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IMPLEMENTATION OF THE UNITED NATIONS
PROGRAMME OF ACTION FOR AFRICAN
ECONOMIC RECOVERY AND DEVELOPMENT:
ROLE AND PERSPECTIVES OF THE ISLAMIC
DEVELOPMENT BANK

by

THE ISLAMIC DEVELOPMENT BANK

I. INTRODUCTION

Economic conditions in Africa started declining at an alarming rate in the 1970s, with per capita gross domestic product falling rapidly. This trend was aggravated in the early 1980s by the severe and persistent drought, cyclones, floods and other natural calamities which struck many countries in the continent. The economic downtrend in Africa was, furthermore, accelerated by an increasingly harsh international economic system aggravated by the world economic recession of the early 1980s. Given exceedingly fragile and deteriorating economic conditions in Africa, many African countries were unable to adequately cope with the disasters of the early 1980s. The result was hunger, famine, starvation and near economic collapse in many of them.

The twentieth session of the Assembly of Heads of State and Government of the Organization of African Unity (OAU), held in Addis Ababa, Socialist Ethiopia, from 12 to 15 November 1984, examined the economic situation in Africa and expressed grave concern over the extent and the persistence of the economic and social crisis in Africa. In order to seek solutions to the crisis, the session decided that the twenty first session of the Assembly should be mainly devoted to a consideration of this crisis.

The twenty first session of the Assembly was held in Addis Ababa, Ethiopia, from 18 to 20 July 1985. Discussions focused on a priority programme to be implemented over the next five years, which would pave the way for national and collective self-reliant and self-sustained growth and development in Africa. The end result was embodied in Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER). With a view to soliciting international support for the implementation of APPER, the Assembly requested the convening of a special session of the United Nations General Assembly on the critical economic situation in Africa.

For the first time in the history of the United Nations, a special session of the General Assembly was convened to examine the problems of a single continent. The session took place from 27 May to 1 June 1986. The focus of attention was the role and responsibility of African Governments and the international community in arresting and reversing the economic decline in Africa. The outcome was the adoption of the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD).

Nearly a year has passed since the adoption of UN-PAAERD. It was envisaged that the forty-third session of the United Nations General Assembly, scheduled to take place in 1988, would undertake a review and an appraisal of the implementation of the UN-PAAERD. In order for this review and appraisal to be successful, and, more importantly, to ensure the effective implementation of UN-PAAERD, it is important that progress in its implementation be assessed regularly to allow time for early corrective measures.

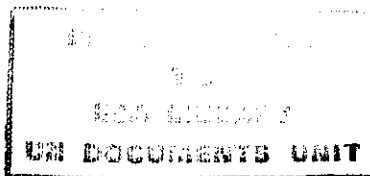
This paper looks at the question of the role of the international community in the implementation of the UN-PAAERD. This question is addressed from the perspective of the Islamic Development Bank (IDB). In addressing this issue, the paper first takes a brief look at the UN-PAAERD, particularly the provisions on measures and activities to be undertaken by African Governments on the one hand, and by the international community on the other. Next, the basic features of the IDB are described, including the modalities by which it could assist its member countries in general and African countries in particular. This is followed by an analysis of IDB assistance to its member countries from 1976 to 1986. Following this, the paper describes the new development strategy and orientation being elaborated by the IDB, with a view to improving its assistance to its member countries, including African member countries. The paper concludes with some thoughts on how to improve co-operation between the IDB and African Governments and among international development and financing institutions so as to ensure the effective implementation of UN-PAAERD.

II. PROVISIONS OF THE UN-PAAERD

The UN-PAAERD is, in essence, a compact between African Governments and the international community according to which African Governments are committed to mobilizing all their energies and resources for the effective implementation of APPER, while the international community is committed to supplementing and complementing the efforts of African Governments. To get a clearer idea of this compact, we will first look at the specific activities African Governments are expected to undertake. This is followed by an examination of the concrete ways in which the international community is expected to assist African Governments.

Under the terms of this compact with the international community, African Governments are committed to taking specific measures in the areas of agricultural development, other sectors in support of agriculture, drought and desertification, human resources development, planning and utilization and policy reforms.

Considerable emphasis is given in APPER to the agriculture sector, particularly food. This is seen as necessary for arresting and reversing the process of agricultural decay and the worsening food shortage and dependency. It would also lead to the rapid recovery of African economies, improve levels of productivity, lay the foundation for structural changes and enhance the prospects for long-term development. With these objectives in mind, immediate measures to combat food emergencies and medium-term measures are provided for. The former consist of (a) national emergency preparedness, (b) effective early warning systems, (c) flexible and efficient regional networks of crop protection agencies, and (d) national food security arrangements. Medium-term measures called for are (a) a substantial increase in the level of investment in agriculture, (b) increased food production, (c) restoring, protecting and developing available land and rendering it more productive, (d) remunerative producer pricing policies, better incentive schemes and



effective agriculture credit programme, (e) development of livestock and livestock products, (f) development of mechanization and the use of modern farm and processing machinery, increased use of fertilizer, improved seeds and pesticides, (g) improving and expanding storage capacity, distribution and marketing systems, (h) development of agricultural research and extension, (i) providing small farmers with necessary inputs for increased yields, better utilization and improvement in management of water resources and the establishment of low-cost irrigation schemes, (j) reforestation, drought and desertification control programmes and improvement of agricultural implement maintenance capacity, (k) assistance programme for small farmers, especially women food producers and rural youth, and (l) improvement of the distribution of agricultural products.

In order to facilitate the achievement of the objectives in the agricultural sector, support measures are called for in closely related sectors. These include (a) rehabilitation and development of agro-related industries, (b) development of transport and communications, and (c) improving the distribution channels for domestic trade and increased financial co-operation at the subregional and regional levels. Equally concrete measures are called for in the areas of drought and desertification and human resources development, planning and utilization. Finally, in the area of policy reforms, there are recommendations on (a) ways to improve management of the economy, (b) short-term adjustment measures in relation to medium- and long-term structural transformation, (c) population policy, (d) participation of the people in development, and (e) women and development. At the subregional and regional levels, action is also called for to deal with the problem of refugees and displaced persons, strengthen multinational institutions and consolidate African co-operation.

It is estimated that the full implementation of APPER would cost \$ US 128.1 billion. In keeping with the declaration by the Heads of State and Government of the OAU that "the development of our continent is the primary responsibility of our Governments and peoples", African Governments are committed to providing \$ US 82.5 billion or 64.4 per cent of this amount.

For its part, the international community declared its awareness "that the process of development being initiated by the African countries as reflected in Africa's Priority Programme for Economic Recovery, 1986-1990, has to be supplemented by complementary actions of the international community through intensified co-operation and substantially increased support... In this context, it commits itself to making every effort to provide sufficient resources to support and supplement the African development effort; it also appreciates that the realization of African development efforts would be greatly eased if the flows of external resources are predictable and assured." In addition to this general declaration of commitment, changes at the international level are called for in the following areas:

1. Improving the quality and modality of external assistance and co-operation

- (a) Greater emphasis on programme support in the priority areas of the recipient African countries;
- (b) Procurement policies and administrative procedures which would improve delivery of production inputs;
- (c) Speedier disbursement of funds;
- (d) Increase the concessionary, particularly the grant element, of development assistance to African countries;
- (e) Special consideration to indigenous competence, expertise, experience, local conditions, local techniques and equipment as well as the training of qualified national personnel in planning and implementing programmes of assistance;
- (f) More effective and efficient co-ordination methods;
- (g) Improve effectiveness of technical assistance and make it more responsive to the needs and priorities of African countries;
- (h) Assistance in meeting recurrent and local costs of programmes and projects;
- (i) Take account of recurrent and local costs of new projects and programmes to ensure their viability.

2. Improvement in the external environment

- (a) Evolve and implement policies conducive to sustained, equitable and non-inflationary growth, including the expansion of trade through the elimination of protectionism. Adopt measures which encourage African exports and diversification programmes;
- (b) Stabilize and increase commodity prices.

3. Supporting Africa's policy reform

- (a) Place greater emphasis on non-project aid including balance-of-payments support;
- (b) Evolve aid policies based on technical consideration and specific aid requirements of recipient countries;
- (c) Enable multilateral development institutions to increase their concessional assistance to African countries;

(d) Work towards the rapid implementation of the International Monetary Fund Structural Adjustment Facility;

(e) Speedy replenishment of the eighth International Development Association and the fifth African Development Fund at sufficiently high levels;

(f) Ensure that no individual bilateral donor becomes a net recipient of official capital flows from African countries undertaking adjustment programmes;

(g) Increase support to the Special Programme for African countries affected by drought and desertification of the International Fund for Agricultural Development;

(h) Special attention to the financial and technical assistance requirements of countries affected by drought and desertification;

(i) Increase resource flows to the least developed countries.

In addition to the above measures, the international community acknowledged that many African countries may not be able to service their debt while establishing the basis for sustainable economic growth. "In these cases, the international community is determined to assist African countries in their efforts to deal with their financial constraints."

These are the main substantive provisions of UN-PAAERD. To assess the role of the IDB in implementing the measures called for from the international community, we must look at the nature of the IDB, including the resources and modes of intervention open to it. This is the next concern of this paper.

III. THE IDB - CHARACTERISTICS, RESOURCES AND MODES OF INTERVENTION

The "Declaration of Intent" to create the IDB was signed by 23 countries during the first Conference of Finance Ministers from Muslim countries, held in Jeddah, the Kingdom of Saudi Arabia, on 16 December 1973. A Preparatory Committee established by this conference approved the Articles of Agreement establishing the IDB in May 1974, and the second Conference of Finance Ministers from Muslim countries, held in Jeddah in August 1974, called for the finalization of arrangements for establishing the IDB and the convening of the inaugural meeting of its Board of Governors. This inaugural meeting took place in Riyadh in July 1975, at which time, Dr. Ahmad Mohamed Ali was elected President of the IDB, the basic documents of the IDB were approved and a decision was made that the IDB would commence functioning on 20 October 1975.

The most important characteristic of the IDB is that it is an Islamic development bank. Being Islamic means that it is required to operate in accordance with the principles of the Shari'ah. One implication of this is that it cannot charge interest on the assistance it gives to its member countries, nor is it permitted to pay interests on resources it mobilizes from individuals and institutions. Unable to raise funds from the conventional

money markets, the IDB has had to devise new financing modes to enable it to provide assistance to its member countries and original financial instruments to mobilize resources. These tasks result from the fact that as its name indicates, the IDB is a bank and not a fund.

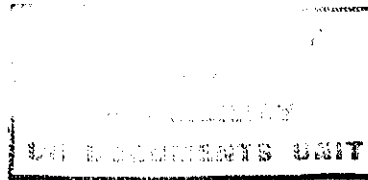
As a development bank, the IDB's resources come from capital subscriptions, returns on operations and resources mobilized from institutions and individuals. It cannot rely wholly on capital subscriptions, as there is no provision for the periodic replenishment of its share capital. In any event, the IDB is obliged to look beyond its subscribed capital if it is to meet the growing requirements of its member countries for assistance. Some of the additional resources mobilized by the IDB come from the market place through methods consistent with Islamic principles. Given the conditions prevailing in financial markets, the IDB is, in turn, obliged to ensure that its financing activities yield adequate returns. This, in turn, also makes it possible for it to give concessionary assistance to its relatively less developed member countries from its capital and earnings.

Article 1 of the Articles of Agreement stipulates that "The purpose of the Islamic Development Bank shall be to foster economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of the Shari'ah. Membership is open to all members of the Organization of the Islamic Conference (OIC). Originally, the IDB had 22 members. Today, membership stands at 44, drawn from Africa, Asia and the Middle East. African countries constitute 23 of the members of the IDB."

The authorized capital of the IDB has remained unchanged at ID2.00 (approximately \$ US 2.43) billion since its establishment. On the other hand, as of 4 September 1986, the subscribed capital stood at ID1.96 (\$ US 2.38) billion and the paid-up capital at ID1.58 (\$ US 1.92) billion. On this date, the total ordinary resources of the IDB amounted to ID1.85 (\$ US 2.25) billion. The IDB also maintains a Special Assistance Account constituted by the net proceeds from its deposits. This stood at ID544.8 (\$ US 661.9) million on 4 September 1986.

From the above resources, the IDB assists its member countries and Muslim communities in non-member countries through its project financing, foreign trade financing and operations financed out of the Special Assistance Account. The key features of these operations are described briefly below.

^{1/} These countries are Algeria, Benin, the Burkina Faso, Cameroon, Chad, the Comoros, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Libyan Arab Jamahiriya, Mali, Mauritania, Morocco, the Niger, Senegal, Sierra Leone, Somalia, the Sudan, Tunisia and Uganda.



Under its project financing, the IDB finances projects and provides technical assistance. Financing is granted for projects and enterprises which are technically sound, economically and financially viable and which contribute to the economic development of the member country. This is done through loans, equity participation, leasing, instalment sale, and profit sharing.

Loans given by the IDB are interest-free, and only a small service fee to cover the actual expenses incurred in administering the loan is charged. These loans enjoy a grace period of 3-10 years and a repayment period of 15-30 years.

Equity participation entails participation by the IDB in the capital of agricultural and industrial projects. The return to the IDB is derived from the profits of the enterprise and is proportional to the IDB's share in the equity.

Leasing was introduced by the IDB in 1977. It involves the supply of items such as ships, locomotives, railway wagons and machinery and equipment for the implementation of specific projects. The items supplied become the property of the lessee at the end of the lease. Payments are made over a period of time, and depend entirely on the project implementation schedule. The first payment falls due six months after the leased facility goes into production, and the payment schedules are flexible in nature so as to allow for possible delays in project implementation. The mark-up applied by the IDB for these operations has been between 7 and 8 per cent.

Instalment sale was introduced in 1985. It is a mode of financing that is very similar to leasing. However, under instalment sale, ownership of the assets is immediately transferred to the buyer, with the purchase price being paid in instalments over a period of time. The terms and conditions for instalment sales, including the extent of mark-up, are the same as those applicable to leasing operations.

In addition, the IDB engages in the financing of projects having a direct and quick return through participating in the project in the form of profit sharing.

The IDB also provides financing through lines of equity and lines of leasing made available to national development financing institutions in member countries.

Technical assistance given by the IDB is designed to facilitate the transfer of technology to member countries, assist in the preparation of feasibility studies and the promotion of bankable projects, as well as in the supervision of projects and enterprises during construction and initial operations. Accordingly, financing is provided for feasibility studies, preparation of preliminary and detailed engineering and technical designs, consultancy services and procuring research and training equipment. Part of the technical assistance given by the IDB is in the form of grants, and the rest is in the form of loans. Grants are limited to \$ US 182 000 per operation, with the excess being financed through loans.

Foreign trade financing commenced in 1977, essentially as a placement operation for surplus funds not immediately needed for operations. Under these operations, goods are purchased by the IDB and then sold to recipient countries. These operations entail a mark-up of from 5 to 9 per cent, and a repayment period of 9 to 18 months. Financing is provided for the importation of commodities of a developmental nature, such as crude oil, refined petroleum products, fertilizers, rock phosphate, cement, coke, copper and lead wire, raw vegetable oil, construction materials, cotton and cotton yarn, jute products and intermediate industrial goods. Priority is given to importing these goods from IDB member countries, so as to expand trade among IDB member countries. For recipient countries, these operations stimulate domestic production and provide temporary relief for balance-of-payments difficulties.

To supplement the foreign trade financing operations, the IDB initiated, at the start of 1987, the Longer-Term Trade Financing Scheme. Under this scheme, financing will be provided for periods ranging from 18 months to 5 years for the export items of beneficiaries, depending on the nature of the commodities, their unit value, the overall value of the transaction and its immediate objective. The purpose of the scheme is to increase trade among member countries in non-traditional items, with emphasis on exports, stimulate domestic production and diversify the composition of exports.

Another important programme through which the IDB provides assistance to its member countries is the Technical Co-operation Programme. It was established in 1983 in order to enhance the technical capability of IDB member countries by promoting co-operation and the exchange of experience and information among them. Activities financed by this programme are seminars, workshops, on-the-job training and the recruitment of experts from member countries for short-term service in other member countries. This programme gives grants with a maximum limit of \$ US 25,000 per assistance for one country and \$ US 60,000 for seminars or training programmes arranged by the IDB involving three or more countries.

Three amounts of \$ US 300,000 each for a total of \$ US 900,000 was approved for this programme between 1983 and 4 September 1986. A total of \$ US 895,500 had been utilized or allocated under this programme by this date. Operations approved within this programme for 1986-1987 were (a) four seminars on project evaluation and follow-up, project analysis, project management and non-conventional modes of financing, (b) two workshops on productivity in industry and orientation to the Technical Co-operation Programme of the Bank, (c) on-the-job training for two Malaysian officials on debt management and two Pakistani engineers in post, telephone and telegraph office activities, and (d) the recruitment of a Tunisian for the Development Bank of the Comoros and an expert from Turkey for the Department of Small-Scale Industry in Indonesia.

Finally, the IDB undertakes special operations financed from its Special Assistance Account. These operations are designed to (a) provide relief to member countries and Islamic communities affected by natural disasters and calamities, (b) provide financial assistance to member countries for the promotion of Islamic causes, and (c) promote training and research aimed at assisting and guiding member countries to re-orient their economic, financial and banking activities in conformity with the Shari'ah.

From its establishment in 1976 to the end of 1986, the IDB had approved financing amounting to \$ US 6.389 billion. The distribution of this amount by type of operation and mode of financing is indicated in table 1 below:

Table 1: Financing approved by type of operation and mode of financing, 1976-31 December 1986

Type of operation and mode of financing	Amount (\$ US million)	%
Loan	589.793	9.2
Equity (including line of equity)	318.276	5.0
Leasing (including line of leasing)	557.022	8.7
Instalment sale	176.924	2.8
Profit sharing	8.440	0.1
Technical assistance	41.155	0.7
Total project financing	1,691.160	26.5
Foreign trade financing operations	4,517.727	70.7
Total ordinary operations	6,208.887	97.2
Special assistance	179.851	2.8
Total financing approved	6,389.188	100

In addition to the above-mentioned assistance given to member countries, the IDB contributes to the economic development of its member countries in many other ways. One such method is by acting as a catalyst for mobilizing additional financing for member countries through entering into co-financing and similar arrangements with other national, regional and international development financing institutions. Thus in 1985-1986, the IDB participated in nine co-financing operations for projects costing \$ US 916.54 million. The IDB contributed \$ US 56.84 million or 6.2 per cent of the total cost of these projects, while other co-financiers contributed \$ US 406.07 million or 44.32 per cent of the total cost of the projects.

According to article 16, I, III of its Articles of Agreement, the IDB is to pay due regard to "the needs of the relatively less developed member countries" in conducting its operations. This it does by ensuring that a major portion of its concessionary assistance is channelled to these countries. The concessionary modes of financing available to the IDB are loans, technical assistance and special assistance.

Nineteen of the IDB member countries have been officially designated by the United Nations as least developed countries, and there are two other IDB member countries which, according to the United Nations, should be given the same treatment as least developed countries. Out of these 21 countries, 16 are African member countries. In other words, of the 23 African IDB member countries, 16 belong to the category of least developed countries.^{2/} This fact has an important bearing on the IDB assistance to its African member countries. This issue is analyzed in the following section of this paper.

IV. IDB ASSISTANCE TO AFRICAN MEMBER COUNTRIES

Details of IDB assistance to African member countries from the start of financing in 1976 to the end of 1986 are to be found in table 2 below:

^{2/} They are Benin, Burkina Faso, Chad, the Comoros, Djibouti, the Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, the Niger, Senegal, Sierra Leone, Somalia, the Sudan and Uganda.

Table 2: Projects approved by country and by type of financing to African member countries, 1976 -31 December 1986

(\$ US Million)

MODE OF FINANCING									
COUNTRY	LOAN	EQUITY ^a	LEASING ^b	INSTALMENT ^c	PROFIT SALE	TECHNICAL SHARING	FOREIGN ASSISTANCE	SPECIAL TRADE	TOTAL ASSISTANCE
ALGERIA	26.500	-	-	11,750	-	-	679.660	2.140	720.050
BENIN	4.500	-	-	-	-	2.289	5.000	1.400	13.189
BURKINA FASO	10.530	6.600	4.000	-	-	4.356	11.250	7.600	44.336
CAMEROON	21.930	17.130	-	-	-	1.110	-	1.200	41.370
CHAD	14.842	-	-	-	-	0.258	-	8.100	23.200
COMOROS	7.750	-	-	-	-	1.732	7.500	0.600	17.582
DJIBOUTI	5.330	-	-	-	-	1.186	-	0.600	7.116
EGYPT	12.000	5.000	5.000	-	-	-	40.000	-	62.000
GABON	5.550	-	-	14.890	-	-	-	-	20.440
GAMBIA	3.531	-	-	-	-	0.733	14.040	1.300	19.604
GUINEA	21.050	4.680	8.000	-	-	1.288	48.800	2.000	85.318
GUINEA-BISSAU	-	-	-	-	-	0.465	15.000	1.000	16.465
LIBYA	-	-	31.016	28.500	-	-	37.362	-	96.578
MALI	30.740	3.000	-	-	-	3.248	7.969	12.800	57.757
MAURITANIA	30.568	10.000	19.540	-	-	1.430	30.000	6.000	97.538
MOROCCO	21.586	40.635	4.520	-	3.310	0.165	394.000	0.100	464.316
NIGER	22.480	11.480	-	-	-	4.321	97.350	5.000	140.531
SENEGAL	23.802	19.248	9.800	-	-	3.248	60.000	10.000	125.398
SIERRA LEONE	6.120	-	-	-	-	1.995	-	1.500	9.615
SOMALIA	15.000	2.620	2.620	-	-	1.097	46.200	2.700	70.237
SUDAN	15.500	8.654	-	-	-	-	136.560	12.100	172.314
TUNISIA	36.199	24.480	24.515	10.000	-	-	205.000	-	300.194
UGANDA	9.610	-	6.500	-	-	1.512	5.458	0.120	23.200
TOTAL:	345.118	153.527	115.511	65.140	3.310	30.433	1,841.149	76.260	2,630.249
IDB TOTAL:	589.793	318.276	557.022	176.924	8.440	41.155	4,517.727	179.851	6,339.890
AFRICA AS % OF TOTAL IDB FINANCING	58.500	48.200	20.700	38.800	39.200	73.900	40.800	42.400	41.000

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- Nil a. Includes line of equity; b. Includes line of leasing;
c. Commenced in 1405 H

NOTE: For joint equity/leasing projects, figures are divided on a 50:50 basis.

Table 2 indicates that over a period of 11 years, IDB assistance to its African member countries totalled \$ US 2.63 billion.

IDB assistance to African member countries thus amounted to 41.2 per cent of IDB's total assistance to member countries. It is particularly noteworthy that the share of IDB's concessional assistance to African member countries was substantially higher than this figure. Thus 58.5 per cent of loans, 73.9 per cent of technical assistance and 42.4 per cent of special assistance went to African member countries.

Most of IDB's concessional assistance to African member countries is a result of the fact that, as mentioned earlier, 16 of the 23 African member countries are least developed countries. African member countries thus comprise the largest group within the category of the least developed IDB member countries (16 out of 21). Therefore, in accordance with the provision in the Articles of Agreement of the IDB to the effect that special attention should be given to the less developed member countries, the IDB endeavours to channel most of its concessional assistance to African member countries.

With respect to concessional assistance to the least developed African member countries, mention should be made of the IDB Special Programme of Emergency Aid to Sahelian member countries. This programme was initiated in 1984 as a result of the drought which struck the Sahel member countries in the early 1980s, and was designed to help the affected member countries in coping with the immediate aftermath of the drought as well as in taking measures geared towards medium- and long-term rehabilitation and recovery. Countries benefitting from this programme are Burkina Faso, Chad, the Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, the Niger and Senegal. An amount of \$ US 50.0 million was allocated to this programme which consists of two phases. Under the first phase, grants totalling \$ US 20.0 million were approved to acquire vaccines, animal feed and agricultural inputs. By September 1986, \$ US 16.36 million or 81.8 per cent of this amount had been utilized and this phase is now almost complete. The second phase of the programme entails civil works such as irrigated land development, ground water studies and boreholes; \$ US 30.0 million, in the form of loans is available for this phase of the Programme and ID5.49 million or 18.7 per cent of this amount had been utilized by September 1986.

Of the \$ US 16.36 million spent during the first phase of this programme, \$ US 3.65 million or 22.3 per cent was spent on vaccines, \$ US 9.62 million or 58.8 per cent on animal feed and \$ US 3.09 million or 18.9 per cent on agricultural inputs. With respect to the second phase of the programme made-up of loans, of the ID5.49 million disbursed by 4 September 1986, ID0.30 million or 5.5 per cent was for veterinary facilities, ID0.74 million or 13.5 per cent for animal feed, ID 2.73 million or 49.7 per cent for agricultural inputs and ID1.72 million or 31.3 per cent for hand pumps for irrigation and boreholes.

Details on allocations, disbursements and utilization by country for the two phases of this programme are contained in table 3:

Table 3: Progress implementing the IDB Special Programme of Emergency aid to Sahelian Member countries (amount in thousands)

Country	Amount approved			Amount disbursed up to end 1404H			Utilization		Remarks
		Grant	Loan	Total	Grant	Loan	Grant	Loan	
Burkina Faso	\$ US	2,000.0	4,800.0	7,000.0	1,984.5		67.3%		
	ID		4,705.9			495.7		6.9%	
Chad	\$ US	2,100.0	4,000.0	6,100.0	2,503.9		119.3%		\$405.3 ex-
	ID		3,921.6			1,377.0		35.1%	tra was spent from grant. This will be adjusted from loans
Gambia	\$ US	300.0	1,000.0	1,300.0	244.6		81.5%		
	ID		980.4			83.1		8.4%	
Guinea	\$ US	1,700.0	300.0	2,000.0	1,700.0		100.0%		\$1,703.4
	ID		294.1			3.2		1.1%	was act- ually spent from grant. It is adjusted against loan
Guinea-Bissau	\$ US	900.0	100.0	1,000.0					
	ID		90.0						
Mali	\$ US	3,000.0	7,200.0	11,000.0	3,020.5		79.9%		
	ID		7,053.3			558.2		8.5%	
Mauritania	\$ US	2,000.0	3,400.0	5,000.0	2,225.6		35.8%		
	ID		3,333.3			1,603.4		48.2%	
Niger	\$ US	1,700.0	3,300.0	5,000.0	768.3		45.1%		
	ID		3,240.0			796.5		24.6%	
Senegal	\$ US	4,100.0	5,900.0	10,000.0	4,000.5		97.8%		
	ID		5,784.3			572.4		9.9%	
Total	\$ US	20,000.0	30,000.0	50,000.0	16,355.2		81.8%		
	ID		29,416.4			5,482.5		18.7%	

It is also interesting to look at the sectoral distribution of IDB project assistance to African member countries. Data on this point is contained in table 4:

Table 4: Approved project financing for African countries by country and by sector from 1978-1988 (\$ US million)

COUNTRY	AGRICULTURE	INDUSTRY AND MINING	TRANSPORT AND COMMUNICATIONS	PUBLIC UTILITIES	SOCIAL SERVICES	OTHER	TOTAL
ALGERIA	-	-	11.50	19.75	7.00	-	38.25
BENIN	4.90	-	0.50	1.30	-	-	6.70
BURKINA FASO	2.21	10.06	0.85	10.53	-	0.94	25.49
CAMEROON	5.04	17.13	0.00	12.00	-	-	40.17
CHAD	12.10	-	-	-	3.00	-	15.10
COMOROS	-	-	9.30	-	0.10	-	9.40
DJIBOUTI	2.40	0.63	0.15	3.33	-	-	6.51
EGYPT	-	10.00	12.00	-	-	-	22.00
GABON	-	-	14.89	-	5.55	-	20.44
GAMBIA	-	-	3.78	0.40	-	-	4.28
GUINEA	7.13	13.06	-	10.00	4.01	-	35.02
GUINEA-BISSAU	0.46	-	-	-	-	-	0.46
LIBYA	-	20.50	31.02	-	-	-	59.52
MALI	0.10	3.00	15.44	5.35	5.00	-	36.00
MAURITANIA	27.20	19.85	0.75	-	5.88	-	61.54
MOROCCO	10.46	36.63	4.52	-	-	10.60	70.21
NIGER	13.29	2.60	13.51	0.38	-	-	38.23
SENEGAL	15.37	20.05	6.39	-	5.23	-	56.09
SIERRA LEONE	-	0.24	7.37	0.50	-	-	8.11
SOMALIA	0.39	5.50	12.00	3.45	-	-	21.34
SUDAN	5.00	2.50	12.00	-	3.50	-	23.00
TUNISIA	17.00	50.99	-	12.01	7.19	-	65.19
UGANDA	4.00	7.25	0.60	5.61	0.16	-	17.62
TOTAL	143.31	245.71	170.85	93.19	47.45	11.54	711.05
PERCENTAGE	20.13	34.52	23.97	13.09	6.67	1.52	100.00

The above data demonstrate that IDB assistance to African member countries is channelled primarily to directly productive sectors. Moreover, this assistance is concentrated in a few key sectors, rather than being spread thinly over many sectors. The choice of sectors is determined essentially by the priorities of recipient member countries. To a large extent, the sectoral distribution of IDB assistance to African member countries also conforms to the priorities identified in APPER. Thus during the 1976-1986 period, 34.52 per cent of IDB assistance went to industry and mining, 23.97 per cent to transport and communications, 20.13 per cent to agriculture and 13.09 per cent to public utilities. These four sectors accordingly accounted for 91.71 per cent of IDB project assistance to African member countries.

The adoption of APPER coincided roughly with efforts by the IDB to review its assistance to member countries during the first decade of its existence, with a view to charting a new course during the second decade. This process is still continuing, but the broad outlines of a new development strategy and orientation for the IDB during the next decade are beginning to emerge. The salient features of this new development strategy and orientation, insofar as they relate to future assistance to African member countries, are analyzed in the next section of this paper.

V. IDB NEW DEVELOPMENT STRATEGY AND ORIENTATION FOR THE NEXT DECADE

In formulating a new development strategy and orientation for the next decade, the IDB has been aided by the report of the Review Committee, composed of eminent persons drawn from member countries, which undertook an in-depth analysis of the achievements of the IDB during the first decade of its existence. This has been supplemented by the Makkah Declaration and the Plan of Action for Economic Co-operation Among Islamic Countries approved by the Third Islamic Summit Conference, held in Makkah al-Mukarrameh, Kingdom of Saudi Arabia, from 25 to 28 January 1981.

The Makkah Declaration called for strengthening economic, commercial and technical co-operation as well as promoting complementarities among OIC member countries so as to improve economic conditions in these member countries. Building on this Declaration, the Plan of Action specified measures to be taken in the following sectors in order to strengthen economic co-operation among OIC member countries: (a) food and agriculture; (b) trade; (c) industry; (d) transport, communications and tourism; (e) financial and monetary questions; (f) energy; (g) science and technology; (h) manpower and social affairs; (i) population and health; and (j) technical co-operation. The Fourth Islamic Summit Conference, held in Casablanca, Kingdom of Morocco, from 16 to 19 January 1984, selected six of these ten sectors as priority sectors for the remainder of the 1980s. They were (a) food and agriculture, (b) trade, (c) industry, (d) transport, communications and tourism, (e) energy, and (f) science and technology.

Decisions of the IDB Board of Governors and Board of Executive Directors also had a bearing on the contents of the new development strategy and orientation, as did the decisions and recommendations of the Standing Committees of the OIC. One very important factor in this process was the economic trends and prospects in member countries, especially the evolving need for different forms of assistance.

The key elements of the new development strategy and orientation that are relevant to the role of the IDB in the implementation of the UN-PAAERD consist of adapting the mode of financing channelled to different member countries to the level of economic development and financing needs of various member countries, concentrating IDB assistance in a core programme and giving greater emphasis to promoting economic co-operation among member countries. These features of the new development strategy and orientation are described below.

In the present decade, the bulk of IDB's financing for the least developed member countries would be in the form of concessionary assistance made up of loans and technical assistance. It is projected that 70-80 per cent of loans and 60-70 per cent of technical assistance would go to these member countries. In addition, 20-30 per cent of leasing and instalment sale would go to these countries. It is estimated that these new guidelines would increase the flow of IDB project assistance to the least developed member countries from 31 per cent during the first 10 years to 39 per cent during the present decade. For loans, the least developed member countries would be granted grace periods of 5 years and repayment periods of 25 years, as compared with 3 years and 15 to 20 years respectively for the relatively more developed member countries. Countries facing particularly serious economic problems, namely the Comoros, Djibouti and the Maldives, would be granted grace periods of 7 years and repayment periods of 30 years.

This new policy measure would not only increase the share of total IDB project assistance to these countries, it would also increase significantly the proportion of IDB concessionary assistance channelled to them. For during the period 1976-1986, the share of loans and technical assistance that went to these countries was 52 and 82.8 per cent respectively. The concessionary element would be further increased by the longer grace and repayment periods. In addition, a more sympathetic approach would be taken to requests for financing the local cost of projects. African member countries stand to gain the most from these new measures as most of them fall under the category of the least developed member countries and almost all the least developed member countries are African. Furthermore, the new measures call for special attention to be given to the needs of the Sahelian member countries.

With respect to the relatively more developed member countries, the intervention of the IDB would be largely through leasing, instalment sale and foreign trade financing; 70-80 per cent of IDB's leasing and instalment sale would, accordingly, go to these countries. They would also receive 20-30 per cent of loans and 30-40 per cent of technical assistance.

The rationale for these changes is that the least developed member countries require a greater flow of concessionary assistance as they are not in a position to meet the cost of resources mobilized from financial markets. The situation is somewhat different for the relatively more developed member countries. Thus the IDB would utilize for the most part financing mobilized in the financial markets in the relatively more developed member countries. Concessionary assistance to the least developed member countries would come from the share capital, returns on operations, concessionary deposits with the IDB and Special Funds to assist the relatively less developed member countries established by member countries. Furthermore, the IDB would do its utmost to act as a catalyst for generating more resources for member countries from other financing institutions through its financing operations. Therefore, more efforts would be made to encourage co-financing, cost sharing and similar arrangements with other financing institutions. It is hoped that, in this way, the IDB would be able to adapt its modes of financing to the needs and capabilities of different categories of member countries. It would also be able to mobilize substantially greater resources, so as to be responsive to the growing financing needs of its member countries.

The IDB is fully aware that however successful its efforts at resource mobilization might be, its resources would still not be enough to satisfy all the demands made on it. Therefore, to ensure that its assistance to member countries makes the maximum possible impact on the economic development of member countries, IDB assistance would be concentrated in a core programme. The core programme for the least developed member countries would consist of agriculture, especially the production of food, supporting and downstream infrastructural facilities such as small agricultural projects, communication in rural areas, storage, food processing, transportation facilities and other activities designed to increase production and the transfer of technology. For the relatively more developed member countries, the emphasis would be on the link between trade and development, particularly the promotion of trade and the diversification of the composition of exports, technical assistance in identifying good investment opportunities and developing and strengthening the private sector in these countries. In order to facilitate the formulation, implementation, monitoring and assessment of this core programme, multi-year country programming would be undertaken.

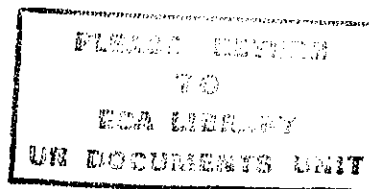
Finally, in the field of economic co-operation among member countries, the IDB would emphasize the development and promotion of trade, the transfer of technology and the formation of joint ventures. In order to strengthen indigenous technical capabilities and assist member countries to absorb the transfer of technology, regional centres of scientific and technological knowledge would be established and promoted. The IDB would also strengthen its co-operation with regional development financing institutions, especially those in the Islamic world. The various funds and financing institutions would be brought together to form syndicates for financing regional projects and joint ventures.

The relevance of the IDB's new development strategy and orientation for the next decade to the implementation of APPER, and thus of the IDB's contribution to the UN-PAAERD, should be evident from the above analysis. These could be summarized in the following manner:

1. The IDB would endeavour to increase substantially the resources at its disposal, so as to be in a better position to respond more effectively to the growing needs of its member countries. This would be done by mobilizing concessionary resources from member countries and non-concessionary resources from the private sector. The IDB would also use its financing operations as a catalyst to increase the flow of funds from other donors to member countries.
2. The IDB would channel more of its total financing to the least developed member countries. It would earmark most of its concessionary financing to these countries. The concessionary element in this financing would also be increased.
3. The IDB would concentrate its financing in a few key sectors. For the least developed member countries, the areas to be emphasized are agriculture and food, supporting measures in closely related sectors and the transfer of technology. For the relatively more developed countries, the areas would be export promotion and the strengthening of the private sector.
4. The IDB would assist in promoting co-operation among member countries in the areas of trade, development and transfer of technology, joint production and finance and in the priority sectors identified by the fourth Islamic Summit Conference.

Given the contents of the IDB's new development strategy and orientation during the present decade, it should be in a better position to provide greater assistance for the implementation of UN-PAAERD. Furthermore, this assistance would, for the most part, be highly concessionary in nature. In addition, the IDB's assistance would be in the priority sectors and areas identified in UN-PAAERD. Finally, the shift to a multi-year country programming would result in greater regularity and certainty in the flow of resources to African member countries, thereby enabling them to plan ahead with greater assurance.

The assistance given by the IDB to African member countries would have a more positive effect on economic development in these countries if the co-operation called for in the UN-PAAERD among all the relevant actors does materialize. The paper concludes with a few observations on this subject.



VI. CO-OPERATION BETWEEN THE IDB AND AFRICAN GOVERNMENTS AND AMONG INTERNATIONAL DEVELOPMENT FINANCING INSTITUTIONS

As noted at the start of this paper, the UN-PAAERD is a compact between African Governments and the international community. Under the terms of this compact, African Governments are committed to undertake certain economic reform measures, and the international community would, in turn, assist in these efforts. African Governments can play an important role in ensuring that assistance from the international community has the impact it is intended to have. As far as the IDB is concerned, the forms of collaboration it needs from African Governments are (a) timely and detailed information on economic trends and difficulties, (b) clear and consistent priorities, (c) viable and economically sound projects, and (d) effective channels of communication with economic entrepreneurs.

The importance of these measures for effective IDB contribution to the implementation of the UN-PAAERD is obvious. In the past, the lack of timely and detailed information has been a serious obstacle to IDB assistance to African countries, especially in situations of natural disasters or a major and rapid deterioration in economic conditions. Clear and consistent priorities are essential for effective planning by the IDB, so that it could tailor its assistance to the needs of African countries as defined by the Governments concerned. Hopefully, with the adoption of APPER, this would be less of a problem in the future. Within the framework of APPER, it would still be necessary to exert a great deal of effort in order to identify viable and economically sound projects. Paradoxically, the IDB has, in some years, fallen short of its financing target due to a scarcity of good projects. The technical assistance activities of the IDB is designed to help in this area, but a great deal more could also be done by African Governments. Finally, the importance of effective channels of communication cannot be over-emphasized. This is particularly vital in the case of the private sector. To improve the situation, bureaucratic controls would have to be reduced and greater autonomy granted to both public and private enterprises. As much as possible, communications with economic agents should be direct and unfettered.

Greater collaboration among both bilateral and multilateral development financing institutions is indispensable for the effective implementation of the UN-PAAERD. There must be a free flow of information, so as to ensure that all concerned are fully informed about the activities of other donors. In addition, effective action should also be taken to reduce duplication to a minimum, in order not to waste the limited resources available.

In this respect, the IDB has, in the past, done its utmost to collaborate actively with international development financing institutions in all phases of project financing, from studies to co-financing and cost-sharing. Co-operation in these areas are particularly strong with bilateral and multilateral development financing institutions in the Islamic world, especially with the Co-ordination Group.^{3/} Excellent relations also exist between the IDB and the World Bank, the Asian Development Bank, the African Development Bank, the United Nations Economic Commission for Africa and other agencies and institutions of the United Nations system. In addition, as far as Africa is concerned, the ADB has signed co-operation agreements with the following subregional organizations: the West African Economic Community (CEAO), the West African Development Bank (BOAD) and the Inter-State Committee for the Fight Against Drought in the Sahel (CILSS). A similar agreement is being negotiated with the Economic Community of West African States (ECOWAS). In the future, the IDB would endeavour to do its utmost to consolidate and strengthen these ties.

CONCLUSION

In the coming decade, the IDB is determined to do its utmost to increase its assistance to member countries, and to ensure that this assistance makes a positive contribution to their economic development. African member countries would be among the principal beneficiaries of this assistance. The IDB accepts the framework established by the UN-PAAERD, which is in accordance with its own analysis of the African economic situation and the development strategy and new orientation it intends to pursue in the coming years. Accordingly, it would endeavour to make as much contribution as it can towards the implementation of the UN-PAAERD. In order for its efforts to be successful, it would require the active support of African member countries in particular. It would also be receptive to all forms of collaboration with international development financing institutions.

^{3/} The IDB, the Abu Dhabi Fund for Arab Economic Development, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Iraqi Fund for External Development, the Kuwait Fund for Arab Economic Development, the Libyan Company for External Investments, the OPEC Fund for International Development, the Saudi Fund for Development and the State of Qatar.