

The AfDB And Algeria

40 years of Partnership



African Development Bank

The **AfDB** And **Algeria**

40 years of Partnership



A l g e r i a

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Presentation of the African Development Bank Group

On 4 August 1963 during a conference attended by 23 African Governments, including the People's Democratic Republic of Algeria, the Agreement establishing the African Development Bank (ADB) was signed in Khartoum (Sudan). Eight other countries ratified it in December the same year. On 10 September 1964, the Agreement entered into force when twenty other members subscribed to 65% of the capital, which was then US\$ 250 million. The inaugural meeting of the Boards of Governors took place from 4 to 7 November in Lagos (Nigeria). The Bank's operations started on 1 July 1966 in Abidjan (Côte d'Ivoire).

The African Development Bank Group comprises the African Development Bank (ADB) and two concessional windows, namely the African Development Fund (ADF), established in 1972, and the Nigeria Trust Fund (NTF) in 1976.

The main objective of the Bank Group is to promote economic development and social progress of its regional member countries. The African Development Bank has 53 regional member countries (African States) and 24 non-regional member countries (non-African States). The non-regional members joined the ADB in May 1982, following the decision by the Board of Governors to open up the capital of the institution to non-African countries. For a non-regional country to become member of the ADB, it must be a member of the ADF. Turkey is in the process of finalizing the instruments of its membership that would make it the 78th member country of the Bank Group.

ADB resources come from member country subscriptions, borrowings from international capital markets, as well as revenue generated from loans. As at 31 December 2009, the authorized capital amounted to UA 21.87 billion (equivalent to US\$ 34.28 billion), and the

subscribed capital to UA 21.81 billion (equivalent to US\$ 34.19 billion).

With regard to the African Development Fund (ADF), its resources come mainly from periodic contributions made by the participating countries, generally every three years. In 2008, the eleventh replenishment of the ADF amounted to a record US\$ 8.9 billion. Negotiations are ongoing for the twelfth replenishment.

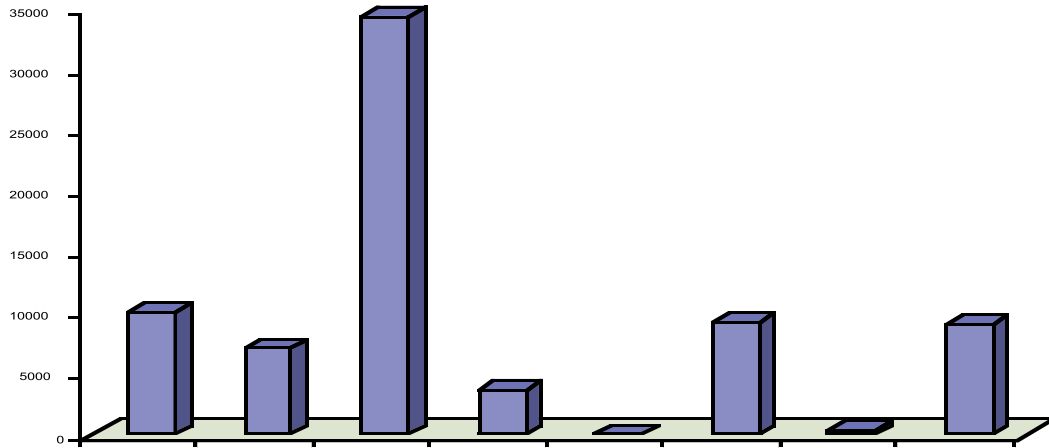
The resources of the Nigeria Trust Fund (NTF) come mainly from contributions by the Federal Republic of Nigeria.

The headquarters of the Bank is in Abidjan (Côte d'Ivoire), but the Bank currently conducts its activities from the Temporary Relocation Agency (TRA) in Tunis due to the political situation prevailing in Côte d'Ivoire.

Over the years, the Bank has tailored its instruments, products and activities to the diverse needs of its regional member countries. Consequently, while prioritizing issues relating to gender, climate change and food security, the medium-term strategy of the Bank for the 2008-2012 period focuses on the following priorities: infrastructure, governance, private sector, higher education and regional integration. This strategy gives pride of place to middle income countries, such as Algeria, which have specific developmental needs.

As at 31 December 2009, approvals (1967-2009) of loans and grants to Regional Member Countries (RMCs) amounted to US 73.57 billion for 3,414 operations. The main sectors covered by these operations are as follows: infrastructure (46.7%), multi-sector (reform programme, governance, etc. (12.2%), financial sector (12.5%), agriculture and rural development (13.6%), social sector (9.6%), industry and mining (4.9%), environment (0.4%) and urban development (0.01%).

Figure 1: Total Bank Approvals by Sector (1967-2009)
(US\$ million)

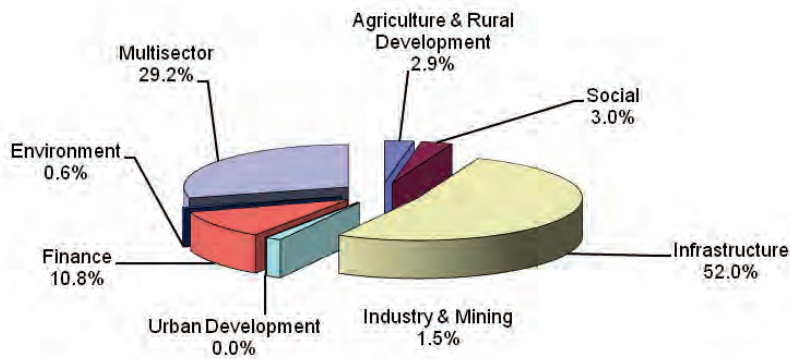


Source: ADB-Statistics Department/Economic and Social Division

For 2009 alone, the Bank Group loan and grant approvals amounted to US\$ 12.5 billion. Breakdown by sector is as follows: infrastructure (52%), multisector (29.2%), financial sector

(10.8%), agriculture and rural development (2.9%), social sector (3%), industry and mining (1.5%), environment (0.6%) and urban development (0.02%).

Figure 2: Loans and Grants Approved by Sector for 2009



Source: ADB-Statistics Department/Economic and Social Division

The tangible actions undertaken by the Bank Group over the years have contributed to enhancing its image and credibility on international financial markets, as indicated by the ratings given by major international rating agencies such as Standard & Poor's, Moody's, Fitch Ratings, and Japan Credit Rating, namely AAA and AA+ for senior debt and subordinate debt respectively. The confidence in the Bank is testimony of the firm support it receives from its shareholders, its status as preferred creditor, the size and solidity of its financial structure,

as well as its prudent policies and management.

The Bank Group is headed by Dr. Donald Kaberuka, former Minister of Finance of the Republic of Rwanda. Dr. KABERUKA was elected 7th President of the Bank Group in September 2005 in Tunis, for a five-year renewable term.

As at 31 December 2009, the total regular staff of the Bank was 1,673 persons. Women represent 30% of the staff.



Message from Dr. Donald Kaberuka President of the African Development Bank Group



On the occasion of the publication of this brochure on forty years of partnership between Algeria and the Bank, I am indeed pleased to commend and congratulate the Algerian Government and people for their relentless efforts towards strengthening political stability, promoting national reconciliation, and pursuing an ambitious socioeconomic development agenda.

I have been following, with much interest, the remarkable progress made by Algeria at the economic and social levels over the past few years. I would particularly like to commend the Government for the major structural reforms it has been pursuing for several years; these reforms, coupled with prudent public financial management and sustained effort towards implementing large structuring projects, particularly in infrastructure, have helped the country to cope with exogenous shocks, especially those related to the international financial crisis, and to consolidate macro-economic stability.

I am happy that as a strategic partner, the Bank has had the opportunity to support Algeria in implementing some of these reforms. While in the past the Bank and Algeria prioritized the funding of large-scale infrastructural projects (water, transport, energy) and reform programmes that contributed to the development of the country's economy, nowadays greater focus is being given to technical assistance, advisory services, training and capacity building,

economic and sector work, as well as private sector development.

The Bank's support in this new direction aims to assist Algeria in meeting the challenges facing its economy. It is consistent with the Government priority to foster economic diversification, enhance the capacities and effectiveness of public administration, improve public financial management, modernize the financial sector, and promote private sector development. The aim is to better develop the considerable assets of Algeria's economy namely, consolidated political stability, vast hydrocarbon wealth, significant human resources, a 35 million consumer market, high diversification potential and a geostrategic position that would enable it to become a pole for growth, trade and investment in the sub-region. In this regard, I note with satisfaction the role played by Algeria in promoting and implementing several major initiatives and regional projects, especially NEPAD for which the Bank is the lead donor for infrastructure. The Bank hopes to pursue dialogue with the Algerian authorities on initiatives that can foster regional cooperation and the economic integration of the Continent.

I would therefore like to reiterate the Bank's readiness to continue supporting Algeria's efforts in promoting and implementing its far-reaching socioeconomic development programme. Algeria will always find that the Bank is a ready partner to work with towards improving the living conditions of the people.

The Bank's Country Office in Algiers, which has now become operational, will play a key role in this regard. Its main mission will be to enhance the fruitful partnership that has been maintained between the two parties for nearly forty years, a partnership amply illustrated by this brochure.

Message from His Excellency Mr. Karim Djoudi, Minister of Finance, ADB Governor



The African Development Bank (ADB) and Algeria have been maintaining a rich and fertile partnership for some forty years now.

In its capacity as a founding member of the ADB, Algeria has always played key role in the institution. Over

the years, it has supported the transformation and development of the Bank, thereby contributing to enhancing its role as the leading development finance institution in Africa. As a regional member country, Algeria has benefited from the support and expertise of the Bank throughout these forty years of partnership for the financing and implementation of several reform programmes and development projects in areas as diverse as infrastructure (transport, water and energy), agriculture, and promotion of small and medium-size industries. These interventions enabled the Bank to support and assist Algeria at various stages of its development.

Today, Algeria is at a new stage of its development. It has embarked on a second generation of strategic reforms aimed at achieving higher growth, as well as pursuing the transformation and modernization of its economy. The Government's objective is to make Algeria a modern country with a competitive and diversified economy, which will ultimately become a growth pole for the sub-region and the entire continent through investment and trade. This policy, which

is reflected in our Five-Year Development Plan 2010-2014, shows the Government's determination to go beyond achievements and sustainably improve the living conditions of the Algerian people and business environment. It also reflects the country's commitment to continue playing its leading role in regional initiatives to foster the economic integration of the Continent.

Cooperation with our partners, the foremost being the African Development Bank, is in line with this policy. I am convinced that the sum total of experience and expertise accumulated by the Bank throughout its four decades of cooperation with the 53 regional member countries and the interaction with other partners the world over is certainly an invaluable source of knowledge and know-how that could be developed and shared with Algeria in the implementation of its economic modernization programme.

In this regard, our cooperation will focus on technical assistance, advisory services, training and capacity building, economic and sector work, and private sector development. I am pleased to note that the implementation of this new form of cooperation has already begun with operations in electronic banking, statistics, appraisal of large projects, information and communication technologies, and the private sector.

Lastly, I am also pleased with the opening of the Bank's Country Office in Algiers as it would enhance our cooperation ties through dialogue and close monitoring of activities. The opening of the Office augurs well for a new era of cooperation between Algeria and the Bank.

Statement by the Director of Country Regional Department North II Mr. Isaac Lobe Ndoumbe



In nearly four decades of cooperation, Algeria and the Bank have established a solid partnership. Algeria has always occupied a pride of place in the history of the Bank, first as a founding member and, second, as a partner, supporter and key player in the transformation and development the Bank has witnessed since its inception, thus contributing to making the Bank a credible and respected institution in international financial circles.

Furthermore, up until 2006, the year in which the Government decided to stop contracting external loans and prepay its external debt, Algeria was one of the major borrowers of the ADB window, with nearly US\$ 3 billion of commitments.

I am pleased to note that through these commitments on 39 operations that cover several activity areas (water, transport, energy, development of small and medium-size enterprises (SME), banking sector, agriculture, education, and economic reforms), Algeria and the Bank have developed intense and fruitful cooperation. Through this cooperation, the Bank has effectively contributed to the growth and socioeconomic efforts that have yielded significant and tangible results in recent years.

Thus, the annual growth of the Gross Domestic Product (GDP) averaged 3.7% over the past ten years. This was accompanied by significant improvement of the macroeconomic situation, controlled inflation, comfortable external position, improved public financial management and prudent debt policy that has made Algeria one of the least indebted countries on the continent. Significant strides were also made in the development and modernization of infrastructure, poverty reduction and improvement of several social indicators which have set Algeria on

course to achieving the Millennium Development Goals (MDGs).

Despite the progress made, Algeria is faced with major challenges, including the need to lay the basis for accelerated, increased and sustained growth based on a competitive and diversified economy that would create employment and improve the living conditions of the people in a sustainable manner. These challenges are compounded by the international economic crisis that slowed down demand and reduced the prices of the country's major export commodities, particularly hydrocarbons.

I am also pleased to note that these challenges are at the core of the objectives and priorities of the 2010-2014 Five-Year Development Plan adopted in December 2009 by the Algerian authorities. The Plan lays special emphasis on large projects for infrastructure development and modernization, as well as the deepening of reforms to:

- consolidate macroeconomic stability;
- Improve the business environment so as to encourage investments in the productive sectors and foster job creation;
- diversify the economy; and
- enhance the efficiency of public administration.

I would like to reaffirm the Bank's readiness to assist Algeria in the implementation of measures and actions that would enable it to achieve its priority targets. Under the new cooperation policy agreed with the authorities, the Bank's support will henceforth focus on technical assistance, advisory services, capacity building, analytical studies and private sector development.

The opening of the Algiers Country Office offers an opportunity for improving and enhancing dialogue with the authorities, private sector operators, and other development partners and actors, and thereby further developing the portfolio of activities so as to strengthen the rich partnership already existing between Algeria and the Bank.





Presentation of Algeria

Algeria covers an area of 2,381,741 km², making it the second largest African country after Sudan. Located in the North-West of the African continent, Algeria has a 1,200 km coastline along the Mediterranean.

The Saharan Atlas mountain range separates the country into two distinct zones: the Mediterranean North, where the majority of the population lives, and the South which consists of the Sahara and constitutes 85% of the entire territory. The Algerian population is estimated at 35 million inhabitants. The capital, Algiers, has over 2.5 million inhabitants.

The climate zones are highly diversified, ranging from the Mediterranean type to the Saharan type. On the Mediterranean coast, summers are hot and dry and winters mild and humid. In the North, the sea has a mitigating influence on the climate. The east of Algeria is rainier than the West. The river system is seasonal (wadis); during the rainy season, many salty depressions (chotts) form shallow lakes.

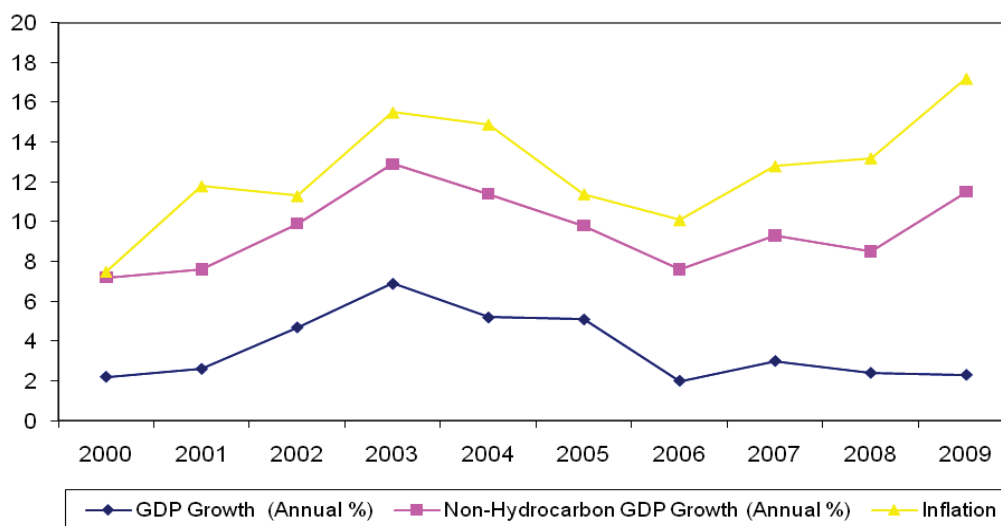
Islam and Arabic are the official religion and language respectively of the country. Arabic and Tamazight (Berber) are the two national languages.

At the economic level, the country recorded good performance over the past few years. The annual gross domestic product (GDP) averaged 3.7% over these last ten years, while growth, excluding hydrocarbons, averaged 6% over the same period.

In 2009, GDP growth stood at 2.3% as against 2.4% in 2008, following a significant decline in oil output in line with the decrease of the global demand, in the aftermath of the international economic crisis. However, growth, excluding hydrocarbons, rose (9.2% in 2009 compared to 6.1% in 2008) as a result of the exceptional cereal harvests and good performance of infrastructure, as well as the building and public works sector, driven by the Government's public investment programme under the 2005-2009 Five-Year Development Plan. In 2010, the projected growth rate was 3.9%, following the expected global economic recovery.



Figure 3 : GDP Growth and Inflation (2000-2009)



Over the past ten years, inflation has been under control at an annual average rate of 3%. However, in 2009, it rose to 5.7% reflecting the upsurge in the prices of fresh local farm produce (+20.5%), but is expected to fall back to 3.5% in 2010.

The country's exports fell sharply to US\$ 45.45 billion in 2009 from US\$ 79.19 billion in 2008, representing a 42.6% decrease. Hydrocarbons continue to dominate exports with 97.6% of the total volume, corresponding to US\$ 44.39 billion in earnings, but representing a 42.53% decline compared to 2008. Non-hydrocarbon exports have remained relatively weak, accounting for only 2.4% of total exports. In 2009, they generated US\$1.05 billion, representing a 46% decrease.

Imports amounted to US\$ 39.10 billion in 2009 as against US\$39.48 billion in 2008, indicating a slight decline of 0.95%.

The slump in exports impacted on the trade balance surplus that decreased from US\$ 39.71 billion in 2008 to US\$ 6.3 billion in 2009. Imports cover by exports also fell to 116% in 2009, as against 201% in 2008.

In 2009, the major clients of Algeria were the USA with US\$ 9.26 billion, Italy US\$6.29 billion, Spain US\$ 5.32 billion, France US\$ 4.63 billion, Netherlands US\$ 2.62 billion, Turkey US\$ 2.06 billion and Canada US\$ 2.01 billion.

Suppliers are led by France with US\$ 6.14 billion, followed by China US\$ 4.69 billion, Italy US\$ 3.68 billion, Spain US\$ 2.94 billion, Germany US\$ 2.74 billion and USA US\$1.99 billion. European Union (EU) countries still remain the leading partners of Algeria, accounting for 52.79% of imports and 53.41% of exports.

Under successive Five-Year Development Plans (2005-2009 and 2010-2014), Algeria opted for a robust infrastructural modernization programme through the implementation of major investment programmes (US\$ 236 billion for the initial plan and US\$150 billion for the second).

The external position of the country has remained comfortable, with international reserves of about US\$ 147 billion, equivalent to three years of imports. The external debt is low (US\$ 5.4 billion, including short-term debt, corresponding to 3.8%

of GDP at end 2009) thanks to an aggressive prepayment policy.

At the social level, Algeria has improved its human development indicators, and is on track to achieving the Millennium Development Goals (MDGs). The country is classified among middle income countries, with a per capita GDP of over US\$ 4000 in 2009. Overall, access to basic education has been broad; compulsory gross enrolment (6-12 years) was 111% in 2008. The health system is improving. Life expectancy at birth increased to 75.7 years in 2008 (compared

to 67.3 years in 1995), representing one of the highest indices in the region.

However, the country's social needs remain considerable, particularly in view of the young age of the population and related new and emerging demands. The Government is focusing on the issue of youth employment. Substantial budgetary resources are allocated annually to both public and private sector employment, and huge social transfers have been made in recent years. The 2010 Finance Law has allocated over 17% of expenditures to unemployment.



Overview of 40 Years of Partnership Between Algeria and the Bank

1. Overview

Algeria joined the African Development Bank (ADB) in September 1964, as one of its founding members. Currently, it is the fourth largest shareholder of the institution in which it also plays a key role. Algeria has been contributing to the definition of Bank's strategic orientations, as well as its operation through its representatives on the Board of Governors and the Board of Directors on which it also has a permanent seat. On its part, the Bank has been supporting Algeria for nearly 40 years in the implementation of its economic and social programme through the financing of projects and reform programmes and, since 2007, through technical assistance and capacity building projects.

The first project approved by the Bank's Board of Directors for Algeria dates back to 21 March 1971. This was a project in the agricultural sector (Bou Namoussa-Phase I), for which the Bank provided financing equivalent to US\$ 4.7 million. Since this initial operation, cooperation between the Bank and Algeria has grown considerably and has been diversified. As at 31 December 2009, the Bank had approved a total of 39 operations for the country for a total amount of US\$ 3.2 billion. These operations consisted of 23 projects

(including one in the private sector), 1 study, 4 lines of credit, 3 policy-dialogue programmes, 2 emergency operations and 6 technical assistance or institutional support projects.

2. Key Areas of Cooperation

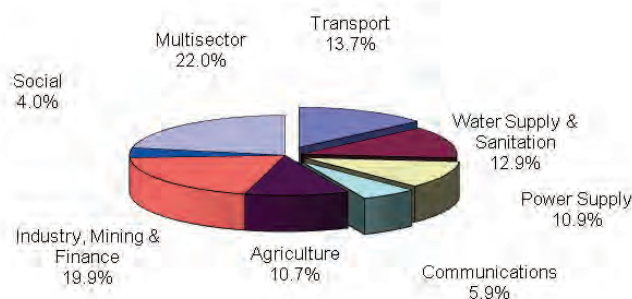
Pre-2006 Period

From 1970 to 2006, cooperation between Algeria and the Bank focused on the financing of investment projects and reform programmes. Operations approved by the Bank covered several sectors led by infrastructure (transport, water and sanitation and energy), which represented 43.4% of total approvals for the period. The predominant share of infrastructure in the cooperation between the Bank and Algeria indicates the level of importance the Government attached to the sector, which also constituted a priority area of intervention for the Bank. Policy lending programmes also represented a significant portion of the Bank's approvals in the country (22%). This reflects the intensity of the reforms implemented by the Algerian authorities for over twenty years. Other sectors that received the Bank's support include banking and industry (20% of approvals), agriculture (10.7%) and education (4%).



¹ The Agreement establishing the Bank makes the Board of Governors, with one representative per member country, the policy making body of the Bank. The Board of Governors issues general directives on the operational policies of the Bank, approves amendments to the Agreement and the admission of new members and decides on capital increases. The Board of Governors elects the 18-member Board of Directors responsible for supervising the activities of the Bank. It also elects the President of the Bank Group

Figure 4 : Total Bank Group Loans and Grants approved by sector (1970-2006)



Infrastructure: In the area of infrastructure, the Bank's assistance concerns several sectors, particularly transport, water and energy. The Bank supported the development and modernization of the transport sector through major projects including: (i) the construction of roads, motorways and tunnels (El Golea-Insaleh Road, Constantine Motorway, El Achir Tunnel); (ii) improvement and building of port capacities (Djen Djen Port); and (iii) upgrading of airport installations (Air Algérie Maintenance Base). These projects have impacted positively on the development of the transport sector, and contributed to stimulating economic activities (increase in traffic and trade, reduction of transportation costs, etc.).

With regard to the water sector, the Bank supported Algeria's efforts to improve the integrated management of water resources, as well as access by the communities to safe drinking water by contributing to the rehabilitation of water supply systems and the construction of major water harnessing and control structures (Sidi Bel Abbès Drinking Water Supply; Koudiat Acedoune Dam, etc.). The projects supported by the Bank in the sector contributed to providing communities (over 600,000 persons for the Water Supply Project of Sidi Bel Abbes City alone) with more regular supply of drinking water of better chemical and bacteriological quality, and reducing losses through efficient management of water resources.

The Bank also supported Algeria in improving the supply and distribution of energy by contributing to the implementation of several invest-

ment programmes initiated by the National Electricity and Gas Corporation (SONELGAZ). The project helped to build the capacities of SONELGAZ in energy production and distribution.

Support for Economic and Social Reforms: Algeria and the Bank also cooperated in the implementation of several strategic programmes. In the process, major reforms were conducted by the Government to: (i) improve the business legal and regulatory framework; (ii) promote the diversification of external trade; (iii) enhance public financial management (debt management, tax reform, etc.); (iv) reform public enterprises; (v) restructure the financial sector; (vi) implement a new housing strategy; and (vi) improve the social insurance system. By supporting these reforms, the Bank assisted Algeria in its transition towards a market economy and contributed to improving macroeconomic and sectoral management.

Industry and Banking: A key aspect of the cooperation between Algeria and the Bank was the support given to Algerian banks through lines of credit. This was to enable them have resources better adapted to the needs of small and medium-size enterprises (SME) whose promotion constitutes one of the priorities of the Government. These lines of credit amounted to nearly US\$ 650 million and helped the beneficiary banks (Agriculture and Rural Development Bank, Crédit Populaire d'Algérie) to support the creation, rehabilitation, extension and modernization of production facilities, particularly in agriculture, agro-food and industry. They helped to stimulate economic activity, as well as enhance

the role of the private sector in the economy, thereby fostering modernization and diversification of the productive sector and job creation.

Agricultural Sector: Agriculture is also one of the sectors in which cooperation between Algeria and the Bank has been significant. Indeed, apart from the lines of credit through which it supported the creation and extension of agricultural production facilities, the Bank contributed to efforts by the country to develop and modernize the sector through its involvement in: (i) the construction of irrigation infrastructures (Sidi Ben M'hamed Taiba Hydroelectric Dam, Bou-Namoussa, Middle Cheliff Irrigation Development, etc.); (ii) extension of irrigation schemes; and (iii) building the country's capacity in poultry and cattle fodder production. The Bank's support in the sector contributed to improving agricultural production and food security.

Social Sector: Algeria and the Bank cooperated in the social sector. This cooperation was geared towards the quantitative and qualitative improvement of technical education. It mainly related to the expansion of schools and improvement of teaching and logistical resources.

Post-2006 Period

In response to the growing needs of the Algerian economy, the Bank and Algeria in 2006 agreed to give a new direction to their cooperation. Following the decision by Algeria to stop contracting external loans, the cooperation gives pride of place to technical assistance, advisory services, training, capacity building, economic and sector work, and private sector development. Operations are already underway in electronic banking, project appraisal, statistics and information and communication technologies. In the private sector, a guarantee was also approved for a leasing company to enable it mobilize resources in support of the implementation of small and medium-size enterprises investment programmes.

These operations are consistent with the Government's priority objectives to modernize the financial sector and scale up its contribution to economic growth, capacity building and efficiency of economic and financial administrations, as well as promote the role of the private sector in the economy.

The Bank also supports Algeria's efforts in promoting regional cooperation. Thus, in July 2009, the Bank and the Algerian authorities jointly organized a Maghrebian conference on statistics in Algiers. The main objective of the conference was to: (i) promote and strengthen cooperation among Arab Maghreb Union (AMU) countries in statistics; and (ii) build their capacities in statistical production and analysis.

Examples of flagship projects and some ongoing operations have been presented in the section below on the Bank's operations.

3. Prospects

The opening of a Country Office of the African Development Bank in Algiers offers new opportunities for enhanced cooperation between Algeria and the Bank. The Country Office, which reflects the common will of both parties to consolidate their partnership, will strengthen and deepen dialogue with the authorities, private economic operators and various development partners and ensure an effective monitoring of Bank operations in Algeria. It also will ensure closer interaction with public administration and coordination with other development partners. It will contribute to revitalizing the partnership between Algeria and the Bank in terms of volume, effectiveness and quality, particularly with regard to the priority areas of the Government's economic programme (economic diversification, modernization of the financial sector, private sector development, training and capacity building for economic and financial administrations, development of information and communication technologies, public financial management reforms, etc.).





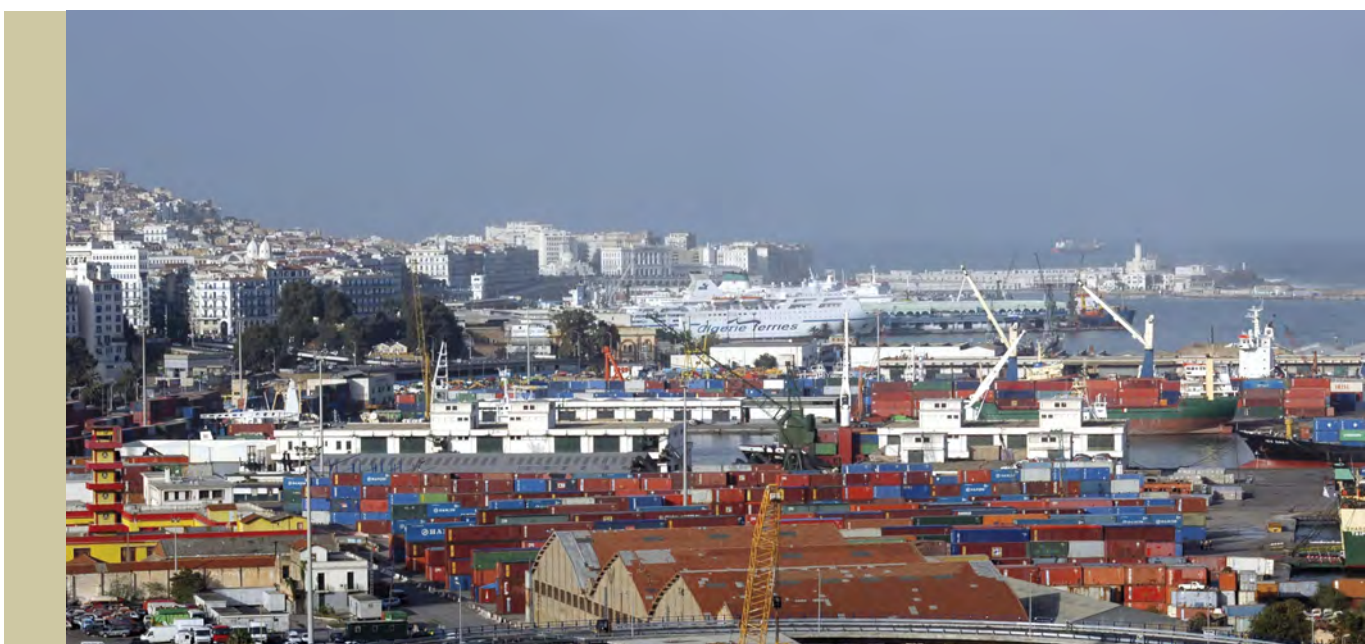
Bank Operations in Algeria

Second Line of Credit to the Agricultural and Rural Development Bank	
Loan amount: ADB : UA 105 million (US\$163 million)	
Approval Date: 07/07/99	Closing Date: 31/12/2004
Executing Agency: Agricultural and Rural Development Bank (BADR)	
Objectives and Description: The line of credit to the Agricultural and Rural Development Bank (BADR) amounting to UA 105 million and equivalent to US\$163 million, is in line with Algeria's strategy to move from a planned economy to a market economy. It also falls within the agricultural sector recovery policy adopted by the Algerian authorities to revitalize the country's agriculture, a policy backed by the National Agricultural Development Programme (PNDA).	

Impact on Development

The line of credit provided the BADR with supplementary resources better adapted to the funding of activities in the agricultural, agro-food and industrial sectors. Nearly 150 projects were financed under the line of credit for a total amount of 42.7 billion Algerian dinars (DA). This financing mainly covered the following sectors: agro-industry agro-food (36%), and industry (64%). In the North Region of Algeria (including the Wilaya of Algiers), 92 projects were financed to the tune of DA 26 billion.

Consequently, the line of credit had a positive and tangible impact. It helped to build the intervention capacity of the Algerian banking sector, and expand its activities. Over 8000 jobs were created, thereby helping to reduce unemployment. Furthermore, the line of credit contributed to increased national output and diversification of the industrial sector; it also fostered the growth of private economic activities, particularly small and medium-size enterprises.



Gas Transportation and Distribution Project

ADB loan amount: UA 113.11 million

Approval date: 08/07/98

Completion date: 31/12/2004

Executing Agency: National Electricity and Gas Company (SONELGAZ)

Objectives and Description: The main objective of the project was to enable SONELGAZ to meet the growing gas demand of both households and the industrial sector, and improve its capacity to cover the energy needs of the country. It was aimed at improving the operation and supply of gas to customers in terms of service quality and continuity. It was designed to supply natural gas to new towns and localities, connect new subscribers with low, medium and high pressure gas, and contribute to increasing the penetration rate of natural gas in the country.

Impact on Development

The project helped to establish gas distribution networks in 163 localities, and supply low pressure gas to over 613.000 families and

440 small and medium-size enterprises. It helped to increase the penetration rate of natural gas in the country, as well as its capacity to meet household and industrial sector demand.



Sidi Bel Abbès Drinking Water Supply and Sanitation Project

ADB loan amount: UA 50.75 million

Approval date: 09/12/98

Closing date: 30/06/2006

Executing Agency: National Drinking Water Agency

Objective and Description: The main objective of the project was to improve the health and hygiene of the country by increasing the supply of drinking water to communities. Thus, it formed part of the Algerian Government's programme to meet public drinking water demand. The project was designed to ensure uninterrupted supply of water to Sidi Bel Abbès, seven secondary localities along the transmission mains, and the Oran City area (nearly 1.1 million people concerned) and thereby provide more water of over 34 million cubic metres to the various urban centres concerned (22 million m³ to Sidi Bel Abbès, 2 million m³ to secondary centres, and 10 million m³ to the city of Oran).

Impact on Development

The project helped to ensure regular drinking water supply to Sidi Bel Abbès and 7 secondary localities along the transmission main, with about 600,000 inhabitants, and reduce water losses through improved management of resources. Furthermore, the commissioning of the pipe

water supply service helped to forestall over-exploitation of the groundwater and recharge of reserves to ensure their rational use in the future. Lastly, in enabling the communities to gain increased access to drinking water of better chemical and bacteriological quality, the project had a positive impact on their health and hygiene.



Electricity Project IV

ADB loan amount: UA 57.7 million (US\$ 90.5 million)

Approval date: 20/09/1994

Closing date: 30/062001

Executing agency: National Electricity and Gas Corporation (SONELGAZ)

Objective and description: The project was part of the five-year development plan (1994-1998) which made continued electrification of Algeria and improved electricity supply its priority areas. Once completed, the project was expected to help SONELGAZ improve the country's electrification rate. Specifically, it aimed at connecting 345,000 new low voltage subscribers, 4,500 medium voltage clients and 10 to 12 high voltage industrial clients over a 3-year period. The ultimate goal was to reach an estimated 4,600,000 subscribers by 1998.

The project consisted of the following components: (i) upgrading and extension of 10 KV and 30KV MV networks over 5,154 km; (ii) construction of 5,205 MV/LV transformer stations; (iii) construction of 4,925 km of LV lines; (iv) connection of 4,500 MV clients and 345,000 new LV subscribers; (v) supply of operating equipment; (vi) training equipment; and (vii) implementation studies and works supervision and control.

Impact on development

Upon completion in 2001, the project helped increase the electrification rate of the country from 92 to 96%, and thereby contributed to improving the living conditions and security of the population. Under the project, thousands of jobs were created by enterprises responsible for

the execution of works and by the numerous SMEs connected to the electricity distribution network. The project also served as a means of reducing poverty by enabling the most disadvantaged population groups to find employment or start their own income-generating activities, particularly in semi-urban or rural areas of the country.



Ongoing Operations

Caisse Nationale d'Equippement pour le Developpement (CNED) Technical Assistance Project		
Grant amount: UA 600,000 (equivalent to US\$ 940,000)		
Approval date: 22/05/2007	Start-up date: 13/06/2007	Closing date: 30/06/2010
Executing agency : Caisse Nationale d'Equippement pour le Developpement (CNED)		
Objectives and description: The project has two objectives:		
<p>(a) build the capacities of CNED to monitor and evaluate large projects through specialized training. Specifically, the project aims to upgrade the level of expertise of CNED staff in: (i) review of project identification documents that technical Ministries or delegated national specialized contractors or organizations are responsible for implementing; (ii) review of the feasibility studies of major infrastructure construction studies; and (iii) monitoring of the implementation of major projects and their evaluation after completion; and</p> <p>(b) Improve the CNED information system with the establishment of a documentary database required for the qualitative assessment of large-scale projects.</p>		

Expected impact on development

The project will help build the capacities of CNED in the analysis and evaluation of the economic, technical, social and financial feasibility of large investment projects. It will also contribute to enhancing its expertise in

the monitoring, execution and ex-post evaluation of projects. With regard to the creation of a documentary database, it will enable CNED, technical Ministries and project implementation units to have an efficient decision-making tool and, consequently, improve their effectiveness.



Electronic Banking Development Project

Grant amount: UA 494,800 (equivalent to US\$ 775,700)

Approval date approbation:
11/ 2007

Start-up date:
05/03/2008

Closing date:
31/12/2010

Executing agency: Ministry of Finance

Objectives and description: The project forms part of the Government's objective of modernizing the banking system and fast-tracking the development of electronic banking. The latter constitutes a key tool in consolidating the modernization of the payments system and a means of improving the transparency and traceability of inter-bank and intra-bank payment transactions.

The project involves a study consisting of two major components: (i) analytical diagnosis of the current situation and identification of obstacles impeding the development of electronic banking; (ii) design of a new architecture, through the formulation of a coherent solution encompassing all aspects of electronic banking and an action plan for the implementation of the proposed architecture.

Expected impact on development

The project will speed up and identify impediments to the development of electronic banking in Algeria. This will lead to the establishment of an action plan for implementation of measures capable of fostering the modernization of payment systems. New

institutional and organizational plans, new operational rules, new regulatory instruments and a marketing plan to hasten the development of electronic banking will be proposed under the project. In contributing to the modernization of payment systems, the project will impact positively on development and enhance the performance of the banking sector.



**Collaboration and Communication System Modernization Project
of the Ministry of Finance**

Grant amount: UA 496,500 (US\$778,400)

Approval date:
07/2009

Start-up date: -

Closing date:
31/12/2013

Executing agency: Ministry of Finance

Objectives and description: The main objective of the project is to modernize the collaboration and communication system of the Ministry of Finance. This is consistent with the Government's efforts to improve the effectiveness of public administration. The operation will be conducted in two phases: (i) the first phase will define a new structure of the collaboration and communication system of the Ministry of Finance; (ii) the second phase will provide support, including the training of staff for implementation of the new structure.

Expected impact on development

The project will build the capacities and efficiency of the Ministry of Finance. It will provide the Ministry with a more comprehensive communication system to meet the needs of a large decentralized structure. The project will establish a new structure that will foster the exchange and

dissemination of information between the various departments of the Ministry of Finance, and build synergies and complementarity in their activities, particularly the implementation of reforms needed for the macroeconomic and financial viability of the country. It will connect the communication and collaboration system to the entire staff of the Ministry of Finance (nearly 60,000 persons).



Statement by the Resident Representative of the Algeria Country Office Mrs. Assitan Diarra-Thioune



The opening of an African Development Bank (ADB) Country Office in Algiers falls within the implementation of the Bank's decentralization policy. The policy is justified by the need to bring the Bank closer to both its clients and the major economic actors, as

well as to coordinate its activities with other development partners in the country. The Algiers Office is the twenty-fifth to open its doors in the continent under that policy.

The primary mission of the Country Office is to enhance and deepen dialogue with the authorities, private economic operators and other partners and actors interested in developmental issues so as to enable the Bank to focus its action on the priority needs of Algeria. The Office also has the responsibility of closely monitoring Bank operations with a view to ensuring their effectiveness. This applies to identification and preparation of new operations, and to monitoring of ongoing projects as well as assessment of their impacts.

In this regard, and in compliance with the new cooperation orientation developed with the Al-

gerian authorities, the work of the Office will be geared towards delivery of technical assistance, advisory services, training and capacity building, as well as private sector development. This will be in line with priorities jointly defined with the Government.

The Office also hopes to maintain dialogue on issues relating to regional integration and initiatives that foster cooperation between countries in the region in which Algeria has always played a leading role.

I wish to call on our clients and partners, the private sector and scholars, as well as the general public, to further discover the Bank's contribution to Africa's development efforts and engage in reflection on issues of major strategic importance for the continent. The relevant documentation can be consulted at the Information Centre at the Algiers Country Office.

In conclusion, I would like to thank the Algerian authorities once again for their constant support to the Bank for the opening of the Country Office. I hope to pursue this dialogue and interactions with the authorities, economic operators and all the partners and actors concerned so as to share ideas and experiences and strengthen synergies to enhance effectiveness of the work of the Office, and contribute to consolidating the partnership between Algeria and the Bank.

List of Projects Approved by the Bank in Algeria (1970-2009)

	PROJECT NAME	APPROVAL DATE	CLOSING DATE	APPROVED AMOUNT (UA)	APPROVED AMOUNT (US\$)
Sector : Agriculture					
1	BOU-NAMOUSTA I	23/03/1971	31/12/1975	3 000 000	4 710 000
2	BOUNAMOUSTA II	06/11/1973	31/03/1981	240 000	376 800
3	POULTRY DEVELOPMENT PROGRAMME	14/12/1987	31/12/1997	96 800 000	151 976 000
4	MIDDLE CHELIFF IRRIGATION	18/04/1989	31/12/1998	68 160 000	107 011 200
5	HABRA IRRIGATION SCHEME REHABILITATION	05/01/1993	30/06/1995	690 789	1 084 539
6	SIDI BEN TAIBA IRRIGATION DAM	31/08/1993	31/12/2003	50 600 000	79 442 000
	Total : Agriculture			219 490 789	344 600 539
Sector: Industry/Mining					
7	AGRICULTURAL EQUIPMENT MANUFACTURE	14/12/1987	-	-	-
8	AV TECHNOLOGIES CENTRE INST SUPPORT.	27/01/1992	30/06/1994	1 446 052	2 270 302
	Total : Industry/Mining			1 446 052	2 270 302
Sector: Infrastructure					
Sub-Sector: Transport					
9	EL GOLEA – INSALAH ROAD	21/07/1971	31/12/1974	3 000 000	4 710 000
10	AIR ALGERIE MAINTENANCE BASE	18/09/1989	30/10/2003	40 170 000	63 066 900
11	NEW ACHIR TUNNEL CONSTRUCTION	17/06/1991	30/04/2002	49 080 000	77 055 600
12	ROAD REINFORCEMENT	25/03/1992	31/12/1999	36 000 000	56 520 000
13	DJEN-DJEN PORT EQUIPMENT	24/11/1993	31/03/2001	21 800 000	34 226 000
14	CONSTANTINE MOTORWAY	22/11/1995	30/06/2003	25 750 000	40 427 500
15	NEW ACHIR TUNNEL CONSTRUCTION (II)	20/11/2000	31/12/2003	27 950 000	43 881 500
16	CONSTANTINE MOTORWAY BY-PASS	04/12/2002	31/12/2007	76 850 000	120 654 500
	Total: Transport			280 600 000	440 542 000
Sub-Sector: Water and Sanitation					
17	KOUDIAT ACERDOUNE DAM CONSTRUCTION	31/08/1993	31/12/2001	106 400 000	167 048 000
18	SIDI BEL ABBES WATER SUPPLY	09/12/1998	30/06/2006	70 040 000	109 962 800
19	KOUDIAT.CONCRETE COMPACTED DAM	04/10/2000	31/12/2005	87 480 000	137 343 600
	Total: Water and Sanitation			263 920 000	414 354 400
Sub-Sector: Energy					
20	SONELGAZ I	10/02/1976	31/12/1977	5 000 000	7 850 000
21	SONELGAZ II	28/12/1977	31/12/1988	5 000 000	7 850 000
22	SONELGAZ III	22/08/1978	31/12/1994	5 000 000	7 850 000
23	ELECTRICITY IV	20/09/1994	30/06/2001	57 700 000	90 589 000
24	GAS TRANSPORTATION AND DISTRIBUTION PROJECT	08/07/1998	30/09/2005	150 610 000	236 457 700
	Total : Energy			223 310 000	350 596 700
Sub-Sector: Telecommunications					
25	TELECOM SECTOR SUPPORT	03/07/2002	31/12/2007	120 313 000	188 891 410
	Total: Telecommunications			120 313 000	188 891 410
Sector: Finance					
26	AGRICULTURAL LINE OF CREDIT	22/12/1986	31/12/1994	60 000 000	94 200 000
27	INDUSTRY AND TOURISM LINE OF CREDIT	23/08/1988	30/06/1995	40 000 000	62 800 000
28	CREDIT POPULAIRE D'ALGERIE LINE OF CREDIT II	10/12/1996	30/06/2001	100 000 000	157 000 000
29	SECOND BADR AGRICULTURAL LINE OF CREDIT	07/07/1999	31/12/2003	102 000 000	160 140 000
30	SECOND BADR AGRICULTURAL LINE OF CREDIT	07/07/1999	31/12/2004	105 000 000	164 850 000
31	ELECTRONIC BANKING TECH ASSISTANCE.	07/11/2007	31/12/2010	494 800	776 836
32	MAGHREB LEASING ALGERIE	22/04/2009		5 340 739	8 384 960
	Total: Finance			412 835 539	648 151 796
Sector: Social Sector					
33	TECHNICAL EDUCATION STRENGTHENING	18/12/1989	30/09/2000	81 000 000	127 170 000
34	EXTERNAL TRADE ADJUSTMENT PROGRAMME	18/12/1989	30/09/2000	607 894	954 394
	Total: Social Sector			81 607 894	128 124 394

	PROJECT NAME	APPROVAL DATE	CLOSING DATE	APPROVED AMOUNT (UA)	APPROVED AMOUNT (US\$)
Sector: Multi-Sector					
35	ECONOMIC REFORM SUPPORT LOAN	17/04/1990	30/06/1994	150 000 000	235 500 000
36	EXTERNAL TRADE ADJUSTMENT PROGRAMME	24/06/1992	30/06/1997	150 000 000	235 500 000
37	STRUCTURAL ADJUSTMENT PROGRAMME	10/12/1996	31/12/1999	150 000 000	235 500 000
38	TECH ASS –MODERNIZATION FINANCE COLL & COMM. SYSTEM	20/07/2009	31/12/2013	496 500	779 505
39	TECHNICAL ASSISTANCE TO GNED	22/05/2007	30/06/2010	600 000	942 000
Total : Multi-Sector				451 096 500	708 221 505
Total				2 054 619 774	3 225 753 045





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