assistance Grant or Loan
PU	= Public Utilities	SA	= Sectoral Adjustment Loan
SO	= Social Sector	LC	= Line of Credit
MS	= Multi-sector	TAP	= Project Cycle Technical Assistance Grant or Loan
TR	= Transport	SL	= Structural Adjustment Loan

ANNEX B

COUNTRY PERFORMANCE ASSESSMENT INDICATORS

INTRODUCTION

A country performance assessment matrix has been developed to determine access to ADF-VI resources. The process involves assessing the economic performance of each country taking into account the ADF-VI criteria, enhanced by the experience of the ADB Group and that of other institutions. The performance assessment matrix is divided into six main components: macroeconomic management; poverty alleviation and growth with equity; sustainable environment issues; Bank Group portfolio; institutional capacity; and other.

The elements in each component are assessed against given targets or objectives. The weighted average scoring determines the rating of a country as strong, satisfactory, weak or core. One important feature of the performance assessment matrix is that it goes beyond assessing the mere existence of policies to how the policies are being effectively implemented. The objectivity of the assessment is preserved through consideration by an interdepartmental working group and clearance by a Senior Management Committee.

A. Macroeconomic Management

Real GDP Growth Rate %
 Pop Growth Rate %
 Gross Investment/GDP %
 Fiscal Revenue/GDP %
 Fiscal Deficit/GDP %
 Money Supply Growth Rate %
 Inflation Rate %
 Real Interest rate (positive/negative or number)
 Current account deficit/GDP %
 Real effective exchange rate index
 Price Liberalization process (Yes/no or number)
 Trade Liberalization process (Yes/no or number)
 Existence of Adjust Programme (Yes/no)
 Debt Service Ratio (actual/accrual) %
 Total debt stock/GDP %

B. Poverty Alleviation and Growth with Equity

Existence of Effective Social Sector Policies
 % Allocation to Social Sector
 Recurrent Expenditure
 Capital Expenditure

POLICIES/PROGRAMMES

Agriculture and Food production
 Population Programmes
 Primary Health Care/basic education
 Income generating opportunities/policy
 Military expenditure/GDP %

C. **Sustainable Environment Issues**

National environmental action plan, conservation or other policies in existence

D. **Bank Group Portfolio**

Loan Approvals (Cumulative)

Disbursements (Cumulative %)

Loan Effective (av. months)

Bank Exposure %

Arrears to the Bank (BUA/FUA)

Months Under Sanction

Annual Repayment owed to ADB as % export

Project Performance - Outputs

Adherence to Bank procedures

Cost over/under runs

Dialogue

E. **Institutional Capacity Planning**

Public Service Management

Civil Service Reform process (Yes/no)

Level of Donor coordination

F. **Other**

Governance

ANNEX C

COUNTRY STRATEGY PAPERS (CSP) OUTLINE

Section 1: An Assessment of the Economic and Social Situation

Section 1 covers very briefly the country's economic background and recent economic performance, including, population, GDP and sectoral growth, and adjustment efforts. Key problems, trends and programmes in place are also identified. These include: macroeconomic, structural and institutional problems, and related adjustment programmes already in place, including a description of objectives, strategies, policies, and actions taken or required within the short, medium or long-term.

Section 2: An Assessment of Growth Prospects and Resources

Section 2 examines the potential source of growth (depending on the country's natural and human resource base): agriculture, industry, mining, tourism, etc. It assesses the implementation of policies identified above, the external environment, the average growth rate in the medium term as well as the sectoral contributions to GDP growth. The resource requirements for achieving the target growth rate is also discussed.

Section 3: Bank Group Operations and Exposure

This section deals with:

- (i) Bank Group Operations;
- (ii) Assessment of Country creditworthiness and exposure; and
- (iii) Assessment of donor and host country coordination.

Section 4: Recommended Bank Strategy and Justification

The Section proposes the three year lending programme under four scenarios (as per ADF-VI guidelines) and their implications for debt service and the Bank's exposure. These are: high or enhanced, if performance is very good; satisfactory, if performance is good; weak, if less than adequate; and core. The report concludes with a recommendation for the assessed scenarios, along with its justification based on the established performance criteria.

Section 5: Supporting Annexes

Information and data on the following are annexed to the report:

- (i) Social indicators of development with respect to human resources: income and poverty, investment in human Capital;
- (ii) Key country indicators, including macroeconomic indicators, national accounts, and external trade, balance of payments, external capital and debt, money and credit, project arrears; and
- (iii) Risk exposure indicators.

