ANNUAL REPORT 2008

AFRICAN DEVELOPMENT BANK   AFRICAN DEVELOPMENT FUND

REGIONAL AND NON-REGIONAL MEMBER COUNTRIES

ALGERIA
ANGOLA
BENIN
BOTSWANA
BURKINA FASO
BURUNDI
CAMEROON
CAPE VERDE
CENTRAL AFRICAN REPUBLIC
CHAD
COMOROS
CONGO
CONGO, DEMOCRATIC REPUPLIC OF
COTE D'IVOIRE
DJIBOUTI
EGYPT
EQUATORIAL GUINEA
ERITREA
ETHIOPIA
GABON
GAMBIA
GHANA
GUINEA
GUINEA BISSAU
KENYA
LESOTHO
LIBERIA
LIBYA
MADAGASCAR
MALAWI
MALI
MAURITANIA
MAURITIUS
MOROCCO
MOZAMBIQUE
NAMIBIA
NIGER
NIGERIA
RWANDA
SAO TOME & PRINCIPE
SENEGAL
SEYCHELLES
SIERRA LEONE
SOMALIA
SOUTH AFRICA
SUDAN
SWAZILAND
TANZANIA
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TUNISIA
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ZAMBIA
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SWEDEN
SWITZERLAND
UNITED KINGDOM
UNITED STATES OF AMERICA

AFRICAN DEVELOPMENT BANK

AFRICAN DEVELOPMENT FUND

BOARDS OF GOVERNORS

ADB	ADF
Forty-Fourth	Thirty-Fifth
Annual Meeting	Annual Meeting

Dakar

Senegal

May 13-14, 2009

REPORT

by the
Boards of Directors

of the
African Development Bank

and the
African Development Fund

Covering the period
January 1 to December 31, 2008

ADB-ADF/BG/AR/2008

Acknowledgments

This Annual Report was prepared by the Statistics Department of the Chief Economist Complex, under the overall guidance of the Boards of Directors.

Board Committee: The Annual Report Team is grateful for the invaluable contribution and support of the Annual Report Committee of the Board, in particular to: Professor Tchetche N'Guessan (Chairman), Mr. Bruce Montador, Mrs. Mimi Alemayehou, Mr. Mohamed Mahroug, Mr. Tetsuya Utamura, and Mr. Abdul-Magid Gadad.

Oversight Committee: The Annual Report Team acknowledges the immense contribution and support of the Annual Report Oversight Committee members, namely: Mr. Louis Kasekende (Chairman), Chief Economist, ECON; Mr. Joseph Eichenberger, Vice President, ORVP; Mr. Modibo Toure, Director and Chief of Staff, SAPR; Mr. Bo Goransson, Advisor to the President; and Mr. Kordje Bedoumra, Secretary General, SEGL.

Annual Report Working Team: C. Lufumpa, Director, Statistics Department; D. Barnett, Manager, Quality Assurance and Results Department, B.S. Traoré, Business Continuity Planning Manager (Annual Report Coordinators); R. Ubogu (Consultant); P. Quarcoo (Consultant); J. Otieno (Consultant); A. Portella (Consultant); and S. Jones (English Editor/Consultant).

Finance Team: C. Boamah, Director, Financial Control Department; A. Odukomaiya, Manager, Accounts and Special Funds Division; N. Ngwenya; A. Bouabene-Kallel and S. Oppong.

Statistical Analysis Team: C. Lufumpa, Director, Statistics Department; B. Kokil, Manager, Economic and Social Statistics Division; F. Lawson; P. Lartey; N. Letsara; and L. Kouakou.

French Translation and Editing Team: V. Mbarga, Unit Head, Corporate Language Services Unit; E. Ngoy-Tha; J. Edjangue, and M. Ndagijimana.

Photographs: External Relations and Communication Unit.

Statistics Department
African Development Bank
Temporary Relocation Agency (TRA)
BP 323, 1002 Tunis Belvédère
Tunis, TUNISIA
Tel: (216) 71 10 21 75
Fax: (216) 71 83 24 09

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BOXES

Exchange Rates on December 31, 2008*

Currency	1 Unit of Stated Currency	Equivalent in Units of Account (UA)
European Euro	EUR 1.0	0.9035464
United States Dollar	US$ 1.0	0.6492368
Canadian Dollar	C$ 1.0	0.5288319
Danish Krone	DKK 1.00	0.1222489
Japanese Yen	JPY 1.0	0.0071192
Norwegian Krone	NOK 1.0	0.0927626
Swedish Krona	SEK 1.0	0.0833375
Swiss Franc	CHF 1.0	0.6103552
Pound Sterling	GBP 1.0	0.9464588

* *For African and other exchange rates, see table on p. 182*

Abbreviations

AAA	Accra Agenda for Action
ACBF	African Capacity Building Foundation
ACFA	Accelerated Cofinancing Facility
ADB	African Development Bank
ADF	African Development Fund
ADF-X	Tenth General Replenishment of the African Development Fund
ADF-XI	Eleventh General Replenishment of the African Development Fund
ADFIs	Arab Development Financial Institutions
ADI	African Development Institute
ADOA	Ex-ante Additionality and Development Outcome Assessment
ADR	African Development Report
AEC	African Economic Conference
AEO	African Economic Outlook
AERC	African Economic Research Consortium
AFCR	Africa Food Crisis Response
AFD	Agence Française de Développement
AfDB	African Development Bank Group
AFESD	Arab Fund for Economic and Social Development
AFP	African Financing Partnership
AFFM	African Fertilizer Financing Mechanism
AFRITAC	African Regional Technical Assistance Center
AIC	African Infrastructure Consortium
AICD	Africa Infrastructure Country Diagnostic
ALM	Asset-Liability Management
ALSF	African Legal Support Facility
AMBD	Committee on Administrative Matters Affecting the Boards of Directors
APPR	African Portfolio Performance Review
APR	Action Plan on Results
APRM	African Peer Review Mechanism
AsDB	Asian Development Bank
AU	African Union
AUFI	Audit and Finance Committee
AWF	African Water Facility
BOAD	Banque Ouest Africaine de Développement
CAADP	Comprehensive Africa Agriculture Development Program
CAHR	Committee on Administrative Affairs and Human Resource Policy Issues
CBFF	Congo Basin Forest Fund
CEIF	Clean Energy Investment Framework
CEISP	Community Empowerment and Institutional Support Program
CEMAC	Central African Economic and Monetary Community
CGP	Country Governance Profile
CHRM	Human Resources Management Department
COBS	Strategy and Budget Department
CODE	Committee on Operations and Development Effectiveness
COMESA	Common Market for Eastern and Southern Africa
COMPAS	Common Performance Assessment Framework
COO	Chief Operating Officer
COP	Conference of Parties
CoW	Committee of the Whole
CPAR	Country Procurement Assessment Report
CPR	Country Portfolio Review
CRM	Climate Risk Management
CSP	Country Strategy Paper
CSVP	Corporate Services Complex
DBSA	Development Bank of South Africa
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DFI	Development Finance Institution
DFID	Department for International Development
DP	Data Platform
DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Economic Commission for Africa
ECBD	Ethics Committee of the Boards of Directors
ECCAS	Economic Community of Central African States
ECON	Chief Economist Complex
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EL	Executive Level
ELF	Emergency Liquidity Facility
EPSA	Enhanced Private Sector Assistance for Africa
ERSP	Economic Reforms Support Program
ESIA	Environmental and Social Impact Assessment
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FAPA	Fund for African Private Sector Assistance

FDI	Foreign Direct Investment
FINESSE	Financing Energy Services for Small-Scale End Users
FMO	The Netherlands Development Finance Corporation
FNVP	Finance Complex
FO	Field Office
FSF	Fragile States Facility
FSU	Fragile States Unit
GAP	Strategic Directions and Action Plan for 2008–2012
GCC	Governors' Consultative Committee
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
GS	General Services Staff
HA & MfDR	Harmonization, Alignment and Managing for Development Results
HIPC	Heavily Indebted Poor Countries Initiative
HQ	Headquarters
ICF	Investment Climate Facility for Africa
IDA	International Development Association
IDB	Inter-American Development Bank
IDC	Industrial Development Corporation of South Africa
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
IPPF	Infrastructure Project Preparation Facility
IRM	Independent Review Mechanism
IsDB	Islamic Development Bank
IWRM	Integrated Water Resources Management
JAI	Joint Africa Institute
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KFAED	Kuwait Fund for Arab and Economic Development
KMDS	Knowledge Management and Development Strategy
KOAFEC	Korea–Africa Economic Cooperation
KPIs	Key Performance Indicators
LOC	Line of Credit
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDI	Multilateral Development Institution
MDRI	Multilateral Debt Relief Initiative
MDWPP	Multi-Donor Water Partnership Program
MfDR	Managing for Development Results
MFW4A	Making Finance Work for Africa
MIC	Middle-Income Country
MTS	Medium-Term Strategy
N.A.	Not Applicable
NEPAD	New Partnership for Africa's Development
NEPAD-IPPF	NEPAD Infrastructure Project Preparation Facility
NGO	Non-governmental Organization
NPV	Net Present Value
NSDS	National Strategies for the Development of Statistics
NTF	Nigeria Trust Fund
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OIVP	Infrastructure, Private Sector and Regional Integration Complex
OPEC	Organization of Petroleum Exporting Countries
OPEV	Operations Evaluation Department
OPIC	Overseas Private Investment Corporation
ORQR	Quality Assurance and Results Department
ORRU	Partnerships and Cooperation Unit
ORVP	Country & Regional Programs & Policy Complex
OSUS	Gender, Climate Change and Sustainable Development Unit
OSVP	Sector Operations Complex
PBA	Performance-Based Allocation
PCCF	Post-Conflict Countries Facility
PCGF	Partial Credit Guarantee Facility
PCR	Project Completion Report
PFM	Procurement and Financial Management
PHRDG	Policy and Human Resources Development Grant
PL	Professional Level
PMG	Performance Monitoring Group
PPP	Public-Private Partnership
Proparco	French Private Sector Development Bank
PRSP	Poverty Reduction Strategy Paper
PRST	President Unit within ADB
RAS	Regional Assistance Strategy
RASP	Regional Assistance Strategy Paper
RBM	Results-Based Management
RB-PRSP	Results-Based Poverty Reduction Strategy Paper
REC	Regional Economic Community
RMC	Regional Member Country
RMF	Results Measurement Framework
RRSF	Reference Regional Strategic Framework for Statistical Development in Africa
RWSSI	Rural Water Supply and Sanitation Initiative
SADC	Southern Africa Development Community
SCO	Staff Council

SDR	Standard Drawing Right
SFRD	Special Fund for Reconstruction and Development
SMEs	Small and Medium-Size Enterprises
SRF	Special Relief Fund
SRFIC	Strategic Resource Framework for Institutional Development
SWAps	Sector-Wide Approaches
TCF	Technical Cooperation Fund
TCFRP	Technical Cooperation Fund Reform Policy
TRA	Temporary Relocation Agency
UA	Unit of Account
UEMOA	West African Economic and Monetary Union (also WAEMU)
UN	United Nations
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United National Framework Convention on Climate Change
URBD	Units Reporting to the Board of Directors
VP/COO	Vice President/Chief Operating Officer Unit
WB	World Bank

The African Development Bank Group – Fast Facts

Constituent Institutions	The African Development Bank (ADB) The African Development Fund (ADF) The Nigeria Trust Fund (NTF)
Shareholders	53 African countries (regional member countries) 24 non-African countries (non-regional member countries)
Mission	To promote sustainable economic growth and reduce poverty in Africa
Authorized Capital at December 31, 2008	UA 21.87 billion
Subscribed Capital at December 31, 2008	UA 21.77 billion
Paid-up Capital at December 31, 2008	UA 2.36 billion
Approved Operations, 2008	133 operations totaling UA 3.53 billion, financed as follows: ADB: UA 1.81 billion ADF: UA 1.67 billion NTF: UA 28.2 million Special Funds*: UA 28.2 million
Of which:	
Loans	UA 2.60 billion (61 operations)
Grants	UA 566.2 million (41 operations)
of which Fragile States Facility Grant	UA 35.6 million (3 operations)
HIPC	UA 159.9 million (6 operations)
Guarantee	UA 24.9 million (3 operations)
Equity Participation	UA 145.5 million (11 operations)
Special Funds*	UA 28.2 million (11 operations)
Sector Approvals, 2008	**Infrastructure:** UA 1.41 billion (44.5 percent of total loans and grants) **Multisector:** UA 728.5 million (23.0 percent) **Finance:** UA 297.9 (9.4 percent) **Industry & Mining:** UA 274.3 million (8.7 percent) **Social:** UA 224.2 million (7.1 percent) **Agriculture and Rural Development:** UA 163.9 million (5.2 percent) **Environment:** UA 70.0 million (2.2 percent)
Total Cumulative Approvals, 1967–2008	3,276 loans and grants totaling UA 44.75 billion

* *These are the approvals for the operations of the African Water Facility and the Rural Water Supply and Sanitation Initiative.*

The African Development Bank Group

Comprises
The African Development Bank
The African Development Fund
The Nigeria Trust Fund

The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by (i) mobilizing and allocating resources for investment in RMCs; and (ii) providing policy advice and technical assistance to support development efforts.

The African Development Bank

The ADB is a multilateral development bank whose shareholders comprise 53 African countries (regional member countries – RMCs) and 24 non-African countries (non-regional member countries – non-RMCs). It was established in 1964 and officially began operations in 1967. It is headquartered in Abidjan, Côte d'Ivoire; however, because of political instability in Côte d'Ivoire, the ADB Governors' Consultative Committee (GCC), at a meeting in February 2003 in Accra, Ghana, decided to move the Bank to its current temporary location in Tunis, Tunisia.

The Bank Group's primary objective is to promote sustainable economic growth to reduce poverty in Africa. It achieves this objective by financing a broad range of development projects and programs through (i) public sector loans (including policy-based loans), private sector loans, and equity investments; (ii) technical assistance for institutional support projects and programs; (iii) public and private capital investment; (iv) assistance in coordinating RMC development policies and plans; and (v) grants of up to US$ 500,000 in emergency support. The Bank prioritizes national and multinational projects and programs that promote regional economic cooperation and integration.

The Agreement Establishing the African Development Bank (the Agreement) designates the Board of Governors as the institution's highest policy-making organ, with one representative from each member country. The Board of Governors issues general directives on the Bank's operations and approves amendments to the Agreement, the admission of new members, and increases to the Bank's capital. The ADB Board of Governors elects an 18-member Board of Directors to which it delegates its powers, with the exception of those expressly reserved to it in the Agreement. Twelve Directors are elected from RMCs and 6 from non-RMCs for a 3-year term, renewable for one term. The Board of Directors oversees all Bank operations.

The Boards of Governors elect the president of the Bank Group for a 5-year term, renewable for one term. The president, who must be from an RMC, chairs the Board of Directors, appoints vice-presidents – in consultation with the Boards – and manages the Bank's daily operations.

The ADB provides loans to its clients on non-concessional terms. In 1997, it introduced 3 new loan products to meet the needs of its clients: a single-currency variable-rate loan, a single-currency floating-rate loan, and a single-currency fixed rate loan. The interest rate for the single-currency variable-rate loan is based on the quarter's average cost of all outstanding Bank borrowings specifically allocated to fund these loans. The interest rate for the floating-rate loan is based on the 6 month LIBOR in the basket of currencies offered by the Bank. The rate for fixed-rate loans is based on the Bank's cost of borrowing to fund them. The repayment terms for Bank loans are as follows:

- Repayment period of up to 20 years, including a grace period not exceeding 5 years for public sector loans;
- Repayment period of up to 14 years, including a grace period not exceeding 4 years for publicly guaranteed lines of credit; and
- Repayment period of 5 to 20 years, including a grace period of 1 to 3 years for private sector loans.

The African Development Fund

The ADF, which comprises the ADB and State Participants, was created in 1973 and became operational in 1974. Its main objective is to reduce poverty in RMCs by providing low-income RMCs with concessional loans and grants for projects and programs, and with technical assistance for studies and capacity-building activities.

The Agreement Establishing the African Development Fund (ADF) designates the Board of Governors as the Fund's highest policy-making organ. The Board of Governors meets at least once a year. The ADF Board of Directors includes 6 Executive Directors from non-RMCs – nominated by their constituencies – and 6 Executive Directors representing the ADB; it oversees the general operations of the Fund.

The Fund's resources come from contributions and periodic replenishments by participants, usually on a 3-year basis. For ADF-XI (2008–2010), Deputies agreed to a replenishment of UA 5.76 billion, which represents a 52 percent increase over the ADF-X level. The replenishment level includes UA 3.70 billion of donor contributions and UA 2.06 billion of advance commitment capacity.

No interest is charged on ADF loans; however, the loans carry a service charge of 0.75 percent per annum on outstanding balances, and a commitment fee of 0.50 percent per annum on undisbursed commitments. Project loans have a 50-year repayment period, including a 10-year grace period. Lines of credit have a 20-year repayment period with a 5-year grace period. The Fund also provides grants to RMCs; these do not carry any interest charges.

The Nigeria Trust Fund

The NTF is a special ADB fund created in 1976 by agreement between the Bank Group and the Government of the Federal Republic of Nigeria. Its objective is to assist the development efforts of low-income RMCs whose economic and social conditions and prospects require concessional financing. The NTF became operational in April 1976 following approval of the Agreement Establishing the Nigeria Trust Fund by the Board of Governors. Its initial capital of US$ 80.0 million was replenished in 1981 with US$ 71.0 million.

Under the terms of the Agreement Establishing the NTF, the operations of the Fund were envisaged to come to an end 30 years after the Agreement came into force. Although the Bank and the Nigerian authorities agreed to 2 one-year extensions of the Agreement from its original expiry date of April 25, 2006, no new loans or grants have been approved from the NTF window since that date. In November 2006 an evaluation of activities of the Fund was commissioned and the exercise was completed in July 2007. On the basis of the evaluation exercise, findings and recommendations, and subsequent to the meetings held between the Bank and the Nigerian authorities in November 2007, the Agreement has been extended for a period of 10 years starting from April 26, 2008. Approvals from this window are expected to recommence in 2009.

The African Development Bank Group

TEMPORARY RELOCATION AGENCY
15, Avenue du Ghana
Angle des rues Pierre de Coubertin et Hedi Nouira
BP 323
1002 Tunis Belvédère
TUNISIA
Telephone: (216) 71 333 511
Fax: (216) 71 351 933

The Chairman
Boards of Governors
African Development Bank
African Development Fund

April 3, 2009

Dear Mr. Chairman:

In accordance with Article 32 of the Agreement Establishing the African Development Bank and Articles 8, 11, and 12 of the General Regulations made thereunder, and pursuant to Article 26 of the Agreement Establishing the African Development Fund and Articles 8, 11, and 12 of the General Regulations made thereunder, I have the honor, on behalf of the Boards of Directors of the Bank and of the Fund, to submit the audited financial statements of the two institutions for the financial year ended December 31, 2008, and the administrative budgets for the period commencing January 1, 2009, and ending December 31, 2009.

The joint report also contains a review of developments in the African economy and in the operational activities of the Bank Group during 2008.

Please accept, Mr. Chairman, the assurances of my highest consideration.

Donald Kaberuka
President
of the
African Development Bank Group
and
Chairman of the
Boards of Directors

The President and the Executive Directors

The Boards of Directors

at December 31, 2008

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Message from the President of the African Development Bank Group and Chairman of the Boards of Directors

I am pleased to submit this Annual Report for 2008 at a time of global uncertainties. The financial crisis has developed into a fully blown economic crisis that has affected all countries, including Africa. The full extent is still unfolding and its ramifications on the real economy have not yet fully occurred. The crisis fed into pre-existing vulnerabilities and the threat of a reversal of the economic and social progress hard-won over the last decade is real. But it does not have to be if we and the International Community do the right thing.

The Bank has responded to the crisis through a combination of operational and policy interventions. As an immediate step, the Bank established a working group to monitor the unfolding crisis and its impact on RMCs as well as on the Bank itself. The Bank also organized a meeting of African Ministers of Finance, Central Bank Governors and leaders of Regional Economic Communities in Tunis in November 2008 to reflect on the issues and chart the way forward. This was done in collaboration with the African Union (AU) and the United Nations Economic Commission for Africa (UNECA). A common framework of action was formulated, with the following broad objectives: to ensure the stability of our financial systems; to mobilize domestic revenues and strengthen domestic capital markets; and to secure African representation in the G20 process. A Committee of 10 Ministers and Governors was formed to keep these issues under constant review and make recommendations.

Despite these exogenous shocks that impacted the continent in 2008, the Bank Group remained focused on its operational strategic priorities and outlined a Medium-Term Strategy for 2008-2012. The Bank's strategy calls for increased selectivity, with greater quality and results on infrastructure, the private sector, governance, and higher education. The broad challenge will be one of remaining focused on medium term priorities while responding to a new much more complex economic landscape. In the area of financial management, despite the challenging market environment, I am glad to report that the Bank's prudent, proactive financial and risk management policies and practices continued to yield positive results, with all 3 windows broadly attaining a positive income in 2008. The Bank's AAA rating was reaffirmed by all major rating agencies for its senior debt, with a stable outlook. This reflects the strength of the institution, its sound capital adequacy, preferred creditor status, and solid shareholder support.

Finally, let me take this opportunity to extend our gratitude to the Government of Senegal for hosting the 2009 Annual Meetings of the Bank Group. Allow me also to express my thanks to our shareholders and partners for their continued support, to our Board of Directors and Management for skillfully steering the Bank throughout the year, and to our staff for their devotion to duty. I look forward to a successful year for all our countries and the Bank Group and commend this Report to you.

Donald Kaberuka
President of the African Development Bank Group
and Chairman of the Boards of Directors

Donald Kaberuka
President of the African Development Bank Group

Executive Summary

During 2008 the Bank Group continued to pursue its institutional reforms and to scale up the selectivity of its operations in order to enhance its development effectiveness. In this context, the Bank continued its decentralization exercise, with 23 field offices now operational and equipped with an enhanced ITC network and improved staff skills in the field. The 2 remaining offices (Algeria and Angola) are at an advanced stage of opening. Other internal reforms aimed at improving the alignment of budgetary resources with institutional priorities, streamlining corporate performance, and consolidating the Bank's reputation as the premier knowledge-bank for the continent. In line with the Medium-Term Bank Group Strategy 2008-2012, the Bank continued to focus its operations on supporting infrastructure, private sector development, good governance, and regional integration. These were supplemented by support in complementary areas of agriculture and rural development, social and human development. During 2008 the Bank continued to harmonize its cooperation with development partners to mobilize funding, build synergies, and leverage comparative advantages to better assist its RMCs.

Macroeconomic Context

Africa's economic performance remained positive in 2008 despite a global backdrop of volatility in oil and commodity prices, food shortages (due in part to drought and poor harvests), and the global financial crisis. The real GDP growth of the continent registered 5.7 percent for the year, down from 6.1 percent in 2007. The continent's GDP per capita in nominal terms increased to UA 1,055 in 2008 from UA 889.5 in 2007, largely due to rising oil prices up to the last quarter of 2008. Growth patterns were spread unevenly across the continent and inflation rose considerably over the year, from 7.5 percent in 2007 to 11.6 percent in 2008. Although the continent as a whole experienced improved terms of trade, current account and fiscal balances in 2008, 11 countries had current account deficits above 10 percent of GDP and 8 countries had debt service ratios above 20 percent, which are considered high.

Looking ahead, African economies face severe challenges arising from the global financial crisis. Global demand for commodities has decreased, driving down the price of African exports. Furthermore, the financial crisis has led to a slowdown in capital inflows into RMCs, reduced aid flows, and substantial outflows of short-term capital. In the last half of 2008, the value of stock declined substantially in all African stock markets except the Tunisian Stock Exchange. These factors led to significant currency depreciations in most RMCs, except for Angola and CFA zone countries. Export-oriented countries were hardest hit by the economic downturn, particularly those reliant on mining, tourism, and manufacturing.

In response to the crisis, in November 2008 the Bank organized, jointly with the African Union Commission (AUC) and the United Nations Economic Commission for Africa (UNECA), a high-level Conference of African Ministers of Finance and Central Bank Governors. The meeting was held in Tunis and provided a forum to discuss the specific challenges confronting the continent and possible solutions. At this meeting, the Bank proposed a number of innovative mechanisms, such as a Trade Finance Initiative (TFI) and an Emergency Liquidity Facility (ELF), to assist its RMCs, particularly in the area of resource mobilization and trade financing. The need for Africa to be better represented in the G20 meeting in London in 2009 was also discussed and a Committee of Ten, representing both Ministers and Governors, was established. The Bank is also considering various actions to accelerate support to ADF countries, including greater access to ADF resources, for the following areas: (i) budget support, (ii) long-term infrastructure financing and (iii) private sector development.

The Bank also acted swiftly to counter the impact of the food crisis, which affected Africa severely during 2008, with massive rises in food prices, particularly cereals. To address the problem, after due consultation with RMCs, MDBs, and international development organizations, the Bank established in 2008 the Africa Food Crisis Response (AFCR) initiative. This aims to reduce food poverty and malnutrition in the short term and to ensure sustainable food security in the long term. The Fund will focus on agricultural infrastructure, including water mobilization for irrigation, rural access roads, and increased provision of agricultural inputs. It is expected to provide financial assistance to RMCs for an approximate amount of UA 472.0 million in the short term and UA 1.4 billion in the medium to long term.

Bank Group Operational Activities

In 2008, Bank Group loan, grant, and other approvals totaled UA 3.53 billion, compared to UA 3.10 billion in 2007 – an increase of 13.9 percent. Of the total approvals, UA 3.17 billion was in the form of loans and grants, while UA 358.5 million was allocated to debt relief, assistance to fragile states, private sector equity participation, private guarantees, and special funds.

The ADB, the Bank's nonconcessionary window, accounted for UA 1.81 billion (51.2 percent) of total Bank Group approvals in 2008. The ADF, the concessionary window, accounted for UA 1.67 billion (47.2 percent), and the NTF accounted for UA 28.2 million (0.8 percent), comprising 2 approvals for HIPC debt relief. There were no loan approvals from the NTF in 2008, although these are expected to recommence in 2009. Special funds for water accounted for UA 28.2 million (0.8 percent) of total approvals.

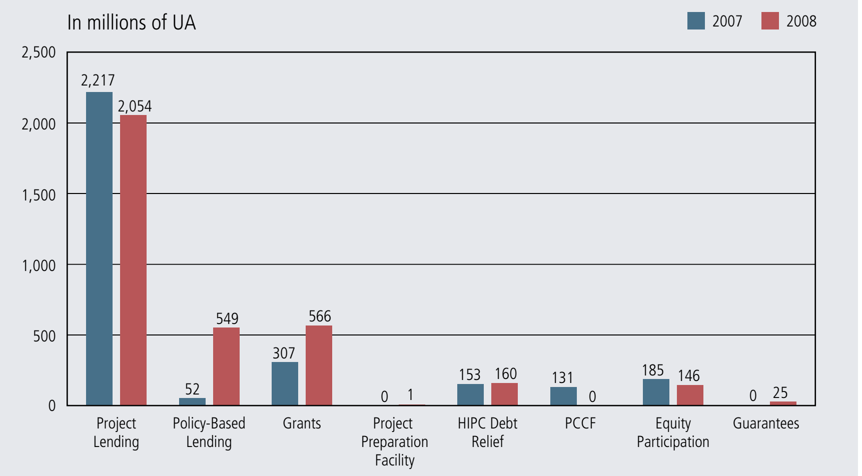
The 2 main financing instruments of the Bank Group are (i) project and policy-based loans and (ii) grants. Project lending (including private sector loans) stood at UA 2.05 billion in 2008, which was an 8 percent drop from the very high 2007 level of UA 2.22 billion. The decrease in project lending in 2008 is attributable to the fact that ADB lending through the private sector was exceptionally high in the previous year. The peak in 2007 ADB lending was largely due to the approval of 2 major infrastructure projects – UA 333.0 million to Eskom Holdings Expansion Project in South Africa and UA 222.4 million loan to the Abu Qir Power Project in Egypt. Despite the minor decline in 2008, project lending accounted for 58.2 percent of the total approvals in 2008. Policy-based lending, which totaled UA 51.8 million in 2007, rose more than tenfold to UA 549.4 million in 2008. This reflects the Bank's determination to strengthen the capacity of its RMCs in order to enhance their macroeconomic policies and reform their structural, institutional, and fiscal systems of governance, thereby creating a more conducive climate for investment and growth.

In respect of the sectoral distribution of loan and grant approvals for the Bank Group in 2008, the top 4 sectors to benefit were: infrastructure, multisector, finance, and industry. Approvals for infrastructure projects and programs remained at a high level of UA 1.41 billion (44.5 percent of total operations approvals). Among the components of infrastructure, the transportation subsector received the highest share, followed by power and then water supply and sanitation.

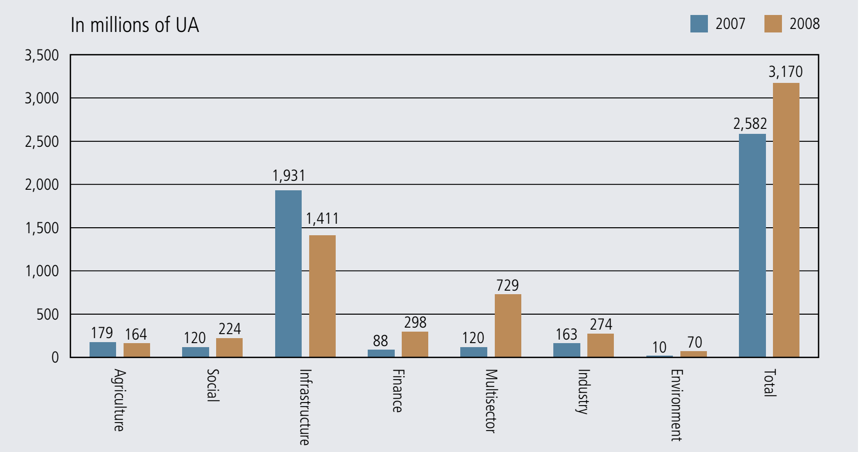
The share of multisector in total loans and grants increased from 3.6 percent in 2007 to 23.0 percent in 2008 – about a sevenfold rise. This reflects the Bank's promotion of good governance as a means of building RMCs' institutional capacity for sound and transparent fiscal management.

Infrastructure as an engine of socioeconomic growth is well recognized by both the Bank and by RMC governments. It creates a more conducive environment for commercial and private sector activities, and for investment. Regional infrastructure is being developed by the Bank and other DFIs through such initiatives as the African Financing Partnership, which was established in September 2008 in a drive to overcome trade barriers, create economies of scale, and boost export earnings and GDP. Approvals for multinational operations during the year amounted to UA 597.0 million, which is more than triple the 2007 level of UA 193.3 million.

Bank Group Approvals by Financing Instrument, 2007-2008



Bank Group Loan and Grant Approvals by Sector, 2007–2008



In 2008, Bank Group loan and grant approvals to all 5 subregions (including multinational) amounted to UA 3.17 billion. The subregional allocation was: North Africa, UA 819.9 million (25.9 percent); West Africa, UA 633.5 million (20.0 percent); East Africa, UA 569.9 million (18.0 percent); Southern Africa, UA 475.9 million (15.0 percent); and Central Africa, UA 74.0 million (2.3 percent) (see Annex II-7).

African Development Bank (ADB)

In 2008, approvals from the nonconcessionary window of the Bank Group increased by 8.4 percent to UA 1.81 billion, compared to the 2007 level of UA 1.67 billion. The composition of the interventions was: UA 1.51 billion for loans and UA 297.7 million for grants, HIPC debt relief, private sector equity participation, and private guarantees. The top 3 sectors to benefit from ADB loans and grants were infrastructure (44.9 percent), finance (19.6 percent), and industry, mining and quarrying (18.0 percent).

The private sector continued to attract the bulk of ADB approvals in 2008. Private sector operations stood at UA 901.2 million in 2008, representing 49.9 percent of ADB approvals and 25.5 percent of Bank Group total approvals. The substantial amount approved for private sector activities indicates the Bank's continued focus and selectivity on key drivers to accelerate poverty reduction. Most of the private sector projects (50.0 percent) went to support financial intermediation, such as the equity participations in Access Bank of Liberia and Advans Bank of the DRC, to deepen the financial markets in these fragile states. Similarly a number of LOCs were targeted at supporting lending to small and medium-sized enterprises (e.g. loans to PTA Bank (multinational); GroFin Africa Fund (multinational); Zanaco Bank in Zambia; CRDB Bank in Tanzania). These banks will then onlend to micro entrepreneurs, many of whom are women and who find it difficult to access credit, and to small and medium-size enterprises (SMEs). Lines of Credit were also extended to the West African Development Bank (BOAD) and to PTA Bank for East and Southern Africa respectively.

The next largest recipient of private sector approvals in 2008 was industry (31.0 percent). An example is the Derba Midroc Cement Plant in Ethiopia. This was followed by approvals for infrastructure (14 percent), particularly in the power, transportation, and water subsectors. Operations such as the Doraleh Container Terminal Project in Djibouti aim not only to spur sustainable economic growth in the country but also to support regional integration through improved transportation linkages.

Disbursements on ADB loans decreased by 17.8 percent, from UA 884.8 million in 2007 to UA 727.5 million in 2008. Cumulative disbursements (including nonsovereign loans) amounted to UA 17.62 billion. At December 31, 2008, 768 loans were fully disbursed for a total amount of UA 16.79 billion, representing 95.3 percent of cumulative ADB disbursements. The decrease in the level of ADB disbursements in 2008 can be attributed to the fact that ADB public sector disbursements in 2007 were exceptionally high. This was due to a UA 338.0 million (US$ 500.0 million) loan to Egypt, which was disbursed in a single tranche.

African Development Fund (ADF)

Under this concessionary window, in 2008 ADF approvals (loans, grants, and assistance for debt and debt service reduction) amounted to UA 1.67 billion. This represented an increase of 21.0 percent over the 2007 level of UA 1.38 billion. With respect to ADF loan and grant approvals only, they increased by 51.4 percent from UA 1.09 billion in 2007 to UA 1.65 billion in 2008. The 2 main beneficiary sectors of these resources were infrastructure (UA 728.3 million or 44.2 percent of total) and multisector (UA 644.0 million or 39.1 percent of total). This aligns with the Bank's operational strategy of focusing on infrastructure and governance as high-impact areas of intervention.

Project and policy-based loans approved by the Fund amounted to UA 1.09 billion of all resources committed to operations; a rise of 39 percent from the 2007 level of UA 787.1 million. Grants increased to UA 552.6 million in 2008, compared with UA 304.6 million in 2007; a rise of 81.4 percent. Other approvals totaling UA 19.0 million were for debt and debt service reduction and 2 project preparation facility interventions.

The disbursement of loans and grants on Fund operations increased by 55.2 percent over the 12-month period, from UA 725.0 million in 2007 to UA 1.125 billion in 2008. Cumulative disbursements as at December 31, 2008 stood at UA 11.88 billion. A total of 1,504 loans and grants were fully disbursed for an amount of UA 9.54 billion, representing 80.3 percent of cumulative disbursements since the Fund became operational.

The Nigeria Trust Fund (NTF)

The NTF was established in 1976 at the initiative of the Federal Republic of Nigeria, for an initial period of 30 years. Following the positive review and recommendation for continuation by the independent evaluators, the Federal Republic of Nigeria and the Bank agreed to a 10-year extension of NTF commencing on April 25, 2008. The extension was approved by the Board of Governors of the Bank on May 15, 2008, during the Annual Meetings in Maputo, Mozambique. The Boards of Directors subsequently approved the NTF Operational Guidelines in December 2008.

While NTF resources are primarily intended to support public sector operations in the lower-income countries, a long-term target of an 80:20 percent share between the public and private sector projects will be maintained. There were no new loan and grant approvals in 2008, however the NTF lending program is scheduled to recommence in 2009. Cumulative disbursements (1976–2008) amounted to UA 213.2 million. In sum, 59 loans were fully disbursed for a total amount of UA 196.2 million, representing 92.0 percent of NTF cumulative disbursements.

Institutional Reforms and Development Effectiveness

The Bank continued to make good progress in advancing its institutional reforms to scale up the effectiveness of the institution and the development impact of its operations. The 4 key areas of reform were: (i) Human Resources (HR) management; (ii) operational business processes; (iii) decentralization and operationalization of its field offices (FOs); and (iv) budget reforms.

- *Human Resources* has seen an accelerated recruitment and redeployment drive to operations and the field offices. A second new focus of HR strategy relates to the Compensation and Benefits Framework for 2008–2012, which creates a stronger linkage between individual staff performance and reward.
- *The operational business process reforms* have led to the formulation of detailed operational procedures covering policies, programming, and resource utilization. This has resulted in improved quality standards, strategic alignment, coordination and accountability, improved delegation of authority to FOs, and to procurement reforms.
- *The decentralization exercise* has accelerated with 23 FOs now operational – only 2 offices (Angola and Algeria) remain to be opened, and Host Country Agreements for these have been signed. The decentralization process has led to a streamlining of business processes with TRA/HQ and a better skills mix in the field. Greater Bank presence at the country level has enhanced dialogue with RMCs, and has improved project preparation and supervision, thereby scaling up portfolio quality and development impact.
- *Budgetary reforms* have given managers more direct access to resources and greater flexibility in their use. The new budget framework helps to ensure that resource allocations are in line with the Medium Term Strategy (2008-2012). It also reinforces Management's accountability for delivery and results, by linking program deliverables to Key Performance Indicators (KPIs).

In a further effort to scale up its corporate performance, in 2008 the Bank approved the establishment of the Quality Assurance and Results Department (ORQR) to coordinate the implementation of the results-based agenda in Bank operations, strategies, and reporting systems. A new position of Chief Operating Officer (COO) was also created to improve corporate services delivery. Furthermore, the Bank established the Strategy and Budget Department (COBS), the Fragile States Unit, the Sustainable Development, Gender & Climate Change Unit. It also approved the proposal on "Enhancing Corporate Services Delivery."

Knowledge Management and Development

During the year under review, the Bank continued its activities in the area of knowledge management and development, which the Medium-Term Strategy identified as a key complement to its lending activities. To this end, the Bank approved the Knowledge Management and Development Strategy (KMDS) during the year, with the objective of: (i) generating knowledge to enhance development effectiveness; (ii) leveraging knowledge through partnerships; (iii) improving knowledge dissemination and sharing; and (iv) enhancing the application of knowledge. The overarching goal of the Bank's knowledge strategy is to consolidate its role as a premier knowledge institution for Africa, and a leading change agent for sustainable socioeconomic development in its RMCs. It also seeks to establish the Bank as the preeminent voice on pressing development issues affecting the continent.

A number of training and statistical capacity building activities, including workshops and seminars, were held at the TRA and in RMCs during the year, and a total of 883 officials from RMCs attended these activities. The Bank Group's Joint Africa Institute (JAI) and African Development Institute (ADI) conducted complementary seminars, workshops, and symposia. The Eminent Speakers' Program welcomed 2 distinguished personalities from the fields of finance and African development. Mr. James Wolfensohn, former President of the World Bank, spoke on the theme "Africa in a Global World: Partnerships for Success" and His Excellency Mr. Festus Mogae, former President of Botswana, gave a talk on "Extractive Industries and Africa's Development: Lessons from Botswana."

The Bank also extended its support to strengthen statistical capacity and systems in RMCs, specifically by helping countries to implement the Regional Reference Strategic Framework (RRSF) for Statistical Development in Africa and in designing effective National Statistical Development Strategies (NSDS).

Support to Middle-Income Countries

The Bank Group tailors its financing instruments and products to suit the differing needs of its RMCs; depending on their level of development, capacities, and expectations. Middle-income countries have made progress and attained higher per capita incomes than many other RMCs; however they still require additional support to grow their economies and increase their global competitiveness.

In 2008, the Bank approved a *Strategic Framework for Enhancing Bank Group Support to Middle-Income Countries.* This aims to position the Bank as the preferred partner of MICs, based on a comprehensive financial package designed to enhance service delivery, keep its products competitively priced, and with the added value of providing advisory services. In this way, the Bank seeks to support its MICs to develop into regional hubs of economic growth.

During the year 2008, the Bank Group approved loans for MICs (excluding multinational projects) totaling UA 1.10 billion from the ADB window. The 3 main beneficiary sectors were infrastructure (46.0 percent), finance (27.2 percent), and social (17.7 percent). This reflects the strong demand from MICs for funding in the areas of infrastructure and financial sector development. Most of the resources for MICs in 2008 (72.2 percent) went to the North Africa subregion.

Support to Fragile States

Fragile states (including post-crisis/transitional countries) have their own special requirements in terms of support. They need to be assisted to move toward more stable political and economic development and to re-engage fully with the international community. During the year, the Bank approved 2 documents relating to fragile states: (i) *the Bank Group Strategy for Enhanced Engagement in Fragile States* and (ii) *Operational Guidelines of the Fragile States Facility*. The new strategy differentiates the Bank Group's support to 9 post-conflict/transitional countries from the support provided to other categories of fragile states. Post-conflict states need special attention and dedicated resources to rebuild core institutions and rehabilitate vital services and basic infrastructure. Total funding from the Fragile States Facility (FSF) in 2008 amounted to UA 35.6 million, allocated thus: Burundi (UA 12.0 million), Togo (UA 14.6 million), and Liberia (UA 9.0 million).

The 2009 Administrative Expenses and Capital Expenditure Budgets

In December 2008, the ADB Board of Directors approved an Administrative Expenses Budget of UA 253.1 million, a Capital Expenditure Budget of UA 18.5 million, and a contingency budget of UA 2.5 million for 2009. The ADF Board of Directors approved an indicative Administrative Budget of UA 180.3 million for the Fund for the financial year ending December 31, 2009.

Net Income Allocation

The 2008 financial statements of the Bank Group highlight the robustness of the Bank's financial position, as manifest from the combined net income before distribution of UA 315.3 million and an allocable income of UA 275.3 million.

Credit Ratings

The ratings agencies, Standard & Poor's, Moody's, Fitch Ratings, and the Japan Credit Rating Agency reaffirmed their AAA and AA+ rating of the African Development Bank's senior and subordinated debt respectively, with a stable outlook. Their rating reflects the Bank's strong membership support, its preferred creditor status, sound capital adequacy, and prudent financial management and policies.

Borrowings

In December 2007, the Bank approved a borrowing program for 2008 of up to UA 1.63 billion, including a UA 427.0 million component for the Enhanced Private Sector Assistance for Africa (EPSA) initiative. The Bank raised UA 1.10 billion at a weighted average cost of 6-month US Dollar LIBOR minus 25 basis points in the capital markets. In addition, UA 189.0 million was raised in 2008 under the EPSA initiative.

Furthermore, the Bank issued 4 transactions in public markets during the year – one each in the US$ global bond market and the domestic markets of Canada, New Zealand and South Africa. These were supplemented by offerings in the private placement and uridashi markets, and one transaction that was linked to Ugandan Shillings.

Table 0.1: Summary of Bank Group Operations, Resources and Finance, 1999-2008
(UA millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Cumulative Total[a]
OPERATIONS											
Bank Group Approvals[b]											
Number	93	144	134	118	145	124	102	137	100	133	**3,481**
Amount	1,291.71	1,984.02	2,372.27	2,038.95	1,766.31	2,786.70	2,293.63	2,596.88	3,097.64	3,528.73	**50,064.48**
of which HIPC	91.85	648.13	611.22	451.52	1.85	1,009.13	508.68	257.49	153.17	159.87	**3,914.65**
Disbursements	904.56	707.98	860.47	1,048.14	1,022.83	1,315.54	1,289.81	1,239.03	1,615.68	1,860.91	**28,976.21**
ADB Approvals[b]											
Number	23	38	26	31	28	23	34	38	29	58	**1,116**
Amount	794.29	843.24	986.66	1,068.06	745.84	1,519.54	868.73	1,045.37	1,670.06	1,807.01	**27,822.87**
of which HIPC	20.77	173.91	174.93	187.98		707.77	75.99	102.21	-	113.75	**1,579.05**
Disbursements	527.98	420.58	488.33	499.77	652.32	630.23	595.35	548.44	884.75	727.53	**16,849.46**
ADF Approvals[b]											
Number	70	103	107	84	112	99	65	84	54	62	**2,245**
Amount	497.41	1,130.10	1,380.51	960.74	997.96	1,257.91	1,421.71	1,544.57	1,381.75	1,665.34	**21,824.52**
of which HIPC	71.08	474.22	436.29	263.34	1.85	301.37	429.49	155.28	153.17	17.95	**2,304.05**
Disbursements	369.09	281.05	369.14	545.02	368.07	680.50	691.06	685.16	725.00	1,124.92	**11,909.58**
NTF Approvals											
Number	-	3	1	3	5	2	3	-	-	2	**77**
Amount	-	10.68	5.10	10.14	22.51	9.25	3.19	-	-	28.16	**336.10**
of which HIPC	-	-	-	0.26	-	-	3.19	-	-	28.16	**31.55**
Disbursements	7.49	6.35	2.99	3.35	2.44	4.81	3.39	5.43	5.94	8.45	**217.17**
Special Funds Approvals[c]											
Number	-	-	-	-	-	-	-	15	17	11	**43**
Amount	-	-	-	-	-	-	-	6.94	45.83	28.21	**80.98**
RESOURCES AND FINANCE (at year's end)											
ADB											
Authorized Capital	21,870.00	21,870.00	21,889.34	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	
Subscribed Capital[d]	16,759.51	20,547.91	21,510.01	21,509.88	21,563.71	21,597.90	21,717.67	21,794.00	21,693.16	21,765.14	
Paid-up Portion[d]	*1,978.18*	*2,016.83*	*2,097.66*	*2,134.36*	*2,180.94*	*2,223.26*	*2,269.06*	*2,357.78*	*2,351.53*	*2,356.01*	
Callable Portion	*14,781.34*	*18,531.08*	*19,412.35*	*19,375.52*	*19,382.77*	*19,374.63*	*19,367.00*	*19,436.76*	*19,341.63*	*19,409.14*	
Borrowing (gross)	5,429.08	5,538.01	5,397.94	4,617.29	6,058.95	6,057.52	6,560.11	6,088.75	6,803.17	7,160.81	
Outstanding Debt[e]	5,195.96	5,384.06	5,215.89	4,455.04	5,778.39	5,638.89	5,940.40	5,870.47	6,198.87	6,707.28	
Cumulative Exchange Adjustment on Subscriptions[f]	(121.93)	(126.84)	(129.73)	(141.99)	(145.33)	(147.20)	(151.76)	(155.74)	(160.08)	(161.03)	
Reserves[g]	1,436.76	1,534.55	1,716.90	1,464.63	1,507.50	1,486.44	2,266.39	2,305.48	2,531.80	2,475.47	
Cumulative Currency Translation Adjustment	(420.58)	(420.77)	(449.53)	(454.84)	(451.71)	(467.97)	-	-	-	-	
Gross Income	530.57	527.69	569.64	488.83	425.22	446.67	479.61	542.85	578.62	564.45	
Net Income[h]	123.53	116.79	125.46	188.85	178.33	143.53	221.32	194.03	323.67	304.66	
ADF											
Subscriptions[i]	9,357.60	10,236.35	10,924.42	11,421.12	11,989.14	12,654.44	13,261.76	14,314.51	15,218.76	16,566.02	
Other Resources[j]	(622.20)	(649.02)	(776.68)	(617.48)	(540.57)	(571.34)	(476.02)	(776.38)	(703.50)	(656.59)	
NTF											
Resources (gross)[g]	354.52	395.19	425.42	399.78	375.46	366.93	409.08	286.12	273.47	286.78	

Sources:
ADB Statistics Department for data on operations; ADB Financial Control Department for data on Resources and Finance.

Notes:
a The cumulative figures go back to the initial operations of the three institutions (1967 for ADB, 1974 for ADF and 1976 for NTF).
b Approvals include loans and grants, private and public equity investments, emergency operations, HIPC debt relief, loan reallocations and guarantee, Post Conflict Country Facility.
c These are approvals on the operations of the African Water Fund and Rural Water Supply and Sanitation Initiative.
d Subscribed capital and paid up capital for 2005 were restated to exclude shares to be issued upon payment of future installments.
e Outstanding debt for 2004 was restated for fair value option.
f CEAS were restated in 2001 for prior years to adjust for translation gains and losses on subscriptions.
g Reserves for 2004 were restated following the application of revisions to IFRS.
h For the years 2001 to 2003 net income excluded net gains/losses on non-trading derivatives (IAS 39 adjustments). Also, for the years from 2005, net income excluded income distributions approved by Board of Governors.
i Subscriptions (including MDRI contributions) = amounts paid on such subscriptions and MDRI contributions.
j Other Resources = Accumulated Reserves/Loss + Net Income/Loss for the year + Miscellaneous items including MDRI write offs, etc.

The conversion rates are those for December 31 of each year.
The conversion rates of the ADB, ADF and NTF Unit of Account (UA) to US Dollar for various years are as follows:

1999	*1 UA = 1.37095 US dollars*	*2004*	*1 UA = 1.55301 US dollars*
2000	*1 UA = 1.30291 US dollars*	*2005*	*1 UA = 1.42927 US dollars*
2001	*1 UA = 1.25562 US dollars*	*2006*	*1 UA = 1.50440 US dollars*
2002	*1 UA = 1.35952 US dollars*	*2007*	*1 UA = 1.58025 US dollars*
2003	*1 UA = 1.48597 US dollars*	*2008*	*1 UA = 1.54027 US dollars*

Percentages in the charts and tables of the Report may not add up to 100 due to rounding.

Table 0.2: Summary of Bank Group Approvals, 2008
(UA millions)

BANK GROUP APPROVALS BY SECTOR, 2008

Sector	ADB Number	ADB Amount	ADF Number	ADF Amount	NTF Number	NTF Amount	Bank Group Number	Bank Group Amount
Agriculture and Rural Development	7	70.80	8	93.05	-	-	15	163.85
Social	9	112.21	5	112.00	-	-	14	224.21
Education	*2*	*36.11*	*3*	*83.00*	-	-	*5*	*119.11*
Health	*2*	*74.55*	*1*	*15.00*	-	-	*3*	*89.55*
Other	*5*	*1.54*	*1*	*14.00*	-	-	*6*	*15.54*
Infrastructure	8	683.14	23	728.31			31	1,411.46
Water Supply and Sanitation	*2*	*84.44*	*7*	*152.40*	-	-	*9*	*236.84*
Power Supply	*3*	*328.48*	*8*	*205.01*	-	-	*11*	*533.49*
Communication	-	-	-	-	-	-	-	-
Transport	*3*	*270.22*	*8*	*370.90*	-	-	*11*	*641.12*
Finance	9	297.88	-	-	-	-	9	297.88
Multisector	5	84.50	21	644.03	-	-	26	728.53
Industry, mining and quarrying	4	274.31	-	-	-	-	4	274.31
Urban Development	-	-	-	-	-	-	-	-
Environment	-	-	3	70.00	-	-	3	70.00
A. Total Loans and Grants	**42**	**1,522.85**	**60**	**1,647.39**	**-**	**-**	**102**	**3,170.24**
B. Other Approvals	**16**	**284.16**	**2**	**17.95**	**2**	**28.16**	**31**	**358.49**
HIPC Debt Relief	2	113.75	2	17.95	2	28.16	6	159.87
Post Conflict Country Facility	-	-	-	-			-	-
Equity Participation	11	145.51	-	-	-	-	11	145.51
Guarantees	3	24.89	-	-	-	-	3	24.89
Loan Reallocation	-	-	-	-	-	-	-	-
Special Funds*	-	-	-	-	-	-	11	28.21
TOTAL APPROVALS	58	1,807.01	62	1,665.34	2	28.16	133	3,528.73

BANK GROUP APPROVALS BY FINANCING INSTRUMENT, 2008

Financing Instrument	ADB Number	ADB Amount	ADF Number	ADF Amount	NTF Number	NTF Amount	Bank Group Number	Bank Group Amount
Project Lending	**25**	**1,372.90**	**22**	**680.74**	**-**	**-**	**47**	**2,053.65**
Public and Publicly -Guaranteed:	*7*	*642.10*	*22*	*680.74*	-	-	*29*	*1,322.85*
Project Loans	6	627.42	22	680.74	-	-	28	1,308.17
Sector Investment and Rehabilitation	1	14.68	-	-	-	-	1	14.68
Lines of Credit	-	-	-	-	-	-	-	-
Private Non-Publicly Guaranteed:	*18*	*730.80*	-	-	-	-	*18*	*730.80*
Project Loans	9	432.91	-	-	-	-	9	432.91
Lines of Credit	9	297.88	-	-	-	-	9	297.88
Policy-Based Lending	**3**	**136.38**	**9**	**413.00**	**-**	**-**	**12**	**549.38**
Sector Adjustment	2	123.03	-	-	-	-	2	123.03
Structural Adjustment	1	13.35	5	215.00	-	-	6	228.35
Budget Support	-	-	4	198.00	-	-	4	198.00
Grants	**14**	**13.57**	**27**	**552.62**	**-**	**-**	**41**	**566.19**
Technical Assistance	*1*	*0.60*	*6*	*44.65*	-	-	*7*	*45.25*
Project Cycle Activities	-	-	3	15.51	-	-	3	15.51
of which Private Sector	-	-	-	-	-	-	-	-
Institutional Support	-	-	3	29.14	-	-	3	29.14
Middle Income Countries Grant	1	0.60	-	-	-	-	1	0.60
Project Grant	-	-	*14*	*424.35*	-	-	*14*	*424.35*
Structural Adjustment Grant	-	-	*4*	*48.05*	-	-	*4*	*48.05*
Budget Support Grant	-	-	-	-	-	-	-	-
African Food Crisis Response Grant	*5*	*10.50*	-	-	-	-	*5*	*10.50*
Fragile States Facility Grant	-	-	*3*	*35.57*	-	-	*3*	*35.57*
Special Relief Fund	*8*	*2.47*	-	-	-	-	*8*	*2.47*
Emergency Assistance	8	2.47	-	-	-	-	8	2.47
Emergency Postconflict	-	-	-	-	-	-	-	-
Special Debt Relief Grant	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Project Preparation Facility	**-**	**-**	**2**	**1.03**	**-**	**-**	**2**	**1.03**
Debt and Debt Service Reduction	**2**	**113.75**	**2**	**17.95**	**2**	**28.16**	**6**	**159.87**
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	2	113.75	2	17.95	2	28.16	6	159.87
Post Conflict Country Facility	-	-	-	-	-	-	-	-
Equity Participation	**11**	**145.51**	**-**	**-**	**-**	**-**	**11**	**145.51**
Public Equity	-	-	-	-	-	-	-	-
Private Equity	11	145.51	-	-	-	-	11	145.51
Guarantees	**3**	**24.89**	**-**	**-**	**-**	**-**	**3**	**24.89**
Public Guarantees	-	-	-	-	-	-	-	-
Private Guarantees	3	24.89	-	-	-	-	3	24.89
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Special Funds	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**28.21**
TOTAL APPROVALS	58	1,807.01	62	1,665.34	2	28.16	133	3,528.73

Source : ADB Statistics Department, Economic and Social Statistics Division.

Note:

* *These are approvals on the operations of the African Water Fund, Rural Water Supply and Sanitation Initiative and lately a DFID Fund.*

Figure 0.1: Bank Group Loan and Grant Approvals and Disbursements, 1999–2008 (UA millions)

Figure 0.2: Cumulative Bank Group Loan and Grant Approvals by Institution, 1967–2008

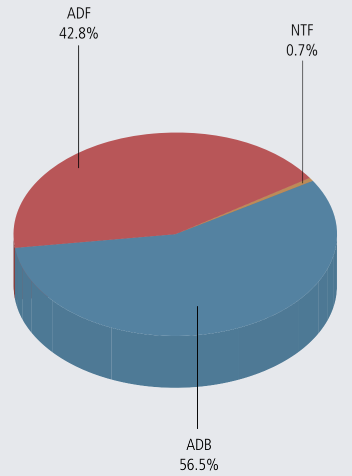


Figure 0.3: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967–2008

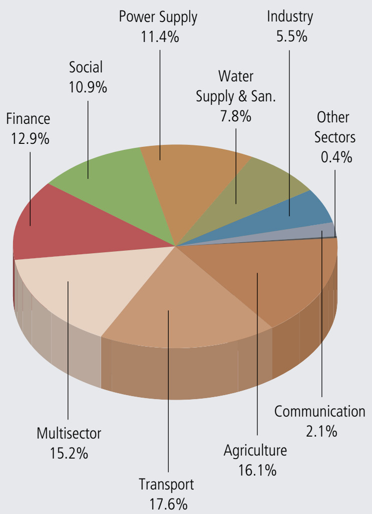


Figure 0.4: ADB Net Income, 1999–2008* (UA millions)

* *For the years 2001 to 2003 net income excluded net gains/losses on non-trading derivatives (IAS 39 adjustments). Also for the years from 2005, net income excluded income distributions approved by the Board of Governors.*

Bank Group Sector Definitions

Sector	Type of Project
Agriculture and Rural Development	Food crops, cash crops, livestock, fisheries, agro-industry, forestry, irrigation and drainage.
Transportation*	Road, air, water, and rail transportation, pipe transportation, and feeder roads.
Communications*	Telephone, radio, telegram, postal, information technology, cable and satellite services.
Water Supply and Sanitation*	Production, treatment and distribution of potable water, and development of sewerage systems.
Power Supply*	Production and distribution of electricity, gas, solar, coal, petroleum, and other renewable energy sources.
Industry, Mining, and Quarrying	Manufacturing, tourism, mining, quarrying, and small- and medium-size industrial enterprises.
Finance	Development banking, commercial banking, non-bank financial intermediation, and microfinance.
Social	Education, health, population, gender equity, stand-alone poverty alleviation projects.
Environment	Stand-alone projects that address environmental conservation and management issues such as reforestation to curb soil erosion, clean-up of water bodies, treatment and disposal of waste material.
Multisector	Public sector management, including structural adjustment programs and debt relief operations, private sector development, good governance and anticorruption programs, industrial import facilitation, export promotion, institutional support.
Urban Development	Projects related to strategic urban planning activities.

* *Infrastructure Development: Transportation, communications, water supply and sanitation, and power supply*

Part 1

Bank Group Activities in Support of Development Effectiveness and Results

001
Chapter one

Activities of the Boards

The Board of Governors is the institution's highest policy-making organ, comprising one representative from each member country. The Board of Governors issues general directives and elects an 18-member Board of Directors, to which it delegates most of its powers. The Board of Governors also elects the President of the Bank Group. The Board of Directors sets policies and guidelines and oversees all Bank operations in addition to financial and administrative matters. This chapter outlines the Boards' activities during 2008, with particular emphasis on the 2008 Annual Meetings held in Maputo, Mozambique.

Boards of Governors

2008 Annual Meetings

The Annual Meetings of the Boards of Governors of the African Development Bank Group (AfDB) were held in Maputo, Mozambique on May 14 and 15, 2008. During the meetings, Governors approved the 2007 Annual Report and audited financial statements for the financial year ending December 31, 2007. In addition, they passed several resolutions concerning the activities of the Bank Group.

Annual Meetings Seminars

The Annual Meetings were preceded by Ministerial Roundtable discussions and high-level seminars which gave participants the opportunity to exchange views and experiences on the most pressing concerns affecting the economic and social development of Africa. More specifically, the seminars provided a platform for discussing Africa's rapid urbanization. The events were attended by about 1,500 participants, including governors, alternate governors and delegates, members of the Boards of Directors, development partners, civil society, and observers.

The themes for the high-level seminars focused on: (i) "Cities as Growth Poles: Implications for Rural Development"; (ii) "Financing Urban Development"; (iii) "Decentralization and Governance"; and (iv) "Upgrading Informal Settlements in African Cities." The plenary session of the Ministerial Roundtable discussion was on the theme "Fostering Shared Growth, Urbanization, Inequality and Poverty in Africa." The session was jointly chaired by Dr. Donald Kaberuka, President of the African Development Bank Group, and Dr. Abdoulie Janneh, Executive Secretary of UNECA. The keynote address was delivered by Her Excellency Mme Luisa Diogo, Prime Minister of the Republic of Mozambique. Subsequent Ministerial Roundtable discussions were on "Aid Effectiveness" as part of Africa's regional preparatory events for the Accra High Level Forum on Aid and Effectiveness, and on "Strategies to Mitigate the Regional Effects of Fragility and Conflict Situations."

Boards of Governors' Meeting

In his opening address, Mr. Eneas Comiche, Mayor of Maputo, welcomed the delegations to this historic city. He stated that the Annual Meetings in Maputo came at an opportune moment, coinciding with the commencement of the urban development program, aimed at improving living conditions in the capital and strengthening its reputation as a city of vision.

His Excellency Mr. Aiuba Cuereneia, Chairperson of the Boards of Governors and Governor for Mozambique, also welcomed his colleagues, delegates, and other participants to the Annual Meetings. He acknowledged the presence of the former President of Mozambique, His Excellency Mr. Joaquim Chissano; His Excellency Mr. Denis Sassou-Nguesso, President of the Republic of Congo; and His Excellency Mr. Armando Emilio Guebuza, President of the Republic of Mozambique. He similarly welcomed the participation of former Presidents of the African Development Bank in the Annual Meetings, indicating that the presence of these dignitaries was a source of inspiration and encouragement for the Bank's Management and a mark of confidence in the institution.

In his opening statement, His Excellency Armando Guebuza, President of the Republic of Mozambique, stressed the importance of massive public investment for the development of African countries. He underscored his own Government's support for the Bank Group's strategic focus on infrastructure, education, health, and the empowerment of the rural population. President Guebuza welcomed the positive impact of the Bank Group-financed operations on the development efforts of his country and appealed to the international community to step up their assistance to the African countries to attain the Millennium Development Goals (MDGs). President Guebuza declared the meeting open and wished Governors success in their deliberations.

In his opening address, Dr. Donald Kaberuka, President of the Bank Group, expressed his gratitude to the Government and people of Mozambique for hosting the Annual Meetings. He stated that the Bank was greatly honored by the attendance of the President of the Republic of Mozambique and the President of the Republic of Congo. He also acknowledged former Bank Group Presidents who were at the meeting. Furthermore, the Bank Group President gave a very warm welcome to the delegation of the Republic of Turkey, which will be a new member of the Bank Group.

He further thanked the Tunisian people and Government, who continue to offer the Bank their generous hospitality. In the same spirit, he extended the Bank's best wishes to the people of Côte d'Ivoire, the Bank's host country, as they move ahead in returning the country to normalcy, national reconciliation, and lasting stability.

The President expressed his appreciation to the distinguished members of the High Level Panel, particularly the co-chairs, former Mozambican President Chissano and former Canadian Prime Minister Paul Martin, for their Report *Investing in Africa's Future – The AfDB in the 21st Century*, which attests to Africa's need for a strong development bank that can serve as more than an aid conduit. He noted that the AfDB will have to "earn" that position by demonstrating that its resources are being optimally deployed, within a strong fiduciary framework, for maximum impact in its RMCs.

Dr. Kaberuka stated that 2007 had been a very good year for the Bank Group. Despite turbulence in the financial markets, the financial fundamentals of the institution remain very robust. The Bank is also making headway in becoming more selective and results oriented, while continuing to reform its operational, business, and budget processes to ensure greater accountability, quality, and responsiveness.

In respect to its staffing profile, the President highlighted the Bank's new HR Strategy and performance evaluation system. Other notable achievements during the year in this area included the Bank's first comprehensive staff survey and accelerated recruitment drive. The decentralization exercise also accelerated with offices operational in 23 RMCs.

The "Strategic Review of the Bank's Capital Utilization" was completed in 2008 by two external institutions. The findings confirm that the Bank has significant unused risk capital. With respect to the ADF-XI, President Kaberuka commended the Fund donors for a generous and record increase, which has massively boosted the Fund's capability.

The expansion in 2007 of Bank Group private sector operations, investment in middle-income countries (MICs), regional integration operations, and infrastructural development (which almost doubled from UA 0.57 billion in 2006 to UA 1.04 billion in 2007), attested to the Bank Group's determination to focus on areas that will stimulate economic growth for its RMCs.

On the global food crisis, which is particularly impacting Africa, the President said the response should be at 3 levels: (i) to provide emergency support to the people and countries most at risk; (ii) to deal with macroeconomic stress; and (iii) to tackle the longer-term issues of food security, in which MDBs and governments should play a major role. There should also be greater private investment in sectors that impact on food production, distribution, and marketing.

Looking ahead, Dr. Kaberuka said that the Bank's Medium Term Strategy 2008–2012 spelled out a sustained growth strategy for RMCs. He assured member countries that they can count on the Bank Group as a reliable partner, given its solid financial base coupled with its determination to become more selective in its operations. He warned that 2008 will test Africa's ability to manage existing risks and overcome new threats. The food and energy crises, the accelerating impact of climate change, and the global financial downturn all present additional challenges to sustainable socioeconomic growth.

Finally, the President stated that the Bank is building its internal capacity to tackle the problem of climate change, particularly its damaging effect on the agricultural sector. In this endeavor, the Bank is harmonizing its activities with partner institutions.

Governors' Statements

The Governors expressed their appreciation to the Government and people of the Republic of Mozambique for their hospitality and warm welcome. They acknowledged that the 2008 Annual Meetings were being held amidst rising oil and food prices, which was creating tensions in the economies of African countries. They highlighted the need for urgent mobilization of external financial resources and for the international community to coordinate its support at this crucial time.

The Governors welcomed the Bank's determination to address the situation. They pointed out that 2008 marked a halfway point in the timeline set for achievement of the MDGs; yet much needed to be done to meet these targets. In this regard, the Governors highlighted the focal areas that need to be tackled, including:

- heightened selectivity in Bank Group operations by focusing on infrastructure, regional integration, and good governance;
- continued focus on the social sector (health, education), agriculture, and gender issues;
- increased attention to climate change with an emphasis on combating deforestation through the development of clean energies;
- priority budgetary support to countries in need by establishing objective criteria for allocation, in line with multilateral partners such as the IMF;
- creating a flexible instrument for quick response to exogenous shocks;
- rationalization of regional economic communities (RECs);
- scaling up private sector operations;
- increased delegation of authority to field offices; and
- strengthening the Bank's human resources capacity by redeploying staff where most needed.

The Governors welcomed the conclusions and recommendations of the High Level Panel, which had provided a strategic vision for the Bank. They also expressed satisfaction at the record level of replenishment of the ADF-XI.

They indicated their satisfaction at the reinforcement of peace, reconciliation, and stability in Côte d'Ivoire, the Bank's host country. They hoped that the calendar set could be respected in order to facilitate the orderly return of the Bank's operations to its headquarters in Abidjan. They thanked the Government of Tunisia for having hosted the Bank's Temporary Relocation Agency since 2003 and for its key role in providing a conducive environment for the smooth continuation of the Bank's activities.

The Governors adopted the resolutions on the accession of Turkey as the 78th member of the Bank Group and as a State Participant of the African Development Fund. They also welcomed the statement of the Governor for Turkey, that his Government would spare no effort to make a significant contribution to the development of the African continent. Turkey's accession reflects the confidence of nonregional member countries in the Bank's enhanced delivery of its services to RMCs and its development effectiveness.

In conclusion, the Governors expressed their satisfaction at the considerable progress made by the Bank as well as the strong financial results achieved during 2007. They urged Management to continue its efforts to position the Bank as the apex financial institution for the development of Africa. They reiterated their confidence and support for the Bank's President, Management, and staff.

Governors' Resolutions

During the Annual Meetings, the Board of Governors reviewed and adopted resolutions on the ADB and ADF (Appendices II-1 and III-1). They approved the recommendations put forward by the Steering Committee and adopted the following relevant resolutions, amongst others:

- *Resolutions B/BG/2008/05 and F/BG/2008/04* – Temporary location of the operations of the African Development Bank to the Temporary Relocation Agency in Tunis, Tunisia: Twelve (12) Month Review of the Relocation Period;
- *Resolutions B/BG/2008/04 and F/BG/2008/03* – By-Election of Executive Directors of the African Development Bank and Selection of Executive Directors of the African Development Fund;
- *Resolutions B/BG/2008/06 and F/BG/2008/05* – Accession of the Republic of Turkey to the Agreement Establishing the African Development Bank and Participation of Turkey in the African Development Fund;
- *Resolution B/BG/2008/07* – Authorization of a Special Capital Increase.

The Governors adopted resolutions on the Annual Report and audited financial statements for the financial year ending December 31, 2007 for the ADB, ADF, NTF, and Special/Trust Funds. They also approved the Annual Report and Audited Special Purpose Financial Statements of the Fund for the financial year that ended December 31, 2007. The Governors took note of the External Auditors' opinion on the audited financial statement and congratulated the Boards of Directors, Management, and Staff for the Bank's achievement during the previous year.

In addition, the Governors approved the composition of Members of the Bureau and the Joint Steering Committee from end-2008 Annual Meetings to end-2009 Annual Meetings. The Bureau would comprise Senegal as Chair, with Norway and Guinea as the first and second Vice-Chairs respectively. During the same period, the Joint Steering Committee would consist of Eritrea, Gabon, Malawi, Niger, Portugal, Saudi Arabia, Sierra Leone, Spain, and Sudan.

Finally, the Governors approved the appropriate resolution for allocations from the Bank's 2007 allocable income of UA 298.0 million as follows: (i) UA 50.0 million as provision for reserves; (ii) UA 20.7 million to the Surplus Account and from the remaining balance; (iii) UA 109.0 million for ADF-X1 consisting of UA 84.0 million for clearance of interest arrears on Post-Conflict Countries' loans; and UA 250 million being an additional contribution for ADF-X1; (iv) UA 62.0 million for the Democratic Republic of Congo (DRC) Special Account; (v) UA 25.0 million for the Technical Assistance Fund of Middle-Income Countries; (vi) UA 15.0 million for the HIPC Initiative; (vii) UA 5.0 million for the African Fertilizer Financing Mechanism (AFFM); (viii) UA 6.3 million for the NEPAD Infrastructure Project Preparation Facility; and (ix) UA 5.0 million for the Fund for African Private Sector Assistance (FAPA). In addition, the Governors approved from the NTF 2007 net income, UA 16.5 million as provision for reserves and UA 2.0 million for the HIPC Initiative.

Also in September 2008, the Board of Governors adopted, by postal ballot, Resolution B/BG/2008/20 which allocated UA 20.0 million to the Africa Food Crisis Response (AFCR); and also adopted in November 2008, Resolution B/BG/2008/23 which allocated UA 10.0 million to the African Legal Support Facility (ALSF).

BOARDS OF DIRECTORS

Approvals

In 2008, the Boards of Directors of the Bank Group held 46 formal meetings, 32 informal meetings, and 15 seminars to consider policies, strategies, and guidelines aimed at enhancing the Bank's development effectiveness. The Boards approved loans, private equity, grants, private guarantees for sovereign loans, private equity, special fund allocations, and HIPC debt relief amounting to UA 3.53 billion. Overall, the Boards approved 10 Results-Based Country Strategy Papers, 8 Country Portfolio Reviews, 4 HIPC documents, 8 Humanitarian Emergency Assistance grants for RMCs, and 1 Proposal for Clearing the Arrears of Togo. In addition, the Boards approved 31 key policies, strategies, guidelines, and initiatives to strengthen the effectiveness of Bank Group operations.

Among these, the following key strategies and policies were approved: the Medium-Term Bank Group Strategy 2008–2012; Strategic and Operational Framework for Regional Operations; Strategic Framework for Enhancing Bank Group Support to Middle-Income Countries; Strategy for Enhanced Engagement in Fragile States; Bank Group Knowledge Management and Development Strategy 2008–2012; Strategy for Higher Education, Science and Technology; Bank Group Policy on Nonconcessional Debt Accumulation; Enhancing Corporate Services Delivery; Governance Strategic Directions and Action Plan (GAP) 2008–2012; Framework Document for the Establishment of the Congo Basin Forest Fund (CBFF); the Africa Food Crisis Response (AFCR); and the Nigeria Trust Fund: Operational Guidelines.

The 2009 Administrative Expenses and Capital Expenditure Budgets

In December 2008, the ADB Board of Directors approved an Administrative Expenses Budget of UA 253.1 million, a Capital Expenditure Budget of UA 18.5 million, and a contingency budget of UA 2.5 million for 2009. The ADF Board of Directors approved an indicative Administrative Budget of UA 180.3 million for the Fund for the financial year ending December 31, 2009.

Other Activities of the Boards of Directors

The Boards of Directors also considered a number of operational, financial, and administrative issues within the framework of their Committees, as detailed below.

Committee of the Whole (CoW)

This committee, of which all Executive Directors are members, is chaired by the President of the Bank. Its key mandate is to review, on an ad-hoc basis, the Bank Group's annual budgetary proposals as well as other matters referred to it by the Board. In 2008, the Committee met once to consider the outline of the 2009 budget.

Committee on Operations and Development Effectiveness (CODE)

During 2008, CODE held 16 sessions to consider several operational policies as well as project performance documents. In addition to looking at Country Portfolio Reviews and Mid-Term Reviews on behalf of the Board, CODE also considered the following: (i) the 2006 Annual Portfolio Performance Review (APPR); (ii) Revision of ADB and ADF General Conditions applicable to Loan and Guarantee Agreements and of the ADF General Conditions to Protocol of Agreements for Grants; (iii) an evaluation of "Multilateral Development

Banks: Achievements and Challenges"; (iv) the revised annotated Country Strategy Paper (CSP) format, (v) Policy-Based Lending Retrospective; (vi) the Bank Group Regional Integration Strategy; (vii) OPEV's proposed 2009–2011 Three-Year Rolling Work Program and Budget; (viii) revised procedures for emergency humanitarian relief assistance; (ix) the criteria for cost-sharing exemption when financing eligible regional public goods (RPGs); and (x) the Medium-Term Bank Group Strategy 2008–2012.

Audit and Finance Committee (AUFI)

The Audit and Finance Committee (AUFI) held 4 meetings in 2008, during which it considered several documents, including: (i) the 2008 work program of the Office of the Auditor General; (ii) the External Auditors' presentation on the internal control and the 2007 audit of the Bank Group; (iii) the Financial Statements of the ADB, ADF, NTF, Special and Trust Funds, and allocation of the net incomes of the ADB and ADF; (iv) External Auditors' Management Letter on the 2007 audit of the Bank Group; and (v) the External Auditors' Engagement Letter for the 2008 audit of the Bank Group. Furthermore, AUFI and CODE held 3 joint meetings on internal audit recommendations and on ways to enhance the use of country systems.

Committee on Administrative Affairs and Human Resource Policy Issues (CAHR)

CAHR held 2 meetings and 9 joint sessions with the Audit and Finance Committee (AUFI) in 2008 to consider various financial and corporate issues, including: (i) staff survey follow-up activities; (ii) young professionals (YP) program policy; (iii) the staff Compensation and Benefits Framework and its alignment with the new Human Resources Strategy; (iv) a project to enhance the Bank Group's Business Continuity Plan; (v) a study on outsourcing; (vi) rules and procedures for the procurement of goods and works, and the use of consultants; (vii) a review of the Staff Retirement Plan; and (ix) reform of the Vice-Presidency for the Corporate Services (CSVP) Complex.

Committee on Administrative Matters Concerning the Boards of Directors (AMBD)

AMBD held 10 sessions during the year to consider, among other things: (i) the study tours of Executive Directors; (ii) membership of the working group on the Bank Group's 2008 Annual Report; (iii) follow-up on the Boards' retreat recommendations; (iv) the Bank Group's 2008 Annual Meetings preparations; and (v) the Executive Directors' budget.

Ethics Committee of the Board of Directors (ECBD)

During 2008, the Committee held 2 meetings and discussed issues relating to: improving the awareness of Executive Directors of ethical issues relating to budget execution; non-interference in management decisions regarding the recruitment of nationals; the processing of projects; and procurement disputes involving national companies, the handling of gifts and other governmental awards or recognitions. The Committee continues to hold regular meetings on matters of importance to the Bank's governance. The Committee did not hear or investigate any individual cases.

Executive Directors' Study Tours

In 2008, the Boards of Directors undertook 2 study tours to RMCs. The first tour, to Liberia, Sierra Leone and South Africa, was in February, while the second tour, in March, took Executive Directors to Côte d'Ivoire, Togo, and Gabon. Study tours provide Executive Directors with the opportunity to (i) learn first-hand about RMCs' development needs and priorities; and (ii) consolidate the Bank's policy dialogue with RMC officials, donors, private sector actors, and civil society organizations.

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Chapter two

Corporate Management and Institutional Reforms

During the year under review, the Bank Group continued its institutional reforms in order to improve its corporate performance, the quality of its operations, and its development effectiveness. The Bank also pursued its aspiration of being the premier development institution for the continent, a center of knowledge and research, and the preeminent African voice on development issues. This chapter presents the contribution of the Bank's organizational units in realizing these strategic objectives.

INSTITUTIONAL REFORMS

Significant progress was made, during the past year, across all priority reform areas, by implementing: (i) the new human resources (HR) strategy; (ii) improved operational business processes; (iii) the accelerated decentralization; (iv) budget reforms; and (v) enhanced corporate services delivery.

Human Resources

During 2008, the Bank continued to implement the new HR Strategy approved in 2007 by focusing on: (i) the recruitment and deployment of higher-caliber staff to operations and country/regional offices and (ii) a more competitive and rationalized staff Compensation and Benefits Framework.

The recruitment drive has enhanced dialogue and improved effective service delivery. This has resulted in about 72 percent of staff (excluding management) engaged directly in operations, while 28 percent are responsible for corporate support and administration. The new performance management system places greater emphasis on results and creates a stronger link between performance and reward. In July 2008, the Bank approved the new Compensation and Benefits Framework for 2008–2012, which is currently being implemented across the Bank and country/regional offices.

Operations Business Processes

More effective operational business processes that will improve client responsiveness through enhanced programming and service delivery have been rolled out. To ensure that all Complexes work in close coordination and provide coherent, timely, and effective Bank support to RMCs, an Operations Committee (OpsCom) has been established and is now fully operational. Detailed procedures are in place, covering policies, programming, and resource utilization. This has improved quality standards, strategic alignment, coordination and cohesion; it has also increased accountability and corporate level ownership. Other core operational reforms include:

- a reduction in the number of projects/programs formally discussed at the Boards level, following the adoption of a threshold for lapse-of-time approvals;
- streamlining country strategies and operational policies and updating operational guidelines and manuals;
- a comprehensive revision of the Delegation of Authority Matrix, for HQ and FOs;
- procurement reforms; and
- introduction of the Project Concept Note as a means of ensuring quality at entry for Bank projects.

These reforms underscore the Bank's efforts to implement the Paris Declaration and Harmonization agenda, reduce delays and project implementation costs, and improve client satisfaction.

Decentralization

The Bank has made substantial progress on decentralization, with offices now operational in 23 RMCs, while 2 other offices (Angola and Algeria) are at an advanced stage of opening. The reforms implemented during 2008 included: (i) putting in place business processes to fully integrate country/regional offices with the TRA and Headquarters; (ii) enhancing IT facilities in the FOs to facilitate communication and workflow; (iii) an accelerated recruitment and redeployment exercise to improve the staff skills mix in country/regional offices; and (iv) increased delegation of authority to resident representatives for certain activities that can be more cost-effectively managed at the country level.

Budget Reforms

The objectives of the reforms approved in 2007 are intended to: (i) strengthen the linkage between institutional priorities and resource allocations; (ii) establish a new accountability and performance framework; (iii) enhance budget flexibility through fungibility and devolved resource management authority; (iv) introduce multi-year programming and budgeting; and (v) introduce UA (Dollar) Budgeting. Collectively, the reforms will underpin the Managing for Development Results (MfDR) agenda.

With the exception of UA Budgeting, which will be operational in 2010, these reforms are already under implementation. Managers now have direct control of resources, thereby allowing for greater flexibility and a faster response time to new challenges and reprioritizations. The new budget framework helps ensure that resource allocations are consistent with the Bank's strategic priorities and enables greater rigor in monitoring Management's accountability for delivery and results.

A 3-year "rolling" budget process was launched to prepare a consolidated programming and budgeting proposal for the period 2009–2011. The new accountability and performance system, linking program deliverables to Key Performance Indicators (KPIs), is now in place to monitor performance at the Corporate and Complexes levels. Table 2.1 presents the results of monitoring the KPIs for institutional effectiveness in 2008 by comparing the targets to actual implementation results. It shows that (i) gender balance and field-based PL staff trends are positive; (ii) disbursement ratios in both ADB and ADF windows have improved, albeit somewhat below target levels; (iii) portfolio management indicators are well under control, except for the target for the timely PCR coverage noted to be too ambitious; and (iv) 2008 targets have been over-reached for both CSPs and CPRs productions.

Table 2.1: Results of KPIs for Institutional Effectiveness in 2008

KPI	Unit	2007	Dec. 2008	2008 Target	Progress*	Overview
I- Human Resources						
Gender Balance Index (PL staff)	%	23.0	24	25	✓	Gender Balance and Field Based PL staff trends are positive. 2008 achievement slightly below yearly target due to time lag factor in recruitment.
Field Based PL Staff	%	12.9	15	18	×	
II- Portfolio Management and Process Efficiency						
Disbursements						
Bank Group Disbursement Ratio (Investment only)	**%**	**15.9**	**19**	**25**		Disbursement ratios for both ADB & ADF windows improved in comparison to 2007 performance. Impact of Field Offices expected to further improve indicators from now on.
ADB Public Disburs. Ratio			22	20	✓	
ADB Private Disburs. Ratio	%	26.7	39	50	×	
ADF Disbursement Ratio	%	12.5	15	20	×	
Portfolio Management						
Problem Projects	%	9	7	10	✓	Problematic Projects are well under control.
Operations Supervised Twice per year	%		33	33	✓	Project Supervisions measured as percentage of operations supervised twice a year is on target.
Timely PCR Coverage (exiting project with PCR in 12 months)	%	10.0	30	89	×	Net improvement for the timely production of PCRs; the yearly target too ambitious.
Impaired Loan Ratio	%		3.26	5	✓	The Impaired Loan Ratio was introduced during 2008; no comparable data available for previous year.
Weighted Average Risk Rating (WARR) (Non-sovereign Only)	Score	3.6	3.91	3.5	✓	Risk for the non-sovereign portfolio (measured by the WARR) is under control.
Process Efficiency						
Elapsed Time between Approval and First Disbursement	Months	21.3	14.4	12	✓	Bank decentralization and streamlined processes contributing to marked improvement for average lapse time between projects' approval and first disbursement
III- Operational Deliverables						
Knowledge Management Products	**Number**			**108**		CSPs and CPRs production fully satisfactory (both yearly targets over-reached)
Country Strategy Papers (CSPs)	Number	27	37	28	✓	
Country Portfolio Reviews (CPRs)	Number	19	20	18	✓	Although only 35 of the target 62 ESWs were completed by Dec. 2008, the remainder are expected to be delivered in Q1 of 2009
Formal Economic & Sector Work (ESW) pieces	Number	81	35	62	×	

**Notes:*
✓ *Progress is satisfactory.*
× *Progress is unsatisfactory.*

Enhancing Corporate Services and Performance

As part of the additional institutional reforms approved in 2008, the Bank established the position of a Vice President and Chief Operating Officer (VP/COO) and a Quality Assurance and Results Department (ORQR). ORQR is responsible for coordinating Bank-wide implementation of the agenda to improve quality and strengthen the focus on development results on the ground in the RMCs.

The VP/COO will bring about improved corporate coordination and performance monitoring. The COO will be the focal point for issues requiring presidential arbitration and accountable to bring such issues to the attention of the President, as necessary. Under the COO's control is a virtual unit – the Performance Monitoring Group (PMG) – which has the mandate of providing Senior Management with early warning signals on areas of non-performance, or challenges in institutional service delivery; and benchmarking internally and externally the effectiveness of various business processes. Also reporting to the VP/COO is the restructured Strategy and Budget Department (COBS) and the Ethics Officer.

Other institutional reforms approved in 2008 included the establishment of the Fragile States Unit and the Sustainable Development, Gender and Climate Change Unit. The corporate services reform provides for the restructuring of the existing Departments and Unit in the CSVP Complex in order to improve efficiency, client responsiveness, and quality of services. This restructuring entails:

(i) upgrading the Language Services Unit to a Department;
(ii) regrouping functions within the General Services Department with a focal point for Client Services and FOs;
(iii) creating a new Risk Management and Institutional Procurement function.

COMPLIANCE REVIEW AND MEDIATION

The Independent Review Mechanism (IRM) has 2 key functions. The first is *problem-solving (mediation)*, which aims at restoring effective dialogue between the source of the request, the Bank Group, and other interested parties, to reach a common solution to the complaint. The second is *compliance review*, which seeks to investigate whether the alleged harm/damage is a result of a violation of the Bank's policies and procedures.

During 2008, a review panel concluded its investigations of a complaint relating to the Bujagali Hydropower and Interconnection projects in Uganda. The panel's report was approved and adopted by the Bank in July 2008. The Bank is preparing an action plan addressing the panel's project-specific findings, along with its recommendations.

For the IRM to function effectively, it is imperative that those likely to be affected by a Bank-financed project are aware of the mechanism, its procedures, and how to seek redress. In 2008, the Bank updated its website (www.afdb.org/irm) with relevant information, including the mandated reports and decisions related to compliance review. Moreover, the IRM brochure, which details the requirements for submitting complaints, has been published in 5 languages: English, French, Arabic, Portuguese, and Kiswahili. To raise awareness of the IRM function further, outreach seminars for civil society and government officials were conducted in 7 RMCs, namely Egypt, Madagascar, Morocco, Mozambique, Tanzania, Tunisia, and Zambia.

KNOWLEDGE MANAGEMENT AND DEVELOPMENT

The Bank Group aspires to serve as a center of knowledge and research for the continent, and to leverage this role as a complement to its lending activities. In this connection, the Bank approved the Knowledge Management and Development Strategy (KMDS) in July 2008, which will be used to improve the quality and effectiveness of its operations. The Strategy is based on the following 4 pillars:

- to generate knowledge for development effectiveness;
- to leverage knowledge through partnerships;
- to improve knowledge dissemination and sharing; and
- to enhance the application of knowledge.

The aim will be to integrate lessons from research, develop networks of think-tanks and research institutes, actively disseminate and share information, provide timely and relevant advice to clients, and selectively build capacity in RMCs. Furthermore, the Bank seeks to position itself as the acknowledged leader in African statistics, as well as the premier knowledge bank on African economic and social development.

Development Research

During 2008, research activities focused on the following topics, amongst others: "Dynamics of Youth Employment in Tunisia"; "Poverty Analysis in the Democratic Republic of Congo"; "Future of Smallholders' Agriculture in a Changing African Economy"; "Growth, Poverty and Inequalities in African MICs"; "Enhancing the Competitiveness of Botswana, Mauritius, Namibia and Tunisia"; "Development Aid and Access to Water and Sanitation in Sub-Saharan Africa," and "Impact of Infrastructure Investment in Africa."

The research undertaken provided a rapid response to the global economic and food crises, including an analysis on "The Food Crisis in Africa and the AfDB's Response." Several briefing papers on the global financial crisis were produced, highlighting its impact on African economies.

In 2008, the Bank continued to produce and disseminate its flagship publications. *The African Economic Outlook (AEO) 2007/2008*, was produced jointly with the Organization for Economic Cooperation and Development (OECD) and the Economic Commission for Africa. Other publications included 3 issues of *The African Development Review (ADRv)* and 7 papers in *The Working Paper Series*.

Capacity Building and Training Activities in RMCs

The Bank supports capacity building within the institution and in RMCs through training, assistance to national institutions, and knowledge dissemination. During the year, a total of 883 officials from RMCs attended the capacity building and training activities.

The Bank Group's African Development Institute (ADI) and the Joint Africa Institute (JAI) conducted complementary workshops, seminars, and symposia aimed at building capacity in RMCs. In cooperation with other institutions, the Bank Group also organized development management seminars and conferences, such as the 2008 Annual Meetings seminars and the joint AfDB/ECA roundtable discussion on "Fostering Shared Growth: Urbanization, Inequalities and Poverty in Africa."

The Bank continues to partner with other institutions in conducting capacity development events in RMCs. In this regard the Bank, in collaboration with the Korean Government, the Export-Import Bank of Korea, and the Korean Development Institute, organized workshops on the theme "Knowledge Sharing on Korea's Economic Development Experience" in the Central, West, and Eastern regions. Also, in collaboration with IFAD, 4 regional Training of Trainers (TOT) workshops were organized on project operations management, results-based monitoring and evaluation, and procurement guidelines.

During the year, the Bank organized regional workshops targeted at ministers and high-level government officials, parliamentarians, and civil society on the following themes: (i) "Knowledge Management for Scaling up Poverty Reduction in Africa"; (ii) "Public Financial Governance for Post-Conflict Countries"; (iii) "Performance-Based Allocation (PBA) and the determination of the loans/grants proportion of allocations using the Debt Sustainability Framework (DSF)"; and (iv) "Project Operations Management and Performance Improvement Plan." Moreover, in July 2008, a high-level seminar was organized in Uganda by the Bank and the Kingdom of Norway in collaboration with the Ugandan Government on the theme "Managing Oil Revenue in Uganda."

Also during 2008, under the Eminent Speakers' Program, 2 renowned personalities were invited to share their knowledge of contemporary development issues facing Africa. Mr. James Wolfensohn, former President of the World Bank, spoke on "Africa in a Global World: Partnerships for Success." The second speaker was His Excellency Mr. Festus Mogae, former President of the Republic of Botswana, who made a presentation on "Extractive Industries and Africa's Development: Lessons from Botswana." The 2006/07 Eminent Speakers' Seminars series titled "Sharing Visions of Africa's Development", Volume I, was launched on December 4, 2008.

Statistical Support Activities

The Bank's activities in this area in 2008 focused on (i) statistical support to enhance the Bank's operational effectiveness and financial services; (ii) strengthening statistical capacity and systems in RMCs; and (iii) enhancing dissemination through statistical publications and online data access portal.

During 2008, statistical support to the Bank's operational activities included:

(i) enhancing the dissemination of operational and socioeconomic data through the Bank's Data Platform (DP). In addition, the following were published on the AfDB website: (i) *Selected Statistics on African Countries*; (ii) *Gender, Poverty and Environmental Indicators for African Countries*; (iii) *Compendium of Statistics on Bank Group Operations and ADB Statistics Pocketbook*; (iv) *Wall Chart on MDGs*; (v) *The African Statistical Journal;* and (vi) C*omparative Output, Incomes and Price Levels in African Countries*;
(ii) providing data support for the *African Economic Outlook (AEO)*, including macroeconomic projections;
(iii) establishing an infrastructure database, based mainly on data collected by the Africa Infrastructure Country Diagnostic Study (AICD) of the World Bank, in collaboration with the Bank Group;
(iv) reviewing data issues in RMCs and identifying the gaps that need to be addressed to strengthen results measurement in Bank operations and country systems; and
(v) establishing a database for the Africa Bond Market Initiative to contribute to the development of domestic financial markets.

In 2008 the Bank continued to provide technical and financial support to RMCs to improve statistical systems in support of the results-based agenda, for example, in monitoring progress toward the MDGs. In this connection, the Bank was instrumental in the implementation of the Regional Reference Strategic Framework for Statistical Development in Africa (RRSF) and in helping

RMCs to design effective National Statistical Development Strategies (NSDS). The Bank has also become a primary source of key development data, such as national accounts and purchasing power parity statistics on African countries.

The Bank also organized 7 training seminars and workshops to RMCs to support the ICP-Africa program, in addition to other institutional training activities to bolster statistical capacity.

HUMAN RESOURCES MANAGEMENT

Within the framework of the Human Resources Strategy (2007–2011), in December 2008 the Bank approved the restructuring of the HR management system as part of a larger Corporate Services Reform, geared toward improving accountability, performance, rewards, and recognition. As a result of its recruitment drive, 217 new staff joined the Bank during 2008, including 20 Young Professionals (YPs); furthermore 111 staff were promoted through internal competition.

Table 2.2 below shows the staffing position as at December 31, 2008. In comparison with the situation in 2007, both budgeted staff and actual staff at post increased by around 30 percent to 1,776 and 1,491 respectively by year-end 2008. The staff at post excludes persons waiting to assume duty, offers made, and those selected but yet to be issued letters of appointment. Taking all these into consideration, there was a net

Table 2.2: ADB Managerial, Professional and General Staff at December 31, 2008

ORGANIZATIONAL UNITS	2008 BUDGETED POSITIONS								STAFF AT POST AS AT DECEMBER 31, 2008							
	EL	PL Mgr	PL non Mgr	PLL	Total EL/ PL	GS	GSL	GRAND TOTAL	EL	PL Mgr	PL non Mgr	PLL	Total EL/ PL	GS	GSL	GRAND TOTAL
BOARD	18	-	35	-	53	17	-	70	18	-	34	-	52	18	-	70
URBD	2	-	17	-	19	6	-	25	2	-	11	-	13	5	-	18
PRST	6	14	68	-	88	87	-	175	7	10	54	-	71	78	-	149
VP/COO & COO	3	2	13	-	18	7	-	25	2	1	9	-	12	3	-	15
ECON	3	6	38	-	47	26	-	73	3	6	31	-	40	20	-	60
ORVP	14	43	106	36	199	37	194	430	9	37	110	88	244	33	181	458
- *Headquarters - Total*													-			
- *FO International PL*													-			
- *FO Local*													-			
OIVP	6	22	137	41	206	28	-	234	5	17	105	-	127	24	-	151
OSVP	4	16	126	39	185	28	-	213	5	15	98	-	118	25	-	143
FNVP	5	13	62	3	83	86	19	188	4	12	41	-	57	67	-	124
CSVP	4	12	121	-	137	148	-	285	4	11	94	-	109	134	-	243
OTHER ORG. UNITS	-	1	50	-	51	7	-	58	-	1	53	-	54	6	-	60
- *CBKHQ*																
- *CHRMF FOR YPP*																
- *SCO*																
- *CHRMSL*																
GRAND TOTAL	**65**	**129**	**773**	**119**	**1,086**	**477**	**213**	**1,776**	**59**	**110**	**640**	**88**	**897**	**413**	**181**	**1,491**

Key: EL = Executive Level; PL = Professional Level; PLL = Local PL; GS = General Services Staff; GSL = Local GS.

vacancy of 285 positions (189 management/professionals and 96 general services staff) at year-end 2008. Since December 2008, the Bank has engaged in an accelerated recruitment process to fill these vacancies and it is expected that most will be filled by June 2009.

The Bank also continued to take steps to decentralize staff to field offices (FOs) and to recruit local staff in the field. In this connection, the Bank recruited 65 new staff for the 23 FOs that were operational in 2008. This increased the number of locally recruited FO staff from 204 in 2007 to 269 at year-end 2008. Furthermore, 2 new HR instruments were rolled out in 2008: (i) a results-focused performance management system with elements of multi-rater assessment, which will be used in the 2009 evaluation and (ii) the Compensation and Benefits Framework 2008–2012, which is geared toward attracting and retaining a productive and skilled workforce.

In line with the results of the 2007 Staff Survey, actions were taken in 2008 to make the Bank a more family-friendly organization and to provide a conducive work environment. These include the introduction of spousal employment, staff promotions based on individual performance, increased staff compensation, and the Medical Plan reform. An improved Onboarding program to facilitate the integration of new staff and a streamlined Management and Leadership Development Program to improve behavioral and people management skills were also rolled out. The Staff Retirement Plan has been adjusted to reduce penalties for early retirement, encourage staff mobility, and offer better protection to survivor spouses.

ADMINISTRATIVE SERVICES

During the year, the Bank's Administrative Services launched a Corporate Environmental "Footprint" initiative, to assess the environmental impact of the Bank's activities. A Memorandum of Understanding (MoU) was also concluded with the United Nations Environment Program (UNEP), to better leverage established expertise in the Bank's undertakings and initiatives.

In its efforts to provide better services, the Bank installed a new state-of-the-art reproduction center, which is expected to generate savings of about UA 200,000 per year. Another innovation that is expected to yield cost and time savings is the travel card, which has been recently piloted. In addition to facilitating the processing of mission requests, it will allow more flexibility in the payment of mission-related expenses.

In support of the Bank's decentralization program, new premises were identified and refurbished in Ethiopia, Egypt, and Senegal.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) MANAGEMENT

In 2008, the Bank upgraded its telecommunications infrastructure to support its decentralization process, which requires high-quality telecommunications between the FOs and the TRA in Tunis. Most field offices (19 out of the total of 23) as well as the TRA are now connected to the new system.

The key ICT activities and applications in 2008 included the following:

- The Case Management System application was developed for the Integrity and Anti-Corruption Division.
- An automated country risk rating system was installed for country economists in the Bank. The system will be used for: (i) the evaluation of appropriate country credit limits to inform individual country lending strategies and the Bank's global lending program; (ii) the determination of loan loss provisioning; (iii) the pricing of private sector deals; and (iv) the periodic assessment of trends in the country risk profile of the Bank's loan portfolio.
- The e-recruitment system on SAP was completed and activated for Human Resources management.
- The Data Platform for dissemination of macroeconomic data on RMCs was completed for use by country economists in the Bank.
- The Bank's online consultants' registration system (DACON) was redesigned to make it more user-friendly.

EVALUATION OF OPERATIONS

Internal evaluations of the Bank's lending and nonlending operations have 2 main objectives. First, they provide a systematic assessment of the Bank's performance in attaining expected development outcomes. Second, they identify factors that hinder or enhance successful operations, so that these lessons can be applied in future operations.

In 2008, the Bank Group and IFAD launched a joint evaluation of their agriculture and rural development operations in Africa. This has produced several thematic reports assessing sector performance and the role of partnerships for enhanced performance.

In the education sector, a review was carried out on the effectiveness of the Bank's assistance over the past 30 years. Field visits were made to Benin, Mozambique and Uganda in the course of the review. The preliminary findings show an improvement in the Bank's performance over time, despite some concerns regarding efficiency and sustainability of the interventions.

The Bank completed a major evaluation of its assistance to Ethiopia over the period 1996–2007. Ethiopia is one of the highest recipients of ADF resources and is therefore an important case to consider. The evaluation reveals a mixed picture. While the Bank's contribution to macroeconomic stabilization was substantial, its support to economic growth and poverty reduction was inefficiently delivered, with relatively modest results. The results of the evaluation were taken into account during the midterm review of the Ethiopia program at the end of 2008, which proposed a range of improvements.

In addition, evaluations were carried out on the performance of the Joint Africa Institute (JAI) and the Nigeria Trust Fund (NTF). The evaluation of the JAI found that there was a need to strengthen the approach taken to training and capacity building, and that closer collaboration was required among the JAI partners (the African Development Bank, the World Bank, and the International Monetary Fund). The partners have since undertaken to intensify their efforts under the JAI. Regarding the NTF, the evaluation found significant underutilization of the resources and recommended greater flexibility and ease of access in their use. The Nigerian authorities have since approved a more flexible and results-oriented approach.

In-depth evaluations of various projects in the infrastructure sector were also undertaken during 2008, covering: urban and district water supply projects in Zambia and Malawi; national and international road projects in Swaziland and Ethiopia; and power generation in Uganda and Tanzania.

INTERNAL AUDIT, INTEGRITY & ANTICORRUPTION

The Internal Audit of the Bank provides independent and objective assurance, advisory, and consulting services for the Bank Group operations, finance, and corporate administrative activities. In 2008, the Bank conducted 8 audits in the finance and corporate Complexes as well as audits of 19 trust and grant funds. It also carried out 7 project audits in RMCs and audited 5 field/regional offices. Furthermore, training and advisory services were provided to a number of RMCs' project implementation personnel as well as Bank staff on the auditing of Bank-funded projects.

The Bank Group continues to undertake investigations into allegations of fraud, corruption, and other misconduct relating to its activities. The Bank received 31 complaints in 2008 (the same number received in 2007), of which 14 were referred or reviewed and closed. In addition, the Hotline received 179 advance fee fraud complaints in 2008 (compared to 146 in 2007), which were referred to the Security Services to follow up. All complaints are reviewed (preliminary inquiry) and a determination is then made whether or not to proceed to a full investigation.

Other activities undertaken in this area in 2008 included integrity awareness campaigns for 8 departments/units and 1 field office. An anti-corruption workshop was also held for project implementation personnel and non-governmental organizations (NGOs) in 1 RMC.

PROCUREMENT AND PROJECT FINANCIAL MANAGEMENT

During 2008, the Bank undertook a series of initiatives to improve delivery of procurement and financial management (PFM) services while minimizing fiduciary risks and enhancing accountability. In order to address the observed weaknesses, PFM functions were strengthened to improve the responsiveness, quality, integrity, and comprehensiveness of these services. Activities included:

(i) revision of the Rules and Procedures governing procurement under Bank-financed loans and grants. The revised Rules, approved in May 2008, have been harmonized with those of the World Bank, and aim to streamline the administration and implementation by borrowers, contractors, suppliers, and consultants;
(ii) consolidation of TRA procurement/fiduciary services to improve the management, consistency, and accountability of its functions;
(iii) a critical mass of specialized PFM staff are being located in the FOs to build capacity and provide enhanced oversight;
(iv) increasing the use of specialized private sector firms to undertake systematic independent procurement post-reviews and audits for small value contracts, to ensure compliance;
(v) providing assistance to borrowers to improve their country procurement and FM practices and to support dialogue with RMCs;
(vi) delegating authority to procurement specialists and accredited procurement staff, commensurate with their level of accreditation; and
(vii) setting up a Bank-wide Quality Assurance (QA) mechanism to ensure that PFM functions in Bank operations are carried out in accordance with best practices.

During the year, support was provided to the Operations Complexes in the review of procurement documents throughout the project cycle. The Bank also stepped up efforts to help RMCs improve their financial management systems.

Other activities included training in procurement for Bank staff and RMC officials. Fourteen national project implementation workshops and seminars were organized for RMC officials, and 7 business opportunities seminars were held for government officials and private sector representatives. During the year, the Bank continued to cooperate closely with the World Bank in the preparation of Country Procurement Assessment Reports (CPARs).

CORPORATE COMMUNICATIONS

During 2008 work continued on the redesign of the Bank's website (www.afdb.org) to update it and make it more reader-friendly. The Bank Group also extended its range of outreach products and services to broaden the institution's corporate communications platforms, including manuals and guidebooks for staff. Efforts were ongoing to improve the coverage of Bank events, such as the 2008 Annual Meetings and conferences in Maputo, while the daily newsletter, *Bank in Action*, continued to inform staff of latest developments.

During 2008 the Bank continued to streamline the operations of its Public Information Center, multimedia center (Mediatheque), the graphics and design unit, web-content management program, and staff media training modules.

In line with the Bank Group's decentralization policy, efforts are being made to help FOs team up with appropriate stakeholders in setting up joint Development Information Centers, similar to the one already established in Zambia.

GENERAL COUNSEL AND LEGAL SERVICES

In the course of 2008, the Bank's Legal Services function continued to provide innovative, client-oriented services in advancement of the Bank's development mandate and Medium Term Strategy. One notable achievement was the approval for the establishment of an African Legal Support Facility (ALSF). This Facility will be an international organization with a separate legal personality from that of the Bank, geared to support RMCs in the defense of their interests against vulture funds litigation that could erode the benefits of HIPC and MDRI debt forgiveness. The Facility will also enhance their capacity for the negotiation of complex commercial contracts in the extractive industries and other sectors of their economies.

Similarly, by drafting the legal instruments extending the term of the Nigeria Trust Fund, as well as the creation of the African Fertilizer Financing Mechanism (AFFM), the Bank has established vehicles providing concessional resources to its least developed RMCs to maximize its support.

Notable activities in the work program delivered were: (i) Amendments to the Rules governing the election of the President of the Bank; (ii) preparation of documentation relating to the Grand Duchy of Luxembourg's application for membership of the Bank and Fund; (iii) providing advice and documentation for implementation of the 2008 borrowing program, including the successful completion of the Bank's first New Zealand Dollar bond issue; (iv) legal instruments for other resource mobilization activities, including the establishment of trust funds and special funds such as the Congo Basin Forest Fund; (v) providing advice on legal aspects of the staff Compensation and Benefits Framework, the Staff Retirement Plan, and the new performance management system; (vi) providing legal advice on the Bank's responses to the international financial crisis and the food crisis; (vii) assisting the Operations Complexes in connection with sovereign and nonsovereign guaranteed transactions; (viii) legal advice in relation to the design and implementation of mechanisms for the Bank's engagement with MICs and fragile states; and (ix) the approval of revised General Conditions Applicable to Loan, Guarantee and Grant Agreements with the Bank and Fund.

THE ADMINISTRATIVE TRIBUNAL

The Administrative Tribunal of the African Development Bank is an independent organ of the Bank. It is the ultimate forum to which members of staff can appeal to contest an administrative decision on grounds of non-observance of his/her contract of employment, conditions of employment, or summary dismissal. The Tribunal's decisions are binding, final, and without appeal. They are based on its Statute and Rules of Procedure, the internal texts of the Bank (the Agreement Establishing the Bank, the Staff Rules and Regulations, Presidential Instructions and Directives), the law of the international civil service, including the jurisprudence of other international administrative tribunals, and general principles of international administrative law.

In accordance with its Statute, the Tribunal comprises judges who are nationals of Bank Group member states and appointed by the Board of Directors. In 2008, 5 judges were in office: Prof. Maurice Glele Ahanhanzo (President); Justice Lombe Chibesakunda (Vice President); Prof. Christian Tomuschat (Member); Prof. Yadh Ben Achour (Member); and Justice Salihu Modibbo Alfa Belgore (Member). In its 10 years of existence, the Tribunal has held 16 judicial sessions and 8 plenary sessions, during which it has registered 58 cases and rendered 66 judgments. During 2008, it registered 4 cases and rendered 8 judgments.

003
Chapter three

Operational Priorities

During 2008 the Bank continued to implement reforms to scale up its development effectiveness at both institutional and operational levels. Furthermore, in alignment with its Medium Term Strategy 2008–2012, it intensified the selectivity of its operations, by targeting infrastructure, the private sector, governance, and regional integration. Other focal areas included agriculture and food security, social and human development, gender mainstreaming, environmental sustainability, and support to middle-income countries (MICs) and fragile states. This chapter also reviews the Bank's resource mobilization activities and collaboration with development partners in furtherance of the principles of the Paris Declaration on Aid Effectiveness.

INTRODUCTION

The Bank's overarching mission of poverty reduction and sustainable economic growth for its RMCs continued to guide Bank Group operations throughout 2008. However, during the year 3 global crises – namely, the food crisis, high volatility in the price of crude oil, and the international financial turmoil – seriously impacted the macroeconomic situation in Africa, requiring an effective and swift response from the Bank Group.

Although the price of crude oil had stabilized by year-end, at a third of the 2008 peak of over US$ 140 (UA 91) per barrel, the credit crunch continued to pose a serious threat to growth worldwide. From Africa's perspective, spillover effects could take the form of reduced demand for Africa's exports, plus a reduction in foreign aid, trade credits, and FDI. In addition, the economic slowdown in the OECD countries will pose a threat to the growth performance and poverty reduction achieved in Africa over the past 10 years. Moreover, the impact of the food crisis on Africa is forcing a re-examination of the performance and potential of the agricultural sector to address poverty and malnutrition in the short term, and to ensure sustainable food security in the long term.

All these global macroeconomic issues affect the strategic thrust of the Bank Group and the prioritization of its operational resources for maximum impact. In this respect, the Bank Group approved its Medium-Term Strategy (2008–2012) in late 2008, based on lessons learned and extensive consultations with its many and diverse shareholders throughout the year. The Strategy aims to equip the Bank with a framework to respond to the more stringent international credit conditions, coupled with a rapidly evolving international aid architecture. The Bank will increase selectivity, with a particular operational focus on infrastructure, the private sector, governance, and higher education. In this context, there will be increased engagement in and support for regional integration, middle-income countries, fragile states, and agriculture. Knowledge generation, climate change, and gender will be mainstreamed into all the Bank Group's operations. The broad agenda will be one of quality assurance, a greater focus on delivery, measuring development results (through targets and indicators), improving portfolio quality, and accelerating implementation.

In order to leverage its limited resources and to scale up the development impact of its operations, during 2008 the Bank continued to pursue strategic initiatives in concert with its development partners. These include Harmonization, Alignment, and Managing for Results (HA & MfR); the Water Initiatives; the New Partnership for Africa's Development (NEPAD); the African Fertilizer Financing Mechanism (AFFM); and the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI). Delivering on the objectives of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action is a key objective of the institution and will require enhanced harmonization and closer collaboration with traditional partners, key emerging donors, and various stakeholders in RMCs. In addition, the Bank is continuing its institutional reforms to scale up its effectiveness, as detailed below.

DEVELOPMENT EFFECTIVENESS AND MANAGING FOR RESULTS

Measuring Institutional Reforms

During the year, a Bank-wide taskforce was organized to formulate a concerted Action Plan on Results (APR) to strengthen the Bank's focus on Managing for Development Results (MfDR). The APR outlines 5 priority areas of action: (i) ensuring quality at entry for strategies and operations; (ii) instilling a results-oriented supervision culture; (iii) enhancing learning and accountability through evaluation; (iv) improving data and systems for results reporting; and (v) accelerating decentralization for better results on the ground.

To further enhance the Bank's capacity, a new Quality Assurance and Results Department (ORQR) was established in July 2008. The functions of this department include: (i) ensuring better quality-at-entry for the Bank's operations and improving the institutional capacity for reporting on results; (ii) promoting sustainable development by ensuring compliance with environmental and social safeguards policy requirements; and (ii) assuming overall leadership for the Bank's results agenda.

Activities undertaken in 2008 included an awareness-raising campaign on the results agenda priorities; introduction of more results-oriented formats; and the development of standard sector outputs and outcomes indicators. The indicators will be used as part of a strengthened reporting system to record and aggregate results across operations to ensure more regular reporting. The Bank also continued its support to the African Community of Practice for Management on Results.

During the year, the Results Measurement Framework as a tool for monitoring development effectiveness was rolled out. One set of indicators measures progress at the country level, while the second set monitors internal institutional effectiveness. Performances to date reveal improved portfolio quality at entry, as demonstrated by a decline in the number of problematic projects. The delegation of more power to the field offices has contributed to improvements in project supervision as well as enhanced harmonization with partners in RMCs.

Development Effectiveness through the Paris Declaration Commitments

In April 2008, the Bank held a 2-day Preparatory Consultative Workshop in Kigali, Rwanda, to prepare RMCs for participation in the Third High-Level Forum on Aid Effectiveness (HLF-3), held in Accra in September 2008. The workshop was organized by the AfDB in partnership with the Governments of Ghana and Rwanda and with support from DFID, the World Bank, UNDP, and OECD-DAC. Its aim was to facilitate discussion and build consensus on how to improve aid effectiveness and development impact in the continent. Another objective of the workshop was to assist RMCs with their input into the Accra Agenda for Action (AAA), which was a major output of the HLF and which the Bank is currently in the process of implementing (see Box 3.1).

Although the Bank has made some progress in meeting the Paris targets, it will need to step up its performance over the coming years. On the positive side, it has made some progress in avoiding parallel implementation units and in the use of country financial management/procurement systems. In this context, the amendment made by the ADF Deputies to the "rules of origin" for ADF

Box 3.1: The Accra Agenda for Action (AAA)

On September 2–4, 2008, ministers of developing and donor countries and heads of multilateral and bilateral development institutions met in Accra, Ghana for the Third High-Level Forum on Aid Effectiveness. The Bank worked closely with the Government of Ghana and other development partners in the organization of the Accra High-Level Forum and contributed to the deliberations and successful conclusions of the Forum. After 3 days of far-reaching discussions, the Accra Agenda for Action (AAA) was formally adopted, with the objective of accelerating and deepening implementation of the 2005 Paris Declaration on Aid Effectiveness.

The opening message of the AAA is that this is a moment of opportunity for Africa. The ministers declared that they are as committed as ever to eradicating poverty and to promoting peace and prosperity by building stronger, more effective partnerships that will enable developing countries to realize their development goals. Progress has undoubtedly been made over the past decade or so, but 1.4 billion people – most of them women and girls – still live in extreme poverty. Access to safe water and healthcare remains a problem and new global challenges – food shortages, volatile fuel prices, and climate change – threaten the advances made by many countries. Moreover, progress has been uneven across countries and across the indicators. Consequently, to meet the MDGs, much more needs to be done, not only to raise the level of aid but to address in a systematic and coherent way the other issues of democracy and human rights, gender equity, social progress, and environmental sustainability.

The AAA highlights 3 major challenges that need to be addressed:

(i) *Strengthening country ownership is key.* Governments need to take a stronger leadership role and donors, for their part, need to support them in this process by respecting countries' priorities, investing in their human resources and institutions, and making use wherever possible of country systems to deliver aid.

(ii) *Building more effective and inclusive partnerships.* There is a need to fully harness the skills and experience of all actors in the new development landscape – bilateral and multilateral donors, middle-income countries, global funds, the private sector, and civil society organizations. As part of this process, donors must avoid duplicating initiatives and thereby fragmenting aid resources. Complementarity of assistance is the guiding principle.

(iii) *Achieving development results – and openly accounting for them.* This precept lies at the heart of the Agenda to make a positive impact on people's lives. In order to do this, ministers stressed the need for donors to untie their aid to the maximum extent possible and to increase the medium-term predictability of aid flows.

The AAA concludes by stressing the continued high-level political support required to move the Agenda forward. It requests the Working Party on Aid Effectiveness to continue monitoring progress on implementing the Paris Declaration and the AAA, in preparation for the Fourth High Level Forum to be held in 2011. Finally, it articulates a heartfelt desire for a future "based on a shared commitment to overcome poverty, a future in which no countries will depend on aid."

countries will allow the Bank to participate in pooled funding mechanisms with other donors. Furthermore, additional refinements are being made to the operations business processes to achieve improved results in these and other targets. Some of these measures include: (i) improving the timely disbursement of resources committed for individual programs and projects; (ii) making all conditions public linked to disbursement; and (iii) providing regular and timely information on rolling 3-year expenditure and/or financing plans. The Bank has also put in place a mechanism for coordinating, monitoring, and reporting on corporate and country level outcomes, including self-monitoring of its progress toward the Paris targets.

March 2008 saw the publication of the Common Performance Assessment System (COMPAS) report for the year 2007. The purpose of COMPAS is to provide a platform where the 6 members of the MDB Working Group on Managing for Development Results (MfDR) may jointly report on their own performance toward becoming results-based management institutions. The 6 institutions comprise the AfDB, AsDB, EBRD, IDB, IsDB, and WB.

Decentralization: Increasing the Country-Level Focus

During the year, the Bank undertook an assessment of the impact of the Bank's decentralization strategy. The assessment reveals that the expansion in the numbers of field offices (FOs) plus the delegation of authority for some Bank activities from the TRA to the FOs, has had an overall positive impact. It has contributed to broadening and deepening country dialogue and ownership; enhanced management of the Bank's portfolio and operations; accelerated the processing of disbursements and procurement documents; improved the quality of project supervision and the timely submission of project progress reports and audit reports; and led to an increase in the volume of operations.

The study also shows that the increased Bank presence at country level is positively perceived by governments and development partners alike. Bank dialogue with governments in the respective countries has improved as a result of frequent field staff support in the preparation of PRSPs, National Development Plans, CSPs, and in economic and sector work (ESW). Heightened presence in the field has also led to greater harmonization of efforts with development partners, and increased interaction with the private sector, civil society, and regional organizations.

INVESTING IN INFRASTRUCTURE

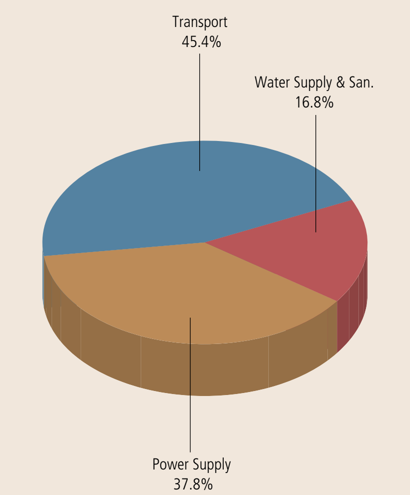
Sub-Saharan Africa's average growth rates of 5-6 percent over the past 5 years have placed a considerable strain on the continent's antiquated infrastructure. Bottlenecks in power generation, port efficiency and capacity, and deteriorating road and rail networks have been identified as key constraints on the continent's sustainable economic growth. It has been estimated by the Africa Infrastructure Country Diagnostic (AICD) that Africa's infrastructure requirements over the next decade will amount to over US$ 40 billion (UA 26 billion). Although investment generally in African infrastructure had begun to show an upward trend over 2000-2007, the current turmoil in the financial markets is being reflected in a sharp decline of capital inflows to the continent, which will have a debilitating effect on African efforts to bridge the infrastructure deficit.

The Bank Group is fulfilling a counter-cyclical role in this respect by continuing to invest heavily in infrastructure at a time of a general credit shortage in the financial markets. Approvals for infrastructure projects as at end-December 2008 amounted to UA 1.41 billion, representing 44.5 percent of all Bank Group loan and grant approvals for the year – the largest sectoral allocation.

According to the subsectoral breakdown, transportation received the largest portion, followed by power supply, then water and sanitation (see Figure 3.1). This confirms the institution's continued focus on infrastructure development as an engine of growth for its RMCs.

The infrastructure projects approved in 2008 included national *road projects* in Burkina Faso, Ghana, Nigeria, and Tunisia, in addition to a multinational road project (Burundi/Rwanda) that supports regional integration; national *power projects* in Egypt, Ghana, Guinea, Malawi, Sierra Leone, Tunisia, and Uganda, as well as a multinational power interconnection project for Ethiopia/Djibouti and another for the countries of the Nile Equatorial Lakes region; a major *port construction project* in Djibouti, and *water supply and sanitation projects* in Liberia, Mali, Malawi, Mauritania, Morocco, Tanzania, and Tunisia. The profiles of these and all other projects approved in 2008 are presented at the end of Chapter 4. Box 3.2 presents a brief evaluation of a key infrastructure project successfully implemented in Ethiopia from 1997–2004.

Figure 3.1: Subsectoral Distribution of Approvals for Infrastructure, 2008



Box 3.2: Evaluation of the Addis Ababa International Airport Development Project in Ethiopia

Objective: To increase the traffic-handling capacity of the Addis Ababa airport and to improve safety levels by constructing a new runway, taxi lanes, upgraded apron areas, runway drainage and airport facilities.

Bank's Role: ADF loan of UA 17.1 million. (The engineering designs for the airport had been funded through a previous ADF loan of US$ 2.7 million.)

Total Project Cost: UA 26.0 million.

Timeline: Commencement 1997; completion 2004.

Outcomes: The airport achieved its expected outcomes in the following areas and can therefore be deemed a successful project:

- Marked expansion in the capacity of the airport to handle both domestic and international flights;
- Significant reduction in aircraft movement times – particularly taxi-in and taxi-out times;
- Increase in international passenger traffic, from approx. 8,000 commercial flights in 1999 to around 14,500 flights in 2005; the annual growth rate of international traffic rose from 5.3 percent in 1994–2002 to 13.3 percent in 2003–2005.
- The Financial Internal Rate of Return (FIRR) and the Economic Internal Rate of Return (EIRR) assessed at completion were about 30 percent, which was significantly higher than calculated at project appraisal stage (23 percent).

Alignment to Bank's Strategic Objectives

Demonstration Effect: The Bank fulfilled a dual role in the project. First, it acted as a cofinancier by contributing UA 17.1 million to the total project cost. Second, its participation in the project served a demonstration effect, providing comfort to other potential investors and acting as a catalyst to mobilize resources.

Alignment to Bank Priorities: The project focused on 2 key pillars of Bank operational strategy – namely infrastructure and regional integration. The Bank recognizes infrastructure as being crucial to sustainable growth – both economic and social – in its RMCs. Infrastructure builds a business-enabling environment; it encourages both domestic and international investment and so spurs GDP growth. With respect to the regional integration aspect, plans are underway to develop the airport further into a regional hub for continental and international traffic.

Alignment to National Objectives: This was a high-profile project for the Government, in line with national objectives to improve infrastructure and boost sustainable economic growth.

The Water Initiatives

Water is critical for economic development, health, and social welfare. It is also vital in ensuring environmental sustainability and food security. The Bank therefore continues to place a very high priority on helping its RMCs to meet the MDG water targets. To this end, the Bank channels some of its support through 3 complementary water initiatives – the Rural Water Supply and Sanitation Initiative (RWSSI), the Multi-Donor Water Partnership Program (MDWPP), and the African Water Facility (AWF), as shown in Box 3.3 below.

In 2008, a total of UA 236.8 million was approved for 9 Bank Group projects and programs in the water and sanitation sector, in addition to funding from the 3 water initiatives.

DEEPENING PRIVATE SECTOR INVESTMENT

Private sector operations amounted to UA 901.2 million in 2008 (see Figure 3.2). The private sector program for the year concentrated on infrastructure, with a special focus on geographical diversity (regional integration) and the inclusion of low-income countries (see Figure 3.3).

With regard to low-income countries, the private sector provided equity participation to the Access Bank of Liberia and Advans Banque of the Democratic Republic of Congo (DRC) to support financial intermediation in these countries, particularly to help micro entrepreneurs, many of whom are women. In addition, several low-income countries benefited from regional/multinational operations through lines of credit (LOCs) extended to the West African Development Bank (BOAD) and to the PTA Bank for East and Southern Africa.

In terms of the sectoral distribution of private sector operations, financial intermediation accounted for the largest share of private

Box 3.3: The Three Water Initiatives

1. The Rural Water Supply and Sanitation Initiative (RWSSI)

The RWSSI is a flagship Bank intervention, with the overall objective to extend safe water and basic sanitation coverage to 80 percent of the rural dwellers by 2015 at an estimated cost of UA 9.22 billion. Since the start of RWSSI in 2003, 20 operations have been approved with total financing of UA 1.40 billion, of which the Bank contributed UA 549.9 million from ADF resources, UA 48.7 million from the RWSSI Trust Fund, and leveraged the remaining UA 0.80 billion from other donors, governments, and beneficiaries.

The rural population served with a safe water supply through the RWSSI increased from 1.2 million in 2003 to 3.3 million people by the end of June 2008, and those served with improved sanitation increased from 600,000 to 1.7 million during the same period. In 2008, UA 24.39 million was approved from the RWSSI Fund for projects in 7 countries, plus one multinational project.

2. The Multi-Donor Water Partnership Program (MDWPP)

The MDWPP was established by the Bank jointly with the Netherlands, Danish, and Canadian governments to operationalize the 2000 Integrated Water Resources Management (IWRM) policy. The funds pledged as at end December 2008 for the program amounted to UA 8.5 million, while the paid-up amount was UA 5.7 million. By end-September 2008, the program had disbursed approximately UA 3.7 million.

The major activities financed under this program in 2008 included the following:
- the "First African Water Week" hosted by the Bank in Tunis in March 2008;
- the assessment of IWRM planning in 12 Eastern African countries;
- an assessment study "Can Africa Achieve the Sanitation MDGs?"; and
- several studies on water governance and the impact of climate change on ecosystems.

3. The African Water Facility (AWF)

The African Water Facility (AWF) seeks to mobilize and distribute resources for the sector at the national and transboundary levels. The Facility's 3-year Operational Program has been updated for 2009-2011 and requires UA 125.6 million to implement. As at end-December 2008, the AWF had secured UA 48.8 million in pledges, leaving a shortfall of UA 76.8 million. During the year, 14 operational activities were approved, amounting to UA 18.1 million, in support of projects in 11 countries and 4 subregions. The largest share of the approved projects went to West Africa (38 percent); followed by East Africa (34 percent); multinational (19 percent), and North Africa (9 percent). The AWF 2009-2011 Program will require average annual approvals at more than double the 2008 level.

Figure 3.2: Private Sector Operations: 2004–2008

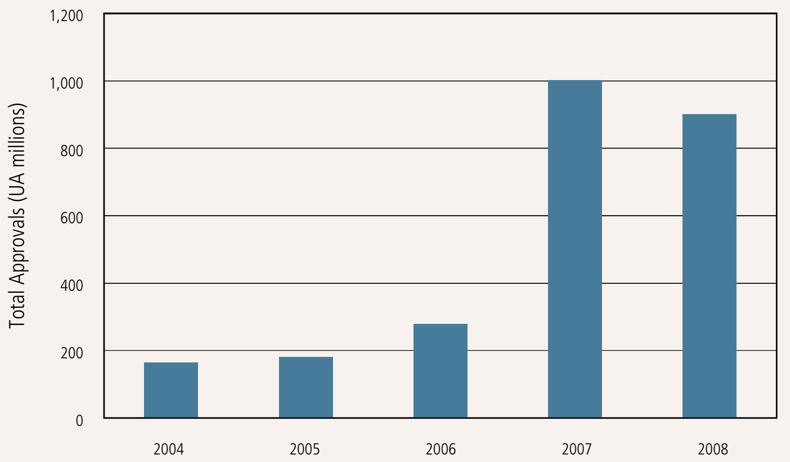
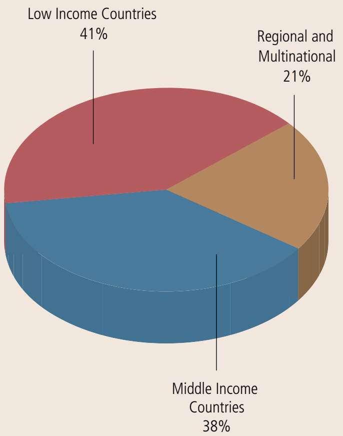


Figure 3.3: 2008 Private Sector Operations by Location



sector approvals (50 percent), followed by industry (31.0 per cent), infrastructure (14.0 percent), agriculture (3.0 per cent), and multisector (2.0 per cent) (see Figure 3.4).

One example of a transportation PPP intervention approved in 2008 was for the upgrading and rehabilitation of the Lekki to Epe Toll Road in Nigeria (UA 52.4 million). A key project approved in 2008 for the industry sector was the Hasdrubal Oil and Gasfield Project in Tunisia (UA 96.3 million). The single largest approval for a private sector operation in a low-income ADF country during 2008 was the Guinea Alumina Project (UA 134.4 million).

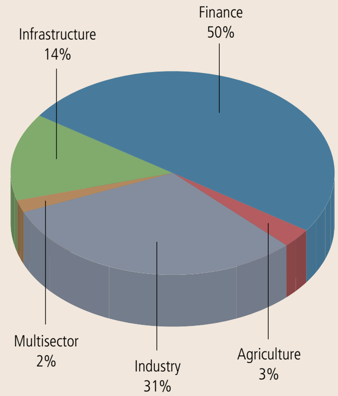
In partnership with USAID, the Bank also approved a number of partial credit co-guarantee facilities (PCGFs) to financial intermediaries, such as the CRDB Bank in Tanzania (UA 4.9 million) and Zanaco Bank in Zambia (UA 14.9 million). These interventions aimed to deepen local financial markets by supporting SMEs' access to finance. During the year, the Bank also continued to approve investments in equity funds, such as the multinational Third Emerging Capital Partners Africa Fund II (UA 32.1 million), which will target high-growth companies in the infrastructure, industrial, and natural resources sectors.

The Bank also played a key role in establishing the African Financing Partnership (AFP), which aims at leveraging the market skills and knowledge of development finance institutions (DFIs) in order to mobilize private sector resources for large-scale projects, particularly infrastructure (see Box 3.4).

Ex-ante Additionality and Development Outcome Assessment (ADOA) of Private Sector Operations

During the past 2 years, there has been significant expansion of private sector operations (see Figure 3.2). The Bank, being mindful of the need to ensure development effectiveness (high quality at entry) of these interventions, approved in September 2008 the innovative ADOA framework for the ex-ante evaluation of its private sector operations. ADOA aims to record and maximize the expected effectiveness of all forthcoming private sector operations, through an independent review conducted by the Chief Economist Complex. Two ratings are systematically produced. The first focuses on the expected development outcomes, measured along 7 dimensions ranging from economic performance to effects on governments and macroeconomic resilience. The second looks at additionality, i.e. the unique role and contribution of the Bank and other DFIs; this is measured by improvements in the commercial viability or in the expected development outcomes.

Figure 3.4: 2008 Private Sector Operations by Sector



Box 3.4: The African Financing Partnership

In September 2008, the African Financing Partnership (AFP) was established by the Bank, following a year-long, multi-stakeholder dialogue. Designed as a concrete response to the Monterrey Consensus, the AFP seeks to harness the potential of DFIs to mobilize private capital for African development. The aim of the AFP is to optimize their consolidated market knowledge and project financing skills and thereby mitigate financial risks for cofinanciers. The AFP will enhance the DFIs' strong counter-cyclical financing role in the current credit crisis and seek to leverage DFI financing alongside private capital flows.

The AFP's 3-step approach involves:

1) Creating a partnership among a limited number of larger DFIs that have strong African experience, risk-taking resources, and the capacity to undertake due diligence and appraisal on behalf of others – the *Promoting Partners* – these include AfDB, FMO, DEG, Proparco, EIB, IDC, IFC, and DBSA;
2) Expanding and systematizing the partnership by facilitating additional cofinancing by interested smaller DFIs in a second tier of *Supporting Partners*;
3) Formalizing the AFP structure by creating a special purpose vehicle (SPV) to act as a conduit for the commitments of the partners. At this stage, further cofinanciers would be invited to participate, known as the *Commercial Partners*.

In Africa there is strong demand for financing from sectors such as infrastructure and mining, which generally involve large capital injections. The AFP focuses on very large projects (sometimes up to several billion dollars). The Africa Infrastructure Country Diagnostic (AICD) study estimates that annual infrastructure investment needs in Africa are in the region of UA 25.97 billion per year, with a further UA 25.97 billion per year for maintenance and operational costs.

The AFP projects will be determined on a case-by-case basis; and in each case a DFI with a comparative advantage will take the lead. It is anticipated that the partnership could finance 10–20 projects in Africa, amounting to well above UA 6.49 billion per annum.

The implementation of a one-year pilot of ADOA started on October 1, 2008. During the last quarter of 2008, 12 operations were assessed at either the concept note or appraisal phase. Six ratings were issued for operations at the appraisal stage. The expected development outcomes were good, with an average rating of 2 on a scale ranging from 1 (excellent) to 5 (unsatisfactory). The additionality was found to be positive, with an average rating of 1.83 on a scale ranging from 1 (strongly positive) to 4 (none). The main positive development outcomes stemmed from private sector development and the effects on the RMCs' budget. The principal source of additionality was improved project quality, followed by financial risk mitigation.

SUPPORTING ECONOMIC AND GOVERNANCE REFORMS

African countries have made significant progress in improving governance practices, but considerable challenges remain. The advances made by Africa are real, albeit fragile and vulnerable, in the context of an increasingly volatile international context. The need to strengthen the institutions of governance remains a pressing issue for some RMCs and the Bank actively supports its member countries in this endeavor. Public sector reforms help to build a more conducive environment for domestic and foreign investment and for private sector development, since they promote efficiency, accountability, and transparency in public finances and in procurement practices.

The Bank Group actively supports the emergence of an African agenda for good financial governance. Good financial governance provides the foundations upon which to build effective, capable, and accountable states, able to deliver basic services to the poor. It is also critical to expand the fiscal space to respond effectively to exogenous shocks and volatile global markets, via more efficient domestic resource mobilization and more effective public expenditure.

The Bank Group has reaffirmed governance as one of its core strategic pillars. In May 2008, the Bank approved the *Governance Strategic Directions and Action Plan for 2008–2012* (GAP), which defines the basis for greater selectivity in the Bank's support to governance reforms in Africa. The GAP embodies a number of earlier Bank policies and recommendations, including: (i) a policy on governance; (ii) a review of governance activities in 2006; and (iii) the recommendations emerging from the ADF Deputies' Report of 2008 and the Report of the High Level Panel (HLP).

In line with the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008) on the use and strengthening of country systems, the Bank aims to help RMCs to: (i) improve economic and financial governance through increased support to revenue, budgeting and auditing systems and standards (see Box 3.5); (ii) reduce corruption risk through the strengthening of public procurement systems; (iii) enhance transparency and accountability in the management of natural resources by acceding to the Extractive Industries Transparency International (EITI); and (iv) support parliamentary committees and NGOs working to enhance efficiency, transparency and integrity in the management of public finances.

The Bank Group supports economic and financial governance reforms through a combination of instruments, including policy-based lending, budget support, investment projects, special initiatives, nonlending activities, and upstream analytical and advisory

Box 3.5: Supporting Public Financial Management Reform in Liberia

In 2008, the Bank approved the first budget support operation for Liberia, which is classified as a fragile state. The overarching purpose was to support reform in the country's public financial management (PFM) systems and modernization of its revenue administration. The program was financed from the Fragile States Facility (FSF) for an amount of UA 9.0 million and a grant of UA 3.0 million from the Surplus Account of the ADB to the African Food Crisis Response (AFCR) initiative.

Expected Outcomes: The operation will support the Poverty Reduction Strategy (PRS), based on a medium-term PFM program aimed at achieving the following: (i) strengthened transparency in public finance management; (ii) increased efficiency in revenue collection after modernization of revenue administration; (iii) deepened reforms to improve the effectiveness of the budget; (iv) improved fiscal policy design; (v) enhanced capacity for sustainable tax revenue generation; (vi) establishment of a one-stop-shop facility in customs; (vii) reinforced procurement and audit systems in government; and (viii) government measures to limit the social impact of rising food prices.

General Remarks: The program supports the government's macroeconomic strategy to lay the foundations for rapid, inclusive, and sustainable growth. There have been no similar operations by the AfDB in Liberia. The Government's impressive progress in reconstructing the country following the civil war demonstrates its commitment to sound economic policies, which significantly lowers the risks to the Bank of a budget support operation of this kind. Furthermore, progress in the country's growth trajectory has resulted in better CPIA indicators, thus encouraging donors to support the public financial management reform program.

work. These instruments are deployed at the country, sectoral, and regional levels. In 2008, the Bank financed 17 governance-related operations amounting to UA 682.0 million, which represents 21.5 percent of total Bank Group loan and grant approvals for the year.

At the sectoral level, the Bank continued to concentrate on improving governance and promoting integrity, particularly in high-risk sectors such as infrastructure, by supporting initiatives such as:

- **The Investment Climate Facility for Africa** (ICF), which aims to strengthen the enabling environment for the development of the private sector and the investment climate in areas such as property rights, taxation and customs, and business registration;
- **The Extractive Industries Transparency Initiative** (EITI), which aims to improve transparency and accountability in the extractives sector. To date, the Bank has contributed to the achievement of EITI candidacy status of 3 countries – Liberia, Madagascar, and the Central African Republic – while Botswana's candidacy is expected in early 2009.
- **The Making Finance Work for Africa (MFW4A)** partnership to support the efforts of African countries to strengthen their financial sectors as a means of accelerating economic growth and reducing poverty.

The Bank also lends its support to regional and subregional institutions, initiatives and networks that promote practices, standards and codes of sound economic and financial governance. The Bank support targets, in particular, improvements in the following areas:

- enhancing country peer review processes and strengthening the review mechanism through the Africa Peer Review Mechanism;
- domestic revenue mobilization through support to reforms in tax and customs policy and administration, notably through its endorsement of the African Tax Administrators Forum (ATAF);
- country budget practices and standards through, *inter alia*, support to the Collaborative African Budget Reform Initiative (CABRI);
- country public procurement systems and standards, notably through the harmonization of those standards by RECs (UEMOA, COMESA); and
- country systems in government auditing and financial oversight, notably through continued support to the African Organization of Supreme Audit Institutions (AFROSAI).

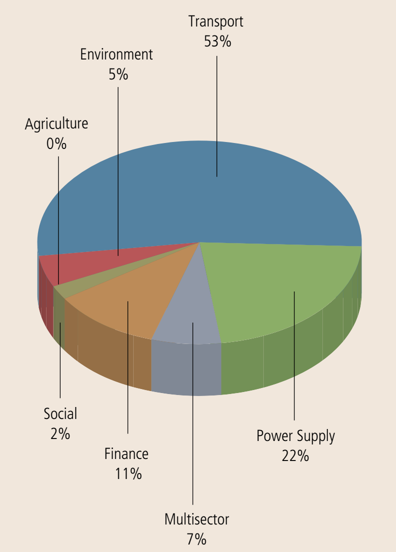
PROMOTING REGIONAL INTEGRATION

Major strides are currently being made throughout Africa to scale up economic cooperation and regional integration. Regional infrastructure is being developed in a drive to overcome trade barriers, create economies of scale, and increase national economic growth and competitiveness. This is especially important given the current credit crisis and the forecast decline in demand for many African export commodities in the developed countries.

Loan and grant approvals for the Bank Group's multinational operations in 2008 stood at UA 597.0 million, which is more than triple the 2007 level of UA 193.3 million. Figure 3.5 indicates that in 2008, the largest share of multinational approvals went to transportation, followed by power supply, finance, and multisector. Notable multinational projects approved during 2008 include: the Transportation Facilitation Program for the Nigeria–Cameroon Highway Link (Bamenda–Mamfe–Abakaliki–Enugu Corridor) (UA 204.8 million); the Interconnection of Electric Grids of the Nile Equatorial Lakes Region (UA 99.8 million); Line of Credit and General Capital Increase to PTA Bank (UA 60.6 million); financial support package to BOAD (UA 40.1 million); and equity participation in the Emerging Capital Partners Africa Fund III (EAF3) (UA 32.1 million).

In accordance with the mandate conferred on the Bank by NEPAD, infrastructure development is a major operational priority, particularly through the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF). In 2008, the Bank provided a total of UA 5.7 million under this Facility to fund the upstream preparation of 12 projects. The Bank is also involved in the soft side of infrastructure development through capacity building, creation of enabling environments, and knowledge management. It organized 3 capacity development workshops in 2008 with the participation of the African Union Commission (AUC), Regional Economic Communities (RECs), United Nations Economic Commission for Africa (UNECA), African Capacity Building Foundation (ACBF), donors, the private sector, and other stakeholders.

Figure 3.5: Sectoral Composition of Multinational Projects Financed in 2008



In this context, the Bank continues to actively promote regional economic communities (RECs) as the building-blocks of African integration; it also emphasizes the need for them to adopt a more coordinated approach. The Bank also collaborates with pan-African organizations, particularly the AU and UNECA, to support the rationalization and streamlining of RECs. A case in point is the decision taken in October 2008 by the Heads of State of COMESA, EAC, and SADC at their Tripartite Summit in Kampala, Uganda, to merge the 3 RECs. The Heads of State have commissioned a Roadmap Study for the creation of a Free Trade Area (FTA) covering the 3 RECs, and the Bank has agreed to finance the study.

In 2008, the Bank contributed to the preparation of: (i) the 2009-2013 Regional Assistance Strategy (RAS) for the Economic Community of Central African States (ECCAS); (ii) the 2009-2013 COMESA Regional Assistance Strategy; and (iii) the Progress Report of the 2004-2008 Southern Africa Regional Assistance Strategy Paper.

SUPPORT FOR FRAGILE STATES

In 2008, the Boards of Directors approved 2 documents relating to fragile states: (i) *the Bank Group Strategy for Enhanced Engagement in Fragile States* and (ii) *the Operational Guidelines of the Fragile States Facility (FSF)*. These reflect the growing global consensus on the need to increase aid and development effectiveness in fragile states. The strategy differentiates the Bank Group's support to 9 post-crisis/transitional countries from the support provided to other categories of fragile states, and from the standard development assistance provided to all other RMCs. The FSF was set up in March 2008 as an operationally autonomous, special purpose entity within the Bank. The objectives of the FSF are to provide more integrated financing framework for eligible fragile states; to consolidate peace, stabilize their economies, and contribute to sustainable poverty reduction. The resource envelope of the FSF in 2008 amounted to UA 511.4 million and comprises UA 408.4 million allocated from the ADF-XI replenishment and a carry-over of UA 102.9 million from the Post Conflict Country Facility (PCCF).

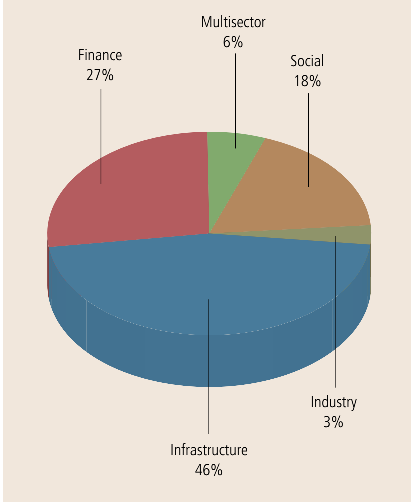
To operationalize the FSF, a Fragile States Unit (FSU) was established in the Bank in July 2008 with the objectives of (i) facilitating the dissemination, coordination, harmonization, and alignment of the Bank's work in fragile states; (ii) providing supplementary and advisory support to the Bank's regional and sector departments working in fragile states; (iii) running the secondment program of capacity building and facilitating effective learning amongst the roster of experts; and (iv) helping to implement the arrears clearance programs. Total FSF approvals for 2008 amounted to UA 35.6 million for 3 countries: Burundi (UA 12.0 million), Togo (UA 14.6 million), and Liberia (UA 9.0 million).

SUPPORT FOR MIDDLE-INCOME COUNTRIES (MICs)

In 2008, the Bank Group loan approvals for middle-income countries (MICs) (excluding multinational projects and programs) totaled UA 1.10 billion. The financing source of these approvals is the ADB window, the Bank's nonconcessional lending arm. The sectors benefiting from these approvals were: infrastructure (46.0 percent), finance (27.0 percent), social (18.0 percent), multisector (6.0 percent), and industry (3.0 percent) (see Figure 3.6). This reflects the strong funding demand from the MICs in the areas of infrastructure and financial sector development. The significant portion allocated to the social sector confirms the need to improve human development indicators in the MICs.

In terms of geographic distribution, North Africa received the largest volume of approvals (72.2 percent), well above the share for the Sub-Saharan region. This distribution confirms the trend recorded during the previous 5 years (2002–2007), when North Africa received 57 percent of total loan approvals.

Figure 3.6: Sectoral distribution of approved projects for MICs in 2008



While MICs in Africa have attained higher per capita incomes and relatively diversified economies, many face high unemployment levels, vulnerability to external and internal shocks, and pockets of extreme poverty. In this context, one of the Bank's primary goals is to help build strong MICs that can serve as regional hubs to catalyze growth.

To meet these challenges, in June 2008 the Bank approved a *Strategic Framework for Enhancing Bank Group Support to Middle-Income Countries*. This strategy aims to position the Bank as the preferred partner of MICs, based on a comprehensive approach offering the following benefits: (i) the competitive range and pricing of the Bank's financial products; (ii) improved delivery of services through efficient business processes; (iii) limited provision of concessional resources; and (iv) provision of advisory services. The Bank will continue periodic price revisions of its financial products with a view to providing more attractive lending terms, subject to protecting the Bank's financial integrity, particularly given the volatility of market conditions.

In addition, the Bank organized a conference jointly with the World Bank in Cairo in March 2008, to examine ways in which the MDBs and other development partners could better meet the needs of MICs.

AGRICULTURE AND FOOD SECURITY

Agriculture remains a key economic sector for most African countries. Indeed, Africa's vulnerability in this area was brought into focus by the global food crisis, which began in early 2008. The sustainability of this sector is further threatened by the effects of climate change. Consequently, the Bank's operational priorities in the agriculture sector during 2008 targeted: (i) the provision of rural infrastructure for increased crop and livestock production, (ii) the expansion of agribusiness including agro-industry, (iii) capacity building; (iv) natural resources management and adaptation to climate change.

The 2008 lending program for this sector was characterized by an increase in project approvals to middle-income countries (MICs), in alignment with the Bank's Medium Term Strategy. Another notable feature of the program was an increased number of multinational operations in the natural resources management area. This aligns to the new emphasis on regional integration in order to realize economies of scale and achieve greater development impact.

In 2008, interventions in rural infrastructure were mainly in irrigation and drainage; rural roads and rural electrification; development of markets and storage; and agro-processing facilities. Total Bank Group approvals in the agricultural sector (excluding those approved under the Africa Food Crisis Response Facility) amounted to UA 163.9 million for 15 approvals, of which UA 153.4 million was in loans and UA 10.5 million in grants.

The Bank also continued to pursue strategic partnerships and to use a joint donor coordinated programmatic approach. In this respect, in 2008 the Bank continued to support the Comprehensive Africa Agriculture Development Program (CAADP), which was established in 2006 under the auspices of NEPAD. A new initiative for 2008, the Africa Food Crisis Response strategy, aimed specifically at addressing the issue of rising food and agricultural input prices and ensuring food security in RMCs (see below).

Africa Food Crisis Response

Increases in food prices have the potential to reverse gains in poverty reduction and progress toward the MDGs. Africa, in particular, has higher levels of poverty and the poor are hit hardest as they spend a significantly large proportion of their income on food. Food prices during 2008 were much higher than in previous years, particularly for cereals – maize, wheat, and rice. The continent's cereal import bill is estimated to have increased by 49 percent during 2008 compared to rises of 25 percent in Asia and 31 percent in Latin America.

Food-related demonstrations occurred in a number of RMCs during the year, threatening political stability. In response, some countries adopted measures to either reduce prices and/or increase access to food, which had negative implications on fiscal and external balances. Despite a general decline in global food prices in the second half of 2008, prices in African countries did not fall by the same margin. This clearly shows that markets on the continent are not as efficient as elsewhere in the world. For example, in some East African countries, maize prices are still 36 percent higher than world levels. A similar situation holds for West African countries, where cereal prices continued to rise until the last quarter of 2008. This demonstrates that Africa's situation is unique and requires both short-term and long-term responses to address its vulnerability to unstable food prices and to achieve food security.

To address the problem, after due consultation with RMCs, other MDBs and international development organizations, the Bank established in 2008 the *Africa Food Crisis Response (AFCR)* initiative. This aims to reduce food poverty and malnutrition in the short term and to ensure sustainable food security in the medium to longer term. The AFCR will provide financial assistance to RMCs to the tune of UA 472.0 million in the short term and UA 1.4 billion in the medium to long term. It is expected that the estimated requirement of UA 1.4 billion will come from regular Bank instruments – ADB, ADF, and cofinancing from development partners. These funds will focus on agricultural infrastructure, including water mobilization for irrigation, rural access roads, and facilities for reducing post-harvest losses.

In the *short term*, the AFCR seeks to increase the supply of food in RMCs through increased provision of agricultural inputs. Its approach is to: (i) realign the existing agricultural portfolio and restructure non-agricultural projects, thereby releasing funds for the purchase of agricultural inputs to boost food crop production; (ii) stabilize food prices through the use of a budget support instrument to quickly disburse resources to RMCs that have experienced drastically reduced tax revenues and exports as a result of the crisis; (iii) boost the use of the high-yield New Rice for Africa (NERICA) seeds in suitable projects; and (iv) allocate specific resources from the Bank's Surplus Account to RMCs, particularly some of the fragile states.

The AFCR's *medium- to long-term* measures will run over a period of 3 years and adopt several approaches: (i) transformation and revitalization of the agriculture sector by adopting/adapting new technologies; (ii) improved rural infrastructure; (iii) operationalizing the African Fertilizer Financing Mechanism (AFFM); (iv) increasing NERICA rice production; (v) capacity building, policy dialogue, and trade promotion; (vi) scaling up private sector operations for food security; (vii) promoting agricultural research, and (viii) the establishment of the Crisis Response Facility.

The 5 countries that benefited from the AFCR initiative in 2008 were Central African Republic, Comoros, Burundi, Djibouti and Liberia. In December 2008, the Bank approved UA 10.5 million to help these countries tackle their growing food shortages.

Strategic Partnerships in Agriculture

Collaboration in the agriculture sector takes the form not only of cofinancing operations and dialogue with RMCs, but also harmonizing interventions and operational procedures with development partners. In this respect, the Bank in 2008 worked closely with the AU and ECA to establish the ClimDev-Africa Program and Trust Fund for climate risk management. Furthermore the Bank jointly organized a workshop with the AU/NEPAD to develop an Agricultural Expenditure Tracking system. Other key meetings with partner agencies included the following:

- **Ministerial Conference on Water for Agriculture and Energy** (Libya, December 2008). This conference pledged to promote water development throughout the continent to fully exploit Africa's agricultural and hydro-energy potential.
- **AU–NEPAD Food Security Workshop** (Johannesburg, May 2008). This conference aimed to assist governments to formulate an appropriate country framework of food security interventions to boost food production, increase the availability and access to food for the most vulnerable, and cope with the volatility in food prices.

PROMOTING SOCIAL AND HUMAN DEVELOPMENT

The Bank supports RMCs in their efforts to develop human capital through strengthened and effective education, health and social systems in order to achieve the Millennium Development Goals (MDGs) and advance economic development. In line with the Medium Term Strategy, the Bank's main focus is on promoting higher education in science and technology as well as technical and vocational training, with a special emphasis on greater access for women. Furthermore, the Bank finances well-targeted operations in basic education and health in countries where it enjoys a comparative advantage. The special situation in fragile states is also acknowledged by the Bank, through its emphasis on developing basic socioeconomic infrastructure (e.g. sanitation and water supply) in these low-income countries.

In 2008, UA 224.2 million was approved for 14 projects and programs in the social sector by the Bank Group. The sectoral distribution shows the predominance of the education subsector (UA 119.1 million) followed closely by the health subsector (UA 89.6 million). Notable approvals include UA 59.9 million of ADB funding for the Medical Coverage Reform Support Program II (PARCOUM II) in Morocco, an ADF loan of UA 52.0 million for the Post Primary Education and Training Expansion and Improvement (Education IV) Project in Uganda; and an ADF loan of UA 90.0 million for the Third Poverty Reduction Support Loan (PRSL III) for Ghana. Box 3.6 presents an evaluation of an earlier poverty-reduction project in Ghana, which was successfully implemented from 1999–2005.

Box 3.6: Evaluation of the Ghana Poverty Reduction Project / Social Investment Fund

Objectives: To reduce poverty by increasing community access to basic social and economic infrastructure in 80 districts and to support the expansion of local microfinance operations.

Bank's Role: ADF loan of UA 11.0 million.

Timeline: Commencement 1999; completion 2005.

Outputs: The project was rated as "highly satisfactory" in its Project Completion Report, as it achieved the following outputs:

- 714 subprojects supported (out of a planned 1,000; the Government stepped in to finance the remaining 225 unfunded projects);
- Sectoral distribution of the beneficiary subprojects was as follows: 53 percent for school construction or upgrading; 20 percent for agriculture; 16 percent for health and water & sanitation projects;
- Approximately 350,000 students and 5,500 farmers benefited from the subprojects;
- The 166 health projects resulted in improved access to health services for over 65,000 people;
- Employment generated for local workers in the school construction programs;
- Over 930 community-based organizations received basic project design and management training;
- Approximately 12,200 people (at least 50 percent women) benefited from the small loans provided by the 42 microfinance institutions supported by the Social Investment Fund;
- Almost 20,000 microfinance institutions benefited from the project, in line with projects at appraisal.

Alignment to Bank's Strategic Objectives:
Social Impact: The Fund had a high social impact on the poor and contributed also toward achievement of the health and water-related MDGs. It has also created a substantial number of jobs, both in building construction and in microfinance. The training provided to community-based organizations has also strengthened capacity building in project design and management.

Poverty Reduction through Financial Intermediation: The project targeted the poorest segments of the population by channeling small loans through the Social Investment Fund to micro enterprises. The Fund facilitated new business start-ups, in addition to providing resources to expand businesses and buy capital equipment.

Enhanced Dialogue with Local Communities: A social fund approach was adopted in the project design, whereby communities identified, helped to design, and contributed to the implementation and supervision of projects. This empowering approach is fully in line with the Bank's emphasis on increasing dialogue and ownership of projects at the grassroots level, which is crucial for their sustainability in the long term.

Alignment to National Objectives The project was aligned to the national approach to poverty reduction. The Government's own completion report estimated that the project directly benefited approximately 1.15 million people (57 percent of whom were women), and that this constituted 16 percent of the poorest segment of the population.

Efforts continue to be made to mainstream social development across all Bank-funded projects, for example to integrate health aspects related to sanitation, waterborne diseases, and safe water usage. Furthermore, to support the decentralization exercise, in 2008, 3 social sector specialists were deployed to FOs to increase awareness of the activities of the Bank in this area and to improve monitoring and supervision of social sector projects on the ground.

Emergency Humanitarian Assistance

In 2008, 8 emergency humanitarian assistance operations were approved for 5 countries from the Special Relief Fund (SRF), for a total amount of UA 2.5 million. This assistance supported victims of flood, drought, repatriation, post election crises and those most severely affected by rising food prices.

CROSSCUTTING ACTIVITIES

Climate Change Risk Management

Climate change has emerged as a serious threat to sustained economic growth and poverty reduction, the quality of life, and political stability across the globe. A large segment of Africa's population, especially in SSA and in the rural areas of the middle-income countries, live in conditions of acute "energy poverty." In this regard, 2 challenges have emerged as priority concerns to be addressed: (i) access to energy and (ii) climate change risk management and adaptation.

In response, the Bank approved in March 2008 *The Clean Energy Investment Framework (CEIF).* This Framework sets a comprehensive agenda for mainstreaming clean energy options, promoting investment in energy access and cleaner energies, and strengthening energy efficiency in all major sectors of the economy. Furthermore, through its partnership with the Global Environment Facility (GEF), the Bank aims to further strengthen the climate resilience aspect of its operations.

At an institutional level, in July 2008 the Bank approved a fine-tuning of its organizational structure, which resulted in the creation of the Gender, Climate Change, and Sustainable Development Unit (OSUS), with a clear mandate to address these specific crosscutting areas and accelerate their mainstreaming in the Bank's work.

Another notable event related to the climate change agenda took place in June 2008. This was the launching of the Congo Basin Forest Fund in London by the UK Prime Minister, Norwegian Prime Minister, and the Bank Group President. The Bank is playing a major role in supporting this new initiative and will be hosting the Secretariat at its Tunis TRA (see Box 3.7).

FINESSE Program: The Bank's work in renewable energy, and specifically as outlined in the CEIF has been operationalized partly through the Dutch-funded Financing Small Scale Energy Users (FINESSE) Program. During 2008, FINESSE resources supported the integration of renewable energy into current Bank activities, as well as the preparation of standalone projects through technical and financial support to develop feasibility studies in several RMCs.

Box 3.7: The Congo Basin Forest Fund (CBFF)

This multi-donor facility was launched in London in June 2008 by Prime Ministers Gordon Brown of the United Kingdom, Jens Stoltenberg of Norway, and the Bank Group President, Donald Kaberuka. The President reiterated the Bank Group's strong commitment to the project through its acceptance to host the Fund on behalf of, and in partnership with, the 10-member states of the Central African Forests Commission (COMIFAC), comprising Burundi, Cameroon, Chad, Central African Republic, Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, São Tomé and Principe, Rwanda, as well as the UK and Norway.

The CBFF was set up to take action to protect the forests in the Congo Basin region. These forests, the second largest rainforest in the world, are an essential resource providing food, shelter and livelihoods for over 50 million people. The forest region covers about 2 million square kilometers, and is home to 10,000 species of plants, 1,000 species of birds, and 400 species of mammals. The CBFF will support transformative and innovative proposals which will develop the capacity of the people and institutions of the Congo Basin to manage their forests, find livelihoods consistent with the conservation of the forests, and reduce the rate of deforestation. The UN estimates that 66 percent of the rainforest will disappear by 2040 if the destruction is not halted.

The Fund will support activities/projects which complement particular aspects of the COMIFAC convergence plan. The CBFF will work closely with Central African governments, regional institutions (COMIFAC, ECCAS), technical partners, international donors, NGOs, and the private sector. The Fund will be run by a Governing Council chaired by Professor Wangari Maathai, a Nobel Peace Prize Laureate, and the Rt. Hon. Paul Martin, former Prime Minister of Canada. The Fund will be managed and disbursed by a Secretariat hosted by the Bank Group in Tunis. The initial funding has come by way of a grant of UA 94.6 million (GBP 100 million) from the British and Norwegian Governments.

Conference of Parties (COP) Program: During the year, the Bank continued to support the COP, which in 2008 held the Conference in Poznan, Poland. The COP is the supreme body of the United Nations Framework Convention on Climate Change (UNFCCC) and is responsible for ensuring that international efforts to address climate change are kept on track. As a side-event to the Conference, the Bank jointly organized with the EBRD, the EIB, and the AsDB a meeting to discuss climate change issues in relation to natural resources management. In preparation for the next Conference in Copenhagen in 2009, the Bank is supporting RMCs to develop a common position on many of the outstanding issues being negotiated, to articulate the African viewpoint, with a particular emphasis on mobilizing additional finance for RMCs.

Gender Mainstreaming

As previously mentioned, in July 2008 the Bank established a unit (OSUS) dedicated to accelerating the mainstreaming of cross-cutting issues, including gender, into the Bank's projects and programs. Through this mandate, the Bank has intensified its focus on the gender agenda.

The Bank's *Gender Plan of Action* serves as the key document for gender mainstreaming. In 2008, work continued on finalizing gender mainstreaming checklists for the infrastructure sector, as well as for higher education, science and technology and the health sector. Moreover project-specific Environmental and Social Impact Assessments (ESIAs) were reviewed by gender specialists to ensure that gender issues had been sufficiently addressed. Work also continued during the year in collaboration with the statistics function of the Bank, to support sex-disaggregated data collection and capacity building at the RMC level.

The Bank was also represented, together with the AU and ECA, at various key international meetings and conferences during 2008 that focused on the broad gender agenda.

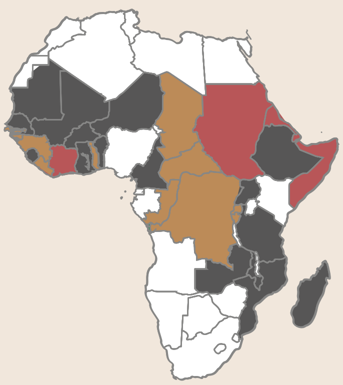
RESOURCE MOBILIZATION

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Progress Report

The Bank mobilizes resources for HIPC debt relief for the 33 eligible RMCs after they have reached their decision and/or completion points. During the year, the Bank approved HIPC debt relief of UA 145.7 million (NPV terms) at decision point for Liberia and UA 14.1 million (NPV terms) at completion point for the Gambia. Thus total HIPC debt relief approvals amounted to UA 159.9 million in 2008. As at end December 2008, 19 RMCs had reached their completion points, 9 were in the interim period (between decision and completion point), and 5 were at the pre-decision point (see Figure 3.7).

As shown in Figure 3.8 and in Annex II-15, total debt relief of UA 2.58 billion (US$ 3.98 billion) in NPV terms, equivalent to about UA 3.86 billion (US$ 5.94 billion) in nominal terms, has been committed by the Bank Group to the 33 RMCs under the HIPC Initiative. The breakdown of costs by HIPC status is shown in Figure 3.8.

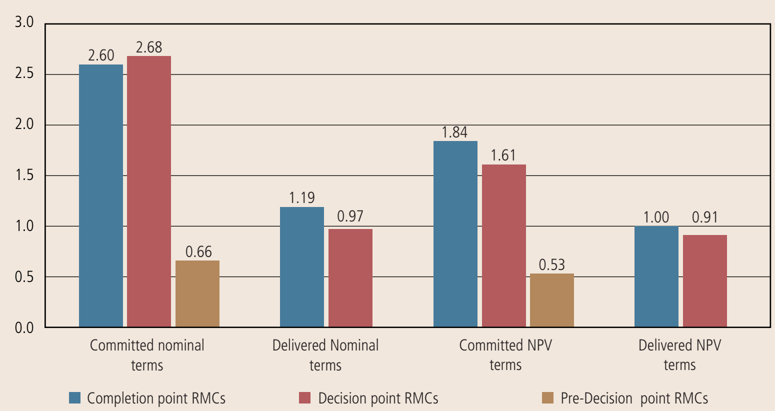
Figure 3.7: Classification of RMCs by HIPC Status (as at end-December 2008)



STATUS OF COUNTRIES

Completion Point	Decision Point	Pre-Decision Point
Benin	Burundi	Comoros
Burkina Faso	Chad	Côte d'Ivoire
Cameroon	C.A. Rep	Eritrea
Ethiopia	D. Rep. Congo	Somalia
Gambia	Congo Rep.	Sudan
Ghana	Guinea	
Madagascar	Guinea Bissau	
Malawi	Liberia	
Mali	Togo	
Mauritania		
Mozambique		
Niger		
Rwanda		
Sao Tomé & Principe		
Senegal		
Sierra Leone		
Tanzania		
Uganda		
Zambia		
19	9	5

Figure 3.8: Cost of the HIPC Initative (US$ billions)



The Multilateral Debt Relief Initiative (MDRI)

The MDRI provides additional debt relief under the enhanced HIPC Initiative to eligible RMCs that have reached their completion points. Under the MDRI, donors are committed to cancel ADF loans for debts outstanding and disbursed, effective from the cut-off point (end-December 2004), and to compensate the Bank "dollar for dollar" for the MDRI-related foregone reflows over a 50-year period to safeguard the long-term financing capacity of the ADF. The estimated cost of the MDRI is UA 5.56 billion (US$ 8.78 billion) (see Annex II-16). MDRI debt relief of UA 107.6 million was approved for The Gambia in 2008, which will be spread over a 50-year period. The total debt relief provided to the 19 MDRI-eligible RMCs in 2008 is estimated at UA 41.6 million (US$ 64.1 million).

ADF-XI Resources and Allocation in 2008

The total resources for the ADF-XI cycle amount to UA 5.76 billion, made up of UA 3.70 billion of donor contributions and UA 2.06 billion of the Advanced Commitment Capacity (representing internally generated resources). After adjustments for carry-over resources from previous ADF replenishments, total ADF-XI resources available amount to UA 5.90 billion. The amounts set aside from the ADF-XI resources for the Fragile States Facility, regional operations, and contingencies are respectively: UA 408.4 million, UA 953.0 million, and UA 456.7 million. This leaves UA 4.08 billion available for allocation to the 40 ADF-eligible RMCs under the Performance Based Allocation (PBA) system.

As at end-December 2008, UA 1.25 billion (30.6 percent) of the available resources under the PBA system had been committed. Of the resources for regional operations, UA 409.2 million (42.9 percent) had been committed. The Fragile States Facility was augmented with carry-over resources of UA 102.9 million from the former Post Conflict Country Facility, which raised its funding level to UA 511.4 million. During 2008, UA 35.6 million (6.9 percent of total resources) was committed from the FSF to Burundi, Togo, and Liberia.

The Performance-based Allocation (PBA) system determines the amount of ADF resources allocated to each of the 40 eligible RMCs, while the Debt Sustainability Framework (DSF) determines the country-specific financing terms in the form of loan, grant, or a loan/grant combination. The DSF country classification applied during 2008 is presented in Table 3.1.

Table 3.1: Classification of ADF RMCs based on the 2008 DSF Risk of Debt Distress

Classification under DSF	Countries
Green – Loans only (14 RMCs)	Angola, Cameroon, Cape Verde, Ghana, Kenya, Madagascar, Mali, Mozambique, Nigeria, Senegal, Tanzania, Uganda, Zambia, Zimbabwe
Yellow – Loan/Grant Combination (8 RMCs)	Benin, Burkina Faso, Ethiopia, Lesotho, Malawi, Mauritania, Niger, Sierra Leone
Red – Grants only (18 RMCs)	Burundi, Central African Republic, Chad, Comoros, Congo Rep. of, Congo DRC, Côte d'Ivoire, Djibouti, Eritrea, Gambia, Guinea, Guinea-Bissau, Liberia, Rwanda, São Tomé & Principe, Somalia, Sudan, Togo

PARTNERSHIPS AND COOPERATION ACTIVITIES

During 2008, the Bank continued to strengthen strategic partnerships with various development actors, including bilateral aid agencies, multilateral development institutions, African civil organizations, regional economic communities (RECs), and private sector organizations. Consultations were held with representatives of all 18 bilateral and several multilateral development partners of the Bank. These provided the opportunity to identify common areas of interest and to discuss how best to move the African development agenda forward.

The objective of the Bank's partnerships and cooperation activities is to supplement Bank Group lending and human resources through the mobilization of financial inputs and technical assistance, principally through cofinancing, technical cooperation arrangements, and secondments. This approach is fully in line with the Paris Declaration on Aid Effectiveness, which calls on the international aid community to harmonize their activities at all levels and to leverage their internal capacities to maximize results on the ground.

It is in this context that the Bank has been undertaking a series of measures to better align its partnership activities with its new strategic direction and core mandate. The key precepts of the ongoing structural reform are: to streamline and standardize business processes; to establish a basic information management system; to build more proactive communications with user departments and external partners; and to deliver a marked qualitative improvement in staffing and teamwork. As a result, the year 2008 witnessed notable progress, particularly in the areas of trust fund management and institutional partnership management, as detailed below.

Cofinancing Operations

During 2008, the Bank approved 31 cofinancing projects compared to 28 in 2007. The total cost of these projects amounted to UA 8.05 billion, compared to UA 7.47 billion in 2007, a rise of 7.8 percent. The Bank Group's contribution amounted to UA 1.46 billion or 18.1 percent of the total, compared to UA 1.29 billion in 2007. The amount invested by the Bank Group in cofinancing projects in 2008 is the highest since the start of its activities (see Figure 3.9).

During 2008, the Bank group mobilized UA 4.74 billion from its external partners to cofinance 26 national projects and 5 multinational projects compared with UA 4.20 billion in 2007; a rise of 12.9 percent (see Table 3.2). The volume mobilized in 2008 from multilateral and bilateral partners was UA 4.60 billion compared to UA 3.53 billion in 2007. Among the multilateral partners, the main cofinanciers were: the World Bank, the European Union (EU), the International Monetary Fund (IMF), and the European Investment Bank (EIB). The principal bilateral cofinanciers were the United Kingdom, the Netherlands, France, Sweden, Canada, Arab institutions, Germany, Ireland, and Denmark (see Figure 3.10).

In addition to contributions from multilateral and bilateral partners, a further UA 139.2 million was provided by private sector institutions, notably in 3 key projects: the Derba Midroc Cement Project in Ethiopia; the Doraleh Container Terminal Project in Djibouti; and the Guinea Alumina Project in Guinea (see Project Profiles at the end of Chapter 4 for full details).

Local firms, governments and beneficiaries played a key role by committing UA 1.85 billion to projects and programs in 2008, which was a 7.5 percent decrease from 2007 when the local contribution stood at UA 2.00 billion. There were in addition unspecified contributors.

The top sector to benefit from cofinancing in 2008 was multisector, which rose sharply to UA 6.20 billion (total project costs), compared to just UA 485.62 million in 2007. This reflects the Bank's new selectivity and focus, in line with its Medium Term Strategy, on major investments to improve governance in its RMCs and thereby enhance the business environment. The next largest beneficiary sector was infrastructure – transportation, water supply and sanitation, and power – which together accounted for UA 1.05 billion in total project costs. Industry, mining and quarrying was the third largest sector in terms of total project costs with UA 371.5 million (see Table 3.2).

Figure 3.9: Resources Invested by the Bank Group in Cofinancing Projects, 2000-2008 (UA millions)

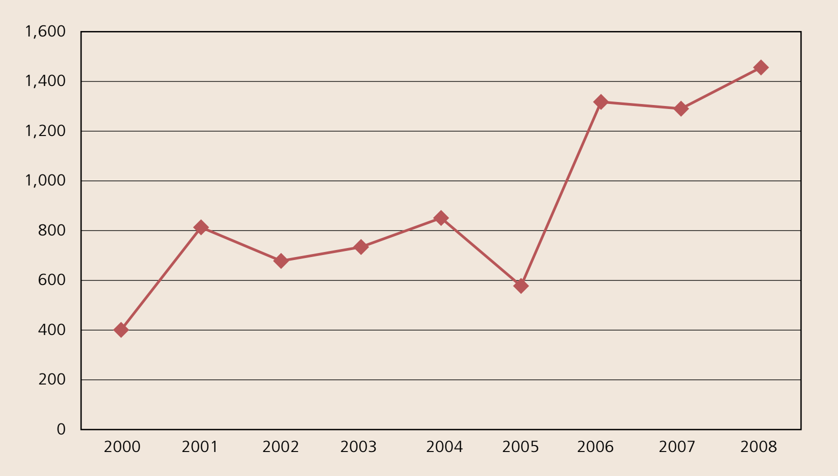


Figure 3.10: The Bank Group's Principal Cofinanciers, 2008 (UA millions)

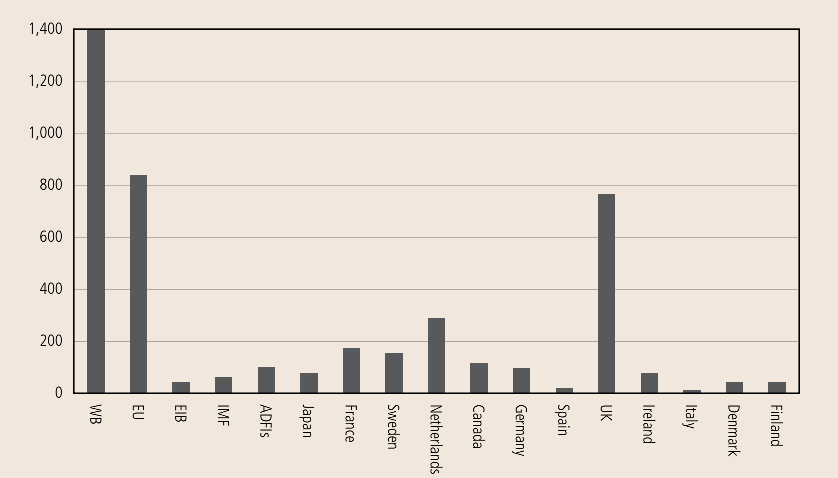


Table 3.2: Cofinancing Operations by Source and Sector, 2008
(UA millions)

Sector	SOURCE OF COFINANCING									Total Cost of Co-financed Projects
	Bank Group Contribution				External Sources				Local* *	
	ADB (1)	ADF (2)	NTF (3)	Total (4)='(1)+ (2)+'(3)	Bilateral (5)	Multilateral (6)	Other* (7)	Total (8)='(5)+ (6)+'(7)	(9)	(10)='(4)+ (8)+'(9)
Agriculture and Rural Development	-	40.00	-	40.00	37.26	54.34	-	91.60	54.64	186.24
Social	59.87	29.00	-	88.87	-	37.25	40.39	77.64	20.93	187.45
Water Supply & Sanitation	23.42	50.94	-	74.36	69.96	113.12	-	183.08	42.35	299.80
Power	26.06	111.77	-	137.83	64.45	49.89	-	114.34	11.15	263.32
Communications	-	-	-	-	-	-	-	-	-	-
Transport	50.96	204.80	-	255.76	42.01	19.53	12.74	74.28	158.17	488.21
Finance	-	-	-		-	-	-	-	-	-
Multisector	73.90	579.35	-	653.25	1,884.73	2,137.85	-	4,022.58	1,519.39	6,195.22
Industry, Mining and Quarrying	177.98	-	-	177.98	-	67.73	86.02	153.75	39.77	371.50
Environment	-	30.00	-	30.00	3.33	22.69	-	26.02	3.69	59.71
TOTAL	**412.20**	**1,045.86**	**-**	**1,458.06**	**2,101.74**	**2,502.41**	**139.15**	**4,743.30**	**1,850.09**	**8,051.45**

Source : ADB Statistics Department, Economic and Social Statistics Division
Notes :
* *Including private sources such as commercial banks, export credits and unspecified sources.*
* * *Including Government and Local financiers.*

Bilateral Technical Cooperation Activities

The Bank mobilizes and manages Technical Cooperation Funds (TCFs) as well as in-kind expertise (technical assistance, seconded staff etc.) from donors to complement its own resources. A proportion of the TCFs goes to build the in-house capacity of the Bank, such as the ongoing institutional reforms. From the existing TCFs, a total of UA 11.1 million was allocated to 49 activities in priority sectors of the Bank, namely, infrastructure, governance, water, private sector, regional integration, climate change, and the results agenda. Furthermore, a total of 22 Technical Assistance experts continued to work with the Bank.

To achieve more effective management of existing resources (single and multi-donor), during 2008 the Bank continued to implement its Technical Cooperation Fund Reform Policy (TCFRP), which requires the standardization and simplification of its internal processes and donor conditions. It also requires the alignment of Bank policies with those of other MDBs. For the single-donor or bilateral technical cooperation funds, the Bank is seeking to ensure that the balance of the trust funds established pre-TCFRP is fully utilized before September 2009. New resources mobilized during the year 2008 were negotiated in line with the TCFRP, which promotes multi-donor thematic funds, the introduction of a standard administrative fee of 5 percent, and the setting-up of a minimum threshold of UA 0.7 million (US$ 1.0 million) for single donor TCF and UA 1.3 million (US$ 2.0 million) for multi-donor funds. Commitment level of all funds to individual activities without prior approval from the respective donors stands at UA 64,923 (US$ 100,000) for single donor funds and UA 324,618 (US$ 500,000) for multi-donor funds, in accordance with the Delegation of Authority Matrix of the Bank.

Bilateral Trust Funds

Under the bilateral trust funds, as at end-December 2008, UA 13.3 million had been approved for 55 activities, compared with UA 7.6 million in 2007, representing an increase of 75.0 percent. The United Kingdom was the largest donor, approving UA 6.9 million for governance, infrastructure, water, climate change, and aid harmonization. The second largest donor was Korea, which approved UA 2.1 million under the Korea–Africa Economic Cooperation (KOAFEC) Trust Fund to finance the 2nd KOAFEC Ministerial Conference in Seoul, and workshops in Ghana, Korea, South Africa and Tanzania. Japan, the third largest donor, approved UA 0.78 million for poverty reduction strategy programs and census activities in Burundi, Cameroon, Malawi, and Rwanda. About 75 percent of the approved UA 13.3 million in 2008 came from the new untied trust funds established since 2007, in line with the Bank's TCFRP.

Accelerated Use of Bilateral Trust Funds: The steep increase in approvals under the bilateral trust funds is largely due to the introduction of annual work programming, and a move away from ad hoc application and processing. The Bank's quarterly e-dissemination of updated information on available trust funds to user departments has also made a positive contribution to the accelerated utilization and more efficient use of trust fund resources. This, in turn, has resulted in better integration and mainstreaming of trust funds into the core operations of the Bank.

Untying of Trust Funds: In line with the TCFRP approved in 2006, the Bank has been promoting the untying of trust funds to specific conditionalities, in order to increase efficiency and flexibility in their usage. Since mid-2007, untied bilateral trust funds have been established with the UK (UA 12.3 million/GBP 13.0 million), Korea (UA 3.3 million /US$ 5.0 million), Canada (UA 2.6 million/ C$ 5.0 million), Finland (UA 1.2 million/EUR 1.35 million), and Portugal (UA 1.81 million/ EUR 2.0 million), with an additional UA 13.0 million (US$ 20.0 million) pledged by Korea for replenishment in early 2009. Portugal has agreed to fully untie its fund, which is a notable departure from the previous 100 percent tied fund.

Multidonor Thematic Funds

In 2008, resource mobilization for multidonor thematic funds included: UA 5.7 million (GBP 6.0 million) from the UK and UA 1.8 million (EUR 2.0 million) from Germany for NEPAD-IPPF; UA 10.8 million (EUR 12.0 million) from Spain and UA 7.7 million (EUR 8.5 million) from Norway for the African Water Facility.

Institutional Partnerships

At the Tokyo International Conference on African Development (TICAD) in May 2008, Japan pledged its second loan under the Enhanced Private Sector Assistance (EPSA) Initiative for an amount of US$ 300.0 million (UA 194.8 million). The bilateral loan agreement was signed in Tunis in September 2008 and the first disbursement of US$ 30.0 million (UA 19.5 million) was drawn immediately afterwards. EPSA is a joint initiative, conceived in 2005, between the Japanese Government and the Bank to develop the private sector in Africa for the sustainable development of RMCs.

In 2008, the Bank's existing bilateral partnerships were formalized with Denmark, Finland, Germany, Japan, the Netherlands, Norway, and Portugal. Moreover, the partnership horizon was expanded through the forging of new institutional arrangements with both traditional and new partners, in full alignment with the Bank's new focal areas. During 2008, MOUs were signed with:

- *Emerging donors:* China Exim Bank, China Development Bank, the Korea Ministry of Strategy and Finance (UA 129.9 million/US$ 200 million has been earmarked by the countries for cofinancing), and the Korea Communications Commission;
- *Private sector:* Microsoft Africa;
- *Knowledge institution:* Tsukuba University in Japan (for Higher Education, and Science and Technology);
- *Traditional partners:* IFAD, the Development Bank of Austria, BADEA, and the Japan International Cooperation Agency; and
- *Libya:* Under this MOU, an amount of US$ 4.00 billion (UA 2.60 billion), representing 80 percent of the resources of the Libyan Trust Fund, will be used to cofinance projects in the private sector. Of the remainder, up to US$ 750 million (UA 486.9 million) will be utilized to provide concessional financing to public sector projects.

In 2008, the Bank prepared a database of all the existing Bank Group partnership agreements formalized since its inception, covering 125 bilateral and 66 multilateral agreements. This will serve as the Bank-wide *Partnership Management Information System*, which will facilitate a comprehensive review of progress and achievements made under each partnership agreement. As a part of this process, priority partners will be identified to enable a more focused strategic partnership agenda.

Other Activities: Partnership Events and Business Opportunities Seminars

In 2008, a number of key partnership events were organized by the Bank, including: the launch of a tripartite AfDB-DFID-France partnership in Tunis; a AfDB-WB joint conference on MICs in Cairo; and the launch of an AfDB-EC-WB tripartite partnership, held in Tunis.

The Bank also jointly organized, with the Government of Korea and the Export-Import Bank of Korea, the 2008 KOAFEC Ministerial Conference, held in Seoul in October. The Conference served as a platform to explore opportunities for mutually beneficial economic cooperation between Africa and Korea. It also witnessed the adoption of the "Seoul Initiative", laying the foundation for the KOAFEC Action Plan 2009/10 to foster synergies between Africa and Korea, in particular in the areas of: (i) infrastructure and sustainable natural resources development; (ii) information and communications technology (iii) human resources development; (iv) knowledge sharing; (v) agricultural and rural development; and (vi) green growth partnership.

In December 2008, the Bank hosted an MDB Roundtable on Trust Fund Management and Cofinancing. Representatives of AsDB, EBRD, EIB, IADB, IFC, IMF, and the WB discussed such issues as the mainstreaming of trust funds into the institutions' core operations, the tying and untying of funds, opportunities of working with emerging donors, resource mobilization, and the financial crisis.

Furthermore, during the course of the year, 8 business opportunities seminars (BOSs) were organized for Argentina, Austria, Brazil, Germany, India, Japan, the Netherlands and South Africa. These had 2 principal objectives: (i) to inform potential sponsors/co-investors in the wider business community about the opportunities available for participation in Bank-funded projects and (ii) to familiarize participants and potential cofinanciers with the Bank's procurement systems. While the benefits of these seminars are widely acknowledged by both the countries and the Office of the Executive Directors concerned, potential measures to improve cost-effectiveness, such as the introduction of e-based seminars, are being investigated.

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Chapter four

Bank Group Operations

This chapter focuses on the Bank Group's operations for 2008. First, a brief overview of the performance of Africa's economies during the year is provided, focusing on the effects of the global financial crisis and on the Bank's response. Next, operations during 2008 are analyzed for the Bank Group as a whole, and for its 3 windows (ADB, ADF, and NTF). The analysis includes approvals by financing instrument, sector, and subregion and presents cumulative figures since 1967 for each of the 3 windows. This is followed by a breakdown of Bank approvals for each of the 5 African subregions in 2008. Profiles of all projects and programs approved by the ADB and ADF during the year are presented at the end of the chapter.

MACROECONOMIC CONTEXT

Africa's economic performance remained robust in 2008 despite the volatility in oil prices, relatively weak global demand, poor crop harvests and droughts in some parts of the continent, and the global financial crisis. The real GDP growth of the continent registered 5.7 percent in 2008, down from 6.1 percent in 2007. Notwithstanding the reduction in the pace of economic activity, the continent's growth performance in 2008 remained only marginally below the average 6.0 percent achieved over the past 4 years (see Table 4.1). Nevertheless, the continent's GDP per capita in nominal terms increased to US$ 1,625 (UA 1,055) in 2008 from US$ 1,370 (UA 889.5) in 2007. The rise was due mainly to the increase in oil prices which continued up until the last quarter of 2008, although it dropped significantly thereafter.

However, the real GDP growth rate in 2008 masked considerable variations across the continent. Growth in oil-exporting countries continued to be driven largely by the escalation in oil prices, while GDP growth in oil-importing African countries was largely attributable to prudent economic management, supported by public sector reforms and external factors, including debt relief. The fiscal position of the continent improved from an average surplus of 1.9 percent of GDP in 2007 to 2.8 percent in 2008. There was, however, a rise in the continent's inflation rate, from 7.5 percent in 2007 to 11.6 percent in 2008.

Although Africa has achieved impressive growth in recent years, the real GDP growth rate has consistently fallen short of the 7–8 percent required in many countries to achieve the primary Millennium Development Goal (MDG) of halving the number of people living in extreme poverty by 2015.

For the continent as a whole, the terms of trade improved from 3.0 percent in 2007 to 15.6 percent in 2008. In addition to the higher price of oil which benefited oil-exporting countries, the price of some non-oil commodities, particularly metals, also rose on the world markets. Trade balance rose to 7.8 percent of GDP in 2008 from 5.7 percent of GDP in 2007, and the positive current account balance increased to 3.3 percent of GDP from 2.2 percent in 2007 (see Table 4.1).

Table 4.1: Africa – Macroeconomic Indicators, 1990–2008

Indicators	1990	2000	2003	2004	2005	2006	2007	2008
Real GDP Growth Rate (%)	2.7	3.7	5.0	5.6	5.7	6.0	6.1	5.7
GDP Per Capita (US$)	866	724	788	934	1,070	1,204	1,370	1,625
Inflation (%)	14.4	9.2	7.4	7.1	7.1	6.4	7.5	11.6
Fiscal Balance (% of GDP)	-4.6	0.0	-1.9	0.0	2.8	5.0	1.9	2.8
Gross Domestic Investment (% of GDP)	20.8	18.8	21.9	22.2	22.0	22.6	24.3	24.6
Gross National Savings (% of GDP)	19.5	21.9	22.3	23.5	25.4	27.2	26.2	28.4
Real Export Growth (%)	8.7	9.0	8.0	7.6	5.4	3.1	5.4	3.2
Trade balance (% of GDP)	1.3	4.7	2.8	4.0	6.5	7.1	5.7	7.8
Current Account (% of GDP)	-1.0	2.5	0.4	1.3	3.5	4.8	2.2	3.3
Terms of Trade (%)	8.2	13.3	2.9	4.0	15.0	8.4	3.0	15.6
Total External Debt (% of GDP)	53.6	54.5	49.9	43.0	33.5	25.2	23.6	20.4
Debt service (% of Exports)	24.2	15.4	12.9	11.1	12.3	15.8	7.0	4.7
Net total ODA (US$ bn)	24.4	15.1	25.5	27.7	34.0	41.4	36.3	…
Foreign Direct Investment Inflows (US$ bn)	2.8	9.7	18.7	18.0	29.5	45.8	53.0	…

Source: ADB Statistics Department, Economic and Social Statistics Division.

… *Data not available.*

A further boost came from debt relief measures under the enhanced HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI). Africa's total external debt declined from 23.6 percent of GDP in 2007 to 20.4 percent in 2008. Similarly, debt-service as a percentage of exports fell from 7.0 percent to 4.7 percent over the same period.

The macroeconomic performance across the subregions of the continent continued to show marked variation in 2008 (see Table 4.2). East Africa attained the highest real GDP growth rate of 7.3 percent, reflecting improved agricultural production and prudent economic management. North Africa achieved the second highest growth rate of 5.8 percent in 2008. Real GDP growth was 5.4 percent in West Africa, underpinned by strong domestic investment buoyed by the high price of oil, while it stood at 5.2 percent in Southern Africa. Central Africa experienced the lowest real GDP growth rate of all the subregions in 2008, but it still achieved 5.0 percent. Three subregions – West Africa, Southern Africa, and Central Africa – registered growth rates below the continental average of 5.7 percent.

Inflation in all subregions, except East Africa (17.8 percent) and Southern Africa (15.2 percent) was lower than the continental average of 11.6 percent in 2008. East Africa's poorer inflation rate was caused by the high price of oil, which also contributed to the deterioration in the subregion's budgets and external account balances. Southern Africa's inflation rate excludes Zimbabwe's hyperinflation.

Looking ahead to 2009 and beyond, it is expected that countries with accumulated oil revenues will boost domestic demand and invest at home to offset capacity constraints undermining productivity in Africa. However, to achieve the MDGs, the rate of investments in all African countries must be accelerated considerably to promote a much higher real GDP growth rate and to improve income distribution across the continent. A concerted effort is needed to tackle the persistent development challenges facing the continent, including the rising price of food, chronic food shortages, and volatility in the oil markets. It is expected that real GDP growth will slow to around 2.8 percent in 2009, due to the negative impact of the global financial crisis on aid inflows, African exports, and FDI. Nonetheless, it is envisioned that debt relief initiatives may mitigate against these negative shocks.

Table 4.2: Subregional Macroeconomic Indicators, 2008

Indicators	East Africa	North Africa	Southern Africa	West Africa	Central Africa	Africa
Real GDP Growth Rate (%)	7.3	5.8	5.2	5.4	5.0	5.7
GDP Per Capita (US$)	630	3,365	3,153	1,065	875	1,625
Inflation (%)	17.8	8.1	15.2	10.6	8.8	11.6
Fiscal Balance (% of GDP)	-2.2	5.3	1.9	-0.3	11.6	2.8
Gross Domestic Investment (% of GDP)	24.5	28.4	21.8	23.7	19.0	24.6
Gross National Savings (% of GDP)	11.2	41.9	20.1	26.0	27.7	28.4
Real Export Growth (%)	6.8	5.3	3.9	-4.1	4.0	3.2
Trade Balance (% of GDP)	-8.4	6.7	9.8	7.4	34.4	7.8
Current Account (% of GDP)	-6.3	11.5	-2.0	0.0	9.0	3.3
Terms of Trade (%)	6.3	9.4	16.9	26.6	28.6	15.6
Total External Debt (% of GDP)	33.8	14.7	24.7	17.1	19.7	20.4
Debt Service (% of Exports)	4.0	3.6	6.1	3.9	7.0	4.7

Source: ADB Statistics Department, Economic and Social Statistics Division.

The Global Financial Crisis

Despite the robust average growth that Africa registered in 2008, the global financial crisis that began in the second half of the year is severely constraining growth prospects in the short and medium term. During 2008, the demand for, and thus the price of African primary commodities declined. Capital inflows also started to decline during the last half of the year, as did promised increases in aid inflows. Although the continent as a whole experienced improved terms of trade, current account and fiscal balances in 2008, 11 countries had current account deficits above 10 percent of GDP and 8 countries had debt service to export ratios above 20 percent, which are considered high by conventional standards.

In the second half of 2008, there was a decline in the value of all African stock markets, except for the Tunisian Stock Exchange, which gained 2.2 percent. The Egyptian CASE-30 lost 56.4 percent of its value, followed by losses in the Nigeria Stock Exchange (NSE) of 45.9 percent, the All Share Indices for Mauritius, 36.2 percent; Nairobi Stock Exchange, 34.1 percent; the Johannesburg Stock Exchange, 25.7 percent; Morocco's Casa All Share, 12.9 percent; and the BVRM Composite Index, 10.7 percent. Moreover, an expectation of lower export revenues due to declining commodity prices, lower inflows of capital, and short-term capital outflows led to widespread currency depreciations in most RMCs during the year, except in Angola and the CFA zone countries.

The ongoing crisis is also affecting public finances through lower revenues, making it difficult for countries to maintain the planned levels of public expenditures, including long-term infrastructure investment as well as social expenditures. This has become more pronounced, especially among oil and mineral resource exporters, which witnessed sharp price declines.

Some of the key sectors that have driven growth over the past years are being impacted the hardest by the crisis, especially mining, tourism, and manufacturing. For example, in the Democratic Republic of Congo (DRC), most of the 61 foreign mining companies have been forced to scale back, postpone, or abandon their investment plans. Similar constraints can be observed in other countries characterized by large-scale mining activities, such as South Africa, Botswana, and Zambia, leading to high employment losses. In Uganda, for example, 15 factories closed in 2008 due to the high cost of doing business.

In the financial sector, the crisis has led to a tightening of credit due to a shortage in bank liquidity as well as uncertainty surrounding the private sector. Consequently, African banks are facing difficulties in securing lines of credit on international markets. Similarly, governments such as Kenya, that had planned to raise long-term finance during the year through sovereign bond issues, have had to put their plans on hold. The shortage of financing is particularly affecting *trade financing* and financing for large *infrastructure investments*, both of which are key drivers of economic growth and this will significantly affect Africa's future development. To sum up, the financial crisis is likely to reverse, to a great extent, the achievements attained by RMCs over the past few years in raising growth rates and in reducing poverty.

The Bank and the Global Financial Crisis

The financial crisis has created tremendous challenges that threaten the sustainability of Africa's growth. Even though the immediate effects of the financial crisis have been felt most acutely in countries with relatively well-developed stock markets (such as South Africa, Egypt, Nigeria, and Ghana), the impacts are now visible in the real economy of most African countries. Current estimates by the African Development Bank (ADB), the International Monetary Fund (IMF), and other institutions have forecast Africa's real growth rate at 2.8 percent for 2009 instead of the 4.8 percent projected in November 2008.

The African Development Bank has been proactive in encouraging and supporting African Ministers of Finance and Central Bank Governors to search for solutions to minimize the impact of the crisis. In November 2008, the AfDB, together with the African Union Commission (AUC) and the United Nations Economic Commission for Africa (ECA), organized the Conference of African Ministers of Finance and Central Bank Governors in Tunis, where the early impacts of the crisis and possible solutions for African countries were discussed. A common framework of action was formulated with the following broad objectives: (i) to mobilize domestic revenues and domestic capital markets (in this respect, the meeting welcomed the Bank Group's Africa Bond Initiative); (ii) that the Bank should consider a General Capital Increase to scale up infrastructure and regional integration programs; and (iii) to secure better African representation in the G20. As a vehicle to follow up on these recommendations, a Committee of Ten, representing both Ministers and Governors, was formed.

Furthermore, the Bank is proposing a number of new instruments to respond directly to the needs of its RMCs in the current climate. First, to address the liquidity crunch, a US$ 1.5 billion (UA 974 million) Emergency Liquidity Facility (ELF) will provide bridge financing with a fast-track approval process. Second, a US$ 1.0 billion (UA 650 million) two-phased Trade Finance Initiative (TFI) will enable the Bank to play a countercyclical role and provide trade finance in areas where many international commercial banks are retreating. The African Bond Market Initiative is another innovative mechanism designed to contribute to the deepening of domestic financial markets, in full alignment with the World Bank's *Making Finance Work for Africa* report (2006). The Bank is also considering various actions to accelerate and increase support to its ADF (low-income) countries, including: (i) budget support to offset shortfalls arising from falling commodity prices, exports and terms of trade; (ii) long-term infrastructure financing; and (iii) enhanced private sector development. Currently, the Bank's Operations departments are examining the possibility of restructuring existing portfolios and pipeline projects in favor of faster-disbursing instruments.

Besides its efforts to mobilize and provide financial resources to RMCs, the Bank is also encouraging RMCs to efficiently utilize available resources, and to maximize domestic sources of financing. The Bank also encourages its RMCs to adopt sound financial management practices and will continue to provide policy advice. Finally, the Bank will continue to be an instrument for ensuring better coordination of donor responses and effective advocacy and dialogue to increase Africa's voice in global financial affairs.

OVERVIEW OF BANK GROUP OPERATIONS

Bank Group total loan, grant, and other approvals as at end December 2008 amounted to UA 3.53 billion, compared with UA 3.10 billion in 2007 – an increase of 13.9 percent (see Table 4.3). Of the total approvals for 2008, UA 3.17 billion was allocated to financing loans and grants, compared to UA 2.58 billion in 2007; while UA 358.5 million went to debt relief, private sector equity participation, private guarantees, and special fund allocations.

With respect to the distributional split by Bank windows, the ADB accounted for UA 1.81 billion (51.2 percent) of total Bank Group approvals, the ADF for UA 1.67 bil-

Table 4.3: Bank Group Approvals by Financing Instrument, 2006–2008
(UA millions)

	2006			2007			2008		
Financing Instrument	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	**34**	**1,197.00**	**46.1**	**42**	**2,217.47**	**71.6**	**47**	**2,053.65**	**58.2**
Public and Publicly -Guaranteed	*27*	*927.31*	*35.7*	*31*	*1401.39*	*45.2*	*29*	*1,322.85*	*37.5*
Project Loans	26	907.31	34.9	30	1381.39	44.6	28	1,308.17	37.1
Sector Investment and Rehabilitation	1	20.00	0.8	1	20.00	0.6	1	14.68	0.4
Lines of Credit	-	-	-	-	-	-	-	-	-
Private Non-Publicly-Guaranteed	*7*	*269.70*	*10.4*	*11*	*816.08*	*26.3*	*18*	*730.80*	*20.7*
Project Loans	4	112.56	4.3	10	728.29	23.5	9	432.91	12.3
Lines of Credit	3	157.13	6.1	1	87.80	2.8	9	297.88	8.4
Policy-Based Lending	**9**	**618.43**	**23.8**	**3**	**51.83**	**1.7**	**12**	**549.38**	**15.6**
Sectoral Adjustment Loans	1	337.98	13.0	-	-	-	2	123.03	3.5
Structural Adjustment Loans	8	280.45	10.8	2	36.94	1.2	6	228.35	6.5
Budget Support Loans	-	-	-	1	14.89	0.5	4	198.00	5.6
Grants	**70**	**492.39**	**19.0**	**26**	**307.08**	**9.9**	**41**	**566.19**	**16.0**
Technical Assistance	*25*	*59.34*	*2.3*	*5*	*6.05*	*0.2*	*7*	*45.25*	*1.3*
Project Cycle Operations	6	13.86	0.5	-	-	-	3	15.51	0.4
of which Private Sector	1	5.00	0.2	-	-	-	-	-	-
Institutional Capacity Building	15	43.08	1.7	3	4.85	0.2	3	29.14	0.8
of which Private Sector	-	-	-	-	-	-	-	-	-
Middle Income Countries Grant	*4*	*2.40*	*0.1*	*2*	*1.20*	*0.0*	*1*	*0.60*	*0.0*
Project Grant	*27*	*419.91*	*16.2*	*15*	*260.21*	*8.4*	*14*	*424.35*	*12.0*
Structural Adjustment Grant	*1*	*7.30*	*0.3*	*1*	*6.50*	*0.2*	*4*	*48.05*	*1.4*
Budget Support Grant	-	-	-	*1*	*33.00*	*1.1*	-	-	-
African Food Crisis Response Grant	-	-	-	-	-	-	*5*	*10.50*	*0.3*
Fragile States Facility Grant	-	-	-	-	-	-	*3*	*35.57*	*1.0*
Special Relief Fund	*17*	*5.84*	*0.2*	*4*	*1.32*	*0.0*	*8*	*2.47*	*0.1*
Emergency Assistance	*17*	*5.84*	*0.2*	*4*	*1.32*	*0.0*	*8*	*2.47*	*0.1*
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
Special Debt Relief Grant	-	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	-	-	-	**1**	**5.90**	**0.2**	-	-	-
Project Preparation Facility	**1**	**0.30**	**0.0**	-	-	-	**2**	**1.03**	**0.0**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
LOANS AND GRANTS SUBTOTAL	**114**	**2,308.12**	**88.9**	**72**	**2,582.28**	**83.4**	**102**	**3,170.24**	**89.8**
of which ADB	*34*	*934.41*	*40.5*	*23*	*1,484.70*	*57.5*	*42*	*1,522.85*	*48.0*
ADF	*80*	*1,373.72*	*59.5*	*49*	*1,097.58*	*42.5*	*60*	*1,647.39*	*52.0*
NTF	-	-	-			-	-	-	-
OTHER APPROVALS									
HIPC Debt Relief	**6**	**257.49**	**9.9**	**3**	**153.17**	**4.9**	**6**	**159.87**	**4.5**
Post Conflict Country Facility	**1**	**15.57**	**0.6**	**2**	**131.00**	**4.2**	-	-	-
Equity Participation	-	-	-	**6**	**185.36**	**6.0**	**11**	**145.51**	**4.1**
Public Equity	-	-	-	-	-	-	-	-	-
Private Equity	-	-	-	6	185.36	6.0	11	145.51	4.1
Guarantees	**1**	**8.75**	**0.3**	-	-	-	**3**	**24.89**	**0.7**
Public Guarantees	-	-	-	-	-	-	-	-	-
Private Guarantees	1	8.75	0.3	-	-	-	3	24.89	0.7
Loan Reallocations	-	-	-	-	-	-	-	-	-
Special Funds	**15**	**6.94**	**0.3**	**17**	**45.83**	**1.5**	**11**	**28.21**	**0.8**
TOTAL APPROVALS	**137**	**2,596.87**	**100.0**	**100**	**3,097.64**	**100.0**	**133**	**3,528.73**	**100.0**
of which ADB	*38*	*1,045.37*	*40.3*	*29*	*1,670.06*	*53.9*	*58*	*1,807.01*	*51.2*
ADF	*84*	*1,544.57*	*59.5*	*54*	*1,381.75*	*44.6*	*62*	*1,665.34*	*47.2*
ADF	-	-	-	-	-	-	*2*	*28.16*	*0.8*
Special Funds	*15*	*6.94*	*0.3*	*17*	*45.83*	*1.5*	*11*	*28.21*	*0.8*

Source: ADB Statistics Department, Economic and Social Statistics Division.

- *Magnitude zero.*

0.0 *Magnitude less than 5 percent of the unit employed.*

lion (47.2 percent) and the NTF for UA 28.2 million (0.8 percent). The NTF amount was for 2 HIPC debt relief approvals. There were no loan approvals from the NTF in 2008, although lending is expected to recommence in 2009. Special funds for water amounted to UA 28.2 million (0.8 percent). There was a rise of 8.2 percent in the ADB's total approvals for 2008 compared with 2007. Similarly, ADF's total approvals were up by 20.5 percent relative to 2007 approvals. However, Special Funds approvals fell from UA 45.8 million in 2007 to UA 28.2 million in 2008 – a decline of 38.4 percent.

Approvals for public and publicly-guaranteed loans in 2008 amounted to UA 1.32 billion, representing 37.5 percent of total operations. Private non-publicly guaranteed loans reached a level of UA 730.8 million, representing 20.7 percent of Bank Group operations.

Bank Group Loan and Grant Approvals by Financing Instrument

The 2 main financing instruments of the Bank Group are: (i) project and policy-based loans and (ii) grants. Project lending is specific in nature while policy-based lending is designed to help RMCs enhance macroeconomic policy, and for structural, sectoral, and institutional reforms. Project lending (including private sector loans) stood at UA 2.05 billion in 2008. Project lending accounted for 58.2 percent of the total approvals in 2008 (see Table 4.3). With regard to policy-based lending, there was more than a tenfold increase from UA 51.8 million in 2007 to UA 549.4 million in 2008.

Grant approvals in 2008 recorded a 84.4 percent increase over 2007, from UA 307.1 million in 2007 to UA 566.2 million. The distribution of grant resources in 2008 comprised: 7 technical assistance grants, 14 project grants, 4 structural adjustment grants, 5 African Food Crisis Response grants, 3 Fragile State Facility grants, and 8 emergency assistance grants from the Special Relief Fund (SRF). There were also 2 project preparation facility grants amounting to UA 1.0 million. In addition, UA 159.9 million was approved under HIPC debt relief, UA 145.5 million for 11 private sector equity participations, 3 private guarantees for UA 24.9 million, and 11 approvals under the special funds totaling UA 28.2 million.

Bank Group Operations by Sector

In 2008, country strategies and development priorities of RMCs continued to feature prominently in Bank Group operations. Total approvals for 2008 amounted to UA 3.53 billion, a 13.9 percent increase from the previous year's level of UA 3.10 billion. The sectoral allocation of approvals for the year continued to reflect the Bank's policy of selectivity, project focus and effectiveness, and the rising demand for infrastructure financing in RMCs. Table 4.4 and Figure 4.1 show that the two top beneficiary sectors – infrastructure (44.5 percent) and multisector (23.0 percent) – jointly accounted for 67.5 percent of the total operational loans and grants.

The approval of UA 1.41 billion for infrastructural projects in 2008 demonstrates the Bank's selectivity and continued focus on projects aiming to accelerate poverty reduction and economic growth in RMCs. Of the UA 1.41 billion allocated to infrastructure, transportation took the largest share (45.4 percent), followed by power supply (37.8 percent), and water supply and sanitation (16.8 percent). There were no approvals for the telecommunications sector in 2008.

Bank Group interventions in multisector (loans and grants) amounted to UA 728.5 million in 2008, which was about a sevenfold rise over the 2007 level of UA 92.2 million. This reflects the Bank's promotion of good governance as a means of building RMCs' institutional capacity for sound and transparent fiscal management – which is a necessary precondition for foreign and domestic investment, and to stimulate private sector activities. The remaining 32.5 percent of Bank Group operations was shared among the other sectors, namely finance, industry, mining and quarrying, social, and agriculture and rural development.

Cumulative Loan and Grant Approvals by Sector and Subregion

Between 1967 and 2008, the Bank Group approved 3,276 loans and grants, totaling UA 44.75 billion. Of the total cumulative approvals, the ADB window accounted for 56.5 percent, the concessionary ADF window for 42.8 percent, and the NTF resources for 0.7 percent respectively. The Bank Group's prioritization of infrastructure projects is also highlighted in Bank Group cumulative loan and grant approvals for 1967–2008. Figure 4.2 shows the cumulative Bank Group approvals by sector, with the 5 main sectors as infrastructure (transportation, power supply, and water supply and sanitation), agriculture, multisector, finance, and social.

Figure 4.3 presents the subregional distribution of cumulative Bank Group loan and grant approvals from 1967 to 2008. North Africa received the highest share (30.7 percent), followed by West Africa (22.6 percent), East Africa (16.3 percent), Southern Africa (15.7 percent), Central Africa (9.4 percent), and multiregional (5.3 percent).

Table 4.4: Bank Group Approvals by Sector, 2008
(UA millions)

	Loans			Grants			Total Approvals		
Sector	**Number**	**Amount**	**%**	**Number**	**Amount**	**%**	**Number**	**Amount**	**%**
Agriculture and Rural Development	7	153.40	5.9	8	10.45	1.8	15	163.85	5.2
Social	6	201.07	7.7	8	23.14	4.1	14	224.21	7.1
Education	*3*	*112.51*	*4.3*	*2*	*6.60*	*1.2*	*5*	*119.11*	*3.8*
Health	*2*	*74.55*	*2.9*	*1*	*15.00*	*2.6*	*3*	*89.55*	*2.8*
Other	*1*	*14.00*	*0.5*	*5*	*1.54*	*0.3*	*6*	*15.54*	*0.5*
Infrastructure	23	1,167.89	44.8	8	243.57	43.0	31	1,411.46	44.5
Water Supply and Sanitation	*8*	*226.12*	*8.7*	*1*	*10.73*	*1.9*	*9*	*236.84*	*7.5*
Power Supply	*7*	*421.81*	*16.2*	*4*	*111.68*	*19.7*	*11*	*533.49*	*16.8*
Communication	-	-	-	-	-	-	-	-	-
Transportation	*8*	*519.96*	*20.0*	*3*	*121.16*	*21.4*	*11*	*641.12*	*20.2*
Finance	9	297.88	11.4	-	-	-	9	297.88	9.4
Multisector	11	489.50	18.8	15	239.03	42.22	26	728.53	23.0
Industry, mining and quarrying	4	274.31	10.5	-	-	-	4	274.31	8.7
Urban Development	-	-	-	-	-	-	-	-	-
Environment	1	20.00	0.8	2	50.00	8.8	3	70.00	2.2
A. Total Loans and Grants	**61**	**2,604.05**	**100.0**	**41**	**566.19**	**100.0**	**102**	**3,170.24**	**100.0**
B. Other Approvals	**-**	**-**	**-**	**-**	**-**	**-**	**31**	**358.49**	**n.a.**
HIPC Debt Relief	-	-	-	-	-	-	6	159.87	n.a.
Equity Participation	-	-	-	-	-	-	11	145.51	n.a.
Guarantees	-	-	-	-	-	-	3	24.89	n.a.
Special Funds*	-	-	-	-	-	-	11	28.21	n.a.
TOTAL APPROVALS (A + B)	**61**	**2,604.05**	**100.00**	**41**	**566.19**	**100.00**	**133**	**3,528.73**	**n.a.**

Source: ADB Statistics Department, Economic and Social Statistics Division.

Note:
* *These are approvals on the operations of the African Water Fund, Rural Water Supply and Sanitation Initiative and lately a DFID Fund.*
\- *Magnitude zero.*
n.a. *Not applicable.*

Figure 4.1: Bank Group Loan and Grant Approvals by Sector, 2008

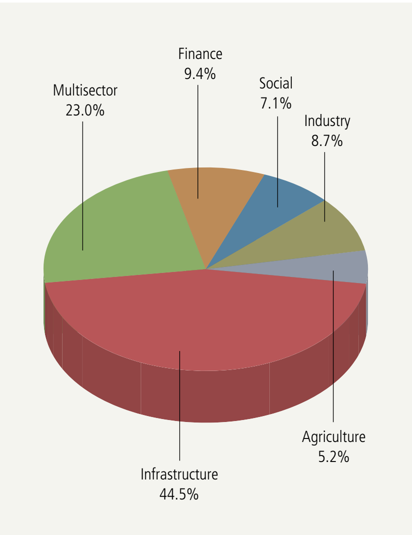


Figure 4.2: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967–2008

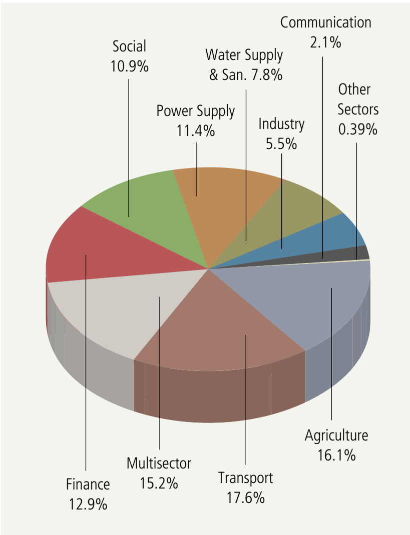
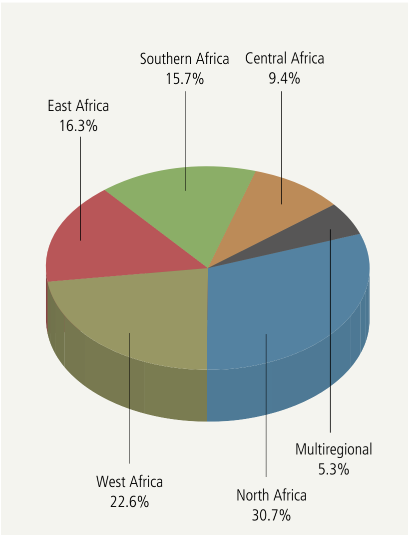


Figure 4.3: Cumulative Bank Group Loan and Grant Approvals by Subregion, 1967–2008



AFRICAN DEVELOPMENT BANK (ADB)

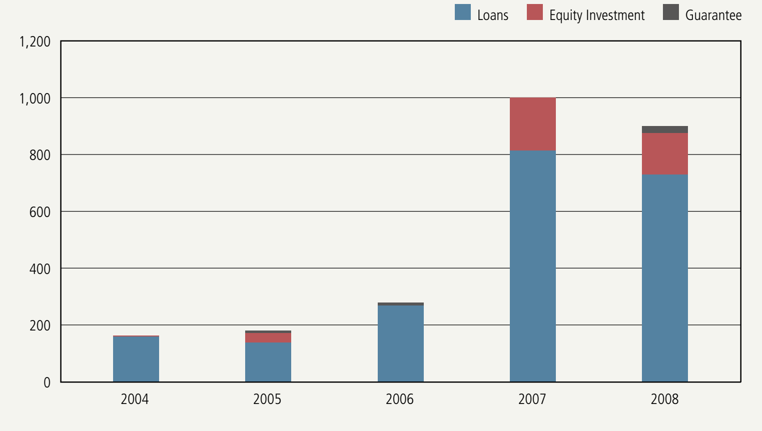
The ADB window is the Bank's nonconcessional lending arm, through which it supports development activities in 13 middle-income countries and 2 blend countries, namely Nigeria and Zimbabwe. The latter 2 countries also have access to ADF resources for project and program financing. In addition, a principal focus of the ADB window is to support the private sector in all regional member countries, involving direct loans, equity participation, and guarantees to financially viable private enterprises.

The ADB approved a total of UA 1.81 billion for 58 activities as at end-December 2008, comprising UA 1.51 billion for loans and UA 297.7 million for grants, HIPC debt relief, private sector equity participations, and private guarantees. Approvals for ADB operations increased by 8.4 percent from UA 1.67 billion in 2007 to UA 1.81 billion in 2008. This was due mainly to the increase in the level of policy-based loans from UA 19.9 million in 2007 to UA 136.4 million in 2008 (see Table 4.5).

Private Sector Operations

The private sector is increasingly recognized as the engine of economic growth for RMCs. Private sector approvals in 2008 stood at UA 901.2 million, representing 49.9 percent of ADB approvals and 25.5 percent of Bank Group total approvals. The substantial amount approved for private sector activities demonstrates the Bank's continued focus on selectivity and areas of priority that would accelerate poverty reduction, in full alignment with the Bank Group Medium-Term Strategy 2008–2012. In 2008, there were 32 private sector activities comprising 9 project loans, 9 lines of credit (LOCs), 11 private equity participations, and 3 private guarantees. Figure 4.4 shows the distribution of private sector operations between loans, equity investments, and guarantees.

Figure 4.4: ADB Private Sector Approvals, 2004–2008
(UA millions)



The finance sector attracted the bulk of private sector approvals in 2008, followed by industry, mining and quarrying; infrastructure (transportation and power supply); agriculture and rural development; and multisector (see Figure 3.4 in Chapter 3). The 7 major private sector approvals in 2008 were: a Line of Credit to Standard Bank of South Africa (UA 140.1 million), Guinea Alumina Project (UA 134.4 million), the Hasdrubal Oil and Gasfield Development in Tunisia (UA 96.3 million), an LOC to Nedbank Ltd of South Africa (UA 63.7 million), Lekki Toll Road project in Nigeria (UA 52.5 million), Doraleh Container Terminal in Djibouti (UA 51.0 million), and Derba Midroc Cement Plant in Ethiopia (UA 33.5 million) (see ADB Project Profiles at the end of this chapter).

Table 4.5: ADB Approvals by Financing Instrument, 2006–2008
(UA millions)

	2006			2007			2008		
Financing Instrument	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	**11**	**514.98**	**49.3**	**16**	**1,462.24**	**87.6**	**25**	**1,372.90**	**76.0**
Public and Publicly-Guaranteed	*4*	*245.29*	*23.5*	*5*	*646.16*	*38.7*	*7*	*642.10*	*35.5*
Project Loans	4	245.29	23.5	5	646.16	38.7	6	627.42	34.7
Sector Investment and Rehabilitation	-	-	-	-	-	-	*1*	14.68	0.8
Lines of Credit	-	-	-	-	-	-	-	-	-
Private Non-Publicly-Guaranteed	*7*	*269.70*	*25.8*	*11*	*816.08*	*48.9*	*18*	*730.80*	*40.4*
Project Loans	4	112.56	10.8	10	728.29	43.6	9	432.91	24.0
Lines of Credit	3	157.13	15.0	1	87.80	5.3	9	297.88	16.5
Policy-Based Lending	**2**	**411.18**	**39.3**	**1**	**19.94**	**1.2**	**3**	**136.38**	**7.5**
Sector Adjustment Loans	1	337.98	32.3	-	-	-	2	123.03	6.8
Structural Adjustment Loans	1	73.20	7.0	1	19.94	1.2	1	13.35	0.7
Grants	**21**	**8.24**	**0.8**	**6**	**2.52**	**0.2**	**14**	**13.57**	**0.7**
Technical Assistance	*4*	*2.40*	*0.2*	*2*	*1.20*	*0.1*	-	-	-
Project Cycle Operations	-	-	-	-	-	-	-	-	-
Institutional Capacity Building	-	-	-	-	-	-	-	-	-
Middle Income Countries Grant	*4*	*2.40*	*0.2*	*2*	*1.20*	*0.1*	*1*	*0.60*	*0.0*
African Food Crisis Response Grant	-	-	-	-	-	-	*5*	*10.50*	*0.6*
Special Relief Fund	*17*	*5.84*	*0.6*	*4*	*1.32*	*0.1*	*8*	*2.47*	*0.1*
Emergency Assistance	17	5.84	0.6	4	1.32	0.1	8	2.47	0.1
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
Debt and Debt Service Reduction	**3**	**102.21**	**9.8**	**-**	**-**	**-**	**2**	**113.75**	**6.3**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
HIPC Debt Relief	3	102.21	9.8	-	-	-	2	113.75	6.3
Equity Participation	**-**	**-**	**-**	**6**	**185.36**	**11.1**	**11**	**145.51**	**8.1**
Public Equity	-	-	-	-	-	-	-	-	-
Private Equity	-	-	-	6	185.36	11.1	11	145.51	8.1
Guarantees	**1**	**8.75**	**0.8**	**-**	**-**	**-**	**3**	**24.89**	**1.4**
Public Guarantees	-	-	-	-	-	-	-	-	-
Private Guarantees	1	8.75	0.8	-	-	-	3	24.89	1.4
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL APPROVALS	**38**	**1,045.37**	**100.0**	**29**	**1,670.06**	**100.0**	**58**	**1,807.01**	**100.0**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*
0.0 *Magnitude less than 5 percent of the unit employed.*

Box 4.1: The Doraleh Container Terminal Project in Djibouti

Background: The new container terminal at Doraleh in Djibouti will be the first port after Suez capable of accommodating the latest generation of supersize container ships. Djibouti is strategically placed along the main shipping canal toward the Suez Canal, making it an ideal transshipment hub. Furthermore, the current gateway business for goods destined for Ethiopia is well established and demand is set to grow, so the project will leverage these strategic advantages.

Amount: The total cost of the project is UA 252.9 million. The ADB is providing a senior 10-year loan of UA 60.0 million, which represents 20 percent of the total project cost. The remaining financing is to be raised through equity (34 percent), the Islamic Syndicated Facility (40 percent), and Proparco (6 percent).

Project Description: The project will finance the construction and operation of a new terminal at Doraleh with a 1.5 km quayline and the capacity to handle 1.55 TEUs (Twenty-Food Equivalent Units) per year from 2015. The terminal will have the deepest draft in the region at 18 meters to cater specifically for container ships. Construction was officially launched in 2006 by the President of Djibouti and the new terminal is due to become operational in 2009. The two sponsors are Port Autonome International de Djibouti (PAID), which is the port authority and main shareholder, and Dubai Port World, which is one of the largest marine operators in the world, with operations covering 28 countries.

Expected Outcomes: The project is expected to: (i) boost the country's GDP and foreign exchange earnings, thereby helping to reduce poverty in this low-income country; (ii) generate employment for approx. 350-500 local workers during construction and 670 full-time jobs during operations; (iii) facilitate the transfer of technological expertise from international port professionals to local management and staff; (iv) increase government revenues to the tune of approximately UA 178.3 million in royalties and taxes; (v) create new investment opportunities for the country; and (vi) promote regional integration.

General Remarks: This infrastructure project accords well with the Bank's priorities in terms of the CSP for Djibouti and its Private Sector Strategy. It will help to address Djibouti's high level of unemployment (at around 60 percent) and to reduce poverty (45 percent of the population currently live below the poverty line). One of the Government's objectives is to improve the country's infrastructure to promote greater competitiveness and foreign investment – this public-private partnership project will support this aim. The new terminal will also enhance regional integration and establish Djibouti as a major international trading hub.

A brief description of the Doraleh Container Terminal in Djibouti – one of the Bank's largest project investments in an ADF country – is presented in Box 4.1.

Cumulative approvals for private sector projects and programs as at end-December 2008 stood at UA 3.16 billion, compared to UA 2.26 billion for 2007, which represents an increase of 39.8 percent.

ADB Approvals by Sector, 2008

The distribution of ADB total loans and grants according to sectors shows that infrastructure (transportation, water supply and sanitation, and power supply) benefited from the largest share (44.9 percent); followed by finance (19.6 percent); industry, mining and quarrying (18.0 percent); social (7.4 percent); multisector (5.5 percent); and agriculture and rural development (4.6 percent) (see Table 4.6).

The targeting of financial resources to infrastructure reflects the Bank's selectivity toward high-impact projects that will enhance the business enabling climate, increase competitiveness and productivity, and boost employment and sustainable growth. During the year, approvals for infrastructure projects under the ADB window amounted to UA 683.1 million. Among the components of infrastructure, power supply took the largest share (48.1 percent); followed by transportation (39.6 percent); and water supply and sanitation (12.4 percent).

Cumulative ADB Loan and Grant Approvals by Sector and Subregion

The cumulative ADB loan and grant approvals for the period 1967–2008 amounted to UA 25.31 billion for 1,030 operations, of which UA 2.98 billion was allocated for 107 private sector operations. Figure 4.5 presents the 6 top sectors for ADB cumulative approvals 1967–2008. Infrastructure (transportation, power supply, water, and communications) received the biggest allocation (41.2 percent); then finance (21.4 percent); followed by multisector; agriculture and rural development; industry, mining and quarrying; and social.

Table 4.6: ADB Approvals by Sector, 2006–2008
(UA millions)

Sector	2006			2007			2008		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	17	25.37	2.7	5	10.26	0.7	7	70.80	4.6
Social	6	61.53	6.6	-	-	-	9	112.21	7.4
Infrastructure	4	223.26	23.9	12	1,193.66	80.4	8	683.14	44.9
Water Supply and Sanitation	*1*	*69.61*	*7.4*	*1*	*13.80*	*0.9*	*2*	*84.44*	*5.5*
Power Supply	*1*	*51.13*	*5.5*	*5*	*773.08*	*52.1*	*3*	*328.48*	*21.6*
Communication	-	-	-	*1*	*32.99*	*2.2*	-	-	-
Transportation	*2*	*102.52*	*11.0*	*5*	*373.79*	*25.2*	*3*	*270.22*	*17.7*
Finance	4	495.12	53.0	1	87.80	5.9	9	297.88	19.6
Multisector	1	73.20	7.8	2	20.54	1.4	5	84.50	5.5
Industry, mining and quarrying	2	55.93	6.0	2	162.65	11.0	4	274.31	18.0
Urban Development	-	-	-	-	-	-	-	-	-
Environment	-	-	-	1	9.79	0.7	-	-	-
A. Total Loans and Grants	**34**	**934.41**	**100.0**	**23**	**1,484.70**	**100.0**	**42**	**1,522.85**	**100.0**
B. Other Approvals	**4**	**110.96**	**n.a.**	**6**	**185.36**	**n.a.**	**16**	**284.16**	**n.a.**
HIPC Debt Relief	3	102.21	n.a.	-	-	-	2	113.75	n.a.
Equity Participation	-	-	-	6	185.36	n.a.	11	145.51	n.a.
Guarantees	1	8.75	n.a.	-	-	-	3	24.89	n.a.
TOTAL APPROVALS (A + B)	**38**	**1,045.37**	**n.a.**	**29**	**1,670.06**	**n.a.**	**58**	**1,807.01**	**n.a.**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*
n.a. Not applicable.

With respect to the geographical distribution of cumulative ADB approvals, this followed an almost identical pattern to that of last year, with North Africa recording the largest share, followed by West Africa, Southern Africa, Central Africa, East Africa, and multiregional (see Figure 4.6).

Disbursements

Disbursements on Bank loans decreased by 17.8 percent from UA 884.8 million in 2007 to UA 727.5 million in 2008. At December 31, 2008, cumulative disbursements (1967-2008) (including non-sovereign loans) amounted to UA 17.62 billion. A total of 768 loans were fully disbursed totaling UA 16.79 billion, representing 95.3 percent of cumulative disbursements. The decrease in the level of ADB disbursements in 2008 compared with 2007 can be partly attributed to the large single disbursement of UA 338.0 million (US$ 500.0 million) to Egypt in 2007.

Figure 4.5: Cumulative ADB Loan and Grant Approvals by Sector, 1967–2008

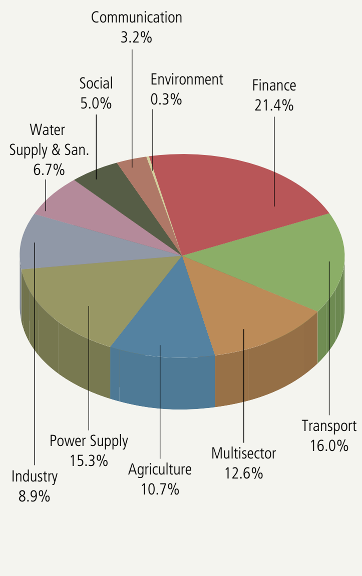
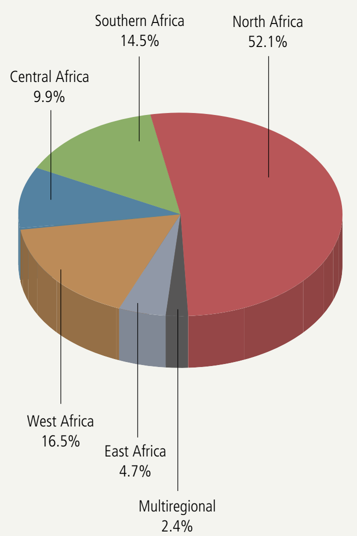


Figure 4.6: Cumulative ADB Loan and Grant Approvals by Subregion, 1967–2008



AFRICAN DEVELOPMENT FUND (ADF)

The ADF window is the Bank Group's concessionary lending arm for countries that cannot access funds from the ADB window, other than for enclave and private sector projects. ADF resources are allocated on the basis of country creditworthiness, per capita GNI, and country performance using the Performance-Based Allocation (PBA) system. The PBA is designed to ensure that proportionately more resources go to high-performing RMCs that can use them more effectively.

ADF approvals (loans, grants, debt and debt service reduction, and project preparation facility) stood at UA 1.67 billion in 2008 compared with UA 1.38 billion in 2007 – an increase of 21.0 percent (see Table 4.7). With regard to ADF loan and grant approvals only, they rose from UA 1.10 billion in 2007 to UA 1.65 billion in 2008. This represents a rise of 50.0 percent over the previous year. Approvals for debt servicing, however, declined over the same period, from UA 284.2 million in 2007 to just UA 18.0 million in 2008. Project and policy-based loans approved by the Fund, excluding 2 Project Preparation Facility loans, amounted to UA 1.09 billion, while grants totaled UA 552.6 million.

Figure 4.7 presents the 16 countries that benefited from ADF loan approvals in 2008. Kenya was a relatively small borrower from the ADF window in 2008, whereas it was the biggest recipient in 2007. Uganda was the third largest recipient in 2007, becoming the top ADF borrower in 2008, followed by Ghana and Tanzania.

In addition to loans and grants, the Fund approved UA 18.0 million for debt relief under the HIPC Initiative for 2 countries (Gambia and Liberia).

ADF Approvals by Sector

Two sectors – namely infrastructure and multisector – accounted for 83.3 percent of the operational approvals in 2008 (see Table 4.8). Infrastructure as a sector continued to be allocated the largest share of approvals with UA 728.3 million (44.2 percent), comprising UA 484.7 million as loans and UA 243.6 million as grants. This resonates with the emphasis accorded to this sector in the MTS as a key driver of poverty reduction. Of the total infrastructure allocation, transportation received the largest share (50.9 percent), followed by power supply (28.1 percent), and water supply and sanitation (20.9 percent).

After infrastructure, the next largest recipient of ADF approvals was multisector, which received UA 644.0 million (39.1 percent) of total approvals, consisting of UA 413.0 million in loans and UA 231.0 million in grants. The increase in the allocation of ADF resources to multisector projects in 2008 reflects the Bank's targeting of support to good governance in RMCs, as a prerequisite for sound fiscal policy management and to encourage domestic and foreign investment. With regard to the other sectors, social sector was allocated 6.8 percent, followed by agriculture and rural development with 5.6 percent, and environment with 4.2 percent (see Figure 4.8).

Figure 4.7: ADF Loan Approvals by Country, 2008
(UA millions)

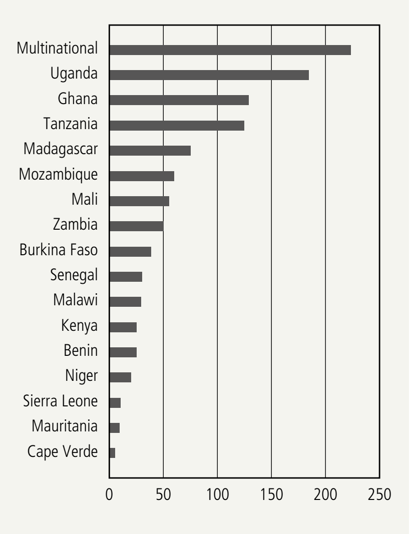
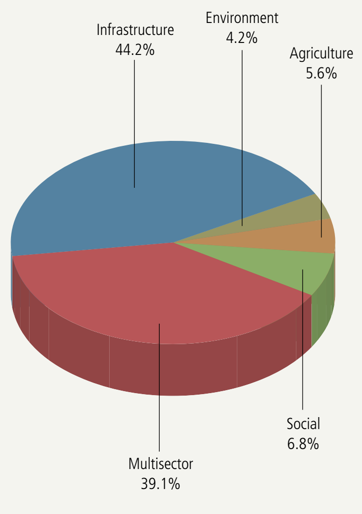


Figure 4.8: ADF Loan and Grant Approvals by Sector, 2008



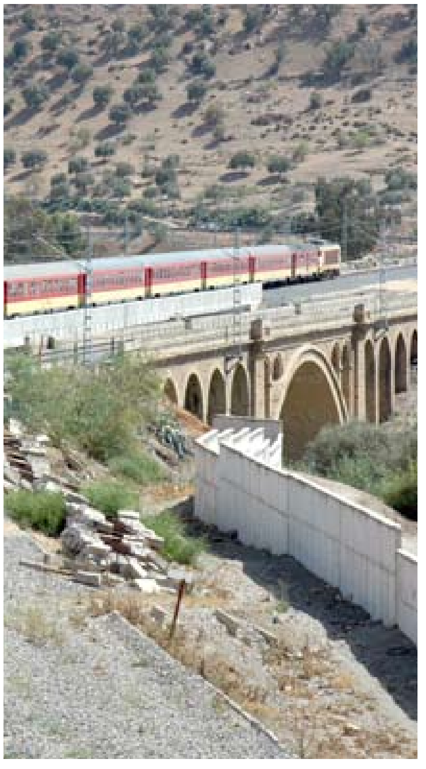


Table 4.7: ADF Approvals by Financing Instrument, 2006–2008
(UA millions)

	2006			2007			2008		
Financing Instrument	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	23	682.02	44.2	26	755.23	54.7	22	680.74	40.9
Public and Publicly-Guaranteed	*23*	*682.02*	*44.2*	*26*	*755.23*	*54.7*	*22*	*680.74*	*40.9*
Project Loans	22	662.02	42.9	25	735.23	53.2	22	680.74	40.9
Sector Investment and Rehabilitation	1	20.00	1.3	1	20.00	1.4	-	-	-
Lines of Credit	-	-	-	-	-	-	-	-	-
Private Non-Publicly-Guaranteed	-	-	-	-	-	-	-	-	-
Project Loans	-	-	-	-	-	-	-	-	-
Lines of Credit	-	-	-	-	-	-	-	-	-
Policy-Based Lending	**7**	**207.25**	**13.4**	**2**	**31.89**	**2.3**	**9**	**413.00**	**24.8**
Sector Adjustment Loans	-	-	-	-	-	-	-	-	-
Structural Adjustment Loans	7	207.25	13.4	1	17.00	1.2	5	215.00	12.9
Budget Support Loans	-	-	-	1	14.89	1.1	4	198.00	11.9
Grants	**49**	**484.15**	**31.3**	**20**	**304.56**	**22.0**	**27**	**552.62**	**33.2**
Technical Assistance	*21*	*56.94*	*3.7*	*3*	*4.85*	*0.4*	*6*	*44.65*	*2.7*
Project Cycle Operations	6	13.86	0.9	-	-	-	3	15.51	0.9
of which Private Sector	1	5.00	0.3	-	-	-	-	-	-
Institutional Capacity Building	15	43.08	2.8	3	4.85	0.4	3	29.14	1.7
of which Private Sector	-	-	-	-	-	-	-	-	-
Project Grant	*27*	*419.91*	*27.2*	*15*	*260.21*	*18.8*	*14*	*424.35*	*25.5*
Structural Adjustment Grant	*1*	*7.30*	*0.5*	*1*	*6.50*	*0.5*	*4*	*48.05*	*2.9*
Budget Support Grant	-	-	-	*1*	*33.00*	*2.4*	-	-	-
Fragile States Facility Grant	-	-	-	-	-	-	*3*	*35.57*	*2.1*
Special Debt Relief Grant	-	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	**-**	**-**	**-**	**1**	**5.90**	**0.4**	**-**	**-**	**-**
Project Preparation Facility	**1**	**0.30**	**0.0**	**-**	**-**	**-**	**2**	**1.03**	**0.1**
Debt and Debt Service Reduction	**4**	**170.85**	**11.1**	**5**	**284.17**	**20.6**	**2**	**17.95**	**1.1**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
HIPC Debt Relief	3	155.28	10.1	3	153.17	11.1	2	17.95	1.1
Post Conflict Country Facility	1	15.57	1.0	2	131.00	9.5	-	-	-
Loan Reallocations	**-**	**-**	**-**	-	**-**	**-**	-	**-**	**-**
TOTAL APPROVALS	**84**	**1,544.57**	**100.0**	**54**	**1,381.75**	**100.0**	**62**	**1,665.34**	**100.0**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*
0.0 *Magnitude less than 5 percent of the unit employed.*

Table 4.8: ADF Approvals by Sector, 2008
(UA millions)

Sector	Loans			Grants			Total Approvals		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	5	86.03	7.9	3	7.02	1.3	8	93.05	5.6
Social	3	91.00	8.3	2	21.00	3.8	5	112.00	6.8
Education	*2*	*77.00*	*7.0*	*1*	*6.00*	*1.1*	*3*	*83.00*	*5.0*
Health	-	-	-	*1*	*15.00*	*2.7*	*1*	*15.00*	*0.9*
Other	*1*	*14.00*	*1.3*	-	-	-	*1*	*14.00*	*0.8*
Infrastructure	15	484.74	44.3	8	243.57	44.1	23	728.31	44.2
Water Supply and Sanitation	*6*	*141.67*	*12.9*	*1*	*10.73*	*1.9*	*7*	*152.40*	*9.3*
Power Supply	*4*	*93.33*	*8.5*	*4*	*111.68*	*20.2*	*8*	*205.01*	*12.4*
Communication	-	-	-	-	-	-	-	-	-
Transportation	*5*	*249.74*	*22.8*	*3*	*121.16*	*21.9*	*8*	*370.90*	*22.5*
Finance	-	-	-	-	-	-	-	-	-
Multisector	9	413.00	37.7	12	231.03	41.8	21	644.03	39.1
Industry, mining and quarrying	-	-	-	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-	-	-	-
Environment	1	20.00	1.8	2	50.00	9.1	3	70.00	4.2
A. Total Loans and Grants	**33**	**1094.77**	**100.0**	**27**	**552.62**	**100.0**	**60**	**1,647.39**	**100.0**
B. Other Approvals	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**17.95**	**n.a**
HIPC Debt Relief	-	-	-	-	-	-	2	17.95	n.a
Post Conflict Country Facility	-	-	-	-	-	-	-	-	-
Loan Reallocations	-	-	-	-	-	-	-	-	-
TOTAL APPROVALS (A + B)	**33**	**1,094.77**	**n.a.**	**27**	**552.62**	**n.a.**	**62**	**1,665.34**	**n.a.**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*
n.a. Not applicable.

Cumulative ADF Loan and Grant Approvals by Sector and Subregion, 1974–2008

ADF cumulative approvals for the period 1974–2008 totaled UA 19.14 billion for 1,407 loans and 768 grants. The main sector recipient of these cumulative loans and grants was infrastructure, followed by agriculture and rural development, multisector and social sector (see Figure 4.9).

Figure 4.10 presents the cumulative (1974–2008) ADF loan and grant approvals by subregion, revealing a similar pattern to last year. East Africa, West Africa, and Central Africa, which are mostly ADF countries, accounted for 71.0 percent of cumulative total loans and grants. North Africa and the Southern Africa subregion, which mainly comprise ADB

Figure 4.9: Cumulative ADF Loan and Grant Approvals by Sector, 1974–2008

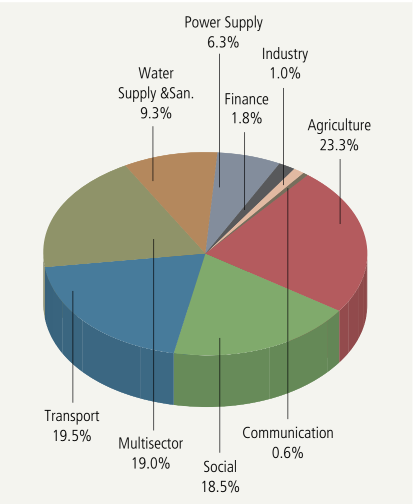
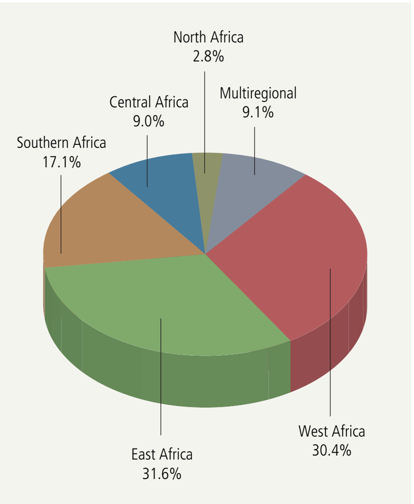


Figure 4.10: Cumulative ADF Loan and Grant Approvals by Subregion, 1974–2008



countries, accounted for 19.9 percent, while multiregional operations received 9.1 percent. This is consistent with the Bank Group's operational policy, whereby ADF resources are used primarily to finance operations in low-income and blend countries.

Disbursements

Disbursements of loans and grants on ADF operations increased from UA 725.0 million in 2007 to UA 1.125 billion in 2008, representing a rise of 55.2 percent. As at December 31, 2008, cumulative disbursements (1974-2008) on loans and grants amounted to UA 11.88 billion. A total of 1,504 loans and grants were fully disbursed for an amount of UA 9.54 billion, representing 80.3 percent of cumulative disbursements.

THE NIGERIA TRUST FUND (NTF)

The Nigeria Trust Fund (NTF) was established in 1976 at the initiative of the Federal Republic of Nigeria, to provide concessional financing to the Bank's RMCs. The overall purpose of the NTF is to provide additional resources for projects in various sectors, in order to enhance economic development and social progress in Africa, particularly in the least developed countries.

The NTF was established for an initial period of 30 years, with a provision for extension, by mutual agreement. At the expiration of the initial 30-year period on April 25, 2006, the Bank and the Federal Republic of Nigeria agreed to an interim extension to allow for further consultations and an independent evaluation of the NTF. Following the positive review and recommendation for continuation by the independent evaluators, the Federal Republic of Nigeria and the Bank agreed to a 10-year extension of NTF commencing on April 25, 2008. The extension was approved by the Board of Governors of the Bank on May 15, 2008, during the Annual Meetings in Maputo, Mozambique. The Boards of Directors subsequently approved the *NTF Operational Guidelines* in December 2008.

During the extension period, the NTF will finance public and private sector (including microfinance) projects. While the resources are primarily intended to support public sector operations in lower-income countries, a long-term target of an 80:20 percent share between the public and private sector projects will be maintained. For public sector operations, the focus will be on projects in infrastructure, agriculture, and regional integration. There were no loan approvals under this window in 2008. The NTF lending program is scheduled to recommence in 2009.

Cumulative Loan and Grant Approvals, 1976–2008

Since its establishment in 1976, the NTF has approved UA 304.6 million, for 71 operations in 30 RMCs. The 2008 level of cumulative approvals is the same as at year-end of 2006, since there were no new approvals in the intervening period. The majority of the NTF cumulative allocations went to infrastructure operations, followed by agriculture and rural development, social sector, finance, and industry (see Figure 4.11). The regional distribution of NTF approvals has also remained unchanged since end-December 2006, with West Africa receiving the largest allocation, followed by East Africa, Southern Africa, and North Africa. Multiregional projects accounted for just 4.6 percent of NTF cumulative total approvals (see Figure 4.12).

Disbursements

Disbursements increased from UA 5.94 million in 2007 to UA 8.46 million in 2008, representing an increase of 42.42 percent. As at December 31, 2008, cumulative disbursements (1976-2008) amounted to UA 213.2 million. Fifty-nine loans were fully disbursed for a total amount of UA 196.2 million, representing 92.0 percent of cumulative disbursements.

Figure 4.11: Cumulative NTF Approvals by Sector, 1976–2008

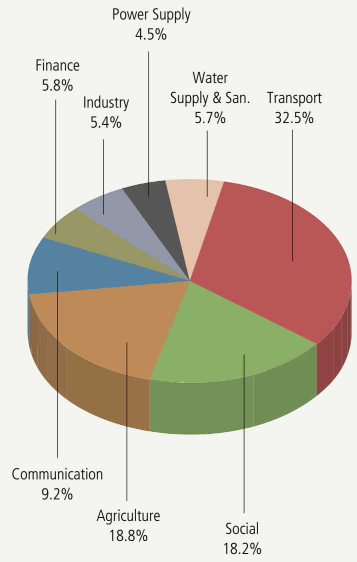
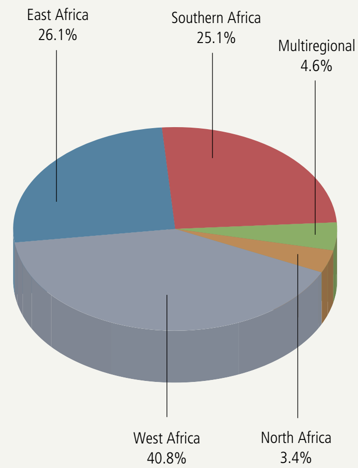


Figure 4.12: Cumulative NTF Approvals by Subregion, 1976–2008



BANK GROUP OPERATIONS BY SUBREGION

Bank Group Loan and Grant Approvals by Subregion

The Bank has divided Africa into 5 subregions for its operations, namely: Central Africa, East Africa, North Africa, Southern Africa, and West Africa. Bank Group approvals for all 5 subregions (including multinational projects and programs) amounted in 2008 to UA 3.17 billion, allocated as follows: North Africa, UA 819.9 million (25.9 percent); West Africa, UA 633.5 million (20.0 percent); East Africa, UA 569.9 million (18.0 percent); Southern Africa, UA 475.9 million (15.0 percent); and Central Africa, UA 74.0 million (2.3 percent). Approvals for multinational projects and programs amounted to UA 597.0 million (18.8 percent). The Bank Group's cumulative (1967–2008) loan and grant approvals for the 5 subregions stood at UA 42.39 billion, while that of cumulative multinational operations amounted to UA 2.36 billion (see Annex II-7).

NORTH AFRICA

North Africa comprises 6 countries: Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia. Mauritania is classified as an ADF country, while the others are ADB countries, although Libya is not a borrowing country. The subregion received loan and grant approvals amounting to UA 819.9 million in 2008, which is an increase over the 2007 level of UA 591.9 million. The approvals represent 25.9 percent of total Bank Group approvals in 2008, slightly higher than its share of 22.9 percent in 2007.

Approvals in 2008 benefited 4 countries: Egypt, at UA 302.4 million; Tunisia, UA 282.7 million; Morocco, UA 217.0 million; and Mauritania, UA 17.7 million (see Annex II–7). Major projects approved in this subregion include the Ain Sokhna Thermal Power

Box 4.2: Evaluation of the Poverty Reduction Project (Microfinance) in Mauritania

Objective: To establish 7 savings and loan associations and strengthen local microfinance institutions, many of which are traditionally women-owned. The overarching goal of the project was to reduce poverty and increase GDP.

Bank's Role: ADF loan of 3.2 million. Capacity-building program of UA 1.8 million.

Timeline: Commencement in 1999; completion in mid-2004.

Components: Establishment of a loan fund of UA 1.8 million; development of the capacities of selected microfinance institutions (MFIs); Information, Education & Communication (IEC) work; and literacy training.

Outcomes: The outcomes far exceeded expectations with respect to the following:

- The 35 supported microfinance agencies reached a membership of over 56,000, compared to the target of 13,000;
- Savings reached UA 4.7 million against a projected amount of UA 0.5 million;
- Loans were extended to over 20,750 borrowers (60 percent women) compared to a projected number of 7,500.
- About 4,530 jobs were created;
- Improvement in organization of supported MFIs.

Alignment to the Bank's Objectives:
Poverty Reduction: The project aligned to the Bank Group's overall mission of reducing poverty and boosting sustainable economic growth in its RMCs.

Social Impact and Gender: Some 60 percent of the owners of micro enterprises in the country are women, who traditionally find it difficult to access credit. The project therefore helped improve their income-generating activities. Moreover, through the project's training component, which included basic health and hygiene, over 4,800 people received guidance, 80 percent of whom were women. The project therefore also contributed toward achievement of the health-related MDGs.

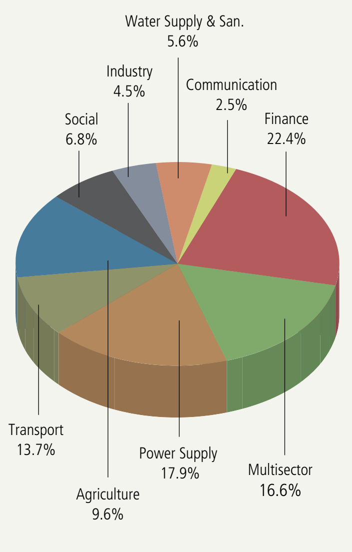
Private Sector Development: Supporting micro-entrepreneurship by extending loans to financial intermediaries is one of the Bank's Private Sector Operations strategic objectives. The Bank cannot lend directly to SMEs or micro-entrepreneurs, but only through financial intermediaries, as was the case with this project. The project helped to promote the concept of microfinance and paved the way for an expansion of the sector. In 1998, only 10 microfinance bodies operated in the country; whereas this figure had increased to 67 by 2005.

Alignment to National Priorities: Mauritania is a low-income country and the project supported the Country Strategy Paper and the government's poverty reduction strategy. The intervention also directly led to the Government adopting and initiating new legislation to promote microfinance operations in the country.

Project in Egypt; 3 projects in Tunisia (Road Project V; Water Sector Investment Project Phase II (PISEAU II); the Hasdrubal Oil and Gasfield Project); and the Nouakchott City "Aftout Essaheli" Drinking Water Supply Project in Mauritania, which aims to improve water supply to about 1 million people. Major 2008 approvals in support of good governance in this subregion included the Medical Coverage Reform Support Program II and the Public Administration Reform Support Program Phase III, both in Morocco. Box 4.2 illustrates an earlier poverty reduction project in Mauritania, with a focus on supporting microfinance. This was successfully implemented over the period 1999–2004.

The sectoral distribution of approvals in North Africa in 2008 was as follows: infrastructure at UA 563.1 million (68.7 percent); followed by industry, mining and quarrying, UA 93.3 million (11.7 percent); multisector, UA 63.2 million (7.7 percent); social sector, UA 60.2 million (7.3 percent); agriculture and rural development, UA 29.1 million (3.6 percent); and finance, UA 8.0 million (1.0 percent). Since 2007, the Bank Group has consistently given top priority to infrastructure development in the subregion, in line with its new operational focus.

Figure 4.13: North Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967–2008



Although the Bank Group started operations in North Africa in 1968 – one year later than in the other subregions – North Africa's share of cumulative loan and grant approvals (UA 13.73 billion) has been the largest of all the subregions, accounting for 30.7 percent of the total (see Annex II–7). The 4 principal beneficiaries were Morocco, Tunisia, Egypt, and Algeria. Figure 4.13 shows the cumulative Bank Group loan and grant approvals by sector for the period 1967–2008. The top 3 sectors were infrastructure (39.7 percent), finance (22.4 percent), and multisector (16.6 percent).

WEST AFRICA

West Africa is made up of 16 countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, São Tomé and Principe, Senegal, Sierra Leone, and Togo. It is the subregion with the largest linguistic, geographical, and natural resources diversity. Apart from Nigeria, all the other countries in the subregion can only borrow from ADF resources. Nigeria, being a blend country, can borrow from both ADB and ADF windows. Bank Group loan and grant approvals to the subregion increased by 151.8 percent from UA 251.6 million in 2007 to UA 633.5 million in 2008, making West Africa the second largest recipient of approvals in 2008, after North Africa.

The Bank Group's commitment to the subregion in 2008 accounted for 20.0 percent of total approved loans and grants (see Annex II–7), compared to the 2007 share of 9.7 percent. The 15 countries that benefited from loans and grants in 2008 were: Ghana (UA 173.0 million); Guinea (UA 146.4 million); Burkina Faso (UA 63.5 million); Mali (UA 55.0 million); Nigeria (UA 52.4 million); Niger (UA 40.0 million); Senegal (UA 30.0 million); Benin (UA 25.0 million); Togo (UA 14.6 million); Liberia (UA 12.0 million); Sierra Leone (UA 10.3 million); Cape Verde (UA 5.0 million); Gambia (UA 4.0 million); Guinea-Bissau (UA 2.0 million); and Côte d'Ivoire (UA 0.3 million).

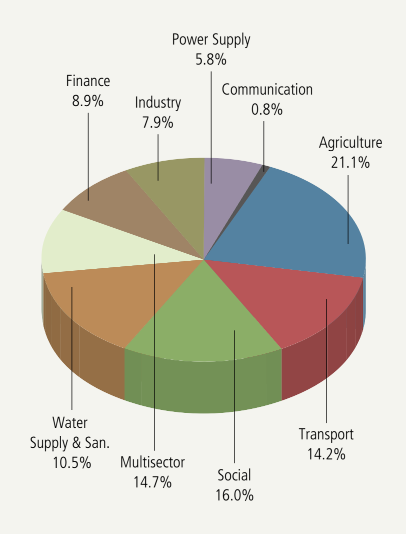
Major projects approved in 2008 for this subregion include, inter alia: the Guinea Alumina Project (Guinea); the Lekki Toll Road I (Nigeria); Kandadji Ecosystem Regeneration and Niger Valley Development Program (Niger); Poverty Reduction Support Loan III (Ghana); Growth and Poverty Reduction Strategy Support Program (Mali); and the Poverty Reduction Strategy Support Program (Senegal).

The sectoral distribution of 2008 approvals was as follows: multisector, UA 229.6 million (36.5 percent); infrastructure, UA 214.1 million (34.0 percent); industry, mining and quarrying, UA 144.5 million (23.0 percent); agriculture and rural development, UA 31.9 million (5.1 percent); and finance, UA 9.2 million (1.5 percent). The sectoral distribution indicates the Bank's selectivity and strategic focus on projects that aim to promote good governance, reduce poverty, and enhance infrastructural development in RMCs.

Between 1967 and 2008, cumulative Bank Group loan and grant approvals to West Africa amounted to UA 10.13 billion, which represents 22.6 percent of total cumulative allocations. Nigeria was allocated the largest share, followed by Ghana, Côte d'Ivoire, Mali, Senegal, Guinea, Burkina Faso, Benin, Niger, Sierra Leone, Gambia, Togo, Guinea Bissau, Liberia, Cape Verde, and São Tomé and Principe.

The sectoral distribution of the cumulative loan and grant approvals shows that the largest allocations went to infrastructure,

Figure 4.14: West Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967–2008



comprising transportation, communications, power supply and water (31.3 percent), followed by agriculture (21.1 percent), social (16.0 percent), and multisector (14.7 percent) (see Figure 4.14).

EAST AFRICA

East Africa is made up of 12 countries – Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, Sudan, Tanzania, and Uganda. Seychelles is the only country eligible to borrow from the ADB window. The other 11 countries are eligible for funding from ADF resources only, with restricted access to ADB resources for private sector and enclave projects. East Africa was allocated UA 569.9 million of Bank Group loan and grants in 2008, a slight decrease from UA 576.3 million in 2007. The approvals for 2008 represent 18.0 percent of total approvals (see Annex II–7). The 9 benefiting countries were Uganda (UA 190.0 million); Ethiopia (UA 143.4 million); Tanzania (UA 125.0 million); Djibouti (UA 57.8 million); Kenya (UA 25.9 million); Burundi (UA 14.0 million); Rwanda (UA 11.6 million); Comoros (UA 1.5 million); and Seychelles (UA 0.6 million).

In 2008, Bank Group's allocations were directed mainly toward multisector at UA 234.8 million (41.2 percent); followed by infrastructure, UA 163.5 million (28.7 percent); social sector, UA 84.8 million (14.9 percent); agriculture and rural development, UA 47.8 million (8.4 percent); and industry, mining and quarrying, UA 39.0 million (6.8 percent). The continued focus of Bank Group's operations on multisector and infrastructure in this subregion is consistent the Bank's aim of promoting good governance as a means of strengthening RMCs' institutional capacities for sound and transparent fiscal management; and enhancing the development of infrastructural projects that would lay a solid foundation for poverty reduction and economic development.

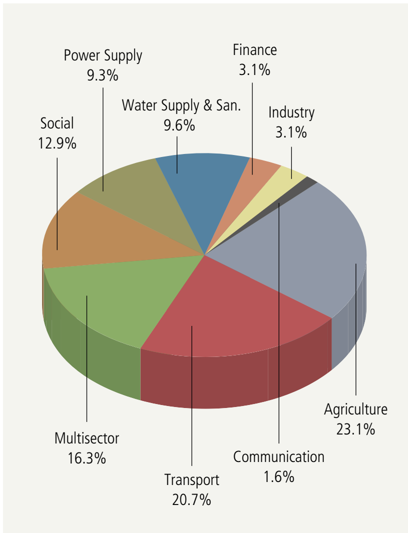
Four of the East African countries benefited from ADB loans and guarantees through the Bank's private sector window. These were to finance the Derba Midroc Cement Plant in Ethiopia, the Buseruka Hydroelectric Power Project in Uganda, the Doraleh Container Terminal in Djibouti, and a Partial Credit Guarantee Facility to support SMEs' access to finance in Tanzania.

Other notable projects and programs approved from the ADF window in 2008 for the subregion include: the Protection of Basic Services Program II in Ethiopia; the Poverty Reduction Strategy Support Loan III in Tanzania; and the following 3 projects in Uganda: the Community Agricultural Infrastructure Improvement Program; the Mbarara–Nkenda and Tororo–Lira Power Transmission Line Project; and the Post Primary Education and Training Expansion and Improvement (Education IV) Project.

The reform programs in Tanzania and Uganda received assistance from the Bank in the form of structural and sector adjustment loans respectively. In the social sector, the Bank provided humanitarian relief assistance to flood-affected populations in Kenya and Rwanda. It also supported emergency relief operations in Kenya for victims of the post election civil unrest, as well as repatriated population from Tanzania in Rwanda.

Between 1967 and 2008, East Africa received UA 7.30 billion as cumulative loan and grant approvals, accounting for 16.3 percent of approvals. Ethiopia received the largest share of the cumulative allocations, followed by Uganda, Tanzania, Kenya, Rwanda, Sudan, Burundi, Djibouti, Somalia, Seychelles, Eritrea, and Comoros (see Annex II–7). Figure 4.15 presents the cumulative Bank Group loan and grant approvals by sector. Infrastructure was the leading sector at 41.2 percent; followed by agriculture and rural development (23.1 percent); multisector (16.3 percent); and social sector (12.9 percent). Box 4.3 details an agriculture project dating back to 1991 that was successfully implemented in Madagascar to boost rice production and reduce poverty.

Figure 4.15: East Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967–2008



Box 4.3: Evaluation of the Basse Betsiboka Rice Rehabilitation Scheme in Madagascar

Objectives: To improve the rice production potential of the Basse Betsiboka plains in order to achieve rice self-sufficiency, increase farmers' incomes, and reduce poverty.

Background: Basse Betsiboka is the second most important rice-producing area in Madagascar. However, from 1972 the yields began to steadily decline, owing to deficient water utilization system, deterioration of the existing infrastructure, and the effects of erosion on the upstream catchment area.

Bank's Role: ADB loan of UA 11.05 million; cofinancing by Government of UA 1.71 million.

Timeline: Commencement 1991; completion 2002. Notwithstanding substantial delays, the project was successfully completed and rated "Satisfactory" in terms of the technical project goals in the Project Completion Report of August 2004.

Project Components: (i) rehabilitation of irrigation infrastructure; (ii) water and soil conservation; (iii) irrigation engineering; (iv) equipment and operating costs; (v) research, development and training; and (vi) monitoring and evaluation.

Outputs:
- 6,400 farms and 38,000 people benefited from improved irrigation;
- Increased acreage in terms of rice yields (23,066 tonnes) and output levels;
- Construction of 23 village wells, equipped with hand pumps;
- Supply of drinking water to the most underprivileged villages with a total population of 16,770;
- Improved rice-cultivable land increased by 5,122 hectares;
- 2.75 km of interconnecting canals constructed between Bekara and Karambo Basse schemes;
- Two dams expanded, increasing their combined capacity by 13.5 million cubic meters;
- Protection of catchment basin by development of pasture land, cashew trees and eucalyptus;
- EIRR 17 percent, compared to 16 percent projected at appraisal.

Alignment to the Bank's Strategic Priorities:
Agricultural Strategy: The project contributed to macroeconomic policy and sector objectives (including water objectives) by increasing rice production, promoting food security, and reducing food imports.

Poverty Reduction and Social Impacts: The project directly contributed to improved farmers' incomes, thereby reducing poverty in the area. It also resulted in improved access to potable water supply, thereby improving the health of the population and freeing women from the onerous task of fetching water to engage in more productive, income-generating activities.

Alignment to Environmental Sustainability: A major component of the project was to mitigate any negative environment effects, e.g. by control of the silting-up of dams through reforestation, agricultural engineering, restoration of soil fertility by water and soil preservation techniques, preservation of the ecology of the catchment basin, etc. The project's impact on the environment was therefore positive.

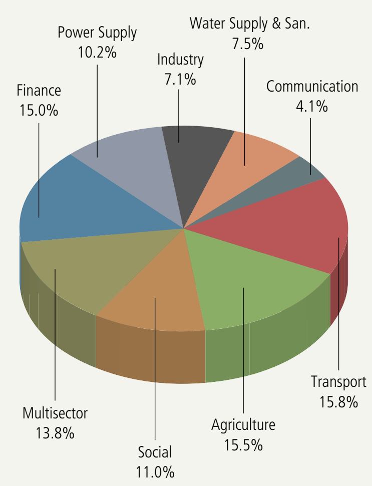
Private Sector Development: The project contributed to private sector development as well as agricultural productivity in the project area.

SOUTHERN AFRICA

Southern Africa comprises the 12 countries of Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. The countries that can borrow from ADB resources are Botswana, Mauritius, Namibia, South Africa, and Swaziland. The others are only eligible for ADF resources, with restricted access to ADB funds for private sector and enclave projects. Zimbabwe as a blend country can access both ADB and ADF resources, although it has been under sanctions since 2000. Bank Group loan and grant approvals to the subregion in 2008 stood at UA 475.9 million compared with UA 539.6 million in 2007. The 2008 approvals accounted for 15.0 percent of total loan and grant approvals for Bank Group operations (see Annex II–7).

The 6 beneficiary countries in 2008 were South Africa (UA 203.8 million); Madagascar (UA 75.0 million); Mozambique (UA 60.0

Figure 4.16: Southern Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967–2008



Box 4.4: Evaluation of the Electricity II Project in Mozambique

Objective: To finance the electricity supply needed for the resettlement of displaced persons from the civil war. This entailed the extension of the electricity grid to the rural areas of Maputo and Gaza provinces in the south of the country.

Bank's Role: ADF loan of UA 14.7 million.

Timeline: Commencement 1997; completion 2003.

Outputs: The project successfully achieved its expected outcomes, although there were delays to the project completion date. The benefits included the following:

- Reliable and affordable electricity supply to 4,600 (mainly poor) rural households – about 1,600 more than planned;
- Reliable and affordable electricity supply to local businesses, including 11 tourist lodges and a sugar factory, thereby boosting productivity;
- Increase in volume of electricity customers: the Ponta de Ouro tourist area accounted for only 50 customers to the electricity company in 2002. Five years later in 2007, there were 700 individual customers and 11 tourist lodges, with each lodge employing about 30-40 people;
- A number of schools and health clinics were connected to the electricity grid, also street lighting was provided, enhancing the socioeconomic benefits;
- The provision of electricity has encouraged displaced communities to resettle in villages they had abandoned during the conflict, thereby enhancing security;
- A prison was relocated to the area to take advantage of the electricity supply.

Alignment to the Bank's Strategic Objectives:
Assistance to a Postconflict Country: The project is aligned to the Bank Group's objective of promoting infrastructure development, particularly in poor rural areas. Through its focus on assisting displaced persons, the project also aligned with the Bank's support to a postconflict country's development to help populations re-engage with the community.

Socioeconomic Benefits: Improvements in the electricity supply have enhanced the availability of amenities not only for poor rural households, but also for businesses, thereby boosting productivity and profitability, and reducing poverty.

Alignment to National Priorities: The project underscored the Government's commitment to enhance the country's basic infrastructure network, including remote rural areas.

million); Zambia (UA 58.9 million); Malawi (UA 39.9 million); and Botswana (UA 38.2 million). South Africa received the largest share of all Bank Group approvals for the subregion in 2008. This was due mainly to the Lines of Credit approved for Standard Bank of South Africa and for Nedbank Ltd. Since 2007, South Africa has consistently been the highest recipient of Bank Group approvals in the subregion.

Other notable 2008 approvals for the subregion were for: the Pandamatenga Agriculture Infrastructure Development Project (Botswana); the Nkana Water Supply and Sanitation Project (Zambia); the Poverty Reduction Budget Support Program Phase II (Madagascar); and the Poverty Reduction Support Loan II (Mozambique).

The 5 sectors supported in the subregion in 2008 were finance, at UA 212.4 million (44.6 percent); multisector, UA 135.0 million (28.4 percent); infrastructure, UA 60.9 million (12.8 percent); agriculture and rural development, UA 53.5 million (11.2 percent), and social sector, UA 14.0 million (2.9 percent). The sectoral distribution of the 2008 approvals continued to exhibit the Bank's goal of selectivity of projects that would enhance rapid economic growth and promote good governance in RMCs. In addition to support for projects and programs, during 2008, emergency food assistance under the Special Relief Fund was provided to Zambia, which had been badly affected by floods.

Bank Group operations in this subregion started in 1969. Between 1969 and 2008, Southern Africa received cumulative Bank Group loan and grant approvals worth UA 7.01 billion, representing a 15.7 percent share of all cumulative approvals for the continent. The allocation by country reveals that Mozambique received the largest share, followed by South Africa, Madagascar, Zambia, Zimbabwe, Malawi, Botswana, Angola, Lesotho, Mauritius, Swaziland, and Namibia. Figure 4.16 indicates that the leading sector for cumulative approvals was infrastructure at 37.6 percent followed by agriculture (15.5 percent), then finance (15.0 percent), multisector (13.8 percent), and social (11.0 percent). Box 4.4 below illustrates the support provided by the Bank Group to a post-conflict country in Southern Africa, namely Mozambique in 1997–2003, to help a displaced community secure a reliable electricity supply.

CENTRAL AFRICA

Seven countries make up the Central Africa subregion, namely Cameroon, Central Africa Republic, Chad, Congo, Congo Democratic Republic, Equatorial Guinea, and Gabon. Two countries in this subregion – Gabon and Equatorial Guinea – can borrow from the ADB window of the Bank. The other 5 countries are only eligible for ADF resources, with limited access to ADB financing for private sector and enclave projects. In 2008, the subregion was allocated UA 74.0 million, accounting for 2.3 percent of total Bank Group loan and grant approvals, compared with UA 429.5 million for 2007. The 2008 approvals represent a decline of 82.8 percent relative to 2007 loan and grants approvals.

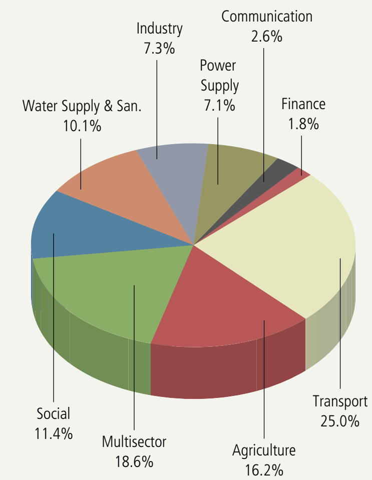
The 3 benefiting countries in 2008 were Equatorial Guinea, with UA 63.5 million; Central African Republic, UA 9.5 million and Congo, UA 1.0 million (see Annex II–7). Major projects approved in the subregion during 2008 comprised 3 in Equatorial Guinea (Health System Development Support; the Training Program for Middle and Senior Executives; and the Public Finance Management Support Program), and one in the Central Africa Republic (the Economic Reform Support Program [ERSP–II]).

In 2008 the social sector received the largest allocation of approvals at UA 50.2 million (67.8 percent); followed by multisector UA 22.9 million (30.9 percent); and agriculture and rural development, UA 1.0 million (1.4 percent). The allocation of significant resources to the social sector and to multisector is consistent with the Bank's goal of assisting RMCs progress toward achieving critical MDGs and promoting good governance.

Between 1967 and 2008, Central Africa accounted for UA 4.22 billion in cumulative Bank Group loan and grant approvals (9.4 percent of the total). The DRC received the largest amount, followed by Gabon, Cameroon, Chad, Congo, Central African Republic, and Equatorial Guinea.

Figure 4.17 presents the cumulative Bank Group loan and grant approvals by sector. The 4 key beneficiary sectors were: infrastructure (44.8 percent); multisector (18.6 percent); agriculture and rural development (16.2 percent); and social (11.4 percent). The sectoral share of the cumulative loan and grant approvals highlights the Bank Group's continued focus on infrastructural projects in the subregion.

Figure 4.17: Central Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967–2008



Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
AGRICULTURE & RURAL DEVELOPMENT				
Botswana	*Pandamatenga Agriculture Infrastructure Development* **Objective:** To develop an appropriate water control/drainage system and access road network in Pandamatenga to improve productivity and reduce rural poverty. **Expected Outcomes:** (i) Increased crop productivity and production for 266 affected farmer households; (ii) better soil moisture management and road access for agricultural production; (iii) strengthened human and logistics capacity of the Ministry of Agriculture and farmer associations. **Cofinanciers:** Government (UA 5.56 million); beneficiaries (UA 0.11 million).	43.90	38.23	
Morocco	*OLEA Capital* **Objective:** To support OLEA Capital to increase and modernize olive oil production in Morocco. **Expected Outcomes:** (i) Construction of 10 processing plants and planting of 10,00 ha. olive tree plantation; (ii) increased olive oil production from 70,000 to 100,000 tonnes p.a.; (iii) share of agricultural sector in Morocco's GDP grows from 15.7 percent in 2007 to 18 percent by 2021; (iv) 560 direct jobs created; and (v) exports increase from 10-15,000 tonnes annually in 2006 to 50,000 tonnes by 2021, boosting export earnings. **Cofinanciers:** Local banks - CAM & SGMB (UA 69.90 million); equity (UA 51.97 million).	151.01	29.14	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
FINANCE				
Democratic Republic of Congo	*Advans Bank Congo (ABC) – Equity Investment* **Objective:** To deepen the financial sector in this fragile state by providing equity participation to establish this greenfield microfinance bank. ABC will onlend to micro entrepreneurs and SMEs, supporting their growth. **Expected Outcomes:** (i) Establishment of Advans Bank Congo with adequate seed capital to commence operations; (ii) credit provided to more than 50,000 micro entrepreneurs; (iii) 40,000 depositors within 5 years; iv) mobilization of approx. US$ 24 million within 5 years; (v) 284 local jobs created; and (vi) increased economic growth and government revenues. **Cofinanciers:** *Equity:* Advans SA (UA 2.09 million); IFC (UA 0.72 million); Kfw (Germany) (UA 0.72 million); *TA Grants:* FAPA (UA 0.58 million); LFI (UA 1.29 million); EIB (UA 0.61 million); Luxembourg (UA 0.18 million); KfW (UA 0.67 million).	7.56	0.70	
Ghana	*CAL Bank Ltd. – Line of Credit* **Objective:** To enable CAL to extend long-term financing to meet increasing demand from viable SMEs in Ghana. CAL is targeting high-growth companies / projects in the telecoms, mining, agriculture, healthcare, infrastructure, service and manufacturing sectors. **Expected Outcomes:** (i) Improvement in the deal-making capacity, capital base, operational and financial performances of CAL; (ii) extended SME sector, contributing to economic growth and poverty reduction; (iii) at least 30 new and expanded enterprises financed; and (iv) significant reduction in the current unemployment rate from 20 percent in 2008 to 12 percent by 2015. **Cofinanciers:** None.	9.18	9.18	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Ghana	*Ghana Export-Oriented SME Guarantee Program* **Objective:** To extend a 50 percent partial credit guarantee facility to 2 partner banks in Ghana to expand access to credit for 210 export-oriented SMEs and SME organizations. **Expected Outcomes:** (i) Strengthened SME sector; (ii) up to US$ 48 million of new lending to about 210 SMEs and SME organizations, of which approx. 20 percent will be women-owned; (iii) increased exports by about US$ 339 million; (iv) increased government revenues; (v) at least 500 permanent jobs created; and (vi) increased capacity building across the entire business chain. **Cofinanciers:** FAPA (UA 0.63 million).	15.53	14.90	
Mauritania	*Banque pour Le Commerce et L'Industrie (BCI)– Line of Credit* **Objective:** To enable BCI to expand its commitment capacity for onlending to SMEs in areas such as agro-industry (including fish processing), manufacturing, tourism and services, including construction subcontracting. **Expected Outcomes:** (i) Increased lending capacity for BCI and enhanced financial intermediation in the country; (ii) enhanced growth and modernization of the SME sector; (iii) deepening of the financial market by providing foreign exchange and term finance; (iv) enhanced employment generation; and (v) increased government revenues. **Cofinanciers:** None.	4.90	4.90	
Mauritania	*Mauritania Leasing (ML) – Line of Credit* **Objective:** To increase the capacity of Mauritania Leasing (ML) to finance the procurement of equipment, machinery, and other movable and immovable assets for leasing to SMEs in the agriculture, industry, fishery, and service sectors. **Expected Outcomes:** (i) Strengthened local financial markets by offering an alternative financial instrument to support the underserved SME sector; (ii) SMEs able to invest in machinery and other assets in order to grow their businesses and productive capacity; (iii) increased infrastructure development by leasing to the construction industry; (iv) increased exports and foreign exchange earnings; (v) rise in employment and (vi) GDP increased, thereby reducing poverty. **Cofinanciers:** None.	3.06	3.06	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Nigeria	*Access Bank Nigeria (ABN)– Equity Investment* **Objective:** To strengthen the local financial market and provide an alternative instrument to facilitate access to credit to low-income individuals and micro enterprises, which are traditionally poorly served. This will spur economic development and poverty reduction. **Expected Outcomes:** (i) Poverty reduction – 30 percent of ABN clients above poverty threshold by 2015; (ii) 30,000 jobs created by 2015, (60 percent for women); (iii) 47,000 active clients and 55,000 depositors by 2013, of which 50 percent are women; and (iv) 550 staff trained and MIS operational. **Cofinanciers:** *Equity:* AH (UA 2.55 million); IFC (UA 0.76 million); and Impulse (UA 0.51 million). TA grants: FAPA (UA 0.63 million); MSME-Nigeria (UA 1.08 million); IFC (UA 0.69 million); others (UA 0.97 million).	7.90	0.72	
South Africa	*Nedbank – Line of Credit* **Objective:** To provide long-term foreign currency to Nedbank for onlending to infrastructure and industrial projects across Africa, thereby ramping up the continent's economic growth and competitiveness. **Expected Outcomes:** (i) Incremental economic output raised to US$ 140 million p.a. by 2015; (ii) government revenues of at least US$ 65 million p.a. by 2015; (iii) private investment in infrastructure reaches US$ 13.0 billion by 2012; and (iv) at least 75 new jobs created by 2015. **Cofinanciers:** N.A.	63.70	63.70	
South Africa	*Standard Bank of South Africa (SBSA) – Line of Credit* **Objective:** The LOC will be used exclusively for US$ denominated projects in Africa but outside South Africa, with a focus on infrastructure and natural resources projects. By lending to neighboring countries, the SBSA would be contributing to African regional integration. **Expected Outcomes:** (i) Increased availability of private finance for sustainable infrastructure and other productive projects; (ii) increased economic output of at least US$ 180 million p.a. by 2015; (iii) at least 1,500 jobs created by 2015; and (iv) additional government revenues of at least US$ 60 million by 2015. **Cofinanciers:** N.A.	140.14	140.14	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Tanzania	*CRDB Bank – SME Partial Credit Guarantee Facility* **Objective:** To extend, jointly with USAID, a 50 percent partial credit guarantee facility (PCGF) to the CRDB to expand access to medium- and long-term financing for 450 SMEs (primarily agriculture and ecotourism-based), of which at least 30 percent will be women-owned. TA will be provided. **Expected Outcomes:** (i) Strengthened provision and access to long-term, low-collateral finance and financial services to SMEs; (ii) at least 20 percent growth in the SME sector; (iii) creation of around 1,575 jobs (direct and indirect); (iv) improved productivity by SMEs and use of productivity enhancing technology; and (v) extension of financial support to more than 500 entrepreneurs. **Cofinanciers:** USAID (UA 1.27 million); FAPA (UA 0.63 million).	6.80	4.90	
Zambia	*Zanaco Bank Ltd.– Line of Credit (UA 6.37 million) & PCGF (UA 5.096 million)* **Objective:** To enhance Zambian SMEs' access to long-term, low-collateral finance by providing long-term lines of credit (LOC) and PCGF to Zanaco. **Expected Outcomes:** (i) 150-200 SMEs supported and a further 500 MSMEs through microfinance institutions; (ii) up to US$ 30 million worth of SME loans accessed; (iii) 300-400 direct jobs created and a further 1,225-1300 indirect jobs; and (iv) enhanced capacities of business associations to support SMEs. **Cofinanciers:** PCGF portion: USAID (UA 1.22 million); TA portion: ILO/IFC (UA 0.07 million); Zanaco (UA 0.15 million); FAPA (UA 0.60 million).	13.52	11.47	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Zambia	*Investrust Bank plc – Line of Credit* **Objective:** To enhance SMEs' access to medium-term, low-collateral finance and non-financial services through an LOC to Investrust, thereby deepening the Zambian financial market. SMES will be in the high-growth sectors such as mining, tourism, services, transportation, manufacturing, and agriculture. **Expected Outcomes:** (i) 30 percent increase in the number of SMEs (many women-owned) accessing financing and non-financing services – at least 12 SMEs; (ii) approx. 45 new jobs created; (iii) reduction in SME NPLs by 10 percent; and (iv) strengthened business associations and SME business toolkits. **Cofinanciers:** TA portion: ILO/IFC (UA 0.07 million); Investrust (UA 0.09 million); FAPA (UA 0.60 million).	3.00	2.23	
Multinational	*Africa Energy Infrastructure Fund (AEIF)* **Objective:** To meet the continent's growing energy needs by investing in power and energy projects and companies, with a focus on SSA. **Expected Outcomes:** (i) Increased security and quality of electricity supply (245 MW capacity by 2012; 530 MW by 2015); (ii) US$ 1 billion of financing mobilized from the private sector; (iii) employment generation – 3,600 jobs during construction and 480 permanent jobs by 2015; (iv) growth of RMCs' economies and increase in their competitiveness; (v) government revenues of US$ 1 million p.a. through taxes; and (vi) increased regional integration through electricity exports to neighboring countries. **Cofinanciers:** Prescient (UA 1.30 million); Fieldstone (UA 1.30 million); others (Proparco, Metropolitan, SA Insurance Fund, DBSA etc. – UA 75.14 million).	97.89	20.16	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*Eastern and Southern Africa Trade and Development Bank (PTA Bank) – Line of Credit (UA 31.05 million) & General Capital Increase (UA 29.56 million)* **Objective:** To enhance PTA Bank's operational capacity by: (i) strengthening its capital base to increase the level of operations to eligible enterprises; (ii) providing foreign exchange resources to enable subprojects to procure imports of equipment, machinery, and spare parts; and (iii) enhancing operational and management capacity of the organization. **Expected Outcomes:** (i) Fostering regional integration in the COMESA region; (ii) stimulating private sector activities and promoting SMEs in diverse sectors; (iv) creating employment and foreign exchange resources; and (iv) technology transfer through TA assistance. **Cofinanciers:** FAPA (UA 0.61 million).	61.22	60.61	
Multinational	*Emerging Capital Partners Africa Fund III (EAF3) – Equity Participation* **Objective:** To mobilize at least US$ 1 billion of risk capital to unlock the potential of strategic and high-growth companies that are, or can become, market leaders in their sectors (e.g. in financial services, telecoms, mining, energy and natural resources). **Expected Outcomes:** (i) Increased share of private equity and venture capital industry to GDP to reach 2 percent by 2018; (ii) at least 30,000 direct jobs created by 2018 (of which at least 40 percent for women); (iii) 15-20 investments completed by 2013 with transaction sizes between US$ 30-100 million; and (iv) at least US$ 500 million in direct fiscal revenues p.a. and a similar amount indirectly. **Cofinanciers:** To reach the fund's target size of US$ 1 billion, a large number of potential co-investors are being approached, including HBD, CDC, Al Rashed Group, and ADIA.	32.11	32.11	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*Equity Vehicle for Health in Africa (EVHA)* **Objective:** To provide long-term risk capital and TA in support of the health sector, targeting greenfield SMEs in 4 health subsectors: (i) heath service providers; (ii) health insurance; (iii) pharmaceutical production and distribution; and (iv) healthcare education. **Expected Outcomes:** (i) Increased access to diversified mix of public and private healthcare services; (ii) creation/expansion of 30–50 SMEs providing healthcare services across Africa; (iii) 1,500 jobs created by 2015; (iv) approx. 400,000 to 600,000 patients treated (50 percent of whom will be women); (v) at least 50 percent of poorest population reached; and (vi) at least US$ 1 billion in credit mobilized for SMEs by 2015. **Cofinanciers:** IFC (UA 12.96 million); DEG (UA 12.96 million); Gates Foundation (UA 3.24 million); others (Proparco, CDC , Google, African Institutions etc., UA 22.67 million).	64.06	12.24	
Multinational	*GroFin Africa Fund – Equity Participation* **Objective:** To increase private entrepreneurship, contribute to economic development and poverty reduction, by targeting growth-oriented SMEs through small, self-liquidating loans typically below US$ 1.0 million. **Expected Outcomes:** (i) Development of a thriving SME asset class in Africa with improved efficiency and a new financing model; (ii) approx. 6,460 jobs created within 10 years, of which a minimum of 30 percent will go to women and youth; and (iii) eventual establishment of a pan-African Financial Institution by 2013, aimed entirely at the SME segment. **Cofinanciers:** Shareholders: FMO (UA 18.48 million); CDC (UA 18.48 million); GroFin Capital (UA 6.16 million); IFC (UA 18.48 million); Shell Foundation (UA 9.24 million); others (EIB/DEG/FinnFund, etc. - UA 9.24 million)	92.42	12.34	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*Rising Africa Infrastructure Fund (RAIF) – Equity Participation* **Objective:** To reinforce RAIF's capital base and serve as a catalyst to attract other investors to participate in the US$ 500 million program. The Fund will provide finance, between US$ 15-50 million for individual infrastructure projects in energy, transportation, telecoms, and water and sanitation sectors on a PPP basis. **Expected Outcomes:** (i) US$ 4 billion of financing mobilized by 2015; (ii) 12 projects approved by 2012; (iii) US$ 46 million in equity and quasi-equity investments approved by 2012; and (iv) increased private sector participation in sectors traditionally dominated by the public sector. **Cofinanciers:** FIDEPPP (UA 32.39 million); Kuwait FH (UA 32.39 million); DFIs (UA 113.36 million); others (UA 129.55 million).	323.98	15.30	
Multinational	*Second Maghreb Private Equity Fund 2 (MPEF2) – Equity Participation* **Objective:** To support a private equity fund primarily targeting SMEs in Northern African countries of Tunisia, Morocco, Algeria, and Libya. The Fund's objective is to invest in a wide variety of sectors including manufacturing and agribusiness; packaging; telecom and technology; transportation; petrochemicals & plastic industries; pharmaceuticals; construction materials production; financial services; and independent power production units. **Expected Outcomes:** (i) Enhanced capital base for MPEF2, thereby scaling-up its commitment and lending capacity; (ii) up to 20 enterprises financed by 2017; (iii) 4,500 jobs saved and 6,000 new jobs created by 2017; (iv) € 600 million mobilized through the multiplier effect of MPEF2; (v) € 65 million in tax revenues to government; and (vi) GDP of the subregion increases by 10 percent by 2017. **Cofinanciers:** EIB (UA 9.32 million); IFC (UA 13.97 million); CDC (UA 18.63 million); FMO (UA 9.32 million); SIFEM (UA 9.32 million); BIO (UA 5.59 million); FPMEI (UA 5.59 million); PROPARCO (UA 5.59 million)); AVERROES (UA 3.73 million); others (UA 7.15 million).	106.82	18.63	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*West African Development Bank (BOAD) – Financial Support comprising Third Line of Credit (UA 37.26 million) and Capital Subscription (UA 2.84 million)* **Objective:** To strengthen the financial and institutional capacities of BOAD and contribute to sustainable economic growth in UEMOA member states. **Expected Outcomes:** (i) Enhanced capital base and commitment capacity in BOAD; (ii) investments under this program totaling € 4.44 billion for 2006–2010;(iii) GDP growth in UEMOA states to reach 7 percent by 2010; (iv) investment rates in UEMOA states to reach 23.6 percent by 2010; (v) significant employment generation; and (vi) revitalization of the Bank's cooperation with BOAD, in line with the Bank strategy of partnership with regional DFIs. **Cofinanciers:** FAPA (UA 0.64 million).	40.74	40.10	
INDUSTRY				
Ethiopia	*Derba Midroc Cement Plant* **Objective:** To expand cement production capacity in Ethiopia and boost infrastructure and housing construction. **Expected Outcomes:** (i) Construct and operate a 7,000 tpd cement plant; (ii) 2,000 new jobs created during construction and 374 during operations; (iii) increase in housing and infrastructure spending as percentage of GDP; and (iv) increased Government revenues. **Cofinanciers:** SMAA (through Midroc) (UA 87.76 million); EIB (UA 29.46 million); IFC (UA 29.46 million); Development Bank of Ethiopia (UA 29.46 million).	209.60	33.45	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Ghana	*Kempinski Accra Hotel* **Objective:** To construct and operate a 250-room, 5-star hotel in central Accra, to support government efforts to build a business-enabling environment, promote tourism, and boost GDP. **Expected Outcomes:** (i) Increased tourist/ business traveler numbers; (ii) 500 jobs created during construction and 353 during operations; (iii) increased foreign investment; (iv) increased foreign exchange earnings and GDP; and (v) capacity building for tourism sector via the establishment of a vocational training school for tourism. **Cofinanciers:** ABSA (UA 10.13 million); GCC, Government and local investors (UA 11.01 million).	31.26	10.13	
Guinea	*Guinea Alumina Project* **Objective:** Construction and operation of a bauxite mine and alumina refinery in Guinea, which will be the largest in the country and one of the largest in Africa. **Expected Outcomes:** (i) Increased alumina production (3.6 Mtpa) boosting GDP; (ii) US$ 1.3 billion investment on new and improved infrastructure; (iii) 12,000 direct and indirect jobs created during construction and approx. 2,000 full-time jobs during operations; (iv) Government tax revenues of almost US$ 7.2 billion over the concession's life; (v) US$ 181 million income accruing to local community; and (vi) 3,500 technicians trained at the refinery. **Cofinanciers:** Export Credit Agencies (UA 850.23 million); other DFIs (UA 296.68 million); commercial banks (170.18 million); equity (UA 2,626.48 million).	4,077.98	134.41	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Tunisia	*Hasdrubal Oil and Gasfield Project* **Objective:** Loan to ETAP (l'Entreprise Tunisienne d'Activités Pétrolières) for the development of an off-shore gasfield in the Gulf of Gabes to meet the country's growing energy demands and reduce its dependence on hydrocarbon imports from Algeria. **Expected Outcomes:** (i) Construction and operation of an offshore platform, 2 pipelines, and an onshore gas-processing plant; (ii) increased production of commercial gas, oil and LPG; (iii) export of propane gas; (iv) significant employment generation; (v) increased fiscal revenue to boost public expenditure capacity; and (v) growth in GDP. **Cofinanciers:** ETAP (UA 138.86 million); British Gas Tunisia (UA 393.66 million); commercial banks (UA 159.25 million).	788.10	96.33	
POWER SUPPLY				
Egypt	*Ain Sokhna Thermal Power Project* **Objective:** To finance the construction and operation of a 1,300 MW thermal power station to meet the country's increasing energy demand. **Expected Outcomes:** (i) Increased supply of reliable and affordable electricity; (ii) a more enabling business environment, fostering investment and economic growth; (iii) positive socioeconomic benefits for local populations and better provision of electricity to schools, hospitals, etc.; (iv) 1,500 to 3,000 jobs created during construction; (v) increased government revenues; and (vi) potential to export electricity to neighboring countries, thereby enhancing regional integration and increasing foreign exchange earnings. **Cofinanciers:** AFESD (UA 126.60 million); KFAED (UA 126.60 million); WB (UA 370.17 million); EEHC (Egyptian electricity company) (UA 398.63 million).	1,324.43	302.43	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Ghana	*Tema Osonor Power Project* **Objective:** To finance the construction and operation of a 126 MW thermal powerplant to address the country's energy crisis and reduce outages. **Expected Outcomes:** (i) A more reliable and secure energy supply for domestic, commercial, and industrial use; (ii) percentage of population with access to electricity increased to 75 percent by 2015; (iii) 150-200 jobs created during construction and 100 during operations; (iv) savings on electricity acquisition; (v) government revenues of US$ 43 million; and (vi) capacity building to local workforce in modern power generation management practices. **Cofinanciers:** FMO (UA 26.75 million); EAIF (UA 20 38 million); equity (UA 21.66 million).	89.36	20.56	
Uganda	*Buseruka Hydropower Plant* **Objective:** Provision of long-term loan to construct a mini hydropower plant with a capacity of 9MW to support small-scale renewable energy to the Buseruka rural area of Uganda. **Expected Outcomes:** (i) Reduction in electricity supply deficit; (ii) approx. 26,000 consumers supplied with least-cost and reliable electricity, including commercial customers; (iii) job generation of about 232 during construction, of which 67 will be permanent; (iv) Government royalties of about US$ 10.30 million; (v) 40,000 trees planted by 2010; and (vi) associated infrastructure: 2.6 km roads constructed; improved water supply. **Cofinanciers:** PTA Bank (UA 6.33 million); Hydromax (UA 5.06 million).	16.89	5.51	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
SOCIAL				
Equatorial Guinea	*Health System Development Support Project* **Objective:** To improve the health of the population and promote use of the country's health services, specifically for pregnant women and children, thereby improving the health indicators. **Expected Outcomes:** (i) Improved health indicators for maternal and infant mortality, life expectancy at birth, and morbidity due to communicable diseases; (ii) strengthened basic health infrastructure, including the construction of 10 health centers; (iii) strengthened institutional and management capacities of the Ministry of Health; (iv) 18 specialists trained; and (v) National Blood Transfusion Center constructed. **Cofinanciers:** Government (UA 15.00 million).	29.68	14.68	
Equatorial Guinea	*Training Program for Middle and Senior Executives* **Objective:** To develop the skills required for the diversification and competitiveness of the national economy. **Expected Outcomes:** (i) Increased educational qualifications of the workforce (secondary school and graduate levels); (ii) infrastructure built: 5 polytechnic institutes, 5 laboratories; computer rooms; (iii) training extended to 94 teachers and 6 inspectors; (iv) statistical yearbooks produced **Cofinanciers:** Government (UA 51.00 million).	86.51	35.51	
Morocco	*Medical Coverage Reform Support Program II (PARCOUM II)* **Objective:** To improve the health status of the population by extension of basic medical coverage, particularly to disadvantaged groups. **Expected Outcomes:** (i) Improved availability of healthcare; (ii) implementation of RAMED (medical assistance scheme for the underprivileged) for poor and vulnerable groups; (iii) provision of finance for RAMED; and (iv) improved health indicators – maternal mortality rates and infant mortality rates. **Cofinanciers:** EU (UA 37.54 million).	97.41	59.87	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
TRANSPORTATION				
Djibouti	*Doraleh Container Terminal* **Objective:** Construction of a modern container terminal at Doraleh to develop the port's transshipment capacity and competitiveness. **Expected Outcomes:** (i) Increase in the port's handling capacity and efficiency as a major hub; (ii) increase in traffic and interregional trade; (iii) reduction in transportation costs; (iv) creation of 300-500 direct jobs during construction; and during operations, 670 full-time jobs; and (v) increased government revenues totaling approx. US$ 280 million. **Cofinanciers:** Islamic Syndicated Facility (UA 98.71 million); Proparco (UA 14.19 million); equity – PAID & DPWD (UA 82.67 million).	246.53	50.96	
Nigeria	*Lekki Toll Road Project* **Objective:** To finance the upgrading and tolling of the Lekki to Epe expressway and construction of first 6 km of coastal road in Lagos. As the first PPP transportation project in Nigeria, it will serve as a flagship project, catalyzing other investors. **Expected Outcomes:** (i) Improvement in road condition and safety; (ii) reduction in traffic congestion and annual accidents rate; (iii) 635 short-term jobs and 1,146 long-term jobs created; (iv) lower transportation costs; and (v) increase in the number of interconnecting roads and footbridges. **Cofinanciers:** Standard Bank & local lenders (UA 95.59 million); Lagos State (UA 26.57 million); equity (UA 28.27 million); revenues & interest (UA 36.71 million).	239.58	52.45	
Tunisia	*Road Project V* **Objective:** To support the upgrading of road infrastructure in support of inter and intraregional trade, improve accessibility to the country's principal development poles, and boost economic growth. **Expected Outcomes:** (i) 85 percent of roads in good condition by 2016; (ii) 10,000 temporary jobs created; (iii) improved mobility of the population and access to markets and administrative centers; and (iv) growth in exports and FDI. **Cofinanciers:** Government (UA 83.65 million).	250.46	166.81	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
WATER SUPPLY & SANITATION				
Morocco	*Tenth Drinking Water Supply Project* **Objective:** To improve the drinking water supply to 5 Moroccan towns and to linked urban and rural areas that are witnessing significant tourism development, hence increasing demand. **Expected Outcomes:** (i) Increased rate of access to safe drinking water in both urban and rural areas; (ii) decrease in prevalence of waterborne diseases; and (iii) improved health indicators – decrease in maternal mortality and infant mortality rates. **Cofinanciers:** National Drinking Water Authority (ONEP) (UA 14.05 million).	78.90	64.85	
Tunisia	*Water Sector Investment Project Phase II (PISEAU II)* **Objective:** To promote efficient irrigation management, improve access to drinking water, and enable the Tunisian authorities to take more informed decisions about Integrated Water Resources Management (IWRM). **Expected Outcomes:** (i) Intensification of irrigated agriculture; (ii) better supply of drinking water for rural populations; and (iii) establishment of a National Information System on Water Resources (SINEAU) leading to (a) more rational management of groundwater resources and (b) improved water protection and conservation. **Cofinanciers:** AFD (UA 42.08 million); World Bank (UA 21.04 million); Government (UA 22.61 million); Various grants – FINESSE, AWF, AFD (UA 5.28 million).	110.61	19.60	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
MULTISECTOR				
Burundi	*Second Economic Reform Support Program (ERS- II)* **Objective:** To strengthen the management of public resources in order to achieve more effective and efficient governance of public finances. **Expected Outcomes:** (i) Budget preparation process streamlined; (ii) public procurement system is operational and functions in a more efficient and transparent manner; (iii) budget implementation is computerized; and (iv) public expenditure structure reflects the government's priority actions for the social sector. **Cofinanciers:** ADF (UA 12.00 million); World Bank (UA 55.00 million); EU (UA 30.00 million); Netherlands (UA 33.00 million); Norway (UA 33.00 million).	165.00		2.00
Central African Republic	*Second Phase of the Economic Reform Support Program (ERSP II)* **Objective:** To support the Government's reform program to improve public finance management and enhance public sector economic governance. **Expected Outcomes:** (i) Improved collection of fiscal and customs revenues; (ii) enhanced financial performance of public sector enterprises; (iii) operationalization of the institutional mechanism for combating corruption and enhancing transparency; (iv) increased efficiency in the management of productive sectors (forestry, mining, hydrocarbons); and (v) enhanced capacities in public investment programming, monitoring and evaluation. **Cofinanciers:** ADF (UA 6.50 million); World Bank (UA 6.20 million); IMF (UA 14.30 million).	30.00		3.00
Equatorial Guinea	*Public Finance Management Support* **Objective:** To strengthen the country's economic and financial management systems through streamlining the planning, budgeting, and control functions in key public ministries. **Expected Outcomes:** (i) Governance reforms strengthened as regards transparency, accountability, and anti-corruption; (ii) audit of the organization carried out; (iii) administrative, financial, and legal framework streamlined; (iv) budgetary planning and execution improved; and (v) 30 trainers, 120 officers, and 700 local staff trained. **Cofinanciers:** Government (UA 15.00 million).	28.35	13.35	

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Liberia	*Public Financial Management Reform Support Program I* **Objective:** To strengthen the public financial management (PFM) systems and modernize revenue administration. **Expected Outcomes:** (i) Enhanced budget process; (ii) strengthened fiscal policy design; (iii) improved budget execution; and (iv) sustainable tax revenue generation. **Cofinanciers:** ADF (UA 9.0 million).	12.00		3.00
Morocco	*Public Administration Reform Support Program Phase 3 (PARSP III)* **Objective:** To provide general budget support for: (i) strengthening public financial management; (ii) improved HR management efficiency; (iii) control of wage bill of public sector; and (iv) simplification of administrative procedures and e-government. **Expected Outcomes:** (i) Stronger economic growth (averaging 6 percent p.a. from 2008-2015); (ii) improved business environment with investment rate reaching 32 percent by 2015; (iii) reduction in budget deficits to 3.5 percent of GDP in 2009; (iv) enhanced and more flexible budgeting process; (v) installation of the medium-term expenditure framework (MTEF) at national and sectoral levels; (vi) installation of a new HR management system; (vii) decrease in wage bill to 10.2 percent of GDP by 2009; and (viii) streamlined procedures for the implementation of e-government. **Cofinanciers:** WB (UA 62.09 million); EU (UA 23.54 million).	148.78	63.15	
OTHER APPROVALS: EMERGENCY AND RELIEF OPERATIONS				
Comoros	*African Food Crisis Response* **Objective:** To assist Comoros to achieve food security and reduce its overreliance on food imports, thereby reducing poverty. **Expected Outcomes:** (i) Improvement in food supply and prices; (ii) substitution of imported goods with local ones; (iii) reduction in import bill, leading to improvement in balance of payments; and (iv) reduction in poverty levels. **Cofinanciers:** Belgium, France, AFD, EU, World Bank, IFAD, FAO, and IDB	N.A.		1.5

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Côte d'Ivoire	*Emergency Humanitarian Assistance to Victims of Civil War* **Objective:** To provide food aid to victims of the civil war and to displaced people. **Expected Outcomes:** Food aid supplies (particularly maize) to be distributed to the victims of the civil war, particularly widows, orphans, the elderly, and households that are without any means of subsistence. **Cofinanciers:** N.A.	N.A.		0.31
Djibouti	*African Food Crisis Response* **Objective:** To assist Djibouti to address the rising price of food and achieve food security. **Expected Outcomes:** Increase food productivity through agricultural inputs (seeds, fertilizers, tools, etc.) **Cofinanciers:** N.A.	N.A.		1.00
Kenya	*Humanitarian Relief Assistance to Post-Election Civil Unrest Victims* **Objective:** To provide humanitarian relief assistance to internally displaced civil unrest victims, targeting the most vulnerable segments of the population (widows, children, elderly). **Expected Outcomes:** Provision and distribution of emergency food aid, water purification supplies, medicine and shelter materials, channeled through the Kenya Red Cross. **Cofinanciers:** USAID, WFP	N.A.		0.31
Kenya	*Humanitarian Relief Assistance to the Flood-Affected Population* **Objective:** To extend humanitarian relief assistance to the flood-affected population. **Expected Outcomes:** To provide urgent food aid plus distribution and deliveries of water purification supplies, medicines, and shelter materials through channels such as the Kenya Red Cross. **Cofinanciers:** UN Emergency Relief.	N.A.		0.31

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Kenya	*Humanitarian Assistance to Support Government's Efforts to Prevent Avian Influenza* **Objective:** To support the Government's effort to prevent Avian Influenza and avoid a possible human pandemic. **Expected Outcomes:** (i) Strengthened national capacity to maintain functional laboratories; (ii) purchase of vaccines and protective clothing; (iii) purchase of supplies to screen poultry; (iv) awareness and sensitization campaigns rolled out; and (v) training given to farmers. **Cofinanciers:** World Bank, FAO, WHO, CDC, and EU.	N.A.		0.31
Mauritania	*Emergency Humanitarian Relief to Flood Victims of Tintane town* **Objective:** To assist victims of the flood in the town of Tintane and to improve their living conditions. **Expected Outcomes:** (i) Distributed emergency supplies of food (cereals; powdered milk; vegetable oil); (ii) supplied 350 tents and mattresses, 16 plastic water reservoirs; 6 electricity generators to the 12,500 people left homeless by the floods. **Cofinanciers:** WFP, UNICEF.	N.A.		0.31
Rwanda	*Emergency Humanitarian Relief to Population Repatriated from Tanzania* **Objective:** To improve the living conditions of some 15,000 households repatriated from Tanzania and to reintegrate them in provinces in the east and south of Rwanda and allow them to resume their farming activities. **Expected Outcomes:** i) Supplied agricultural inputs (seeds, tools) plus livestock vaccines to the 15,000 households; ii) approx. 1 ha of land per family allocated to allow them to resume farming activities; iii) emergency subsistence provided (shelter, cooking utensils etc.). **Cofinanciers:** WFP, UNICEF.	N.A.		0.31

Profiles of ADB-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Rwanda	*Emergency Humanitarian Relief to Flood Victims* **Objective:** To improve the living conditions of 13,000 families affected by the floods and allow them to resume their farming activities. **Expected Outcomes:** Distributed agricultural inputs (tools, seeds, grain, agricultural tools, fertilizers) to allow the families to resume their agricultural activities. **Cofinanciers:** FAO, WFP, Famine Early Warning System (FEWS).	N.A.		0.31
Zambia	*Emergency Humanitarian Food Assistance to Victims of the Floods* **Objective**: To provide the flood-affected populations in 14 districts with food assistance, particularly vulnerable households with insufficient crop production or no sources of income. **Expected Outcomes:** Funds used to purchase approx. 10,000 tonnes of maize and to cover costs of transportation and administration/delivery costs. **Cofinanciers:** WFP.	N.A.		0.31

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
AGRICULTURE AND RURAL DEVELOPMENT				
Benin	*Milk and Meat Sectors Support Project* **Objective:** To increase production in the milk and meat sectors, substantially reduce the food dependency of Benin on imports, and improve sector competitiveness. **Expected Outcomes:** (i) Increased incomes of stakeholders in the two sectors, particularly women; (ii) improved nutritional status of the beneficiaries, especially the vulnerable groups; (iii) improved living conditions of the rural populations; and (iv) reduction in food imports. **Cofinanciers:** Government (UA 5.87 million); beneficiaries (UA 0.19 million).	31.06	25.00	
Burkina Faso	*PAGEREN-MOCOP* **Objective:** To build capacities of rural councils in the planning and implementation of local development activities and in the sustainable management of natural resources in the Mouhoun loop, the Central West, and the highlands regions. **Expected outcomes :** (i) Forest development and management plans ready for implementation ; (ii) job specifications available for the development of shallow water and areas for which calls for bids are ready to be advertised ; (iii) definition and implementation of appropriate measures against the siltation of streams and the filling up of backwater at the initial phase of the project ; (iv) concrete actions undertaken for the promotion of fisheries and fish farming; (v) concrete actions undertaken for the restoration of biodiversity. **Cofinanciers:** Government (UA 0.04 million)	0.53	0.49	
Congo, Republic of	*Agricultural Sector Study (ASS)* **Objective:** To finance a study on improving food security. Study components: (i) diagnostic assessment and general guidelines; (ii) a sector master plan (ASDMP) (iii) a national sector rehabilitation and development program (NASRDP); and (iv) environmental and social management plans and gender profiles. **Expected Outcomes:** (i) Completion of all components of the study financed by the Bank; (ii) recommendations of the study used for the development of concrete projects in the sector; and (iii) increased donor interest in the findings and recommendations of the study. **Cofinanciers:** Government (UA 0.267 million).	1.27		1.00

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Gambia	*Livestock and Horticulture Development Project* **Objective:** To increase, on a sustainable basis, the production and marketability of horticultural and livestock products and by-products, to address the food shortages. **Expected Outcomes:** (i) Increased horticultural and livestock projects; (ii) improved food security; and (ii) reduced reliance on imports, particularly meat products. **Cofinanciers:** Government (UA 0.45 million); beneficiaries (UA 0.25 million).	4.72		4.02
Guinea-Bissau	*Fisheries Sector Support Project (Supplementary Grant)* **Objective:** To promote fishing activity at the national level. **Expected Outcomes:** (i) Increased quantity of fish landed; (ii) development of fishery resources; (iii) promotion and sustainability of private initiatives; (iv) enhancement of institutional capacities of stakeholders. **Cofinanciers:** EU (UA 0.84 million).	2.84		2.00
Madagascar	*Lower Mangoky Irrigation Area Rehabilitation Project* **Objective:** To increase rice production and improve productivity, rehabilitate irrigation Infrastructures, and support the development of the irrigation area. **Expected Outcomes:** (i) Paddy rice production is improved, and production increases from 17,000 to 60,000 tonnes between 1999 and 2012; (ii) paddy rice yields are improved, and average paddy rice yields increase from 2.5 to 6.0 t/ha between 1999 and 2008 (iii) the irrigation system and protection dyke are rehabilitated; and (iv) the water supply structure is rebuilt. **Cofinanciers:** Government (UA 1.43 million).	16.43	15.00	
Uganda	*Community Agricultural Infrastructure Improvement Program (CAIIP-II)* **Objective:** To increase farmers' incomes through investments in rural infrastructure and their sustainable management by well-mobilized communities. **Expected Outcomes:** (i) Increased volume of staples marketed in project area by smallholders; (ii) post harvest losses reduced and quality and prices increased; and (iii) rise in income of rural farmers, especially women. **Cofinanciers:** Government (UA 5.11 million); beneficiaries (UA 0.81 million).	50.92	45.00	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*Bugesera Integrated Rural Development Project: Project Preparation Facility (PPF)* **Objective:** To enhance food security in the common project area shared by Burundi and Rwanda, by sustainably increasing agricultural production and improving the living conditions of the populations in the Bugesera region. **Expected Outcomes:** (i) Preparation of the final designs for the development of marshlands in the 2 countries; (ii) evaluation of the economic rate of return as well as an environmental and social impact assessment; and (iii) proposed technical solutions for the development of lake water irrigation in the project area. **Cofinanciers:** Rwanda Government (UA 23,000); Burundi Government (UA 3,500).	0.56		0.53
ENVIRONMENT				
Multinational	*Lake Chad Basin Sustainable Development Project* **Objective:** To improve the productivity and management of the Lake Chad Basin Ecosystems. **Expected Outcomes:** (i) Improved hydrological conditions of the Lake Basin; and (ii) improved productivity of farmlands, cattle and fish spawning grounds. **Cofinanciers:** World Bank (UA 6.94 million); GTZ (UA 1.23 million); BGR (UA 2.10 million); EU (UA 3.51 million); IsDB (UA 12.24 million); Govt. of Nigeria (UA 3.05 million); LCBG (Member States) (UA 0.60 million); Beneficiaries (UA 0.40 million).	60.07		30.00
POWER SUPPLY				
Guinea	*Conakry Electrical Networks Rehabilitation and Extension Project (PREREC)* **Objective:** To increase access to electricity services and improve the availability, reliability, efficiency and quality of electricity service in the city of Conakry. **Expected Outcomes:** (i) Improved supply of reliable power; (ii) improved commercial management indicators; (iii) reduced energy losses on MV/LV grids; and (iv) reduction in heavy fuel oil consumption and greenhouse gas emissions. **Cofinanciers:** IsDB (UA 7.24 million).	19.24		12.00

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Sierra Leone	*Bumbuna Hydroelectric Project* **Objective:** To increase the supply of reliable, cost-effective and environmentally sustainable electricity for industrial, commercial and domestic use in Freetown, Makeni, Lunsar and Bumbuna village. **Expected Outcomes:** (i) More people have access to electricity; (ii) local livelihoods and environmental integrity sustained; (iii) increased availability of cheaper and more reliable power. **Cofinanciers:** Government of Italy (UA 11.30 million); DFID (UA 6.43 million); and Government of Sierra Leone (UA 7.58 million).	35.61	10.30	
Uganda	*Mbarara–Nkenda & Tororo–Lira Power Transmission Lines Project* **Objective:** To transmit electricity from upcoming power plants and to improve the electricity access, reliability, and quality of supply to consumers in the country. **Expected Outcomes:** (i) Increased availability of reliable power to the economy and electricity users in the country; (ii) new power plants connected to the national grid; and (iii) increased number of consumers connected to the grid. **Cofinanciers:** Government (UA 19.98 million).	72.49	52.51	
Multinational	*Study on Development of Inga Hydropower Site and Associated Power Interconnections* **Objective:** To examine the feasibility of the construction of power transmission lines to supply DR Congo and the various regions of the African continent. **Expected Outcomes:** (i) Concrete recommendations on how to exploit hydropower potential at the project site; (ii) in the medium term, increase in the site's production capacity and construction of priority interconnection lines. **Cofinanciers:** Government (UA 0.65 million); African Power Pools (UA 0.41 million).	10.57		9.51

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*Ethiopia–Djibouti Power Interconnection Project (Supplementary Loan)* **Objective:** To establish trade in power resources between Ethiopia and Djibouti, and increase electricity access at affordable prices. **Expected Outcomes:** (i) Electricity access and availability in Ethiopia and Djibouti increased; (ii) electricity trade between Ethiopia and Djibouti established; (iii) average electricity tariff in Djibouti reduced; and (iv) improved socioeconomic conditions in the two countries. **Cofinanciers:** None.	20.92	5.20	15.72
Multinational	*Kenya/Uganda and Burundi/Rwanda/DRC: Interconnection of Electric Grids of Nile Equatorial Lakes* **Objective:** Improve access to electricity in the Nile Basin Initiative (NBI) countries through increased crossborder sharing of energy and power. **Expected Outcomes:** (i) Increased availability of electricity in the Nile Equatorial Lakes (NEL) region; (ii) reduced electrical power costs; (iii) increased national rates of access by the populations to electricity; and (iv) increased crossborder transfers of power and energy between the countries. **Cofinanciers:** JBIC/ACFA (UA 37.48 million); IDA (UA 15.60 million); and the Governments of Burundi (UA 0.02 million), Kenya (UA 1.90 million), Uganda (UA 3.07 million), DRC (UA 0.05 million), and Rwanda (UA 1.93 million).	159.82	25.32	74.45
SOCIAL				
Kenya	*Support for Technical, Industrial, Vocational, and Entrepreneurship Training (TIVET) Project* **Objective:** To develop a flexible and demand driven TIVET system that provides skills development opportunities to graduates of the training. **Expected Outcomes:** (i) Employability and labor market performance of the graduates improved and (ii) increased enrollment up to 90,000 for the training program. **Cofinanciers:** Government (UA 2.77 million).	27.77	25.00	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Malawi	*Support to Local Economic Development Project* **Objective:** To improve the socioeconomic wellbeing of the local population and strengthen economic growth in selected growth centers. **Expected Outcomes:** (i) At least 12,000 households increase their average incomes by 20 percent and (ii) increased number of small business start-ups from current 10,000 to 20,000. **Cofinanciers:** Government (UA 1.62 million); World Bank (UA 3.04 million).	18.66	14.00	
Rwanda	*Support to Skills Development in Science & Technology Project* **Objective:** To reduce the shortage of specialists in environmental design and planning (including survey technicians, land surveyors, quantity surveyors, architects, and urban designers). **Expected Outcomes:** (i) S&T institutions strengthened for producing employable skilled graduates in environmental design and planning; (ii) increasing proportion of female students are admitted and graduate in S&T fields in higher education. **Cofinanciers:** Government (UA 0.66 million).	6.66		6.00
Uganda	*Post Primary Education and Training Expansion and Improvement (Education IV) Project* **Objective:** To expand access and improve the quality, relevance, and learning conditions for students in Post Primary Education and Training (PPET) as part of the Government's Universal PPET program. **Expected Outcomes:** (i) Eligible students have access to post primary education in the project areas; (ii) school leadership and management strengthened through tailored courses in planning, management, and maintenance culture; (iii) teaching and quality of secondary education improved; and (iv) students and teachers receive sensitization and counseling on HIV/AIDS. **Cofinanciers:** Government (UA 5.78 million).	57.78	52.00	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*African Program for Onchocerciasis Control, Phase II and Phasing Out* **Objective:** To bring onchocerciasis (river blindness) under control and ultimately eradicate it, with a view to enhancing the health and productivity of the workforce in the affected areas, and thereby contributing to socio-economic growth and poverty reduction. **Expected Outcomes:** (i) Increased productivity of the population in the endemic areas; (ii) reduced prevalence of river blindness in the affected areas; (iii) increased rate of curative coverage in the endemic communities; and (iv) reduced morbidity rates associated with the disease. **Cofinanciers:** Other donors (World Bank, private sector (MERKS), Saudi Arabia, Kuwait, Netherlands) (UA 40.90 million); beneficiary governments (UA 7.82 million); NGOs (UA 11.49 million).	75.21		15.00
TRANSPORTATION				
Burkina Faso/ Multinational	*Rehabilitation of the Koupela–Tenkodogo–Togo Border Road (Suppl.)* **Objective:** Improve accessibility to landlocked countries (Burkina Faso, Mali, and Niger) and to Ghanaian ports by reducing transportation costs and improving the state of roads along the corridor. **Expected Outcomes:** (i) Transit conditions at the border posts improved; (ii) improved control and monitoring of road transit transportation; and (iii) quality and safety of road links improved. **Cofinanciers:** None.	18.00		18.00
Ghana	*Tema–Aflao Rehabilitation Road Project* **Objective:** To promote regional integration and economic development by reducing travel time road user costs for both passengers and freight. **Expected Outcomes:** (i) Improved service with reduced travel time and reduced vehicle operating costs (VOCs); (ii) at least 5.5 percent increase in traffic from 2007 to 2012; and (iii) increased trade between Ghana and Togo, as well as with other ECOWAS states in the medium to long term. **Cofinanciers:** Government (UA 2.80 million).	28.20	25.40	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Ghana	*Akatsi–Dzodze–Noepe Road Upgrading Project* **Objective:** To promote regional integration and economic development by reducing travel time and road user costs for both passengers and freight. **Expected Outcomes:** (i) Improved traffic level of the service with reduced VOCs; (ii) at least 20 percent reduction in travel time from 2007 to 2012; (ii) increased trade between Ghana and Togo, as well as with other ECOWAS states in the medium to long term. **Cofinanciers:** Government (UA 1.50 million).	14.90	13.40	
Ghana/ UEMOA	*The Road Program I (Supplementary Loan)* **Objective:** Improve accessibility to landlocked countries (Burkina Faso, Mali and Niger) and to Ghanaian ports by reducing general transportation costs and improving the state of roads in the corridor. This is a supplementary loan to finance the increase in construction costs of the project. **Expected Outcomes:** (i) Enhanced and effective control and monitoring of road transportation; (ii) quality and safety of road links improved; and (iii) improved transit conditions at border posts. **Cofinanciers:** Government (UA 0.5 million)	4.80	4.30	
Multinational	*Study of Road-Railroad Bridge between Kinshasa and Brazzaville and the Kinshasa–Ilebo Railroad* **Objective:** To finance a study comprising 2 components: (i) the feasibility and final design of a road-railroad bridge to link the cities of Kinshasa and Brazzaville, including terminal facilities, as well as access roads to existing road and railroad networks in both cities; (ii) the feasibility of the Kinshasa–Ilebo railroad. **Expected Outcomes:** (i) Increased interregional trade; (ii) reduced interruptions in the flow of trade within the Central African subregion; (iii) reduced transportation costs between countries located along the corridor (Kinshasa–Brazzaville); and (iv) reduced travel time between Kinshasa and Brazzaville. **Cofinanciers:** DRC Government (UA 0.37 million); Congo Rep. Government (UA 0.07 million).	5.44		5.00

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*Transport Facilitation Program for the Bamenda–Mamfe–Abakaliki–Enugu Corridor* **Objective:** Increase trade and strengthen cooperation between Cameroon and Nigeria, by improving the efficiency of the logistic chain of transportation and the living environment of populations along the Bamenda–Enugu corridor. **Expected Outcomes:** (i) Physical and non-physical barriers to traffic are removed; (ii) the difficulties faced by women in their work are reduced; and (iii) greater accessibility to basic infrastructure and socioeconomic facilities. **Cofinanciers:** Cameroon Government (UA 10.84 million); Nigerian Government (UA 14.20 million); ECOWAS (UA 0.80 million); IDA (UA 18.73 million); JBIC (UA 27.36 million).	276.73	188.64	16.16
Multinational	*Nyamitanga–Ruhwa–Ntendenzi–Mwityazo Road Project* **Objective:** To facilitate the movement of goods and persons along the Nyamitanga–Ruhwa–Ntendezi–Mwityazo road, and improve the living conditions of the population in the project area. **Expected Outcomes:** (i) The Nyamitanga–Ruhwa–Ntendezi–Mwityazo road rehabilitated and improved; (ii) overall transportation costs reduced; (iii) socioeconomic infrastructure in the project area rehabilitated and protected; and (iv) project area opened up. **Cofinanciers:** Burundi Government (UA 0.55 million); Rwandan Government (UA 0.73 million).	101.28		100.00

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
WATER SUPPLY AND SANITATION				
Malawi	*Water Development Program* **Objective:** To ensure sustainable provision of adequate quantity and quality of water and adequate sanitation services to the people in both urban and rural areas of the country. Also to establish the National Authority for efficiently managing the country's water resources. **Expected Outcomes:** (i) Healthier population with better access to improved water supply and sanitation, particularly in rural areas; (ii) increased reliability of urban and town water supply services; (iii) improved sanitation and hygiene; and (iv) enhanced capacity of the national water authority responsible for the management of water resources. **Cofinanciers:** Government (UA 8.60 million); beneficiaries (UA 8.60 million); RWSSI Trust Fund (UA 3.30 million); CIDA (UA 12.20 million); DFID (UA 15.20 million; EIB (UA 12.20 million); EU (UA 12.20 million); IDA (UA 28.60 million); UNICEF (UA 11.00 million); OPEC Fund (UA 6.10 million); UNDP (UA 0.60 million); and Water Aid (UA 3.60 million).	148.14	15.21	10.73
Mali	*Drinking Water Supply and Sanitation Project in Gao, Koulikoro, and Segou Regions* **Objective:** To improve drinking water supply and sanitation services in the 3 regions targeted by the project (Gao, Koulikoro, and Ségou). **Expected Outcomes:** Basic needs directly met of approximately 442,000 people as regards access to drinking water, about 108,000 people for household sanitation, and 16,500 people for public sanitation. **Cofinanciers:** Government (UA 3.89 million); beneficiaries (UA 0.50 million). ** Note: This amount came from the Special Funds (RWSSI)*	36.66	22.00	10.27*

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Mauritania	*Nouakchott City "Aftout Essaheli" Drinking Water Supply Project* **Objective:** To increase the coverage of drinking water to Nouakchott residents and neighboring rural populations. **Expected Outcomes:** (i) Improved drinking water supply to about 1 million Nouakchott residents by 2020; (ii) water supply for rural populations located along the aqueduct; and (iii) reduced incidence of waterborne diseases and progress toward the health, water, and sanitation MDGs. **Cofinanciers:** Government (UA 46.25 million); AFESD (UA 153.15 million); KFAED (UA 48.44 million); IDB (UA 11.90 million); SFD (UA 39.21 million); OPEC (UA 5.40 million).	313.81	9.46	
Tanzania	*Zanzibar Water Supply and Sanitation Project* **Objective:** To improve water supply and sanitation services in rural and urban communities, supported by integrated water resource management. **Expected Outcomes:** (i) Urban and rural water supply and sanitation facilities capable of satisfying demand and operating satisfactorily; (ii) enhanced sanitation and hygiene practices; and (iii) applied integrated water resources management. **Cofinanciers:** Government (UA 2.84 million); beneficiaries (UA 1.23 million); RWSSI Trust Fund (UA 2.69 million); UN Habitat (UA 1.23 million).	32.99	25.00	
Uganda	*The Kampala Sanitation Program* **Objective:** To improve the living conditions for 1.4 million people living in Kampala through enhanced access to better sanitation and environmental protection. **Expected Outcomes:** (i) Increased number of people using the sewerage system; (ii) increased number of people using improved on-site sanitation; (iii) improved water quality of Murchison Bay at Lake Victoria; (iv) reduced incidence of waterborne and sanitation related diseases; and (v) improved management of sanitation in Kampala. **Cofinanciers:** Government/NWSC (UA 7.90 million); KfW Germany (UA 15.30 million); EU (UA 6.70 million).	64.90	35.00	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Zambia	*Nkana Water Supply and Sanitation Project* **Objective:** To improve water supply and sanitation services in the Kitwe, Kalulushi and Chambishi areas. **Expected Outcomes:** (i) Increased proportion of the residents of the 3 urban centers benefiting from improved water supply and sanitation services; (ii) reduced incidence of waterborne diseases; and (iii) improved management of water and sanitation services. **Cofinanciers:** Government/NWSC (UA 3.82 million)	38.82	35.00	
MULTISECTOR				
Burkina Faso	*Fourth Program of Poverty Reduction Strategy (PRSSP-IV)* **Objective:** To support Government's efforts in promoting strong and sustainable growth under the Priority Action Plan of the PRSP (2008-2010) **Expected Outcomes:** (i) Consolidated macroeconomic framework; (ii) improved business climate; (iii) improved export promotion process; (iv) financial governance enhanced; and (v) administrative governance improved. **Cofinanciers:** IDA loan and grant (UA 75.3 and 25.1 million); EU (UA 109.5 million); Denmark (UA 12.4 million); France (UA 6.1 million); Netherlands (UA 20.5 million); Switzerland (UA 4.6 million); Sweden (UA 7.2 million).	305.70	20.00	25.00
Burundi	*Second Economic Reform Support Program (ERS- II)* **Objective:** To strengthen the management of public resources in order to achieve more effective and efficient governance of public finances. **Expected Outcomes:** (i) Budget preparation process streamlined; (ii) public procurement system is operational and functions in a more efficient and transparent manner; (iii) budget implementation is computerized; and (iv) public expenditure structure reflects the government's priority actions for the social sector. **Cofinanciers:** ADB (UA 2.00 million); World Bank (UA 55.00 million); EU (UA 30.00 million); Netherlands (UA 33.00 million); Norway (UA 33.00 million).	165.00		12.00

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Cape Verde	*Poverty Reduction Strategy Support Program II (PRSSP II)* **Objective:** To stimulate sustained economic growth and economic transformation. **Expected Outcomes:** (i) Public finance management strengthened; (ii) improved public debt management; (iii) improved budget planning and allocation; and (iv) reinforced monitoring and evaluation effectiveness of budget execution and external control. **Cofinanciers:** World Bank (UA 20.20 million); Austria (UA 2.50 million); EU (UA 12.10 million); Netherlands (UA 5.50 million); Portugal (UA 3.50 million); and Spain (UA 7.60 million).	56.40	5.00	
Central African Republic	*Second Phase of the Economic Reform Support Program (ERSP II)* **Objective:** To support the Government's reform program to improve public finance management and enhance public sector economic governance. **Expected Outcomes:** (i) Improved collection of fiscal and customs revenues; (ii) enhanced financial performance of public sector enterprises; (iii) operationalization of the institutional mechanism for combating corruption and enhancing transparency; (iv) increased efficiency in the management of productive sectors (forestry, mining, hydrocarbons); and (v) enhanced capacities in public investment programming, monitoring and evaluation. **Cofinanciers:** ADB (UA 3.00 million); World Bank (UA 6.20 million); IMF (UA 14.30 million).	30.00		6.50
Djibouti	*Urban Poverty Reduction Strategy Support Program* **Objective:** To support socioeconomic growth and poverty reduction, particularly among the urban population. **Expected Outputs:** (i) Reduced incidence of poverty in the cities and regions; (ii) access of urban services improved; (iii) enhanced access of financial services; and (iv) availability and access of microfinance resources to urban communities. **Cofinanciers:** World Bank (UA 1.85 million); IDB (UA 5.17 million); AFD (UA 5.10 million).	17.94	5.82	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Ethiopia	*Protection of Basic Services Program II (PBS II)* **Objectives:** (i) To enhance local financial governance; (ii) to strengthen the budget process, by developing transparency and accountability mechanisms; and (iii) to improve decentralized service delivery for basic services at the local level. **Expected Outcomes:** (i) Efficient and effective resource utilization at the subnational government level; (ii) enhanced accountability of local officials for resource allocation and utilization; (iii) greater budget ownership by beneficiaries of basic services; and (iv) availability of cost-effective basic services at the subnational government level. **Cofinanciers:** Government (UA 1,990.00 million); DFID (UA 213.00 million); World Bank (UA 406.00 million); EC (UA 14.00 million); Canada (UA 43.00 million); Irish Aid (UA 34.00 million); KfW Germany (UA 27.00 million); Spain (UA 9.00 million); Italy (UA 7.00 million); Japan & others (UA 21.00 million).	2,874.00		110.00
Ghana	*Third Poverty Reduction Support Loan (PRSL III)* **Objective:** To reduce poverty and help the country attain middle-income status by 2015 through a program designed to: (i) assist the private sector to grow and generate employment; (ii) develop human resources; (iii) promote peace and political stability through accountability, transparency, and the rule of law. **Expected Outcomes:** (i) Conducive business environment and cost-effective service; (ii) institution of a more transparent budget process including public procurement; (iii) better coordination of decentralized financial management; and (iv) a more cost-effective and sustainable energy sector through increased viability of the Volta River Authority (VRA) and the Electricity Company of Ghana (ECG). **Cofinanciers:** AFD (France) (UA 47.54 million); DANIDA (UA 18.81 million); DFID (UA 186.65 million); EC (UA 93.21 million); Germany (UA 27.30 million).	463.51	90.00	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Liberia	*Public Financial Management Reform Support Program I* **Objective:** To strengthen the public financial management (PFM) systems and modernize revenue administration. **Expected Outcomes:** (i) Enhanced budget process; (ii) strengthened fiscal policy design; (iii) improved budget execution; and (iv) sustainable tax revenue generation. **Cofinanciers:** ADB (UA 3.0 million).	12.00		9.00
Madagascar	*Poverty Reduction Budget Support Program Phase II (PRPSB II)* **Objective:** To strengthen the management of public resources and improve access to basic services, particularly the water and sanitation sector. **Expected Outcomes:** (i) Reinforced financial management, including internal and external controls and public procurement; (ii) decentralized service delivery system; (iii) increased transparency in the management of resources of extractive industries; and (iv) enhanced access to water supply and sanitation facilities. **Cofinanciers:** World Bank (UA 72.97 million); France (UA 15.43 million); EC (UA 83.17 million); Germany (UA 10.10 million).	241.67	60.00	
Mali	*Growth and Poverty Reduction Strategy Support Program (GPRSSP)* **Objective:** To contribute to economic growth and poverty reduction by (i) improving public financial control system and (ii) promoting decentralized financial governance through transparent procedures, capacity building and appropriate technologies. **Expected Outcomes:** (i) Enhanced public financial control and management; (ii) reduction of subsidies following improved management of the cotton sector; (iii) enhanced transparency in public contracts management; and (iv) strengthened decentralization system. **Cofinanciers:** World Bank (UA 92.28 million); EU (UA 62.33 million); Germany (UA 4.79 million); France (UA 9.57 million); Netherlands (UA 33.50 million); Sweden (UA 38.79 million); Denmark (UA 6.03 million); Switzerland (UA 3.38 million).	283.67	33.00	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Mozambique	*Poverty Reduction Support Loan II (PRLSL II)* **Objective:** To improve economic and financial accountability by enhancing the internal and external audit functions and the Local Government Framework of Decentralized Financial Management within districts. **Expected Outcomes:** (i) Improved transparency in the management of public resources; (ii) improved institutional channels for public participation in the budget decisionmaking; (iii) enhanced governance and accountability for sustained private sector investment; (iv) increased decentralization; (v) strengthened oversight role of parliament; and (vi) enhanced culture of transparency and accountability. **Cofinanciers:** DFID (UA 103.19 million); World Bank (UA 94.84 million); EC (UA 81.0 million); Sweden (UA 62.14 million); Norway (UA 34.25 million); Netherlands (UA 31.17 million); Germany (UA 24.05 million); Ireland (UA 18.76 million); Denmark (UA 12.30 million); Finland (UA 12.12 million); Spain (UA 10.58 million); Canada (UA 8.79 million); Switzerland (UA 8.16 million); Italy (UA 6.58 million); Belgium (UA 5.20 million); Austria (UA 4.31 million); France (UA 3.46 million); Portugal (UA 2.03 million).	582.93	60.00	
Niger	*Kandadji Ecosystems Regeneration and Niger Valley Development Program* **Objective:** To regenerate riverine ecosystems and boost agricultural and energy production. **Expected Outcomes:** Minimum flow of the Niger river supported, ensuring a sanitary flow rate and availability of water that can be put to various socioeconomic uses. **Cofinanciers:** Government (UA 54.64 million); IsDB (UA 31.04 million); KFAED (UA 12.42 million); SDF (UA 12.42 million); Abu Dhabi (UA 12.42 million); OFID (UA 7.45 million); ABEDA (UA 6.21 million); BOAD (UA 4.97 million); and EBID (UA 4.66 million).	186.23	20.00	20.00

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Rwanda	*Competitiveness and Enterprise Development Project-Phase II (CDEDP-II)* **Objectives:** To increase SMEs' access to financial resources, and restructure the financial sector to better serve the private sector. **Expected Outcomes:** (i) Private sector investment raised; (ii) improved business environment; (iii) improved access to credit for SMEs; (iv) increased employment of workers; and (v) accelerated closing of business erformance. **Cofinanciers:** N.A..	5.00		5.00
Senegal	*Poverty Reduction Strategy Support Program* **Objective:** To ensure better public resource allocation. **Expected Outputs:** (i) UEMOA convergence criterion as regards payment arrears is restored; (ii) transparency of intergovernmental budget relations is stepped up; (iii) budget resource allocation policy is improved; and (iv) performance culture is consolidated. **Cofinanciers:** World Bank (UA 72.97 million); EU (UA 15.31 million); Netherlands (UA 39.06 million); Canada (UA 48.79 million); France (UA 37.06 million).	243.19	30.00	
Tanzania	*Poverty Reduction Strategy Support Loan III (PRSL-III)* **Objective:** To provide support to the implementation of the national poverty reduction strategy. **Expected Outputs:** (i) Improved Public Financial Management (PFM) accountability and transparency of national systems and processes; (ii) enhanced strategic direction for the mobilization of non-tax revenue resources; (iii) more efficient implementation of procurement procedures; and (iv) strengthened external audit function. **Cofinanciers:** Denmark (UA 11.70 million); EU (UA 29.00 million); Finland (UA 13.60 million); Ireland (UA 13.60 million); Japan (UA 10.70 million); Germany (UA 7.20 million); Netherlands (UA 27.20 million); Norway (UA 30.00 million); Sweden (UA 6.70 million); UK (UA 118.20 million); World Bank (UA 93.70 million).	461.60	100.00	

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Zambia	*Second Poverty Reduction Budget Support (PRBS II)* **Objective:** To improve macroeconomic aggregates, stimulate the private sector, accelerate the privatization process, and enhance public financial management. **Expected Outcomes:** (i) Restoration of macroeconomic stability; (ii) increased divestiture of public sector enterprises; (iii) reduced structural constraints (human resources, physical infrastructure and institutional inadequacies) to improve investment climate; (iv) more conducive and cost-effective business environment; (v) improved budget execution and public expenditure management; and (vi) enhanced transparency and accountability in public financial management. **Cofinanciers:** World Bank (UA 25.17 million); IMF (UA 48.87 million); Ireland (UA 9.87 million); Norway (UA 64.17 million); Netherlands (UA 25.05 million); UK (UA 104.09 million); Finland (UA 17.59 million); Sweden (UA 37.64 million); EU (UA 184.43 million); Germany (UA 12.77 million).	544.65	15.00	
Multinational	*Continued Support to the African Capacity Building Foundation (ACBF)* **Objective:** To provide financial support for program financing, thereby enhancing capacity building in regional member countries while supporting growth, economic development and poverty reduction. **Expected Outcomes:** (i) Establishment of a dedicated capacity-building institution through equity participation; (ii) member countries benefit from capacity-building programs provided in critical areas of economic and development policy; and (iii) courses designed to cater for specific capacity needs of emerging African economies. **Cofinanciers:** N.A.	10.29		10.29
Multinational	*The African Economic Research Consortium (AERC)* **Objective:** To enhance analytical capacities of existing pool of skills, to help scale up economic development and poverty reduction. **Expected Outcomes:** (i) Increased economic management human capacities in RMCs; (ii) reinforced management of African economies; (iii) increased outputs of policy-oriented research to underpin economic decision making and policy formulation. **Cofinancing:** N.A.	1.00		1.00

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Multinational	*West African Monetary Zone (WAMZ)Payment System Development Project (The Gambia, Guinea and Sierra Leone)* **Objective:** To promote economic integration, develop a single currency, and assist in the harmonization of payments systems among its members. **Expected Outcomes:** (i) Established uniform payments system among members; (ii) enhanced economic and financial integration within the zone; (iii) facilitation of funds transfers among the countries and between the central banks and commercial banks, both locally and externally; (iv) quality and effectiveness of banking supervision in WAMZ countries enhanced; and (v) increased participation of the citizens of WAMZ in the formal financial sector. **Cofinanciers:** Central Banks (UA 1.62 million); commercial banks (UA 1.94 million).	17.56		14.00
Multinational	*Support Statistical Capacity Building in RMCs for MDG Monitoring and Results Measurement* **Objective:** To assist RMCs to improve data collection, processing, and dissemination in National Statistics Systems and subregional organizations. The aim is to contribute to more effective policy and decision making, and to facilitate efficient results measurement, monitoring, evaluation, and dissemination, particularly in respect of the MDGs. **Expected Outcomes:** (i) Increase in the reliability of regional poverty and other socioeconomic data; (ii) creation and maintenance of databases, household surveys, and analysis; (iii) improved databases and well-functioning statistical systems; (iv) strengthened national statistical capacity in management; and (v) mainstreaming of results measurement in Bank Group operations. **Cofinanciers:** ADB (UA 5.75 million); beneficiaries (UA 16.00 million); DFID (UA 5.00 million); ACBF (UA 4.00 million); IsDB (UA 2.00 million).	50.60		17.85

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
OTHER APPROVALS				
The Gambia	*HIPC Debt Relief at Completion Point* **Objective:** To reduce Gambia's external debt to sustainable levels and encourage the use of savings made under debt relief to be targeted at poverty reduction. **Expected Outcomes:** (i) All 6 key completion-point triggers fulfilled by The Gambia; (ii) at completion point, country automatically qualifies for additional debt relief under the MDRI; and (iii) debt relief assists the country to strengthen its institution-building and socioeconomic agenda moving forward. **Cofinanciers:** Bilaterals (UA 11.01 million); World Bank (UA 14.11 million); IMF (UA 1.46 million); other multilaterals (UA 5.57 million). *** Amounts in NPV terms, ADB Group (ADF, ADB, NTF)*	42.15**		10.00**
Liberia	*HIPC Debt Relief at Decision Point* **Objective:** To reduce Liberia's external debt to sustainable levels and encourage the use of savings made under debt relief to be targeted at poverty reduction interventions. **Expected Outcomes:** Liberia has fulfilled all the conditions necessary for reaching decision point. Debt relief under the enhanced HIPC will enable the country to move forward with its poverty reduction and institution-building agenda. **Cofinanciers:** Bilateral (UA 603.39 million); IDA (UA 237.43 million); IMF (UA 463.34 million); other multilaterals (UA 50.88 million); commercial creditors (UA 294.95 million). *** Amount in NPV terms. ADB Group (ADF, and PCCF including ADB).*	1,800.66**		150.67**

Profiles of ADF-Approved Projects and Programs in 2008
(UA millions)

Country	Project	Total Cost	Loan	Grant
Togo	*Arrears Clearance Operation under the Fragile States Facility (FSF)* **Objective:** To normalize relations between Togo and the Bank, and reduce Togo's debt burden in order to contribute towards improving the country's economic performance. **Expected Outcome:** (i) Lifting of sanctions on Togo by end July 2008, and re-engagement with the donor community; (ii) Togo reaching the HIPC decision point by December 2008 and the completion point by December 2010 **Cofinanciers:** Government (UA 0.15 million).	14.72		14.57

Part 2

Financial Management and Financial Statements

African Development Bank

African Development Fund

Nigeria Trust Fund

005

Chapter five

ADB, ADF, and NTF Financial Management and Financial Statements

AFRICAN DEVELOPMENT BANK GROUP

Management's Report Regarding the Effectiveness of Internal Controls Over External Financial Reporting

Date: March 31, 2009

The Management of the African Development Bank Group ("The Bank Group") is responsible for the preparation, fair presentation and overall integrity of its published financial statements. The financial statements for the African Development Bank and the Nigeria Trust Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, while those of the African Development Fund were prepared on a special purpose basis.

The financial statements have been audited by the independent accounting firm of KPMG, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Boards of Directors and committees of the Board. Management believes that all representations made to the external auditors during their audit were valid and appropriate. The external auditors' report accompanies the audited financial statements.

Management is responsible for establishing and maintaining effective internal controls over external financial reporting in conformity with the basis of accounting. The system of internal control contains monitoring mechanisms and actions that are taken to correct deficiencies identified. Internal controls for external financial reporting are subject to ongoing scrutiny and testing by management and internal audit and are revised as considered necessary. Management believes that such controls support the integrity and reliability of the financial statements.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable, as opposed to absolute, assurance with respect to financial statements. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Boards of Directors of the Bank Group have established an Audit and Finance Committee (AUFI) to assist the Boards, among other things, in their oversight responsibility for the soundness of the Bank Group's accounting policies and practices and the effectiveness of internal controls. AUFI, which is comprised entirely of selected members of the Board of Directors, oversees the process for the selection of external auditors and makes a recommendation for such selection to the Board of Directors, which in turn makes a recommendation for the approval of the Board of Governors. AUFI meets periodically with management to review and monitor matters of financial, accounting or auditing significance. The external auditors and the internal auditors regularly meet with AUFI to discuss the adequacy of internal controls over financial reporting and any other matter that may require AUFI's attention.

The Bank's assessment of the effectiveness of internal controls was based on the framework provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). On the basis of the work performed, Management asserts that the Bank Group maintained effective internal controls over its financial reporting as contained in the Financial Statements for 2008. Management is not aware of any material control weakness that could affect the reliability of the 2008 financial statements.

In addition to providing an audit opinion on the fairness of the financial statements for 2008, the external auditors of the Bank Group conducted an independent assessment of the Bank Group's internal control framework and their opinion thereon is presented separately in this annual report.

Thierry de Longuemar
VICE PRESIDENT, FINANCE

Donald Kaberuka
PRESIDENT

Charles Boamah
CONTROLLER

15, Avenue du Ghana, Angle des Rues Pierre de Courbertin et Hédi Nouira - BP 323 - 1002 Tunis Belvédère - Tunisia
Tel: (216) 71 333 511 Fax: (216) 71 351 933 Email: afdb@afdb.com - Internet: www.afdb.org

KPMG Audit
1, cours Valmy
92923 Paris La Défense Cedex
France

Téléphone: +33 (0)1 55 68 68 68
Télécopie: +33 (0)1 55 68 73 00
Site internet: www.kpmg.fr

African Development Bank Group
Temporary Relocation Agency
15, Avenue du Ghana
1002 Tunis Belvédère
Tunisie

Independent Auditor's Report to the Board of Governors of the African Development Bank Group regarding effectiveness of internal control over financial reporting
Year ended 31 December 2008

Scope

We have examined the African Development Bank Group's internal control over financial reporting for the year ended 31 December 2008, based on criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibilities

The management of the African Development Bank Group ("The Bank Group") is responsible for implementing and maintaining effective internal controls over financial reporting and for assessment of the effectiveness of such controls. Management has asserted the effectiveness of the internal controls over financial reporting for 2008.

Independent Auditor's responsibilities

Our responsibility is to express an opinion on the Bank Group's internal control over financial reporting based on our procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, effective internal controls are maintained over financial reporting.

An assurance engagement includes obtaining an understanding of internal controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls, based on the assessed risk. It also includes performing such other procedures as considered necessary in the circumstances. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent limitation

A company's system of internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. A company's system of internal controls over financial reporting includes those policies and procedures that (1)

African Development Bank Group
Independent Auditor's Report to the Board of Governors
of the African Development Bank Group regarding
the effectiveness of internal control over external financial reporting

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal controls over financial reporting may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank Group, in all material respects, maintained effective internal controls over financial reporting during the year ended 31 December 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, the financial statements of the African Development Bank, the African Development Fund and the Nigeria Trust Fund for 2008, in accordance with the International Standards on Auditing, and we have expressed unqualified opinions.

Paris La Défense, 31st March 2009

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

This chapter discusses the management of the financial resources of the Bank Group's windows—the African Development Bank (ADB), the African Development Fund (ADF), and the Nigeria Trust Fund (NTF)—during the year. It also presents the Audited Financial Statements for 2008 for the three windows, as well as the ADB and ADF Administrative Budgets for the financial year 2009.

THE AFRICAN DEVELOPMENT BANK

Financial Management

Capital Subscription

The authorized capital stock of the Bank stood at UA 21.87 billion as of December 31, 2008, and has been allocated to regional and non-regional members in such proportion so that, when fully subscribed, the regional group holds 60 percent of the total capital stock and the non-regional group 40 percent. At December 31, 2008, members' subscriptions reached UA 21.76 billion, representing 99.50 percent of the capital stock.

The capital stock is composed of paid-up and callable capital. The paid-up capital is the amount of capital payable over a period determined by the Board of Governors' resolution for the relevant General Capital Increase (10 years for the fourth General Capital Increase (GCI IV) and 8 years for the fifth General Capital Increase (GCI V)). The paid-in capital, which represents the portion of paid-up capital that has been actually paid, reached UA 2.34 billion. As of December 31, 2008, the Bank's callable capital was UA 19.41 billion of which UA 6.67 billion was from countries rated double-A and higher. The callable capital is subject to payment as and when required by the Bank to meet its incurred obligations, (a) by making or participating in direct loans out of funds borrowed or otherwise acquired by the Bank for inclusion in its ordinary capital resources or in special resources; or (b) by guaranteeing in whole or in part, loans made by other entities. It is a protection of the Bank's creditors and holders of Bank's guarantees in the event that it is not able to meet its financial obligations. There has never been a call on the callable capital of the Bank.

In accordance with the Shares Transfer Rules, shares for which payment have become due and remain outstanding are forfeited after a prescribed period and offered for subscription to member countries. A member country's payment of the first GCI-V installment triggers the subscription to the entire callable capital portion of shares allocated to it, however, shares representing the paid-up portion of subscriptions are issued only as and when the Bank receives actual payments for such shares.

The position of capital subscriptions at December 31, 2008 is shown in the Statement of Subscriptions to the Capital Stock and Voting Power, which forms part of the Financial Statements in this Report.

Bank Rating

The rating agencies Standard & Poor's, Moody's, Fitch Ratings, and the Japan Credit Rating Agency reaffirmed their AAA and AA+ rating of the African Development Bank's senior and subordinated debt respectively, with a stable outlook. Their rating reflects the Bank's strong membership support, its preferred creditor status, sound capital adequacy and prudent financial management and policies.

Borrowings

The Bank strives to raise funds from the capital markets at the lowest possible cost to support its lending activities. The top-notch credit ratings enjoyed by the Bank enable it to issue securities at low interest rates. Its borrowing activities are guided by client and cashflow requirements, assets and liability management goals, and risk management policies.

There was significant turmoil in the financial markets in 2008, which resulted in unprecedented levels of risk aversion and systemic flight to quality which benefited high quality issuers such as the Bank. The Bank issued four transactions in the public market during the year – one each in the USD global bond market and the domestic markets of Canada, New Zealand and South Africa. These were supplemented by offerings in the private placement and uridashi markets, and one transaction that was linked to Ugandan Shillings.

As at December 31, 2008, the borrowing portfolio of the Bank stood at UA 6.71 billion. The Bank is well within its debt policy limits. The key debt ratios were as follows:

- Total debt/total callable capital (max 80 percent): 34.56 percent
- Senior debt/non-borrowing members' callable capital (max 80 percent): 69.81 percent.

In December 2007, the ADB Board of Directors approved for the year 2008, a borrowing program of up to UA 1,627 million including a UA 427 million component for the Enhanced Private Sector Assistance for Africa Initiative (EPSA). In 2008, the Bank raised UA 1.1 billion from the capital markets at a weighted average cost of 6-month US Dollar LIBOR minus 25 basis points. In addition, the Bank raised UA 189 million under the EPSA initiative.

Investments

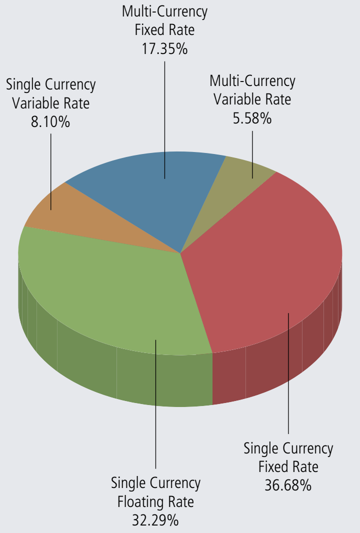
The Bank's cash and treasury investments (net of repurchase agreements) as of December 31, 2008 totaled UA 5.17 billion, compared to UA 5.42 billion at the end of 2007. Investment income for 2008 amounted to UA 202.88 million or a return of 3.76 percent on an average liquidity of UA 5.39 billion, compared to UA 231.71 million in 2007, or a return of 4.45 percent, on an average liquidity of UA 5.20 billion.

The ADB's liquid assets are tranched into 3 portfolios, namely operational portfolio, prudential portfolio, and equity-backed portfolio, each with a different benchmark that reflects the cashflow and risk profile of its assets and funding sources. These benchmarks are 1-month LIBID for the operational portfolio, and 6-month marked-to-market LIBOR, resetting on February 1 and August 1 for the prudential portfolio. The equity-backed portfolio is managed against a re-pricing profile benchmark with 10 percent of the Bank's net assets re-pricing uniformly over a period of 10 years.

Loan Portfolio

Loans signed, net of cancellations, as at December 31, 2008 amounted to UA 20.26 billion. Total outstanding loans, as at December 31, 2008 was UA 5.83 billion, UA 294.53 million higher than the UA 5.54 billion outstanding as at the end of 2007. This increase was in spite of prepayments during the year amounting to UA 17.04 million. Undisbursed balances at December 31, 2008 totaled UA 2.55 billion, an increase of UA 726.38 million from December 31, 2007. The number of active signed loans stood at 272 for a total amount of UA 5.83 billion. Also, as at December 31, 2008, 568 loans amounting to UA 8.61 billion had been fully repaid. A breakdown of the loan portfolio by product type is presented below.

Loans Outstanding, December 31, 2008 (percentages)



Disbursements

Disbursements on Bank loans decreased from UA 884.75 million in 2007 to UA 727.53 million, representing a decrease of 17.8 percent. At 31 December 2008, cumulative disbursements (including non-sovereign loans) amounted to UA 17.62 billion. A total of 768 loans were fully disbursed amounting to UA 16.79 billion, representing 95.28 percent of cumulative disbursements.

Financial Products

Loans. The Bank offers 3 loan products: variable, floating, and fixed interest rate loans with a selection of loan currencies, currently, US Dollars, Euro, Japanese Yen, and South Africa Rand. To suit the long-term financing needs of borrowers, loans have a maximum maturity of 20 years, including a grace period on the repayment of the principal amount, generally not exceeding 5 years. For the single currency variable interest rate loan, the base rate is determined twice a year, on January 1 and July 1, and is based on the Bank's average cost of a designated pool of borrowings funding the loans in the specific currency. The base rate for the floating interest rate loan is derived from the 6-month market reference rate in the specific currency, for example, LIBOR, EURIBOR or JIBAR. The base rate is reset on February 1 and August 1 each year and applies to the 6-month period following the reset date. For the fixed interest rate loan, the lending rate in each currency is the fixed amortizing swap rate derived from the 6-month market reference rates. Borrowers may select from a number of rate-fixing alternatives, including fixing at each disbursement or after all disbursements have been completed. Prior to rate fixing, the currency-specific floating interest rate applies. The pricing formula applicable to all 3 loan products is the same. The applicable rate of interest is the sum of the chosen base rate plus a lending spread. Loans to sovereign and sovereign-guaranteed borrowers enjoy a lending spread of 40 basis points above the 6-month market reference rate. For non-sovereign guaranteed borrowers in both the private and public sector, the lending spread is computed based on the Bank's risk-based pricing framework.

Agency Lines. Loans to private sector enterprises can be extended directly or through a private financial institution (PFI). In an agency line (AL), the credit risk of the borrower is borne by the Bank. In addition, the PFI acts as an agent for the Bank, to carry out a variety of activities, including, but not limited to, identifying projects within certain parameters; appraising such projects on behalf of the Bank; when approved, undertaking all of the administrative steps related to disbursement (billing, collection of Bank's funds, filing of security); supervising projects, monitoring the performance of the borrower, submitting reports thereon; and transmitting amounts related to the repayment of the loan to the Bank.

Guarantees. Through the guarantee product, the Bank seeks to leverage its preferred creditor status to assist eligible borrowers to obtain financing from third party lenders, including capital markets. Guarantees will also enable borrowers to obtain financing in their own local currency where the Bank is not able to provide such financing directly from its own resources.

Risk Management Products are offered to enable borrowers to manage the market risks associated with their loans from the Bank, including interest rate, currency, and commodity price risks. These products assist borrowers to manage their balance sheets and their changing needs more efficiently over time. Risk management products such as interest rate swaps, currency swaps, interest rate caps and collars are available to borrowers at any time during the life of the loan.

Equity Participation or Quasi Equity Products. The Bank's ability to provide risk capital through equity investments is a key element of its resource mobilization role. Even though the Bank cannot be a majority shareholder in a company, it can participate in a project by acquiring ordinary stocks, redeemable preferred stocks or debentures.

Other Financial Services. In addition to the products described above, the Bank may offer loan syndication and underwriting services through its private sector window.

Risk Management Policies and Processes

The Bank seeks to minimize its exposure to risks that are not essential to its core business of providing development finance and related assistance. Accordingly, the Bank's risk management policies, guidelines and practices are designed to reduce exposure to interest rate, currency, liquidity, counterparty, legal and other operational risks, while maximizing the Bank's capacity to assume credit risks to public and private sector clients, within approved risk limits.

The policies and practices employed by the Bank to manage these risks are described in detail in Note D to the Financial Statements.

Financial Results

The financial highlights below focus on "Income before distributions approved by the Board of Governors", which represents income arising from the normal or ordinary operations of the Bank.

The highlights of the Bank's financial performance in 2008 include the following:

- Despite the difficult economic environment in 2008, the Bank earned income before distributions approved by the Board of Governors of UA 304.66 million in 2008, compared to UA 323.67 million in 2007. The decrease was due primarily to the adverse effects of the global financial crisis, as a result of which the Bank experienced fair valuation and impairment losses amounting to UA 130.89 million. Such adverse effects were substantially cushioned by reductions in provisions for loan losses that became necessary following the clearance of the arrears of a borrowing member country.

- Loan income increased by UA 10.33 million, or 3.02 percent, in 2008. The increase in loan income was due primarily to an overall higher average volume of loans outstanding during 2008. Investment income decreased in 2008 by UA 28.82 million, or 12.43 percent, due in large part to the difficult investment environment in the year. However, such decrease was partially offset by a UA 13.11 million decrease in borrowing-related charges. In 2008, the Bank earned income of UA 9.29 million on investments in debt instruments issued by entities in its regional member countries.

- At December 31, 2008, the number of sovereign borrowers in arrears for six months or more remained at 4 (same level as at December 31, 2007). However, subsequent to year-end but prior to the approval of the financial statements, the Board of Directors approved the arrears clearance for a borrowing country that was in arrears for more than six months at year-end. At December 31, 2008 total accumulated provision for losses on principal and charges was UA 218.27 million, which was 3.47 percent of gross principal and charges receivable at that date, compared to UA 364.72 million, or 6.10 percent of gross principal and charges receivable at December 31, 2007.

- Total Bank Group administrative expenses increased from UA 180.65 million in 2007 to UA 186.37 million in 2008. The Bank's share of the Bank Group administrative expenses amounted to UA 46.78 million for 2008, compared to UA 42.22 million for 2007. Bank Group administrative expenses are allocated between the Bank, the ADF and the NTF based on a predetermined cost-sharing formula driven primarily by the relative levels of certain operational volume indicators.

- The Bank continues to earn levels of net income sufficient to sustain its strong financial position and also make contributions on behalf of its shareholders to other development initiatives for Africa. Total reserves plus accumulated loss provisions on outstanding loan principal and charges at December 31, 2008 were UA 2.69 billion, compared to UA 2.90 billion at the end of 2007. As a percentage of gross loans, reserves plus loss provisions on loan principal at December 31, 2008 represented 44.19 percent compared to 49.24 percent at December 31, 2007. Against the background of the strong risk-bearing capacity of the Bank, the Board of Governors in 2008 approved distributions to various development initiatives in Africa amounting to UA 257.30 million. The beneficiaries of these distributions are listed under Note N to the financial statements.

African Development Bank

Financial Statements and Report of the Independent Auditors
Years ended December 31, 2008 and 2007

BALANCE SHEET
AS AT DECEMBER 31, 2008 AND 2007
(UA thousands - Note B)

ASSETS		2008	2007
CASH		592,644	95,528
DEMAND OBLIGATIONS		3,801	3,801
TREASURY INVESTMENTS (Note F)		4,575,756	5,328,534
DERIVATIVE ASSETS (Note G)		736,091	425,338
NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL (Note H)		11,861	15,385
ACCOUNTS RECEIVABLE			
Accrued income and charges receivable on loans (Note I)	336,466		267,149
Other accounts receivable	312,549		303,732
		649,015	570,881
DEVELOPMENT FINANCING ACTIVITIES			
Loans, net (Notes D & I)	5,731,972		5,344,073
Equity participations (Note J)	188,781		189,248
Other debt securities (Note K)	68,797		94,622
		5,989,550	5,627,943
OTHER ASSETS			
Property, equipment and intangible assets (Note L)	11,731		14,362
Miscellaneous	498		667
		12,229	15,029
TOTAL ASSETS		**12,570,947**	**12,082,439**

The accompanying notes to the financial statements form part of this statement.

LIABILITIES & EQUITY		2008	2007
ACCOUNTS PAYABLE			
Accrued financial charges	398,733		418,706
Other accounts payable	444,389		165,633
		843,122	584,339
DERIVATIVE LIABILITIES (Note G)		360,299	591,047
BORROWINGS (Note M)			
Borrowings at fair value	5,729,808		5,226,279
Borrowings at amortized cost	977,470		972,594
		6,707,278	6,198,873
EQUITY (Note N)			
Capital			
Subscriptions paid	2,345,804		2,336,457
Cumulative Exchange Adjustment on Subscriptions (CEAS)	(161,028)		(160,075)
Subscriptions paid (net of CEAS)	2,184,776		2,176,382
Reserves			
Retained earnings	2,460,137		2,498,288
Fair value gains on available-for-sale investments	15,335		33,510
Total reserves	2,475,472		2,531,798
Total equity		4,660,248	4,708,180
TOTAL LIABILITIES & EQUITY		**12,570,947**	**12,082,439**

INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
OPERATIONAL INCOME & EXPENSES		
Income from:		
Loans (Note O)	352,277	341,945
Investments and related derivatives (Note O)	202,884	231,707
Other debt securities	9,288	4,966
Total income from loans and investments	564,449	578,618
Borrowing expenses (Note P)		
Interest and amortized issuance costs	(251,827)	(268,023)
Net interest on borrowing-related derivatives	(65,788)	(62,706)
Unrealized gain on fair-valued borrowings and related derivatives	12,431	21,239
Unrealized (loss)/gain on derivatives on non fair-valued borrowings and others	(16,677)	34,774
Provision for impairment (Note I)		
Loan principal	101,479	17,453
Loan charges	61,798	52,503
Provision for impairment on equity investments (Note J)	(18,456)	(532)
Provision for impairment on investments	(38,134)	-
Translation losses	(9,167)	(8,895)
Other income	18,647	7,323
Net operational income	358,755	371,754
OTHER EXPENSES		
Administrative expenses (Note Q)	(46,783)	(42,218)
Depreciation – Property, equipment and intangible assets (Note L)	(5,201)	(5,375)
Sundry expenses	(2,110)	(493)
Total other expenses	(54,094)	(48,086)
Income before distributions approved by the Board of Governors	304,661	323,668
Distributions of income approved by the Board of Governors (Note N)	(257,300)	(119,902)
NET INCOME	**47,361**	**203,766**

The accompanying notes to the financial statements form part of this statement.

STATEMENT OF RECOGNIZED INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
(Loss)/gain on available-for-sale investments taken to equity	(18,175)	33,374
Actuarial losses on defined benefit plans	(85,512)	(10,823)
Net (loss)/income recognized directly in equity	(103,687)	22,551
Net income for the year	47,361	203,766
TOTAL RECOGNIZED (LOSS)/INCOME FOR THE YEAR	**(56,326)**	**226,317**

The accompanying notes to the financial statements form part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	47,361	203,766
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,201	5,375
Provision for impairment on loan principal and charges	(163,277)	(69,956)
Unrealized losses on investments and related derivatives	5,221	693
Amortization of discount or premium on held-to-maturity investments	(2,389)	(5,645)
Provision for impairment on investments	38,134	-
Provision for impairment on equity investments	18,456	532
Amortization of borrowing issuance costs	2,805	3,333
Unrealized gain/(loss) on fair-valued borrowings and derivatives	4,246	(56,013)
Translation losses	9,167	8,895
Share of profits in associate	(36)	(479)
Net movements in derivatives	(2,145)	(51,659)
Changes in accrued income on loans	10,551	15,640
Changes in accrued financial charges	(21,621)	90,409
Changes in other receivables and payables	140,352	(123,330)
Net cash provided by operating activities	92,026	21,561
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(727,534)	(884,747)
Repayments of loans	496,690	704,045
Investments maturing after 3 months of acquisition:		
Held-to-maturity portfolio	(145,510)	(79,764)
Trading portfolio	536,767	359,145
Other debt securities	-	(92,801)
Changes in other assets	(2,400)	(5,451)
Equity participations movement	(36,693)	(40,150)
Net cash provided by/(used in) investing, lending and development activities	121,320	(39,723)
FINANCING ACTIVITIES:		
New borrowings	1,282,826	779,649
Repayments on borrowings	(1,164,877)	(402,541)
Net cash from capital subscriptions	12,064	33,363
Net cash provided by financing activities	130,013	410,471
Effect of exchange rate changes on cash and cash equivalents	(17,613)	(12,363)
Increase in cash and cash equivalents	325,746	379,946
Cash and cash equivalents at the beginning of the year	1,085,836	705,890
Cash and cash equivalents at the end of the year	**1,411,582**	**1,085,836**
COMPOSED OF:		
Investments maturing within 3 months of acquisition		
Held-to-maturity portfolio	-	24,114
Trading portfolio	818,938	966,194
Cash	592,644	95,528
Cash and cash equivalents at the end of the year	**1,411,582**	**1,085,836**
SUPPLEMENTARY DISCLOSURE:		
Movement resulting from exchange rate fluctuations:		
Loans	(116,054)	(70,008)
Borrowings	231,589	(77,088)
Currency swaps	(148,558)	89,729

The accompanying notes to the financial statements form part of this statement.

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A – OPERATIONS AND AFFILIATED ORGANIZATIONS

The African Development Bank (ADB or the Bank) is a multilateral development finance institution dedicated to the economic and social progress of its regional member states. The Bank finances development projects and programs in its regional member states, typically in cooperation with other national or international development institutions. In furtherance of this objective, the Bank participates in the selection, study and preparation of projects contributing to such development and, where necessary, provides technical assistance. The Bank also promotes investments of public and private capital in projects and programs designed to contribute to the economic and social progress of the regional member states. The activities of the Bank are complemented by those of the African Development Fund (ADF or the Fund), which was established by the Bank and certain countries; and the Nigeria Trust Fund (NTF), which is a special fund administered by the Bank. Notably, the ADB, ADF, and NTF each have separate and distinct assets and liabilities. There is no recourse to the ADB for obligations in respect of any of the ADF or NTF liabilities. The ADF was established to assist the Bank in contributing to the economic and social development of the Bank's regional members, to promote cooperation and increased international trade particularly among the Bank's members, and to provide financing on concessional terms for such purposes.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities that are carried at fair value.

The significant accounting policies employed by the Bank are summarized below.

Revenue Recognition

Interest income is accrued and recognized based on the effective interest rate for the time such instrument is outstanding and held by the Bank. The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of the financial asset to the asset's net carrying amount.

Income from investments includes realized and unrealized gains and losses on trading financial instruments.

Dividends relating to investments in equity are recognized when the Bank's right to receive payment is established.

Functional and Presentation Currencies

The Bank conducts its operations in the currencies of its member countries. As a result of the application of IAS 21 revised, "The Effects of Changes in Foreign Exchange Rates", the Bank prospectively changed its functional currency from the currencies of all its member countries to the Unit of Account (UA) effective January 1, 2005. The UA is also the currency in which the financial statements are presented. The value of the Unit of Account is defined in Article 5.1 (b) of the Agreement Establishing the Bank (the Agreement) as equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF) or any unit adopted for the same purpose by the IMF.

Currency Translation

Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated into UA at rates prevailing at the balance sheet date. The rates used for translating currencies into UA at December 31, 2008 and 2007 are reported in Note W-1. Non-monetary assets and liabilities are translated into UA at historical rates. Translation differences are included in the determination of net income. Capital subscriptions are recorded in UA at the rates prevailing at the time of receipt. The translation difference relating to payments of capital subscriptions is reported in the financial statements as the Cumulative Exchange Adjustment on Subscriptions (CEAS). This is composed of the difference between the UA amount at the predetermined rate and the UA amount using the rate at the time of receipt. When currencies are converted into other currencies, the resulting gains or losses are included in the determination of net income.

Member Countries' Subscriptions

Although the Agreement establishing the ADB allows for a member country to withdraw from the Bank, no member has ever withdrawn its membership voluntarily, nor has any indicated to the Bank that it intends to do so. The stability in the membership reflects the fact that the members are independent African and non-African countries, and that the purpose of the Bank is to contribute to the sustainable economic development and social progress of its regional member countries individually and jointly. Accordingly, as of December 31, 2008, the Bank did not expect to distribute any portion of its net assets due to member country withdrawals.

In the unlikely event of a withdrawal by a member, the Bank shall arrange for the repurchase of the former member's shares. The repurchase price of the shares is the value shown by the books of the Bank on the date the country ceases to be a member, hereafter referred to as "the termination date." The Bank may partially or fully offset amounts due for shares purchased against the member's liabilities on loans and guarantees due to the Bank. The former member would remain liable for direct obligations and contingent liabilities to the Bank for so long as any parts of the loans or guarantees contracted before the termination date are outstanding. If at a date subsequent to the termination date, it becomes evident that losses may not have been sufficiently taken into account when the repurchase price was determined, the former member may be required to pay, on demand, the amount by which the repurchase price of the shares would have been reduced had the losses been taken into account when the repurchase price was determined. In addition, the former member remains liable on any call, subsequent to the termination date, for unpaid subscriptions, to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

Were a member to withdraw, the Bank may set the dates in respect of payments for shares repurchased. If, for example, paying a former member would have adverse consequences for the Bank's financial position, the Bank could defer payment until the risk had passed, and indefinitely if appropriate. Furthermore, shares that become unsubscribed for any reason may be offered by the Bank for purchase by eligible member countries, based on the share transfer rules approved by the Board of Governors. In any event, no payments shall be made until six months after the termination date.

If the Bank were to terminate its operations, all liabilities of the Bank would first be settled out of the assets of the Bank and then, if necessary, out of members' callable capital, before any distribution could be made to any member country. Such distribution is subject to the prior decision of the Board of Governors of the Bank and would be based on the pro-rata share of each member country.

Employee Benefits

1) Pension Obligations

The Bank operates a contributory defined benefit pension plan for its employees. The Staff Retirement Plan (SRP) provides benefit payments to participants upon retirement. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. An actuarial valuation of the cost of providing benefits for the SRP is determined using the Projected Unit Credit Method. Upon reaching retirement age, pension is calculated based on the average remuneration for the final three years of pensionable service and the pension is subject to annual inflationary adjustments. Actuarial gains and losses are recognized immediately in retained earnings in the year they occur. Past service cost is recognized immediately to the extent that benefits are already vested, otherwise, amortized on a straight-line basis over the average period until the benefits become vested. The pension liability is recognized as part of other accounts payable in the balance sheet. The liability represents the present value of the Bank's defined benefit obligations, net of the fair value of plan assets and unrecognized actuarial gains and losses.

2) Post-Employment Medical Benefits

The Bank operates a contributory defined Medical Benefit Plan (MBP), which provides post-employment healthcare benefits to eligible former staff, including retirees. Membership of the MBP includes both staff and retirees of the Bank. The entitlement to the post-retirement healthcare benefit is usually conditional on the employee contributing to the Plan up to retirement age and the completion of a minimum service period. The expected costs of these benefits derive from contributions from plan members as well as the Bank and are accrued over the period of employment and during retirement. Contributions by the Bank to the MBP are charged to expenses and included in the statement of income and expenses. The MBP Board, an independent body created by the Bank, determines the adequacy of the contributions and is authorized to recommend changes to the contribution rates of both the Bank and plan members. Actuarial gains and losses are recognized immediately in retained earnings in the year they occur. The medical plan liability is recognized as part of other accounts payable in the balance sheet. The liability represents the present value of the Bank's post-employment medical benefit obligations, net of the fair value of plan assets and unrecognized actuarial gains and losses.

Financial Instruments

Financial assets and financial liabilities are recognized on the Bank's balance sheet when the Bank assumes related contractual rights or obligations.

1) Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

i) Financial Assets at Fair Value through Profit or Loss

All trading assets are carried at fair value through the income statement and gains and losses are reported in the income statement in the period in which they arise. The investments in the trading portfolio are acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held-for-trading.

ii) Loans and Receivables

The Bank has classified demand obligations, accrued income and receivables from loans and investments and other sundry amounts as receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are carried at amortized cost using the effective interest method.

iii) Held-to-Maturity Investments

The Bank has classified its investments in certain debt securities as held-to-maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the intent and ability to hold to maturity. Held-to-maturity investments are carried and subsequently measured at amortized cost using the effective interest method.

iv) Available-for-Sale Financial Assets

The Bank has classified equity investments over which it does not have control or significant influence as available-for-sale. Available-for-sale investments are those intended to be held for an indefinite period of time, and may or may not be sold in the future. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale investments are recognized on a trade-date basis, which is the date on which the Bank commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Securities purchased under resale agreements and securities sold under repurchase agreements are reported at market rates. The Bank receives securities purchased under resale agreements, monitors the fair value of the securities and if necessary may require additional collateral.

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash, are subject to insignificant risk of changes in value and have a time to maturity upon acquisition of three months or less.

2) Financial Liabilities

i) Borrowings

In the ordinary course of its business, the Bank borrows funds in the major capital markets for lending and liquidity management purposes. The Bank issues debt instruments denominated in various currencies, with differing maturities at fixed or variable interest rates. The Bank's borrowing strategy is driven by three major factors, namely: timeliness in meeting cash flow requirements, optimizing asset and liability management with the objective of mitigating exposure to financial risks, and providing cost-effective funding. In addition to long and medium-term borrowings, the Bank also undertakes short-term borrowing for cash and liquidity management purposes only. Borrowings not designated at fair value through profit or loss are carried on the balance sheet at amortized cost with interest expense determined using the effective interest method. Borrowing expenses are recognized in profit or loss and include the amortization of issuance costs, discounts and premiums, which is determined using the effective interest method. Borrowing activities may create exposure to market risk, most notably interest rate and currency risks. The Bank uses derivatives and other risk management approaches to mitigate such risks. Details of the Bank's risk management policies and practices are contained in Note D below. Certain of the Bank's borrowings obtained prior to 1990 are interest-free loans from the governments of certain member countries of the Bank. In accordance with the revised IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*, such borrowings represent a form of government assistance, the benefits of which are not quantified by the imputation of interest. Accordingly, such borrowings are carried at the amounts at which they are repayable on their due dates.

ii) Financial Liabilities at Fair Value through Profit or Loss

This category has two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. Derivatives are categorized as held-for-trading. The Bank applies fair value designation primarily to borrowings that have been swapped into floating-rate debt using derivative contracts. In these cases, the designation of the borrowing at fair value through profit or loss is made in order to significantly reduce accounting mismatches that otherwise would have arisen if the borrowings were carried on the balance sheet at amortized cost while the related swaps are carried on the balance sheet at fair value.

iii) Other Liabilities

All financial liabilities that are not derivatives or designated at fair value through profit or loss are recorded at amortized cost. The amounts include accrued finance charges on borrowings and other accounts payable.

Financial liabilities are derecognized when they are discharged or cancelled or when they expire.

Derivatives

The Bank uses derivative instruments in its portfolios for asset/liability management, cost reduction, risk management and hedging purposes. These instruments include cross-currency swaps and interest rate swaps. The derivatives on borrowings are used to modify the interest rate or currency characteristics of the debt the Bank issues. This economic relationship is established on the date the debt is issued and maintained throughout the terms of the contracts. The interest component of these derivatives is reported as part of borrowing expenses.

Although IAS 39 allows hedge accounting for certain qualifying hedging relationships, the Bank has elected not to apply hedge accounting to any qualifying hedging relationship, but rather classifies all derivatives as held-for-trading at fair value, with all changes in fair value recognized in the income statement. When the criteria for the application of the fair value option are met, then the related debt is also carried at fair value with changes in fair value recognized in the income statement.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealized gains or losses reported in profit or loss. Such derivatives are stripped from the host contract and measured at fair value with unrealized gains and losses reported in profit or loss.

Impairment of Financial Assets

1) Assets Carried at Amortized Cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, that asset is included in a group of financial assets with similar credit characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Bank determines that there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For sovereign-guaranteed loans, the estimated impairment arises from delays that may be experienced in receiving amounts due. For non-sovereign-guaranteed loans, the impairment reflects management's best estimate of the non-collectibility, in whole or in part, of amounts due as well as delays in the receipt of such amounts.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Interest and charges are accrued on all loans including those in arrears.

2) Available-for-Sale Assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For available-for-sale equity instruments carried at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale equity instruments carried at fair value, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, net of any impairment loss previously recognized in profit or loss, is reclassified from equity to the income statement. Impairment losses recognized in the income statement on available-for-sale equity instruments carried at fair value are reversed through equity.

If there is objective evidence that an impairment loss has been incurred on an available-for-sale equity instrument that is carried at cost because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the impaired equity instrument and the present value of the estimated future cash flows discounted at the current market rate of return for a similar equity instrument. Once recognized, impairment losses on these equity instruments carried at cost are not reversed.

Offsetting Financial Instruments

Financial assets and liabilities are offset and reported on a net basis when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fair Value Disclosure

In liquid or active markets, the most reliable indicators of fair value are quoted market prices. When markets become illiquid or less active, market quotations may not represent the prices at which orderly transactions would take place between willing buyers and sellers and therefore may require adjustment in the valuation process. Consequently, in an inactive market, price quotations are not necessarily determinative of fair values. Considerable judgment is required to distinguish between active and inactive markets. Following an assessment of transaction volumes, the degree of consistency in pricing over time and between pricing sources, and the differences in bid and ask prices the Bank concluded that the markets of most of its existing bond issues were inactive at December 31, 2008.

The fair values of quoted investments in active markets are based on current bid prices. For financial assets with inactive markets or unlisted securities, the Bank establishes fair value by using valuation techniques that incorporate the maximum use of market data inputs. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Financial instruments for which market quotations are not readily available have been valued using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not readily determinable. Management believes that these methodologies and assumptions are reasonable; however, the values actually realized in a sale might be different from the fair values disclosed.

The following three hierarchical levels are used for the determination of fair value:

Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging).

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The methods and assumptions used by the Bank in estimating the fair values of financial instruments are as follows:

Cash: The carrying amount is the fair value.

Investments: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Borrowings: The fair values of the Bank's borrowings are based on market quotations when possible or valuation techniques based on discounted cash flow models using LIBOR market-determined discount curves adjusted by the Bank's credit spread. Credit spreads are obtained from market data as well as indicative quotations received from certain counterparties for the Bank's new public bond issues. The Bank also uses systems based on industry standard pricing models and valuation techniques to value borrowings and their associated derivatives. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. Valuation models are subject to internal and periodic external reviews. When a determination is made that the market for an existing borrowing is inactive or illiquid, appropriate adjustments are made to the relevant observable market data to arrive at the Bank's best estimate of the price at which the Bank could have bought back the borrowing at the balance sheet date.

Equity Investments: The underlying assets of entities in which the Bank has equity investments carried at fair value are periodically fair valued both by fund managers and independent valuation experts using market practices. The fair value of investments in listed enterprises is based on the latest available quoted bid prices. The fair value of investments in unlisted entities is assessed using appropriate methods, for example, discounted cash flows. The fair value of the Bank's equity participations is estimated as the Bank's percentage ownership of the net asset value of the funds.

Derivative Financial Instruments: The fair values of derivative financial instruments are based on market quotations when possible or valuation techniques that use market estimates of cash flows and discount rates. The Bank also uses valuation tools based on industry standard pricing models and valuation techniques to value derivative financial instruments. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. All financial models used for valuing the Bank's financial instruments are subject to both internal and periodic external reviews.

Loans: The Bank does not sell its loans, nor does it believe there is a comparable market for its loans. The fair value of loans reported in these financial statements represents management's best estimates of the present value of the expected cash flows of these loans. For multi-currency and single currency fixed rate loans, fair values are estimated using a discounted cash flow model based on the year-end variable lending rate in that currency, adjusted for impairment. For all loans not impaired, fair value adjustments are made to reflect expected loan losses. The estimated fair value of loans is disclosed in Note I.

Day One Profit and Loss

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). A gain or loss may only be recognized on initial recognition of a financial instrument if the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. On initial recognition, a gain or loss may not be recognized when using a valuation technique that does not incorporate data solely from observable markets. The Bank only recognizes gains or losses after initial recognition to the extent that they arise from a change in a factor (including time) that market participants would consider in setting a price. Day one losses are recognized in the income statement of the period while gains are amortized over the life of the applicable borrowing on a straight-line basis.

Investment in Associate

Under IAS 28, "Investments in Associates", the ADF and any other entity in which the Bank has significant influence are considered associates of the Bank. An associate is an entity over which the Bank has significant influence, but not control, over the entity's financial and operating policy decisions. The relationship between the Bank and the ADF is described in more detail in Note J. IAS 28 requires that the equity method be used to account for investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's income statement. The subscriptions by the Bank to the capital of the ADF occurred between 1974 and 1990. At December 31, 2008, such subscriptions cumulatively represented approximately 1% of the economic interest in the capital of the ADF. Although ADF is a not-for-profit entity and has never distributed any dividend to its subscribers since its creation in 1972, the revisions to IAS 28 require that the equity method be used to account for the Bank's investment in the ADF. Furthermore, in accordance with IAS 36, the net investment in the ADF is assessed for impairment. Cumulative losses as measured under the equity method are limited to the investment's original cost as the ADB has not guaranteed any potential losses of the ADF.

Property and Equipment

Property and equipment is measured at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement when they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to amortize the difference between cost and estimated residual values over estimated useful lives. The estimated useful lives are as follows:

- Buildings: 15-20 years
- Fixtures and fittings: 6-10 years
- Furniture and equipment: 3-7 years
- Motor vehicles: 5 years

The residual values and useful lives of assets are reviewed periodically and adjusted if appropriate. Assets that are subject to amortization are reviewed annually for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Gains and losses on disposal are determined as the difference between proceeds and the asset's carrying amount and are included in the income statement in the period of disposal.

Intangible Assets
Intangible assets include computer systems software and are stated at historical cost less amortization. Amortization on intangible assets is calculated using the straight-line method over 3-5 years.

Leases
The Bank has entered into several operating lease agreements, including those for its offices in Tunisia and in certain other regional member countries. Under such agreements, all the risks and benefits of ownership are effectively retained by the lessor. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also recognized on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

Transfers and Distributions Approved by the Board of Governors
In accordance with the Agreement establishing the Bank, the Board of Governors is the sole authority for approving allocations from income to surplus account or distributions to other entities for development purposes. Surplus consists of earnings from prior years which are retained by the Bank until further decision is made on their disposition or the conditions of transfer for specified uses have been met. Distributions of income for development purposes are reported as expenses on the Income Statement in the year of approval. Distributions of income for development purposes may be funded from amounts previously transferred to surplus account or from the current year's income.

Retained Earnings
Retained earnings of the Bank consist of amounts allocated to reserves from prior year's income, balance of amounts allocated to surplus after deducting distributions approved by the Board of Governors, unallocated current year net income, and expenses recognized directly in equity as required by IFRS.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty
In the preparation of financial statements in conformity with IFRS, management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarized below:

1) Significant Judgments

The Bank's accounting policies require that assets and liabilities be designated at inception into different accounting categories. Such decisions require significant judgment and relate to the following circumstances:

Held-for-Trading – In classifying financial assets or liabilities as "trading", the Bank has determined that such assets or liabilities meet its description and set criteria for classification as such.

Fair Value through Profit and Loss – In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that such assets or liabilities meet the criteria for this classification.

Held-to-Maturity – The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intent and ability to hold such investments to maturity.

2) Significant estimates

The Bank also uses estimates for its financial statements in the following circumstances:

Impairment Losses on Loans and Advances – At each financial reporting date, the Bank reviews its loan portfolios for impairment. The Bank first assesses whether objective evidence of impairment exists for individual loans. If such objective evidence exists, impairment is determined by discounting expected future cash flows using the loan's original effective interest rate and comparing this amount to the loan's net carrying amount. Determining the amount and timing of future cash flows on impaired loans requires significant judgment. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan, that loan is included in a group of loans with similar credit characteristics and collectively assessed for impairment. Objective evidence of impairment for a group of loans may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair Value of Financial Instruments – The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All valuation models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, valuation models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of Available-for-Sale Equity Investments – The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in fair value below the carrying amount. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates any evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not affect prior year's reported result.

NOTE C – THE EFFECT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 14, 2008, the International Accounting Standards Board (IASB) issued amendments to IAS 32 and IAS 1. The amendments require an entity to classify as part of its equity those financial instruments that it issues that are either (a) puttable financial instruments, or (b) financial instruments or components of financial instruments that impose an obligation to deliver to another party a pro-rata share of its net assets only on liquidation, if certain criteria are met. Prior to these amendments, such financial instruments were to be classified as liabilities. The amendments are effective for annual periods beginning on or after January 1, 2009, with early adoption permitted. Subscriptions by the member countries to the Bank's capital described in Note B are puttable financial instruments that meet the requirements for equity classification under the amended standards. While the standards prior to the amendments required liability classification by the issuer of puttable financial instruments, the Bank has always reported the subscriptions by the member countries to its capital as equity. Under the Agreement establishing the Bank, such instruments provide an equal and residual right to its member countries that are subordinate to the rights of its creditors. The equity classification requirements under the amended standards are fully consistent with and confirm the Bank's prior classification of these instruments as equity. The amendments to IAS 32 and IAS 1 relating to puttable financial instruments were issued after the December 31, 2007 balance sheet date but before the approval of the financial statements. The Bank early adopted the amendments for the 2007 financial statements. The application of these amended standards had no effects on the Bank's financial statements.

On March 5, 2009, the International Accounting Standards Board also issued amendments to the disclosure requirements under IFRS 7. These amendments require additional disclosures of fair value measurements in a three-level hierarchy reflecting the relative reliability of such measurements based on the significance of the inputs used. Under this hierarchy, the most reliable measurements are those based on unadjusted quoted prices in active markets for identical assets or liabilities. The Bank has early-adopted this amendment, which becomes effective for financial statements for the annual periods beginning on or after January 1, 2009.

At the date of authorization of these financial statements, certain new and amended International Financial Reporting Standards and Interpretations have been issued and will become effective for periods after December 31, 2008. IFRS 8, *Operating Segments*, which becomes effective for financial statements for the period beginning January 1, 2009, replaces the reporting requirements of IAS 14, Segment Reporting, and requires alignment of the segments in the financial statements with those used internally by management in the allocation of resources and assessing performance. The amendments to IAS 1 require the Bank to present in separate statements, changes in equity related to its shareholders and those related to comprehensive income (i.e. non-shareholder-related components), including related reclassification adjustments of those components. It also requires the presentation of a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the Bank applies an accounting policy retrospectively or makes a retrospective restatement. None of these new standards or amendments is expected to have a significant impact on the Bank's financial statements.

NOTE D – RISK MANAGEMENT POLICIES AND PROCEDURES

In carrying out its development mandate, the Bank seeks to maximize its capacity to assume core business risks resulting from its lending and investing operations while at the same time minimizing its non-core business risks (market risk, counterparty risk, and operational risk) that are incidental but nevertheless critical to the execution of its mandate.

The degree of risk the Bank is willing to assume to achieve its development mandate is limited by its risk-bearing capacity. This institutional risk appetite is embodied in the Bank's capital adequacy policy and its commitment to maintain a prudent risk profile consistent with the highest credit rating.

The policies, processes and procedures by which the Bank manages its risk profile continually evolve in response to market, credit, product, and other developments. The highest level of risk management oversight is assured by the Bank's Board of Executive Directors, which is chaired by the President. In addition to approving all risk management policies, the Executive Directors regularly review trends in the Bank's risk profiles and performance to ensure compliance with the underlying policies.

The guiding principles by which the Bank manages its core and non-core risks are governed by the General Authority on the Bank's Financial Products and Services (the FPS Authority) and the General Authority on Asset Liability Management (the ALM Authority).

The FPS Authority provides the framework under which the Bank develops and implements financial products and services for its borrowers and separate guidelines which prescribe the rules governing the management of credit and operational risk for the Bank's sovereign and non-sovereign loan and equity investment portfolios.

The ALM Authority is the overarching framework through which Management has been vested with the authority to manage the Bank's financial assets and liabilities within defined parameters. The ALM Authority sets out the guiding principles for managing the Bank's interest rate risk, currency exchange rate risk, liquidity risk, counterparty credit risk and operational risk. The ALM Authority covers the Bank's entire array of ALM activities such as debt-funding operations and investment of liquid resources. It also includes the interest rate and currency risk management aspects of the Bank's lending and equity investment operations.

Under the umbrella of the FPS Authority and the ALM Authority, the President is authorized to approve and amend more detailed operational guidelines as necessary, upon the recommendations of the Asset and Liability Management Committee (ALCO). ALCO is the other oversight and control organ of the Bank's risk management activities. It is the Bank's most senior management forum on risk management issues and is chaired by the Vice President for Finance.

ALCO meets on a regular basis to perform its oversight role. Among its functions, ALCO reviews regular and ad-hoc finance and risk management reports and projections, approves strategies to adjust the balance sheet, and confirms country and project credit risk ratings and the associated incurred loss estimates. ALCO is supported by several standing working groups that report on specific issues including country risk, non-sovereign credit risk, counterparty credit risk, interest rate risk, currency risk, operational risk, financial projections, and financial products and services.

Day-to-day operational responsibility for implementing the Bank's risk management policies and guidelines is delegated to the appropriate business units. The Financial Management Department is responsible for monitoring the day-to-day compliance with those policies and guidelines.

The following sections describe in detail the manner in which the individual sources of risk are managed by the Bank.

Credit Risk

Credit risk arises from the inability or unwillingness of counterparties to discharge their financial obligations. It is the potential financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Bank arising essentially from its lending and treasury operations.

The Bank manages three principal sources of credit risk: (i) sovereign credit risk on its public sector portfolio; (ii) non-sovereign credit risk on its portfolio of private sector, non-sovereign and enclave projects; and (iii) counterparty credit risk on its portfolio of treasury investments and derivative transactions. These risks are managed within an integrated framework of credit policies, guidelines and processes, which are described in more detail in the following sections.

1) Sovereign Credit Risk

When the Bank lends to public sector borrowers, it generally requires a full sovereign guarantee or the equivalent from the borrowing member state. In extending credit to sovereign entities, it is exposed to country risk which includes potential losses arising from a country's inability or unwillingness to service its obligations to the Bank. The Bank manages country credit risk through financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessments. These include the assessment of the country's macroeconomic performance as well as its sociopolitical conditions and future growth prospects.

Country Exposure

The Bank's exposures at December 31, 2008 to borrowing member countries as well as the private sector and enclave projects from its lending activities are summarized below:

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Angola	2	765	-	-	765	0.01
Botswana	6	46,434	38,967	-	7,467	0.13
Cameroon	6	50,474	-	17,194	33,280	0.57
Congo	2	32,945	-	-	32,945	0.57
Côte d'Ivoire***	14	311,793	-	2,418	309,375	5.30
Democratic Republic of Congo	10	760,000	-	-	760,000	13.03
Egypt	12	1,017,664	-	373,301	644,363	11.04
Equatorial Guinea	3	66,028	66,028	-	-	-
Ethiopia	3	16,441	-	-	16,441	0.28
Gabon	17	415,513	-	256,217	159,296	2.73
Ghana	1	1,324	-	-	1,324	0.02
Guinea	4	10,502	-	-	10,502	0.18
Kenya	4	6,063	-	-	6,063	0.10
Malawi	1	4,051	-	-	4,051	0.07
Mauritania	2	22,964	-	-	22,964	0.39
Mauritius	9	49,270	-	29,395	19,875	0.34
Morocco	27	2,035,212	-	590,406	1,444,806	24.76
Namibia	8	75,691	-	15,449	60,242	1.03
Nigeria	11	168,596	-	-	168,596	2.89
Senegal	2	25,273	-	-	25,273	0.43
Seychelles	5	3,264	-	-	3,264	0.06
Somalia**	3	4,052	-	-	4,052	0.07
South Africa	4	151,120	-	-	151,120	2.60
Sudan**	5	58,323	-	-	58,323	1.00
Swaziland	9	70,878	-	6,831	64,047	1.10
Tanzania	1	2,602	-	-	2,602	0.04
Tunisia	28	1,416,202	20,700	329,170	1,066,332	18.28
Uganda	1	595	-	-	595	0.01
Zambia	3	6,710	-	-	6,710	0.12
Zimbabwe**	12	197,749	-	-	197,749	3.39
Multinational	4	53,565	-	4,478	49,087	0.84
Total Public Sector	**219**	**7,082,063**	**125,695**	**1,624,859**	**5,331,509**	**91.38**
Total Private Sector	**53**	**1,717,770**	**286,638**	**928,026**	**503,106**	**8.62**
Total	**272**	**8,799,833**	**412,333**	**2,552,885**	**5,834,615**	**100.00**

* *Excludes fully repaid loans and cancelled loans.*

** *Country in arrears as at December 31, 2008.*

*** *The arrears clearance for Côte d'Ivoire took place before the approval of these financial statements (see note U).*

Slight differences may occur in totals due to rounding.

Systematic Credit Risk Assessment

The foundation of the Bank's credit risk management framework is a systematic credit risk assessment based on a uniform internal credit risk rating scale that is calibrated to reflect the Bank's statistical loss expectations as shown in the following table.

Risk Rating	Description	Risk Class	International Equivalent
1	Excellent	Very Low Risk	A - BBB
2	Strong	Low Risk	BB
3	Good	Moderate Risk	B
4	Fair		
5	Acceptable	High Risk	CCC
6	Marginal		
7	Special Attention	Very High Risk	<CCC
8	Substandard		
9	Doubtful		
10	Known Loss		

These sovereign risk credit ratings are derived from a risk assessment on five risk indices that include macroeconomic performance, debt sustainability, sociopolitical factors, business environment and portfolio performance. These five risk indices are combined to derive a composite sovereign country risk index and a composite non-sovereign country risk index which in turn are converted into separate country risk rating for the sovereign and non-sovereign portfolios. These country risk ratings are validated against the average country risk ratings from accredited rating agencies and other specialized international bodies. The ALCO reviews the country ratings on a quarterly basis to ensure compliance with country exposure limits, changes in country credit risk conditions, and to approve changes in loss provisioning, if any.

Portfolio Risk Monitoring

Despite the fact that the weighted average credit rating of the sovereign portfolio weakened slightly in 2008, the overall risk profile of the Bank's sovereign guaranteed portfolio remained relatively stable. The portfolio's weighted-average risk rating at the end of 2008 remained virtually the same at 2.68 compared to 2.67 at the end of 2007. The distribution of the sovereign portfolio across the Bank's five credit risk classes is shown in the table below.

Risk Profile of the Outstanding Sovereign-Guaranteed Loan Portfolio					
	Very Low Risk	Low Risk	Moderate Risk	High Risk	Very High Risk
2008	37%	33%	6%	16%	8%
2007	37%	31%	8%	15%	9%
2006	28%	35%	10%	17%	10%
2005	26%	26%	18%	17%	13%
2004	28%	28%	21%	11%	12%
2003	25%	32%	21%	16%	6%

It is the Bank's policy that if the payment of principal, interest or other charges with respect to any Bank Group credit becomes 30 days overdue, no new loans to that member country, or to any public sector borrower in that country, will be presented to the Board of Directors for approval, nor will any previously approved loan be signed, until all arrears are cleared. Furthermore, for such countries, disbursements on all loans to or guaranteed by that member country are suspended until all overdue amounts have been paid. These countries also become ineligible in the subsequent billing period for a waiver of 0.50% on the commitment fees charged on qualifying undisbursed loans.

Although the Bank benefits from the advantages of its preferred creditor status and rigorously monitors the exposure on non-performing sovereign borrowers, some countries have experienced difficulties to service their debts to the Bank on a timely basis. As previously described, the Bank makes provisions for impairment in its sovereign loan portfolio commensurate with the assessment of the incurred loss in such portfolio.

To cover potential unexpected credit-related losses due to extreme and unpredictable events, the Bank maintains a conservative risk capital cushion for sovereign credit risks. The Bank's capital adequacy policy articulates differentiated risk capital requirements for all credit-sensitive assets (loans and equity investments) plus contingent liabilities (guarantees and client risk management products) in each risk class[1]. At the end of 2008, the Bank's public sector loan portfolio used up 40% of the Bank's total risk capital based on the Bank's capital adequacy framework. This compares with 37% at the end of 2007 and reflects the increased demand for sovereign products. The Bank defines risk capital as the sum of paid-in capital plus accumulated reserves net of translation adjustments. Callable capital is not included in the computation of risk capital.

2) Non-Sovereign Credit Risk

When the Bank lends to private sector borrowers or to enclave projects it does not benefit from full sovereign guarantees. The Bank may also provide financing to creditworthy commercially oriented entities that are publicly owned, without a sovereign guarantee.

To assess the credit risk of non-sovereign projects or facilities, the Bank uses a similar uniform internal credit risk rating as for sovereign projects. However, these internal credit ratings are derived on the basis of four major groups of factors.

The first factor involves the overall evaluation and assessment of the project company's financial strength. This assessment looks at: 1) capacity of the project to generate sufficient cash flow to service its debt; 2) the company's operating performance and profitability; 3) the project company's capital structure, financial flexibility and liquidity positions.

Secondly, the following, four main non-financial parameters are analyzed: 1) the outlook of the industry in which the project company operates; 2) the competitive position of the project company within the industry; 3) the strength of the project company's management with particular emphasis on its ability to deal with adverse conditions; 4) the quality of the information on which the analysis is based.

Thirdly, the risk factors that consider the structure of the facility in terms of maturity, the existence of third party guarantee(s), the value of any assigned collateral and other credit enhancement are extensively examined.

Finally, the project company's risk rating is adjusted to reflect the overall host country risk rating.

All new non-sovereign projects require a minimum initial credit rating and undergo rigorous project approval. The ALCO reviews the non-sovereign credit rating of each project on a quarterly basis and may recommend changes if justified by evolving country and project conditions.

In 2008, the Bank increased its exposure to the non-sovereign loan and equity portfolios. The weighted-average risk rating improved marginally from 3.82 at the end of 2007 to 3.66 at year-end 2008. The distribution of the non-sovereign portfolio across the Bank's five credit risk classes is shown in the table below.

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[1] *Reflecting its higher risk operating environment and unavoidable portfolio concentrations, the Bank requires risk capital backing that is three to ten times more conservative than BIS commercial banking standards. Very low risk = 25%, low risk = 28%, moderate risk = 35%, high risk = 50%, very high risk = 75%, and equity investments = 100%.*

Risk Profile of the Outstanding Non-Sovereign Loan and Equity Portfolio					
	Very Low Risk	Low Risk	Moderate Risk	High Risk	Very High Risk
2008	13%	16%	41%	28%	2%
2007	8%	10%	46%	31%	5%
2006	16%	15%	52%	6%	11%
2005	14%	20%	56%	7%	3%
2004	15%	14%	55%	10%	6%
2003	-	20%	62%	10%	8%

In compliance with the revised IFRS, the Bank no longer makes general provisions to cover the expected losses in the performing non-sovereign portfolio. For the non-performing portfolio, the Bank makes a specific provision based on an assessment of the credit impairment, or incurred loss, on each loan. At the end of 2008, the impairment allowance to cover the incurred loss on impaired loans in the non-sovereign portfolio was UA 12.39 million compared to UA 12.13 million in 2007 because of the stability in the size of the portfolio of impaired non-sovereign loans.

In addition to private sector lending, the Bank makes equity investments in private sector projects, either directly or through investment funds. To the extent possible, equity investments are carried at fair value. In the event that the fair value of an equity investment cannot be reliably determined, it is carried at amortized cost, and periodically assessed for impairment. The Bank recognizes loss provision based on accepted impairment tests measured against the carrying cost of the equity investment. At the end of 2008, the provision for impairment on equity investment was UA 20.77 million.

To cover potential unexpected credit-related losses due to extreme and unpredictable events, the Bank maintains a conservative risk capital cushion for non-sovereign credit risks. At the end of 2008, the Bank's non-sovereign portfolio required as risk capital approximately 7.1% of the Bank's total on-balance sheet risk capital sources, compared to 5.3% at the end of 2007. This level was still well below the limit of 20% determined by the Bank for total non-sovereign operations.

Credit Exposure Limits

The Bank operates a system of exposure limits to ensure the maintenance of an adequately diversified portfolio. The Bank manages credit risk at the global level (combined sovereign guaranteed and non-sovereign guaranteed portfolios) by ensuring that in the aggregate, the total country exposure limit does not exceed 20% of the maximum sustainable portfolio. The maximum sustainable portfolio is determined as the largest outstanding portfolio (outstanding loans plus potential new lending) that can be supported by the current level of risk capital applying the Bank's capital adequacy policy. Each specific country limit is based on the economic potential of the country and perceived risk level. Country exposure limits are reviewed annually and are used as a risk-based benchmark to plan the Bank's medium term country assistance strategies.

The credit exposure on the non-sovereign portfolio is further managed by limiting exposures to certain industry sectors, equity investments and single obligor. In addition, the Bank generally requires a range of collateral (security and/or guarantees) from project sponsors to partially mitigate the credit risk for direct private sector loans.

3) Counterparty Credit Risk

In the normal course of business, the Bank utilizes various financial instruments to meet the needs of its borrowers, manage its exposure to fluctuations in market interest and currency rates, and to temporarily invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Bank.

Given the nature of the Bank's business, it is not possible to completely eliminate counterparty credit risk, however, the Bank minimizes this risk by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures.

Counterparties must meet the Bank's minimum credit rating requirements and are approved by the Bank's Vice President for Finance. For local currency operations, less stringent minimum credit rating limits are permitted in order to provide adequate availability of investment opportunities and derivative counterparties for implementing appropriate risk management strategies. ALCO approves counterparties that are rated below the minimum rating requirements.

Counterparties are classified as investment counterparties, derivative counterparties, and trading counterparties. Their ratings are closely monitored.

Trading counterparties are required to be rated at a minimum of A/A2.

The following table details the minimum credit ratings for authorized investment counterparties:

	Maturity					
	6 months	**1 year**	**5 years**	**10 years**	**15 years**	**30 years**
Government		A/A2			AA-/Aa3	AAA/Aaa
Government Agencies and Supranationals		A/A2			AA-/Aa3	AAA/Aaa
Banks	A/A2		AA-/Aa3	AAA/Aaa		
Corporations including non bank financial institutions	A/A2		AA-/Aa3	AAA/Aaa		
MBS/ABS	No maturity limit, but repayment projections mandatory					

The Bank also invests in mortgage-backed and asset-backed securities with a minimum rating of AAA/Aaa; money market mutual funds with a minimum rating of AA-/Aa3; and enters into collateralized securities repurchase agreements.

As a rule, the Bank executes an ISDA master agreement and netting agreement with its derivative counterparties prior to undertaking any transactions. Derivative counterparties are required to be rated AA-/Aa3 by at least two approved rating agencies or A- for counterparties with whom the Bank has entered into a collateral exchange agreement. Approved transactions with derivative counterparties include swaps, forwards, options and other over-the-counter derivatives.

In addition to these minimum rating requirements, the Bank operates within a framework of exposure limits based on the counterparty credit rating and size, subject to a maximum of 8% of the Bank's total risk capital for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Bank's credit limits after considering the benefits of any collateral.

The counterparty credit exposure of the investment and derivative portfolios continues to be predominantly AA or higher rated as shown in the table below. The increase in the AAA rated exposure reflects the increase in investments in agency and supranational securities. The impact of the on-going worldwide financial crisis is reflected by a sharp increase in exposure to lower rated counterparties.

Credit Risk Profile of the Investment and Derivative Portfolios			
	AAA	**AA+ to AA-**	**A+ and lower**
2008	59%	21%	20%
2007	43%	54%	3%
2006	56%	39%	5%
2005	56%	36%	8%
2004	62%	36%	2%
2003	67%	27%	6%

To cover potential unexpected credit losses due to extreme and unpredictable events, the Bank maintains a conservative risk capital cushion for counterparty credit risks in line with the current BIS standards. At the end of 2007 and 2008, the Bank's counterparty credit portfolio including all investments and derivative instruments required as risk capital 2.0% of the Bank's total on-balance sheet risk capital sources.

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. Liquidity risk arises when there is a maturity mismatch between liabilities and assets. The Bank's principal liquidity risk management objective is to hold sufficient liquid resources to enable it to meet all probable cash flow needs for a rolling 1-year horizon without additional financing from the capital markets for an extended period. In order to minimize this risk, the Bank maintains a prudential minimum level of liquidity (PML) based on the projected net cash requirement for a rolling one-year period. The PML is updated quarterly and computed as the sum of four components: 1) 1-year debt service payments; 2) 1-year projected net loan disbursements (loans disbursed less repayments) if greater than zero; 3) loan equivalent value of committed guarantees; and 4) undisbursed equity investments.

To strike a balance between generating adequate investment returns and holding securities that can be easily sold for cash if required, the Bank divides its investment portfolio into tranches with different liquidity objectives and benchmarks. The Bank's core liquidity portfolio (operational portfolio) is invested in highly liquid securities that can be readily liquidated if required to meet the Bank's short term liquidity needs. In addition to the core liquidity portfolio, the Bank maintains a second tranche of liquidity (the prudential portfolio) that is also invested in relatively liquid securities to cover its expected medium-term operational cash flow needs. Probable redemptions of swaps and borrowings with embedded options are included in the computation of the size of the operational tranche of liquidity. A third tranche of liquidity, which is funded by the Bank's equity resources, is held in a portfolio of fixed income securities designated as "held-to-maturity" investments (HTM). Only HTM investments with a remaining maturity of one year or less are considered as liquid investments in the determination of the Bank's minimum liquidity requirements.

The contractual maturities of financial liabilities and future interest payments at December 31, 2008 and 2007 were as follows:

Contractual Maturities of Financial Liabilities and Future Interest Payments at December 31, 2008

(UA thousands)

	Carrying Amount	Contractual Cash Flow	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years
Derivative financial liabilities								
Derivative liabilities	(313,817)	392,483	(24,810)	45,784	8,354	46,050	72,005	245,100
Borrowings at fair value	5,729,808	6,778,890	1,515,244	1,329,497	594,568	328,142	893,128	2,118,311
	5,415,991	7,171,373	1,490,434	1,375,281	602,922	374,192	965,133	2,363,411
Non derivative financial liabilities								
Accounts payable	843,122	843,122	843,122	-	-	-	-	-
Borrowings at amortized cost	977,470	1,418,032	53,026	52,959	60,677	52,052	336,779	862,539
	1,820,592	2,261,154	896,148	52,959	60,677	52,052	336,779	862,539
Total financial liabilities	**7,236,583**	**9,432,527**	**2,386,582**	**1,428,240**	**663,599**	**426,244**	**1,301,912**	**3,225,950**
Represented by:								
Derivative liabilities	(313,817)	392,483	(24,810)	45,784	8,354	46,050	72,005	245,100
Accounts payable	843,122	843,122	843,122	-	-	-	-	-
Borrowings	6,707,278	8,196,922	1,568,270	1,382,456	655,245	380,194	1,229,907	2,980,850

Contractual Maturities of Financial Liabilities and Future Interest Payments at December 31, 2007

(UA thousands)

	Carrying Amount	Contractual Cash Flow	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years
Derivative financial liabilities								
Derivative liabilities	172,458	651,235	42,078	49,125	46,498	(18,772)	1,633	530,673
Borrowings at fair value	5,226,279	6,468,699	1,560,753	1,119,970	1,200,637	257,862	444,335	1,885,142
	5,398,737	7,119,934	1,602,831	1,169,095	1,247,135	239,090	445,968	2,415,815
Non derivative financial liabilities								
Accounts payable	584,339	584,339	584,339	-	-	-	-	-
Borrowings at amortized cost	972,594	1,437,331	232,416	47,693	47,647	47,600	47,559	1,014,416
	1,556,933	2,021,670	816,755	47,693	47,647	47,600	47,559	1,014,416
Total financial liabilities	**6,955,670**	**9,141,604**	**2,419,586**	**1,216,788**	**1,294,782**	**286,690**	**493,527**	**3,430,231**
Represented by:								
Derivative liabilities	172,458	651,235	42,078	49,125	46,498	(18,772)	1,633	530,673
Accounts payable	584,339	584,339	584,339	-	-	-	-	-
Borrowings	6,198,873	7,906,030	1,793,169	1,167,663	1,248,284	305,462	491,894	2,899,558

Currency Exchange Risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. To promote stable growth in its risk bearing capacity, the Bank's principal currency risk management objective is to protect its risk capital from translation risk due to fluctuations in foreign currency exchange rates by matching the currency composition of its net assets to the currency composition of the SDR (UA). The agreement establishing the Bank explicitly prohibits it from taking direct currency exchange exposures by requiring liabilities in any one currency to be matched with assets in the same currency. This is achieved primarily by holding or lending the proceeds of its borrowings (after swap activities) in the same currencies in which they were borrowed (after swap activities). To avoid creating new currency mismatches, the Bank requires its borrowers to service their loans in the currencies disbursed.

Because a large part of its balance sheet is funded by equity resources, which are denominated in Units of Account (equivalent to the SDR), the Bank has a net asset position that is potentially exposed to translation risk when currency exchange rates fluctuate. The Bank's policy is to minimize the potential fluctuation of the value of its net worth measured in Units of Account by matching, to the extent possible, the currency composition of its net assets with the currency basket of the SDR (the Unit of Account). In line with this policy, throughout 2008 the Bank's currency alignment was adjusted within a tight band of the risk-neutral position in each of the currencies making up the SDR composition. In keeping with the Bank's currency risk management policy, spot currency transactions are carried out to realign the net assets to the SDR basket each time there is a revision to the SDR currency composition. As a result of these policies and practices, despite sharp movements in the values of the major currencies during 2007 and 2008, the Bank experienced translation adjustment loss of less than 0.20% of net assets during the two years.

The Bank also hedges its exposure to adverse movements on currency exchange rates on its administrative expenses. The distribution of the currencies of the Bank's recurring administrative expenditures shows a high concentration of expenses in Euros, USD and Tunisian Dinar. For 2008, the Bank's strategy of purchasing currencies in the forward market to cover the estimated currency composition of expenses mitigated the unfavorable impact of those currencies movements during the year.

Net currency position at December 31, 2008 and 2007 was as follows:

Net Currency Position at December 31, 2008

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Sterling	Other	Sub-total	Units of Account	Total
Assets								
Cash	62,614	315,352	168,327	2,533	43,818	592,644	-	592,644
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments - trading [(a)]	599,794	1,077,885	10,803	31,233	232,500	1,952,215	-	1,952,215
Investments - held-to-maturity	821,977	1,198,252	310,967	354,320	-	2,685,516	-	2,685,516
Non-negotiable instruments on account of capital	-	9,000	-	-	-	9,000	2,861	11,861
Accounts receivable	229,376	249,544	68,997	9,048	59,118	616,083	32,932	649,015
Loans	2,889,009	1,897,119	619,945	2,132	323,767	5,731,972	-	5,731,972
Equity participations	7,261	81,740	-	-	35,908	124,909	63,872	188,781
Other debt securities	-	-	-	-	68,797	68,797	-	68,797
Other assets	-	-	-	-	-	-	12,229	12,229
	4,610,031	4,828,892	1,179,039	399,266	767,709	11,784,937	111,894	11,896,831
Liabilities								
Accounts payable	(145,066)	(306,047)	(118,194)	(3,377)	(93,638)	(666,322)	(176,800)	(843,122)
Borrowings	-	(2,707,702)	(2,021,759)	(47,323)	(1,505,282)	(6,282,066)	(425,212)	(6,707,278)
Currency swaps on borrowings and related derivatives [(b)]	(2,707,406)	123,658	1,571,945	28,394	889,392	(94,017)	407,834	313,817
	(2,852,472)	(2,890,091)	(568,008)	(22,306)	(709,528)	(7,042,405)	(194,178)	(7,236,583)
Currency position of equity as at December 31, 2008	**1,757,559**	**1,938,801**	**611,031**	**376,960**	**58,181**	**4,742,532**	**(82,284)**	**4,660,248**
% of sub-total	37.06	40.88	12.88	7.95	1.23	100.00	-	100.00
SDR composition as at December 31, 2008	**37.15**	**41.15**	**13.13**	**8.57**	**-**	**100.00**	**-**	**100.00**

(a) Investments held for trading comprise:

Investments held for trading	1,890,241
Derivative assets	65,474
Derivative liabilities	(3,500)
Amount per statement of net currency position	1,952,215

(b) Currency swaps on borrowings comprise:

Derivative assets	670,616
Derivative liabilities	(356,799)
Net swaps on borrowings per statement of net currency position	313,817

Net Currency Position at December 31, 2007

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Sterling	Other	Sub-total	Units of Account	Total
Assets								
Cash	(2,162)	44,889	46,049	1,696	5,056	95,528	-	95,528
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments - trading (net of repos) [(a)]	792,134	1,639,776	64,142	20,264	175,421	2,691,737	-	2,691,737
Investments - held-to-maturity	724,683	1,188,074	223,793	506,996	-	2,643,546	-	2,643,546
Non negotiable instruments on account of capital	526	11,536	-	-	-	12,062	3,323	15,385
Accounts receivable	172,603	241,632	57,593	18,772	60,793	551,393	19,488	570,881
Loans	2,686,522	1,757,906	525,955	2,864	370,826	5,344,073	-	5,344,073
Equity participations	2,033	58,960	-	-	64,419	125,412	63,836	189,248
Other debt securities	-	-	-	-	94,622	94,622	-	94,622
Other assets	1,492	186	-	659	1,051	3,388	11,641	15,029
	4,377,831	4,942,959	917,532	551,251	775,989	11,565,562	98,288	11,663,850
Liabilities								
Accounts payable	(136,858)	(296,168)	(3,682)	(7,904)	(74,714)	(519,326)	(65,013)	(584,339)
Borrowings	-	(2,671,338)	(1,532,246)	(63,389)	(1,811,940)	(6,078,913)	(119,960)	(6,198,873)
Currency swaps on borrowings and related derivatives [(b)]	(2,534,775)	(111,400)	1,096,639	38,033	1,232,216	(279,287)	106,829	(172,458)
	(2,671,633)	(3,078,906)	(439,289)	(33,260)	(654,438)	(6,877,526)	(78,144)	(6,955,670)
Currency position of equity as at December 31, 2007	**1,706,198**	**1,864,053**	**478,243**	**517,991**	**121,551**	**4,688,036**	**20,144**	**4,708,180**
% of sub-total	36.40	39.76	10.20	11.05	2.59	100.00	-	100.00
SDR composition as at December 31, 2007	**38.25**	**40.05**	**10.24**	**11.46**	**-**	**100.00**	**-**	**100.00**

(a) Investments held for trading comprise:

Investments held for trading, net of repos	2,684,988
Derivative assets	8,997
Derivative liabilities	(2,248)
Amount per statement of net currency position	2,691,737

(b) Currency swaps on borrowings comprise:

Derivative asset	416,341
Derivative liabilities	(588,799)
Net swaps on borrowings per statement of net currency position	(172,458)

Currency Risk Sensitivity Analysis

As described in the previous section, the Bank manages its currency risk exposure by matching, to the extent possible, the currency composition of its net assets with the currency basket of the SDR. The SDR is composed of a basket of four currencies, namely the US dollar, Euro, Japanese yen and Pound sterling. The weight of each currency in the basket is reviewed by the International Monetary Fund every five years and the last revision became effective on January 1, 2006. The SDR rate represents the sum of the interest rate of each currency that is determined based on the weight and the representative exchange rate and interest rate of each currency.

The following tables illustrate the sensitivity of the Bank's net assets to currency fluctuations due to movements in the exchange rate of the currencies in the SDR basket as of December 31, 2008 and 2007, respectively. The sensitivity analysis shown assumes a separate 10% appreciation/depreciation for each currency in the basket against the US dollar. Due to a moderate change in the African currency holdings from 2007 to 2008, the 2008 table also includes the effect of a 10% appreciation/depreciation of each African currency against the SDR. Under the different scenarios, the currency risk management strategy of the Bank shows a minimal change in net assets as a result of currency mismatches.

Sensitivity of the Bank's Net Assets to Currency Fluctuations at December 31, 2008

(Amounts in UA millions)

	US Dollar	Euro	Japanese Yen	Pound Sterling	Other Currencies	Net Assets	Change in Net Assets Gain/(Loss)	Basis Point Change of Total Net Assets
Net assets resulting from a 10% appreciation against the USD								
EUR	1,841.79	1,846.40	578.86	356.65	37.74	4,661.43	1.18	2bps
GBP	1,894.63	1,726.70	595.46	403.57	37.74	4,658.09	(2.15)	5bps
JPY	1,885.79	1,718.64	651.95	365.17	37.74	4,659.29	(0.96)	2bps
Net assets resulting from a 10% appreciation of each African currency against the SDR	1,910.68	1,741.33	600.51	369.99	41.51	4,664.02	3.77	8bps
Net assets resulting from a 10% depreciation against the USD								
EUR	1,977.94	1,638.75	621.65	383.01	37.74	4,659.09	(1.15)	2bps
GBP	1,925.51	1,754.85	605.17	338.96	37.74	4,662.24	1.99	4bps
JPY	1,933.89	1,762.48	552.55	374.48	37.74	4,661.14	0.90	2bps
Net assets resulting from a 10% depreciation of each African currency against the SDR	1,910.68	1,741.33	600.51	369.99	34.31	4,656.82	(3.43)	7bps
Assumptions:								
Base net assets	1,910.68	1,741.33	600.51	369.99	37.74	4,660.25	-	-
Currency weight	0.6320	0.4100	18.4000	0.0903	-	-	-	-
Base exchange rate	1.5445	1.0961	139.3768	1.0656	-	-	-	-

Sensitivity of the Bank's Net Assets to Currency Fluctuations at December 31, 2007

(Amounts in UA millions)

	US Dollar	Euro	Japanese Yen	Pound Sterling	Other Currencies	Net Assets	Change in Net Assets Gain/(Loss)	Basis Point Change of Total Net Assets
Net assets resulting from a 10% appreciation against the USD								
EUR	1,811.72	1,864.67	462.90	501.16	66.54	4,706.99	(1.19)	3bps
GBP	1,859.60	1,739.95	475.13	565.85	66.54	4,707.07	(1.11)	2bps
JPY	1,861.56	1,741.79	523.20	514.95	66.54	4,708.04	(0.14)	*
Net assets resulting from a 10% appreciation of each African currency against the SDR	1,880.89	1,759.88	480.57	520.30	73.20	4,714.84	6.66	14bps
Net assets resulting from a 10% depreciation against the USD								
EUR	1,948.51	1,657.41	497.85	539.00	66.54	4,709.31	1.13	2bps
GBP	1,900.66	1,778.37	485.63	477.97	66.54	4,709.17	0.99	2bps
JPY	1,898.81	1,776.64	441.05	525.25	66.54	4,708.29	0.11	*
Net assets resulting from a 10% depreciation of each African currency against the SDR	1,880.89	1,759.88	480.57	520.30	60.49	4,702.13	(6.05)	13bps
Assumptions:								
Base net assets	1,880.88	1,759.88	480.58	520.30	66.54	4,708.18	-	-
Currency weight	0.6320	0.4100	18.4000	0.0903	-	-	-	-
Base exchange rate	1.5803	1.0735	179.9472	0.7889	-	-	-	-

** Less than 1 basis point.*

Interest Rate Risk

The Bank's interest rate risk sensitivity is comprised of the following two elements:

1) the sensitivity of the interest margin between the rate the Bank earns on its assets and the cost of the borrowings funding such assets;

2) the sensitivity of the income on assets funded by equity resources to changes in interest rates.

The Bank's principal interest rate risk management objective is to generate a stable overall net interest margin that is not overly sensitive to sharp changes in market interest rates, but yet adequately responsive to general market trends.

Interest rate risk position as at December 31, 2008 and 2007 was as follows:

Interest Rate Risk Position as at December 31, 2008

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	592,644	-	-	-	-	-	-	592,644
Demand obligations	3,801	-	-	-	-	-	-	3,801
Treasury investments [(a)]	2,341,183	349,275	464,262	328,291	365,339	883,087	(93,706)	4,637,731
Non-negotiable instruments on account of capital	3,691	3,770	1,596	1,066	777	961	-	11,861
Accounts receivable	746,441	-	-	-	-	-	(97,426)	649,015
Loans – disbursed and outstanding	3,209,264	221,215	162,691	165,624	298,883	1,776,937	-	5,834,614
Accumulated provision for loan impairment	-	-	-	-	-	-	(102,642)	(102,642)
Equity participations	-	-	-	-	-	-	188,781	188,781
Other debt securities	-	-	-	-	-	69,773	(976)	68,797
Other assets	-	-	-	-	-	-	12,229	12,229
	6,897,024	574,260	628,549	494,981	664,999	2,730,758	(93,740)	11,896,831
Liabilities								
Accounts payable	(843,122)	-	-	-	-	-	-	(843,122)
Borrowings [(b)]	(5,357,460)	(68,172)	(199)	(199)	(284,969)	(765,121)	82,658	(6,393,461)
Macro hedge swaps	(549,537)	-	-	77,908	73,850	397,779	-	-
	(6,750,119)	(68,172)	(199)	77,709	(211,119)	(367,342)	82,658	(7,236,583)
Interest rate risk position as at December 31, 2008*	**146,905**	**506,088**	**628,350**	**572,690**	**453,880**	**2,363,416**	**(11,082)**	**4,660,248**

**Interest rate risk position represents equity.*

(a) Treasury investments comprise:

Treasury investments	4,575,756
Derivative assets – investments	65,475
Derivative liabilities – investments	(3,500)
Amount per statement of interest rate risk	4,637,731

(b) Borrowings comprise:

Borrowings	6,707,278
Derivative assets – borrowings	(670,616)
Derivative liabilities – borrowings	356,799
Net borrowings per statement of interest rate risk	6,393,461

Interest Rate Risk Position as at December 31, 2007

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	95,528	-	-	-	-	-	-	95,528
Demand obligations	3,801	-	-	-	-	-	-	3,801
Treasury investments [(a)]	2,965,545	378,568	357,080	454,262	305,483	891,882	(17,537)	5,335,283
Non-negotiable instruments on account of capital	3,655	3,616	3,694	1,575	1,046	1,799	-	15,385
Accounts receivable	739,581	-	-	-	-	-	(168,700)	570,881
Loans – disbursed and outstanding	2,979,075	216,388	146,020	222,674	147,551	1,828,381	-	5,540,089
Accumulated provision for loan impairment	-	-	-	-	-	-	(196,016)	(196,016)
Equity participations	-	-	-	-	-	-	189,248	189,248
Other debt securities	-	-	-	-	-	92,924	1,698	94,622
Other assets	-	-	-	-	-	-	15,029	15,029
	6,787,185	598,572	506,794	678,511	454,080	2,814,986	(176,278)	11,663,850
Liabilities								
Accounts payable	(584,339)	-	-	-	-	-	-	(584,339)
Borrowings [(b)]	(5,399,080)	(60,675)	(236)	(69,285)	(236)	(831,390)	(10,429)	(6,371,331)
Macro hedge swaps	(389,812)	42,398	-	-	-	347,414	-	-
	(6,373,231)	(18,277)	(236)	(69,285)	(236)	(483,976)	(10,429)	(6,955,670)
Interest rate risk position as at December 31, 2007*	**413,954**	**580,295**	**506,558**	**609,226**	**453,844**	**2,331,010**	**(186,707)**	**4,708,180**

* *Interest rate risk position represents equity.*

(a) Treasury investments comprise:

Treasury investments	5,328,534
Derivative assets – investments	8,997
Derivative liabilities – investments	(2,248)
Amount per statement of interest rate risk	5,335,283

(b) Borrowings comprise:

Borrowings	6,198,873
Derivative assets – borrowings	(416,341)
Derivative liabilities – borrowings	588,799
Net borrowings per statement of interest rate risk	6,371,331

Interest Rate Risk on Assets Funded by Debt

Over half of the Bank's interest-rate-sensitive assets are funded by debt. The Bank seeks to generate a stable net interest margin on assets funded by debt by matching the interest rate characteristics of each class of assets with those of the corresponding liabilities.

In 1990, the Bank began offering "variable rate" loans. The interest rate on these loans resets semi-annually based on the average cost of a dedicated pool of the Bank's borrowings. These pools are funded with a mix of fixed rate and floating rate borrowings to provide borrowers with broadly stable interest rates that gradually track changes in market interest rates. The cost of funds pass-through formulation incorporated in the lending rates charged on the Bank's pool-based loans has traditionally helped to minimize the interest rate sensitivity of the net interest margin on this part of its loan portfolio. In view of declining demand for this product in favor of market-based loans, the Bank is carefully managing the gradual winding down of the designated funding pools.

Since 1997, the Bank offers fixed and floating rate loans whose interest rate is directly linked to market interest rates (market-based loans). For the market-based loan products, the Bank's net interest margin is preserved by using swaps to align the interest rate sensitivity of the loans with that of the Bank's underlying funding reference (six-month Libor floating rate). The Bank may also provide borrowers with risk management products such as swaps to modify the currency and interest rate terms of its market-based loan products. Although it retains the credit risks of the borrower, the Bank eliminates the associated market risk on these risk management products by simultaneously laying off market risks with an approved derivative counterparty.

For the portfolio of liquid assets funded by borrowings, the Bank protects its net interest margin by managing its investments within limits around benchmarks that replicate the interest rate characteristics of the underlying funding for each portfolio tranche. The portfolio of liquid assets funded by borrowings is currently divided into two tranches to reflect the different business purposes and underlying funding. The core part of the investment portfolio is held to comply with the Bank's liquidity policy and uses a six-month Libor floating rate benchmark. The operational liquidity portfolio is managed to meet projected operational cash flow needs and uses a one-month Libor floating rate benchmark.

The Bank diversifies the sources of its funding by issuing debt in a variety of markets and instruments. Unless fixed rate funding is required for one of its pool-based loan products, the Bank protects its net interest margin by simultaneously swapping all new borrowings into floating rate in one of the Bank's active currencies on a standard six-month Libor rate reference. Where the Bank issues structured debt, the Bank simultaneously enters into a swap with matching terms to synthetically create the desired six-month Libor-based floating rate funding. For risk management purposes, callable funding is considered as one alternative to issuing short-term debt such as Euro Commercial Paper. The Bank manages refinancing risk by limiting the amount of debt that will mature or is potentially callable within one year to 25% of the outstanding debt portfolio.

Interest Rate Risk on Assets Funded by Equity

The second principal source of interest rate risk is the interest rate sensitivity of the income earned from funding a significant portion of the Bank's assets with equity resources. Changes in market interest rates in the currencies of the Bank's equity resources (the SDR) affect the net interest margin earned on assets funded by equity. In general, lower nominal market interest rates result in lower lending and investment rates, which in the long-term; reduce the nominal earnings on the Bank's equity resources.

The Bank manages the interest rate profile of the assets funded by equity resources with the objective of reducing the sensitivity of the net interest margin to fluctuations in market interest rates. This is achieved by continuously adjusting the repricing profile of the assets funded by the Bank's equity resources (fixed rate loans and investments) to match a repricing profile benchmark. The Bank's repricing profile benchmark is a 10-year ladder whereby a uniform 10% of the Bank's assets funded by equity reprice in each year. Using this benchmark, the Bank's net interest margin on assets funded by equity tends to track a ten-year moving average of 10-year maturity SDR interest rates. At the end of 2008 and 2007, the Bank's overall repricing profile was closely aligned to the benchmark in almost all annual buckets. For net assets repricing within one year, the Bank had a manageable gap relative to the benchmark.

Interest Rate Risk Sensitivity Analysis

Net Interest Margin Sensitivity

The table below details the repricing gap by currency as of December 31, 2008 and 2007, respectively. A parallel upward shift in the SDR curve of 100 bps would have generated a maximum loss of UA 5.97 million and UA 8.13 million as of December 31, 2008 and 2007, respectively.

(UA millions)	**2008**	2007
USD	177	304
EUR	311	379
GBP	67	78
JPY	42	52
Total repricing gap	**597**	**813**
Loss due to a 100bps upwards shift in the SDR curve	5.97	8.13

Fair Value Sensitivity

Movements in interest rates also have an impact on the values of assets and liabilities that are reported in the financial statements at fair value through profit or loss. The table below shows the effect of a parallel yield curve movement of +/- 100 bps of each of the currencies in the trading investment portfolio and the borrowings and derivative portfolios as of December 31, 2008 and 2007, respectively. However, due to the low level of interest rates across the Japanese Yen yield curve, the sensitivity analysis for assets and liabilities denominated in Japanese Yen reflect a parallel movement in the yield curve of +/- 20 bps.

(UA thousands)

	Upward Parallel Shift		**Downward Parallel Shift**	
	2008	2007	**2008**	2007
	Gain/(Loss)	**Gain/(Loss)**	**Gain/(Loss)**	**Gain/(Loss)**
Held-for-trading investments	(3,933)	(9,982)	4,294	11,478
Fair-valued borrowings and derivative portfolios	177,141	65,809	(182,492)	(74,278)

Prepayment Risk

In addition to the two principal sources of interest rate risk described above, the Bank is exposed to prepayment risk on loans committed before 1997. Although the Bank is unable to charge a prepayment penalty on such older loans, in practice the level of prepayments has generally been within acceptable levels. In 2003 and 2004, however, driven by low market interest rates, contracting credit spreads for emerging market borrowers and enhanced debt management by several sovereign borrowers, total loan prepayments increased sharply to UA 471 million and UA 542 million, respectively. In 2005, prepayments of pre-1997 loans declined sharply to UA 70 million, due in large part to increased market interest rates. For all market-based loans issued since 1997, the Bank protects itself from prepayment risk by linking the prepayment penalty to the cost of redeploying the funds at current market rates. In 2006, total prepayments of UA 298 million included an amount of UA 192 million in respect of market-based floating rate loans, while in 2007; total prepayment amounted to UA 199 million, of which 98% related to market-based loans. Prepayment in 2008 amounted to UA 17 million.

Operational Risk

The Bank defines operational risks to include all aspects of risk-related exposure other than those falling within the scope of credit, market and liquidity risks including specifically the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and reputational risk.

Like all financial institutions, the Bank is also exposed to controls and operational risks arising from its systems, functions and interdependencies among its departments, which could impact broadly its activities with a possible consequence of operational losses. There are also many interdependencies among risk factors that may result in an operational risk loss.

Following approval by the Board of Directors in 2004, the Bank established an Internal Control Unit (ICU) to among other duties implement the COSO control framework to regularly evaluate the effectiveness of its internal controls in all significant business operations, as the start of a broader and phased Operational Risk Management Program. The first phase focused on the documentation and testing of controls around financial reporting. Management attestation on the adequacy of internal controls was published in the annual reports for the first time in 2006. Phase two of the implementation extending the COSO framework to other areas of operational risk management commenced in 2007 and is still ongoing.

The Bank's revised Capital Adequacy and Exposure Management Policy which is currently under consideration by the Board of Directors of the Bank, envisages setting aside a risk capital charge of 15% of the average Operating Income for the preceding 3 years, in line with Basle II recommendations.

There are other initiatives or activities in the other areas of the Bank Group that are complementing the work on operational risk management and controls including:

- Review of Code of Conduct and Staff Rules
- Fraud and Investigation Unit
- Whistleblower Protection Policy
- Document Retention Policy
- Business Continuity Planning and Preparedness

Effects of Recent Developments in the Financial Markets

Although the Bank was also affected by the global crisis that affected the world financial markets through 2008, as a result of its prudent risk management policies and practices, the impact on the Bank has been reasonably mitigated. With regards to the funding activities, notwithstanding the significant increases in credit spreads, there has been no serious adverse effect on the Bank's ability to borrow competitively, consistent with the Bank's solid financial position as evidenced by the continued uniform top rating by all the major rating agencies. The Bank continues to be well placed to play its intermediation role in support of the development financing needs of its member countries. With regards to investment activities, the trading portfolio suffered a significant realized and unrealized losses while some of the held-to-maturity and available for sale investments also suffered impairment losses. In 2008, realized and unrealized losses on trading investments amounted to UA 74.29 million. Impairment provisions on certain financial assets amounted to UA 56.60 million. Actuarial valuation losses of UA 85.51 million and mark-to-market adjustments on available-for-sale investments of UA 18.18 million were charged against reserves through the Statement of Recognized Income and Expenses.

NOTE E – FINANCIAL ASSETS AND LIABILITIES

The tables below set out the Bank's classification of each class of financial assets and liabilities, and their respective fair values:

Analysis of Financial Assets and Liabilities by Measurement Basis

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss							
December 31, 2008	Held-for-Trading	Designated at Fair Value	Held-to-Maturity	Available-for-Sale	Loans and Receivables	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	-	-	592,644	592,644	592,644
Demand obligations	-	-	-	-	-	3,801	3,801	3,801
Treasury investments	1,890,241	-	2,685,515	-	-	-	4,575,756	4,616,249
Derivative assets	736,091	-	-	-	-	-	736,091	736,091
Non-negotiable instruments on account of capital	-	-	-	-	-	11,861	11,861	11,861
Accounts receivable	-	-	-	-	649,015	-	649,015	649,015
Loans	-	-	-	-	5,731,972	-	5,731,972	6,034,576
Equity participations	-	-	-	188,781	-	-	188,781	188,781
Other debt securities	-	-	-	68,797	-	-	68,797	68,797
Total financial assets	**2,626,332**	**-**	**2,685,515**	**257,578**	**6,380,987**	**608,306**	**12,558,718**	**12,901,815**
Accounts payable	-	-	-	-	-	843,122	843,122	843,122
Derivative liabilities	360,299	-	-	-	-	-	360,299	360,299
Borrowings	-	5,729,808	-	-	-	977,470	6,707,278	7,001,111
Total financial liabilities	**360,299**	**5,729,808**	**-**	**-**	**-**	**1,820,592**	**7,910,699**	**8,204,532**

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss							
December 31, 2007	Held-for-Trading	Designated at Fair Value	Held-to-Maturity	Available-for-Sale	Loans and Receivables	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	-	-	95,528	95,528	95,528
Demand obligations	-	-	-	-	-	3,801	3,801	3,801
Treasury investments	2,684,988	-	2,643,546	-	-	-	5,328,534	5,321,585
Derivative assets	425,338	-	-	-	-	-	425,338	425,338
Non-negotiable instruments on account of capital	-	-	-	-	-	15,385	15,385	15,385
Accounts receivable	-	-	-	-	570,881	-	570,881	570,881
Loans	-	-	-	-	5,344,073	-	5,344,073	5,637,708
Equity participations	-	-	-	189,248	-	-	189,248	189,248
Other debt securities	-	-	-	94,622	-	-	94,622	94,622
Total financial assets	**3,110,326**	**-**	**2,643,546**	**283,870**	**5,914,954**	**114,714**	**12,067,410**	**12,354,096**
Accounts payable	-	-	-	-	-	584,339	584,339	584,339
Derivative liabilities	591,047	-	-	-	-	-	591,047	591,047
Borrowings	-	5,226,279	-	-	-	972,594	6,198,873	6,396,478
Total financial liabilities	**591,047**	**5,226,279**	**-**	**-**	**-**	**1,556,933**	**7,374,259**	**7,571,864**

The table below classifies the Bank's financial instruments that were carried at fair value at December 31, 2008 into three levels reflecting the relative reliability of the measurement bases, with level 1 as the most reliable.

(UA thousands)

	Quoted prices in active markets for the same instrument (Level 1)	Valuation techniques for which all significant inputs are based on observable market data (Level 2)	Valuation techniques for which any significant input is not based on observable market data (Level 3)	Total
Treasury investments	1,575,958	300,000	14,283	1,890,241
Derivative assets	-	736,091	-	736,091
Equity participations	19,412	-	169,369	188,781
Other debt securities	68,797	-	-	68,797
Total financial assets	**1,664,167**	**1,036,091**	**183,652**	**2,883,910**
Derivative liabilities	-	(360,299)	-	(360,299)
Borrowings	(1,593,727)	(4,136,081)	-	(5,729,808)
Total financial liabilities	**(1,593,727)**	**(4,496,380)**	-	**(6,090,107)**

Fair value measurement of financial instruments using valuation technique with no significant input from observable market data (level 3 hierarchy) at December 31, 2008 is made up as follows:

(UA thousands)

	Held -for- Trading Treasury Investments	Available-for-Sale Equity Participations	Total
Balance at January 1, 2008	24,994	143,588	168,582
Losses recognized in income statement	(11,179)	(3,424)	(14,603)
Losses in statement of recognized income and expense	-	(4,472)	(4,472)
Purchases, issues and settlements (net)	-	36,693	36,693
Translation adjustments	468	(3,016)	(2,548)
Balance at December 31, 2008	**14,283**	**169,369**	**183,652**

The unamortized balances of day one profit at December 31, 2008 and 2007 were made up as follows:

(UA thousands)	**2008**	2007
Balance at January 1	17,594	3,678
New transactions	74,162	10,349
Amounts recognized in income statement during the year	2,270	2,638
Currency translation adjustment	5,800	929
Balance at December 31	**99,826**	**17,594**

NOTE F – TREASURY INVESTMENTS

As part of its overall portfolio management strategy, the Bank invests in government and agency obligations, time deposits, asset-backed securities, secured lending transactions, resale agreements and related derivative instruments including futures, forward contracts, cross-currency swaps, interest rate swaps, options and short sales.

For government and agency obligations with final maturity longer than 1 year and less than 15 years, the Bank may only invest in obligations with counterparties having a minimum credit rating of AA- or unconditionally guaranteed by governments of member countries or other official entities. For asset-backed securities, the Bank may only invest in securities with a AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than 1 year and a minimum credit rating of A. Over-the-counter (OTC) options on government securities and interest rate products are purchased only if the life of the option contract does not exceed 1 year, and such transactions are only executed with counterparties with credit ratings of AA- or above. Cross-currency and interest rate swaps including asset swap transactions are only permitted with approved counterparties or guaranteed by entities with minimum credit ratings of AA-/Aa3 at the time of the transaction.

As at December 31, 2008, the Bank had received collateral with fair value of UA 234.50 million in connection with swap agreements. Of this amount, a total UA 111.79 million was in the form of cash and has been recorded on the balance sheet with a corresponding liability included in "Other accounts payable". The balance of UA 122.71 million was in the form of liquid financial assets.

The Bank also uses external managers in the management of certain of its liquid assets, in accordance with the Bank's Asset and Liability Management Guidelines. At December 31, 2008, investments under external management were UA 127.36 million (2007: UA 154.85 million). These amounts were included in the held-for-trading portfolio below.

At December 31, 2008 and 2007, the Bank had no securities sold under repurchase agreements (repos). The composition of treasury investments as at December 31, 2008 and 2007 was as follows:

(UA thousands)	**2008**	2007
Held-for-trading	1,890,240	2,684,988
Held-to-maturity	2,723,909	2,643,546
Provision for impairment on investments	(38,393)	-
Total	**4,575,756**	**5,328,534**

Held-for-Trading Investments

A summary of the Bank's held-for-trading investments at December 31, 2008 and 2007 follows:

(UA millions)

	US Dollar		**Euro**		**GBP**		**Other Currencies**		**All Currencies**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Time Deposits	1.50	447.82	355.69	251.76	31.23	20.26	223.06	215.24	611.48	935.08
Asset-Backed Securities	182.26	278.89	93.02	156.30	-	-	-	-	275.28	435.19
Government and Agency Obligations	272.26	47.61	13.52	-	-	-	4.14	-	289.92	47.61
Corporate Bonds	233.36	395.09	39.00	122.28	-	-	6.67	13.95	279.03	531.32
Financial Institutions	327.57	462.58	96.20	261.92	-	-	5.62	10.40	429.39	734.90
Supranational	1.30	0.89	-	-	-	-	3.84	-	5.14	0.89
Total held-for-trading investments	**1,018.25**	**1,632.88**	**597.43**	**792.26**	**31.23**	**20.26**	**243.33**	**239.59**	**1,890.24**	**2,684.99**

The nominal balance of the Bank's held-for-trading investments as at December 31, 2008 was UA 1,685.20 million (2007: UA 2,650.03 million). The average yield of held-for-trading investments in 2008 was 0.65% (2007: 4.54%).

The contractual maturity structure of held-for-trading investments as at December 31, 2008 and 2007 was as follows:

(UA millions)	2008	2007
One year or less	1,291.00	1,285.07
More than one year but less than two years	280.79	576.19
More than two years but less than three years	130.88	349.37
More than three years but less than four years	23.38	106.07
More than four years but less than five years	19.76	16.59
More than five years	144.43	351.70
Total	**1,890.24**	**2,684.99**

Held-to-Maturity Investments

A summary of the Bank's held-to-maturity investments at December 31, 2008 and 2007 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Time Deposits	-	3.71	-	-	-	-	-	20.41	-	24.12
Asset-Backed Securities	186.18	181.11	48.99	31.91	-	-	-	-	235.17	213.02
Government and Agency Obligations	375.41	329.85	248.37	120.28	162.81	82.09	125.30	96.96	911.89	629.18
Corporate Bonds	316.61	309.84	167.45	196.42	61.47	68.83	59.81	8.98	605.34	584.07
Financial Institutions	136.79	201.98	225.27	319.26	10.66	174.38	80.86	71.92	453.58	767.54
Supranational	218.12	161.59	132.88	56.81	121.93	181.70	45.00	25.52	517.93	425.62
Total held-for-trading investments	**1,233.11**	**1,188.08**	**822.96**	**724.68**	**356.87**	**507.00**	**310.97**	**223.79**	**2,723.91**	**2,643.55**

The nominal balance of the Bank's held-to-maturity investments as at December 31, 2008, was UA 2,761.04 million (2007: UA 2,661.08 million). The average yield of held-to-maturity investments in 2008 was 5.84% (2007: 4.21%).

The contractual maturity structure of held-to-maturity investments as at December 31, 2008 and 2007 was as follows:

(UA millions)	2008	2007
One year or less	371.28	274.05
More than one year but less than two years	353.45	380.01
More than two years but less than three years	467.18	363.48
More than three years but less than four years	327.66	458.56
More than four years but less than five years	363.45	303.80
More than five years	840.89	863.65
Total	**2,723.91**	**2,643.55**

The fair value of held-to-maturity investments at December 31, 2008 was UA 2,726.01 million (2007: UA 2,636.60 million).

NOTE G – DERIVATIVE ASSETS AND LIABILITIES

The fair values of derivative financial assets and financial liabilities at December 31, 2008 and 2007 were as follows:

	2008		2007	
(UA thousands)	Assets	Liabilities	Assets	Liabilities
Borrowings-related:				
Cross-currency swaps	495,882	319,177	318,039	560,594
Interest rate swaps	163,845	2,668	74,365	16,697
Loan swaps	10,635	34,134	23,635	10,546
Embedded derivatives	254	820	302	962
	670,616	356,799	416,341	588,799
Investments-related:				
Asset swaps	33	3,500	42	2,233
Macro-hedge swaps	65,442	-	8,955	15
	65,475	3,500	8,997	2,248
Total	**736,091**	**360,299**	**425,338**	**591,047**

The notional amounts of derivative financial assets and financial liabilities at December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Borrowings-related:		
Cross-currency swaps	5,006,327	4,403,494
Interest rate swaps	2,505,259	3,542,754
Loan swaps	997,002	952,633
Embedded derivatives	167,257	18,339
	8,675,845	8,917,220
Investments-related:		
Asset swaps	94,746	108,456
Macro-hedge swaps	525,678	228,911
	620,424	337,367
Total	**9,296,269**	**9,254,587**

Loan Swaps

The Bank has entered into interest rate swaps to effectively convert fixed rate income on loans in certain currencies into variable rate income.

Administrative Expenses Hedge

To insulate the Bank from possible significant increases in administrative expenses that could arise from an appreciation of the principal currencies of administrative expenditure i.e. EUR, GBP and USD vis-à-vis the UA, the Bank executed forward exchange transactions to economically hedge its administrative expenses. As at December 31, 2008 and 2007, there were no open positions with respect to the forward exchange transactions.

NOTE H – NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL

Prior to May 1981, all payments in respect of paid-up capital had been made in convertible currencies. However, for the capital increases authorized in May 1979 (but effective December 1982) and May 1981, regional members had the following two options for making their payments:

1) Five (5) equal annual installments, of which at least 50 percent is payable in convertible currency and the remainder in local currency;
   or
2) Five (5) equal annual installments, of which 20 percent is payable in convertible currency and 80 percent in non-negotiable, non-interest bearing notes. Such notes are redeemable by the Bank solely in convertible currency in installments commencing on the fifth anniversary of the first subscription payment date.

Non-regional members were required to make their payments solely in convertible currencies.

The paid-up portion of subscriptions, authorized in accordance with Board of Governors' Resolution B/BG/87/11 relating to the Fourth General Capital Increase (GCI-IV), is to be paid as follows:

1) **Regional Members** – 50 percent in five (5) equal annual installments in cash in freely convertible currency or freely convertible currencies selected by the member state, and 50 percent by the deposit of five non-negotiable, non-interest bearing notes of equal value denominated in Units of Account. Such notes are redeemable by the Bank solely in convertible currency in five (5) equal annual installments commencing on the fifth anniversary of the first subscription payment date.

2) **Non-Regional Members** – five (5) equal annual installments in their national currencies, where such currencies are freely convertible or in notes denominated in freely convertible currencies encashable on demand.

Under the Fifth General Capital Increase (GCI-V), there is no distinction in payment arrangements between regional and non-regional members. Each member is required to pay for the paid-up portion of its subscribed shares in eight (8) equal and consecutive annual installments. The first installments shall be paid in cash and in a freely convertible currency. The second to the eighth installments shall be paid in cash or notes encashable on demand in a freely convertible currency.

At December 31, 2008 and 2007, the non-negotiable notes balances were as follows:

(UA thousands)	2008	2007
Balance at January 1	15,385	20,383
Net movement for the year	(3,524)	(4,998)
Balance at December 31	**11,861**	**15,385**

NOTE I – LOANS

The Bank's loan portfolio comprises loans granted to, or guaranteed by borrowing member countries as well as certain other non-sovereign guaranteed loans. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programs, and are not intended for sale. Furthermore, management does not believe there is a comparable secondary market for the type of loans made by the Bank.

The types of loans currently held by the Bank and the rates charged are described below:

Multi-Currency Fixed Rate Loans: For all loans negotiated prior to July 1, 1990, the Bank charges interest at fixed rates.

Multi-Currency Variable Rate Loans: Between July 1, 1990 and September 30, 1997, the Bank offered variable rate loans to its borrowers. The variable interest rate is reset twice a year and is based on the Bank's own cost of qualified borrowing plus 50 basis points, resulting in a pass-through of average borrowing costs to borrowers.

Conversion of Multi-Currency Pool-Based Variable Rate Loans: Borrowers were offered the choice to convert the disbursed and undisbursed amounts of their multi-currency pool-based variable rate to single currency variable terms or retain the terms of their existing multi-currency pool-based variable rate loans. The conversion dates were October 1, 1997 and March 1, 1998. The other terms and conditions of converted loans remained the same as in the original loan agreements. Since October 1, 1997, the Bank has provided several alternative interest rate mechanisms. In all cases, the applicable rate of interest is the sum of two components, namely, the chosen base rate plus a lending margin.

Single Currency Variable Rate Loans: Since October 1, 1997, the Bank has offered single currency variable rate loans. The variable base rate is the average cost of funding a designated pool of borrowings in each currency and is adjusted semi-annually on January 1 and July 1.

Single Currency Floating Rate Loans: Since October 1, 1997, the Bank has offered LIBOR-based single currency floating rate loans. The floating base rate is determined for each currency and reset frequency is based on the Bank's selected reference interest rate in each market. The Bank's standard floating base rate is the six (6)-month reference rate (USD LIBOR, JPY LIBOR, EURIBOR and JIBAR) which is reset semi-annually on February 1 and August 1 and is applicable for the six-month period following the reset date.

Single Currency Fixed Rate Loans: Fixed rate loans were reintroduced with effect from October 1997 in the form of single currency fixed rate loans. The fixed rate is computed as the inter-bank swap market rate corresponding to the principal amortization schedule.

Lending Margin: The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin determined by the Bank is independent of the base rate chosen, and remains unchanged throughout the life of the loan. The lending margin for sovereign guaranteed loans is fixed at 40 to 50 basis points. For non-sovereign guaranteed loans, the lending margin is based on the Bank's assessment of the risks inherent in each project.

At December 31, 2008 and 2007, outstanding loans were as follows:

(UA thousands)	**2008**	2007
Disbursed and outstanding loans	5,834,615	5,540,089
Less: accumulated provision for impairment	(102,643)	(196,016)
Balance at December 31	**5,731,972**	**5,344,073**

Fair Value of Loans

At December 31, 2008 and 2007, the carrying and estimated fair values of outstanding loans were as follows:

(UA thousands)	2008		2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fixed rate loans	3,152,624	3,630,774	2,889,112	3,176,494
Floating rate loans	1,884,110	1,749,278	1,764,346	1,708,687
Variable rate loans	797,881	654,524	886,631	752,527
	5,834,615	6,034,576	5,540,089	5,637,708
Accumulated provision for impairment	(102,643)	-	(196,016)	-
Net loans	**5,731,972**	**6,034,576**	**5,344,073**	**5,637,708**

Maturity and Currency Composition of Outstanding Loans

The contractual maturity structure of outstanding loans as at December 31, 2008 and 2007 was as follows:

(UA millions)	2008				2007
Periods	**Fixed Rate**	**Floating Rate**	**Variable Rate**	**Total**	**Total**
One year or less	371.59	179.74	394.82	946.15	925.79
More than one year but less than two years	184.35	179.35	141.53	505.23	478.40
More than two years but less than three years	195.57	161.93	122.34	479.84	469.29
More than three years but less than four years	208.19	173.39	65.77	447.35	431.72
More than four years but less than five years	213.49	177.16	40.28	430.93	392.88
More than five years	1,979.44	1,012.54	33.14	3,025.12	2,842.01
Total	**3,152.63**	**1,884.11**	**797.88**	**5,834.62**	**5,540.09**

Borrowers may repay loans before their contractual maturity, subject to the terms specified in the loan agreements.

The currency composition and types of outstanding loans as at December 31, 2008 and 2007 were as follows:

(Amounts in UA millions)			2008		2007	
			Amount	**%**	**Amount**	**%**
Fixed Rate:	Multi-Currency	Euro	126.75		155.83	
		Japanese Yen	438.33		381.32	
		Pound Sterling	2.30		3.09	
		Swiss Franc	158.65		156.38	
		US Dollar	285.81		320.96	
		Others	0.61		0.96	
			1,012.45	17.35	1,018.54	18.38
	Single Currency	Euro	1,943.88		1,690.28	
		Japanese Yen	14.52		12.67	
		Pound Sterling	-		-	
		South African Rand	56.80		69.30	
		Swiss Franc	-		-	
		US Dollar	124.97		98.32	
		Others	-		-	
			2,140.17	36.68	1,870.57	33.76
Floating Rate:	Single Currency	Euro	517.98		517.34	
		Japanese Yen	24.05		12.27	
		South African Rand	93.40		137.48	
		US Dollar	1,248.68		1,097.26	
			1,884.11	32.29	1,764.35	31.85
Variable Rate:	Multi-Currency	Euro	143.98		175.58	
		Japanese Yen	33.31		33.99	
		Swiss Franc	0.78		0.95	
		US Dollar	146.89		158.17	
		Others	0.11		0.18	
			325.07	5.58	368.87	6.66
	Single Currency	Euro	179.11		214.67	
		Japanese Yen	121.79		111.92	
		Swiss Franc	15.18		16.22	
		US Dollar	156.72		174.92	
		Others	0.02		0.03	
			472.82	8.10	517.76	9.35
Total			**5,834.62**	**100.00**	**5,540.09**	**100.00**

The weighted-average yield on outstanding loans for the year ended December 31, 2008 was 6.21% (2007: 6.21%).

A comparative summary of the currency composition of outstanding loans at December 31, 2008 and 2007 follows:

(Amounts in UA millions)	2008		2007	
	Amount	**%**	**Amount**	**%**
Euro	2,911.70	49.90	2,753.69	49.70
Japanese Yen	632.01	10.84	552.17	9.97
Pound Sterling	2.30	0.04	3.09	0.06
South African Rand	150.20	2.57	206.78	3.73
Swiss Franc	174.61	2.99	173.55	3.13
US Dollar	1,963.06	33.65	1,849.64	33.39
Others	0.74	0.01	1.17	0.02
Total	**5,834.62**	**100.00**	**5,540.09**	**100.00**

Accrued Income and Charges Receivables on Loans

The accrued income and charges receivable on loans as at December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Accrued income and charges receivables on loans	452,097	435,850
Less: accumulated provision for impairment	(115,631)	(168,701)
Balance at December 31	**336,466**	**267,149**

Provision for Impairment on Loan Principal and Charges Receivable

At December 31, 2008, outstanding loans with an aggregate principal balance of UA 275.33 million (2007: UA 603.44 million), of which UA 226.73 million (2007: UA 418.22 million) was overdue, were considered to be impaired. The gross amounts of loans and charges receivable that were impaired and the cumulative impairment on them at December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Outstanding principal balance on impaired loans	275,327	603,437
Less: accumulated provision for impairment	(102,643)	(196,016)
Net balance on impaired loans	**172,684**	**407,421**
Charges receivable and accrued income on impaired loans	173,393	261,895
Less: accumulated provision for impairment	(115,631)	(168,701)
Net charges receivable and accrued income on impaired loans	**57,762**	**93,194**

The movements in the accumulated provision for impairment on outstanding loan principal for the years ended December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Balance at January 1	196,016	214,180
Provision for impairment on loan principal for the year	(101,479)	(17,453)
Translation effects	8,106	(711)
Balance at December 31	**102,643**	**196,016**

Accumulated provision for loan impairment included those relating to private sector loans. During the year ended December 31, 2008, there were no additional impairment provisions on private sector loans (2007: write-back of UA 2.66 million). The accumulated provisions on private sector loans at December 31, 2008 amounted to UA 12.39 million.

The movements in the accumulated provision for impairment on loan interest and charges receivable for the years ended December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Balance at January 1	168,701	222,588
Provision for impairment on loan charges for the year	(61,798)	(52,503)
Translation effects	8,728	(1,384)
Balance at December 31	**115,631**	**168,701**

Guarantees

The Bank may enter into special irrevocable commitments to pay amounts to the borrowers or other parties for goods and services to be financed under loan agreements. At December 31, 2008, irrevocable reimbursement guarantees issued by the Bank to commercial banks on undisbursed loans amounted to UA 1.22 million (2007: UA 1.27 million).

Also, the Bank may provide guarantees for securities issued by an entity eligible for the Bank's loans. Guarantees are regarded as outstanding when the borrower incurs the underlying financial obligation and are called when a guaranteed party demands payment under the guarantee. Guarantees represent potential risk to the Bank if the payments guaranteed for an entity are not made. At December 31, 2008 and 2007, the Bank had no outstanding guarantee to any entity.

NOTE J – EQUITY PARTICIPATIONS

Investment in ADF

The ADF was established in 1972 as an international institution to assist the Bank in contributing to the economic and social development of African countries, to promote co-operation and increased international trade particularly among the African countries, and to provide financing on highly concessional terms for such purposes. The Fund's original subscriptions were provided by the Bank and the original State Participants to the ADF Agreement, and State Participants acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of Special General Increases and General Replenishments.

The ADF has a 12-member Board of Directors, made up of 6 members selected by the African Development Bank and 6 members selected by State Participants. The Fund's Board of Directors reports to the Board of Governors made up of representatives of the State Participants and the ADB. The President of the Bank is the ex-officio President of the Fund.

To carry out its functions, the Fund utilizes the offices, staff, organization, services and facilities of the Bank, for which it pays a share of the administrative expenses. The share of administrative expenses paid by the Fund to the Bank is calculated annually on the basis of a cost-sharing formula, approved by the Board of Directors, which is driven in large part by the number of programs and projects executed during the year. Based on the cost-sharing formula, the share of administrative expenses incurred by ADF for the year ended December 31, 2008 amounted to UA 138.10 million (2007: UA 135.85 million), representing 72.13 percent (2007: 73.06 percent) of the shareable administrative expenses incurred by the Bank. The accounts of the ADF are kept separate and distinct from those of the Bank.

Although the ADB by agreement exercises fifty percent (50%) of the voting powers in the ADF, the Agreement establishing the ADF also provides that in the event of termination of the ADF's operations, the assets of the Fund shall be distributed pro-rata to its participants in proportion to the amounts paid-in by them on account of their subscriptions, after settlement of any outstanding claims against the participants. At December 31, 2008, the Bank's pro-rata or economic share in ADF was 0.78% (2007: 0.86%).

As a result of the implementation in 2006 of the Multilateral Debt Relief Initiative described in Note W-2, the net asset value of ADF which is the basis for determining the value of the Banks investment in the Fund declined in 2007, resulting in impairment loss on the Bank's investment. The net assets of ADF is made up of its net development resources less outstanding demand obligations plus disbursed and outstanding loans excluding balances due from countries that have reached their HIPC completion points and are therefore due for MDRI loan cancellation at the balance sheet date.

Other Equity Participations

The Bank may take equity positions in privately owned productive enterprises and financial intermediaries, public sector companies that are in the process of being privatized or regional and sub-regional institutions. The Bank's objective in such equity investments is to promote the economic development of its regional member countries and in particular the development of their private sectors. The Bank's equity participation is also intended to promote efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders and mobilizing the flow of domestic and external resources to financially viable projects, which also have significant economic merit.

Unless otherwise approved by the Board of Directors, the Bank's equity participation shall not exceed 25% of the equity capital of the entity in which it invests. The Bank currently holds less than 20% of the total equity capital of most of the institutions in which it participates. The Bank therefore does not seek a controlling interest in the companies in which it invests, but closely monitors its equity investments through Board representation. In the exceptional instances where the Bank has more than 20% but less than 50% ownership, such investments are accounted for as investments in associates. In accordance with the Board of Governors' Resolution B/BG/2001/09 of May 29, 2001, total equity investment by the Bank shall not at any time exceed ten percent (10%) of the aggregate amount of the Bank's paid-up capital and reserves and surplus included in its ordinary capital resources.

Equity investments for which fair value cannot be reliably measured are reported at cost less provision for losses for estimated permanent and lasting decline in value. The investments for which fair value cannot be reliably measured typically relate to sub-regional and national development institutions. Investments in these institutions are made with a long-term development objective, including capacity building. The shares of such institutions are not listed and also not available for sale to the general public. Only member states or institutions owned by member states are allowed to subscribe to the shares of these institutions. Provisions for losses on impaired equity investments are included in the income statement.

The Bank's equity interests at the end of 2008 and 2007 are summarized below:

(Amounts in UA thousands)

Institutions	Year Established	% Share-holding	Callable Capital	Carrying Value 2008	Carrying Value 2007
African Development Fund	1972	0.78	-	111,741	111,741
Accumulated share of loss & impairment on January 1				(47,904)	(48,743)
Share of profit for the year				36	479
Impairment for the year				-	360
			-	63,873	63,837
Regional Development Banks (Carried at Cost)					
Afreximbank	1993	6.70	9,739	6,492	6,328
BDEAC	1975	3.19	2,479	1,653	1,704
BDEGL	1980	-	-	1,946	1,946
BOAD	1973	0.31	2,066	689	710
East African Development Bank	1967	6.96	-	4,382	4,272
PTA Bank	1985	5.76	35,318	8,830	4,303
			49,602	23,992	19,263
Other Development Institutions (Carried at Cost)					
Africa - Re	1977	8.00	-	5,655	5,512
K-REP Bank Limited	1997	15.14	-	664	714
National Development Bank of Sierra Leone *	-	-	-	-	-
Shelter Afrique	1982	10.00	-	3,246	3,164
Infrastructure Development Bank of Zimbabwe *	1984	-	-	-	8
			-	9,565	9,398
Investments (Carried at Fair value)**					
AB Microfinance Bank Nigeria Limited	2007	-	-	691	-
Acacia Fund Limited***	1996	10.40	-	-	733
Access Bank Liberia Limited	2008	-	390	584	-
Access Bank Tanzania Limited	2007	12.80	-	345	525
Advans Banque Congo	2008	-	-	714	-
AIG Africa Infrastructure Fund	1999	12.27	272	4,545	11,140
Atlantic Coast Regional Fund LLC	2008	20.82	9,488	94	-
ECP Africa Fund II LLC	2005	11.04	1,686	27,242	23,280
GroFin Africa Fund	2008	16.00	12,252	451	-
Indian Ocean Regional Fund Limited***	1999	16.83	-	-	79
Maghreb Private Equity Fund II (Mauritius) PCC	2008	16.10	7,343	4,303	-
Pan African Infrastructure Development Fund	2007	8.00	29,010	9,231	5
South Africa Infrastructure Fund	1996	14.10	819	16,151	17,518
TCX Investment Company Mauritius Limited	2007	45.37	120	13,327	-
United Bank for Africa	1961	1.57	-	34,444	45,661
Zambia Venture Capital Fund****	1996	16.11	-	-	144
			61,380	112,122	99,085
Total			110,982	209,552	191,583
Less: Accumulated provision for impairment			-	(20,771)	(2,335)
Net			**110,982**	**188,781**	**189,248**

* *Amounts fully disbursed, but the value is less than UA 100, at the applicable exchange rates.*

** *The cost of equity investment carried at fair value at December 31, 2008 amounted to UA 104.74 million (2007: UA 74.16 million).*

*** *The Bank's shareholdings in these institutions were divested during the year.*

**** *This institution was liquidated during the year.*

An analysis of the movement in accumulated provision for impairment on equity participations other than ADF was as follows:

(UA thousands)	**2008**	2007
Balance at January 1	2,335	3,505
Provision for the year	18,456	(532)
Translation adjustment	(20)	(638)
Balance at December 31	**20,771**	**2,335**

NOTE K – OTHER DEBT SECURITIES

The Bank may invest in certain debt instruments issued by entities in its Regional Member Countries (RMC) for the purpose of financing development projects and programs. Such investments are classified as available-for-sale.

The fair value of "Other debt securities" at December 31, 2008 and 2007 was as follows:

(UA thousands)	**2008**	2007
Investment in debt instruments issued in RMC	**68,797**	94,622

The nominal value of the securities outstanding as at December 31, 2008, was UA 69.77 million (2007: UA 92.92 million).

NOTE L – PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(UA thousands)

2008	Property and Equipment					Intangible Assets	Grand Total
	Land	Building and Improvements	Furniture, Fixtures & Fittings	Equipment & Motor Vehicles	Total Property & Equipment	Computer Software	Property, Equipment & Intangible Assets
Cost:							
Balance at January 1	141	22,843	8,998	39,522	**71,504**	18,869	**90,373**
Additions during the year	-	-	460	2,829	**3,289**	188	**3,477**
Disposals during the year	-	(90)	-	(823)	**(913)**	-	**(913)**
Balance at December 31	141	22,753	9,458	41,528	**73,880**	19,057	**92,937**
Accumulated Depreciation:							
Balance at January 1	-	21,386	6,073	31,374	**58,833**	17,178	**76,011**
Depreciation during the year	-	101	1,081	3,015	**4,197**	1,004	**5,201**
Disposals during the year	-	-	-	(6)	**(6)**	-	**(6)**
Balance at December 31	-	21,487	7,154	34,383	**63,024**	18,182	**81,206**
Net Book Values: December 31, 2008	**141**	**1,266**	**2,304**	**7,145**	**10,856**	**875**	**11,731**

(UA thousands)

2007	Property and Equipment					Intangible Assets	Grand Total
	Land	Building and Improvements	Furniture, Fixtures & Fittings	Equipment & Motor Vehicles	Total Property & Equipment	Computer Software	Property, Equipment & Intangible Assets
Cost:							
Balance at January 1	141	22,779	7,256	38,575	**68,751**	17,982	**86,733**
Additions during the year	-	64	1,783	2,769	**4,616**	887	**5,503**
Disposals during the year	-	-	(41)	(1,822)	**(1,863)**	-	**(1,863)**
Balance at December 31	141	22,843	8,998	39,522	**71,504**	18,869	**90,373**
Accumulated Depreciation:							
Balance at January 1	-	21,284	4,927	30,302	**56,513**	15,979	**72,492**
Depreciation during the year	-	102	1,187	2,887	**4,176**	1,199	**5,375**
Disposals during the year	-	-	(41)	(1,815)	**(1,856)**	-	**(1,856)**
Balance at December 31	-	21,386	6,073	31,374	**58,833**	17,178	**76,011**
Net Book Values: December 31, 2007	**141**	**1,457**	**2,925**	**8,148**	**12,671**	**1,691**	**14,362**

Under the Headquarters' Agreement with the host country, the Bank's owned buildings in the host country are intended to be used for the purposes of the business of the Bank Group only. The rights on the lands and buildings therefore cannot be transferred to a third party. If the Bank elected to give up the use of the lands and buildings, the properties would have to be surrendered to the host country. At December 31, 2008, the book value of such assets is not significant.

NOTE M – BORROWINGS

It is the Bank's policy to limit senior borrowing and guarantees chargeable to the Bank's ordinary capital resources to 80 percent of the callable capital of its non-borrowing members and also to limit the total borrowing represented by both senior and subordinated debt to 80 percent of the total callable capital of all its member countries.

As at December 31, 2008 and 2007, the senior and the subordinated borrowings were as follows:

(UA millions)	2008	2007
Senior borrowings	5,964.64	5,530.59
Subordinated borrowings	742.64	668.28
Total	**6,707.28**	**6,198.87**

As of the same date, the non-borrowing members' callable capital, total callable capital, the ratio of senior debt to the non-borrowing members' callable capital and the ratio of total outstanding borrowings to the total callable capital were as follows:

(Amount in UA millions)	2008	2007
Non-Borrowing Members' Callable Capital	**8,544.45**	8,503.17
Borrowings' ratios (%)		
Debt/Total Callable Capital	**34.56**	32.05
Senior Debt/Callable Capital of non-borrowing members	**69.81**	65.04

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost-savings opportunities and to lower its funding costs.

Certain long-term borrowing agreements contain provisions that allow redemption at the option of the holder at specified dates prior to maturity. Such borrowings are reflected in the tables on the maturity structure of borrowings using the put dates, rather than the contractual maturities. Management believes, however, that a portion of such borrowings may remain outstanding beyond their earliest redemption dates.

The Bank has entered into cross-currency swap agreements with major international banks through which proceeds from borrowings are converted into a different currency and include a forward exchange contract providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or vice-versa.

A summary of the Bank's borrowings portfolio at December 31, 2008 and 2007 was as follows:

Borrowings and Swaps at December 31, 2008

(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements[a]			Interest Rate Swaps		
Currency	**Rate Type**	**Carried at Fair Value**	**Carried at Amortized Cost**	**Wgtd. Avg. Cost[b] (%)**	**Wgtd. Average Maturity (Years)**	**Amount Payable/ (Receivable)**	**Wgtd. Avg. Cost[b] (%)**	**Average Maturity (Years)**	**Notional Amount Payable/ (Receivable)**	**Wgtd. Avg. Cost[b] (%)**	**Average Maturity (Years)**
Euro	Fixed	-	-	-	-	154.19	8.71	10.8	58.58	5.45	1.3
	Adjustable	-	-	-	-	2,697.78	5.15	5.2	-	-	-
		-	-	-	-	(144.57)	5.16	5.2	(58.58)	5.28	1.3
Sterling	Fixed	52.05	-	11.13	1.0	-	-	-	-	-	-
		-	-	-	-	-	-	-	(47.32)	11.13	1.0
	Adjustable	-	-	-	-	18.93	5.94	-	47.32	6.10	1.0
		-	-	-	-	(47.32)	6.10	1.0	-	-	-
Japanese	Fixed	926.92	355.96	2.50	12.9	-	-	-	-	-	-
Yen		-	-	-	-	(550.26)	2.30	15.1	(488.08)	2.59	1.3
	Adjustable	726.57	23.49	1.42	4.7	-	-	-	559.99	0.99	3.3
		-	-	-	-	(1,022.28)	1.43	4.0	(71.90)	1.02	4.0
US Dollars	Fixed	2,312.41	590.81	4.36	6.4	-	-	-	-	-	-
		-	-	-	-	(811.55)	5.45	7.1	(1,533.83)	4.22	2.9
	Adjustable	19.62	-	3.65	0.1	1,728.86	3.12	4.5	1,443.96	3.03	2.6
		-	-	-	-	(1,052.68)	3.04	2.2	(19.48)	3.65	0.1
Others	Fixed	1,692.24	11.20	4.84	5.4	14.15	3.80	4.0	-	-	-
		-	-	-	-	(1,377.67)	7.29	2.2	(286.07)	8.69	2.2
	Adjustable	-	-	-	-	312.54	6.43	1.7	286.07	12.40	3.5
Total	Fixed	4,983.62	957.97	4.16	6.8	168.34	8.30	10.2	58.58	5.45	1.3
		-	-	-	-	(2,739.48)	5.74	6.3	(2,355.30)	4.56	2.4
	Adjustable	746.19	23.49	1.48	4.6	4,758.11	4.50	4.7	2,337.34	3.75	2.9
		-	-	-	-	(2,266.85)	2.51	3.2	(149.96)	3.03	2.4
Principal at face value		5,729.81	981.46	3.85	6.5	(79.88)	-	-	(109.34)	-	-
Net unamortized premium/(discount)		-	(3.99)	-	-	171.88	-	-	111.36	-	-
		5,729.81	977.47	3.85	6.5	92.00	-	-	2.02	-	-
Fair valuation adjustment		-	-	-	-	(268.70)[c]	-	-	(163.20)[c]	-	-
Total		**5,729.81**	**977.47**	**3.85**	**6.5**	**(176.70)**	**-**	**-**	**(161.18)**	**-**	**-**

Supplementary disclosure (direct borrowings):

The notional amount of borrowings at December 31, 2008 was UA 6,665.33 million and the estimated fair value was UA 7,001.11 million.

(a) Currency swap agreements include cross-currency interest rate swaps.
(b) The average repricing period of the net currency obligations for adjustable rate borrowings was six months. The rates indicated are those prevailing at December 31, 2008.
(c) These amounts are included in derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

Borrowings and Swaps at December 31, 2007

(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements[a]			Interest Rate Swaps		
Currency	**Rate Type**	**Carried at Fair Value**	**Carried at Amortized Cost**	**Wgtd. Avg. Cost[b] (%)**	**Wgtd. Average Maturity (Years)**	**Amount Payable/ (Receivable)**	**Wgtd. Avg. Cost[b] (%)**	**Average Maturity (Years)**	**Notional Amount Payable/ (Receivable)**	**Wgtd. Avg. Cost[b] (%)**	**Average Maturity (Years)**
Euro	Fixed	-	-	-	-	158.97	8.71	11.7	120.84	5.32	1.2
	Adjustable	-	-	-	-	2,524.86	4.50	4.1	-	-	-
		-	-	-	-	(149.05)	4.11	6.2	(120.84)	4.73	1.2
Sterling	Fixed	70.64	-	11.13	2.0	-	-	-	-	-	-
		-	-	-	-	-	-	-	(63.39)	11.13	2.0
	Adjustable	-	-	-	-	25.36	5.94	1.0	63.39	11.80	2.0
		-	-	-	-	(63.39)	11.80	2.0	-	-	-
Japanese	Fixed	642.63	277.86	2.94	6.5	-	-	-	222.29	4.64	0.3
Yen		-	-	-	-	(254.57)	2.25	15.0	(658.85)	2.21	1.4
	Adjustable	563.06	18.34	3.58	6.0	-	-	-	720.53	0.86	1.7
		-	-	-	-	(841.88)	2.68	4.7	(283.97)	1.47	1.3
US Dollars	Fixed	2,186.44	575.86	4.59	4.8	-	-	-	-	-	-
		-	-	-	-	(284.77)	7.57	10.7	(2,032.91)	3.58	2.6
	Adjustable	18.97	-	5.75	0.1	1,559.99	4.94	4.9	1,945.32	5.25	2.4
		-	-	-	-	(1,171.60)	5.13	2.1	(18.98)	5.75	2.4
Others	Fixed	1,744.54	104.67	4.80	3.6	8.65	3.67	2.4	-	-	-
		-	-	-	-	(1,638.24)	2.78	2.8	(363.81)	5.12	2.2
	Adjustable	-	-	-	-	204.27	10.04	4.8	363.81	6.93	2.2
Total	Fixed	4,644.25	958.39	4.47	4.2	167.62	8.45	11.2	343.13	4.88	0.6
		-	-	-	-	(2,177.58)	3.34	5.2	(3,118.96)	3.62	2.3
	Adjustable	582.03	18.34	3.65	5.8	4,314.48	4.93	4.4	3,093.05	4.56	2.2
		-	-	-	-	(2,225.92)	4.33	3.3	(423.79)	2.59	1.3
Principal at face value		5,226.28	976.73	4.39	4.4	78.60	-	-	(106.57)	-	-
Net unamortized premium/(discount)		-	(4.14)	-	-	201.51	-	-	105.75	-	-
		5,226.28	972.59	4.39	4.4	280.11	-	-	(0.82)		
Fair valuation adjustment		-	-	-	-	(37.55)[c]	-	-	(69.28)[c]	-	-
Total		**5,226.28**	**972.59**	**4.39**	**4.4**	**242.56**	**-**	**-**	**(70.10)**	**-**	**-**

Supplementary disclosure (direct borrowings):

The notional amount of borrowings at December 31, 2007 was UA 6,388.81 and the estimated fair value was UA 6,396.48 million.

(a) Currency swap agreements include cross-currency interest rate swaps.
(b) The average repricing period of the net currency obligations for adjustable rate borrowings was six months. The rates indicated are those prevailing at December 31, 2007.
(c) These amounts are included in derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2008 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	924.05	318.98	1,243.03
More than one year but less than two years	1,176.24	11.66	1,187.90
More than two years but less than three years	486.68	-	486.68
More than three years but less than four years	241.89	2.03	243.92
More than four years but less than five years	874.53	-	874.53
More than five years	1,693.75	-	1,693.75
Total	**5,397.14**	**332.67**	**5,729.81**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	-	23.49	23.49
More than one year but less than two years	-	-	-
More than two years but less than three years	8.19	-	8.19
More than three years but less than four years	-	-	-
More than four years but less than five years	284.77	-	284.77
More than five years	665.01	-	665.01
Sub-total	**957.97**	**23.49**	**981.46**
Net unamortized premium and discount	(3.99)	-	(3.99)
Total	**953.98**	**23.49**	**977.47**

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2007 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	1,052.72	231.25	1,283.97
More than one year but less than two years	940.90	1.36	942.26
More than two years but less than three years	1,073.99	8.31	1,082.30
More than three years but less than four years	171.59	-	171.59
More than four years but less than five years	375.82	1.67	377.49
More than five years	1,368.67	-	1,368.67
Total	**4,983.69**	**242.59**	**5,226.28**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	100.87	73.91	174.78
More than one year but less than two years	-	-	-
More than two years but less than three years	-	-	-
More than three years but less than four years	-	-	-
More than four years but less than five years	-	-	-
More than five years	801.95	-	801.95
Sub-total	**902.82**	**73.91**	**976.73**
Net unamortized premium and discount	(4.14)	-	(4.14)
Total	**898.68**	**73.91**	**972.59**

The fair value of borrowings carried at fair value through profit or loss at December 31, 2008 was UA 5,729.81 million (2007: UA 5,226.28 million). For these borrowings, the amount the Bank will be contractually required to pay at maturity at December 31, 2008 was UA 5,304.60 million (2007: UA 5,106.32 million). The surrender value of callable borrowings is equivalent to the notional amount plus accrued finance charges.

As per Note P, there was a net gain of UA 12.43 million on fair-valued borrowings and related derivatives for the year ended December 31, 2008 (2007: UA 21.24 million). This included a gain of UA 2.10 million which was attributable to changes in the Bank's credit risk during the year ended December 31, 2008 (2007: UA 3.00 million). Fair value changes attributable to changes in the Bank's credit risk are determined by comparing the discounted cash flows for the borrowings designated at fair value through profit or loss using the Bank's credit spread on the relevant liquid markets for ADB quoted bonds versus LIBOR both at the beginning and end of the relevant period. The Bank's credit spread was not applied for fair value changes on callable borrowings with less than one year call date.

For borrowings designated at fair value through profit or loss at December 31, 2008, the cumulative unrealized fair value losses to date were UA 425.21 million (2007: losses of UA 119.96 million).

NOTE N – EQUITY

Equity is composed of capital and reserves. These are further detailed as follows:

Capital

Capital includes subscriptions paid-in by member countries and cumulative exchange adjustments on subscriptions (CEAS). The Bank is not exposed to any externally imposed capital requirements.

Subscriptions Paid In

Subscriptions to the capital stock of the Bank are made up of the subscription to the initial capital, a voluntary capital increase and five General Capital Increases (GCI). The Fifth General Capital Increase (GCI-V) was approved by the Board of Governors of the Bank on May 29, 1998 and became effective on September 30, 1999 upon ratification by member states and entry into force of the related amendments to the Agreements establishing the Bank. The GCI-V increased the authorized capital of the Bank by 35 percent from 1.62 million shares to 2.187 million shares with a par value of UA 10,000 per share. The GCI-V shares, a total of 567,000 shares, are divided into paid-up and callable shares in proportion of six percent (6%) paid-up and ninety-four percent (94%) callable. The GCI-V shares were allocated to the regional and non-regional members such that, when fully subscribed, the regional members shall hold 60 percent of the total stock of the Bank and non-regional members shall hold the balance of 40 percent.

Prior to the GCI-V, subscribed capital was divided into paid-up capital and callable capital in the proportion of 1 to 7. With the GCI-V, the authorized capital stock of the Bank consists of 10.81 percent paid-up shares and 89.19 percent callable shares.

The Bank's capital as at December 31, 2008 and 2007 was as follows:

(UA thousands)	**2008**	2007
Capital Authorized (in shares of UA 10,000 each)	21,870,000	21,870,000
Less: Unsubscribed	(104,853)	(176,839)
Subscribed Capital	21,765,147	21,693,161
Less: Callable Capital	(19,409,141)	(19,341,627)
Paid-up Capital	2,356,006	2,351,534
Shares to be issued upon payment of future installments	(8,410)	(12,960)
Add: Amounts paid in advance	89	118
	2,347,685	2,338,692
Less: Amounts in arrears	(1,881)	(2,235)
Capital at December 31	**2,345,804**	**2,336,457**

Included in the total unsubscribed shares of UA 104.85 million at December 31, 2008, was an amount of UA 38.83 million representing the balance of the shareholding of the former Socialist Federal Republic of Yugoslavia (former Yugoslavia).

Since the former Yugoslavia has ceased to exist as a state under international law, its shares (composed of UA 38.83 million callable, and UA 4.86 million paid-up shares) have been held by the Bank in accordance with Article 6 (6) of the Bank Agreement. In 2002, the Board of Directors of the Bank approved the proposal to invite each of the successor states of the former Yugoslavia to apply for membership in the Bank, though such membership would be subject to their fulfilling certain conditions including the assumption pro-rata of the contingent liabilities of the former Yugoslavia to the Bank, as of December 31, 1992. In the event that a successor state declines or otherwise does not become a member of the Bank, the pro-rata portion of the shares of former Yugoslavia, which could have been reallocated to such successor state, would be reallocated to other interested non-regional members of the Bank in accordance with the terms of the Share Transfer Rules. The proceeds of such reallocation will however be transferable to such successor state. Furthermore, pending the response from the successor states, the Bank may, under its Share Transfer Rules, reallocate the shares of former Yugoslavia to interested non-regional member states and credit the proceeds on a pro-rata basis to the successor states. In 2003, one of the successor states declined the invitation to apply for membership and instead offered to the Bank, as part of the state's Official Development Assistance its pro-rata interest in the proceeds of any reallocation of the shares of former Yugoslavia. The Bank accepted the offer.

Subscriptions by member countries and their voting power at December 31, 2008 were as follows:

(Amounts in UA thousands)

	MEMBER STATES	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
1	ALGERIA	86,566	3.979	94,584	771,080	87,191	3.924
2	ANGOLA	25,405	1.168	28,837	225,212	26,030	1.171
3	BENIN	4,245	0.195	4,817	37,633	4,870	0.219
4	BOTSWANA	46,633	2.143	52,925	413,405	47,258	2.127
5	BURKINA FASO	9,307	0.428	10,920	82,155	9,932	0.447
6	BURUNDI	5,173	0.238	6,465	45,256	5,798	0.261
7	CAMEROON	22,588	1.038	25,352	200,371	22,919	1.031
8	CAPE VERDE	1,672	0.077	2,090	14,630	2,297	0.103
9	CENTRAL AFRICAN REPUBLIC	973	0.045	1,217	8,512	1,598	0.072
10	CHAD	1,641	0.075	2,052	14,360	2,266	0.102
11	COMOROS	484	0.022	599	4,250	1,094	0.049
12	CONGO	9,875	0.454	11,590	87,170	10,500	0.473
13	COTE D'IVOIRE	81,008	3.723	101,260	708,820	81,633	3.674
14	DEMOCRATIC REPUBLIC OF CONGO	22,740	1.045	28,426	198,975	23,365	1.052
15	DJIBOUTI	1,213	0.056	1,517	10,618	1,838	0.083
16	EGYPT	111,829	5.140	126,920	991,370	112,454	5.061
17	EQUATORIAL GUINEA	3,481	0.160	3,959	30,517	3,829	0.172
18	ERITREA	2,003	0.092	2,506	17,522	2,628	0.118
19	ETHIOPIA	34,778	1.599	39,470	308,310	35,403	1.593
20	GABON	27,229	1.252	32,684	238,255	26,765	1.205
21	GAMBIA	3,341	0.154	3,891	29,523	3,966	0.178
22	GHANA	49,622	2.281	54,488	441,751	50,247	2.261
23	GUINEA	8,868	0.408	10,658	78,031	9,494	0.427
24	GUINEA BISSAU	600	0.028	750	5,250	1,225	0.055
25	KENYA	31,707	1.457	35,990	281,080	32,332	1.455
26	LESOTHO	3,324	0.153	3,773	29,470	3,949	0.178
27	LIBERIA	4,230	0.194	5,287	37,017	4,855	0.218
28	LIBYA	83,595	3.842	92,977	742,978	84,220	3.790
29	MADAGASCAR	14,162	0.651	16,070	125,550	14,787	0.665
30	MALAWI	6,472	0.297	8,090	56,630	7,097	0.319
31	MALI	9,536	0.438	10,937	84,411	10,161	0.457
32	MAURITANIA	3,213	0.148	4,015	28,116	3,838	0.173
33	MAURITIUS	14,094	0.648	16,000	124,940	14,719	0.662
34	MOROCCO	72,268	3.322	82,020	640,660	72,893	3.280
35	MOZAMBIQUE	13,766	0.633	15,636	122,037	14,391	0.648
36	NAMIBIA	7,397	0.340	8,400	65,570	8,022	0.361
37	NIGER	5,526	0.254	6,908	48,352	6,151	0.277
38	NIGERIA	193,176	8.879	221,847	1,709,933	193,802	8.722
39	RWANDA	2,902	0.133	3,333	25,683	3,527	0.159
40	SAO TOME & PRINCIPE	1,489	0.068	1,864	13,023	2,114	0.095
41	SENEGAL	21,878	1.006	25,317	193,471	22,415	1.009
42	SEYCHELLES	1,224	0.056	1,501	10,739	1,849	0.083
43	SIERRA LEONE	5,298	0.244	6,623	46,361	5,923	0.267
44	SOMALIA	1,941	0.089	2,427	16,985	2,566	0.115
45	SOUTH AFRICA	99,265	4.563	83,510	909,160	99,890	4.495
46	SUDAN	8,830	0.406	11,036	77,257	9,455	0.426
47	SWAZILAND	7,251	0.333	8,230	64,280	7,876	0.354
48	TANZANIA	17,860	0.821	20,685	157,927	18,486	0.832
49	TOGO	3,452	0.159	4,315	30,201	4,077	0.183
50	TUNISIA	30,492	1.402	34,610	270,310	31,117	1.400
51	UGANDA	11,011	0.506	13,331	96,787	11,637	0.524
52	ZAMBIA	27,087	1.245	31,299	239,572	27,713	1.247
53	ZIMBABWE	45,028	2.070	54,094	396,187	45,653	2.055
Total Regionals		**1,308,749**	**60.154**	**1,478,102**	**11,607,663**	**1,340,115**	**60.310**

Slight differences may occur in totals due to rounding.

(Amounts in UA thousands)

MEMBER STATES	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
Total Regionals	**1,308,749**	**60.154**	**1,478,102**	**11,607,663**	**1,340,115**	**60.310**
54 ARGENTINA	5,846	0.269	6,108	52,364	6,472	0.291
55 AUSTRIA	9,707	0.446	9,720	87,350	10,332	0.465
56 BELGIUM	13,957	0.642	13,980	125,600	14,583	0.656
57 BRAZIL	9,673	0.445	9,700	87,036	10,299	0.463
58 CANADA	81,648	3.753	81,750	734,730	82,273	3.703
59 CHINA	24,300	1.117	24,330	218,670	24,925	1.122
60 DENMARK	25,168	1.157	25,200	226,480	25,793	1.161
61 FINLAND	10,627	0.488	10,640	95,630	11,252	0.506
62 FRANCE	81,648	3.753	81,750	734,730	82,273	3.703
63 GERMANY	89,631	4.120	89,740	806,570	90,256	4.062
64 INDIA	4,860	0.223	4,870	43,730	5,485	0.247
65 ITALY	52,644	2.420	52,710	473,730	53,269	2.397
66 JAPAN	119,400	5.488	119,550	1,074,450	120,025	5.402
67 KOREA	9,707	0.446	9,720	87,350	10,332	0.465
68 KUWAIT	9,707	0.446	9,720	87,350	10,332	0.465
69 NETHERLANDS	18,582	0.854	17,373	168,450	19,207	0.864
70 NORWAY	25,168	1.157	25,200	226,480	25,793	1.161
71 PORTUGAL	5,213	0.240	5,156	46,980	5,838	0.263
72 SAUDI ARABIA	4,212	0.194	4,220	37,900	4,837	0.218
73 SPAIN	23,034	1.059	21,870	208,470	23,659	1.065
74 SWEDEN	33,592	1.544	33,630	302,290	34,217	1.540
75 SWITZERLAND	31,882	1.465	31,920	286,900	32,507	1.463
76 UNITED KINGDOM	36,554	1.680	36,600	328,940	37,179	1.673
77 UNITED STATES OF AMERICA	140,154	6.442	142,245	1,259,298	140,779	6.336
Total Non-Regionals	**866,914**	**39.846**	**867,702**	**7,801,478**	**881,917**	**39.690**
Grand Total	**2,175,663**	**100.000**	**2,345,804**	**19,409,141**	**2,222,032**	**100.000**

Slight differences may occur in totals due to rounding.

Cumulative Exchange Adjustment on Subscriptions (CEAS)

Prior to the fourth General Capital Increase (GCI-IV), payments on the share capital subscribed by the non-regional member countries were fixed in terms of their national currencies. Under GCI-IV, payments by regional and non-regional members in US dollars were fixed at an exchange rate of 1 UA = US$ 1.20635. As a result of these practices, losses or gains could arise from converting these currencies to UA when received. Such conversion differences are reported in the Cumulative Exchange Adjustment on Subscriptions account.

At December 31, 2008 and 2007, the Cumulative Exchange Adjustment on Subscriptions was as follows:

(UA thousands)	2008	2007
Balance at January 1	160,075	155,742
Net conversion losses on new subscriptions	953	4,333
Balance at December 31	**161,028**	**160,075**

Reserves

Reserves consist of retained earnings and fair value gains on available-for-sale investments.

Retained Earnings

Retained earnings included the net income for the year, after taking into account transfers approved by the Board of Governors, and net expenses recognized directly in equity. Retained earnings as at December 31, 2008 and 2007 were as follows:

(UA thousands)

Balance at January 1, 2007	2,305,345
Net income for the year 2007	203,766
Net expenses recognized directly in equity	(10,823)
Balance at December 31, 2007	**2,498,288**
Net income for the current year	47,361
Net expenses recognized directly in equity	(85,512)
Balance at December 31, 2008	**2,460,137**

In May 2008, the Board of Governors of the Bank approved the transfer and distribution of UA 20.70 million (2007: UA 21.59 million) and UA 227.30 million (2007:UA 119.90 million) from the income earned for the year ended December 31, 2007 to surplus account and to certain entities for development purposes, respectively. In 2008, the Board of Governors also approved the distribution of UA 30 million from the surplus account to entities for development purposes. With effect from 2006, Board of Governors' approved distributions to entities for development purposes are reported as expenses in the Income Statement in the year such distributions are approved.

The movement in the surplus account during 2008 and 2007 is as follows:

(UA thousands)

Balance at January 1, 2007	-
Allocation from 2006 net income	21,590
Distribution to Investment Climate Facility for Africa	(9,492)
Balance at December 31, 2007 and January 1, 2008	**12,098**
Allocation from 2007 net income	20,700
Distribution to Africa Food Crisis (AFCR)	(20,000)
Distribution to African Legal Support Facility	(10,000)
Balance at December 31, 2008	**2,798**

Distributions to entities for development purposes, including those made from the surplus account, for the years ended December 31, 2008 and 2007 was as follows:

(UA thousands)	**2008**	2007
African Development Fund (ADF)	109,000	13,700
Post Conflict Assistance - DRC	62,000	65,070
Middle Income Country Technical Assistance Fund	25,000	10,000
Africa Food Crisis Response (AFCR)	20,000	-
Highly Indebted Poor Countries	15,000	21,640
African Legal Support Facility	10,000	-
NEPAD Infrastructure Project Preparation Facility	6,300	-
Africa Fertilizer Development Financing Mechanism	5,000	-
Fund for African Private Sector Assistance	5,000	-
Investment Climate Facility for Africa	-	9,492
Balance at December 31	**257,300**	**119,902**

Fair Value Gains on Available-for-Sale Investments

At December 31, 2008 and 2007, the fair value gains on available-for-sale investments were as follows:

(UA thousands)	**2008**	2007
Balance at January 1	33,510	136
Net (loss)/gain for the year	(18,175)	33,374
Balance at December 31	**15,335**	**33,510**

NOTE O – INCOME FROM LOANS AND INVESTMENTS AND RELATED DERIVATIVES

Income from Loans

Income from loans for the years ended December 31, 2008 and 2007 was as follows:

(UA thousands)	**2008**	2007
Interest income on loans not impaired	332,999	300,678
Interest income on impaired loans	15,024	36,511
Commitment charges	3,556	3,432
Statutory commission	698	1,324
Total	**352,277**	**341,945**

Income from Investments and Related Derivatives

Income from investments for the years ended December 31, 2008 and 2007 was as follows:

(UA thousands)	2008	2007
Interest income	226,054	238,951
Realized and unrealized fair value losses	(23,170)	(7,244)
Total	**202,884**	**231,707**

Total interest income on investment at amortized cost for the year ended December 31, 2008 was UA 120.56 million (2007: UA 123.51 million).

NOTE P – BORROWING EXPENSES

Interest and Amortized Issuance Costs

Interest and amortized issuance costs on borrowings for the years ended December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Charges to bond issuers	249,022	264,690
Amortization of issuance costs	2,805	3,333
Total	**251,827**	**268,023**

Total interest expense for financial liabilities not at fair value through profit or loss for the year ended December 31, 2008 was UA 51.74 million (2007: UA 65.13 million).

Net Interest on Borrowing-Related Derivatives

Net interest on borrowing-related derivatives for the years ended December 31, 2008 and 2007 was as follows:

(UA thousands)	2008	2007
Interest on derivatives payable	374,517	410,714
Interest on derivatives receivable	(308,729)	(348,008)
Total	**65,788**	**62,706**

Unrealized Gain on Fair-Valued Borrowings and Related Derivatives

Unrealized gain on fair-valued borrowings and related derivatives for the years ended December 31, 2008 and 2007 was as follows:

(UA thousands)	2008	2007
Fair-valued borrowings	(305,252)	(45,315)
Cross-currency swaps	213,059	10,628
Interest rate swaps	104,624	55,926
Total	**12,431**	**21,239**

Unrealized (Loss)/Gain on Derivatives on Non-Fair Valued Borrowings and Others

Unrealized net (loss)/gain on derivatives on non-fair valued borrowings and others for the years ended December 31, 2008 and 2007 was as follows:

(UA thousands)	2008	2007
Interest rate swaps	(47,068)	21,876
Cross-currency swaps	18,089	13,958
Macro hedge swaps	12,208	(1,269)
Embedded derivatives	94	209
Total	**(16,677)**	**34,774**

NOTE Q – ADMINISTRATIVE EXPENSES

Total administrative expenses relate to expenses incurred on behalf of the ADF, the NTF and for the operations of the Bank itself. The ADF and NTF reimburse the Bank for their share of the total administrative expenses, based on an agreed-upon cost-sharing formula, which is driven by certain selected indicators of operational activity for operational expenses and relative balance sheet sizes for non-operational expenses. However, the expenses allocated to the NTF shall not exceed 20 percent of the NTF's gross income.

Administrative expenses comprised the following:

(UA thousands)	2008	2007
Personnel expenses	141,119	141,086
Other general expenses	45,253	39,567
Total	**186,372**	**180,653**
Reimbursable by ADF	(138,104)	(135,848)
Reimbursable by NTF	(1,485)	(2,587)
Net	**46,783**	**42,218**

Included in general administrative expenses is an amount of UA 5.37 million (2007: UA 4.65 million) incurred under operating lease agreements for offices in Tunisia and in certain other regional member countries.

At the balance sheet date, the Bank had outstanding commitments under operating leases which fall due as follows:

(UA thousands)	2008	2007
Within one year	4,678	3,945
In the second to fifth years inclusive	4,179	1,155
Total	**8,857**	**5,100**

Leases are generally negotiated for an average term of one (1) to three (3) years and rentals are fixed for an average of one (1) year. Leases may be extended for periods that are no longer than the original term of the leases.

NOTE R – EMPLOYEE BENEFITS

Staff Retirement Plan

The Staff Retirement Plan (SRP), a defined benefit plan established under Board of Governors' Resolution 05-89 of May 30, 1989, became effective on December 31, 1989, following the termination of the Staff Provident Fund. Every person employed by the Bank on a full-time basis, as defined in the Bank's employment policies, is eligible to participate in the SRP, upon completion of 6 months service without interruption of more than 30 days.

The SRP is administered as a separate fund by a committee of trustees appointed by the Bank on behalf of its employees. In November 2004, the Board of Directors of the Bank approved certain revisions to the SRP, including simplification of the calculation of the employee contribution rate, more explicit reference to the Bank's residual responsibility and rights as the SRP sponsor, changes in survivor child benefits and an increase in the pension accumulation rate from 2 percent to 2.5 percent for each year of service. The past service cost associated with these changes amounted to UA 1.64 million and were recorded in 2004. Also, new members from the local field offices of the Bank joined the Plan in 2007 and the associated past service cost of UA 1.07 million were reported in the 2007 financial statements. In 2008, the early retirement provisions and the death benefits to spouses were modified, resulting in a net negative prior service cost of UA 8.12 million, which has been immediately recognized. Under the revised SRP, employees contribute at a rate of 9 percent of regular salary. A tax factor included in the basis for the determination of contribution in the previous SRP has been eliminated. The Bank typically contributes twice the employee contribution, but may vary such contribution based on the results of annual actuarial valuations.

All contributions to the SRP are irrevocable and are held by the Bank separately in a retirement fund to be used in accordance with the provisions of the SRP. Neither the contributions nor any income thereon shall be used for or diverted to purposes other than the exclusive benefit of active and retired participants or their beneficiaries or estates, or to the satisfaction of the SRP's liabilities. At December 31, 2008, virtually all of the SRP's investments were under external management and these were invested in indexed funds, with the following objectives: a) Equity portfolio – to track as closely as possible, the returns of the Morgan Stanley Capital International World Index as well as hedging the currency exposure of the SRP's anticipated future liabilities; b) Bond portfolio – to track as closely as possible, the returns of the Citigroup World Government Bond Index as well as hedge the currency exposure of the SRP's anticipated future liabilities.

Post-Employment Medical Benefit Plan

The Medical Benefit Plan (MBP) was created under the Board of Directors' resolution B/BD/2002/17 and F/BD/2002/18 of July 17, 2002 and became effective on January 1, 2003. Under the MBP, all plan members including existing staff or retirees contribute a percentage of their salary or pension while the Bank also contributes twice the total staff contribution towards the financing of the MBP. Contribution rates by staff members and retirees, which are based on marital status and number of eligible children, range between 0.70 percent to a maximum of 3.10 percent of salary or pension. An MBP board, composed of selected officers of the Bank and representatives of retirees and the staff association, oversees the management and activities of the MBP. The contributions from the Bank, staff and retirees are deposited in a trust account. In accordance with the directive establishing the Plan, all Plan members including staff and retirees are eligible as beneficiaries for making claims for medical services provided to them and their recognized dependants.

The pension and post employment medical benefit expenses for 2008 and 2007 for the Bank, the ADF and the NTF combined (the Bank Group) comprised the following:

	Staff Retirement Plan		Medical Benefit Plan	
(UA millions)	**2008**	2007	**2008**	2007
Current service cost – gross	18.02	17.57	5.02	4.03
Less: estimated employee contributions	(5.98)	(5.66)	(1.07)	(1.02)
Net current service cost	**12.04**	**11.91**	**3.95**	**3.01**
Interest cost	14.53	11.53	2.91	2.12
Expected return on plan assets	(15.63)	(12.65)	(0.43)	(0.40)
Past service cost	(8.12)	1.07	-	-
Expense for the year	**2.82**	**11.86**	**6.43**	**4.73**

At December 31, 2008, the Bank group's liability to the SRP and the post-employment aspect of the MBP amounted to UA 61.32 million and UA 58.07 million respectively (2007: UA 7.37 million and UA 40.76 million respectively).

At December 31, 2008 and 2007 the determination of these liabilities, which are included in "Other accounts payable" on the Balance Sheet is set out below:

	Staff Retirement Plan		Medical Benefit Plan	
(UA millions)	**2008**	2007	**2008**	2007
Fair value of plan assets:				
Market value of plan assets at beginning of year	254.98	199.48	9.04	7.00
Actual return on assets	(61.63)	10.11	0.31	0.52
Employer's contribution	21.31	47.44	2.14	2.06
Plan participants' contribution	5.98	5.66	1.07	1.02
Benefits paid	(10.35)	(7.71)	(1.03)	(1.56)
Market value of plan assets at end of year	**210.29**	**254.98**	**11.53**	**9.04**
Present value of defined benefit obligation:				
Benefit obligation at beginning of year	262.35	233.88	49.80	42.86
Current service cost	12.04	11.91	3.95	3.01
Employee contributions	5.98	5.66	1.07	1.02
Interest cost	14.54	11.53	2.91	2.12
Actuarial loss/(gain)	(12.95)	7.08	12.90	2.35
Benefits paid	(10.35)	(7.71)	(1.03)	(1.56)
Benefit obligation at end of year	**271.61**	**262.35**	**69.60**	**49.80**
Funded status:				
Liability recognized on the balance sheet at December 31, representing excess of benefit over plan asset	**(61.32)**	**(7.37)**	**(58.07)**	**(40.76)**

There were no unrecognized past service costs at December 31, 2008 and 2007. At December 31, 2008 the cumulative net actuarial losses recognized directly in equity through the statement of recognized income and expenses for the SRP and MBP were in the amounts of UA 95.48 million and UA 11.70 million, respectively (2007: SRP – loss of UA 23.05 million; MBP – gain of UA 1.32 million).

The following summarizes the funding status of the SRP at the end of the last five fiscal years:

(UA millions)	**2008**	2007	2006	2005	2004
Staff Retirement Plan					
Fair value of Plan assets	210.29	254.98	199.48	166.76	140.89
Present value of defined benefit obligation	(271.61)	(262.35)	(233.88)	(200.57)	(177.83)
Plan deficit	(61.32)	(7.37)	(34.40)	(33.81)	(36.94)
Experience adjustments on plan assets	(76.36)	0.90	3.45	2.97	1.56
Experience adjustments on plan liabilities	(19.12)	(23.95)	(17.95)	(4.20)	(1.53)
Net	**(95.48)**	**(23.05)**	**(14.50)**	**(1.23)**	**0.03**

The funding status of the Medical Benefit Plan at the end of the last five fiscal years was as follows:

(UA millions)	**2008**	2007	2006	2005	2004
Medical Benefit Plan					
Fair value of plan assets	11.53	9.04	7.00	4.76	3.07
Present value of defined benefit obligation	(69.60)	(49.80)	(42.86)	(44.08)	(37.17)
Plan deficit	(58.07)	(40.76)	(35.86)	(39.32)	(34.10)
Experience adjustments on plan assets	0.01	0.13	(0.01)	(2.55)	(0.06)
Experience adjustments on plan liabilities	(11.71)	1.19	3.56	-	-
Net	**(11.70)**	**1.32**	**3.55**	**(2.55)**	**(0.06)**

Assumptions used in the latest available actuarial valuations at December 31, 2008 and 2007 were as follows:

	Staff Retirement Plan		**Medical Benefit Plan**	
(percentages)	**2008**	2007	**2008**	2007
Discount rate	5.348	5.625	5.348	5.625
Expected return on plan assets	6.300	6.000	3.500	4.250
Rate of salary increase	4.000	4.000	4.000	4.000
Future pension increase	2.500	2.500		
Health care cost growth rate				
- at end of fiscal year			8.000	8.000
- ultimate health care cost growth rate			5.000	5.000
Year ultimate health cost growth rate reached			2011	2010

The expected return on plan assets is an average of the expected long-term (10 years or more) returns for debt securities and equity securities, weighted by the portfolio allocation. Asset class returns are developed based on historical returns as well as forward-looking expectations. Equity return expectations are generally based upon the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond return expectations are based upon the sum of expected inflation, real bond yield, and risk premium. The discount rate used in determining the benefit obligation is selected by reference to the long-term year-end rates on AAA corporate bonds.

For measurement purposes, the annual growth rate in the per capita cost of covered health care benefits is assumed to decrease ratably between the current period and 2010, with the growth rate assumed to remain at that level thereafter.

No plan assets are invested in any of the Bank's own financial instruments, nor any property occupied by, or other assets used by the Bank.
The following table presents the weighted-average asset allocation at December 31, 2008 and 2007 for the Staff Retirement Plan:

(UA thousands)	**2008**	2007
Debt securities	84,118	101,993
Equity securities	105,147	127,491
Others	21,029	25,498
Total	**210,294**	**254,982**

At December 31, 2008 and 2007, the assets of the MBP were invested primarily in time deposits.

The Bank's estimate of contributions it expects to make to the SRP and the MBP for the year ended December 31, 2009, are UA 14.30 million and UA 3.42 million respectively.

The health care cost growth rate can significantly affect the reported post-retirement benefit income or costs and benefit obligations for the MBP.

The following table shows the effects of a one-percentage-point change in the assumed health care cost growth rate:

	1% Increase		**1% Decrease**	
(UA millions)	**2008**	2007	**2008**	2007
Effect on total service and interest cost	1.472	1.283	(1.181)	(0.839)
Effect on post-retirement benefit obligation	14.935	10.794	(11.794)	(8.363)

NOTE S – RELATED PARTIES

The following related parties have been identified:

The Bank makes or guarantees loans to some of its members who are also its shareholders, and borrows funds from the capital markets in the territories of some of its shareholders. As a multilateral development institution with membership comprising 53 African states and 24 non-African states (the "regional members" and "non-regional members" respectively), subscriptions to the capital of the Bank are made by all its members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each member of the Bank, who exercise the voting power of the appointing member country. Member country subscriptions and voting powers are disclosed in Note N. The Board of Directors, which is composed of eighteen (18) Directors elected by the member countries, is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank also makes or guarantees loans to certain of the agencies of its regional member countries and to public and private enterprises operating within such countries. Such loans are approved by the Board of Directors.

In addition to its ordinary resources, the Bank administers the resources of other entities under special arrangements. In this regard, the Bank administers the resources of the ADF. Furthermore, the Bank administers various special funds and trust funds, which have purposes that are consistent with its objectives of promoting the economic development and social progress of its regional member countries. In this connection, the Bank administers the NTF as well as certain multilateral and bilateral donor funds in the form of grants.

The ADF was established pursuant to an agreement between the Bank and certain countries. The general operation of the ADF is conducted by a 12-member Board of Directors of which 6 members are selected by the Bank. The Bank exercises 50 percent of the voting power in the ADF and the President of the Bank is the ex-officio President of the Fund. To carry out its functions, the ADF utilizes the offices, staff, organization, services and facilities of the Bank, for which it reimburses the Bank based on an agreed cost-sharing formula, driven in large part by the number of programs and projects executed during the year.

The Bank's investment in the ADF is included in Equity Participations and disclosed in Note J. In addition to the amount reported as equity participation, the Bank periodically makes allocations to the Fund, to further its objectives. Net income allocations by the Bank to ADF are reported as Other Resources in the Fund's financial statements. Net income allocation to the Fund in 2008 amounted to UA 109.00 million (2007: UA 13.70 million).

The NTF is a special fund administered by the Bank with resources contributed by Nigeria. The ADB Board of Directors conducts the general operations of NTF on the basis of the terms of the NTF Agreement and in this connection, the Bank consults with the Government of Nigeria. The NTF also utilizes the offices, staff, organization, services and facilities of the Bank for which it reimburses to the Bank its share of administrative expenses for such utilization. The share of administrative expenses reimbursed to the Bank by both the ADF and NTF are disclosed in Note Q.

Grant resources administered by the Bank on behalf of other donors, including its member countries, agencies and other entities are generally restricted for specific uses, which include the co-financing of Bank's lending projects, debt reduction operations and technical assistance for borrowers including feasibility studies. Details of the outstanding balance on such grant funds at December 31, 2008 and 2007 are disclosed in Note W-5.

The Bank also administers the SRP and MBP. The activities of the SRP and MBP are disclosed in Note R.

Management Personnel Compensation

Compensation paid to the Bank's management personnel and executive directors during the years ended December 31, 2008, and 2007 was made up as follows:

(UA thousands)	**2008**	2007
Salaries	15,209	14,164
Termination and other benefits	5,937	5,961
Contribution to retirement and medical plan	3,170	2,927
Total	**24,316**	**23,052**

The Bank may also provide personal loans and advances to its staff, including those in management. Such loans and advances, guaranteed by the terminal benefits payable at the time of departure from the Bank, are granted in accordance with the Bank's rules and regulations. At December 31, 2008 outstanding balances on loans and advances to management staff amounted to UA 3.35 million (2007: UA 3.23 million). No expense was recognized during the year in respect of impairment on debts due from related parties.

NOTE T – SEGMENT REPORTING

The Bank is a multilateral development finance institution dedicated to the economic and social progress of its regional member states. The Bank's products and services are similar and are structured and distributed in a fairly uniform manner across borrowers. In the opinion of management, the Bank operates in a single operating segment.

NOTE U – EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to an arrears clearance arrangement approved by the Board of Directors on March 6, 2009, the arrears owed by Cote d'Ivoire were repaid through a combination of payments by Côte d'Ivoire assisted by a donor country and contributions by the Fragile States Facility created by the Bank Group. The clearance of the arrears of Côte d'Ivoire provided evidence of the need to adjust the impairment provision previously recognized as a result of the arrears status of the country at December 31, 2008. Accordingly, the impairment allowance previously recognized on Côte d'Ivoire's loans has been reversed through the income statement in 2008.

NOTE V – APPROVAL OF FINANCIAL STATEMENTS

On March 31, 2009, the Board of Directors authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its annual meeting in May 2009.

NOTE W – SUPPLEMENTARY DISCLOSURES

NOTE W–1: EXCHANGE RATES

The rates used for translating currencies into Units of Account at December 31, 2008 and 2007 were as follows:

		2008	2007
1 UA = SDR =	Algerian Dinar	104.675000	106.161000
	Angolan Kwanza	111.666000	119.287000
	Botswana Pula	11.607200	9.502360
	Brazilian Real	3.653610	2.797830
	Canadian Dollar	1.890960	1.561440
	Chinese Yuan	10.527100	11.530200
	CFA Franc	725.980000	704.144000
	Danish Kroner	8.180030	8.020210
	Egyptian Pound	8.497670	8.649740
	Ethiopian Birr	15.333500	13.304000
	Euro	1.106750	1.073460
	Gambian Dalasi	41.263800	33.937600
	Ghanaian Cedi	1.868890	1.424030
	Guinean Franc	7,700.580000	8,283.200000
	Indian Rupee	74.626300	62.277700
	Japanese Yen	140.464000	179.947000
	Kenyan Shilling	114.018000	105.994000
	Korean Won	1,936.890000	1,482.590000
	Kuwaiti Dinar	0.425038	0.431408
	Libyan Dinar	1.932370	1.932370
	Mauritian Rupee	48.912000	44.588500
	Moroccan Dirham	12.296400	12.235300
	Nigerian Naira	183.325000	195.584000
	Norwegian Krone	10.780200	8.550740
	Pound Sterling	1.056570	0.788780
	Sao Tomé Dobra	23,455.400000	19,668.400000
	Saudi Arabian Riyal	5.776010	5.925930
	South African Rand	14.332200	10.761500
	Swedish Krona	11.999400	10.208800
	Swiss Franc	1.638390	1.778570
	Tunisian Dinar	2.059200	1.936680
	Ugandan Shilling	3,015.380000	2,727.920000
	US Dollar	1.540270	1.580250

No representation is made that any currency held by the Bank can be or could have been converted into any other currency at the cross rates resulting from the rates indicated above.

NOTE W–2: OTHER DEVELOPMENT ASSISTANCE ACTIVITIES

(i) Democratic Republic of Congo (DRC)

In connection with an internationally co-coordinated effort between the Bank, the International Monetary Fund (the IMF), the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on June 26, 2002, approved an arrears clearance plan for the DRC. Under the arrears clearance plan, contributions received from the donor community were used immediately for partial clearance of the arrears owed by the DRC. The residual amount of DRC's arrears to the Bank and loan amounts not yet due were consolidated into new contractual receivables, such that the present value of the new loans was equal to the present value of the amounts that were owed under the previous contractual terms. The new loans carry the weighted average interest rate of the old loans. In approving the arrears clearance plan, the Board of Directors considered the following factors: a) the arrears clearance plan is part of an internationally coordinated arrangement for the DRC; b) the magnitude of DRC's arrears to the Bank ruled out conventional solutions; c) the prolonged armed conflict in the DRC created extensive destruction of physical assets, such that the DRC had almost no capacity for servicing its debt; and d) the proposed package would result in a significant improvement in its repayment capacity, if appropriate supporting measures are taken. Furthermore, there was no automatic linkage between the arrears clearance mechanism and the debt relief that may be subsequently provided on the consolidated facility. In June 2004, the DRC reached its decision point under the Heavily Indebted Poor Countries (HIPC) initiative. Consequently, the consolidated facility has since that date benefited from partial debt service relief under HIPC.

A special account, separate from the assets of the Bank, was established for all contributions towards the DRC arrears clearance plan. Such contributions may include allocations of the net income of the Bank that the Board of Governors may from time to time make to the special account, representing the Bank's contribution to the arrears clearance plan. The amount of such net income allocation is subject to the approval of the Boards of Governors of the Bank, typically occurring during the annual general meeting of the Bank. Consequently, income received on the consolidated DRC loans is recognized in current earnings and is transferred out of reserves to the special account only after the formal approval of such transfer, in whole or in part, by the Board of Governors of the Bank.

(ii) Post-Conflict Countries Assistance/Fragile States Facility

The Post Conflict Countries' Fund was established as a framework to assist countries emerging from conflict in their efforts towards re-engagement with the donor community in order to reactivate development assistance and help these countries reach the Heavily Indebted Poor Countries (HIPC) decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with allocations from the ADB's net income, and contributions from the ADF and other private donors.

Resources from the facility are provided on a case-by-case basis to genuine post-conflict countries not yet receiving debt relief to fill financing gaps after maximum effort by the post-conflict country to clear its arrears to the Bank Group. In this connection, the Board of Governors by its Resolution B/BG/2004/07 of May 25, 2004, established the Post-Conflict Countries Facility (PCCF) under the administration of the ADF and approved an allocation of UA 45 million from the 2003 net income of the Bank. The Board of Governors also, by its resolution B/BG/2005/05 of May 18, 2005, approved an additional allocation of UA 30 million from the 2004 net income as the second installment of the Bank's contribution to the facility and by its resolution B/BG/2007/04 of May 17, 2006, the Board of Governors also approved the third and final installment of the Bank's allocation of UA 25 million from the 2005 net income. In March 2008, the Board of Directors approved the establishment of the Fragile States Facility (FSF) to take over the activities of the PCCF and in addition provide broader and integrated framework for assistance to eligible states. The purposes of the FSF is to consolidate peace, stabilize economies and lay the foundation for sustainable poverty-reduction and long-term economic growth of the eligible countries. By policy, contributions made by ADB to the PCCF/FSF are not used to clear the debt owed to the Bank by beneficiary countries.

(iii) Heavily Indebted Poor Countries (HIPC) Initiative

The Bank participates in a multilateral initiative for addressing the debt problems of countries identified as HIPCs. Under this initiative, creditors provide debt relief for eligible countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. Under the original HIPC framework, selected loans to eligible beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the lower of the net present value of the loans or their nominal values, as calculated using the methodology agreed under the initiatives.Following the signature of a HIPC debt relief agreement, the relevant loans were paid off at the lower of their net present value or their carrying value. On average, loans in the ADB's portfolio carry higher interest rates than the present value discount rates applied and therefore the net present value of the loans exceeds the book value. Consequently, affected ADB loans were paid off by the HIPC Trust Fund at book values. The HIPC initiative was enhanced in 1999 to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 33 African countries are eligible, the debt relief is delivered through annual debt service reductions, as well as the release of up to 80 percent of annual debt service obligations as they come due until the total debt relief is provided. In addition, interim financing between the decision and completion points of up to 40 percent of total debt relief is provided whenever possible within a 15-year horizon. At December 31, 2008, the Board of Directors had approved relief for 28 ADB borrowing countries, of which 19 had reached the completion point.

(iv) Multilateral Debt Relief Initiative (MDRI)

At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC Initiative.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation would be delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors have committed to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on September 1, 2006. As of that date, the ADF wrote down its balance of disbursed and outstanding loans net of HIPC relief by an amount of UA 3.84 billion, with a corresponding decrease as of that date in the ADF's net assets. Reduction in ADF net assets results in a decrease in the value of the Bank's investment in the Fund. Subsequent write-down of loan balances is effected as and when other countries reach their HIPC completion point and are declared beneficiaries of MDRI loan cancellation. The reduction in the net asset value of the ADF does not include loans outstanding to MDRI countries that have not reached their HIPC completion points at the end of the year.

NOTE W–3: SPECIAL FUNDS

Under Article 8 of the Agreement Establishing the Bank, the Bank may establish or be entrusted with the administration of special funds.

At December 31, 2008 and 2007, the following funds were held separately from those of the ordinary capital resources of the Bank:

(i) The NTF was established under an agreement signed on February 26, 1976 (the Agreement) between the African Development Bank and the Federal Republic of Nigeria. The Agreement stipulates that the NTF shall be in effect for a period of 30 years from the date the Agreement became effective and that the resources of the NTF shall be transferred to Nigeria upon termination. However, the 30-year sunset period may be extended by mutual agreement between the Bank and Nigeria. At the expiry of the initial 30-year period on 25 April 2006, the Bank and the Federal Republic of Nigeria agreed to 2 interim extensions (each for 12 months) to allow for further consultations and an independent evaluation of the NTF. Following the positive result of the independent evaluation, the NTF Agreement was renewed for a period of ten years starting from April 26, 2008 The initial capital of the NTF was Naira 50 million payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to US$ 39.90 million, was received by the Bank on July 14, 1976, and payment of the second installment, equivalent to US$ 39.61 million, was made on February 1, 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the NTF with Naira 50 million. The first installment of Naira 35 million (US$ 52.29 million) was paid on October 7, 1981. The second installment of Naira 8 million (US$ 10.87 million) was received on May 4, 1984. The payment of the third installment of Naira 7 million (US$ 7.38 million) was made on September 13, 1985. Following a request by the Government of Nigeria on June 14, 2006, a payment of US$ 200 million (UA 135.71 million) was made to the Government of Nigeria from the resources of the Fund.

The resources of the NTF at December 31, 2008 and 2007 are summarized below:

(UA thousands)	**2008**	2007
Contribution received	128,586	128,586
Funds generated (net)	273,660	269,657
Adjustment for translation of currencies	(115,469)	(124,777)
	286,777	**273,466**
Represented by:		
Due from banks	90,367	6,331
Investments	139,565	190,346
Accrued income and charges receivables on loans	1,807	16,708
Accrued interest on investments	733	520
Other amounts receivable	529	177
Loans outstanding	54,628	64,383
	287,629	278,465
Less: Current accounts payable	(852)	(4,999)
	286,777	**273,466**

(ii) The Special Relief Fund (for African countries affected by drought) was established by Board of Governors' Resolution 20-74 to assist African countries affected by unpredictable disasters. The purpose of this fund was subsequently expanded in 1991 to include the provision of assistance, on a grant basis, to research institutions whose research objectives in specified fields are likely to facilitate the Bank's objective of meeting the needs of regional member countries in those fields. The resources of this Fund consist of contributions by the Bank, the ADF and various member states.

The summary statement of the resources and assets of the Special Relief Fund (for African countries affected by drought) as at December 31, 2008 and 2007 follows:

(UA thousands)	2008	2007
Fund balance	62,448	62,448
Funds generated	4,639	3,876
Funds allocated to SDA	1	1
Less: Relief disbursed	(52,990)	(48,931)
	14,098	**17,394**
Represented by:		
Due from bank	6,598	799
Investments	8,057	16,550
Interest receivable	9	45
	14,664	17,394
Less: Current accounts payable	(566)	-
	14,098	**17,394**

At December 31, 2008, a total of UA 2.40 million (2007: UA 3.86 million) had been committed but not yet disbursed under the Special Relief Fund.

NOTE W–4: TRUST FUNDS

The Bank has been entrusted, under Resolutions 11-70, 19-74 and 10-85 of the Board of Governors, with the administration of the Mamoun Beheiry Fund, the Arab Oil Fund, and the Special Emergency Assistance Fund for Drought and Famine in Africa. These funds, held separately from those of the ordinary resources of the Bank, are maintained and accounted for in specific currencies, which are translated into Units of Account at exchange rates prevailing at the end of the year.

(i) **The Mamoun Beheiry Fund** was established under Board of Governors' Resolution 11-70 of October 31, 1970, whereby Mr. Mamoun Beheiry, former President of the Bank, agreed to set up a fund, which could be used by the Bank to reward staff members who had demonstrated outstanding performance in fostering the objectives of the Bank.

(ii) **The Arab Oil Fund (contribution of Algeria)** was established following Board of Governors' Resolution 19-74 of July 4, 1974. Under a protocol agreement dated November 15, 1974, the Bank received the sum of US$ 20 million from the Government of Algeria to be kept as a Trust Fund from which loans could be granted to member countries affected by high oil prices. On August 11, 1975, an amount of US$ 5.55 million was refunded to Algeria upon request, leaving a balance of US$ 14.45 million, from which loans refundable directly to Algeria have been made. At December 31, 2008, a total of US$ 13.45 million (2007: US$ 13.45 million) had been so repaid.

(iii) **The Special Emergency Assistance Fund for Drought and Famine in Africa (SEAF)** was established by the 20th Meeting of Heads of State and Government of member countries of the African Union formerly Organization of African Unity (OAU) held in Addis Ababa, Ethiopia, from November 12 to 15, 1984, under Resolution AHG/Res. 133 (XX), with the objective of giving assistance to African member countries affected by drought and famine.

The financial highlights of these Trust Funds at December 31, 2008 and 2007 are summarized below:

(UA thousands)	**2008**	2007
i) Mamoun Beheiry Fund		
Contribution	152	152
Income from investments	167	242
	319	394
Less: Prize awarded	(30)	(30)
Gift	(25)	(25)
	264	339
Represented by:		
Short-term deposits	247	316
Due from banks	13	17
Accrued interest	4	6
	264	339
ii) Arab Oil Fund (contribution of Algeria)		
Net contribution	649	632
Represented by:		
Loans disbursed net of repayments	649	632
iii) Special Emergency Assistance Fund for Drought and Famine in Africa		
Contributions	20,440	19,923
Funds generated	5,525	5,290
	25,965	25,213
Relief granted	(21,483)	(20,940)
	4,482	4,273
Represented by:		
Due from banks	4,479	71
Investments	-	4,193
Accrued interest	3	9
	4,482	4,273
Total Resources & Assets of Trust Funds	**5,395**	**5,244**

NOTE W–5: GRANTS

The Bank administers grants on behalf of donors, including member countries, agencies and other entities. Grant resources are restricted for specific uses, which include the co-financing of the Bank's lending projects, debt reduction operations, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the assets of the Bank. In accordance with Article 11 of the Agreement establishing the Bank, the accounts of these grants are kept separate from those of the Bank.

The undisbursed balances of the grant resources at December 31, 2008 and 2007 were as follows:

(UA thousands)	**2008**	2007
African Water Facility Fund	38,396	19,159
AMINA	1,436	1,389
AMTA/NAMTA	1	140
Austria Technical Cooperation grant	986	993
Belgium	1,007	1,100
Canada	332	518
Chinese Government Grant	286	45
Congo Bassin	7,635	-
Denmark	1,248	1,472
Finland	2,467	1,648
France – BAD Fonds d'Assistance Technique	2,710	2,957
ICA – Infrastructure Consortium for Africa	323	222
ICP – Africa	161	894
Indian Government Grant	366	668
Italy	3,133	16,030
Japan (FAPA)	13,308	13,376
Korea Trust fund	1,778	792
Multi-donor Water Partnership Program	1,846	2,305
Nepad Infrastructure	12,516	4,745
Nordic Trust Fund for Governance	371	1,086
Norway	441	756
Portuguese Technical Cooperation Trust Fund	904	-
Rural Water Supply & Sanitation Initiative	55,557	47,848
SFRD (Great Lakes Region)	1,545	-
Spain (ADB-Spain Cooperation Program)	601	392
Swedish Trust Fund for Consultancy Services	404	669
Switzerland Technical Assistance Grant	304	280
The Netherlands	1,677	1,877
The Nigeria Technical Cooperation Fund	17,562	16,862
The United Kingdom	1,470	1,123
Others	337	250
Total	**171,108**	**139,596**

KPMG Audit
1, cours Valmy
92923 Paris La Défense Cedex
France

Téléphone: +33 (0)1 55 68 68 68
Télécopie: +33 (0)1 55 68 73 00
Site internet: www.kpmg.fr

African Development Bank
Temporary Relocation Agency
15, Avenue du Ghana
1002 Tunis Belvédère
Tunisie

Independent Auditor's Report to the Board of Governors of the African Development Bank
Year ended 31 December 2008

We have audited the accompanying financial statements of the African Development Bank ("the Bank") which comprise the balance sheet as at 31 December 2008 and the income statement, the statement of recognized income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to W.

The financial statements have been prepared under the accounting policies set out therein, for the purpose of submitting approved and audited financial statements to the Board of Governors as required by Article 32(d) of the Agreement establishing the Bank. This report is made solely to the Bank's Board of Governors, as a body, in accordance with Article 32(d) of the Agreement establishing the Bank. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement Establishing the Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the pur-

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pose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Paris La Défense, 31st March 2009

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2009

(UA thousands)

Description	
Personnel Expenses	
Salaries	93,020
Benefits	62,691
Other Employee Expenses	13,160
Short Term and Technical Assistance Staff	635
Consultants	15,375
Staff Training	4,493
	189,374
General Expenses	
Official Missions	24,534
Accommodation	10,910
Equipment Rental, Repairs and Maintenance	6,363
Communication Expenses	7,113
Printing, Publishing & Reproduction	1,944
Office Supplies and Stationery	649
Library	762
Other Institutional Expenses	11,413
	63,688
Total Administrative Expenses	253,062
Depreciation	5,200
Total	258,262
Less: Management Fees*	(184,110)
Net Administrative Budget	**74,152**

** The amount represents the African Development Fund and the Nigerian Trust Fund's share of the fair value of the Bank's expenses in respect of officers, staff, organization, services and facilities based on a formula approved by the Boards.*

THE AFRICAN DEVELOPMENT FUND

Financial Management

Subscriptions ADF Replenishments

The resources of the ADF primarily comprise subscriptions by the State Participants and the Bank, as well as other resources received by the Fund including contributions by the Bank. The cumulative subscriptions to ADF amounted to UA 18.37 billion at December 31, 2008, compared to UA 15.28 billion at the end of 2007.

The eleventh general replenishment of the Fund (ADF-XI) became effective in May 2008 and covers the three-year operational period starting in 2008 and ending in 2010. As of December 31, 2008, State Participants had subscribed a total of UA 2.97 billion, representing 80.27 percent of the ADF-XI target replenishment level of UA 3.70 billion.

Commitments under the Multilateral Debt Relief Initiative

The Multilateral Debt Relief Initiative (MDRI or Initiative) became effective on September 1, 2006[1] and covers the period 2006-2054. To preserve the financial integrity and the financing capacity of the African Development Fund, donors have committed to fully compensate the Fund for debts cancelled under the MDRI.

As of December 31, 2008, the Fund had received from donors aggregate commitments of UA 4.37 billion, representing 78.18 percent of the MDRI cost for the period 2006-2054 of UA 5.59 billion.

Investments

ADF cash and liquid investments amounted to UA 3.52 billion at December 31, 2008, compared to UA 3.39 billion at the end of 2007. Investment income for the year amounted to UA 109.88 million, representing a return of 3.17 percent, on an average liquidity level of UA 3.47 billion, compared with an income of UA 147.25 million in 2007, representing a return of 4.55 percent on an average liquidity of UA 3.24 billion.

Loan Portfolio

Cumulative loans and grants signed, net of cancellations, at December 31, 2008, amounted to UA 16.76 billion compared with UA 15.47 billion at the end of 2007. Total outstanding loans, as at December 31, 2008 were UA 4.87 billion, UA 706.96 million higher than the UA 4.16 billion outstanding as at the end of 2007. This increase was in spite of debt cancellation under the Multilateral Debt Relief Initiative for one additional completion point country during the year amounting to UA 102.12 million.

At the end of 2008, there were 1,615 active signed loans and grants. Also at December 31, 2008, a total of 538 loans amounting to UA 4,540.58 million had been fully repaid.

Disbursements

Disbursements of loans and grants increased from UA 725.00 million in 2007 to UA 1,124.92 million, representing an increase of 55.16 percent. As at December 31, 2008, cumulative disbursements on loans and grants amounted to UA 11.88 billion. A total of 1,504 loans and grants were fully disbursed for an amount of UA 9.54 billion, representing 80.30 percent of cumulative disbursements.

Financial Results

The Fund earned a surplus of UA 4.66 million in 2008, compared to UA 31.61 million in 2007. The decrease in the Fund's earnings was primarily attributable to decreased investment income, reflecting the difficult conditions in the financial markets and the sharp decline of benchmark returns.

Administrative expenses, which represent the Fund's share of the total shareable expenses of the ADB Group, also increased by UA 2.25 million, from UA 135.85 million in 2007 to UA 138.10 million in 2008. The Fund's share of the total shareable expenses of the ADB group is based on a predetermined cost-sharing formula, which is driven primarily by the relative levels of certain operational volume indicators. As a result of a higher average loan balance in 2008, loan income increased by UA 6.52 million from UA 45.13 million in 2007 to UA 51.65 million in 2008. Discount on the accelerated encashment of demand obligations amounted to UA 16.18 million in 2008 compared to UA 26.29 million in 2007.

According to the Fund's non-accrual policy, service charges on loans made to, or guaranteed by borrowers are excluded from loan income if principal repayment and service charges are in arrears for 6 months or more. As a result of this policy, UA 1.94 million of non-accrued loan income was excluded from 2008 income compared to UA 3.57 million in 2007. In addition, UA 5.33 million of loan income previously not accrued was recovered and recognized in income in 2008 compared to UA 4.71 million in 2007. The number of borrowers in non-accrual status at December 31, 2008 were 4 compared to 5 at the end of December 2007.

The Fund continues to cancel qualifying debts under MDRI as the relevant countries reach their HIPC completion points. A summary of the cumulative loan cancellations under MDRI and HIPC is presented in Note E to the Special Purpose Financial Statements.

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[1] *The effectiveness of the MDRI was triggered when the Fund received Instrument of Commitments representing at least 70% of the total cost of debt relief for 14 post-completion countries, of which not less than amounts equivalent to at least 75% of the cost of debt relief incurred during the ADF-X period, were unqualified commitments for payments due in 2007.*

African Development Fund

Special Purpose Financial Statements and Report of the Independent Auditors for the Years ended December 31, 2008 and 2007

STATEMENT OF NET DEVELOPMENT RESOURCES AS AT DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

		2008	2007
DEVELOPMENT RESOURCES			
DUE FROM BANKS		263,331	22,904
INVESTMENTS (Notes C & H)			
Held-for-trading	1,923,022		1,918,042
Held-to-maturity	1,330,185		1,444,994
Total investments		3,253,207	3,363,036
DEMAND OBLIGATIONS (Note D)		2,265,101	2,176,513
RECEIVABLES			
Accrued income on loans and investments	50,193		51,614
Other receivables	12,631		16,215
		62,824	67,829
LIABILITIES		(63,083)	(54,479)
NET DEVELOPMENT RESOURCES		**5,781,380**	**5,575,803**
FUNDING OF DEVELOPMENT RESOURCES			
SUBSCRIPTIONS AND CONTRIBUTIONS (Notes F & O)			
Amount subscribed including contributions through accelerated encashment of subscriptions	18,370,126		15,277,255
Less: Portion of accelerated encashment not yet effected	(113,133)		(9,690)
	18,256,993		15,267,565
Less: Installments not yet payable	(1,842,531)		(151,162)
	16,414,462		15,116,403
Less: Installments due	(7,018)		(7,018)
	16,407,444		15,109,385
Contributions paid on Multilateral Debt Relief Initiative	158,573		109,370
	16,566,017		15,218,755
Less: Unamortized discount on subscriptions and contributions (Note B)	(65,809)		(68,855)
	16,500,208		15,149,900
Cumulative exchange adjustment on subscriptions and contributions (Note B)	(242,973)		(229,391)
Total subscriptions and contributions		16,257,235	14,920,509
OTHER RESOURCES (Note G)		280,270	171,270
RESERVES (Note I)		172,921	168,262
CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT (Note B)		(457,664)	(432,978)
		16,252,762	14,827,063
ALLOCATION OF DEVELOPMENT RESOURCES			
GRANTS AND TECHNICAL ASSISTANCE ACTIVITIES (Note E)		(1,351,475)	(916,836)
HIPC GRANTS DISBURSED (Note E)		(184,000)	(184,000)
NET DEBT RELIEF (Note E)		(4,069,896)	(3,991,371)
LOANS DISBURSED AND OUTSTANDING (Notes E, M & N)		(4,866,011)	(4,159,053)
NET DEVELOPMENT RESOURCES		**5,781,380**	**5,575,803**

The accompanying notes to the special purpose financial statements form part of this statement.

STATEMENT OF INCOME AND EXPENSES AND OTHER CHANGES IN DEVELOPMENT RESOURCES FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
INCOME AND EXPENSES		
Service charges on loans	36,529	29,729
Commitment charges on loans	15,122	15,401
Income on investments	109,877	147,246
Provision for impairment on held-to-maturity investments	(2,332)	-
Other income	241	270
Administrative expenses (Note K)	(138,104)	(135,848)
Discount on accelerated encashment of participants' demand obligations	(16,180)	(26,290)
Financial charges	(738)	(131)
Gain on exchange	244	1,230
Surplus	**4,659**	**31,607**
CHANGE IN DEVELOPMENT RESOURCES FUNDING		
Increase in paid-up subscriptions	1,298,059	838,132
Contributions received on account of Multilateral Debt Relief Initiative	49,203	66,117
Changes in accumulated exchange adjustment on subscriptions and contributions	(13,582)	27,543
Increase in other resources	109,000	13,700
Changes in unamortized discount on subscriptions and contributions	3,046	(43,660)
Changes in accumulated translation adjustment	(24,686)	(18,070)
	1,421,040	**883,762**
CHANGE IN DEVELOPMENT RESOURCES ALLOCATION		
Disbursement of grants	(434,787)	(183,739)
Disbursement of loans	(690,133)	(541,256)
Repayment of loans	55,552	66,109
Recoveries on account of Multilateral Debt Relief Initiative	27,493	116,600
Translation adjustment on loans	(178,247)	(48,957)
	(1,220,122)	**(591,243)**
Change in Net Development Resources	205,577	324,126
Net Development Resources at beginning of the year	5,575,803	5,251,677
NET DEVELOPMENT RESOURCES AT THE END OF THE YEAR	**5,781,380**	**5,575,803**

The accompanying notes to the special purpose financial statements form part of this statement.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
SURPLUS	4,659	31,607
OTHER COMPREHENSIVE INCOME		
Changes in accumulated translation adjustment	(24,686)	(18,070)
COMPREHENSIVE (LOSS)/INCOME	**(20,027)**	**13,537**

The accompanying notes to the special purpose financial statements form part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Surplus	4,659	31,607
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premium and discount on held-to-maturity investments	(4,791)	(2,416)
Provision for impairment on held-to-maturity investments	2,332	-
Discount on accelerated encashment of participants' demand obligations	16,180	26,290
Changes in accrued income on loans and investments	1,421	(8,424)
Changes in net current assets	8,858	(26,536)
Net cash provided by operating activities	28,659	20,521
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursement of grants	(434,787)	(183,739)
Disbursement of loans	(690,133)	(541,256)
Repayment of loans	55,552	66,109
Recoveries on account of Multilateral Debt Relief Initiative	27,493	116,600
Investments maturing after 3 months of acquisition:		
Held-to-maturity	42,826	(505,946)
Held-for-trading	1,253	190,634
Net cash used in investment, lending and development activities	(997,796)	(857,598)
FINANCING ACTIVITIES:		
Subscriptions and contributions received in cash	230,440	260,513
Participants' demand obligations encashed	917,429	775,955
Increase in other resources	109,000	13,700
Net cash provided by financing activities	1,256,869	1,050,168
Effect of exchange rate changes on cash and liquid investments	(21,441)	(15,586)
Net increase in cash and liquid investments	266,291	197,505
Cash and cash equivalents at beginning of the year	452,325	254,820
Cash and cash equivalents at end of the year	**718,616**	**452,325**
COMPOSED OF:		
Cash	263,331	22,904
Investment maturing within 3 months of acquisition		
Held-to-maturity	3,880	33,728
Held-for-trading	451,405	395,693
Cash and cash equivalents at end of the year	**718,616**	**452,325**
SUPPLEMENTARY DISCLOSURE:		
Movements resulting from exchange rate fluctuations on:		
Loans	178,247	48,957
Subscriptions and contributions	(13,582)	27,543

The accompanying notes to the special purpose financial statements form part of this statement.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A – PURPOSE, ORGANIZATION AND RESOURCES

Purpose and Organization

The African Development Fund (ADF or the Fund) was established in 1972 as an international institution to assist the African Development Bank (ADB or the Bank) in contributing to the economic and social development of the Bank's regional members, promote cooperation and increased international trade particularly among the Bank's members, and to provide financing on concessional terms for such purposes.

The ADF's Board of Directors has twelve (12) members, made up of six (6) members selected by the Bank and six (6) members selected by State Participants. The Board of Directors reports to the Board of Governors, which is made up of representatives of the State Participants and the ADB. The ADB exercises fifty percent (50%) of the voting powers in the ADF and the President of the Bank is the ex-officio President of the Fund.

The ADB, the Nigeria Trust Fund (NTF), which is a special fund administered by the ADB, and the ADF are collectively referred to as the Bank Group. The assets and liabilities of the ADB and of the NTF are separate and independent of those of the ADF. Furthermore, the ADF is not liable for their respective obligations. Transactions with these affiliates are disclosed in the notes that follow. The principal purpose of the ADB is to promote economic and social development in its regional member countries. The ADB finances development projects and programs in its regional member states. The ADB also participates in the selection, study and preparation of projects contributing to the development of its member countries and where necessary provides technical assistance. The NTF was established under an agreement between the Bank and the Federal Republic of Nigeria to further support the development efforts of ADB regional member countries, particularly the lesser-developed countries.

Resources

The resources of the Fund consist of subscriptions by the Bank, subscriptions and contributions by State Participants, other resources received by the Fund and funds derived from operations or otherwise accruing to the Fund. The initial resources of the Fund consisted of subscriptions by the Bank and the original State Participants to the Agreement Establishing the Fund (the Agreement). Thereafter, the resources have been replenished through Special and General increases of subscriptions and contributions.

NOTE B – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Due to its nature and organization, the Fund presents its financial statements on a special purpose basis. The Special Purpose Financial Statements are prepared for the specific purpose of reflecting the net development resources of the Fund and are not intended to be a presentation in accordance with International Financial Reporting Standards. Net development resources represent resources available to fund loan and grant commitments and comprise primarily cash, marketable investments and demand obligations of State Participants. These special purpose financial statements have been prepared to comply with Article 35(1) of the Agreement establishing the Fund, which requires that the Fund circulates, at appropriate intervals, a summary of its financial position and income and expenditure statement showing the results of its operations.

The significant accounting policies used in the preparation of the Fund's special purpose financial statements are as follows:

Monetary Basis of the Special Purpose Financial Statements

The special purpose financial statements are expressed in Units of Account (UA). Article 1 of the Agreement defined a Unit of Account as having a value of 0.81851265 grams of fine gold.

On April 1, 1978, when the second amendment to the Articles of the Agreement of the International Monetary Fund (IMF) came into effect, gold was abolished as a common denominator of the international monetary system. Computations relating to the currencies of IMF members were thereafter made on the basis of the Special Drawing Right (SDR) for purposes of applying the provisions of the Articles of the IMF. The Fund's Unit of Account was therefore based on its relationship to the SDR at the time of establishment of the Fund. This was 1 Unit of Account equal to SDR 0.921052.

Subsequently, on November 16, 1992, the Board of Governors decided by Resolution F/BG/92/10 to redefine the Fund's Unit of Account to be equivalent to the UA of the ADB, which is defined as equivalent to the Special Drawing Right of the IMF. In compliance with this Resolution, the Board of Directors, on June 22, 1993, adopted January 1, 1993, as the date for the entry into effect of the Resolution, and the Fund's UA has since then been defined as equal to the Bank's UA.

The Fund conducts its operations in the currencies of its State Participants. Income and expenses are converted into UA at the rate prevailing on the date of the transaction. Assets and liabilities are translated into UA at rates prevailing at the date of the Statement of Net Development Resources. Translation differences are debited or credited to the Cumulative Currency Translation Adjustment. Translation gains and losses on subscriptions received are credited or debited to the Cumulative Exchange Adjustment on Subscriptions and contributions. Where currencies are converted into any other currency, the resulting gains or losses are included in income.

The rates used for translating currencies into UA at December 31, 2008 and 2007 are as follows:

	2008	2007
1 Unit of Account equals:		
Argentine Peso	5.318560	4.454380
Brazilian Real	3.653610	2.797830
Canadian Dollar	1.890960	1.561440
Danish Krone	8.180030	8.020210
Euro	1.106750	1.073460
Indian Rupee	74.626300	62.277700
Japanese Yen	140.464000	179.947000
Korean Won	1,936.890000	1,482.590000
Kuwaiti Dinar	0.425038	0.431408
Norwegian Krone	10.780200	8.550740
Pound Sterling	1.056570	0.788780
South African Rand	14.332200	10.761500
Swedish Krona	11.999400	10.208800
Swiss Franc	1.638390	1.778570
United States Dollar	1.540270	1.580250

No representation is made that any currency held by the Fund can be or could be converted into any other currency at the cross-rates resulting from the rates indicated above.

Participants' Subscriptions and Contributions

Subscriptions committed by State Participants for each replenishment are recorded in full as subscriptions receivable from participants upon submission of an instrument of subscription by the participants. A replenishment becomes effective when the ADF receives instruments of subscription from participants for a portion of the intended replenishment level as specified in the replenishment resolution. The portion of subscribed amounts for which payments are not yet due from State Participants are recorded as installments on subscriptions not yet payable, and are not included in the net development resources of the Fund. The subscriptions not yet payable become due throughout the replenishment period (generally three years) in accordance with an agreed payment schedule. The actual payment of subscriptions when they become due from certain participants is conditional upon the respective participant's budgetary appropriation process.

The subscriptions receivable are settled through payment of cash or deposit of non-negotiable, non-interest bearing demand notes. The notes are encashed by the Fund as provided in an encashment program agreed to at the time of the replenishment.

For the ADF-IX, ADF-X and ADF-XI replenishments, participants were given the option of an early payment of cash in an amount equivalent to the net present value of their entire subscriptions and contributions. Upon receipt of such cash payments, participants are credited with the full face value of their entire subscriptions, and in agreement with the Fund, such cash amounts received are invested and the income generated thereon is retained by the Fund. A discount, calculated as the difference between the face value of the subscriptions and the cash amount received, is initially recorded to represent the interest expected to be earned on the cash received from State Participants who opted for the accelerated encashment program. Such discount is amortized over the projected encashment period, to recognize the effective contributions to equity by the relevant participant over and above the initial cash advanced.

By its resolutions F/BG/2006/12 and F/BG/2006/13 of May 18, 2006 and August 31, 2006 respectively, the Board of Governors of the Fund authorized the Board of Directors to approve the participation of the ADF in the Multilateral Debt Relief Initiative (MDRI) and in that regard the Board of Governors also authorized an increase in the resources of the ADF to provide full and timely compensation for the debt cancellation under the MDRI subject to the attainment of the following effectiveness thresholds:

i) Receipt of Instruments of Commitment from donors covering an aggregate amount equivalent to at least seventy percent (70%) of the total cost of debt relief for the first group of 14 post-completion point Heavily Indebted Poor Countries (HIPCs); and

ii) Receipt of unqualified Instruments of Commitments from donors for an amount not less than the equivalent of at least seventy five percent (75%) of the total cost of debt relief incurred during the remainder of ADF-X period.

Upon satisfaction of the above two thresholds, the Board of Directors of the Fund approved the effectiveness of the MDRI with effect from September 1, 2006. To ensure full compensation for foregone reflows as a result of the upfront debt cancellation, the ADF governing bodies endorsed Management's proposal for a compensation scheme over the 50-year period of the initiative. Donors will contribute additional resources to ADF, equivalent to the foregone debt service (service charges and principal) for each replenishment period, by submitting pledges over the life of the initiative. The compensatory financing arrangements will take the form of a general increase in the contribution of State Participants pursuant to Article 7 of the Agreement Establishing ADF. The contributions received from State Participants under the compensatory financing arrangements shall not be counted as part of the burden share for the replenishment period in which such resources are received, but shall carry voting rights in the same manner as normal subscriptions. Such contributions are separately disclosed within the total of subscriptions and contributions in the Statement of Net Development Resources.

Maintenance of Value of Currency Holdings

Prior to the second general replenishment, subscriptions were denominated in UA and were subject to Article 13 of the Agreement which provided that, whenever the par value in the IMF of the currency of a State Participant is reduced in terms of the UA or its foreign exchange value has, in the opinion of the Fund, depreciated to a significant extent within that participant's territory, that participant shall pay to the Fund within a reasonable time an amount of its currency required to maintain the value, as of the time of subscription, of the amount of such currency paid into the Fund by that participant and which has not been disbursed or exchanged for another currency.

Conversely, if the currency of a State Participant has increased in par value or appreciated in its foreign exchange value within that participant's territory, the Fund shall return to that participant an amount of such currency equal to the increase in the value of the Fund's holding of that currency which was received by it in payment of subscriptions, to the extent that these amounts have not been disbursed or exchanged for another currency.

In accordance with Board of Governors' Resolutions 9-78, 9-82, 4-84, 01-88, 91-05, 96-04, 99-09, 2002-09, 2005-01 and 2008-01, which in turn stipulated that Article 13 shall not apply to the second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth and eleventh general replenishments, subscribers to these replenishments fixed the amount of their subscriptions payable in national currencies in terms of agreed parities ruling at the date these replenishments came into force. Gains or losses arising on translating these subscriptions, when received, into UA are applied against subscriptions, with the offsetting debits or credits recorded as Cumulative Exchange Adjustment on Subscriptions (CEAS).

Investments

The Fund's investment securities are classified based on the Fund's intention on the date of purchase. Securities which the Fund has the intent and ability to hold until maturity are classified as held-to-maturity and reported at amortized cost. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. The Fund assesses whether objective evidence of impairment exists for held-to-maturity investments. If the Fund determines that there is objective evidence that an impairment loss on held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the investment is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. All other investment securities are classified as held-for-trading and measured at market value. Fair values for investment securities are based on quoted market prices where available using the bid prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Government and agency obligations include marketable bonds or notes and other government obligations issued or unconditionally guaranteed by governments of member countries or other official entities with a minimum credit rating of AA-. For asset-backed securities, the Fund may only invest in securities with a AAA credit rating. Money market instruments include time deposits, certificates of deposit and other obligations with a maturity period of less than 1 year, issued or unconditionally guaranteed by banks and other financial institutions with a minimum rating of A.

Income on investments includes interest earned and unrealized gains and losses on held-for-trading portfolio. Purchases and sales of investments are recognized on a trade-date basis, which is the date on which the Fund commits to purchase or sell the investments.

Loans

The Fund provides concessional funding for development purposes to the least developed countries in Africa. Outstanding loans are not included in Net Development Resources. Accordingly, no provision for possible loan losses is required. The Fund places all loans to a borrower country in non-accrual status if the principal installments or service charges on any of the loans to such member country are overdue by 6 months or more, unless the Fund's management determines that the overdue amount will be collected in the immediate future. Further, management may place a loan in non-accrual status even if it is not yet overdue by 6 months, if the specific facts and circumstances, including consideration of events occurring subsequent to the balance sheet date, warrant such action. On the date a borrower's loans are placed in non-accrual status, unpaid charges that had previously been accrued on loans to the borrower are deducted from income on loans for that period. Charges on loans in non-accrual status are included in income only to the extent that payment of such charges has been received by the Fund.

Grants

In addition to loans, the Fund is authorized to provide development financing in the form of grants. Prior to the ninth replenishment of the resources of the Fund, grant funds were granted for technical assistance activities only. With effect from the ninth replenishment, grants may be used for technical assistance as well as project financing. Grants, like loans, represent allocations of development resources and are accordingly treated as such in the Statement of Net Development Resources of the Fund.

The Fund participates in a multilateral debt relief initiative for addressing the debt problems of countries identified as Heavily Indebted Poor Countries (HIPCs) to help ensure that their reform efforts are not compromised by unsustainable external debt burdens. Under this initiative, creditors provide debt relief for those countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. As a part of this process, the HIPC Debt Initiative Trust Fund, (the Trust Fund) constituted by funds from donors, including the Bank Group, was established to help beneficiaries reduce their overall debt, including those debts owing to the Fund.

Under the original framework of the debt relief initiative, upon signature of a HIPC Debt Relief Agreement by the Fund, the beneficiary country and the Trust Fund, loans or repayment installments identified for sale to the Trust Fund are written down to their estimated net present value. On the settlement date, the estimated write-down is adjusted to reflect the actual difference between the cash received and the carrying value of the loans sold.

Under the enhanced HIPC framework, the implementation mechanism comprises a partial payment of ADF debt service as it falls due with funds received from the Trust Fund.

Under the Multilateral Debt Relief Initiative (MDRI), loans due from eligible HIPCs are cancelled when the countries attain the completion point under the HIPC framework. The Fund is expected to be fully compensated for loans cancelled under MDRI by additional contributions to be made by donors over the previously scheduled repayment periods of the cancelled loans. When MDRI becomes effective for a country, certain amounts previously disbursed to that country as loans are no longer repayable by the country and effectively take on the character of grants made by the Fund. Accordingly, loans cancelled under the MDRI are included in "Net Debt Relief" and reported in the Statement of Net Development Resources as allocation of development resources, with a corresponding offset to loans outstanding.

Reclassification

Certain reclassifications of prior year amounts have been made to conform with the current period's presentation.

NOTE C – INVESTMENTS

Investments held for trading at December 31, 2008 and 2007 were made up as follows:

(UA thousands)	**2008**	2007
Time deposits	451,408	395,693
Asset-backed securities	192,755	315,482
Government and agency obligations	442,524	107,818
Corporate bonds	824,670	1,095,772
Supranational	11,665	3,277
Total	**1,923,022**	**1,918,042**

The contractual maturity profile of held-for-trading investments at December 31, 2008 and 2007 was as follows:

(UA thousands)	**2008**	2007
One year or less	1,342,965	617,762
More than one year but less than two years	325,493	552,061
More than two years but less than three years	46,140	330,283
More than three years but less than four years	49,062	14,094
More than four years but less than five years	15,292	52,814
More than five years	144,070	351,028
Total	**1,923,022**	**1,918,042**

Investments held to maturity at December 31, 2008 and 2007 were made up as follows:

(UA thousands)	2008	2007
Time deposits	3,880	33,731
Asset-backed securities	12,524	12,142
Government and agency obligations	582,927	274,663
Corporate bonds	360,122	794,082
Supranational	370,732	330,376
Total	**1,330,185**	**1,444,994**

The contractual maturity profile of held-to-maturity investments at December 31, 2008 and 2007 was as follows:

(UA thousands)	2008	2007
One year or less	142,161	157,161
More than one year but less than two years	138,493	145,033
More than two years but less than three years	138,720	172,412
More than three years but less than four years	200,444	148,184
More than four years but less than five years	146,391	207,262
More than five years	563,976	614,942
Total	**1,330,185**	**1,444,994**

The currency composition of total investments at December 31, 2008 and 2007 was as follows:

(UA thousands)	2008			2007
Currency	**Held-for-Trading**	**Held-to-Maturity**	**Total**	**Total**
Euro	780,715	-	780,715	745,836
Pound Sterling	20,728	353,472	374,200	530,524
United States Dollar	1,121,579	976,713	2,098,292	2,086,676
Total	**1,923,022**	**1,330,185**	**3,253,207**	**3,363,036**

NOTE D – DEMAND OBLIGATIONS

Demand obligations represent subscription payments made by participants, in accordance with Article 9 of the Agreement, in the form of non-negotiable, non-interest-bearing notes payable at their par value on demand. The Board of Governors has agreed that the encashment of these notes will be governed by the Fund's disbursement requirements.

NOTE E – DEVELOPMENT ACTIVITIES

According to the Fund's loan regulations, loans are expressed in UA and repaid in the currency disbursed.

Project Loans and Lines of Credit

Loans are generally granted under conditions that allow for repayment over 40 years after a 10-year grace period commencing from the date of the loan agreement. Loan principal is generally repayable from years 11 through 20 at a rate of 1 percent per annum and from years 21 through 50 at a rate of 3 percent per annum. A service charge at a rate of 0.75 percent per annum on the principal amount disbursed and outstanding is payable by the borrower semi-annually. Loans and lines of credit approved after June 1996 carry a 0.5 percent per annum commitment charge on the undisbursed portion. Such commitment charge commences to accrue after 90 days from the date of signature of the loan agreement.

Prior to the establishment of the Technical Assistance Account, loans for pre-investment studies were normally granted for a period of 10 years, including a grace period of 3 years, with repayments in seven equal installments from years 4 through 10.

Of the undisbursed balances of loans signed, the Fund may enter into special irrevocable commitments to pay amounts to borrowers or others in respect of the cost of goods and services to be financed under loan agreements. As at December 31, 2008, outstanding irrevocable reimbursement guarantees to commercial banks amounted to UA 35.57 million (2007: UA 1.90 million).

As at December 31, 2008, loans made to or guaranteed by certain borrowers with an aggregate principal balance outstanding of UA 450.83 million (2007: UA 534.46 million) of which UA 33.24 million (2007: UA 68.89 million) was overdue, were in non-accrual status. If these loans had not been in non-accrual status, income from loans for the year ended December 31, 2008, would have been higher by UA 1.94 million (2007: UA 3.57 million). At December 31, 2008, the cumulative charges not recognized on the non-accrual loans amounted to UA 35.36 million, compared to UA 38.28 million at December 31, 2007.

Lines of credit to national development banks and similar national finance institutions are generally granted for a maximum of 20 years, including a 5-year grace period.

Grants and Technical Assistance Activities

Under the Fund's lending policy, 5.00 percent of the resources available under the third and fourth general replenishments, 10.00 percent under the fifth and sixth general replenishments, and 7.50 percent under the seventh and eighth general replenishments were allocated as grants and grant based technical assistance for the identification and preparation of development projects or programs in specified member countries. In addition, amounts in the range of 18.00 to 21.00 percent of the total resources under the ninth replenishment were set aside in the form of grants for permitted uses, including technical assistance and project financing. Grants do not bear charges. The share of grants under the tenth and eleventh general replenishments is based on a country-by-country analysis of debt sustainability. Under the seventh, eighth and ninth general replenishments, technical assistance may also be provided on a reimbursable basis.

Technical assistance loans are granted under conditions that allow for repayment in 50 years, including a 10-year grace period, from the date of the loan agreement. However, the following categories of loans have different terms:

(i) where the loan is granted for the preparation of a pre-investment study and the study proves that the project is not feasible, the grace period is extended to 45 years with a repayment period of 5 years thereafter.

(ii) where the loan is granted for strengthening regional member countries' co-operation or for the improvement of the operations of existing institutions and is not related to specific projects or programs, the grace period is 45 years with a repayment period of 5 years thereafter.

Technical assistance loans do not carry charges.

HIPC Debt Relief Initiative

Under the original framework of HIPC, selected loans to beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the net present value of the loans as calculated using the methodology agreed under the initiative. Following the signature of a HIPC debt relief agreement, loans identified for payment were written down to their estimated net present value. The amount of the write-down, representing the difference between the book value and net present value of the loans, was shown as an allocation of development resources. The amount of UA 71.08 million which was the write-down in respect of the debt relief granted to Mozambique in 1999 under the original HIPC framework is included in the amount stated as net debt relief in the Statement of Net Development Resources. The outstanding balance and net present value of the loans owed by Mozambique and sold to the HIPC Trust Fund in 1999 were UA 132.04 million and UA 60.96 million, respectively.

In 1999, the HIPC initiative was enhanced to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 32 African countries are currently eligible, debt relief is delivered through annual debt service reductions which allow the release of up to 80.00 percent of annual debt service obligations as they come due until the total net present value (NPV) of debt relief, determined by the debt sustainability analysis (DSA), is provided. Interim financing of up to 40 percent of total debt relief is granted between the decision and completion points. Total contributions by the Fund to the HIPC initiative at December 31, 2008 amounted to UA 184.00 million and are shown as allocation of development resources in the Statement of Net Development Resources.

Multilateral Debt Relief Initiative

At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC initiative. Through the Development Committee Communiqué of September 25, 2005, the donor community expressed its support for this MDRI, and urged the institutions referred to above to proceed with the necessary steps to ensure implementation.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation is delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors are expected to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on September 1, 2006. Since disbursed and outstanding loans are already excluded from net development resources, the debt cancellation did not have an impact on the Fund's balance of net development resources. Cancellation of ADF debts are effected when other eligible countries reach the HIPC completion point.

At December 31, 2008, a gross amount of UA 4.62 billion (2007: UA 4.51 billion) of outstanding loans had been cancelled under MDRI for 19 (2007: 18) HIPC completion point countries. Of this amount, UA 1,011.79 million (2007: UA 905.77 million) in nominal terms were covered by the HIPC Trust Fund. The present value of the covered loans was UA 728.71 million (2007: UA 595.19 million). As of December 31, 2008, the present value amounts have been transferred from the HIPC Trust Fund to ADF.

A summary of debt relief granted under HIPC and MDRI as at December 31, 2008 and 2007 follows:

Debt Relief Granted Under HIPC and MDRI

(UA thousands)	2008			2007		
	HIPC	**MDRI**	**Total**	**HIPC**	**MDRI**	**Total**
Balance at January 1	381,659	3,609,712	3,991,371	398,766	3,513,634	3,912,400
Loans cancelled*	-	106,018	106,018	99,493	96,078	195,571
Cash received*	(27,493)	-	(27,493)	(116,600)	-	(116,600)
Balance at December 31	**354,166**	**3,715,730**	**4,069,896**	**381,659**	**3,609,712**	**3,991,371**

** Upon implementation of MDRI.*

Special Arrears Clearance Mechanism

Arrears Clearance Mechanism for DRC - In connection with an internationally coordinated effort including the ADB Group, the IMF, the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on June 26, 2002 approved an arrears clearance mechanism for the DRC. Under the arrears clearance mechanism, representatives of ADF State Participants (the Deputies) authorized an allocation of approximately UA 36.50 million of grant resources from the ninth replenishment of the ADF (ADF-IX) to clear the entire stock of the DRC's arrears to the Fund. The Deputies also authorized the use of approximately UA 11.77 million of the residual Supplementary Financing Mechanism (SFM) resources from ADF-VIII as a partial payment against the DRC's arrears on charges to the ADB.

Fragile States Facility Framework - The Fragile States Facility (FSF) was established in March 2008 to provide a broader and integrated framework for assistance to eligible states, typically regional member countries of ADB emerging from conflict or crisis. The purposes of FSF are to consolidate peace, stabilize economies and lay the foundation for sustainable poverty-reduction and long-term economic growth. The FSF assumes the arrears clearance activities of the now defunct Post Conflict Countries Facility (PCCF), which was established as a framework to assist countries emerging from conflicts in clearing their arrears and prepare them for re-engagement with the donor communities, in order to reactivate development assistance and help these countries reach the HIPC decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with contributions from the ADF, the ADB and private donors. Resources from the facility are provided on a case-by-case basis to genuine eligible fragile states not yet receiving debt relief to fill financing gaps after maximum effort by the country to clear its arrears to the Bank Group. Contributions made by the Fund to the facility cannot be used to clear the debt owed to the Fund by beneficiary fragile state. Contributions by the Fund to the Facility are included in "Grants and Technical Assistance Activities" in the Statement of Net Development Resources.

NOTE F – SUBSCRIPTIONS AND CONTRIBUTIONS

The Fund's initial subscriptions were provided by the Bank and the original State Participants to the Agreement, and states acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of a special general increase and eleven general replenishments. Details of these movements are shown in the Statement of Subscriptions and Voting Power in Note O.

The tenth replenishment, approved by the Board of Governors resolution F/BG/2005/01 adopted on May 4, 2005, covered the three-year operational period to 2007.

Negotiations for the eleventh replenishment of the Fund (ADF-XI) were concluded on December 11, 2007 when the deputies agreed to a replenishment level of UA 5.76 billion, of which UA 2.06 billion represents internally generated resources, for the three-year operational period 2008 to 2010. ADF-XI came into effect on May 8, 2008 after the State Participants had deposited with the Fund instruments of subscriptions exceeding the threshold of 30% of pledged subscriptions. At December 31, 2008 subscriptions to ADF-XI amounted to UA 2.97 billion.

At December 31, 2008 cumulative contributions pledged on account of the MDRI amounted to UA 4.37 billion of which UA 158.57 million had been paid and included in total subscriptions. Consistent with the resolution approving MDRI, the contributions paid entitle the State Participants to voting rights, as reflected in Note O.

Gains or losses arising from translation of subscriptions and contributions received into UA are recorded in the Cumulative Exchange Adjustment on Subscriptions account in the Statement of Net Development Resources.

NOTE G – OTHER RESOURCES

In conformity with the findings of the UN General Assembly, the Board of Directors accepted that the former Socialist Federal Republic of Yugoslavia no longer exists as a state under international law and hence is no longer a State Participant in the Fund or a member of the Bank. Pursuant to a decision of the Board of Directors of the Fund in 1993, the subscriptions of the former Socialist Federal Republic of Yugoslavia in the Fund less the unpaid portion (UA 12.97 million), are deemed to have become part of the permanent patrimony of the Fund and are not returnable to any entity. Accordingly, the amounts of the paid subscriptions are reported as part of other resources in the Statement of Net Development Resources.

Also included in other resources is a total of UA 267.30 million representing contributions by the Bank of UA 265.30 million, and by the Government of Botswana of UA 2.00 million towards the Fund's activities, in accordance with Article 8 of the Agreement.

NOTE H – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: Since the Fund carries its held-for-trading investments at market value, the carrying amount represents the fair value of the portfolio. Fair values are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: All loans of the Fund are intended to provide concessional assistance to low-income regional member countries of the Bank. While the principal amount is fully repayable, no interest is charged to the borrowers. However, a service fee of 0.75 percent of the disbursed and outstanding balance and a commitment charge of 0.50 percent on the undisbursed balance are charged to cover the cost of administering the loans. Due to the highly concessional nature of these loans, it is not meaningful to calculate fair values for outstanding loans.

NOTE I – RESERVES

Reserves as at December 31, 2008 and 2007 were as follows:

(UA thousands)	**2008**	2007
Reserves at January 1	168,262	136,655
Surplus for the year	4,659	31,607
Reserves at December 31	**172,921**	**168,262**

NOTE J – TRUST FUNDS

The Fund has available resources arising from contributions entrusted to it under Article 8 of the Agreement, which empowers the Fund to receive other resources including grants from State Participants, non-participating countries, and from any public or private body or bodies.

At December 31, 2008, the undisbursed balance of trust fund resources was UA 5.48 million (2007: UA 4.31 million) representing the balance of a grant received from Japan for the development of human resources in Africa.

Resources of the trust funds are kept separate from those of the ADF.

NOTE K – ADMINISTRATIVE EXPENSES

Pursuant to Article 31 of the Agreement, the Fund reimburses the ADB for the estimated fair value of its use of the latter's offices, staff, organization, services and facilities. The amount of such administrative expenses reimbursed is based on a predetermined cost-sharing formula, which is driven, in large part, by the Fund's relative share of the number of programs and projects executed during the year by the Bank Group. The administrative expenses incurred by the Fund for the year amounted to UA 138.10 million (2007: UA 135.85 million).

NOTE L – RELATED PARTIES

The general operation of the Fund is conducted by a 12-member Board of Directors, of which 6 members are selected by the Bank. The Bank exercises 50 percent of the ADF's voting power and the President of the Bank is the ex-officio President of the Fund. In accordance with the Agreement, the Fund utilizes the officers, staff, organization, services and facilities of the ADB (the Bank) to carry out its functions, for which it reimburses the Bank as disclosed in Note K. In this regard, the Bank administers the resources of the Fund. The Fund also administers trust funds entrusted to it by some of its State Participants.

NOTE M – SUMMARY OF LOANS AS AT DECEMBER 31, 2008

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Angola	11	58,919	-	34,707	24,212	0.50
Benin	23	202,472	25,000	98,517	78,955	1.62
Botswana	12	57,253	-	-	57,253	1.18
Burkina Faso	28	335,346	-	191,828	143,518	2.95
Burundi	32	153,803	-	9,781	144,022	2.96
Cameroon	18	177,094	-	107,594	69,500	1.43
Cape Verde	26	94,384	5,000	8,929	80,455	1.65
Central African Republic	18	86,307	-	-	86,307	1.77
Chad	36	291,569	-	28,054	263,515	5.42
Comoros	8	26,249	-	-	26,249	0.54
Congo	3	13,937	-	-	13,937	0.29
Côte d'Ivoire **	14	224,817	-	50,242	174,575	3.59
Democratic Republic of Congo	28	230,111	-	59,217	170,894	3.51
Djibouti	16	91,463	-	20,963	70,500	1.45
Egypt	17	159,503	-	555	158,948	3.27
Equatorial Guinea	11	29,475	-	-	29,475	0.61
Eritrea	6	73,658	-	11,950	61,708	1.27
Ethiopia	16	500,112	-	294,676	205,436	4.22
Gabon	3	1,658	-	-	1,658	0.03
Gambia	12	33,910	-	6,691	27,219	0.56
Ghana	31	522,935	-	378,263	144,672	2.97
Guinea	35	265,644	-	30,721	234,923	4.83
Guinea-Bissau	26	112,734	-	14,180	98,554	2.03
Kenya	37	630,036	42,000	317,813	270,223	5.55
Lesotho	31	146,832	-	11,203	135,629	2.79
Liberia	3	11,934	-	-	11,934	0.25
Madagascar	17	275,958	15,002	130,099	130,857	2.69
Malawi	18	129,724	-	45,814	83,910	1.72
Mali	30	333,796	-	170,189	163,607	3.36
Mauritania	13	66,914	-	38,864	28,050	0.58
Mauritius	3	2,278	-	-	2,278	0.05
Morocco	6	36,038	-	-	36,038	0.74
Mozambique	26	412,274	-	192,376	219,898	4.52
Namibia	2	12,664	-	-	12,664	0.26
Niger	15	122,215	-	60,197	62,018	1.27
Nigeria	19	360,983	-	182,284	178,699	3.67
Rwanda	14	128,554	-	44,037	84,517	1.74
Sao Tome & Principe	4	4,979	-	3,152	1,827	0.04
Senegal	21	224,024	-	97,012	127,012	2.61
Seychelles	3	6,898	-	-	6,898	0.14
Sierra Leone	10	66,366	-	38,503	27,863	0.57
Somalia **	17	65,421	-	-	65,421	1.34
Sudan **	15	174,776	-	-	174,776	3.59
Swaziland	8	36,336	-	-	36,336	0.75
Tanzania	27	659,760	-	404,683	255,077	5.24
Togo	12	82,605	-	3,983	78,622	1.62
Uganda	22	472,105	98,934	212,805	160,366	3.30
Zambia	14	157,257	-	77,384	79,873	1.64
Zimbabwe **	10	36,060	-	-	36,060	0.74
Multinational	25	389,114	-	360,041	29,073	0.58
Total	**852**	**8,789,254**	**185,936**	**3,737,307**	**4,866,011**	**100.00**

** Excludes fully repaid loans and cancelled loans.*
*** Countries in non-accrual status as at December 31, 2008.*

Slight differences may occur in totals due to rounding.

NOTE N – MATURITY AND CURRENCY COMPOSITION OF OUTSTANDING LOANS AS AT DECEMBER 31, 2008 AND 2007

The maturity distribution of outstanding loans as at December 31, 2008 and 2007 was as follows:

(Amounts in UA millions)

	2008		2007	
Period	**Amount**	**%**	**Amount**	**%**
One year or less	130.26	2.68	127.09	3.06
More than one year but less than two years	65.10	1.34	58.37	1.40
More than two years but less than three years	71.14	1.46	64.70	1.56
More than three years but less than four years	78.77	1.62	69.88	1.68
More than four years but less than five years	84.48	1.74	76.65	1.84
More than five years	4,436.26	91.16	3,762.36	90.46
Total	**4,866.01**	**100.00**	**4,159.05**	**100.00**

The currency composition of outstanding loans as at December 31, 2008 and 2007 was as follows:

(Amounts in UA millions)

	2008		2007	
Currency	**Amount**	**%**	**Amount**	**%**
Canadian Dollar	17.50	0.36	21.85	0.53
Danish Kroner	25.05	0.51	27.22	0.66
Euro	1,978.31	40.66	1,828.72	43.97
Japanese Yen	1,044.74	21.47	720.83	17.33
Norwegian Krone	38.39	0.79	53.63	1.29
Pound Sterling	8.17	0.17	14.65	0.35
Swedish Krona	21.49	0.44	28.46	0.68
Swiss Franc	114.61	2.36	116.09	2.79
United States Dollar	1,617.45	33.23	1,347.12	32.39
Others	0.30	0.01	0.48	0.01
Total	**4,866.01**	**100.00**	**4,159.05**	**100.00**

NOTE O – STATEMENT OF SUBSCRIPTIONS, CONTRIBUTIONS AND VOTING POWER AS AT DECEMBER 31, 2008

(Amounts in UA thousands)

	SUBSCRIPTIONS					PAYMENT POSITIONS			MDRI	VOTING POWER	
Participants	Initial	Special Increase	ADF-I to ADF-X Installments	ADF-XI Installments	Total Subscriptions	Total Installments Paid	Installments Due	Installments not yet Payable	Payments Received	Number of Votes	%
1 ADB	4,605	1,382	105,754	-	111,741	111,741	-	-	-	1,000.000	50.000
2 ARGENTINA	1,842	-	7,018	-	8,860	1,842	7,018	-	-	0.113	0.006
3 AUSTRIA	13,816	-	197,067	-	210,883	208,210	-	-	1,576	12.847	0.642
4 BELGIUM	2,763	-	281,319	76,731	360,813	306,388	-	54,425	2,057	18.889	0.944
5 BRAZIL	1,842	921	124,700	-	127,463	127,055	-	-	-	7.781	0.389
6 CANADA	13,816	6,908	1,168,159	212,351	1,401,234	1,250,509	-	123,252	9,517	77.162	3.858
7 CHINA	13,816	-	258,102	79,901	351,819	298,552	-	53,267	2,179	18.416	0.921
8 DENMARK	4,605	1,842	452,684	51,170	510,301	503,464	-	-	2,348	30.975	1.549
9 FINLAND	1,842	-	249,863	89,222	340,927	339,969	-	-	1,991	20.941	1.047
10 FRANCE	8,809	-	1,511,712	403,329	1,923,850	1,636,226	-	231,410	12,210	100.948	5.047
11 GERMANY	6,860	6,956	1,477,300	400,000	1,891,116	1,624,450	-	266,667	8,772	100.016	5.001
12 INDIA	5,526	-	57,910	6,434	69,870	65,358	-	4,512	231	4.017	0.201
13 ITALY	9,211	-	1,075,832	-	1,085,043	1,085,041	-	-	6,708	64.601	3.230
14 JAPAN	13,816	-	1,921,953	261,439	2,197,208	2,022,915	-	174,293	21,281	125.184	6.259
15 KOREA	9,211	-	113,331	32,474	155,016	133,366	-	21,650	1,347	8.250	0.412
16 KUWAIT	4,974	-	152,828	6,657	164,459	164,458	-	-	13,003	10.867	0.543
17 NETHERLANDS	3,684	1,842	534,668	201,062	741,256	606,867	-	134,041	7,122	36.867	1.843
18 NORWAY	4,605	2,303	653,626	167,029	827,563	716,211	-	111,353	4,698	42.717	2.136
19 PORTUGAL	7,368	-	107,006	29,622	143,996	124,249	-	19,748	750	7.655	0.383
20 SAUDI ARABIA	8,290	-	216,270	16,395	240,955	229,093	-	10,930	355	14.051	0.703
21 SOUTH AFRICA	1,794	-	11,922	7,147	20,863	15,791	-	4,149	9,562	-	-
22 SPAIN	1,842	921	324,302	127,307	454,372	364,045	-	73,959	21,957	23.638	1.182
23 SWEDEN	4,605	3,684	786,925	160,994	956,208	848,879	-	107,330	5,309	51.084	2.554
24 SWITZERLAND	2,763	2,938	597,351	91,186	694,238	633,448	-	60,791	3,070	38.979	1.949
25 UNITED ARAB EMIRATES	4,145	-	4,145	-	8,290	8,289	-	-	-	0.508	0.025
26 UNITED KINGDOM	4,800	3,073	880,273	547,151	1,435,297	1,070,530	-	364,767	15,073	66.043	3.302
27 UNITED STATES OF AMERICA	12,434	8,290	1,915,761	-	1,936,485	1,910,498	-	25,987	7,457	117.453	5.873
Total	**173,684**	**41,060**	**15,187,781**	**2,967,601**	**18,370,126**	**16,407,444**	**7,018**	**1,842,531**	**158,573**	**2,000.000**	**100.000**
Supplementary information: Supplementary contributions through accelerated encashment to reduce the gap	-	-	38,565	-	38,565	26,458	-	-	-	-	-

Slight differences may occur in totals due to rounding.

NOTE P – EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to an arrears clearance arrangement approved by the Board of Directors on March 6, 2009, the arrears owed by Cote d'Ivoire were repaid through a combination of payments by Cote d'Ivoire assisted by a donor country and contributions by the Fragile States Facility created by the Bank Group. In accordance with the accounting policy of the Fund regarding the recognition of income on non-performing loans, the payments received for the clearance of the charges on loans to Cote d'Ivoire will be reported on cash basis as income in the financial statements for 2009.

NOTE Q – APPROVAL OF FINANCIAL STATEMENTS

On March 31, 2009, the Board of Directors of the Fund authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its meeting in May 2009.

KPMG Audit
1, cours Valmy
92923 Paris La Défense Cedex
France

Téléphone: +33 (0)1 55 68 68 68
Télécopie: +33 (0)1 55 68 73 00
Site internet: www.kpmg.fr

African Development Fund
Temporary Relocation Agency
15 Avenue du Ghana
1002 Tunis Belvédère
Tunisie

Independent Auditor's Report on the special purpose financial statements of the African Development Fund to the Board of Governors of the African Development Fund
Year ended 31 December 2008

We have audited the accompanying special purpose financial statements of the African Development Fund (« the Fund ») prepared in compliance with the accounting and financial reporting matters as set out in the accounting policies in note B of the Special Purpose Financial Statements for the year ended 31 December 2008.

These special purpose financial statements have been prepared for the purposes of submitting approved and audited special purpose financial statements to the Board of Governors as required by Article 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund, and are not intended to be a presentation in conformity with a recognised accounting framework, such as, International Financial Reporting Standards.

This report is made solely to the Fund's Board of Governors, as a body, in accordance with Article 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund. Our audit work has been undertaken so that we might state to the Fund's Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and its Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Annual Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with articles 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund and the accounting policies set out in Note B to the special purpose financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in compliance with International Standards on Auditing applicable to compliance auditing. Those standards require that we comply with

African Development Fund
Independent Auditor's Report on the Special Purpose Financial Statements of the African Development Fund to the Board of Governors of the African Development Fund

ethical requirements and plan and perform the audit to obtain reasonable assurance that the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall special purpose financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statements of the Fund have been prepared, in all material respects, in accordance with the accounting and financial reporting matters as set out in the accounting policies in note B of the special purpose financial statements for the year ended 31 December 2008.

Paris La Défense, 31st March 2009

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2009

(UA thousands)

Description	
Management Fees*	180,160
Direct Expenses	150
Total	**180,310**

* *The amount represents the African Development Fund's share of the fair value of the Bank's expenses in respect of officers, staff, organization, services and facilities based on a formula approved by the Fund's Board.*

NIGERIA TRUST FUND

Financial Management

Investments

The cash and liquid investments of the NTF are denominated in US Dollars and amounted to UA 229.93 million at December 31, 2008, compared to UA 196.68 million at the end of 2007. Investment income for 2008 amounted to UA 5.35 million, representing a return of 2.47 percent, on an average liquidity level of UA 216.71 million, compared with an income of UA 10.34 million in 2007, representing a return of 5.36 percent on an average liquidity of UA 192.97 million. The decrease in investment income is due mainly to the sharp drop of money market returns in 2008.

Loan Portfolio

Loans signed, net of cancellations, as at December 31, 2008, stabilized at UA 240.81 million, about the level recorded as at December 31, 2007. As at end 2008, there were 34 active signed loans amounting to UA 54.79 million. There were 35 fully repaid loans for a total amount of UA 94.82 million.

Disbursements

Disbursements increased from UA 5.94 million in 2007, to UA 8.46 million representing an increase of 42.42 percent. As at December 31, 2008, cumulative disbursements amounted to UA 213.15 million. A total of 59 loans were fully disbursed for a total amount of UA 196.20 million, representing 92.05 percent of cumulative disbursements.

Risk Management Policies and Processes

Similar to the African Development Bank, the Nigeria Trust Fund seeks to reduce its exposure to risks that are not essential to its core business of providing development related assistance, such as liquidity, currency and interest rate risks. Note D to the Financial Statements provides the details of the risk management policies and practices employed by the NTF.

Financial Results

The NTF's income before distributions approved by the Board of Governors decreased from UA 19.84 million in 2007 to UA 5.99 million in 2008, due mainly to the drop of money market returns in 2008 as well as the write-back of provision for impairment on loans and related charges receivable in 2007. The net write-back of provisions for losses on loans and interest and charges receivable in 2007 amounted to UA 9.50 million compared to a write-back of UA 0.03 million in 2008. Investment and loan income in 2008 decreased by UA 4.99 million and UA 0.52 million, respectively. Administrative expenses, which represent the Fund's share of the total shareable expenses of the ADB group, decreased by UA 1.10 million from UA 2.59 million in 2007 to UA 1.49 million in 2008. The Fund's share of the total shareable expenses of the ADB group is based on a predetermined cost-sharing formula, which is driven primarily by the relative levels of certain operational volume indicators. The Fund's reserves net of cumulative currency translation adjustments increased from UA 144.88 million in 2007 to UA 158.19 million in 2008.

Nigeria Trust Fund

Financial Statements and Report of the Independent Auditors
Years ended December 31, 2008 and 2007

BALANCE SHEET
AS AT DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

ASSETS	2008	2007
DUE FROM BANKS	90,367	6,331
INVESTMENTS (Note E)	139,565	190,346
ACCOUNTS RECEIVABLE		
Accrued income and receivables on loans	1,807	16,708
Accrued income on investments	733	520
Other receivables	529	177
	3,069	17,405
LOANS (Notes D & F)		
Disbursed and outstanding	54,785	64,536
Less: Accumulated provision for impairment	(157)	(153)
	54,628	64,383
TOTAL ASSETS	**287,629**	**278,465**

The accompanying notes to the financial statements form part of this statement.

LIABILITIES & EQUITY	2008	2007
ACCOUNTS PAYABLE	852	4,999
EQUITY (Note G)		
Fund capital	128,586	128,586
Reserves		
Retained earnings	273,660	269,657
Cumulative Currency Translation Adjustment (Note B)	(115,469)	(124,777)
Total reserves	158,191	144,880
Total equity	286,777	273,466
TOTAL LIABILITIES & EQUITY	**287,629**	**278,465**

INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
INCOME (Note H)		
Interest and charges on loans	2,076	2,594
Income from investments	5,350	10,343
Other income	33	39
Total income	7,459	12,976
EXPENSES		
Administrative expenses (Note I)	1,485	2,587
Bank charges	15	53
Total expenses	1,500	2,640
Provision for impairment on loans (Note F)	(17)	(2,656)
Provision for impairment on loan interest and charges (Note F)	(11)	(6,844)
Total expenses and provision for impairment	1,472	(6,860)
Income before distributions approved by the Board of Governors	5,987	19,836
Distributions of income approved by the Board of Governors (Note G)	(1,984)	(1,380)
NET INCOME	**4,003**	**18,456**

The accompanying notes to the financial statements form part of this statement.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	Fund Capital	Retained Earnings	Cumulative Currency Translation Adjustment	Total Equity
Balance at January 1, 2007	128,586	251,201	(111,666)	268,121
Net income for the year	-	18,456	-	18,456
Currency translation adjustment	-	-	(13,111)	(13,111)
Balance at December 31, 2007 and January 1, 2008	**128,586**	**269,657**	**(124,777)**	**273,466**
Net income for the current year	-	4,003	-	4,003
Currency translation adjustment	-	-	9,308	9,308
Balance at December 31, 2008	**128,586**	**273,660**	**(115,469)**	**286,777**

The accompanying notes to the financial statements form part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(UA thousands - Note B)

	2008	2007
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	4,003	18,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for impairment on loan principal and charges	(28)	(9,500)
Unrealized (gains)/losses on investments	(738)	122
Changes in accrued income and receivables on loans	14,898	(2,723)
Changes in net current assets	(4,418)	6,349
Net cash provided by operating activities	13,717	12,704
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(8,455)	(5,938)
Repayment of loans	21,734	5,472
Investments maturing after 3 months of acquisition:		
Trading portfolio	(21,059)	119,081
Net cash (used in)/provided by investing, lending and development activities	(7,780)	118,615
Effect of exchange rate changes on cash and liquid investments	1,588	(6,859)
Net increase in cash and liquid investments	7,525	124,460
Cash and cash equivalents at the beginning of the year	133,891	9,431
Cash and cash equivalents at the end of the year	**141,416**	**133,891**
COMPOSED OF:		
Investments maturing within 3 months of acquisition	51,049	127,560
Cash	90,367	6,331
Cash and cash equivalents at the end of the year	**141,416**	**133,891**
SUPPLEMENTARY DISCLOSURE:		
Movement resulting from exchange rate fluctuations on loans	(1,399)	2,446

The accompanying notes to the financial statements form part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE A – NATURE OF OPERATIONS

The Nigeria Trust Fund (the Fund or NTF) was established under an agreement signed on February 26, 1976 (the Agreement) between the African Development Bank (ADB or the Bank) and the Federal Republic of Nigeria. The African Development Bank, which is headquartered in Abidjan, Côte d'Ivoire, manages the resources of the Fund on behalf of the Government of Nigeria. The purpose of the Fund is to assist in the development efforts of the poorer ADB regional member countries. The Agreement stipulates that the Fund shall be in effect for a period of 30 years from the date the Agreement became effective and that such sunset date may be extended by mutual agreement between the Bank and the Federal Republic of Nigeria. The Agreement expired in April 25, 2006 and has been extended twice for one-year periods, to allow for the completion of an independent review of the operation of the Fund. Following the successful completion of the independent review, the Agreement has been extended for a period of ten years starting from April 26, 2008.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention except for certain financial assets that are carried at fair value. The significant accounting policies of the Fund are summarized below.

Revenue Recognition
Interest income is accrued on a time basis and recognized based on the effective interest method during the time an investment or loan is outstanding and held by the Fund. The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of the financial asset to the asset's net carrying amount. Commitment fees are accrued in arrears for unutilized loan facilities.

Income from investments includes realized and unrealized gains and losses on held-for-trading investments.

Functional and Presentation Currencies
The Fund conducts its operations in U.S. dollars, and has determined that its functional currency is the U.S. dollar. In accordance with Article VII, section 7.3, of the Agreement establishing the Fund, the financial statements are presented in Units of Account (UA).

The value of the Unit of Account is defined in Article 5.1 (b) of the Agreement Establishing the Bank as equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF) or any unit adopted for the same purpose by the IMF. At December 31, 2008, 1 UA was equivalent to 1.54027 United States dollars (2007: 1.58025 United States dollars).

Currency Translation
Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated from U.S. dollars to UA at rates prevailing at the balance sheet date. Translation differences are included in reserves under cumulative currency translation adjustment (CCTA). Changes in CCTA are reported in the statement of changes in equity. Capital replenishments are recorded in UA at the exchange rates prevailing at the time of receipt. Translation gains and losses on conversion of currencies into UA are included in the determination of net income.

Financial Instruments

Financial assets and financial liabilities are recognized when the Fund assumes related contractual rights or obligations.

1) Financial Assets

The Fund classifies its financial assets in the following categories: held-for-trading financial assets, loans and receivables, and held-to-maturity investments. Management determines the classification of its investments upon initial recognition.

i) Held-for-Trading Financial Assets

All held-for-trading assets are carried at fair value through the income statement. Investments in the held-for-trading portfolio are acquired principally for the purpose of selling in the short term. Held-for-trading financial assets are measured at fair value, with gains and losses arising from changes in fair value included in the income statement in the period in which they arise.

ii) Loans and Receivables

Loans include outstanding balances receivable from borrowers in respect of amounts disbursed. The Fund has also classified accrued income and receivables from loans and investments and other sundry amounts as receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a borrower with no intention of trading the receivable. Loans and receivables are carried at amortized cost using the effective interest method.

iii) Held-to-Maturity Investments

The Fund has classified its investments in certain debt securities as held-to-maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the intent and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost using the effective interest method.

Purchases and sales of held-for-trading and held-to-maturity investments are recognized on a trade-date basis, which is the date the Fund commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers.

Cash and cash equivalents include amounts due from banks, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value and have a time to maturity upon acquisition of three months or less.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

2) Financial Liabilities

Financial liabilities include accounts payable and are subsequently measured at amortized cost. Financial liabilities are derecognized upon discharge, cancellation or expiration.

Impairment of Financial Assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Fund determines that there is objective evidence that an impairment loss has been incurred on a loan, receivable or held-to-maturity investment carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The estimated impairment loss may arise from delays that may be experienced in receiving amounts due, and the impairment calculations reflect management's best estimate of the effect of such delays.

The impairment loss is reported as a reduction to the carrying amount of the asset through the use of an allowance account and recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Interest and charges are accrued on all loans, including those in arrears.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fair Value Disclosure

The fair values of investments that are quoted in active markets are based on current bid prices. Fair values of financial assets listed in inactive markets or unlisted securities, are determined by using valuation techniques that incorporate the maximum use of market data inputs. These valuation techniques include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Fair values for financial instruments for which market quotations are not readily available have been determined using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction, or whether they are exchangeable at all, is not readily determinable. Management believes these methodologies and assumptions are reasonable; however, the values actually realizable in a sale might differ from the fair values disclosed.

The methods and assumptions used by the Fund in estimating the fair values of financial instruments are as follows:

Cash and cash equivalents: The carrying amount is the fair value.

Investments: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: The Fund does not sell its loans, nor does it believe there is a comparable market for its loans. The fair value of loans reported in these financial statements represents management's best estimates of the present value of the loans' expected cash flows. Fair values are estimated using a discounted cash flow model based on the year-end market equivalent lending rate in that currency, adjusted for estimated credit risk.

Retained Earnings

Retained earnings of the Fund consist of amounts allocated to reserves from prior years' income and unallocated current year net income.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarized below:

i) Impairment Losses on Assets Carried at Amortized Cost

The Fund first assesses whether objective evidence of impairment exists individually for financial assets. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, that asset is included in a group of financial assets with similar credit characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and can be reliably estimated.

If the Fund determines that there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

ii) Fair Values of Financial Instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques, for example, models that are used to determine fair values, are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are periodically calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) Held-to-Maturity Investments

In making judgments to designate assets as held-to-maturity, the Fund makes a positive determination at the acquisition date as to its intent and ability to hold such investments to maturity.

NOTE C – NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

On March 5, 2009, the International Accounting Standards Board issued amendments to the disclosures requirements under IFRS 7. These amendments require additional disclosures of fair value measurements in a three-level hierarchy reflecting the relative reliability of such measurements based on the significance of the inputs used. Under this hierarchy, the most reliable measurements are those based on unadjusted quoted prices in active markets for identical assets or liabilities. The Fund has early-adopted this amendment, which becomes effective for financial statements for the annual periods beginning on or after January 1, 2009.

At the date of authorization of these financial statements, certain new and amended International Financial Reporting Standards and Interpretations had been issued with effective dates after December 31, 2008 and for which the Fund has elected not to early adopt. IFRS 8, *Operating Segments*, which becomes effective for financial statements for the period beginning January 1, 2009 replaces the segmental reporting requirements of IAS 14, *Segment Reporting,* and requires alignment of the segments in the financial statements with those used internally by management in the allocation of resources and assessing performance. IFRS 8 is not expected to have a significant impact on the Fund's financial statements. The amendments to IAS 1, require the Fund to present in separate statements, changes in equity related to its shareholders and those related to comprehensive income (i.e., non-shareholder related components), including related reclassification adjustments of those components. It also requires the presentation of a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the Fund applies an accounting policy retrospectively or makes a retrospective restatement. None of these new Standards and amendments is expected to have a significant impact on the Fund's financial statements.

NOTE D – RISK MANAGEMENT POLICIES AND PROCEDURES

As described in Note A, the African Development Bank (the Bank) manages the resources of the Fund on behalf of the Government of Nigeria. In the course of exercising its fiduciary duties, the Bank applies specific risk management policies designed to protect the resources of the Fund through the Bank's General Authority on Asset and Liability Management ("the ALM Authority"). The ALM Authority sets out the guiding principles for managing the Fund's risks, including interest rate risk, currency risk, liquidity risk, counterparty credit risk and operational risk.

Under the ALM Authority, the President of the Bank is authorized to approve and amend more detailed operational guidelines as necessary, upon the recommendations of the Asset and Liability Management Committee (ALCO). ALCO is the Bank's most senior management forum on finance and risk management issues and is chaired by the Vice President for Finance of the Bank.

ALCO meets on a regular basis to perform its oversight role. As part of ALCO's key functions pertinent to the administration of the Fund, it reviews regular and ad-hoc finance and risk management reports and projections, approves strategies to adjust the balance sheet, and confirms country credit risk ratings and the associated incurred loss estimates. ALCO is supported by several standing working groups that report on specific issues including country risk, non-sovereign credit risk, counterparty credit risk, interest rate risk, currency risk, operational risk, financial projections, and financial products and services.

Day-to-day operational responsibilities for implementing the Bank's risk management policies and guidelines are delegated to the relevant business units, and the Financial Management Department is responsible for monitoring the day-to-day compliance with those policies and guidelines.

The following sections describe in detail the manner in which the individual sources of risk are managed by the Fund.

Credit Risk

Credit risk is the potential financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Fund arising from its lending and treasury operations essentially and it includes sovereign credit risk from lending operations, and counterparty credit risk. These risks are managed within an integrated framework of credit policies, guidelines and processes, which are described in more detail in the following sections.

1) Sovereign Credit Risk

When the Fund lends to public sector borrowers, it generally requires a full sovereign guarantee or the equivalent from the borrowing member state. Also, in extending credit to sovereign entities, it is exposed to country risk which includes potential losses arising from a country's inability or unwillingness to service its obligations to the Fund. The Fund manages country credit risk through financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessment. These include the assessment of each country's macroeconomic performance as well as its socio-political conditions and future growth prospects.

Country Exposure

The Fund's loans outstanding at December 31, 2008 were to the following countries:

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Benin	3	8,848	-	1,065	7,783	14.21
Burundi	1	45	-	-	45	0.08
Cape Verde	1	2,099	-	-	2,099	3.83
Djibouti	1	2,160	-	-	2,160	3.94
Gambia	2	7,655	-	2,248	5,407	9.87
Ghana	1	3,000	-	3,000	-	-
Guinea	2	5,818	-	523	5,295	9.67
Guinea-Bissau	1	3,511	-	3,480	31	0.06
Lesotho	2	623	-	-	623	1.14
Liberia	3	7,008	-	-	7,008	12.79
Madagascar	1	3,995	-	-	3,995	7.29
Mali	1	485	-	-	485	0.89
Mauritania	2	10,211	-	5,668	4,543	8.29
Namibia	1	1,583	-	-	1,583	2.89
Rwanda	3	7,213	-	4,882	2,331	4.25
Senegal	2	3,006	-	-	3,006	5.49
Seychelles	2	1,679	-	-	1,679	3.06
Somalia**	1	756	-	-	756	1.38
Swaziland	2	4,963	-	3,043	1,920	3.50
Tanzania	1	2,114	-	-	2,114	3.86
Uganda	1	1,922	-	-	1,922	3.51
Total	**34**	**78,694**	**-**	**23,909**	**54,785**	**100.00**

** Excludes fully repaid loans and cancelled loans.*
*** Countries with overdue amounts as at December 31, 2008.*

Slight differences may occur in totals due to rounding.

Systematic Credit Risk Assessment
The Fund currently lends only to public sector borrowers, and its loans generally carry full sovereign guarantee or the equivalent from the borrowing member state.

The Fund's credit risk management framework is based on a systematic credit risk assessment using a uniform internal credit risk rating scale that is calibrated to reflect the Fund's statistical loss expectations as shown in the table below.

Risk Rating	Description	Risk Class	International Equivalent
1	Excellent	Very Low Risk	A - BBB
2	Strong	Low Risk	BB
3	Good	Moderate Risk	B
4	Fair		
5	Acceptable	High Risk	CCC
6	Marginal		
7	Special Attention	Very High Risk	<CCC
8	Substandard		
9	Doubtful		
10	Known Loss		

These sovereign risk credit ratings are derived from a risk assessment on five risk indices that include macro-economic performance, debt sustainability, socio-political factors, business environment and portfolio performance. These five risk indices are combined to derive a composite sovereign country risk index and then converted into separate country risk ratings. These country risk ratings are validated against the average country risk ratings from accredited rating agencies and other specialized international bodies. The ALCO reviews the country ratings on a quarterly basis to ensure compliance with country exposure limits, changes in country credit risk conditions, and to approve changes in loss provisioning, if any.

Portfolio Risk Monitoring
It is the Fund's policy that if the payment of principal, interest or other charges becomes 30 days overdue, no new loans to that country, or to any public sector borrower in that country, will be presented to the Board of Directors for approval, nor will any previously approved loan be signed, until all arrears are cleared. Furthermore, for such countries, disbursements on all loans to or guaranteed by that member country are suspended until all overdue amounts have been paid.

2) Counterparty Credit Risk
Counterparty credit risk is the potential for loss due to failure of a counterparty to honor its obligation. The Fund utilizes various financial instruments to manage its exposure to fluctuations in market interest and currency rates, and to invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Fund.

Given the nature of the Fund's business, it is not possible to completely eliminate counterparty credit risk, however, the Fund minimizes this risk by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures. Counterparties must meet the Fund's minimum credit rating requirements and are approved by the Bank's Vice President for Finance. For counterparties that are rated below the minimum rating requirements, approval is required by ALCO.

The following table details the minimum credit ratings for authorized investment counterparties:

	Maturity					
	6 months	**1 year**	**5 years**	**10 years**	**15 years**	**30 years**
Government		A/A2			AA-/Aa3	AAA/Aaa
Government Agencies and Supranationals		A/A2			AA-/Aa3	AAA/Aaa
Banks	A/A2		AA-/Aa3	AAA/Aaa		
Corporations including non bank financial institutions	A/A2		AA-/Aa3	AAA/Aaa		
MBS/ABS	No maturity limit, but repayment projections mandatory					

The Fund invests in mortgage-backed and asset-backed securities with a minimum rating of AAA/Aaa; and money market mutual funds with a minimum rating of AA-/Aa3.

In addition to these minimum rating requirements, the Fund operates within a framework of exposure limits based on the counterparty credit rating and size, subject to a maximum of 10% of the Fund's total liquidity for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Fund's credit limits after considering the benefits of any collateral.

As shown in the following table, the estimated potential counterparty credit exposure of the investment portfolio continues to be predominantly AA or higher rated.

Credit Risk Profile of the Investment and Derivative Portfolios			
	AAA	**AA**	**A**
2008	55%	34%	11%
2007	14%	85%	1%
2006	42%	54%	4%
2005	77%	19%	4%
2004	71%	25%	4%
2003	60%	34%	6%

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. In order to mitigate liquidity risk, the Fund's investment management policy ensures it has sufficient liquid assets to meet its disbursement obligations.

Currency Risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. The Fund manages its currency risk by holding all of its investments and loans in U.S. dollars, the currency in which the Fund's resources are denominated.

Interest Rate Risk

The Fund is exposed to fair value interest rate risk on its portfolio of loans and investments. All of the Fund's loans have fixed interest rates. Investments are managed against the monthly average of three-months LIBOR in order to manage prudently the available resources. Repricing risk is not considered significant in comparison to the Fund's equity resources, and is accordingly not hedged.

At December 31, 2008 the Fund had UA 23.91 million of loans which were committed but not yet disbursed (2007: UA 32.43 million). The interest rate on these undisbursed loans has been fixed at between 2% to 4% per annum.

Interest rate risk positions as at December 31, 2008 and 2007 were as follows:

Interest Rate Risk Position at December 31, 2008

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	90,367	-	-	-	-	-	-	90,367
Investments	139,565	-	-	-	-	-	-	139,565
Accounts receivable	3,531	-	-	-	-	-	(462)	3,069
Loans	7,130	5,932	5,631	5,431	5,170	25,491	(157)	54,628
	240,593	5,932	5,631	5,431	5,170	25,491	(619)	287,629
Liabilities								
Accounts payable	(852)	-	-	-	-	-	-	(852)
	(852)	-	-	-	-	-	-	(852)
Interest rate risk position as at December 31, 2008*	**239,741**	**5,932**	**5,631**	**5,431**	**5,170**	**25,491**	**(619)**	**286,777**

** Interest rate risk position represents equity.*

Interest Rate Risk Position at December 31, 2007

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	6,331	-	-	-	-	-	-	6,331
Investments	190,346	-	-	-	-	-	-	190,346
Accounts receivable	17,885	-	-	-	-	-	(480)	17,405
Loans	20,630	5,560	5,350	5,069	4,858	23,069	(153)	64,383
	235,192	5,560	5,350	5,069	4,858	23,069	(633)	278,465
Liabilities								
Accounts payable	(4,999)	-	-	-	-	-	-	(4,999)
	(4,999)	-	-	-	-	-	-	(4,999)
Interest rate risk position as at December 31, 2007*	**230,193**	**5,560**	**5,350**	**5,069**	**4,858**	**23,069**	**(633)**	**273,466**

** Interest rate risk position represents equity.*

Currency and Interest Rate Sensitivity Analysis

The Fund holds all of its investments and loans in U.S. dollars and therefore is exposed only to translation adjustment as the Fund's assets are reported in UA for financial statements purposes. Any change in the UA/USD exchange rate would have an impact of approximately 40% on these reported values.

Movements in interest rates have an impact on the reported fair value of the trading investment portfolio. The table below shows the effect of a parallel yield curve movement of +/-100bps on the portfolio as of December 31, 2008 and 2007, respectively.

(UA thousands)

	+100 Basis Points		-100 Basis Points	
	2008	2007	**2008**	2007
(Loss)/gain on held-for-trading investments	(232)	(150)	233	150

The loan portfolio comprises fixed rate loans only and is carried at amortized cost, thus not affected by movements in interest rates.

NOTE E – INVESTMENTS

As part of its portfolio management strategy, the Fund invests in government and agency obligations, time deposits, and asset-backed securities.

For government and agency obligations with final maturities longer than 1 year, the Fund may only invest in obligations with counterparties having a minimum credit rating of AA- issued or unconditionally guaranteed by governments of member countries or other official entities. For asset-backed securities, the Fund may only invest in securities with a AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than 1 year and a minimum rating of A.

As at December 31, 2008 and 2007, all the Fund's investments are held-for-trading and are marked to market using quoted prices in active market.

The Fund's investments at December 31, 2008 and 2007 are summarized below:

(UA thousands)	**2008**	2007
Time deposits	48,693	121,300
Asset-backed securities	13,694	4,950
Government and agency obligations	60,641	40,976
Corporate bonds	16,537	23,120
Total	**139,565**	**190,346**

The contractual maturity structure of held-for-trading investments as at December 31, 2008 and 2007 was as follows:

(UA thousands)	**2008**	2007
One year or less	115,964	172,840
More than one year but less than two years	9,697	-
More than two years but less than three years	-	630
More than three years but less than four years	-	-
More than four years but less than five years	-	-
More than five years	13,904	16,876
Total	**139,565**	**190,346**

The notional balance of investments as at December 31, 2008 was UA 140.10 million (2007: UA 190.46 million), while the average yield was 2.15% (2007: 5.81%).

NOTE F – LOANS

Loans originated prior to September 22, 2003, carry an interest rate of four per cent (4%) on the outstanding balance. With effect from September 22, 2003, pursuant to the Board of Governors' resolution B/BG/2003/11 of June 3, 2003 and the protocol agreement between the Government of Nigeria and the Bank, dated September 22, 2003, the interest rate on loans was changed from a flat four per cent (4%) per annum to a range of 2% to 4% (inclusive) per annum on the outstanding balance and future undisbursed loans. Furthermore, a 0.75% commission is payable on undisbursed balances commencing 120 days after the effective date of the loan. Loans are granted for a maximum period of 25 years including grace periods of up to 5 years.

The Fund's loan regulations require that loans be expressed in UA and repaid in the currency disbursed. At December 31, 2008, all loans disbursed were repayable in U.S. dollars.

The contractual maturity structure of outstanding loans as at December 31, 2008 and 2007 was as follows:

(Amounts in UA millions)

	2008		2007	
Periods	**Amount**	**%**	**Amount**	**%**
One year or less	7.13	13.01	20.63	31.96
More than one year but less than two years	5.93	10.82	5.56	8.61
More than two years but less than three years	5.64	10.29	5.35	8.29
More than three years but less than four years	5.43	9.91	5.07	7.86
More than four years but less than five years	5.17	9.44	4.86	7.53
More than five years	25.49	46.53	23.07	35.75
Total	**54.79**	**100.00**	**64.54**	**100.00**

The weighted-average interest yield on outstanding loans for the year ended December 31, 2008 was 2.46% (2007: 3.78%).

Borrowers may prepay loans, subject to the terms specified in the loan agreement.

Provision for Impairment on Loan Principal and Charges Receivable

As at December 31, 2008, loans made to or guaranteed by certain borrowing countries with an aggregate principal balance of UA 0.76 million, of which UA 0.58 million was overdue, were considered to be impaired.

The gross amounts of impaired loans and charges receivable and their corresponding impairment provisions at December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Outstanding balance on impaired loans	585	893
Less: Accumulated provision for impairment	(157)	(153)
Net balance on impaired loans	**428**	**740**
Charges receivable and accrued income on impaired loans	1,292	1,382
Less: Accumulated provision for impairment	(461)	(481)
Net charges receivable and accrued income on impaired loans	**831**	**901**

The movement in the accumulated provision for impairment on loan principal for the years ended December 31, 2008 and 2007 was as follows:

(UA thousands)	2008	2007
Balance at January 1	153	2,952
Provision for impairment on loans for the year	(17)	(2,656)
Translation effects	21	(143)
Balance at December 31	**157**	**153**

The movements in the accumulated provision for impairment on interest and charges receivable on loans for the year ended December 31, 2008 and 2007 were as follows:

(UA thousands)	2008	2007
Balance at January 1	481	7,704
Provision for impairment on loan charges for the year	(11)	(6,844)
Translation effects	(9)	(379)
Balance at December 31	**461**	**481**

Fair Value of Loans

At December 31, 2008 and 2007, the estimated fair values of loans were as follows:

(UA thousands)

	2008		2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loan balance at December 31	54,785	52,104	64,536	65,375
Accumulated provision for impairment on loans	(157)	-	(153)	-
Net balance	**54,628**	**52,104**	**64,383**	**65,375**

NOTE G – EQUITY

Equity is composed of Fund capital, retained earnings, and cumulative currency translation adjustments. These are further detailed as follows:

Fund Capital

The initial capital of the Fund was Naira 50 million which was payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to US$ 39.90 million, was received by the Bank on July 14, 1976, and the second installment, equivalent to US$ 39.61 million, was received on February 1, 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the Fund with Naira 50 million. The first installment of Naira 35 million, equivalent to US$ 52.29 million, was received on October 7, 1981. The second installment of Naira 8 million, equivalent to US$ 10.87 million, was received on May 4, 1984. The third installment of Naira 7 million, equivalent to US$ 7.38 million, was received on September 13, 1985.

Following a request by the Government of Nigeria, on June 14, 2006, a withdrawal of US$ 200 million (UA 135.71 million) was made by the Government of Nigeria from the resources of the Fund.

Retained Earnings

Retained earnings as at December 31, 2008 and 2007 were as follows:

(UA thousands)	
Balance at January 1, 2007	251,201
Net income for the year	18,456
Balance at December 31, 2007 and January 1, 2008	**269,657**
Net income for the current year	4,003
Balance at December 31, 2008	**273,660**

In May 2008, the Board of Governors of the Bank approved the distribution of part of the income for the year ended December 31, 2007 to HIPC. Distributions approved by the Board of Governors of the Bank are reported within the income statement as expenses in the year the distribution is approved. Prior to 2006, Board of Governors' approved distribution was reported as a reduction in retained earnings. The approvals in the years ended December 31, 2008 and 2007 were UA 1.98 million and 1.38 million, respectively.

Cumulative Currency Translation Adjustments (CCTA)

Cumulative currency translation adjustments as at December 31, 2008 and 2007 were as follows:

(UA thousands)	**2008**	2007
Balance at January 1	124,777	111,666
Movements during the year	(9,308)	13,111
Balance at December 31	**115,469**	**124,777**

NOTE H – INCOME

Interest and Charges on Loans

Interest and charges on loans for the years ended December 31, 2008 and 2007 were as follows:

(UA thousands)	**2008**	2007
Interest income on loans not impaired	1,820	1,421
Interest income on impaired loans	45	908
Commitment charges	211	265
Total	**2,076**	**2,594**

Income from Investments

Income from investments for the years ended December 31, 2008 and 2007 were as follows:

(UA thousands)	**2008**	2007
Interest income	5,082	9,760
Realized and unrealized fair value gains	268	583
Total	**5,350**	**10,343**

NOTE I – ADMINISTRATIVE EXPENSES

According to the Agreement, the Fund shall pay to the Bank the expenses incurred in the management of the Fund as follows:

a) Separately identifiable costs incurred by the Bank for the Fund; and

b) Indirect costs incurred by the Bank in the management of the Fund.

However, the annual payment for the aforementioned expenses incurred by the Bank shall not exceed 20% of the Fund's gross income during the course of each year.

The administrative cost-sharing formula may be reviewed from time-to-time by mutual agreement. The amount of UA 1.48 million charged for the year ended December 31, 2008 (2007: UA 2.59 million) represents the Fund's share of the Bank group expenses reimbursed by the Fund.

NOTE J – RELATED PARTIES

The Nigeria Trust Fund is administered by the African Development Bank. The ADB conducts the general operations of the NTF on the basis of the terms of the Agreement and in consultation with the Government of Nigeria. The NTF utilizes the offices, staff, organization, services and facilities of the Bank and reimburses the Bank for its share of the costs of such facilities, based on an agreed-upon cost-sharing formula (see Note I). The amount outstanding at December 31, 2008 in respect of the Fund's share of administrative expenses was UA 0.26 million (2007: UA 0.19 million) and is included in Accounts Payable on the balance sheet.

NOTE K – APPROVAL OF FINANCIAL STATEMENTS

On March 31, 2009, the Board of Directors of the Bank authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors of the African Development Bank at its annual meeting in May 2009.

KPMG Audit
1, cours Valmy
92923 Paris La Défense Cedex
France

Téléphone: +33 (0)1 55 68 68 68
Télécopie: +33 (0)1 55 68 73 00
Site internet: www.kpmg.fr

Nigeria Trust Fund
Temporary Relocation Agency
15 avenue du Ghana
1002 Tunis Belvédère
Tunisie

Independent Auditor's Report to the Board of Governors of the African Development Bank in respect of the Nigeria Trust Fund
Year ended 31 December 2008

We have audited the accompanying financial statements of the Nigeria Trust Fund ("the Fund") which comprise the balance sheet as at 31 December 2008 and the income statement, the statement of change in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to K.

The financial statements have been prepared under the accounting policies set out therein, for the purpose of submitting approved and audited financial statements to the Board of Governors as required by Section 8.2 of the Agreement establishing the Fund. This report is made solely to the Bank's Board of Governor of the Bank, as a body, in accordance with Section 8.2 of the Agreement establishing the Fund. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Governors of the Bank as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement Establishing the Fund. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

KPMG

Nigeria Trust Fund
Independent Auditor's Report to the Board of Governors of the African Development Bank in respect of the Nigeria Trust Fund

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Paris La Défense, 31st March 2009

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

Appendices

Appendix I African Development Bank Group

- I-1 Organizational chart
- I-2 Principal officers of the Bank Group as at December 31, 2008

Appendix II African Development Bank

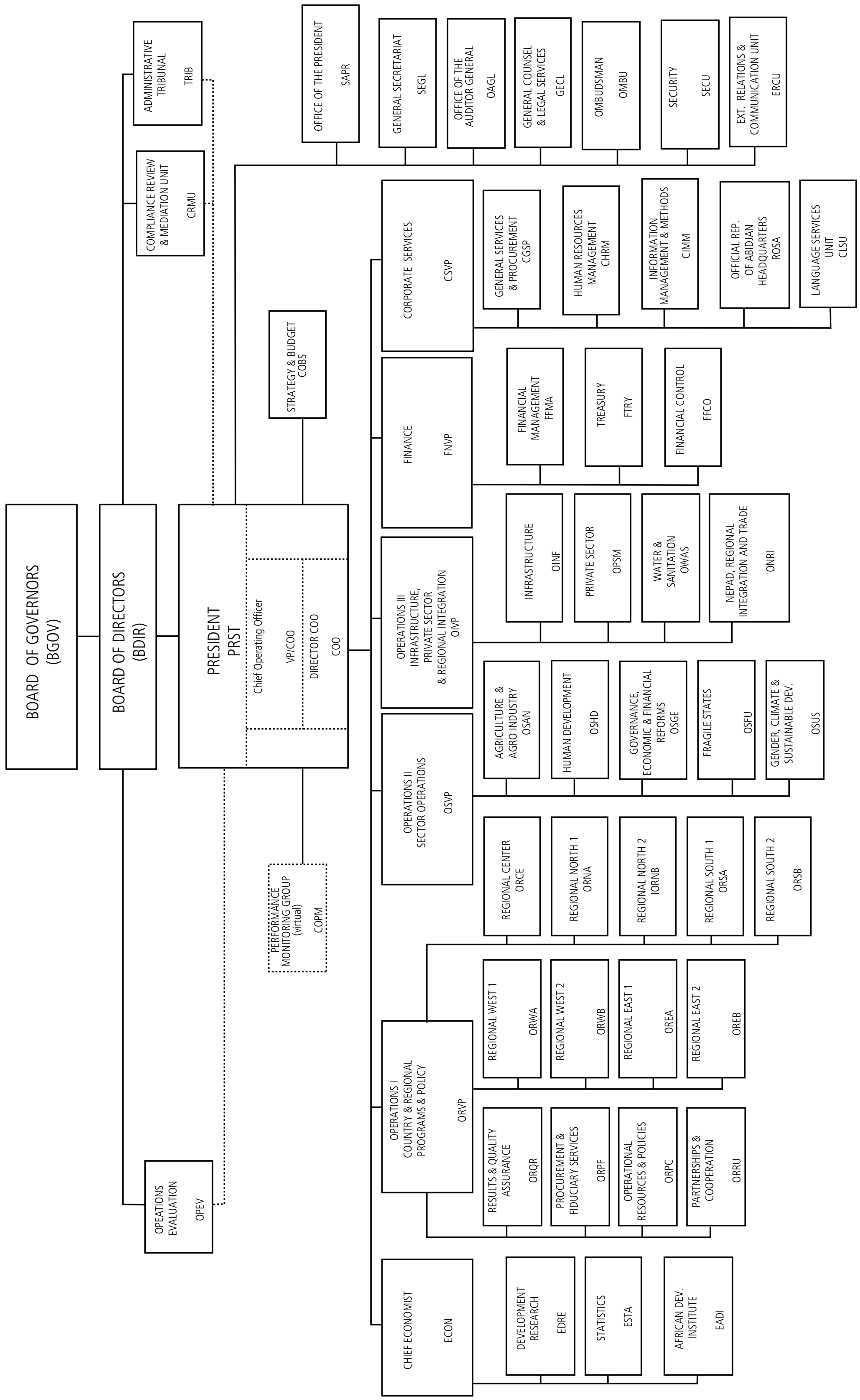
- II-1 Resolutions Adopted by the Board of Governors in 2008 for the Bank
- II-2 Board of Governors: Voting Powers of Member Countries as at December 31, 2008
- II-3 Board of Directors: Voting Powers of Member Countries as at December 31, 2008

Appendix III African Development Fund

- III-1 Resolutions Adopted by the Board of Governors in 2008 for the Fund
- III-2 Board of Governers: Voting Powers of State Participants and of the ADB as at December 31, 2008
- III-3 ADF Board of Directors: Voting Powers and Countries Represented as at December 31, 2008
- III-4 Subscription of State Participants and of the ADB as at December 31, 2008

Appendix I-1

ADB Organizational Chart as at December 31, 2008



Appendix I-2

Principal officers of the Bank Group as at December 31, 2008

PRESIDENCY			
President	KABERUKA	Donald	PRST
Director	SOVIK	Per Eldar	CRMU
Chief of Staff	TOURE	Modibo Ibrahim	SAPR
Secretary General	BEDOUMRA	Kordje	SEGL
Acting General Counsel	GADIO	Kalidou	GECL
Auditor General	OUKO	Edward Rakwar Otieno	OAGL
Director	ZOUKPO	Zate	COO
Director	SAKALA	Zondo Thomas	COBS
Director	KIRK	Colin	OPEV
Officer in Charge	WADE	Magatte	ERCU
Ombudsman	DE SOUZA	Nwadinafor Chinyelu	OMB
Executive Secretary	LIPOU MASSALA	Albertine A.H.	TRIB
Acting Head of Unit	GODBOUT	William John	SECU
OFFICE OF THE CHIEF ECONOMIST			
The Chief Economist	KASEKENDE	Louis Austin	ECON
Director	NDIKUMANA	Leonce	EDRE
Director	LUFUMPA	Charles Leyeka	ESTA
Head of Unit	TAPSOBA	Sibry	EADI
CORPORATE SERVICES			
Vice-President	OTEH	Arunma Onyejiuwa	CSVP
Director	TYTIUN	Daniel Jorge	CHRM
Director	EHOUNOU	Jean-Paul Aka	CGSP
Director	CHAKROUN	Lotfi	CIMM
Unit Head	MBARGA NDI	Valentin	CLSU
Official Representative, Abidjan	SANGBE	Ngardinga	CBKHQ
FINANCE			
Vice-President	DE LONGUEMAR	Thierry	FNVP
Director	BOAMAH	Charles Owusu	FFCO
Director	DIALLO	Kodeidja Malle	FFMA
Director	VAN PETEGHEM	Pierre	FTRY
OPERATIONS I: COUNTRY & REGIONAL PROGRAMS & POLICY			
Vice-President	EICHENBERGER	Joseph B.	ORVP
Director	GHARBI	Mohammed Jaouad	ORCE
Director	ORDU	Aloysius Uche	OREA
Director	GAYE	Diarietou	OREB
Acting Director	ZEJLY	Ahmed	ORNA
Director	LOBE NDOUMBE	Isaac Samuel	ORNB
Officer in Charge	EICHENBERGER	Joseph B.	ORPC
Director	BEILEH	Abdirahman D.	ORSA
Director	BLACK	Frank	ORSB
Director	LITSE	Kpourou Janvier	ORWA
Director	PERRAULT	Franck Joseph Marie	ORWB
Director	GOLDSTEIN	Ellen	ORQR
Acting Director	SHARMA	Vinay	ORPF
Head of Unit	IKEDA-LARHED	Kazumi	ORRU
OPERATIONS II: SECTOR OPERATIONS			
Vice-President	EL-BAKRI	Zeinab Bashir	OSVP
Director	ABOU-SABAA	Aly Abdel-Hamed	OSAN
Director	HURLEY	Thomas Francis	OSHD
Director	NEGATU	Gabriel	OSGE
Unit Head	KILO	Margaret Hilda	OSFU
Officer in Charge	PITAMBER	Sunita	OSUS
OPERATIONS III: INFRASTRUCTURE, PRIVATE SECTOR & REGIONAL INTEGRATION			
Vice-President	GANTSHO	Mandla Sizwe Vulindlela	OIVP
Director	MBESHERUBUSA	Gilbert	OINF
Director	TURNER	Timothy	OPSM
Director	RAKOTOBE ANDRIANARISON	Razanakoto	OWAS
Director	AFRIKA	Philibert	ONRI

Appendix II-1

Resolutions Adopted by the Board of Governors in 2008 for the Bank

B/BG/2008/01: Establishment of the African Fertilizer Financing Mechanism

B/BG/2008/02: Conditions of Service of the President and the Review Mechanism for the Salary of the President

B/BG/2008/03: Dates and Venue of the Forty-Fourth Annual Meeting of the Board of Governors of the Bank and the Thirty-Fifth Annual Meeting of the Board of Governors of the Fund.

B/BG/2008/04: By-Election of Executive Directors of African Development Bank.

B/BG/2008/05: Temporary Relocation of the Operations of the African Development Bank to the Temporary Relocation Agency in Tunis, Tunisia: Twelve (12)-Month Review of the Temporary Relocation Period.

B/BG/2008/06: Accession of the Republic of Turkey to the Agreement Establishing the African Development Bank

B/BG/2008/07: Authorization of a Special Capital Increase.

B/BG/2008/08: Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2007.

B/BG/2008/09: Allocation and Distribution of Part of the Net Income of the African Development Bank for the Financial Year Ended 31 December 2007 using Allocable Income as the Basis of Allocation and Distribution.

B/BG/2008/10: Distribution of the Net Income of the Nigeria Trust Fund for the Financial Year Ended 31 December 2007.

B/BG/2008/11: Application of the Code of Conduct for Executive Directors of the African Development Bank and the African Development Fund to the President of the Bank Group.

B/BG/2008/12: Extension of the Duration of the Nigerian Trust Fund.

B/BG/2008/13: The Administration and Management of the Financial Resources of the Special Fund for Reconstruction and Development of the Great Lakes

B/BG/2008/14: Vote of Thanks of the Boards of Governors to the outgoing Chairperson, the Bureau, the Joint Steering Committee, the Steering Committee on the election of the President and Governors' Consultative Committee.

B/BG/2008/15: Vote of Thanks of the Boards of Governors to His Excellency Armando Emilio GUEBUZA, President of the Republic of Mozambique, Her Excellency Luisa DIOGO, Prime Minister of the Republic of Mozambique and Mr. Eneas COMICHE, Mayor of Maputo.

B/BG/2008/16: Vote of Thanks of the Boards of Governors to His Excellency Denis SASSOU NGUESSO, President of the Republic of Congo.

B/BG/2008/17: Vote of Thanks of the Boards of Governors to Inter-Ministerial Committee of the Republic of Mozambique for Major National and International Events.

B/BG/2008/18: Vote of Thanks of the Boards of Governors to the Boards of Directors, Management and Staff.

B/BG/2008/19	Conditions of Service of Executive Directors and the Review Mechanism for the Salary of Executive Directors
B/BG/2008/20	Allocation of Funds from the Surplus Account of the Bank to the African Food Crisis Response
B/BG/2008/21	Establishment of the Congo Basin Forest Fund
B/BG/2008/22	Conditions of Service of Executive Directors and the Review Mechanism for the Salary of Executive Directors
B/BG/2008/23	Initial Allocation of Funds from the Surplus Account of the Bank to the African Legal Support Facility

Appendix II-2

Board of Governors: Voting Powers of Member Countries as at December 31, 2008

	Country	Governor	Alternate	Total votes	Voting Powers %
1	Algeria	Karim Djoudi	Miloud Boutabba	87,191	3.924
2	Angola	Ana Afonso Dias Lourenço	Eduardo Leopoldo Severim de Morais	26,030	1.171
3	Benin	Pascal I. Koupaki	Gregoire Akofodji	4,870	0.219
4	Botswana	Samson Moyo Guma	Taufila Nyamadzabo	47,258	2.127
5	Burkina Faso	Lucien Marie Noël Bembamba	Lene Segbo	9,932	0.447
6	Burundi	Clotilde Nizigama	Manirakiza Tabu Abdallah	5,798	0.261
7	Cameroon	Motaze Louis Paul	Essomba Ngoula Blaise	22,919	1.031
8	Cape Verde	Cristina Duarte	Leonesa Maria do Nascimento Lima Fortes	2,297	0.103
9	Central Afr. Rep.	Sylvain Maliko	Marie Reine Hassen	1,598	0.072
10	Chad	Ousmane Matar Breme	Gata Ngoulou	2,266	0.102
11	Comoros	Mohamed Ali Soilihi	Said Abdilahi	1,094	0.049
12	Congo	Pacifique Issoibeka	Pierre Moussa	10,500	0.473
13	Côte d'Ivoire	Bohoun Bouabre Paul Antoine	Diby Koffi Charles	81,633	3.674
14	Dem. Rep. Congo	Athanase Matenda Kyelu	Jean Claude Masangu Mulongo	23,365	1.052
15	Djibouti	Ali Farah Assoweh	Djama Mahamoud Haid	1,838	0.083
16	Egypt	Farouk El-Okdah	Mahmoud Mohey El Din	112,454	5.061
17	Equatorial Guinea	Estanislao don Malavo	Martin-Chrisantos Ebe Mba	3,829	0.172
18	Eritrea	Berhane Abrehe	Martha Woldegiorghis	2,628	0.118
19	Ethiopia	Sufian Ahmed	Mekonnen Manyazewal	35,403	1.593
20	Gabon	Blaise Louembe	Richard Auguste Onouviet	26,765	1.205
21	Gambia	Moussa G. Bala-Gaye	Mod A.K. Secka	3,966	0.178
22	Ghana	*	Paul A. Acquah	50,247	2.261
23	Guinea	Ousmane Dore	Thierno Oumar Bah	9,494	0.427
24	Guinea Bissau	Maria Helena Nosoline Embalo	Jose Mario Vaz	1,225	0.055
25	Kenya	*	Joseph K. Kinyua CBS	32,332	1.455
26	Lesotho	Timothy Thahane	M. Majoro	3,949	0.178
27	Liberia	Augustine K. Ngafuan	Amara Konneh	4,855	0.218
28	Libya	Mohamed Ali M. el Huwej	Mohamed A.A. Ashokri	84,220	3.790
29	Madagascar	Razafinjatovo Haja Nirina	Randiantoetra Maxence	14,787	0.665
30	Malawi	Goodall Gondwe	Patrick C. Kamwendo	7,097	0.319
31	Mali	Abou-Bakar Traore	Ahmadou Abdoulaye Diallo	10,161	0.457
32	Mauritania	*	Isselmou Ould Sidi El Moctar	3,838	0.173
33	Mauritius	Rama Krishna Sithanen	Ali Michael Monsoor	14,719	0.662
34	Morocco	Salaheddine Mezouar	Abdeltif Loudyi	72,893	3.280
35	Mozambique	Aiuba Curenela	Ernesto Gouveia Gove	14,391	0.648
36	Namibia	Saara Kuugongelwa-Amadhila	Carl-Herman G. Schlettwein	8,022	0.361
37	Niger	Ali Mahaman Lamine Zeine	Yacoubou Mahaman Sani	6,151	0.277
38	Nigeria	Mansur Muhtar	Stephen Oransaye	193,802	8.722
39	Rwanda	James Musoni	*	3,527	0.159
40	São Tomé & Principe	Angela Maria da Graça Viegas	Maria do Carmo Trovoada P.C. Silveira	2,114	0.095
41	Senegal	Abdoulaye Diop	Mamadou Faye	22,415	1.009
42	Seychelles	Patrick Pillay	Ahmed Afif	1,849	0.083
43	Sierra Leone	David Carew	Sheku Sesay	5,923	0.267
44	Somalia	H. Mohamed Ali Hamud	Bashir Lise Ali	2,566	0.115
45	South Africa	Trevor A. Manuel	Lesetja Kganyago	99,890	4.495
46	Sudan	Awad Al-Jaz	Lual A. Deng	9,455	0.426
47	Swaziland	Majozi Vincent Sithole	Absalom M.C. Dlamini	7,876	0.354
48	Tanzania	Mustafa Haidi Mkulo (MP)	Charles Mutalemwa	18,486	0.832
49	Togo	Adji Oteth Ayassor	Hatadeema Nonon Saa	4,077	0.183
50	Tunisia	Mohamed Nouri Jouini	Mohamed Ali Mouelhi	31,117	1.400
51	Uganda	Ezra Suruma	M.C. Kassami	11,637	0.524
52	Zambia	Ngandu Peter Magande	Evans C. Chibiliti	27,713	1.247
53	Zimbabwe	Samuel Creignton Mumbengegwi	Willard L. Manugo	45,653	2.055
	TOTAL REGIONALS			**1,340,115**	**60.310**

Appendix II-2 (continued)

Board of Governors: Voting Powers of Member Countries as at December 31, 2008

	Country	Governor	Alternate	Total votes	Voting Powers %
1	Argentina	Martin Loustau	Hernan Martin Perez Redrado	6,472	0.291
2	Austria	Wilhelm Molterer	Edith Frauwallner	10,332	0.465
3	Belgium	Didier Reynders	Gino Alzetta	14,583	0.656
4	Brazil	Paulo Bernardo Silvo	Alexandre Maira da Rosa	10,299	0.463
5	Canada	Lawrence Cannon	James Haley	82,273	3.703
6	China	Zhou Xiaochuan	Hu Xiaolian	24,925	1.122
7	Denmark	Carsten Nilaus Pedersen	Mette Knudsen	25,793	1.161
8	Finland	Marjatta Rasi	Pasi Hellman	11,252	0.506
9	France	Ramon Fernandez	Benoit Coeure	82,273	3.703
10	Germany	Karin Kortmann	Rolf Wenzel	90,256	4.062
11	India	*	Ashok Chawla	5,485	0.247
12	Italy	Giulio Tremonti	Carlo Monticelli	53,269	2.397
13	Japan	Shouichi Nakagawa	Masaaki Shirakawa	120,025	5.402
14	Korea	Man-Soo Kang	Lee Seong-Tae	10,332	0.465
15	Kuwait	Mustafa Al-Shamali	Hesham Al-Waqayan	10,332	0.465
16	Netherlands	Bert Koenders	Yoka Brandt	19,207	0.864
17	Norway	Hakon Gulbrandsen	Henrik Harboe	25,793	1.161
18	Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina	5,838	0.263
19	Saudi Arabia	Yousef Al-Bassam	Ahmed M. Al-Ghannam	4,837	0.218
20	Spain	Pedro Solbes Mira	David Vegara Figueras	23,659	1.065
21	Sweden	Joakim Stymne	Anders Bengtcén	34,217	1.540
22	Switzerland	Beatrice Maser Mallor	Edita Vokral	32,507	1.463
23	United Kingdom	Douglas Alexander	Ivan Lewis	37,179	1.673
24	United States of America	Henry M. Paulson Jr.	Reuben Jeffery III	140,779	6.336
	TOTAL NON-REGIONALS			**881,917**	**39.690**
	GRAND TOTAL			**2,222,032**	**100.000**

** Vacant*

Appendix II-3

Board of Directors of ADB: Voting Powers and Countries Represented as at December 31, 2008

Executive Director	For	Total votes	Voting Powers %
Abdelhak Benallegue	Algeria	87,191	
Gabriela A. F. Gomes (Alternate)	Guinea Bissau	1,225	
	Madagascar	14,787	
		103,203	4.644
Charles I. Bonongwe	Malawi	7,097	
Mohit Dhoorundhur (Alternate)	Mauritius	14,719	
	Lesotho	3,949	
	South Africa	99,890	
	Swaziland	7,876	
	Zambia	27,713	
		161,244	7.255
Andrew N. Bvumbe	Zimbabwe	45,653	
	Angola	26,030	
	Botswana	47,258	
	Mozambique	14,391	
	Namibia	8,022	
		141,354	6.362
Abdul-Magid Gadad	Libya	84,220	
Mohamed Abdellahi Ould Didi (Alternate)	Mauritania	3,838	
	Somalia	2,566	
		90,624	4.078
Francis Tuan Karpeh II	Liberia	4,855	
ElFatih Mohamed Khalid (Alternate)	Sudan	9,455	
	Gambia	3,966	
	Ghana	50,247	
	Sierra Leone	5,923	
		74,446	3.350
Hassan A. Khedr	Egypt	112,454	
Almis M. Abdillahi (Alternate)	Djibouti	1,838	
		114,292	5.144
Frédéric A. Korsaga	Burkina Faso	9,932	
Martine Mabiala (Alternate)	Gabon	26,765	
	Cape Verde	2,297	
	Chad	2,266	
	Comoros	1,094	
	Benin	4,870	
	Mali	10,161	
	Niger	6,151	
	Senegal	22,415	
		85,951	3.868
Mohamed Mahroug	Morocco	72,893	
Moncef Bouallagui (Alternate)	Tunisia	31,117	
	Togo	4,077	
		108,087	4.863
Mansur Muhtar	Nigeria	193,802	
Manuel Filipe Moniz (Alternate)	Sao Tome & Principe	2,114	
		195,916	8.817
Tchétché N'Guessan	Côte d'Ivoire	81,633	
Lucas Abaga Nchama (Alternate)	Equatorial Guinea	3,829	
	Guinea	9,494	
		94,956	4.273

Appendix II-3 (continued)

Board of Directors of ADB: Voting Powers and Countries Represented as at December 31, 2008

Executive Director	For	Total votes	Voting Powers %
Peter Andrew G. Sinon	Seychelles	1,849	
Mary C. Muduuli (Alternate)	Uganda	11,637	
	Eritrea	2,628	
	Kenya	32,332	
	Rwanda	3,527	
	Tanzania	18,486	
	Ethiopia	35,403	
		105,862	4.764
Serge Blaise Zoniaba	Congo	10,500	
Marguerite Kofio (Alternate)	Central African Rep	1,598	
	Cameroon	22,919	
	Burundi	5,798	
	Dem. Rep. Congo	23,365	
		64,180	2.889
Emmanuel Carrère	France	82,273	
Gian Paolo Ruggiero (Alternate)	Italy	53,269	
	Belgium	14,583	
		150,125	6.756
Laurent Guye	Switzerland	32,507	
Tapani H. Kivela (Alternate)	Finland	11,252	
	Sweden	34,217	
	Denmark	25,793	
	Norway	25,793	
	India	5,485	
		135,047	6.078
Bruce Montador	Canada	82,273	
Yu Bu (Alternate)	China	24,925	
	Korea	10,332	
	Spain	23,659	
	Kuwait	10,332	
		151,521	6.82
Tetsuya Utamura	Japan	120,025	
Haitham Ibrahim Al-Abdullatif (Alternate)	Saudi Arabia	4,837	
	Austria	10,332	
	Argentina	6,472	
	Brazil	10,299	
		151,965	6.839
Birgit Gerhardus	Germany	90,256	
Lily Mathilde Talapessy (Alternate)	Netherlands	19,207	
	United Kingdom	37,179	
	Portugal	5,838	
		152,480	6.862
Mimi Alemayehou	United States of America	140,779	
		140,779	6.336
Regional Total:			**60.31**
Non-Regional Total:			**39.69**
GRAND TOTAL:			**100.00**

Appendix III-1

Resolutions Adopted by the Board of Governors in 2008 for the African Development Fund

F/BG/2008/01	Eleventh General Replenishment of the Resources of the Fund
F/BG/2008/02:	Dates and Venue of the Forty-Fourth Annual Meeting of the Board of Governors of the Bank and the Thirty-Fifth Annual Meeting of the Board of Governors of the Fund.
F/BG/2008/03:	Selection of Executive Directors of the African Development Fund.
F/BG/2008/04:	Temporary Relocation of the Operations of the African Development Bank to the Temporary Relocation Agency in Tunis, Tunisia: Twelve (12)-Month Review of the Temporary Relocation Period.
F/BG/2008/05	Participation of Turkey in the African Development Fund.
F/BG/2008/06:	Annual Report and Audited Special Purpose Financial Statements for the Financial Year Ended 31 December 2007.
F/BG/2008/07:	Amendment of Article 15 (4) of the Agreement Establishing the African Development Fund concerning Procurement.
F/BG/2008/08:	Vote of Thanks of the Boards of Governors to the outgoing Chairperson, the Bureau, the Joint Steering Committee, the Steering Committee on the election of the President and Governors' Consultative Committee.
F/BG/2008/09:	Vote of Thanks of the Boards of Governors to His Excellency Armando Emilio GUEBUZA, President of the Republic of Mozambique, Her Excellency Luisa DIOGO, Prime Minister of the Republic of Mozambique and Mr. Eneas COMICHE, Mayor of Maputo.
F/BG/2008/10:	Vote of Thanks of the Boards of Governors to His Excellency Denis SASSOU NGUESSO, President of the Republic of Congo.
F/BG/2008/11:	Vote of Thanks of the Boards of Governors to Inter-Ministerial Committee of the Republic of Mozambique for Major National and International Events.
F/BG/2008/12:	Vote of Thanks of the Boards of Governors to the Boards of Directors, Management and Staff.

Appendix III-2

Board of Governors: Voting Powers of State Participants and of the ADB as at December 31, 2008

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	African Development Bank			1,000.000	50.000
2	Argentina	Martin Loustau	Hernan Martin Perez Redrado	0.113	0.006
3	Austria	Wilhelm Molterer	Edith Frauwallner	12.847	0.642
4	Belgium	Didier Reynders	Gino Alzetta	18.889	0.944
5	Brazil	Paulo Bernardo Silva	Alexandre Meira da Rosa	7.781	0.389
6	Canada	Lawrence Cannon	James Haley	77.162	3.858
7	China	Zhou Xiaochuan	Hu Xiaolian	18.416	0.921
8	Denmark	Carsten Nilaus Pedersen	Mette Knudsen	30.975	1.549
9	Finland	Marjatta Rasi	Pasi Hellman	20.941	1.047
10	France	Xavier Musca	Benoit Coeure	100.948	5.047
11	Germany	Karin Kortmann	Rolf Wenzel	100.016	5.001
12	India	Vacant	Ashok Chawla	4.017	0.201
13	Italy	Giulio Tremonti	Carlo Monticelli	64.601	3.230
14	Japan	Shouichi Nakagawa	Masaaki Shirakawa	125.184	6.259
15	Korea	Man-soo Kang	Lee Seong-Tae	8.250	0.412
16	Kuwait	Mustafa Al-Shamali	Hesham Al-Woqayan	10.867	0.543
17	Netherlands	Bert Koenders	Yoka Brandt	36.867	1.843
18	Norway	Hakon Gulbrandsen	Henrik Harboe	42.717	2.136
19	Portugal	Fernando Teixeira Dos Santos	Carlos Costa Pina	7.655	0.383
20	Saudi Arabia	Youseff Al-Bassam	Ahmed M. Al-Ghannam	14.051	0.703
21	Spain	David Vegara Figueras	Ramon Guzman Zapater	23.638	1.182
22	Sweden	Joakim Stymne	Anders Bengtcén	51.084	2.554
23	Switzerland	Ambassadeur Beatrice Maser Mallor	Edita Vokral	38.979	1.949
24	United Arab Emirates	Mohamed Khalifa bin Yousef Al Suweidi	Abdullah Hussain Dawood	0.508	0.025
25	United Kingdom	Douglas Alexander	Ivan Lewis	66.043	3.302
26	United States of America	Henry M. Paulson, Jr.	Reuben Jeffery III	117.453	5.873
	TOTAL			**2,000.000**	**100.00**

Appendix III-3

ADF Board of Directors: Voting Powers and Countries Represented as at December 31, 2008

Executive Directors / Alternates	Participants	Voting Powers	%*
Abdelhak Benallegue **	ADB	8.333	
Hassan Ali Khedr **	ADB	8.333	
Mohamed Mahroug **	ADB	8.333	
Tchétché N'Guessan **	ADB	8.333	
Peter Andrew G. Sinon **	ADB	8.333	
Abdul-Magid Gadad **	ADB	8.333	**50.000**
Mimi Alemayehou	United States of America	5.873	
Robin Ritterhoff	United States of America		
			5.873
Tetsuya Utamura	Japan	6.259	
Paul Schieder	Austria	0.642	
	Argentina	0.006	
	Brazil	0.389	
	Saudi Arabia	0.703	
			7.999
Laurent Guye	Switzerland	1.949	
Tapani H. Kivela	Finland	1.047	
	Denmark	1.549	
	India	0.201	
	Norway	2.136	
	Sweden	2.554	
			9.436
Birgit Gerhardus	Germany	5.001	
Lily Mathilde Talapessy	The Netherlands	1.843	
	Portugal	0.383	
	United Kingdom	3.302	
			10.529
Bruce Montador	Canada	3.858	
Yu Bu	China	0.921	
	Korea	0.412	
	Kuwait	0.543	
	Spain	1.182	
			6.917
Emmanuel Carrère	France	5.047	
Gian Paolo Ruggiero	Italy	3.230	
	Belgium	0.944	
			9.222
Vacant	United Arab Emirates	0.025	
			0.025
GRAND TOTAL			**100.000**

* *Slight differences may occur in totals due to rounding.*

** *For the period beginning April 1, 2008 through December 31, 2008.*

Appendix III-4

Subscription of State Participants and of the ADB as at December 31, 2008

	Participants	Contribution in UA
1	ADB	111,740,678
2	Argentina	8,860,520
3	Austria	210,882,574
4	Belgium	360,813,249
5	Brazil	127,463,642
6	Canada	1,401,233,750
7	China	351,819,225
8	Denmark	510,301,235
9	Finland	340,927,113
10	France	1,923,849,817
11	Germany	1,891,116,185
12	India	69,870,683
13	Italy	1,085,041,145
14	Japan	2,197,207,708
15	Korea	155,015,566
16	Kuwait	164,458,447
17	Netherlands	741,256,128
18	Norway	827,563,466
19	Portugal	143,996,291
20	Saudi Arabia	240,954,968
21	South Africa	20,862,934
22	Spain	454,372,432
23	Sweden	956,208,438
24	Switzerland	694,238,727
25	United Arab Emirates	8,289,468
26	United Kingdom	1,435,296,841
27	United States of America.	1,936,484,551
	Sub-Total	**18,370,125,782**
	Supplementary Contributions through accelerated encashment to reduce the Gap	**38,565,198**
	GRAND TOTAL	**18,408,690,980**

Annexes

Annex I

Classification of Regional Member Countries

Category A – Countries Eligible for ADF Resources only*			
1.	Angola	20.	Kenya
2.	Benin	21.	Lesotho
3.	Burkina Faso	22.	Liberia
4.	Burundi	23.	Madagascar
5.	Cameroon	24.	Malawi
6.	Cape Verde	25.	Mali
7.	Central African Republic	26.	Mauritania
8.	Chad	27.	Mozambique
9.	Comoros	28.	Niger
10.	Congo	29.	Rwanda
11.	Congo, Democratic Republic of	30.	São Tomé and Principe
12.	Côte d'Ivoire	31.	Senegal
13.	Djibouti	32.	Sierra Leone
14.	Eritrea	33.	Somalia
15.	Ethiopia	34.	Sudan
16.	Gambia	35.	Tanzania
17.	Ghana	36.	Togo
18.	Guinea	37.	Uganda
19.	Guinea Bissau	38.	Zambia
Category B – Countries Eligible for a Blend of ADB and ADF Resources			
1.	Nigeria		
2.	Zimbabwe		
Category C – Countries Eligible for ADB Resources only			
1.	Algeria		
2.	Botswana		
3.	Egypt		
4.	Equatorial Guinea		
5.	Gabon		
6.	Libya**		
7.	Mauritius		
8.	Morocco		
9.	Namibia		
10.	Seychelles		
11.	South Africa		
12.	Swaziland		
13.	Tunisia		

* *Except for limited ADB lending for enclave and private sector projects.*
** *Libya is not a Borrowing Member Country.*

Annex II-1

AFRICA: Selected Social Indicators

	HDI* Value (0 to 1)	Total Life Expectancy (years)	Infant Mortality (per 1,000)	Maternal Mortality (per 100,000)	Access to Water (% of pop.)	Access to Sanitation (% of pop.)	Daily Calories supply per capita	Primary School Enrollment (%)		Adult Illitercay Rates (%)	
								Female	Male	Female	Male
	2006	2008	2008	2005–07	2006–07	2006–07	2004	2005–08	2005–08	2005–07	2005–07
Developed Countries	0.925	76.7	7.1	9	100	100	3,314	101	101	1.6	1.0
Developing Countries	0.688	65.7	53.1	450	84	53	2,666	103	109	28.0	15.0
African Average	0.514	54.5	83.9	683	64	38	2,435	100	92	45.6	27.6
Central Africa Average	0.408	48.3	106.2	646	54	24	1,821	109	90	…	…
Cameroon	0.514	50.8	86.0	669	70	51	2,212	118	101	…	…
Central African Republic	0.352	45.1	95.2	980	66	31	2,004	94	69	…	…
Chad	0.389	51.0	117.7	1,099	48	9	2,137	90	61	…	…
Congo	0.619	55.6	69.1	781	71	20	2,130	110	102	18.3	7.9
Congo Dem. Rep	0.361	46.8	112.1	549	48	18	1,560	106	96	…	…
Equatorial Guinea	0.717	52.1	90.5	680	43	51	…	125	119	…	…
Gabon	0.729	57.3	51.8	520	87	36	2,707	139	141	17.8	9.8
Eastern Africa	0.465	53.8	77.5	723	55	27	2,008	98	92	…	…
Burundi	0.382	49.9	97.9	480	71	41	1,682	108	98	…	…
Comoros	0.572	65.6	46.8	400	85	35	1,787	91	80	30.2	19.7
Djibouti	0.513	55.3	83.2	650	92	67	2,350	49	39	…	…
Eritrea	0.442	58.5	54.1	450	60	5	1,465	69	56	…	…
Ethiopia	0.389	53.4	85.2	673	42	11	1,840	97	85	77.2	50.0
Kenya	0.532	54.6	63.2	560	57	42	2,149	107	104	…	…
Rwanda	0.435	46.7	111.0	750	65	23	2,173	146	148	…	…
Seychelles	0.836	73.1	10.7	...	88	98	2,426	126	125	…	…
Somalia	…	48.6	114.3	1,400	29	23	…	…	…	…	…
Sudan	0.526	58.9	63.5	450	70	35	2,311	71	61	…	…
Tanzania	0.503	52.9	70.9	578	55	33	1,963	113	111	34.1	21.0
Uganda	0.493	52.1	75.2	435	64	33	2,348	116	117	34.5	18.2
Northern Africa	0.714	71.9	28.9	137	91	75	3,052	109	101	40.5	18.9
Algeria	0.748	72.5	30.0	180	85	94	3,114	113	106	33.6	15.7
Egypt	0.716	71.6	28.3	130	98	66	3,286	107	102	39.3	16.4
Libya	0.840	74.2	17.6	97	72	97	3,476	113	103	21.6	5.5
Mauritania	0.557	64.5	62.1	820	75	24	2,640	100	106	51.7	36.7
Morocco	0.646	71.4	29.5	227	83	72	3,158	113	101	56.8	31.3
Tunisia	0.762	74.1	19.3	41	94	85	3,344	97	97	31.0	13.6

Annex II-1 (continued)

AFRICA: Selected Social Indicators

	HDI* Value (0 to 1)	Total Life Expectancy (years)	Infant Mortality (per 1,000)	Maternal Mortality (per 100,000)	Access to Water (% of pop.)	Access to Sanitation (% of pop.)	Daily Calories supply per capita	Primary School Enrollment (%)		Adult Illitercay Rates (%)	
								Female	Male	Female	Male
	2006	2008	2008	2005–07	2006–07	2006–07	2004	2005–08	2005–08	2005–07	2005–07
Southern Africa	**0.541**	**48.2**	**77.4**	**619**	**70**	**46**	**2,421**	**119**	**114**	**27.3**	**18.4**
Angola	0.484	43.1	130.0	1,400	51	50	2,178	201	187	…	…
Botswana	0.664	51.0	44.7	380	96	47	2,084	113	112	17.1	17.2
Lesotho	0.496	43.0	62.8	762	78	36	2,495	115	114	…	…
Madagascar	0.533	59.8	63.9	469	47	12	2,070	144	139	…	…
Malawi	0.457	48.7	87.5	984	76	60	2,077	114	119	35.4	20.8
Mauritius	0.802	73.0	13.8	23	100	94	2,999	101	101	15.3	9.8
Mozambique	0.366	42.4	93.5	520	42	31	2,057	113	97	67.1	42.8
Namibia	0.634	52.9	40.2	268	93	35	2,174	110	109	12.6	11.4
South Africa	0.670	49.5	43.8	110	93	59	3,004	103	93	12.8	11.1
Swaziland	0.542	39.7	68.2	589	60	50	2,224	123	116	…	…
Zambia	0.453	42.8	90.4	830	58	52	1,947	121	117	…	…
Zimbabwe	…	44.3	56.4	555	81	46	1,978	102	101	11.7	5.9
Western Africa	**0.470**	**51.1**	**103.9**	**944**	**58**	**25**	**2,573**	**90**	**81**	**49.5**	**32.1**
Benin	0.459	57.2	96.5	397	65	30	2,652	104	96	72.1	46.9
Burkina Faso	0.372	52.6	103.5	700	72	13	2,529	72	61	78.4	63.3
Cape Verde	0.705	71.9	23.8	36	80	43	3,058	105	98	21.2	10.6
Cote d’Ivoire	0.431	48.7	115.3	543	81	24	2,637	81	64	…	…
Gambia	0.471	59.9	73.0	690	86	52	2,178	75	80	…	…
Ghana	0.533	60.4	55.3	560	80	10	2,723	98	97	41.7	28.3
Guinea	0.423	56.5	100.6	980	70	19	2,426	98	84	81.9	57.4
Guinea-Bissau	0.383	46.8	110.9	1,100	57	33	2,001	…	…	45.6	24.9
Liberia	0.364	46.1	130.4	1,200	64	32	1,923	88	79	49.1	39.8
Mali	0.391	54.8	126.8	970	60	45	2,163	92	74	84.0	68.6
Niger	0.370	57.3	109.4	648	42	7	2,121	58	43	83.6	55.7
Nigeria	0.499	47.2	107.8	1,100	47	30	2,720	96	89	35.9	19.9
Sao Tome and Principe	0.643	65.8	71.4	120	86	24	2,525	132	129	17.3	6.6
Senegal	0.502	63.3	65.1	401	77	28	2,414	84	84	67.7	46.9
Sierra Leone	0.329	42.8	159.2	2,100	53	11	1,849	155	139	73.2	50.0
Togo	0.479	58.8	87.2	510	59	12	2,334	104	95	…	…

Sources: ABD Statistics Department, Unesco 2009 Database, WHO, UN Population Division, the 2006 Revision.
HDR 2007/08, SOWC 2009.

… : Data not available.
- : Magnitude zeros.
0 or 0.0 : Magnitude less than5% of the unit employed.

Annex II-2

Africa: Selected Macroeconomic Indicators

Country	GNI per Capita (US$) 2007	GDP Growth Rate (%)		Investment (% of GDP) 2008	Consumer Price Inflation (%) 2008	Fiscal Balance (% of GDP) 2008	Debt Service (% of exports) 2008
		Annual Average 2000-2007	2008				
Algeria	3,620	3.9	3.3	33.2	4.3	6.8	1.7
Angola	2,560	11.9	15.8	15.5	13.2	10.8	2.8
Benin	570	4.2	5.0	21.5	8.1	-0.5	5.9
Botswana	5,840	5.2	3.9	29.1	12.6	-0.3	16.1
Burkina Faso	430	5.3	4.2	15.1	9.3	-6.4	5.9
Burundi	110	2.4	3.2	11.1	24.5	-8.9	49.9
Cameroon	1,050	3.7	4.1	16.4	5.7	5.9	7.5
Cape Verde	2,430	6.4	6.1	48.8	6.7	-1.2	7.2
Central African Republic	380	1.8	2.6	11.3	9.2	0.5	-
Chad	540	9.5	0.2	9.2	8.1	12.7	1.8
Comoros	680	1.9	0.5	12.6	5.9	-0.4	12.1
Congo	1,540	4.1	7.0	22.1	5.4	24.9	3.9
Congo, Democratic Republic	140	3.3	5.7	17.5	26.2	-5.8	4.3
Côte d'Ivoire	910	-0.3	2.3	9.4	6.4	-0.2	9.3
Djibouti	1,090	3.1	5.9	58.9	11.9	-2.4	6.7
Egypt	1,580	4.7	7.2	22.3	11.7	-6.8	5.6
Equatorial Guinea	12,860	21.6	9.9	25.4	5.5	23.0	0.1
Eritrea	230	0.1	1.2	10.9	11.0	-8.5	26.4
Ethiopia	220	6.2	11.6	22.5	25.0	-3.1	3.9
Gabon	6,670	1.7	5.5	20.2	5.4	12.9	23.8
Gambia	320	5.0	5.7	23.7	6.4	-1.1	23.7
Ghana	590	5.2	6.4	34.7	14.1	-10.0	3.1
Guinea	400	2.8	4.7	20.3	19.3	1.0	20.4
Guinea Bissau	200	1.2	3.2	15.2	9.6	1.1	11.4
Kenya	680	4.1	2.6	19.3	25.8	-6.1	4.7
Lesotho	1,000	3.9	4.2	27.5	10.7	10.8	4.1
Liberia	150	3.3	7.3	66.2	17.5	1.1	…
Libya	9,010	4.9	6.5	26.8	11.2	34.5	…
Madagascar	320	3.6	7.0	36.0	9.2	-4.5	1.5
Malawi	250	3.3	8.4	31.5	8.3	-2.7	4.0
Mali	500	4.7	3.6	21.5	9.3	-5.4	2.9
Mauritania	840	4.3	5.2	21.6	7.4	-3.7	1.0
Mauritius	5,450	3.5	4.8	26.4	9.8	-3.4	3.3
Morocco	2,250	4.6	5.7	34.0	3.9	0.8	8.1
Mozambique	320	7.7	6.2	21.1	10.4	-4.4	17.1
Namibia	3,360	5.0	3.4	25.2	10.3	-3.6	2.0
Niger	280	4.3	4.8	24.4	10.9	5.1	20.1
Nigeria	930	8.7	6.1	24.5	11.0	0.9	2.5
Rwanda	320	6.6	8.5	21.0	14.4	-0.3	1.9
Sao Tome & Principe	870	5.7	5.8	31.5	25.9	16.6	302.8
Senegal	820	4.2	3.7	28.2	5.8	-4.5	5.8
Seychelles	8,960	3.2	1.5	35.6	37.0	0.1	9.1
Sierra Leone	260	10.9	5.4	13.0	13.0	0.0	1.2
Somalia	,,,	…	…	…	…	…	…
South Africa	5,760	4.3	3.1	23.6	11.5	-1.0	8.1
Sudan	960	7.5	8.4	27.1	14.2	0.5	3.8
Swaziland	2,580	2.5	2.6	14.9	12.6	6.5	0.0
Tanzania	400[f]	6.8	6.8	32.4	10.3	0.0	1.1
Togo	360	1.3	0.8	12.8	8.9	-0.3	1.6
Tunisia	3,200	4.8	5.1	26.8	5.0	-3.0	10.0
Uganda	340	7.0	7.0	24.2	12.0	-2.2	3.5
Zambia	800	5.0	5.5	23.7	12.9	-2.1	1.1
Zimbabwe	340[a]	-5.5	-5.2	…	…	…	…
Africa	**1,226**	**5.2**	**5.7**	**24.5**	**11.6**	**2.8**	**4.7**

Sources : ADB Statistics Department; IMF World Economic Outlook, October 2008.

Notes :

… *Data not available*

\- *Magnitude zeros*

0 or 0.0 Magnitude less than half of the unit employed

na *Not applicable*

a. *2007 data not available; ranking is approximate.*

f. *Data refer to mainland Tanzania only.*

Annex II-3

Bank Group Transfer of Resources to Regional Member Countries
(US$ millions)

Year	Gross Disbursements	Repayments of Principal	Net Disbursements	Interest and Charges	Net Transfers	Net Transfers as % of Gross Disbursements
1967	-	-	-	-	-	-
1968	0.1	-	0.1	-	0.1	100.0
1969	0.6	-	0.6	-	0.6	100.0
1970	2.4	-	2.4	0.2	2.2	91.7
1971	6.3	-	6.3	0.4	5.9	93.7
1972	13.5	0.1	13.4	1.3	12.1	89.6
1973	20.2	0.4	19.8	2.8	17.0	84.2
1974	24.0	0.6	23.4	4.5	18.9	78.8
1975	51.9	2.8	49.1	7.3	41.8	80.5
1976	62.0	7.6	54.4	10.7	43.7	70.5
1977	99.5	7.3	92.2	14.7	77.5	77.9
1978	141.9	14.0	127.9	23.3	104.6	73.7
1979	172.0	17.4	154.6	31.3	123.3	71.7
1980	220.1	20.3	199.8	40.0	159.8	72.6
1981	200.1	31.6	168.5	45.2	123.3	61.6
1982	280.2	34.1	246.1	53.5	192.6	68.7
1983	353.0	46.5	306.5	64.8	241.7	68.5
1984	288.6	59.8	228.8	75.8	153.0	53.0
1985	531.1	72.8	458.3	107.9	350.4	66.0
1986	672.3	106.6	565.7	150.7	415.0	61.7
1987	945.1	135.5	809.6	220.6	589.0	62.3
1988	1,166.9	171.3	995.6	245.7	749.9	64.3
1989	1,503.4	195.8	1,307.6	338.5	969.1	64.5
1990	1,874.4	265.6	1,608.8	414.0	1,194.8	63.7
1991	2,127.3	277.6	1,849.7	466.1	1,383.6	65.0
1992	2,171.6	315.8	1,855.8	586.4	1,269.5	58.5
1993	2,149.5	392.8	1,756.8	639.4	1,117.3	52.0
1994	2,089.6	583.2	1,506.5	836.3	670.2	32.1
1995	1,678.0	637.2	1,040.8	795.4	245.4	14.6
1996	1,641.6	760.1	881.5	843.1	38.4	2.3
1997	1,578.1	1,013.2	564.9	795.6	(230.7)	(14.6)
1998	1,249.6	868.0	381.6	714.0	(332.4)	(26.6)
1999	1,215.8	1,017.9	197.9	704.8	(506.8)	(41.7)
2000	896.7	881.2	15.5	629.2	(613.7)	(68.4)
2001	1,079.4	682.4	397.0	366.0	31.0	2.9
2002	1,425.0	1,489.5	(64.5)	786.3	(850.8)	(59.7)
2003	1,519.8	1,611.2	(91.4)	643.6	(735.0)	(48.4)
2004	2,043.1	1,713.4	329.6	580.3	(250.7)	(12.3)
2005	1,843.5	1,162.8	680.7	523.8	156.8	8.5
2006	1,864.0	1,221.5	642.5	554.8	87.8	4.7
2007	2,553.2	1,225.7	1,327.5	654.5	673.0	26.4
2008	2,866.3	884.1	1,982.2	646.3	1,336.0	46.6
TOTAL	**40,621.7**	**17,927.6**	**22,694.1**	**13,619.0**	**9,075.1**	**22.3**

Source: ADB Financial Control Department.

Notes:
ADF and NTF transfers are included for the periods starting from 1974 and 1976, respectively.
- *Magnitude zeros*

Annex II-4

Bank Group Transfer of Concessional Resources to Regional Member Countries
(US$ millions)

Year	Gross Disbursements	Repayments of Principal	Net Disbursements	Interest and Charges	Net Transfers	Net Transfers as % of Gross Disbursements
1974	-	-	-	-	-	-
1975	3.9	-	3.9	-	3.9	100.0
1976	10.6	-	10.6	0.1	10.5	99.1
1977	26.4	0.1	26.3	0.2	26.1	98.9
1978	49.1	4.5	44.6	0.7	43.9	89.4
1979	64.4	1.9	62.5	1.5	61.0	94.7
1980	103.1	0.7	102.4	2.4	100.0	97.0
1981	100.7	2.3	98.4	3.1	95.3	94.6
1982	133.8	2.6	131.2	4.1	127.1	95.0
1983	163.4	2.2	161.2	5.2	156.0	95.5
1984	120.9	2.3	118.6	6.0	112.6	93.1
1985	229.1	5.9	223.2	8.4	214.8	93.8
1986	291.6	7.6	284.0	11.5	272.5	93.4
1987	404.8	11.1	393.7	16.4	377.3	93.2
1988	382.8	11.9	370.9	18.1	352.8	92.2
1989	506.7	14.1	492.6	21.3	471.3	93.0
1990	624.7	17.3	607.4	28.0	579.4	92.7
1991	653.4	24.7	628.7	25.1	603.6	92.4
1992	704.1	26.0	678.1	28.4	649.7	92.3
1993	715.2	32.4	682.8	37.5	645.3	90.2
1994	629.4	39.9	589.4	32.2	557.3	88.5
1995	619.6	50.0	569.6	49.8	519.7	83.9
1996	633.6	43.2	590.5	45.6	544.9	86.0
1997	650.9	55.5	595.4	53.3	542.2	83.3
1998	630.6	56.6	574.0	55.7	518.3	82.2
1999	516.3	57.5	458.8	54.2	404.6	78.4
2000	361.3	64.5	296.8	61.5	235.3	65.1
2001	470.2	63.4	406.8	17.9	388.9	82.7
2002	745.5	134.5	611.0	100.5	510.4	68.5
2003	550.6	112.3	438.3	79.9	358.4	65.1
2004	1,064.3	145.9	918.4	98.7	819.7	77.0
2005	992.6	142.3	850.2	94.2	756.0	76.2
2006	1,030.8	158.8	872.0	266.7	772.3	74.9
2007	1,155.1	113.1	1,041.9	80.9	608.1	52.7
2008	1,745.7	119.0	1,626.7	107.7	1,519.0	87.0
TOTAL	**17,085.1**	**1,524.2**	**15,560.9**	**1,416.9**	**13,958.1**	**81.7**

Source: ADB Financial Control Department.

Notes:
Bank Group concessional resource transfers refer to ADF and NTF resources.
- Magnitude zeros.

Annex II-5

Bank Group Payments to Supplying Countries
For Procurement of Goods and Services, by Origin of Supply*
(UA thousands)

Country	2007		2008	
	Amount	%	Amount	%
Regionals				
Algeria	5	0.00	-	-
Angola	1,161	0.07	1,598	0.09
Benin	5,802	0.36	9,464	0.51
Botswana	103	0.01	1,935	0.10
Burkina Faso	15,302	0.95	15,501	0.83
Burundi	854	0.05	1,504	0.08
Cameroon	5,164	0.32	4,346	0.23
Cape Verde	93	0.01	93	0.00
Central African Republic	39	0.00	45	0.00
Chad	4,653	0.29	3,499	0.19
Comoros	-	-	-	-
Congo	87	0.01	348	0.02
Congo, Democratic Republic	3,185	0.20	3,863	0.21
Côte d'Ivoire	1,269	0.08	2,621	0.14
Djibouti	930	0.06	605	0.03
Egypt	1,531	0.09	6,270	0.34
Equatorial Guinea	134	0.01	-	-
Eritrea	644	0.04	2,101	0.11
Ethiopia	897	0.06	1,337	0.07
Gabon	1,396	0.09	1,078	0.06
Gambia	2,510	0.16	2,197	0.12
Ghana	5,589	0.35	11,956	0.64
Guinea	5,378	0.33	2,967	0.16
Guinea Bissau	2,208	0.14	904	0.05
Kenya	10,606	0.66	13,546	0.73
Lesotho	290	0.02	795	0.04
Liberia	-	-	-	-
Madagascar	7,441	0.46	30,534	1.64
Malawi	7,401	0.46	5,188	0.28
Mali	7,235	0.45	16,924	0.91
Mauritania	1,866	0.12	1,306	0.07
Mauritius	428	0.03	670	0.04
Morocco	20,064	1.24	32,728	1.76
Mozambique	5,049	0.31	7,207	0.39
Namibia	13,219	0.82	7,707	0.41
Niger	3,135	0.19	6,184	0.33
Nigeria	5,471	0.34	1,931	0.10
Rwanda	5,776	0.36	10,816	0.58
Sao Tome & Principe	358	0.02	-	-
Senegal	9,587	0.59	16,992	0.91
Seychelles	-	-	44	0.00
Sierra Leone	175	0.01	1,191	0.06
Somalia	-	-	-	-
South Africa	15,315	0.95	7,224	0.39
Sudan	-	-	977	0.05
Swaziland	1,368	0.08	22	0.00
Tanzania	5,880	0.36	14,131	0.76
Togo	164	0.01	92	0.00
Tunisia	21,460	1.33	14,901	0.80
Uganda	4,582	0.28	34,483	1.85
Zambia	15,182	0.94	18,098	0.97
Zimbabwe	1,041	0.06	284	0.02
Multinational	7,705	0.48	1,278	0.07
Subtotal Regionals	**229,731**	**14.22**	**319,485**	**17.17**

Annex II-5 (continued)

Bank Group Payments to Supplying Countries for Procurement of Goods and Services, by Origin of Supply*

(UA thousands)

Country	2007		2008	
	Amount	%	Amount	%
Non-Regionals				
Argentina	-	-	-	-
Austria	210	0.01	206	0.01
Belgium	7,259	0.45	8,733	0.47
Brazil	933	0.06	587	0.03
Canada	7,922	0.49	5,973	0.32
China	51,512	3.19	65,695	3.53
Croatia	-	-	-	-
Denmark	2,358	0.15	2,737	0.15
Finland	891	0.06	270	0.01
France	58,074	3.59	54,080	2.91
Germany	26,367	1.63	12,435	0.67
India	7,039	0.44	13,925	0.75
Ireland	-	-	-	-
Italy	12,891	0.80	14,371	0.77
Japan	4,691	0.29	5,554	0.30
Korea	3,515	0.22	15,097	0.81
Kuwait	-	-	-	-
Netherlands	2,126	0.13	1,604	0.09
Norway	639	0.04	349	0.02
Portugal	2,304	0.14	4,618	0.25
Saudi Arabia	-	-	16	0.00
Spain	18,938	1.17	54,641	2.94
Sweden	443	0.03	551	0.03
Switzerland	22,766	1.41	20,390	1.10
United Arab Emirates	-	-	-	-
United Kingdom	9,839	0.61	4,503	0.24
USA	27,036	1.67	18,511	0.99
Subtotal Non-Regionals	**267,752**	**16.57**	**304,847**	**16.38**
Net Advance Disbursements**	**447,232**	**27.68**	**733,329**	**39.41**
Disbursement for Policy-based Loans**	**670,965**	**41.53**	**503,248**	**27.04**
TOTAL	**1,615,681**	**100.00**	**1,860,908**	**100.00**

Source: ADB Financial Control Department.

* *Origin of Supply (OOS) for Bank Group procurement and disbursement purposes means the country from which the goods/services supplied originated as evidenced by the contract for procurement, and by the summary statement of items which accompanies the invoice or contract supporting an application for withdrawal. For example, a French car purchased from a local dealer in Côte d'Ivoire would be classified under the code for France.*

** *The nature of these disbursements makes it impossible to attribute them to any specific supplying or originating country until expenditures have been reported to the Bank. However, these disbursements will be integrated into the reported country shares as soon as the relevant invoices are received and processed.*

Notes:

- *Magnitude zeros.*

0.00 *Magnitude less than 5 per thousand of the unit employed.*

Annex II-6

Bank Group Payments to Supplying Countries for Procurement of Goods and Services, by Source of Supply*

(UA thousands)

Country	2007		2008	
	Amount	%	Amount	%
Regionals				
Algeria	5	0.00	-	-
Angola	1,161	0.07	1,588	0.09
Benin	9,142	0.57	9,168	0.49
Botswana	-	-	75	0.00
Burkina Faso	15,794	0.98	16,689	0.90
Burundi	1,322	0.08	1,930	0.10
Cameroon	5,118	0.32	4,112	0.22
Cape Verde	123	0.01	142	0.01
Central African Republic	49	0.00	364	0.02
Chad	4,259	0.26	3,934	0.21
Comoros	-	-	-	-
Congo	87	0.01	354	0.02
Congo, Democratic Republic	3,277	0.20	4,240	0.23
Côte d'Ivoire	2,504	0.15	1,614	0.09
Djibouti	841	0.05	660	0.04
Egypt	1,626	0.10	1,402	0.08
Equatorial Guinea	134	0.01	-	-
Eritrea	1,202	0.07	2,101	0.11
Ethiopia	1,362	0.08	5,922	0.32
Gabon	1,449	0.09	1,180	0.06
Gambia	3,235	0.20	3,089	0.17
Ghana	6,333	0.39	13,792	0.74
Guinea	6,417	0.40	2,864	0.15
Guinea Bissau	1,651	0.10	776	0.04
Kenya	11,164	0.69	18,093	0.97
Lesotho	385	0.02	926	0.05
Madagascar	6,962	0.43	25,705	1.38
Malawi	8,561	0.53	8,011	0.43
Mali	8,240	0.51	18,391	0.99
Mauritania	2,072	0.13	1,391	0.07
Mauritius	4,390	0.27	251	0.01
Morocco	20,095	1.24	73,814	3.97
Mozambique	10,042	0.62	10,178	0.55
Namibia	5,955	0.37	7,707	0.41
Niger	4,115	0.25	6,774	0.36
Nigeria	5,756	0.36	2,351	0.13
Rwanda	6,719	0.42	11,263	0.61
Sao Tome & Principe	140	0.01	-	-
Senegal	9,253	0.57	18,326	0.98
Seychelles	-	-	-	-
Sierra Leone	244	0.02	1,370	0.07
Somalia	-	-	-	-
South Africa	19,151	1.19	4,363	0.23
Sudan	-	-	977	0.05
Swaziland	1,614	0.10	12	0.00
Tanzania	8,169	0.51	14,670	0.79
Togo	542	0.03	766	0.04
Tunisia	26,312	1.63	16,886	0.91
Uganda	6,025	0.37	36,496	1.96
Zambia	22,530	1.39	18,774	1.01
Zimbabwe	1,015	0.06	476	0.03
Multinational	2,482	0.15	10,832	0.58
Subtotal Regionals	**259,022**	**16.03**	**384,799**	**20.68**

Annex II-6 (continued)

Bank Group Payments to Supplying Countries for Procurement of Goods and Services, by Source of Supply*
(UA thousands)

Country	2007		2008	
	Amount	%	Amount	%
Non-Regionals				
Argentina	-	-	-	-
Austria	264	0.02	406	0.02
Belgium	9,189	0.57	12,363	0.66
Brazil	739	0.05	109	0.01
Canada	8,332	0.52	5,995	0.32
China	40,824	2.53	70,595	3.79
Denmark	2,464	0.15	3,059	0.16
Finland	684	0.04	258	0.01
France	49,152	3.04	41,716	2.24
Germany	32,184	1.99	25,947	1.39
India	6,716	0.42	13,081	0.70
Italy	3,614	0.22	5,993	0.32
Japan	66	0.00	-	-
Korea	3,478	0.22	8,443	0.45
Kuwait	-	-	-	-
Netherlands	2,058	0.13	1,590	0.09
Norway	396	0.02	349	0.02
Portugal	1,088	0.07	2,926	0.16
Saudi Arabia	-	-	-	-
Spain	12,070	0.75	7,303	0.39
Sweden	314	0.02	548	0.03
Switzerland	22,908	1.42	12,347	0.66
United Arab Emirates	-	-	-	-
United Kingdom	11,681	0.72	3,153	0.17
USA	30,242	1.87	23,350	1.25
Subtotal Non-Regionals	**238,462**	**14.76**	**239,532**	**12.87**
Net Advance Disbursements**	**447,232**	**27.68**	**733,329**	**39.41**
Disbursement for Policy-based Loans**	**670,965**	**41.53**	**503,248**	**27.04**
TOTAL	**1,615,681**	**100.00**	**1,860,908**	**100.00**

Source: ADB Financial Control Department.

* *Source of Supply (SOS) for Bank Group procurement and disbursement purposes means the country in which the supplier (the primary contractor) is located as evidenced by the contract for procurement, and by the invoice or contract supporting an application for withdrawal. For example, a French car purchased from a local dealer in Côte d'Ivoire would be classified under the code for Côte d'Ivoire.*

** *The nature of these disbursements makes it impossible to attribute them to any specific supplying or originating country until expenditures have been reported to the Bank. However, these disbursements will be integrated into the reported country shares as soon as the relevant invoices are received and processed.*

Notes:

\- *Magnitude zeros.*

0.00 *Magnitude less than 5 per thousand of the unit employed.*

Annex II-7

Bank Group Loan and Grant Approvals by Region, 1967-2008
(UA millions)

Region/Country	2004	2005	2006	2007	2008	1967-2008
Central Africa						
Cameroon	12.1	25.6	124.8	-	-	900.7
Central African Rep.	-	-	3.3	6.5	9.5	158.7
Chad	2.4	37.5	13.0	-	-	407.7
Congo	7.0	-	17.4	-	1.0	304.4
Congo, Dem. Rep.	55.2	87.5	1.9	184.9	-	1,394.4
Equatorial Guinea	-	-	-	-	63.5	130.7
Gabon	76.3	15.4	-	238.1	-	926.9
Central Africa Approvals	**153.0**	**165.9**	**160.3**	**429.5**	**74.0**	**4,223.6**
East Africa						
Burundi	20.2	12.3	16.3	7.3	14.0	346.5
Comoros	-	-	-	-	1.5	66.2
Djibouti	5.3	0.3	0.3	6.5	57.8	178.8
Eritrea	18.6	-	-	-	-	78.8
Ethiopia	62.0	43.6	231.0	0.3	143.4	1,837.9
Kenya	51.3	41.5	57.0	190.2	25.9	997.4
Rwanda	51.9	-	25.0	33.0	11.6	480.8
Seychelles	-	0.3	-	-	0.6	90.4
Somalia	-	0.3	0.3	-	-	151.4
Sudan	-	-	0.3	9.6	-	360.8
Tanzania	114.7	-	145.3	150.0	125.0	1,345.0
Uganda	74.2	88.5	53.0	179.4	190.0	1,366.8
East Africa Approvals	**398.2**	**187.0**	**528.7**	**576.3**	**569.9**	**7,300.9**
North Africa						
Algeria	-	-	-	0.6	-	1,889.7
Egypt	-	284.3	398.5	316.7	302.4	3,031.5
Libya	-	-	-	-	-	-
Mauritania	7.0	0.3	9.7	6.0	17.7	384.9
Morocco	369.3	175.7	245.9	180.8	217.0	4,534.8
Tunisia	140.2	181.7	14.7	87.8	282.7	3,887.1
North Africa Approvals	**516.5**	**642.1**	**668.9**	**591.9**	**819.9**	**13,728.0**
Southern Africa						
Angola	-	17.5	-	17.9	-	357.3
Botswana	34.3	-	-	0.6	38.2	400.9
Lesotho	0.8	-	6.8	8.9	-	316.3
Madagascar	45.2	57.3	35.3	113.2	75.0	801.1
Malawi	12.0	15.4	30.0	14.9	39.9	690.8
Mauritius	-	7.7	-	33.7	-	313.0
Mozambique	30.0	9.5	118.9	17.3	60.0	1,111.4
Namibia	59.1	-	-	-	-	167.8
South Africa	117.1	-	-	333.0	203.8	1,047.9
Swaziland	-	0.4	5.5	-	-	300.1
Zambia	13.7	0.4	63.9	-	58.9	780.8
Zimbabwe	-	0.4	-	-	-	726.9
Southern Africa Approvals	**312.2**	**108.5**	**260.4**	**539.6**	**475.9**	**7,014.2**

Annex II-7 (continued)

Bank Group Loan and Grant Approvals by Region, 1967-2008
(UA millions)

Region/Country	2004	2005	2006	2007	2008	1967-2008
West Africa						
Benin	21.2	59.5	15.0	-	25.0	529.8
Burkina Faso	39.6	56.8	15.0	20.0	63.5	678.7
Cape Verde	3.5	-	4.1	4.8	5.0	180.2
Côte d'Ivoire	-	-	-	20.0	0.3	1,163.8
Gambia	5.0	5.5	8.0	1.4	4.0	234.1
Ghana	12.8	86.0	66.0	75.9	173.0	1,269.5
Guinea	-	22.7	3.5	-	146.4	713.1
Guinea-Bissau	-	1.4	6.1	-	2.0	187.2
Liberia	-	-	3.0	15.2	12.0	184.2
Mali	33.9	49.9	15.0	25.0	55.0	729.5
Niger	3.0	40.7	16.0	3.0	40.0	401.4
Nigeria	1.7	108.3	111.9	86.3	52.4	2,557.0
Sao Tome & Principe	-	-	4.0	-	-	103.6
Senegal	9.6	83.2	-	-	30.0	699.5
Sierra Leone	3.6	39.7	2.0	-	10.3	291.5
Togo	-	-	2.2	-	14.6	202.0
West Africa Approvals	**133.9**	**553.7**	**271.8**	**251.6**	**633.5**	**10,125.0**
Multinational	**219.2**	**85.8**	**417.9**	**193.3**	**597.0**	**2,360.1**
TOTAL APPROVALS	**1,733.1**	**1,742.9**	**2,308.1**	**2,582.3**	**3,170.2**	**44,751.8**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*

Annex II-8

ADB Loan and Grant Approvals by Country, 1967-2008
(UA millions)

Country	2004	2005	2006	2007	2008	1967-2008
Algeria	-	-	-	0.6	-	1,887.0
Angola	-	0.3	-	-	-	204.9
Benin	-	-	-	-	-	24.4
Botswana	34.3	-	-	0.6	38.2	303.1
Burkina Faso	-	0.3	-	-	-	31.4
Burundi	-	0.3	-	-	2.0	51.3
Cameroon	-	-	51.1	-	-	535.1
Cape Verde	-	-	-	-	-	12.4
Central African Rep.	-	-	-	-	3.0	18.2
Chad	-	0.3	-	-	-	3.0
Comoros	-	-	-	-	1.5	11.5
Congo	-	-	-	-	-	267.4
Congo, Dem. Rep.	-	-	-	64.2	-	689.5
Cote d'Ivoire	-	-	-	-	0.3	872.1
Djibouti	0.3	0.3	0.3	-	52.0	60.3
Egypt	-	284.3	398.5	316.7	302.4	2,815.0
Equatorial Guinea	-	-	-	-	63.5	70.7
Eritrea	-	-	-	-	-	0.7
Ethiopia	-	-	0.3	0.3	33.4	275.1
Gabon	76.3	15.4	-	238.1	-	923.7
Gambia	-	-	-	-	-	22.1
Ghana	-	-	-	-	39.9	303.2
Guinea	-	-	-	-	134.4	358.7
Guinea-Bissau	-	-	0.3	-	-	11.7
Kenya	10.1	-	27.4	-	0.9	246.4
Lesotho	-	-	-	0.3	-	64.0
Liberia	-	-	-	-	3.0	119.8
Libya	-	-	-	-	-	-
Madagascar	0.3	-	-	103.7	-	171.9
Malawi	-	0.4	-	-	-	85.4
Mali	-	-	-	-	-	19.9
Mauritania	-	0.3	-	-	8.3	113.1
Mauritius	-	7.7	-	33.7	-	297.9
Morocco	369.3	175.7	245.9	180.8	217.0	4,470.5
Mozambique	-	0.4	-	0.3	-	129.2
Namibia	59.1	-	-	-	-	135.9
Niger	-	0.7	-	-	-	37.9
Nigeria	-	74.1	89.9	-	52.4	2,129.2
Rwanda	-	-	-	-	0.6	17.5
Sao Tome & Principe	-	-	-	-	-	-
Senegal	-	6.7	-	-	-	195.9
Seychelles	-	0.3	-	-	0.6	67.6
Sierra Leone	-	-	-	-	-	14.3

Annex II-8 (continued)

ADB Loan and Grant Approvals by Country, 1967-2008
(UA millions)

Country	2004	2005	2006	2007	2008	1967-2008
Somalia	-	0.3	0.3	-	-	8.5
South Africa	117.1	-	-	333.0	203.8	1,047.9
Sudan	-	-	0.3	-	-	105.4
Swaziland	-	0.4	5.5	-	-	240.7
Tanzania	-	-	0.3	-	-	60.3
Togo	-	-	-	-	-	33.0
Tunisia	140.2	181.7	14.7	87.8	282.7	3,887.1
Uganda	-	-	-	72.2	5.5	273.0
Zambia	-	0.4	28.9	-	8.9	331.0
Zimbabwe	-	0.4	-	-	-	645.0
Multinational	1.5	-	70.4	52.2	68.3	605.5
TOTAL	**808.6**	**750.7**	**934.4**	**1,484.7**	**1,522.8**	**25,306.1**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*

Annex II-9

ADF Loan and Grant Approvals by Country, 1974-2008
(UA millions)

Country	2004	2005	2006	2007	2008	1974-2008
Algeria	-	-	-	-	-	2.7
Angola	-	17.2	-	17.9	-	152.4
Benin	21.2	59.5	15.0	-	25.0	485.9
Botswana	-	-	-	-	-	84.8
Burkina Faso	39.6	56.5	15.0	20.0	63.5	647.3
Burundi	20.2	12.0	16.3	7.3	12.0	281.8
Cameroon	12.1	25.6	73.7	-	-	365.6
Cape Verde	3.5	-	4.1	4.8	5.0	154.2
Central African Rep.	-	-	3.3	6.5	6.5	140.5
Chad	2.4	37.2	13.0	-	-	404.7
Comoros	-	-	-	-	-	54.7
Congo	7.0	-	17.4	-	1.0	37.0
Congo, Dem. Rep.	55.2	87.5	1.9	120.7	-	704.9
Cote d'Ivoire	-	-	-	20.0	-	288.8
Djibouti	5.0	-	-	6.5	5.8	114.5
Egypt	-	-	-	-	-	216.5
Equatorial Guinea	-	-	-	-	-	60.0
Eritrea	18.6	-	-	-	-	78.1
Ethiopia	62.0	43.6	230.7	-	110.0	1,551.9
Gabon	-	-	-	-	-	3.2
Gambia	-	5.5	8.0	1.4	4.0	197.6
Ghana	12.8	86.0	66.0	75.9	133.1	961.0
Guinea	-	22.7	3.5	-	12.0	338.1
Guinea-Bissau	-	1.4	5.8	-	2.0	169.4
Kenya	41.2	41.5	29.7	190.2	25.0	751.0
Lesotho	0.8	-	6.8	8.6	-	237.7
Liberia	-	-	3.0	15.2	9.0	60.8
Libya	-	-	-	-	-	-
Madagascar	44.9	57.3	35.3	9.5	75.0	616.6
Malawi	12.0	15.0	30.0	14.9	39.9	605.4
Mali	33.9	49.9	15.0	25.0	55.0	704.6
Mauritania	2.7	-	9.7	6.0	9.5	261.5
Mauritius	-	-	-	-	-	4.7
Morocco	-	-	-	-	-	64.4
Mozambique	30.0	9.2	118.9	17.0	60.0	975.3
Namibia	-	-	-	-	-	23.1
Niger	3.0	40.0	16.0	3.0	40.0	358.3
Nigeria	1.7	34.2	22.0	86.3	-	427.8
Rwanda	51.9	-	25.0	33.0	11.0	448.8
Sao Tome & Principe	-	-	4.0	-	-	98.6
Senegal	9.6	76.5	-	-	30.0	492.6
Seychelles	-	-	-	-	-	10.8
Sierra Leone	3.6	39.7	2.0	-	10.3	271.2

Annex II-9 (continued)

ADF Loan and Grant Approvals by Country, 1974-2008
(UA millions)

Country	2004	2005	2006	2007	2008	1974-2008
Somalia	-	-	-	-	-	136.9
South Africa	-	-	-	-	-	-
Sudan	-	-	-	9.6	-	255.4
Swaziland	-	-	-	-	-	49.5
Tanzania	114.7	-	145.0	150.0	125.0	1,271.0
Togo	-	-	2.2	-	14.6	158.5
Tunisia	-	-	-	-	-	-
Uganda	74.2	88.5	53.0	107.2	184.5	1,088.8
Zambia	13.7	-	35.0	-	50.0	449.8
Zimbabwe	-	-	-	-	-	81.9
Multinational	217.7	85.8	347.6	141.1	528.7	1,740.6
TOTAL	**915.2**	**992.2**	**1,373.7**	**1,097.6**	**1,647.4**	**19,141.2**

Source: ADB Statistics Department, Economic and Social Statistics Division.

- *Magnitude zero.*

Annex II-10

NTF Loan and Grant Approvals by Country, 1976-2008
(UA millions)

Country	2004	2005	2006	2007	2008	1976-2008
Algeria	-	-	-	-	-	-
Angola	-	-	-	-	-	-
Benin	-	-	-	-	-	19.4
Botswana	-	-	-	-	-	13.0
Burkina Faso	-	-	-	-	-	-
Burundi	-	-	-	-	-	13.4
Cameroon	-	-	-	-	-	-
Cape Verde	-	-	-	-	-	13.6
Central African Rep.	-	-	-	-	-	-
Chad	-	-	-	-	-	-
Comoros	-	-	-	-	-	-
Congo	-	-	-	-	-	-
Congo, Dem. Rep.	-	-	-	-	-	-
Cote d'Ivoire	-	-	-	-	-	2.9
Djibouti	-	-	-	-	-	4.0
Egypt	-	-	-	-	-	-
Equatorial Guinea	-	-	-	-	-	-
Eritrea	-	-	-	-	-	-
Ethiopia	-	-	-	-	-	11.0
Gabon	-	-	-	-	-	-
Gambia	5.0	-	-	-	-	14.4
Ghana	-	-	-	-	-	5.3
Guinea	-	-	-	-	-	16.3
Guinea-Bissau	-	-	-	-	-	6.1
Kenya	-	-	-	-	-	-
Lesotho	-	-	-	-	-	14.6
Liberia	-	-	-	-	-	3.6
Libya	-	-	-	-	-	-
Madagascar	-	-	-	-	-	12.7
Malawi	-	-	-	-	-	-
Mali	-	-	-	-	-	5.0
Mauritania	4.3	-	-	-	-	10.3
Mauritius	-	-	-	-	-	10.4
Morocco	-	-	-	-	-	-
Mozambique	-	-	-	-	-	6.9
Namibia	-	-	-	-	-	8.9
Niger	-	-	-	-	-	5.2
Nigeria	-	-	-	-	-	-
Rwanda	-	-	-	-	-	14.6
Sao Tome & Principe	-	-	-	-	-	5.0
Senegal	-	-	-	-	-	11.0
Seychelles	-	-	-	-	-	12.0
Sierra Leone	-	-	-	-	-	6.0

Annex II-10 (continued)

NTF Loan and Grant Approvals by Country, 1976-2008
(UA millions)

Country	2004	2005	2006	2007	2008	1976-2008
Somalia	-	-	-	-	-	6.0
South Africa	-	-	-	-	-	-
Sudan	-	-	-	-	-	-
Swaziland	-	-	-	-	-	10.0
Tanzania	-	-	-	-	-	13.6
Togo	-	-	-	-	-	10.5
Tunisia	-	-	-	-	-	-
Uganda	-	-	-	-	-	5.0
Zambia	-	-	-	-	-	-
Zimbabwe	-	-	-	-	-	-
Multinational	-	-	-	-	-	14.1
TOTAL	**9.3**	**-**	**-**	**-**	**-**	**304.6**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*

Annex II-11

Bank Group Loan and Grant Approvals by Sector, 1967-2008
(UA millions)

	2004	2005	2006	2007	2008	1967-2008
Agriculture and Rural Dev.	274.5	231.1	240.7	178.8	163.8	7,220.6
Social	157.1	233.7	244.3	119.7	224.2	4,881.1
Education	*39.8*	*114.0*	*65.0*	*28.6*	*119.1*	*2,561.6*
Health	*102.0*	*90.7*	*80.0*	-	*89.6*	*1,579.4*
Other	*15.4*	*29.1*	*99.3*	*91.2*	*15.5*	*740.1*
Water Supply & Sanitation	120.4	199.1	227.7	211.5	236.8	3,495.2
Power Supply	56.0	275.9	167.2	930.0	533.5	5,096.9
Communication	-	-	-	33.0	-	944.3
Transportation	499.3	212.1	462.8	756.9	641.1	7,897.0
Finance	174.0	218.6	495.1	87.8	297.9	5,775.9
Multisector	450.0	264.4	414.3	120.5	728.5	6,811.4
Industry, Mining and Quarrying	-	34.0	55.9	162.7	274.3	2,454.6
Urban Development	-	-	-	-	-	1.9
Environment	1.7	74.1	-	9.8	70.0	172.9
TOTAL	**1,733.1**	**1,742.9**	**2,308.1**	**2,582.3**	**3,170.2**	**44,751.8**

Source: ADB Statistics Department, Economic and Social Statistics Division.

- *Magnitude zero.*

Annex II-12

ADB Loan and Grant Approvals by Sector, 1967-2008
(UA millions)

	2004	2005	2006	2007	2008	1967-2008
Agriculture and Rural Dev.	22.9	23.1	25.4	10.3	70.8	2,702.2
Social	1.3	55.7	61.5	-	112.2	1,275.9
Water Supply & Sanitation	56.5	-	69.6	13.8	84.4	1,696.2
Power Supply	-	270.8	51.1	773.1	328.5	3,875.1
Communication	-	-	-	33.0	-	797.7
Transportation	372.8	-	102.5	373.8	270.2	4,060.4
Finance	174.0	211.8	495.1	87.8	297.9	5,406.3
Multisector	181.1	97.8	73.2	20.5	84.5	3,181.6
Industry, Mining and Quarrying	-	34.0	55.9	162.7	274.3	2,243.2
Urban Development	-	-	-	-	-	-
Environment	-	57.6	-	9.8	-	67.4
TOTAL	**808.6**	**750.7**	**934.4**	**1,484.7**	**1,522.8**	**25,306.1**

Source : ADB Statistics Department, Economic and Social Statistics Division.

- *Magnitude zero.*

Annex II-13

ADF Loan and Grant Approvals by Sector, 1974-2008
(UA millions)

	2004	2005	2006	2007	2008	1974-2008
Agriculture and Rural Dev.	242.4	208.0	215.4	168.5	93.0	4,461.1
Social	155.8	178.0	182.8	119.7	112.0	3,549.6
Education	*39.8*	*64.0*	*65.0*	*28.6*	*83.0*	*1,639.4*
Health	*102.0*	*89.0*	*80.0*	-	*15.0*	*1,251.8*
Other	*14.1*	*25.0*	*37.8*	*91.2*	*14.0*	*658.5*
Water Supply & Sanitation	63.9	199.1	158.1	197.7	152.4	1,781.8
Power Supply	56.0	5.1	116.1	156.9	205.0	1,208.2
Communication	-	-	-	-	-	118.4
Transportation	126.5	212.1	360.3	383.1	370.9	3,737.7
Finance	-	6.8	-	-	-	352.0
Multisector	268.9	166.7	341.1	71.7	644.0	3,629.8
Industry, Mining and Quarrying	-	-	-	-	-	195.0
Urban Development	-	-	-	-	-	1.9
Environment	1.7	16.5	-	-	70.0	105.5
TOTAL	**915.2**	**992.2**	**1,373.7**	**1,097.6**	**1,647.4**	**19,141.2**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*

Annex II-14

NTF Loan and Grant Approvals by Sector, 1976-2008
(UA millions)

	2004	2005	2006	2007	2008	1976-2008
Agriculture and Rural Dev.	9.3	-	-	-	-	57.3
Social	-	-	-	-	-	55.6
Water Supply & Sanitation	-	-	-	-	-	17.2
Power Supply	-	-	-	-	-	13.6
Communication	-	-	-	-	-	28.1
Transportation	-	-	-	-	-	98.9
Finance	-	-	-	-	-	17.6
Multisector	-	-	-	-	-	-
Industry, Mining and Quarrying	-	-	-	-	-	16.3
Urban Development	-	-	-	-	-	-
Environment	-	-	-	-	-	-
TOTAL	**9.3**	**-**	**-**	**-**	**-**	**304.6**

Source: ADB Statistics Department, Economic and Social Statistics Division.

\- *Magnitude zero.*

Annex II-15

ADF - Multilateral Debt Relief Initiative - Cost Estimates for 33 beneficiary RMCs
(UA millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-2054	Grand Total
Completion Point Countries (19)												
Benin	1.31	1.35	1.74	3.70	5.94	6.51	6.91	7.18	7.38	7.34	192.4	241.79
Burkina Faso	1.37	1.43	1.61	2.08	2.55	2.57	2.94	3.22	3.48	3.90	199.7	224.87
Cameroon	0.56	0.89	1.01	1.13	1.25	2.27	3.00	2.99	2.97	2.96	132.2	151.23
Ethiopia	3.78	4.02	4.34	4.69	4.34	5.16	5.71	5.72	5.99	5.96	450.4	500.16
Gambia	-	-	1.05	1.09	1.21	1.22	1.34	2.29	3.54	3.67	92.2	107.64
Ghana	3.78	3.97	4.03	4.22	4.23	4.49	4.81	9.30	9.88	9.10	266.7	324.46
Madagascar	1.83	1.90	1.98	2.40	2.39	2.49	2.52	5.32	7.92	7.87	209.6	246.27
Malawi	0.04	1.34	1.43	1.46	1.53	1.63	1.77	1.93	2.01	1.85	170.1	185.12
Mali	2.92	2.91	3.09	3.40	5.80	10.38	10.83	11.69	11.78	11.71	294.5	369.02
Mauritania	0.44	1.28	1.37	1.59	1.65	3.86	5.04	5.21	5.23	5.20	143.1	173.98
Mozambique	2.21	2.57	2.94	3.08	3.75	6.69	6.80	7.52	7.86	8.59	314.8	366.79
Niger	1.20	1.21	1.23	1.47	1.48	1.48	1.53	1.56	2.00	1.98	112.0	127.09
Rwanda	1.00	1.04	1.11	1.18	1.14	1.17	1.21	1.23	1.22	1.22	59.6	71.11
Sao Tome & Principe	-	0.13	0.25	0.25	0.24	0.27	0.28	0.28	0.29	0.30	20.8	23.05
Senegal	2.91	4.45	5.36	5.47	5.89	6.46	6.78	6.94	7.02	6.98	214.4	272.67
Sierra Leone	-	1.13	1.05	1.08	1.11	1.28	1.41	1.55	1.69	1.68	86.2	98.16
Tanzania	2.55	2.57	3.43	3.83	3.95	4.23	4.54	5.11	5.27	5.24	369.5	410.22
Uganda	2.45	2.70	2.71	2.95	2.94	3.33	7.26	9.51	10.20	10.14	291.7	345.87
Zambia	1.59	1.70	1.88	1.90	2.20	2.44	2.47	2.78	2.76	2.75	138.1	160.56
Subtotal	**29.93**	**36.57**	**41.60**	**46.97**	**53.60**	**67.93**	**77.15**	**91.35**	**98.49**	**98.43**	**3,758.07**	**4,400.08**
Decision Point Countries (9)											**-**	**-**
Burundi	-	-		0.13	0.13	0.14	0.14	0.15	0.15	0.15	2.2	3.18
Chad	-	-		2.51	2.44	2.43	4.76	6.87	6.91	7.00	183.0	215.93
Central African Republic	-	-	-	-	0.91	0.91	0.98	0.98	0.97	0.96	54.2	59.87
Congo, Rep. of	-	-	-	-	0.31	0.30	0.30	0.30	0.30	0.30	4.6	6.40
Congo DRC	-	-		1.13	1.16	1.15	1.15	1.15	1.43	1.42	91.9	100.48
Guinea	-	-		5.44	5.87	6.06	6.28	6.24	6.37	6.33	157.5	200.06
Guinea-Bissau	-	-	-	-	0.72	0.79	0.79	0.79	0.78	0.78	48.4	53.02
Liberia	-	-	-	-	0.57	0.56	0.56	0.56	0.55	0.55	9.3	12.68
Togo	-	-	-	-	-	-	2.49	2.82	2.80	2.79	67.9	78.76
Sub Total	**-**	**-**	**-**	**9.21**	**12.10**	**12.33**	**17.46**	**19.85**	**20.27**	**20.29**	**618.87**	**730.39**
Pre-Decision Point Countries (5)											**-**	**-**
Comoros	-	-	-	-	0.93	0.92	1.07	1.07	1.06	1.05	18.0	24.10
Cote d'Ivoire	-	-	-	-	2.66	2.73	3.24	3.44	3.62	3.60	177.9	197.23
Eritrea	-	-	-	-	-	-	0.65	0.65	0.64	0.64	39.6	42.16
Somalia	-	-	-	-	-	-	-	-	-	-	29.5	29.48
Sudan	-	-	-	-	-	-	5.96	5.92	5.88	5.84	113.5	137.06
Subtotal	**-**	**-**	**-**	**-**	**3.59**	**3.65**	**10.92**	**11.07**	**11.20**	**11.14**	**378.46**	**430.03**
TOTAL	**29.93**	**36.57**	**41.60**	**56.18**	**69.29**	**83.92**	**105.53**	**122.27**	**129.97**	**129.85**	**4,755.40**	**5,560.49**

Annex II-16

Status of HIPC Debt Relief Implementation as at End-December 2008
(US$ millions)

COUNTRY	APPROVAL DATE		BANK GROUP APPROVAL DATE		CUT-OFF DATE	DEBT RELIEF COMMITTED		LAST DATE OF DEBT RELIEF	RELIEF DELIVERED		RELIEF DELIVERED/ TOTAL COMMITTED		40% CEILING/ INTERIM LIMIT DATE[1]
	Decision Point	Comple-tion Point	Decision Point	Comple-tion Point		Cost NPV Terms	Cost Nominal Terms		NPV Terms	Nominal Terms	NPV Terms (%)	Nominal Terms (%)	
POST-COMPLETION POINT COUNTRIES													
Benin	Jul-00	Mar-03	Oct-00	Jul-03	Dec-98	37.57	46.50	Apr-09	35.69	43.66	95.0	93.9	Irrevocable
Burkina Faso	Jun-00	Apr-02	Oct-00	Jul-02	Dec-99	86.70	125.74	Oct-20	46.04	54.52	53.1	43.4	Irrevocable
Cameroon	Oct-00	May-06	Nov-00	Jul-06	Jun-99	78.84	100.51	Apr-11	64.19	78.27	81.4	77.9	Irrevocable
Ethiopia	Nov-01	Apr-04	Feb-02	Oct-04	Jun-01	339.50	461.39	Sep-21	173.84	202.96	51.2	44.0	Irrevocable
Gambia	Dec-00	Dec-07	Feb-01	Mar-08	Dec-99	15.82	22.77	Jul-13	8.01	9.29	50.6	40.8	Irrevocable
Ghana	Feb-02	Jul-04	May-02	Dec-04	Dec-00	130.93	160.15	Jan-13	110.10	126.84	84.1	79.2	Irrevocable
Madagascar	Dec-00	Oct-04	Feb-01	Mar-05	Dec-99	60.06	80.40	Mar-13	40.71	48.27	67.8	60.0	Irrevocable
Malawi	Dec-00	Aug-06	Jan-01	Nov-06	Dec-99	139.31	212.83	Jul-23	41.10	48.49	29.5	22.8	Irrevocable
Mali	Sep-00	Mar-03	Nov-00	Jul-03	Dec-98	69.72	86.42	Jul-10	58.31	69.56	83.6	80.5	Irrevocable
Mauritania	Feb-00	Jun-02	Jul-00	Jul-02	Dec-98	72.80	90.69	Apr-11	60.32	71.64	82.9	79.0	Irrevocable
Mozambique[2]	Apr-00	Sep-01	Oct-00	Feb-02	Dec-98	141.95	148.97	Sep-10	17.92	22.31	12.6	15.0	Irrevocable
Niger	Dec-00	Apr-04	Mar-01	Oct-04	Dec-99	50.01	86.26	Jul-24	17.63	21.51	35.2	24.9	Irrevocable
Sao Tome & Principe	Dec-00	Mar-07	Apr-01	Jun-07	Dec-99	43.43	88.36	Sep-32	10.07	13.33	23.2	15.1	Irrevocable
Senegal	Jun-00	Apr-04	Oct-00	Oct-04	Dec-98	56.80	65.42	May-06	56.80	65.42	100.0	100.0	Irrevocable
Sierra Leone	Mar-02	Dec-06	Jun-02	May-07	Dec-00	43.43	91.70	Jul-29	14.55	17.85	33.5	19.5	Irrevocable
Rwanda	Dec-00	Apr-05	Jan-01	Jul-05	Dec-99	116.10	222.29	Oct-31	36.97	45.07	31.8	20.3	Irrevocable
Tanzania	Apr-00	Nov-01	Jul-00	Feb-02	Jun-99	124.90	190.75	Jul-17	66.16	81.62	53.0	42.8	Irrevocable
Uganda[2]	Feb-00	May-00	Jan-00	Sep-00	Jun-99	81.30	100.65	Mar-12	44.69	55.10	55.0	54.7	Irrevocable
Zambia	Nov-00	Apr-05	Jan-01	Jul-05	Dec-99	146.10	214.50	Jul-25	98.10	110.71	67.1	51.6	Irrevocable
Subtotal (A)						1,835.2	2,596.3	…	1,001.2	1,186.4			
INTERIM PERIOD COUNTRIES[3]													
Burundi[4]	Aug-05	Q1 2009	Nov-05	…	Dec-04	149.35	251.14	Feb-43	42.94	44.08	28.75	17.6	Dec-09
CAR[4]	Sep-07	Q2 2009	Dec-07	…	Dec-06	85.38	97.57	Jul-20	3.51	3.68	4.1	3.8	Jul-11
Chad[5]	May-01	Q4 2009	Jul-01	…	Dec-00	36.90	49.38	TBD	14.68	16.54	39.8	33.5	Mar-06
Congo[3]	Mar-06	Q4 2010	Nov-06	…	Dec-04	41.86	41.86	…	41.86	41.86	100.0	100.0	n.a
DRC[4/6]	Jul-03	Q4 2009	Jun-04	…	Dec-02	905.09	1,804.87	Sep-24	482.67	531.66	58.7	29.5	Dec-08
Guinea	Dec-00	Q1 2009	Apr-01	…	Dec-99	75.30	89.07	TBD	37.65	43.10	50.0	48.4	Dec-08
Guinea Bissau[4]	Dec-00	Q4 2010	Dec-00	…	Dec-99	60.37	94.52	TBD	31.54	35.76	52.2	37.8	Jan-11
Liberia[4]	Mar-08	Q4 2010			Jun-07	238.08	238.08	…	238.08	238.08	100.0	100.0	n.a
Togo[4]	Nov-08	Q4 2010			Dec-07	17.3	17.3	…	17.3	17.3	100.0	100.0	n.a
Subtotal (B)	…	…			…	1,609.64	2,683.79	…	910.23	972.05	…	…	…
Subtotal = (A)+(B)						3,444.9	5,280.1	…	1,911.4	2,158.5	…	…	…
PRE-DECISION POINT COUNTRIES[3/7]													
Comoros	Q4 2009	TBD			…	18.80	25.20	…	…	…	…	…	…
Cote d'Ivoire	Q2 2009	TBD			…	300.00	360.18	…	…	…	…	…	…
Somalia	Q2 2013	TBD			…	53.10	63.02	…	…	…	…	…	…
Sudan	Q4 2009	TBD			…	159.50	210.53	…	…	…	…	…	…
Eritrea	Q1 2009	TBD			…	…	…	…	…	…	…	…	…
Subtotal	…	…			…	531.4	658.9	…	…	…	…	…	…
TOTAL	…	…			…	3,976.3	5,939.0	…	1,911.4	2,158.5	…	…	…

1 *Refers to the constraint of 40 percent ceiling and/or the mandatory three-year program of economic reforms.*
2 *Country figures include the debt relief already committed and delivered under the original HIPC framework.*
3 *Dates for completion and decision points are tentative for the interim period and pre-decision point countries, respectively.*
4 *Entire or part of HIPC debt relief assistance had already been provided under arrears clearance operations through the FSF (previously PCCF).*
5 *Countries have had delays in reaching their completion points, as a result they are expected to fully pay their debt obligations falling due.*
6 *DRC is benefiting from exceptional HIPC debt relief assistance.*
7 *Total debt relief to be committed is an estimate.*

Source: Resource Mobilization & Allocation Division Staff estimates.

Annex II-17

COMMITMENTS RECEIVED FOR THE MDRI FROM DONORS
(As at December 2008, covering period)

Commitments Received 2006-2054

	Participants	Unqualified Period
1	Kuwait	2006-2054
2	Portugal	2006-2054
3	South Africa	2006-2054

	Participants	Unqualified Period	Qualified Period
1	Belgium	2006-2020	2021-2054
2	Denmark	2006-2020	2021-2054
3	Germany	2006-2020	2021-2054
4	Norway	2006-2020	2021-2054
5	Spain	2006-2020	2021-2054
6	United Kingdom	2006-2020	2021-2054

	Participant	Unqualified Period	Qualified Period
	Sweden	2006-2018	2019-2054

	Participants	Unqualified Period	Qualified Period
1	France	2006-2015	2016-2054
2	Netherlands	2006-2015	2016-2054

	Participants	Unqualified Period	Qualified Period
1	Italy	2006-2008	2009-2054
2	Korea	2006-2008	2009-2054

	Participant	Unqualified Period	Qualified Period
	United States of America (*)	2006-2007	2008-2054

(*) A portion of the contribution for the year 2007 is qualified.

Commitments Received 2006-2020

	Participant	Unqualified Period	Qualified Period
	Finland	2006-2020	

Commitments Received 2006-2015

	Participant	Unqualified Period	Qualified Period
	Austria	2006-2015	

	Participant	Unqualified Period	Qualified Period
	China	2006-2008	2009-2015

Commitment Received 2006-2011

	Participant	Unqualified Period	Qualified Period
	Canada	2006-2008	2009-2011

Commitment Received 2006-2010

	Participant	Unqualified Period	Qualified Period
	Japan	2006-2010	

Commitment Received 2006-2008

	Participant	Unqualified Period	Qualified Period
	India	2006-2008	

Commitments Received 2006-2007

	Participants	Unqualified Period	Qualified Period
1	Saudi Arabia	2006-2007	
2	*Switzerland*	*2006-2007*	

Annex II-18

Summary of Loan Arrears as at December 31, 2008
(UA millions)

Country	ADB	ADF	NTF	Total
Côte d'Ivoire*	345.96	7.94	-	353.90
Somalia	12.02	35.01	1.39	48.42
Sudan	93.70	53.82	-	147.52
Zimbabwe	279.28	4.77	-	284.05
Others**	0.19	0.44	0.02	0.65
Subtotal	**731.15**	**101.99**	**1.41**	**834.54**
Comoros***	0.27	4.61	-	4.88
Liberia***	14.36	-	0.73	15.09
Togo***	-	-	0.05	0.05
TOTAL	**745.77**	**106.60**	**2.18**	**854.55**

Source: ADB Financial Control Department.

* *The arrears clearance of Côte d'Ivoire took place after the year-end but before Board approval of the 2008 financial statements.*

** *Includes arrears of multinational projects, arrears less than UA 25,000 in some countries, and arrears payments in the process of being regularized.*

*** *The amount is backed by pledges by certain donors to repay on behalf of the country, under an arrears clearance operation approved in 2007. The arrears are therefore expected to be cleared following the fulfillment of such pledges. On the basis of such pledges and consistent with the terms of the arrears clearance operation, the country was not under sanctions with the Bank Group at December 31 2008.*

Index

ALGERIA
Groupe de la Banque africaine de développement
Bureau National de l'Algérie (DZFO)
Commune Hydra Paradou
3, rue Hamdani Lahcène, Daira Birmouradrais
Alger, ALGERIA

ANGOLA
No address yet

BURKINA FASO
Groupe de la Banque africaine de développement
Bureau Nationale du Burkina Faso (BFFO)
Immeuble Administratif et Technique de l'ARTEL
(Autorité Nationale de Régulation des
Télecommunications)
5ème Etage
Ouagadougou, BURKINA FASO
Tel: +226 503 75750/51/53
Fax: +226 503 75749
Ext: 6100-6129
Contact: Mme Antoinette DINGA-DZONDO,
Représentante Résidente
E-mail: a.dinga-dzondo@afdb.org

CAMEROON
Groupe de la Banque africaine de développement
Bureau National du Cameroun (CMFO)
Immeuble No 1067 bis
Rue 1750 Nouvelle Route
Bastos, Yaoundé
CAMEROON
Tel: +237 22 20 27 61
Fax: +237 22 20 27 64
Ext: 6800-6859
Contact: M. Athanase GAHUNGU,
Représentant Résident
E-mail: a.gahungu@afdb.org

CHAD
Groupe de la Banque africaine de développement
Bureau National du Tchad (TDFO)
Immeuble BCC
2ème Etage
Avenue Charles de Gaulle
BP 193
N'Djamena, CHAD
Tel: +235 52 46 79/52 45 57
Fax: +235 52 49 96
Ext: 6200-6229
Contact: Mr. Pascal D. BITOUMBOU,
Représentant Résident
E-mail: p.bitoumbou@afdb.org

DEMOCRATIC REPUBLIC OF CONGO
Groupe de la Banque africaine de développement
Bureau régional du R. D. Congo (CDFO)
Immeuble de la BCDC
(Banque de Commerce du Congo)
Boulevard du 30 Juin - Kinshasa NRC Kinshasa 340
Kinshasa I
DEMOCRATIC REPUBLIC OF CONGO
Tel: +243 815 560 291
Fax: +243 815 560 294
Ext: 6330-6399
Contact: Mr. Medjomo COULIBALY,
Représentant Résident
E-mail: m.c.coulibaly@afdb.org

EGYPT
African Development Bank Group
Egypt Country Office (EGFO)
72B Al Maahad Al Eshteraky St.
Heliopolis
Cairo. EGYPT
Tel: +202 22 56 37 90/ 22 56 37 91
Fax: +202 22 56 37 92
Cairo, Egypt
Ext. 6730-6759
Contact : Mr. Khushhal Chand KHUSHIRAM,
Resident Representative
Email : k.khushiram@afdb.org

ETHIOPIA
African Development Bank Group
Ethiopia Country Office (ETFO)
7th and 8th Floor, Get-House Building,
Kirkos Sub-City, Kebele 20/21, House N° 056
P.O Box 25543 Code 1000
Addis Ababa, ETHIOPIA
Tel: +251 116 627 726
Fax: +251 116 627 742
Ext: 6700-6729
Contact: Mr. Peter MWANAKATWE, Resident
Representative (Acting)
Email: p.mwanakatwe@afdb.org

GABON
Groupe de la Banque africaine de développement
Bureau Régional du Gabon (GAFO)
Immeuble Saint Georges
Quartier Kalikak
B.P. 4075
Libreville, GABON
Tel: +241 76 85 76 /76 85 79
Fax: +241 76 85 77
Ext: 6600-6649
Contact: M. Bassary TOURE, Représentant
Résident
E-mail: b.toure@afdb.org

GHANA
African Development Bank Group
Ghana Country Office (GHFO)
Heritage Tower, 7th Floor,
Accra, GHANA
Tel: +233 21 66 28 40
+233 21 66 28 18
Fax: +233 21 66 28 55
Ext: 6130-6159
Contact: Mr. Alieu JENG, Resident Representative
E-mail: a.jeng@afdb.org

GUINEA-BISSAU
African Development Bank Group
Guinea-Bissau National Program Office (NPO)
Bissau
GUINEA-BISSAU
Tel: +245 20 13 48/20 10 98
Fax: +245 20 17 53
Cell: +245 721 08 98 / 668 43 43
Contact: Mr. Ansumane Mane,
National Program Coordinator
E-mail: a.mane@afdb.org

KENYA
African Development Bank Group
Kenya Country Office (KEFO)
11th Floor, Landmark Plaza
Argwings Kodhek Road, Upper Hill
Nairobi, KENYA
Tel: +254 20 47 66 300
Fax: +254 20 47 66 444
Ext: 6230-6259
Contact: Ms. Domina BUZINGO,
Resident Representative
E-mail: d.buzingo@afdb.org

MADAGASCAR
Groupe de la Banque africaine de développement
Bureau National de Madagascar (MGFO)
9ème Etage, Immeuble FITARATRA
Ankorondrano
Rue Ravoninahitriniarivo
BP 1718 Analakely
Antananarivo 101, MADAGASCAR
Tel: +261 2022 643 61/2022 641 89
Fax: +261 2022 642 32
Ext: 6000-6029
Contact: Mme Sylvie Anne CONDE,
Représentante Résidente
E-mail: s.conde@afdb.org

MALAWI
African Development Bank Group
Malawi Country Office (MWFO)
2nd Floor, Kang'ombe House
Box 30732,
City Centre, Lilongwe
MALAWI
Tel: +265 0 1 77 44 60-62/64
Fax: +265 0 1 77 44 69
Ext: 6300-6329
Contact: Mr. Frank KUFAKWANDI,
Resident Representative
E-mail: s.kufakwandi@afdb.org

MALI
Groupe de la Banque africaine de développement
Bureau National de Bamako (MLFO)
3e & 4e étages, Immeuble Investim
Bâtiment B, Quartier du Fleuve
BP 2950 Bamako
MALI
Tel: +223 222 28 85/ 222 28 72
Fax: +223 222 29 13
Ext: 6030-6059
Contact: Mr. Moulay Lahcen ENNAHLI,
Représentant Résident
E-mail: e.mylahcen@afdb.org

MOROCCO
Groupe de la Banque africaine de développement
Bureau National du Maroc (MAFO)
Immeuble "Espaces les Lauriers", 1er Etage
Angle des avenues Annakhil et Mehdi Ben Barka,
Hay Riad
BP 592 Rabat Chellah, Rabat, MOROCCO
Tel: +212 37565937/37713826-7
Fax: +212 37565935
Ext: 6160-6190
Contact: M. MATONDO-FUNDANI,
Représentant Résident
E-mail: f.matondo@afdb.org

MOZAMBIQUE
African Development Bank Group
Mozambique Regional Office (MZFO)
3rd floor, JAT 4 Building
Zedequias Maganhela, 267
Maputo, MOZAMBIQUE
Tel: +258 213 26409
Fax: +258 213 15600
Ext: 6430-6499
Contact: Ms. Alice HAMER, Resident
Representative
E-mail: a.hamer@afdb.org

NIGERIA
African Development Bank Group
Nigeria Country Office (NGFO)
Plot 813
Lake Chad Crescent
Maitama District
Abuja, NIGERIA
Tel: +234 9 4133261 / 262,
+234 9 6721738 / 738
Fax: +234 9 413 3260
+1 321 956 3851
Ext: 6650-6699
Contact: Mr. Herve ASSAH, Resident
Representative
E-mail: h.assah@afdb.org

RWANDA
Groupe de la Banque africaine de développement
Bureau National du Rwanda (RWFO)
Immeuble BCDI 8 Avenue de la Paix
BP 7329 Kigali, RWANDA
Tel: +250 50 42 97/50
Fax: +250 50 42 98
Ext: 6060-6090
Contact: Mr. Jacob Diko MUKETE,
Représentant Résident
E-mail: j.mukete@afdb.org

SENEGAL
SENEGAL
Groupe de la Banque africaine de développement
Bureau Régional du Sénégal (SNFO)
Immeuble Coumba
Route de Ngor
Zone 12, Quartier des Almadies,
BP 50544 - CP 18524 RP Dakar, SENEGAL
Tel: +221 33 820 08 88 / 33 869 75 44
Fax: +221 33 820 09 99
Ext: 6530-6599
Contact: M. Mohamed H'MIDOUCHE,
Représentant Résident
Email: m.hmidouche@afdb.org

SIERRA LEONE
African Development Bank Group
Sierra Leone Country Office (SLFO)
5th & 6th floor, Bishop Building
13 Lamina Sankoh Street, PMP335
Freetown, SIERRA LEONE
Tel: +232 (0) 76541328
Ext: 6260-6290
Contact: Mr . Samuel Ofori ONWONA, Resident
Representative
Email: s.onwona@afdb.org

SUDAN
African Development Bank Group
Sudan Country Office (SDFO)
Higleig Petroleum Tower
7th Floor
Plot 499
Square 65
East-Second
Khartoum, SUDAN
Tel: +249 922 735 071
Ext: 6860-6890
Contact: Mr. Famara JATTA, Resident
Representative
E-mail : f.jatta@afdb.org

TANZANIA
African Development Bank Group
Tanzania Country Office (TZFO)
5th Floor, International House,
Garden Avenue,
P.O. Box 6024
Dar Es Salaam, TANZANIA
Tel: +255 22 2125281/2 (office)
+255 22 2125286 (Direct)
Fax: +225 22 2125283
Ext: 6500-6529
Contact: Ms. Sipho MOYO, Resident
Representative
E-mail : s.moyo@afdb.org

UGANDA
African Development Bank Group
Uganda Country Office (UGFO)
14th Floor, Crested Towers Building
Hannington Road
P.O. Box 28509
Kampala, UGANDA
Tel: +256-414 236 166/7
Fax: +256-414 234 011
Ext: 6760-6790
Contact: Mr. Benedict S. KANU, Resident
Representative(Acting)
Email: b.kanu@afdb.org

ZAMBIA
African Development Bank Group
Zambia Country Office (ZMFO)
ABC Pyramid Plaza
Church Road and Nasser Road Cathedral Hill
P O Box 51449 Ridgeway,
Lusaka, ZAMBIA
Tel: +260 21 12 57 868/869/874
Fax: +260 21 12 57 872
Ext: 6400-6429
Contact: Mrs. Vivienne APOPO,
Resident Representative
E-mail : v.apopo@afdb.org

AFRICAN DEVELOPMENT BANK – AFRICAN DEVELOPMENT FUND

Temporary Relocation Agency (TRA)

15, Avenue du Ghana, Angle des rues Pierre de Coubertin et Hedi Nouira
BP 323, 1002 Tunis Belvédère, TUNISIA
Tel: (216) 71 333 511 – Fax: (216) 71 351 933
Email: afdb@afdb.org – Website: www.afdb.org