AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

BOARDS OF GOVERNORS

ADB	ADF
Fortieth	Thirty-First
Annual Meeting	Annual Meeting

Abuja, Nigeria, May 18-19, 2005

REPORT

by the Boards of Directors of the
African Development Bank
and the African Development Fund
covering the period
January 1 to December 31, 2004

ADB-ADF/BG/AR/2004

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ABBREVIATIONS

ACBF	Africa Capacity Building Foundation
ACG	Arab Coordination Group
ADB	African Development Bank
ADF	African Development Fund
ADF-IX	Ninth General Replenishment of the ADF
ADF-X	Tenth General Replenishment of the ADF
ADI	African Development Institute
AEC	African Economic Community (Addis Ababa, Ethiopia)
AEO	African Economic Outlook
AfD	Agence française de développement (Paris, France)
AFESD	Arab Fund for Economic and Social Development
AFRITAC	African Regional Technical Assistance Center
AFROSAI	African Organization of Supreme Audit Institutions
AGOA	Africa Growth and Opportunities Act
ALCO	Asset-Liability Management Committee
ALM	Asset-Liability Management
AMBD	Committee on Administrative Matters Concerning the Boards of Directors
AMCOW	African Ministerial Council on Water
AMSCO	African Management Service Company
AMTA	Agricultural Management Training Program for Africa
AMU	Arab Maghreb Union (Rabat, Morocco)
APPR	Annual Portfolio Performance Review
APRM	African Peer Review Mechanism
ARDE	Annual Review on Development Effectiveness
AsDB	Asian Development Bank (Manila, Philippines)
ATMS	African Training Management Services
AU	African Union
AUFI	Audit and Finance Committee
AWF	African Water Facility
BADEA	Arab Bank for Economic Development in Africa (Khartoum, Sudan)
BNLS	Botswana, Namibia, Lesotho, and Swaziland
BSC	Balanced Scorecard
BWIs	Bretton Woods Institutions
CAADP	Comprehensive Africa Agriculture Development Program (NEPAD)
CAHR	Committee on Administrative Affairs and Human Resource Policy Issues (ADB)
CAR	Central African Republic
CDP	Country Dialogue Paper
CEMAC	Central African Economic and Monetary Community (Bangui, CAR)
CENSAD	Community of Sahel-Saharan States (Tripoli, Libya)
CEPGL	Economic Community of Countries of the Great Lakes (Gisenyi, Rwanda)
CFAA	Country Financial Accountability Assessment
CFC	Common Fund for Commodities (Amsterdam, The Netherlands)
CGAP	Consultative Group to Assist the Poor (Washington and Paris)
CGIAR	Consultative Group in International Agricultural Research
CGP	Country Governance Profile
CODE	Committee on Operations and Development Effectiveness (ADB)
COMESA	Common Market of East and Southern African States (Lusaka, Zambia)
CoW	Committee of the Whole
CPA	Country Performance Assessment
CPAR	Country Performance Assessment Report
CPIA	Country Policy and Institutional Assessment
CPPA	Country Portfolio Performance Assessment

CPPR	Country Portfolio Performance Rating
CPR	Country Portfolio Rating
CRMU	Compliance Review and Mediation Unit
CSP	Country Strategy Paper
DARMS	Data Automation Resource Management System
DBSL	Development Budget Support Loan
DCS	Daily Calorie Supply
DFI	Development Finance Institution
DFID	Department for International Development (UK)
DPS	Daily Protein Supply
DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
DW	Data Warehouse
EAC	East African Community (Arusha, Tanzania)
EBA	Everything But Arms (EU)
EBRD	European Bank for Reconstruction and Development (London, UK)
ECCAS	Economic Community of Central African States (Libreville, Gabon)
ECOWAS	Economic Community of West African States (Lagos, Nigeria)
EDF	European Development Fund (Brussels, Belgium)
EIB	European Investment Bank
EIS	Executive Information System
EMRRP	Emergency Multisector Rehabilitation and Reconstruction Program
EPA	Economic Partnership Agreement
ERP	Enterprise Resource Planning
ESAG	Environmental and Social Assessment Guidelines
ESAP	Environmental and Social Assessment Procedure
ESMP	Environmental and Social Management Plan
ESW	Economic and Sector Work
EU	European Union (Brussels, Belgium)
FAO	Food and Agriculture Organization (Rome, Italy)
FARA	Forum for Agricultural Research in Africa
FCEM	World Association of Women Entrepreneurs
FDI	Foreign Direct Investment
FEMIP	Facility for Euro-Mediterranean Investment and Partnership (EIB)
FINESSE	Financing Energy Services for Small-scale Users in Africa
FTA	Free Trade Agreement
GCC	Governors' Consultative Committee
GCI-V	Fifth General Capital Increase
GDI	Gross Domestic Investment
GDP	Gross Domestic Product
GECL	General Counsel and Legal Services Department (ADB)
GEF	Global Environmental Facility
GPOA	Gender Plan of Action
GPR	Global Poverty Report
GS	General Services
HAMfR	Harmonization, Alignment and Managing for Results
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HPI	Human Poverty Index
HSGIC	Heads of State and Government Implementation Committee (NEPAD)
HTM	Held to Maturity
ICP-Africa	International Comparison Program for Africa
ICT	Information Communications Technology
IFAD	International Fund for Agricultural Development (Rome, Italy)
IFF	International Finance Facility

IGAD	Intergovernmental Authority on Development (Djibouti)
ILO	International Labor Organization (Geneva, Switzerland)
IMF	International Monetary Fund (Washington DC, USA)
IMR	Infant Mortality Rate
IPPA	International Partnership Against Aids in Africa
IRM	Independent Review Mechanism
IsDB	Islamic Development Bank (Jeddah, Saudi Arabia)
IWRM	Integrated Water Resources Management
JAI	Joint Africa Institute
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
LIBOR	London Interbank Offered Rate
LOC	Line of Credit
MCA	Millennium Challenge Account
MCAPP	Multi-Country Agricultural Productivity Program
MCGP	Multsectoral Country Gender Profile
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MICs	Middle Income Countries
MFI	Microfinance Institution
MLTSF	Medium to Long-Term Strategic Framework
MMR	Maternal Mortality Rate
MOU	Memorandum of Understanding
MRU	Mano River Union (Freetown, Sierra Leone)
NDF	Nordic Development Fund
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development (Johannesburg, S. Africa)
NGO	Non-Governmental Organization
NORAD	Norwegian Agency of Development Cooperation
NPV	Net Present Value
NSGL	Non Sovereign Guaranteed Loan
NTCF	Nigerian Technical Cooperation Fund
NTF	Nigeria Trust Fund
NTFG	Nordic Trust Fund on Governance
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development (Paris, France)
OECD-DAC	OECD Development Assistance Committee
PBA	Performance-based Allocation
PBL	Policy-Based Lending
PBLG	Policy-Based Lending on Governance
PCC	Post-Conflict Country
PCCF	Post-Conflict Countries Facility
PCR	Project Completion Review
PECOF	Permanent Committee for Country Offices
PIC	Public Information Center
PIM	Policy Implementation Matrix
PL	Professional Level
PML	Prudential Minimum Level
PPAR	Project Procurement Assessment Report
PPER	Project Performance Evaluation Report
PPF	Project Preparation Facility
PPP	Private–Public Partnership
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper

PSCP	Private Sector Country Profile
PSD	Private Sector Development
QA	Quality Assessment
QEA	Quality-at-Entry Assessment
QSA	Quality-of-Supervision Assessment
RBCSP	Results-Based Country Strategy Paper
RBM	Results-Based Management
REC	Regional Economic Community
RER	Review of Evaluation Reports
RMC	Regional Member Country
RMF	Results Measurement Framework
RWSSI	Rural Water Supply and Sanitation Initiative
SACU	Southern African Customs Union
SADC	Southern African Development Community (Gaborone, Botswana)
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Program
SDPRP	Sustainable Development and Poverty Reduction Program
SFM	Supplementary Financing Mechanism
SMEs	Small-and Medium-scale Enterprises
SOE	State-Owned Enterprise
SPA	Strategic Partnership for Africa
SPO	Strategic Priority Objective
SRAF	Strategic Resource Assessment Framework
SRF	Special Relief Fund
SRFID	Strategic Resource Framework for Institutional Development
SRP	Staff Retirement Plan
SSA	Sub-Saharan Africa
STAP	Short-Term Action Plan
SWAP	Sector-Wide Approach
TAS	Technical Assistance for Statistics
TRA	Temporary Relocation Agency
UA	Unit of Account
UN	United Nations (New York, USA)
UNAIDS	United Nations Program on HIV/AIDS (Geneva, Switzerland)
UNCTAD	United Nations Conference on Trade and Development (Geneva, Switzerland)
UNDP	United Nations Development Program (New York, USA)
UNECA	United Nations Economic Commission for Africa (Addis Ababa, Ethiopia)
UNESCO	United Nations Educational, Scientific and Cultural Organization (Paris, France)
UNFPA	UN Fund for Population Activities (New York, USA)
UNHCR	United Nations High Commissioner for Refugees (Geneva, Switzerland)
UNICEF	United Nations Children's Fund (New York, USA)
UNIDO	United Nations Industrial Development Organization (Vienna, Austria)
WADB	West African Development Bank (Lomé, Togo)
WAEMU	West African Economic and Monetary Union (Ouagadougou, Burkina Faso)
WAMI	West African Monetary Institute (Accra, Ghana)
WAMZ	West African Monetary Zone
WFP	World Food Program (Rome, Italy)
WHO	World Health Organization (Geneva, Switzerland)
WTO	World Trade Organization (Geneva, Switzerland)

AFRICAN DEVELOPMENT BANK GROUP

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 reduce poverty in Africa and promote sustainable economic growth
Authorized Capital at December 31, 2004	UA 21.87 billion
Subscribed Capital at December 31, 2004	UA 21.60 billion
Approved Operations, 2004	124 operations, totaling UA 2.79 billion, financed: UA 1.52 billion from ADB; UA 1.26 billion from ADF; UA 9.3 million from NTF
Of which:	
Loans	UA 1.52 billion (52 operations)
Grants	UA 216.7 million (60 operations)
HIPC	UA 1.01 billion (9 operations)
Equity Participation	UA 3.21 million (1 operation)
Post-Conflict Countries Facility	UA 41.3 million (2 operations)
Major Sector Approvals 2004	*Infrastructure:* UA 675.7 million or 39 percent of total *Multisector:* UA 450.0 million or 26.0 percent of total *Agriculture & Rural Development:* UA 274.5 million or 15.8 percent of total *Finance:* UA 174.0 million or 10.0 percent of total *Social Sector:* UA 157.1 million or 9.1 percent of total
Total Cumulative Approvals 1967-2004	2,898 loans and grants amounting to UA 34.95 billion, of which UA 1.20 billion was for grants

THE AFRICAN DEVELOPMENT BANK GROUP

Comprises
The African Development Bank (ADB)
The African Development Fund (ADF)
The Nigeria Trust Fund (NTF)

The African Development Bank is the premier financial development institution of Africa dedicated to combating poverty and improving the lives of the people of the continent and engaged in the task of mobilizing resources toward the economic and social progress of its regional member countries.

(Bank Group Vision)

THE AFRICAN DEVELOPMENT BANK

The ADB is a regional, multilateral development bank whose shareholders include the 53 countries in Africa and 24 non-African countries from the Americas, Asia, and Europe. The latter are also State Participants in the ADF in addition to South Africa, which is in line to become a fully fledged State Participant. The Bank's primary objective is to promote the economic development and social progress of its regional member countries (RMCs) – individually and jointly. The Bank was established in 1964, with its headquarters in Abidjan, Côte d'Ivoire, and officially began its operations in 1967. However, due to the political situation in Côte d'Ivoire and the decision taken subsequently at the Governors' Consultative Committee (GCC) in Accra, the Bank has been operating from the Temporary Relocation Agency (TRA) in Tunis since February 2003.

The central goal of Bank activities is promoting sustainable economic growth and reducing poverty in Africa. The Bank finances a broad range of development projects and programs. In this connection, it:

- Provides public sector loans (including policy-based loans), private sector loans, and invests in equity;
- Offers technical assistance for projects and programs that provide institutional support;
- Promotes public and private capital investment;
- Responds to requests for assistance in coordinating RMC development policies and plans; and
- Provides grants of up to US$ 500,000 for emergency humanitarian assistance.

National and multinational projects and programs that promote regional economic cooperation and integration are also given high priority.

The Agreement Establishing the Bank provides for a Board of Governors as the highest policy-making organ of the Bank, with one representative from each member country. The Board of Governors issues general directives concerning the Bank's operations and approves amendments to the Bank 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 Bank Agreement. Twelve directors are elected from the regional member countries (RMCs) and 6 are elected from the nonregional member countries for a 3-year term, renewable for one term. The Board of Directors is responsible for overseeing all Bank operations. It sets policies and guidelines for Bank operations and for its financial and administrative activities. It also approves all loans, guarantees, equity investments, and borrowings.

The Board of Governors elects the President of the Bank Group for a 5-year term, renewable for one term. The President, who must be from one of the Bank's regional member countries, chairs the Board of Directors, appoints Vice-Presidents in consultation with the Board, and is responsible for the day-to-day management of Bank operations.

The Bank's financial resources include ordinary capital resources of subscribed capital, reserves, funds raised through borrowing, and accumulated net income. At its annual meeting in May 1998, the Board of Governors authorized the Fifth General Capital Increase (GCI-V), raising the Bank's authorized capital by 35 percent to

UA 21.87 billion. In addition, the Board of Governors modified the total proportional shareholding between regional members and nonregional members to 60 percent and 40 percent, respectively.

The ADB provides loans to its clients on nonconcessional terms. In October 1997, the Bank 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 semester'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 menu of currencies offered by the Bank. For fixed-rate loans, the rate is based on the Bank's cost of borrowing to fund them. The terms of repayment for Bank loans are as follows:

- a repayment period of up to 20 years, including a grace period not exceeding 5 years for public sector loans;
- a repayment period of up to 14 years, including a grace period not exceeding 4 years for publicly guaranteed lines of credit; and
- a repayment period of 5 to 15 years, including a 1-3 year grace period for private sector loans.

THE AFRICAN DEVELOPMENT FUND

The ADF was created in 1973 and began operations in 1974. Participants in the ADF comprise the ADB and State Participants. The Fund's major objective is to reduce poverty in RMCs. It provides loans on concessional terms to low-income RMCs for projects and programs, as well as technical assistance support for studies and capacity-building activities.

The Agreement Establishing the ADF designates a Board of Governors as the Fund's highest policy-making organ. The Board of Governors meets at least once annually. The ADF Board of Directors, which includes 6 non-regional members nominated by their constituencies and 6 executive directors representing the ADB, is responsible for overseeing the general operations of the Fund.

The resources of the Fund come from contributions and periodic replenishments by participants, usually on a 3-year basis. The Ninth Replenishment of ADF came into effect on January 30, 2003 when State Participants deposited instruments of subscription for the minimum level required under the ADF-IX Replenishment resolution. At the end of December 2004, subscriptions by State Participants amounted to UA 1.81 billion. The ADF Deputies agreed on a replenishment level of UA 3.7 billion for the Tenth Replenishment of the Fund (ADF-X), which will cover the period 2005-2007. Subscriptions to ADF-X are scheduled to start in 2005.

There is no interest charged on ADF loans. However, such 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; and lines of credit have a 20-year repayment period with a 5-year grace period.

THE NIGERIA TRUST FUND

The NTF is a special ADB fund created in 1976 by agreement between the Bank and the Government of the Federal Republic of Nigeria to assist in the development efforts of low-income RMCs whose economic and social conditions and prospects require financing on concessional terms. NTF became operational on April 25, 1976, following approval of the NTF Agreement by the Board of Governors. Its initial capital of US$ 80 million was replenished in 1981 with US$ 71 million. On December 31, 2004, total NTF resources amounted to US$ 540.26 million. The NTF lends at 2-4 percent interest rate, with a repayment period of up to 25 years, including a grace period of up to 5 years.

In April 2003 the ADB Board of Governors considered and approved a number of proposals by the NTF to enhance its effectiveness, including: (i) an adjustment of the interest rate for NTF loans from 4 percent to a range of 2 to 4 percent to increase the concessionality of the loans; (ii) an allocation of 10 percent of the annual net income of the NTF as a contribution to the Heavily Indebted Poor Countries (HIPC) Trust Fund; (iii) appropriation of resources from the corpus of the NTF to finance activities under the Technical Cooperation Agreement (TCA) with the Bank Group to support programs to the benefit of its RMCs; and (iv) the introduction of more flexibility in the investment of the NTF resources, pending their use in finance projects.

AFRICAN DEVELOPMENT BANK GROUP

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PRESIDENT

Date: March 31, 2005

The Chairperson
Boards of Governors
African Development Bank
African Development Fund

Dear Madam Chairperson,

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 the Fund, to submit the audited Financial Statements of the two institutions for the financial year that ended on December 31, 2004, as well as the Administrative Budgets for the period commencing January 1, 2005 and ending December 31, 2005.

The joint report also contains a review of recent developments in the African economy and the operational activities of the Bank Group for the year 2004.

Please accept, Madam Chairperson, the assurances of my highest consideration.

Omar KABBAJ
Chairman
Boards of Directors
President
African Development Bank
African Development Fund

The President and Chairman, Mr. Omar KABBAJ, with Executive Directors and Advisors

Bottom row (left to right):

G. J. ZIRIMWABAGABO (Executive Director, Rwanda)
A. M. WIIG (Executive Director, Norway)
F. A. SHAKWEER (Executive Director, Egypt)
President Omar KABBAJ, (President, Morocco)
C. S. PERRY (Executive Director, USA)
M. L. SANI (Executive Director, Nigeria)
H. J. C. ANDZE-OLINGA (Executive Director, Cameroon)
Y. YONEYAMA (Executive Director, Japan)
P. H. DACOURY-TABLEY (Executive Director, Côte d'Ivoire)

Top row (left to right):

G. F. MAMBO (Advisor, Mozambique)
F. SAMIR (Executive Director, Morocco)
Y. S. ELSHANTA (Advisor, Libya)
F. ARSENAULT (Executive Director, Canada)
F. B. L. MANSARAY (Executive Director, Sierra Leone)
V. DUCKLAU (Executive Director, Germany)
P. E. GININDZA (Executive Director, Swaziland)
F. PERRAULT (Executive Director, France)
O. BOUGARA (Executive Director, Algeria)
A. FONTES (Executive Director, Cape Verde)

COMPOSITION OF THE BOARDS OF DIRECTORS AT DECEMBER 31, 2004

BOARD OF DIRECTORS OF ADB
Chairman: Omar KABBAJ

Executive Directors		Alternate Executive Directors	
H. J. C. ANDZE-OLINGA	(Cameroon)	J. MOUTOU-KANGO	(Congo)
F. ARSENAULT	(Canada)	Y. G. AL-BADER[1]	(Kuwait)
O. BOUGARA	(Algeria)	G. A. F. GOMES	(Guinea Bissau)
P. H. DACOURY-TABLEY	(Côte d'Ivoire)	D. J. MBA OWONO[2]	(Eq. Guinea)
V. DUCKLAU	(Germany)	M. VERSCHUUR	(The Netherlands)
A. FONTES	(Cape Verde)	O. SYLLA	(Senegal)
P. E. GININDZA	(Swaziland)	A. C. GOMANI	(Malawi)
B. R. R. KUKURI	(Namibia)	Vacant	
F. B. L. MANSARAY	(Sierra Leone)	T. N. DOE	(Liberia)
F. PERRAULT	(France)	F. PITTORE	(Italy)
C. S. PERRY	(USA)		
F. SAMIR	(Morocco)	M. BOUALLAGUI	(Tunisia)
M. L. SANI	(Nigeria)	Vacant	
F. A. SHAKWEER	(Egypt)	A. H. BAHDON	(Djibouti)
A. T. TABIB	(Libya)	Vacant	
A. M. WIIG	(Norway)	T. EGGENBERGER	(Switzerland)
Y. YONEYAMA	(Japan)	M. L. MACHINANDIARENA[3]	(Argentina)
G. J. ZIRIMWABAGABO	(Rwanda)	P. A. G. SINON	(Seychelles)

BOARD OF DIRECTORS OF ADF
Chairman: Omar KABBAJ

Executive Directors		Alternate Executive Directors	
F. ARSENAULT	(Canada)	Y. G. AL-BADER[1]	(Kuwait)
V. DUCKLAU	(Germany)	M. VERSCHUUR	(The Netherlands)
P. E. GININDZA	(ADB)	A. C. GOMANI	(ADB)
B. R. R. KUKURI	(ADB)	Vacant	
F. PERRAULT	(France)	F. PITTORE	(Italy)
C. S. PERRY	(USA)	E. H. MORRIS	(USA)
F. SAMIR	(ADB)	M. BOUALLAGUI	(ADB)
M. L. SANI	(ADB)	Vacant	
F. A. SHAKWEER	(ADB)	A. H. BAHDON	(ADB)
A. M. WIIG	(Norway)	T. EGGENBERGER	(Switzerland)
Y. YONEYAMA	(Japan)	C. MACHADO	(Brazil)
G. J. ZIRIMWABAGABO	(ADB)	P. A. G. SINON	(ADB)

[1] *Since September 1, 2004; previously Mr. J. M. FRESNILLO RIESGOS.*
[2] *Since December 1, 2004; previously Mrs. O. E. NCHAMA.*
[3] *Up to January 1, 2005; position currently vacant.*

MESSAGE FROM THE CHAIRMAN OF THE BOARDS OF DIRECTORS AND PRESIDENT OF THE AFRICAN DEVELOPMENT BANK GROUP

Omar Kabbaj

The year 2004 – marking the fortieth anniversary of the founding of the African Development Bank – proved a remarkable one both for the Bank Group and for Africa as a whole. I am delighted to report that in the past year the Bank achieved the highest annual lending, grant, and debt relief approvals since its establishment. This was accompanied by other outstanding achievements: the Bank Group recorded the highest level of income; the Bank succeeding in recruiting nearly one hundred professional staff – the largest number for a single year; and training and capacity-building activities offered by the Joint Africa Institute and the African Development Institute attracted the highest number of participants.

Board approvals of loans, grants, and debt relief in 2004 reached an unprecedented level of UA 2.8 billion. Of this, UA 1.5 billion came from the ADB window – with UA 164.4 million for the private sector – UA 1.3 billion from the ADF, and UA 9.3 million from the NTF. There was also a substantial increase in HIPC debt relief approvals, amounting to over UA 1 billion.

In addition, the Bank Group succeeded in mobilizing UA 2.9 billion through its cofinancing operations, raising the total amount of resources mobilized for its regional member countries in 2004 to UA 5.7 billion. Despite the significantly higher volume of operations, the Bank continued to give due attention to ensuring high quality in project design and implementation, with a focus on attaining measurable results on the ground.

As in previous years, the Bank Group channeled its support to the operational priority areas identified in its 1999 Vision Statement and its 2002 Strategic Plan. Agriculture and rural development, health, education, private sector development, and infrastructure (primarily rural infrastructure) accounted for the bulk of approvals. Furthermore, it sought to promote gender equity, good governance, and environmental sustainability in all its operations.

The Bank also paid particular attention to supporting regional cooperation and integration efforts, particularly in the context of the NEPAD initiative. At the request of the NEPAD Heads of State and Government Implementation Committee, the Bank has assumed the leadership role in banking and financial standards and in regional infrastructure development. In the latter, it continued to implement the Short Term NEPAD Infrastructure Action Plan. To date, it has approved US$ 520 million to finance projects identified in the plan, and has mobilized a further US$ 1.6 billion from other sources to cofinance these projects. In addition, the Bank has launched a medium to long-term strategic framework study for regional infrastructure, in close collaboration with the NEPAD Secretariat, the regional economic communities, the World Bank, and the European Union.

The year 2004 also witnessed the launching of two major Bank initiatives. The first is the Post-Conflict Countries Facility (PCCF), which was established with contributions of UA 100 million each from the operating income of the Bank (over 3 years) and from the African Development Fund. The Facility, in collaboration with other donors, assists eligible countries to clear their arrears with the Bank Group in the context of internationally agreed programs. I am pleased to note that two countries – Burundi and Congo – have already benefited from the Facility.

The second – the Rural Water Supply and Sanitation Initiative (RWSSI) – aims to accelerate access to sustainable safe water supply and basic sanitation in rural Africa, with the objective of reaching, in line with the Millennium Development Goal, a coverage of 80 percent by 2015. The Initiative won the strong endorsement of African countries and the donor community at the recent International Conference organized by the Bank, with the assistance of the French Government.

The record level of operations in 2004 was accompanied by a further strengthening of the financial base of the Bank. The combined operating income from the 3 windows of the Bank stood at a record of UA 226.9 million. This improved outcome is due to improved repayment performance by borrowing countries, prudent financial management, and ongoing stringent control of administrative expenses.

Another milestone in 2004 was the successful conclusion of the consultations on the Tenth Replenishment of the African Development Fund (ADF-X), with State Participants in the Fund agreeing on a replenishment level of UA 3.7 billion for the period 2005-2007. This represents an increase of 43 percent over the actual resources mobilized under ADF-IX and is the highest replenishment in the history of the Fund.

The ADF-X replenishment includes important new features. The share of grant resources was significantly increased from 18-21 percent under ADF-IX to close to 45 percent under ADF-X. The terms of ADF financing for individual countries will now be based on the new IMF/World Bank Debt Sustainability Framework, with some two-thirds of eligible countries expected to receive their ADF allocations in the form of grants only. In addition, the resources for multinational programs and projects have been raised from 10 percent of resources under ADF-IX to 15 percent under ADF-X. Lastly, the higher volume of ADF-X resources would enable the Fund (together with the Bank) to cover up to 30 percent of the total costs of the recently launched Rural Water Supply and Sanitation Initiative.

I am gratified by the highly successful outcome of the ADF-X negotiations. It signifies the continued commitment of ADF donors to support Africa's development. Furthermore, it is a reflection of the confidence of State Participants in the progress that the Bank Group has made over the last decade. With the successful conclusion of ADF, I am pleased to note that the Bank Group has in the last decade mobilized over US$ 25 billion in donor resources, nearly equal to the resources that it had mobilized in the previous 3 decades.

The outstanding achievements of the Bank Group in the past year were mirrored by Africa's remarkable economic performance in 2004. GDP growth was the highest in some 8 years, in large part buoyed by a favorable external environment but also reflecting the results of reform programs. The region also achieved a fiscal balance for the first time in decades, the inflation rate was the lowest in over two decades, and the current account recorded a surplus. Progress was also made at the regional level with the strengthening of regional economic communities, with the African Peer Review Mechanism (APRM) holding its inaugural meeting in February 2004. Some 23 countries – or over 40 percent of all countries – have now subscribed to the APRM.

Looking forward, I am confident that the African Development Bank Group will continue to scale up the progress it has made over the last decade. To this end, the Bank has developed an Action Plan that has been endorsed by the Board of Directors. Important components of the Plan include: an accelerated program of decentralization – with the planned opening of an additional 8 offices in 2005 and a further 8 in 2006; the recruitment of close to 200 professional staff over the next 3 years; a series of actions covering the entire project cycle to improve the quality of operations, enhance their development effectiveness, and make the Bank a results-based institution; and actions to strengthen the research work of the Bank, including its economic and sector work.

The international context for the operations of the Bank has also improved considerably. The donor community is now devoting much closer attention to Africa's development challenges, as evidenced by the Report of the United Nations Millennium Project and the Report of the Commission for Africa. These have called for a doubling of ODA flows to Africa, further debt reductions, and removal of the impediments that stand in the way of the expansion of Africa's exports. All these are critical to enable African countries to attain the Millennium Development Goals.

I am confident that with the deepening of their reform program and continued support from the international community, African countries will continue to build on their achievements of recent years. And in this endeavor, the African Development Bank Group, with its strengthened financial base and enhanced institutional capacity, will continue to provide strong financial support and quality assistance to the development efforts of its regional member countries.

Omar Kabbaj
Chairman, Boards of Directors and
President of the Bank Group

EXECUTIVE SUMMARY

Introduction

The year 2004 was a milestone for the African Development Bank in that it marked the fortieth anniversary of the Bank's establishment. This event was celebrated initially by a special symposium immediately following the Annual Meetings in Kampala, Uganda, in May 2004, and then later in September by an eminent gathering at the Bank's Temporary Relocation Agency (TRA) in Tunis of African political leaders, together with international development partners and experts. At the Tunis celebrations, the President of the African Development Bank, Mr. Omar Kabbaj, noted that "Clearly, Africa finds itself today at a considerably more favorable historical conjuncture with respect to its development prospects" than it had when the Agreement Establishing the Bank was first signed in Khartoum, Sudan, some 40 years previously. The venue provided an opportunity not only to look back on the solid progress made by the Bank over 4 decades in promoting the economic and social development of its regional member countries, but also to share the wealth of experience of the distinguished guests to address the future challenges that affect the Bank as an institution and the continent as a whole.

In recent years, the Bank's role has been accentuated by the welcome emergence of African-led initiatives such as the New Partnership for Africa's Development (NEPAD) and the African Peer Review Mechanism (APRM). These have served to reinforce the framework of regional cooperation and integration and to build both an enabling environment for policy reform and RMCs' absorptive capacity for development assistance.

The year 2004 was also a milestone in that it represented the first full year of operations for the Bank Group at its Temporary Relocation Agency (TRA) in Tunis, subsequent to the recommendation taken by the Governors' Consultative Committee in February 2003 for the Bank to temporarily relocate from its statutory headquarters in Abidjan, Côte d'Ivoire to Tunis. Despite the disruptions inevitably created by the temporary relocation, the Bank managed to ensure the security of its staff and dependants, the continuity of its essential and time-sensitive financial activities, and to deliver on its development mandate. The year 2004 therefore witnessed the full resumption of the Bank's operational activities, the reactivation of its professional-level staff recruitment campaign, which had been halted by the temporary relocation, and the acceleration of the decentralization strategy to establish a network of 25 field offices by the year 2006.

Africa's Improved Economic Performance in 2004

Bank Group interventions in member countries during 2004 were carried out against a background of continued recovery in the global economy and an increase in Africa's rate of growth. Global economic growth rebounded to 5.1 percent in 2004 compared to 3.9 percent in 2003. The improved performance was mainly due to strong growth in the advanced economies and unprecedented rapid expansion in emerging countries, especially China and India. The United States continued to be the main engine of economic growth in the developed economies, attaining a growth rate of 4.1 percent in 2004. Similarly, in Japan, the world's second largest economy, economic recovery accelerated in the first half of 2004 before gradually subsiding, leading to an average growth of 3.6 percent in 2004.

In Africa, real GDP growth continued its upward trend and attained a rate of 5.1 percent in 2004, as against 4.4 percent in 2003 and 3.5 percent in 2002. Africa's strengthened economic performance in 2004 is due to a number of factors. A major contributory element is the improved macroeconomic policies that have been implemented in several countries, together with institutional and structural reforms, which have in turn boosted private sector confidence and investment. Further factors have been the significant rise in oil and non-fuel commodity export prices, better weather conditions, expansionary effects of the global recovery, and debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

BANK GROUP OPERATIONS

Bank Group operations during 2004 continued to emphasize the overarching twin objectives of poverty reduction and sustainable economic growth in its RMCs, as articulated in its Vision Statement and in line with the UN's Millennium Development Goals (MDGs). A new strategic orientation has been introduced to the operational thrust of the Bank's interventions by the coming into effect in 2003 of the Bank Group's Strategic Plan for the period 2003-2007 and its subsequent 2004 Annual Review. This lays emphasis on ensuring the effectiveness of the Bank's operations on the ground, particularly through the implementation of a new generation of Country Strategy Papers

(CSPs), taking into account 3 cardinal principles: (i) greater selectivity in the Bank Group's areas of intervention, in line with the operational priorities spelt out in the Strategic Plan; (ii) country ownership of development programs and projects and participatory approaches at all stages of the project cycle to empower stakeholders; and (iii) closer cooperation and collaboration with key strategic partners in the delivery of development assistance to RMCs.

Policy Approvals

The Boards of Directors considered and approved in 2004 various program and policy documents, including 14 key policies, guidelines and strategic initiatives aimed at strengthening the effectiveness of Bank Group's operations. These were: *Bank Group Policy on the Environment; Bank Group Policy on Poverty Reduction; Bank Group Policy on the Disclosure of Information; Bank Group Policy on Guarantees; Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations; Guidelines for Bank Group Operations Using Sector-wide Approaches (SWAps); Guidelines for Development Budget Support Lending (DBSL); Guidelines for Policy-Based Lending on Governance (PBLG); Guidelines on the Establishment of the African Water Facility; Policy on the Establishment of an Inspection Mechanism for the African Development Bank; Bank Group Post-Conflict Assistance Policy Guidelines; the Post Conflict Assistance Policy Guidelines – Arrears Clearance Framework; Proposal for the Rural Water Supply and Sanitation Initiative;* and the *Private Sector Development Strategy.*

The Committees of the Board held 17 meetings to review operations and development effectiveness reports, audit and finance reports, as well as administrative affairs and human resource policy issues. In addition to considering and approving policies and guidelines, the Boards examined a wide range of issues during these meetings related to Bank Group operations in the RMCs as well as the Bank's own internal activities.

Operational Activities

The Boards examined and approved lending and non-lending operations such as project and program loans, debt relief operations, as well as grants for technical assistance support, emergency assistance, post-conflict assistance, in addition to equity participation investments. During their formal meetings in 2004, the Boards examined and approved a total of 124 operations for UA 2.79 billion from the 3 windows, compared to UA 1.77 billion the previous year, representing an increase of almost 58 percent.

The significant increase is due to a rise in total approvals including debt relief under the Enhanced HIPC Initiative, post-conflict debt relief grants, and one equity participation investment. The rise in the level of HIPC approvals in 2004 reflects the fact that during 2004, the Bank Group approved debt relief at completion point for 4 countries (Ethiopia, Ghana, Niger, and Senegal) and approved debt relief at decision point for one country (Democratic Republic of Congo).

Loan and grant approvals from the concessional ADF window accounted for UA 1.26 billion in 2004 compared to UA 998 million in 2003, representing an increase of nearly 26 percent. The surge in ADF operations was mainly due to the increase in HIPC debt relief, which accounted for UA 301.4 million from the ADF window. Furthermore, in line with the new policy framework for ADF operations, the share of grant operations increased significantly, accounting for 17 percent of ADF approvals in 2004, confirming the upward trend observed in 2003. Standing at UA 9.3 million in 2004, NTF operations by contrast, declined by more than 50 percent compared to 2003 approvals. All the resources from the NTF window were targeted to agriculture and rural development.

Financing from the ADB window amounted to UA 1.52 billion, which more than doubled the amount of UA 745.8 million approved in 2003. A notable feature of the year's lending program from this window concerns HIPC debt relief, which resumed in 2004 and represented over 46 percent of ADB total approvals (UA 707.8 million). Another feature is the increase in policy-based lending for both sector and structural adjustment programs, which also more than doubled in 2004, rising to UA 388.7 million, compared to UA 176.7 million in 2003.

Cumulatively, the Bank Group has committed a total of UA 34.95 billion over the period 1967-2004, for 2,898 loans and grants to its borrowing RMCs and various multinational institutions. ADB resources accounted for 59.0 percent of the operations, while 40.1 percent came from the concessional ADF window and 0.9 percent from NTF resources.

Lending Operations by Sector

During 2004, Bank Group lending prioritized the sectors of infrastructure (including regional integration), multisector (including public sector management and institutional capacity building), agriculture and rural development, finance (principally in the form of LOCs for onlending to private sector development), and human capital formation (education, health, and social protection). Due attention continued to be paid to the crosscutting issues of gender, good governance, environmental sustainability, and the fight against HIV/AIDS and other communicable diseases.

Infrastructure project lending in 2004 amounted to UA 633.1 million for 15 operations (comprising 9 approvals for transportation, 4 approvals for water supply and sanitation, and 2 approvals for power supply), representing 41.8 percent of total lending approvals. The Bank's emphasis on infrastructural operations, particularly multinational projects and programs, aligns with the Bank's mandate from the NEPAD Heads of State and Government Implementation Committee (HSGIC) to assume a lead role in this area and to support regional integration. The bulk of the infrastructural loan approvals went to the transportation sector, accounting for UA 492.4 million, or 32.5 percent of total loan approvals. These were directed mainly to transportation sector reform programs, road network rehabilitation and development, road upgrading and construction, particularly in rural areas. Water supply and sanitation approvals received UA 92.6 million and power supply received UA 48.1 million, representing 6.1 percent and 3.2 percent of total loan approvals respectively.

The multisector received the second largest allocation of loan approvals (UA 402.52 million or 26.5 percent), to support 12 programs and projects. These operations comprised principally policy-based lending through one major sector adjustment loan, structural adjustment loans, and institutional support for capacity building and good governance. The beneficiary countries were those conducting macroeconomic reforms, with the aim of creating an enabling environment for domestic and foreign investment.

Agriculture and rural development lending approvals during 2004 reached UA 228.9 million for 13 operations, accounting for 15.1 percent of total lending. Projects and programs in this area were focused on boosting agricultural productivity, supporting agrobusiness development, encouraging diversification of exports, and improving food security and the living conditions of the rural populations.

The finance sector received UA 174.0 million for 5 operations, accounting for 11.5 percent of total lending approvals. These took the form of 5 lines of credit to support SMEs and encourage private sector development.

Lending approvals for the social sector amounted to UA 77.9 million, representing 5.1 percent of total lending approvals as compared to UA 269.0 million (16.9 percent) for 17 operations in 2003. These comprised 3 approvals for education and 4 for health, to boost access to social services, improve living standards, and to support the RMCs in the attainment of the MDGs.

Grant Financing Operations by Sector

The provisions of the ADF-IX policy require the Fund to allocate between 18 and 21 percent of its resources in the form of grant funding, and up to 27 percent of the allocations for those countries whose per capita income falls below US$ 360. In particular, the following specific operational areas have been targeted for increased grant financing: HIV/AIDS interventions; post-conflict reconstruction; natural disaster prevention and reconstruction; selected interventions in health and education; HIPC debt relief; infrastructural development in rural communities; provision of water and sanitation; institutional support and capacity-building operations.

In 2004, Bank Group grant operations increased by 24.2 percent, totaling UA 216.7 million for 60 operations, as against UA 174.5 million for 70 operations in 2003. Grants from the ADF window amounted to UA 213.9 million for 54 operations, compared to UA 171.0 million for 59 operations in 2003. The technical assistance component of grant financing amounted to UA 100.0 million, involving some 33 operations. There were also 2 post-conflict grant allocations totaling UA 41.3 million from the ADF's newly created Post-Conflict Countries Facility (PCCF). The 6 grants approved under the ADB window amounting to UA 2.8 million were for emergency assistance under the Special Relief Fund.

In terms of sectoral allocation, the priority sectors of Bank Group grant approvals in 2004 were: the social sector with 22 grants, amounting to UA 79.2 million (36.6 percent); the multisector at UA 47.5 million (21.9 percent); agriculture and rural development, including rural infrastructural services at UA 45.6 million (21.0 percent); and water supply and sanitation at UA 27.9 million (12.9 percent). The remaining grant approvals were for power supply (UA 8.0 million or 3.7 percent), the transportation sector (UA 6.8 million or 3.1 percent), and the environment (UA 1.7 million or 0.8 percent).

Bank Group Cofinancing Operations

The Bank Group mobilizes external resources through cofinancing operations, which serve as a critical means for increasing capital flows to its RMCs to fund projects and programs. Cofinancing is one of the instruments the Bank uses to achieve synergistic benefits and to maximize the use of scarce resources, not only in terms of finance, but also technical assistance and capacity building.

Cofinancing activities in 2004 amounted to UA 2.85 billion for 31 projects and programs. The Bank Group contributed UA 850.9 million and the external cofinanciers contributed 1.96 billion, representing 29.8 percent and 68.7 percent, respectively. The multilateral partners, principally the World Bank and the IMF, accounted for 68.8 percent and bilateral agencies 31.2 percent of the external resources. Local financiers and RMC governments contributed UA 42.7 million or 1.5 percent. The majority of cofinancing approvals in 2004 went to the multisector, totaling UA 2.12 billion (74.2 percent). The transportation sector received the second largest allocation of UA 389.5 million (13.6 percent) followed by agriculture and rural development at UA 159.0 million (5.6 percent), while the social sector, primarily education and health, received UA 135.5 million (4.7 percent). Power supply and water supply and sanitation sectors received UA 29.7 million (1.0 percent) and UA 23.0 million (0.8 percent) respectively.

During the period 1967-2004, the Bank Group cumulatively approved 833 cofinancing operations amounting to UA 81.05 billion. Of this total, UA 14.5 billion came from the Bank's own resources (17.9 percent) with the external cofinanciers contributing UA 47.6 billion (58.7 percent). RMC governments and local cofinanciers accounted for the balance of UA 19.0 billion (23.4 percent).

Capacity-Building and Training Activities in RMCs

The Bank supports capacity-building activities in RMCs through various means, including provision of training, assistance to institutions, and facilitating knowledge dissemination. In 2004 the activities included project management training offered through the Bank's African Development Institute (ADI) and a program of short courses, workshops, seminars, and conferences on issues related to development management. Further, during the year the Bank continued to support the implementation of the Agricultural Management Training for Africa (AMTA) program.

Under the auspices of the Joint Africa Institute (JAI), the Bank also organized 5 seminars on various themes ranging from "NEPAD and Regional Integration" to "Treasury Risk Management Tools" and "Franchising." Over 810 participants from RMCs took part in these training activities. In addition, the Bank continued to provide support to the African Capacity Building Foundation (ACBF). It also managed the ADB/Japan Fellowship program, through which 12 scholarships are awarded each year to African graduates to pursue a Master's degree program in a field related to economic and social development to the benefit of their home countries. During the year the Bank approved a grant of UA 14.8 million to support statistical capacity building in African countries in the context of the International Comparison Program for Africa (ICP-Africa). The grant was in addition to UA 3.4 million of in-kind contributions provided by the Bank.

Operational and Development Effectiveness

In 2004, the Bank Group continued to undertake measures to enhance the development effectiveness of its operations. An important innovation to enhance the impact of Bank operations is the Results Measurement Framework, which was rolled out in 2004. This focuses on developing measurable indicators and benchmarks of expected performance outcomes at the project, institutional, and country levels. Under the framework, Country Strategy Papers (CSPs) will progressively be results-focused and subjected to quality assessment at various stages, including at inception, mid-term reviews, and ex-post evaluation. Also, projects and programs under the CSPs will be subjected to quality assessment at entry. The Bank continues to ensure that CSPs are closely aligned to the RMCs' Poverty Reduction Strategy Papers (PRSPs) so as to strengthen country ownership of projects and enhance participatory approaches.

Measures have also been undertaken in the context of the Harmonization, Alignment and Management for Results agenda to allow the Bank to actively participate with development partners in the Technical Working Groups, which have eventuated from the recommendations of the Rome Declaration, the Marrakech Memorandum and Core Principles. These measures seek to enhance the Bank's coordination with development partners in resource allocation, implementation, monitoring and reporting on the recipient country's progress.

The decentralization program to establish 25 field offices (20 Country Offices and 5 Regional Offices) by year-end 2006 was scaled up during 2004. The pace of the decentralization of offices, staff, functions, and authority will accelerate under the new 2005-2007 Strategic Resources Framework for Institutional Development (SRFID). In addition to the existing 9 Regional and Country Offices, a further 8 offices will open in 2005, followed by another 8 in 2006. Increasing outreach in this way will enable the Bank to strengthen its presence and dialogue with client countries. It will also assist in the monitoring of operations in RMCs in order to enhance implementation effectiveness and donor coordination, thereby advancing the harmonization agenda.

In order to ensure effective utilization of resources in ADF-eligible countries, the Bank is adjusting its Performance-Based Allocation (PBA) system to include more reliable indicators of poverty reduction strategies. One objective is to enhance differentiation between good and poor performers and to give greater weighting to good governance in a country's overall rating. This will ensure that performing countries will receive a higher proportion of concessional resources.

MOBILIZATION OF FINANCIAL RESOURCES

The ADF-X Consultations

The major activity for the mobilization of external resources in support of Bank Group operations in 2004 involved the Consultations for the Tenth Replenishment of the resources of the African Development Fund (ADF-X). Four consultation meetings were held with ADF Deputies during 2004, following the December 2003 directives by the Boards authorizing commencement of the ADF-X Consultations.

At the first meeting held in Geneva in February 16-17, 2004, the Deputies endorsed Management's preliminary proposal for the strategic orientation of Fund activities under ADF-X, and agreed that poverty reduction and the promotion of sustainable growth should remain the overarching objectives. In addition, they agreed to retain the operational priority areas of ADF-IX. Deputies also welcomed the proactive initiative of the Fund on the issue of assistance to post-conflict countries.

The second ADF-X consultation meeting was held in Kampala, Uganda, in May, immediately subsequent to the 2004 Bank Group Annual Meetings. During the second meeting, the Deputies examined the preliminary findings of the Independent Evaluation of ADF-VII to IX and suggested that the "unfinished business" should be tackled incrementally through further consolidation. The Deputies welcomed the Action Plan to improve the implementation of ADF operations, the proposal for the decentralization of Bank operations and the Bank's Rural Water Supply and Sanitation Initiative (RWSSI) to be determined, at country level, primarily through the PRSP process. They further endorsed the proposed Framework for Clearing the Arrears of Post-conflict Countries. In addition, the Deputies accepted Management's proposal that the sum of UA 50-60 million from cancellations under ADF-IX be used as the initial contribution of the Fund to enable it to provide immediate assistance to post-conflict countries, in advance of the official establishment of the Framework.

The third meeting was held in Tunis in September 2004, at which time Deputies welcomed the revised Action Plan to strengthen ADF operations. They also agreed on the need for a proper debt sustainability framework to help determine the appropriate financing terms of ADF support to member countries. The Deputies also considered the size, composition, and financing of the Tenth Replenishment, and reasserted their firm support for a significant increase in the Fund resources. In this regard, Deputies requested further information and analysis in order to reach a final decision on the level of the replenishment.

The ADF Deputies, together with representatives of borrowing regional member countries, held the fourth and final consultative meeting on the Tenth Replenishment of the African Development Fund on December 16-17, 2004 in Copenhagen, Denmark. On the basis of the commitments made in Monterrey, Johannesburg, and at G8 meetings, the Deputies agreed on a replenishment level of UA 3.7 billion (about US$ 5.4 billion) for the ADF-X period, 2005-2007. This represents an increase of approximately 43 percent over the actual resources mobilized under ADF-IX. This significant increase in the level of replenishment confirms donors' confidence in the reforms undertaken by the Bank over the last decade to strengthen operations and better assist RMCs in their efforts toward poverty reduction and social development.

HIPC Debt Relief

The Heavily Indebted Poor Countries (HIPC) Initiative was designed to reduce poor RMCs' indebtedness, bring it to sustainable levels, and direct external debt service savings toward poverty reduction activities. In 2004, approvals for debt relief operations increased substantially to UA 1.01 billion, from UA 1.85 million in 2003. This was as a result of 5 countries that had qualified for debt relief during the year, namely the Democratic Republic of Congo, Ethiopia, Ghana, Niger, and Senegal, compared to just 2 countries in 2003. The distribution of the total amount approved for these 5 countries was UA 707.8 million from ADB resources and UA 301.4 million from the ADF. More grant agreements were also concluded between the Bank Group and the HIPC Trust Fund. To date, a total of US$ 2.07 billion has been mobilized under the enhanced HIPC Trust Fund for the Bank Group to finance interim and completion point debt relief for these RMCs. The Bank has signed debt relief agreements with the respective RMCs, and as a result the Bank Group has delivered a total of US$ 1.59 billion to these countries.

CORPORATE AND FINANCIAL MANAGEMENT

Corporate Management

Strategic Planning and Budgeting

In 2004 the strategic planning and budgeting function coordinated the implementation of the Bank-wide strategic planning process and guided the deployment of the Bank's operational, human, and financial resources in accordance with its strategic goals and priorities. The work included the First Annual Review of the Strategic Plan, and coordination of the Bank's activities and consultations with development partners on the Enhanced HIPC Initiative. In light of the expanded mandate and in response to the need to enhance quality, effectiveness, and client responsiveness, the Bank Group is continuing to scale up its organizational effectiveness. Furthermore, on the basis of the guiding principles of the Strategic Plan and to assist RMCs in the attainment of the MDGs, the Bank has introduced increased selectivity in its interventions, and is delivering better policy choices as well as more effective aid coordination in its client countries.

In the strategic repositioning of the Bank to meet its scaled-up commitments, measures have been taken to improve the linkage between strategic planning and budgeting. The budgeting process also takes account of the activities stemming from the Independent Evaluation of ADF-VII to IX and those regarded as essential by Management to strengthen the Bank's capacity to deliver more effectively on its mandate. In order to consolidate the Bank's strategic planning function, a revised and streamlined approach for the balanced scorecard (BSC) was prepared during the year. The pilot phase of the rollout is scheduled for early 2005, with the overall aim of introducing an institutional BSC complemented with a review system to monitor progress made in the implementation of the Strategic Plan, and to establish a framework within which to formulate future strategic budgets.

Development Research and Knowledge Dissemination

The Bank's role of generating and disseminating information on African development issues provides momentum to the RMCs in their striving toward the MDGs. It also underpins the Bank's aim to position itself as a premier development finance institution and intellectual leader on the African development agenda. Information is disseminated externally and internally through the Bank's website, major reports and publications, participation in international and regional seminars and conferences, as well as Bank-sponsored workshops and training programs for capacity-building in Africa.

Bank publications include the annual *African Development Report,* the *African Economic Outlook,* and the biannual *African Development Review* journal, in addition to economic and research papers. A further function of research staff members is to provide Senior Management with economic intelligence and policy briefs. During 2004, in response to the recommendations of various external evaluations, Management sought approval from the Boards to create the position of Chief Economist so as to raise the Bank's research profile and enhance its role in knowledge dissemination and in economic and sector work (ESW).

In the area of statistical services, the Bank continued to strengthen the provision of technical assistance for statistical capacity building in African countries through the implementation of the International Comparison Program for Africa (ICP-Africa). The ADF Board of Directors approved a grant of UA 14.8 million to support this Program, in addition to UA 3.4 million of in-kind contributions provided by the Bank. The total contribution of the Bank Group comprised close to 80 percent of the budgeted resources for the program, with other cofinanciers being the World Bank, DFID-UK, NORAD-Norway, and the African Capacity Building Foundation (ACBF). The Bank also launched the development of a user-friendly and interactive ICP-Africa website to facilitate the exchange of data and best practices between the Bank, the 51 participating RMCs, and other ICP-Africa stakeholders and regional partners worldwide.

Human Resources Management

At the end of 2004, the staffing of the Bank stood at 1,043 (compared to 987 in 2003), of whom 649 were of professional and management levels while 363 were general services and 31 were adviser/assistant level. Furthermore, the Boards approved Management's proposal for reforms in the Staff Retirement Plan. Measures centered on improving the transparency of the Plan and harmonizing retirement regulations with those of human resources management, to provide more flexibility in the administration of pension benefits. These reforms will increase the guarantee of the pension plan, eliminate discrimination, give flexibility to participants about their choice of benefits, and ensure the Bank's competitiveness as an employer of choice among multilateral development banks. The preparation of the Bank's new Human Resources Strategy also commenced during the year 2004 and the document is expected to be finalized during 2005. The new Strategy will seek to strengthen the human resources management function as well as create the conditions to ensure that the Bank attracts and retains a very strong pool of talents and deploys them effectively to fulfill the Bank's mandate.

Information Technology Management and Communications

During 2004 the Bank upgraded the core applications (SAP, SUMMIT, and DARMS) that impact on business continuity procedures. The Bank also consolidated the upgrading and maintenance of its IT and telecommunications infrastructure under the Information Technology and Telecommunications Modernization Plan (ITTMP). In addition, Management continued to address new priorities emanating from the Strategic Plan (2003-2007). Progress was made in 2004 in the following areas: (i) integrated Enterprise Resource Planning (SAP applications), (ii) integration of SUMMIT and NUMERIX, and (iii) other new IT applications in Audit Department, the Language Unit and for the Balanced Scorecard.

Financial Management

As at December 31, 2004, the authorized capital stock of the Bank remained unchanged at UA 21.87 billion and the total callable capital stock stood at UA 19.37 billion. Over the past several years, Management has continued to pursue an efficient utilization of the Bank Group's financial resources and risk-bearing capacity. This led in 2004 to the Bank receiving top credit ratings from the major credit agencies Standard and Poor's, Moody's, Fitch Ratings and the Japan Credit Rating Agency as triple A and double A+ for its senior and subordinated debt respectively, with a stable outlook. The ratings are a reflection of the Bank's strong membership support, its preferred creditor status, sound capital adequacy, and prudent financial management and policies.

The Bank's financial management activities are focused on 2 areas: (i) the formulation of financial and risk management policies, guidelines, and procedures and (ii) the monitoring and reporting on compliance thereof. In order to achieve these goals, the operations are divided into 3 thematic groups: (i) asset and liability management; (ii) credit risk management; and (iii) treasury risk management

Asset and Liability Management

In 2004 the Bank's asset and liability management (ALM) activities continued to focus on strengthening the Asset and Liability Management Committee (ALCO) control process by streamlining the Committee's routine decision-making functions such as maintaining alignment with the interest rate, currency, and liquidity risk benchmarks to allow more time for its policy development and financial strategic planning role.

During the year under review, the ALM guidelines for the ADB and the NTF were revised and a proposal to introduce an advanced commitment authority scheme for the ADF in support of the ADF-X replenishment was prepared. The advance commitment authority scheme, endorsed by the ADF Deputies during the ADF-X Replenishment Consultations, makes it possible to approve more loans and grants for development, thereby eventually resulting in increased use of the liquidity of ADF for projects and programs in eligible member countries.

Credit Risk Management

In 2004 the Bank's credit risk management activities continued to adjust to the growing emphasis on non-sovereign guaranteed projects in the Bank's lending program. Credit opinions were submitted to the Board for all new projects where risks were principally of a commercial nature. The credit management team also contributed to the development of a new framework for assisting post-conflict countries (PCCs) to clear their arrears to the Bank Group and to qualify for debt relief under the Enhanced HIPC Initiative. In 2004, the first 2 country cases under the new PCC framework (for Burundi and the Congo) were approved by the Board.

Treasury Risk Management

The Bank's treasury risk management functions focused in 2004 on completing the implementation of the IT systems to handle straight-through processing of all treasury transactions. Furthermore, a major quality assurance exercise was completed to validate and convert the Bank's borrowing and derivatives database. Models were implemented to produce the necessary valuations to comply with international accounting standards.

Internal Audit

In 2004 work continued on strengthening the Bank's auditing functions in order to safeguard the accountability and the integrity of financial operations. Emphasis was also placed on the planning of project audits in the field. During the course of the year, work was ongoing to reinforce the Bank's overall fiduciary controls. Following the Board approval of the *Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations,* Management has presented to the Boards of Directors a proposal for the establishment of an anti-corruption and fraud investigation mechanism. In addition to these mainline activities, AUDT, in partnership with the Operations Complex, participated in training workshops for RMCs in auditing and loan accounting systems. The aim is to provide Bank-funded projects with practical guidelines to set up comprehensive project records and to increase the accountability of project funds.

Capital Market Operations

During 2004 the Bank raised UA 418 million at a weighted average cost of 6-month US Dollar LIBOR minus 27.4 basis points and a weighted average maturity of 4.24 years. The Bank has continued to consolidate its presence in the public bond markets. After successful global benchmark dollar bond issues in 2002 and 2003, the Bank issued in November 2004 a US$ 500 million bond transaction with maturity in January 2010 at the lowest cost achieved so far by the Bank in the public bond markets.

The Bank also raised funds through small-sized structured transactions, executed with an attached swap, to take advantage of attractive funding opportunities. In addition, the Bank returned to the Samurai market in Japan through a JPY 5 billion transaction. All these transactions were swapped into floating interest rate in US Dollars. As of December 31, 2004, the borrowing portfolio of the Bank, excluding embedded derivatives, stood at UA 5.65 billion, keeping the institution well within its debt policy limits.

Budgets for the Year 2005

In December 2004 the Boards of Directors approved for the year 2005 an Administrative Expenses Budget of UA 165.5 million, a Capital Expenditure Budget of UA 7.00 million, and a Contingency Budget of UA 1.65 million. The Boards approved an indicative administrative budget of the Fund for the financial year ending December 31, 2005 for the amount of UA 124.9 million, of which UA 124.7 million is management fee and UA 140,000 represents direct expenses.

The Budget for the year 2005 has been considered in the context of the implementation of the Bank's Vision and its Strategic Plan 2003-2007, as well as the recommendations contained in Management's *Action Plan to Improve the Implementation of ADF Operations,* as informed by the ADF Independent Evaluation. The preparation of the Budget was driven by a number of decisions taken by the Boards of Governors and Directors and Complementary Action Plans, principally the Extended Mission regime and the accelerated decentralization program, which are embedded, inter alia, in the Strategic Resources Framework for Institutional Development (SRFID) initiative. The Boards have taken note of SRFID, which is expected to have a cumulative impact in the Bank's budget amounting to UA 51.1 million over the 2005-2007 period. The Boards will decide on the precise level of allocation on an annual basis as part of the budgetary exercise. The first tranche of UA 16.10 million was approved by the Boards in the 2005 Budget.

CONCLUSION

During the Bank Group's first full year of operations at its Temporary Relocation Agency (TRA) in Tunis, the institution was able to consolidate its internal organization and strategic approach, mobilize funds through the successful conclusion of its consultations for the Tenth Replenishment of the African Development Fund, reactivate its staff recruitment campaign, and deliver on its operational commitments and development mandate vis-à-vis its regional member countries. In this regard, Bank Group total approvals in 2004 amounted to UA 2.79 billion compared to UA 1.77 billion in the previous year, representing an increase of 57.8 percent.

In particular, lending and grant operations from the ADF window registered a sharp increase owing to increased approvals for infrastructural initiatives and to the multisector, and as a result of increased resource flows for debt relief under the Enhanced HIPC Initiative. There was also an increase in the amounts approved for post-conflict debt relief grants, project grants, and technical as well as emergency assistance. This is due to the fact that grant operations have been expanded since ADF-IX beyond the narrower scope of project-cycle and institutional capacity building to include broader support for activities critical for sustaining economic growth and poverty reduction in RMCs. In this regard, the share of grant operations in 2004 increased substantially, accounting for 17 percent of total ADF approvals.

The financial and operational measures implemented in the Bank Group throughout 2004, as well as the strong shareholder support, confirm the Bank's high rating with the major international ratings agencies. The consolidation of the Bank's organizational structure, the upgrading of staffing, the introduction of quantifiable indicators to measure internal and operational development effectiveness, and the consolidation of the IT and telecommunications platform, have favorably positioned the Bank Group at the forefront of Africa's development efforts. In order to meet the challenges that still confront the continent, the Bank needs to become a stronger regional bank, capable not only of providing high-quality financial and technical support to its RMCs but also of serving as an intellectual leader and innovator on African development issues.

TABLE 0.1

SUMMARY OF BANK GROUP OPERATIONS, RESOURCES, AND FINANCE, 1995-2004

(US$ millions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Cumulative Total [a]
Operations											
Bank Group Approvals b/											
Number	20	33	112	133	93	144	134	118	145	**124**	**3,009**
Amount	802.32	822.95	1,880.05	1,751.01	1,770.87	2,585.00	2,981.31	2,771.99	2,624.69	**4,327.78**	**51,884.23**
of which HIPC	-	-	-	30.60	125.92	844.46	768.14	613.85	2.74	**1,567.20**	**3,952.91**
Disbursements	1,677.98	1,641.57	1,578.16	1,249.58	1,215.83	896.68	1,079.39	1,424.97	1,519.83	**2,043.05**	**31,494.73**
ADB Approvals b/											
Number	12	11	21	18	23	38	26	31	28	**23**	**957**
Amount	674.49	508.18	798.50	940.52	1,088.94	1,098.67	1,239.97	1,452.05	1,108.30	**2,359.86**	**30,277.53**
of which HIPC	-	-	-	30.60	28.48	226.59	219.85	255.56	-	**1,099.17**	**1,860.24**
Disbursements	1,058.37	1,007.94	927.23	618.96	700.62	535.42	609.20	679.45	969.27	**978.76**	**19,334.93**
ADF Approvals b/											
Number	8	21	91	115	70	103	107	84	112	**99**	**1,980**
Amount	127.82	306.14	1,081.55	810.49	681.93	1,472.42	1,734.92	1,306.14	1,482.93	**1,953.55**	**21,204.51**
of which HIPC	-	-	-	-	97.45	617.87	548.29	358.02	2.74	**468.03**	**2,092.40**
Disbursements	615.91	626.45	646.07	623.88	504.94	352.99	466.43	740.97	546.94	**1,056.82**	**11,904.60**
NTF Approvals											
Number	-	1	-	-	-	3	1	3	5	**2**	**72**
Amount	-	8.63	-	-	-	13.92	6.41	13.79	33.45	**14.37**	**402.20**
of which HIPC	-	-	-	-	-	-	-	0.26	-	**-**	**0.26**
Disbursements	3.70	7.18	4.86	6.73	10.27	8.28	3.76	4.56	3.63	**7.47**	**255.20**
Resources and Finance (at year's end)											
ADB											
Authorized Capital	24,081.14	23,294.95	21,857.85	22,810.09	29,982.68	28,494.64	27,484.69	29,732.70	32,498.16	**33,964.33**	
Subscribed Capital	23,411.75	22,834.61	21,528.90	22,375.36	22,976.45	26,772.08	27,008.40	29,243.11	32,043.02	**33,541.75**	
Paid-up Portion	2,848.06	2,791.70	2,643.59	2,765.34	2,711.98	2,627.74	2,633.86	2,901.70	3,240.81	**3,452.75**	
Callable Portion	20,563.70	20,042.91	18,885.31	19,610.02	20,264.47	24,144.33	24,374.54	26,341.41	28,802.21	**30,088.99**	
Borrowing (gross)	9,565.66	8,641.48	7,646.86	7,850.28	7,443.00	7,215.53	6,777.76	6,277.30	9,003.42	**9,407.39**	
Outstanding Debt c/	9,140.21	8,358.20	7,342.38	7,533.99	7,123.40	7,014.94	6,549.17	6,056.72	8,617,30	**8,785.61**	
Cumulative Exchange Adjustment on Subscriptions d/	(155.58)	(160.24)	(162.52)	(166.75)	(167.16)	(165.26)	(162.89)	(193.04)	(215.96)	**(228.60)**	
Reserves e/	1,497.46	1,597.58	1,650.08	1,871.61	1,969.73	1,999.38	2,155.78	1,991.20	2,240.10	**2,308.45**	
Cumulative Currency Translation Adjustment	(600.36)	(576.09)	(501.28)	(577.40)	(576.60)	(548.22)	(564.44)	(618.36)	(671.23)	**(726.76)**	
Gross Income	885.17	888.48	824.17	756.10	727.38	687.53	715.25	664.57	631.87	**674.13**	
Net Income f/	102.58	149.01	157.80	158.09	169.35	152.16	157.53	256.75	265.00	**341.51**	
ADF											
Subscriptions	11,449.00	12,579.24	12,108.49	13,092.20	14,368.01	14,230.82	13,890.93	15,027.09	18,575.12	**19,917.02**	
Other Resources g/	(286.51)	(534.37)	(645.62)	(671.74)	(853.01)	(845.61)	(975.21)	(839.48)	(803.27)	**(887.30)**	
NTF											
Resources (gross)	416.29	431.75	450.21	468.88	486.03	514.90	534.16	543.51	557.92	**540.26**	

Sources: ADB Statistics Division for data on operations; ADB Financial Control and Treasury Departments 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.

c/ Outstanding debt was restated in 2001 for prior years to adjust for unamortized issuance costs now netted against balances. In 2003 it was restated for embedded derivatives.

d/ CCTA and CEAS were restated in 2001 for prior years to adjust for translation gains and losses on subscriptions.

e/ Reserves for 2003 were restated for unrealized net loss on non-trading derivatives.

f/ Net Income before appropriation to Special Reserve. For 2001, operating income (i.e. net income less the IAS 39 adjustment) has been used, to present the 2001 results on the same basis as in prior years, thereby ensuring comparability between 2001 figures and those of prior years.

g/ Other Resources = Accumulated Reserves/Loss + Net Income/Loss for the year + Miscellaneous.

The conversion rates used 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:

1995	*1 UA = 1.48649 US dollars*	*2000*	*1 UA = 1.30291 US dollars*
1996	*1 UA = 1.43796 US dollars*	*2001*	*1 UA = 1.25562 US dollars*
1997	*1 UA = 1.34925 US dollars*	*2002*	*1 UA = 1.35952 US dollars*
1998	*1 UA = 1.40803 US dollars*	*2003*	*1 UA = 1.48597 US dollars*
1999	*1 UA = 1.37095 US dollars*	*2004*	*1 UA = 1.55301 US dollars*

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

FIGURE 0.1

Bank Group Loan and Grant Approvals and Disbursements, 1995-2004 (US$ millions)

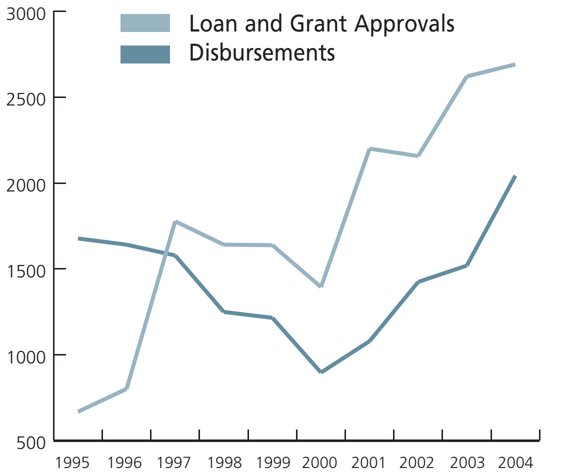


FIGURE 0.2

Cumulative Bank Group Loan and Grant Approvals by Institution, 1967-2004
(percentages)

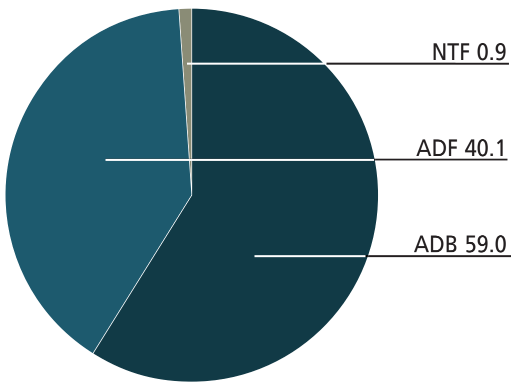


FIGURE 0.3

Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2004 (percentages)

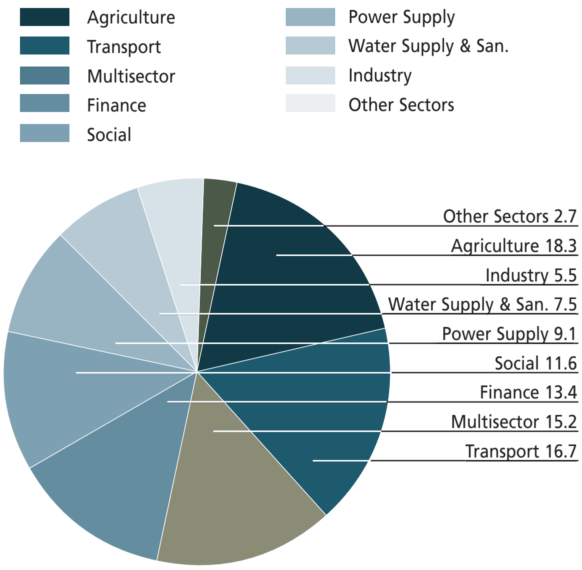
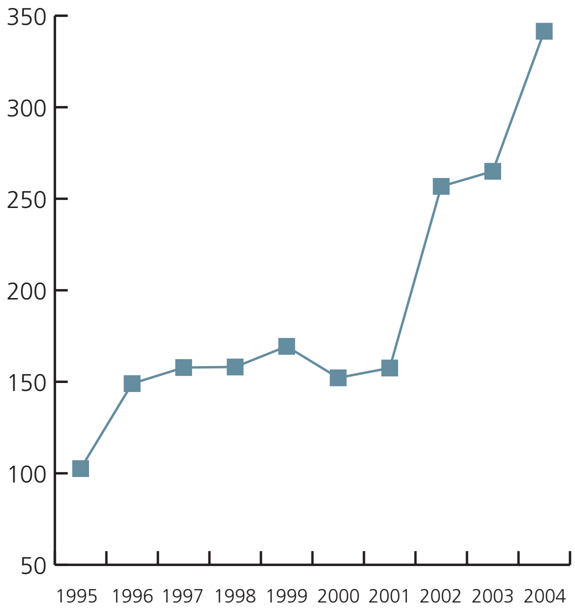


FIGURE 0.4

ADB Net Income, 1995-2004
(US$ millions)



Source: ADB Statistics Division

TABLE 0.2
SUMMARY OF BANK GROUP APPROVALS, 2004
(US$ millions)

Bank Group Approvals by Sector, 2004

Sector	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Agriculture and Rural Development	2	35.52	22	376.41	2	14.37	26	426.29
Social	4	2.09	25	241.93	-	-	29	244.02
Education	-	-	*9*	*61.75*	-	-	*9*	*61.75*
Health	-	-	*13*	*158.34*	-	-	*13*	*158.34*
Other	*4*	*2.09*	*3*	*21.84*	-	-	*7*	*23.93*
Water Supply and Sanitation	1	87.77	9	99.29	-	-	10	187.05
Power Supply	-	-	4	87.03	-	-	4	87.03
Communication	-	-	-	-	-	-	-	-
Transport	3	578.90	10	196.44	-	-	13	775.34
Finance	5	270.20	-	-	-	-	5	270.20
Multisector	3	281.24	21	417.65	-	-	24	698.88
Industry, mining and quarrying	-	-	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-	-	-
Environment	-	-	1	2.64	-	-	1	2.64
Total Loans and Grants	**18**	**1,255.71**	**92**	**1,421.39**	**2**	**14.37**	**112**	**2,691.46**
Other Approvals	**5**	**1,104.15**	**7**	**532.17**	**-**	**-**	**12**	**1,636.31**
HIPC Debt Relief	4	1,099.17	5	468.03	-	-	9	1,567.20
Post Conflict Country Facility	-	-	2	64.14	-	-	2	64.14
Equity Participation	1	4.98	-	-	-	-	1	4.98
Guarantees	-	-	-	-	-	-	-	-
Loan Reallocation	-	-	-	-	-	-	-	-
TOTAL APPROVALS	**23**	**2,359.86**	**99**	**1,953.55**	**2**	**14.37**	**124**	**4,327.78**

Bank Group Approvals by Financing Instrument, 2004

Financing Instrument	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Project Lending	**9**	**647.62**	**28**	**756.56**	**2**	**14.37**	**39**	**1,418.55**
Public and Publicly -Guaranteed :	5	397.32	28	756.56	2	14.37	35	1,168.25
Project Loans	4	377.42	27	700.66	2	14.37	33	1,092.44
Sector Investment and Rehabilitation	-	-	1	55.91	-	-	1	55.91
Lines of Credit	1	19.89	-	-	-	-	1	19.89
Private Non-Publicly Guaranteed :	4	250.30	-	-	-	-	4	250.30
Project Loans	-	-	-	-	-	-	-	-
Lines of Credit	4	250.30	-	-	-	-	4	250.30
Policy-Based Lending	**3**	**603.71**	**10**	**332.69**	**-**	**-**	**13**	**936.40**
Sector Adjustment	1	322.63	1	3.88	-	-	2	326.52
Structural Adjustment	2	281.08	9	328.80	-	-	11	609.88
Grants	**6**	**4.38**	**54**	**332.14**		**-**	**60**	**336.51**
Project Grant	-	-	21	176.90	-	-	21	176.90
Technical Assistance	-	-	33	155.23	-	-	33	155.23
Project Cycle Activities	-	-	10	34.51	-	-	10	34.51
Institutional Support	-	-	23	120.73	-	-	23	120.73
of which Private Sector	-	-	1	2.48	-	-	1	2.48
Special Relief Fund	6	4.38	-	-	-	-	6	4.38
Emergency Assistance	6	4.38	-	-	-	-	6	4.38
Emergency Postconflict	-	-	-	-	-	-	-	-
Project Preparation Facility	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt and Debt Service Reduction	**4**	**1,099.17**	**7**	**532.17**	**-**	**-**	**11**	**1,631.33**
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	4	1,099.17	5	468.03	-	-	9	1,567.20
Post Conflict Country Facility			2	64.14			2	64.14
Equity Participation	**1**	**4.98**	**-**	**-**	**-**	**-**	**1**	**4.98**
Public Equity	-	-	-	-	-	-	-	-
Private Equity	1	4.98	-	-	-	-	1	4.98
Guarantee	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public Guarantees	-	-	-	-	-	-	-	-
Private Guarantees	-	-	-	-	-	-	-	-
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL APPROVALS	**23**	**2,359.86**	**99**	**1,953.55**	**2**	**14.37**	**124**	**4,327.78**

Note: The conversion rate used is that for 31 December 2004 : 1UA = US$ 1.55301
Source: ADB Statistics Division

BANK GROUP SECTOR DEFINITIONS

SECTOR	TYPE OF PROJECTS
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, IT, 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, and nonbank financial intermediation
Social	Education, health, population, gender equity, stand-alone poverty alleviation, and microfinance 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, etc.
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, etc.
Urban Development	Projects related to strategic urban planning activities

* *The 4 sectors of Transportation, Communications, Water Supply & Sanitation, and Power Supply account for the Bank Group's support for infrastructure development in RMCs.*

PART I

Bank Group Activities

Activities of the Boards

Bank Group Operations

Corporate and Financial Management

1

Activities of the Boards

- Boards of Governors
- Boards of Directors
- Policies and Strategies for Bank Group Operations
- Finance-Related Policies and Guidelines
- Approvals
- Policies for Human Resources Management
- Other Activities of the Boards of Directors
- The Fortieth Anniversary Celebrations

BOARDS OF GOVERNORS

The 2004 Annual Meetings

The Thirty-Ninth Annual Meeting of the Board of Governors of the African Development Bank (ADB) and the Thirtieth Annual Meeting of the African Development Fund (ADF) were held jointly on May 25 and 26, 2004, in Kampala, Uganda, under the chairmanship of His Excellency Mr. Gerald Ssendaula, Governor for Uganda and Chairperson of the Boards of Governors. The Meetings were preceded by a number of activities. The Bureau of the Boards of Governors and the Joint Steering Committee of the Boards of Governors convened on May 23, 2004, followed on the same day by the working lunch on the presentation of the Bank Group's Financial Situation and Operations and the Strategic Plan.

On May 24, 2004 the Joint ADB/ECA Symposium was held on the theme "Closing the Gender Gap: Promoting Gender Equity for Growth and Development in Africa," followed later the same day by the launching of the Fortieth Anniversary celebrations of the African Development Bank. The Bank Group's *African Development Report 2004* and the *African Economic Outlook 2003/4* were both launched on May 26, 2004.

The formal opening ceremony was held at the Speke Resort Conference Center (SRCC), Munyonyo, Kampala, Uganda, on May 25, 2004, and was presided over by His Excellency Mr. Yoweri Museveni, President of the Republic of Uganda. Mr. K. Y. Amoako, the Executive Secretary of the Economic Commission for Africa (ECA), was also present. The Annual Meetings were attended by over 1,300 participants comprising Governors, Alternate Governors, members of the Boards of Directors, delegates from regional and non-regional member countries and organizations, and observers from the private sector, banking, and civil society.

In his welcome address, His Excellency Mr. Gerald Ssendaula extended his country's appreciation to the Board of Governors, Boards of Directors, Management, and staff of the Bank for honoring his country by selecting Kampala as the venue for the 2004 Annual Meetings. He wished the Bank continued success as it marked the Fortieth Anniversary of its establishment.

In his opening statement, His Excellency Mr. Yoweri Museveni, President of the Republic of Uganda, also welcomed delegates to Uganda and expressed the hope that they would have fruitful discussions and a memorable stay in Kampala. He also expressed concern about the underperformance of some African economies which, in his opinion, was due to several factors, such as inappropriate policies, poor governance, a low level of infrastructural development, and the absence of an appropriate legal framework to provide an enabling environment for private sector development. President Museveni also highlighted a number of exogenous factors that had curbed Africa's economic growth, such as the colonial legacy of many countries, the interference of development partners in Africa's internal affairs and decision-making processes, as well as unfavorable terms of trade. He also stressed the need for skilled manpower, particularly in the scientific and technical fields, and urged that such skills be adequately remunerated to avoid a further "brain drain."

In his opening statement, Mr. Omar Kabbaj, President of the Bank Group, thanked President Museveni, the Government and people of Uganda for graciously accepting to host the Bank Group's 2004 Annual Meetings. He was particularly grateful to President Museveni for his continued support and regular attendance at Bank Group meetings and functions, despite his numerous other engagements. The President drew attention to the special character of the 2004 Meetings, which marked the Fortieth Anniversary of the Bank's existence. Moreover, this event was taking place at a time when many African countries were beginning to register a marked improvement in their economic performance after a decade and a half of reforms. He applauded the fact that most of the countries were achieving growth rates of above 5 percent, although the continent as a whole was still facing considerable challenges in the form of extreme poverty and slow progress toward meeting the Millennium Development Goals (MDGs).

Turning his attention to Bank Group financial approvals in 2003, President Kabbaj reported that the African Development Bank (ADB) had committed US$ 1.1 billion; the African Development Fund (ADF), US$ 1.5 billion; and the Nigeria Trust Fund (NTF), US$ 33.5 million. In addition, the Bank Group had mobilized US$ 3.7 billion through cofinancing, bringing the total resources generated for regional member countries (RMCs) to US$ 6.4 billion. He noted that the Bank Group's lending and grant operations in 2003 were in line with the priority areas set out in its Vision Statement and Strategic Plan, and that those operations were based on the Poverty Reduction

Strategy Papers (PRSPs) of each beneficiary country. The President attributed the slight decrease in earnings to the overall low interest rate prevailing in the capital markets, the effect of prepayments of certain high-yielding loans, and the increase in administrative costs consequent to the Bank's relocation during the year. That exercise notwithstanding, Mr. Kabbaj reiterated that the solid financial position and strong shareholder support had resulted in the Bank receiving triple-A credit ratings from all the major rating agencies. He concluded that with the firm support of shareholders and partners, the Bank Group would continue to make a significant contribution to the development efforts of its RMCs.

With regard to the temporary relocation of the Bank's operations to Tunis, the President noted that the relocation period had been extended by one year, in view of the prevailing situation in the host country. He, however, reaffirmed that the Bank's Headquarters remain in Abidjan and thanked the authorities of Côte d'Ivoire and Tunisia for their continued assistance and understanding.

In their respective interventions, the Governors expressed their appreciation to the Government and people of Uganda for hosting the Annual Meetings, and for the hospitality extended to them and their respective delegations. They particularly welcomed the continued partnership between the Bank Group and the Economic Commission for Africa (ECA). The Governors then paid special tribute to past and present members of the Boards of Governors, the Boards of Directors, Management and staff of the Bank on the special occasion of the Fortieth Anniversary of the institution.

Governors observed that Africa had recorded reasonable economic progress in 2003, as evidenced by the increased macroeconomic stability in a number of the RMCs. They noted that sound policies and good governance were key factors for economic growth, poverty reduction, and improved social indicators. Nevertheless, to address the continued high incidence of poverty in the region, they drew attention to the emerging global partnership for development within the framework of the New Partnership for Africa's Development (NEPAD). They made a special plea to stakeholders to ensure that Africa does not become marginalized in the global arena, particularly in the areas of trade, technology, debt relief, and the environment. Within the framework of this development partnership, the onus of formulating and implementing sound national plans for economic growth and poverty reduction (such as PRSPs) should remain with the RMCs. Donors, on the other hand, should use these national plans as the reference point for effective collaboration and to ensure that sufficient funds are made available to allow for their full implementation. They also stressed the importance of country ownership and consultations between donors and recipients in a spirit of partnership and reciprocal obligations.

On the role of the ADB Group, the Governors expressed their backing for the new initiatives in support of post-conflict assistance and decentralization of Bank Group operations. They also welcomed the Bank's continued focus on regional initiatives such as NEPAD, the African Water Facility (AWF), and the Nile Basin Initiative. They commended the Bank for its crucial role in the implementation of the NEPAD initiative, particularly in the areas of infrastructure, financial sector development, governance, and the African Peer Review Mechanism (APRM). With respect to the African Water Facility, the Governors endorsed the recommendations of the Boards of Directors that the Bank Group should host the Facility, establish its Fund, and administer the resources.

The Governors acknowledged that the Bank's robust financial performance had enabled it to establish itself as a strong regional development finance institution and they commended the Boards of Directors, Management, and staff for their hard work and dedication. However, they also noted that, notwithstanding this achievement, both the Bank Group and the donor community face crucial challenges in eradicating poverty, promoting good governance, and controlling the HIV/AIDS pandemic. On the crucial matter of resource mobilization, Governors welcomed the progress that had been made with regard to the Tenth Replenishment of the African Development Fund (ADF-X). However, they called on ADF-X Deputies to approve a substantial volume that would meet the resource requirements of ADF countries, reminding them that the donor community still had to fulfill the pledges made at the Monterrey Conference of March 2002. They also urged that strenuous efforts be undertaken to assist in the reduction of developing countries' debts and on the lifting of trade barriers. Finally, the Governors commended the Boards of Directors, Management, and staff for the good results obtained by the Bank under difficult circumstances resulting from the temporary relocation exercise.

Joint ADB/ECA Annual Meetings Symposium

The Annual Meetings Symposium was held in Kampala, Uganda, on May 24, 2004. The Symposium, which was jointly organized by the Bank Group and the Economic Commission for Africa (ECA), took as its theme for 2004, "Closing the Gender Gap: Promoting Gender Equity for Growth and Development in Africa." Over 400 participants attended the Symposium, including the ADB Governors, their respective delegations, as well as leaders of the civil society and the private sector.

In his welcome address, the President of the ADB, Mr. Omar Kabbaj, underscored that gender equity has become a sine qua non for Africa's sustainable development. He noted that, in accordance with the principles guiding NEPAD and the MDGs, the Bank intends to promote poverty reduction by placing women center-stage of the development agenda. Although only limited progress had been achieved so far in gathering data and statistics on the living and working conditions of women, Mr. Kabbaj stressed that achievements had been made on the institutional front in securing the greater representation of women at the upper echelons of responsibility. He added that the Bank is systematically mainstreaming the gender issue in its policies and initiatives, as well as in all the programs and projects funded by the institution.

In his address, the Executive Secretary of the ECA, Mr. K.Y. Amoako, identified the inequality that exists between men and women as the missing link in the overall development trajectory of Africa. He underscored the need to reassess women's position in the workplace and he highlighted the ECA's efforts in this regard. Furthermore, Mr. Amoako drew attention to the HIV/AIDS pandemic, which is disproportionately claiming more female than male victims across the continent. He invited the audience to reflect on the impact of the HIV/AIDS issue on African norms and values and on the inherent risk of seeing whole communities break down as a result of the pandemic.

The Prime Minister of Mozambique, Her Excellency Ms. Luisa Diogo, endorsed the view that gender equality is vital for poverty alleviation and represents one of the major challenges for the continent. She pointed out that Mozambique had confronted this problem by placing the gender issue at the heart of the Government's 2001-2005 Poverty Reduction Program, which has as its prime objective to halve the number of people living in extreme poverty by the year 2010.

The President of Uganda, His Excellency Mr. Yoweri Museveni, underscored the importance of tackling the problem of wealth production and distribution in order to resolve the gender issue in a sustainable manner. In Uganda, the President added, the strategy for women's empowerment is centered on the issue of school enrollment for girls, and in this respect, quotas are being implemented in the Ugandan schooling system.

In opening the plenary session, Mrs. Gertrude Mongella, President of the African Union (AU) Parliament, denounced the lack of concerted action on the gender equity issue, although she acknowledged that some institutions, such as the African Union, are making strenuous efforts to advance this agenda. Mrs. Mongella invited the audience to consider that the issue calls primarily for a change in men's way of thinking.

The Director of the Operations Policy and Review Department at the ADB, Mr. P. Afrika, reminded the participants that African women have been receiving less than 10 percent of total loans and under 1 percent of agricultural credit, even though the agriculture sector has the highest concentration of women. He described the measures taken by the Bank to promote gender equity, adding that, from 1990 to 1997, Bank projects had been specifically designed to empower women. Recalling that women are the poorest of the poor in Africa, the Prime Minister of Tanzania, Mr. Basil Pesambili Mramba, recommended that the proportion of resources allocated to gender issues in national budgets be increased in order to improve the welfare of the African family in general. Formalizing women's rights and providing them with the necessary means for action are consonant with the development process as a whole.

The President of the World Association of Women Entrepreneurs (FCEM), Mrs. Leyla Khayat, outlined the economic situation of women entrepreneurs and recommended that financing mechanisms be designed to foster the creation of small and medium-scale enterprises (SMEs), and to help very small enterprises to grow to the level of SMEs. In this respect, the new information and communications technology should be used extensively to broaden access to the necessary information.

In her own intervention, Mrs. Annika Söder, Swedish Secretary of State for Cooperation and Development, stated that the logic of economic and social development opposes any discrimination based on gender, religion, or disability. In this area, Sweden has made good progress on certain fronts, for example in the workplace, although much remains to be done before full gender equity can be achieved in all spheres of life.

The Benin Minister of Finance, Mr. Grégoire Laourou, pointed out that supporting the gender agenda is largely contingent on budgetary support within the PRSP implementation framework. In Benin, he added, the abolition of school fees for girls has boosted primary school enrollment rates. Similar interventions have been undertaken with regard to healthcare, access to microcredit, access to rural water facilities, etc. However, much remains to be done, particularly to sensitize and educate men in the fight against HIV/AIDS.

The Finance Minister of the Federal Republic of Nigeria, Mrs. Ngozi Okonjo-Iweala, urged political leaders in Africa to consider, prior to any action, their implications vis-à-vis gender equality. In Nigeria, the promotion of women to strategic administrative positions has supported the implementation of reforms in such areas as trade, revenue collection, and the fight against corruption and drugs.

The Chairperson of the plenary session, Mrs. Gertrude Mongella, highlighted the impact of armed conflicts on women and children, urging governments to mobilize more resources to fight poverty, instead of buying arms. Mrs. Marie-Angélique Savane, President of APRM's Panel of Eminent Persons for NEPAD, lamented the fact that most development projects do not address the fundamental needs of the African woman. She expressed the view that the root of women's disempowerment lies in their precarious economic situation, and that sustainable economic growth can foster the cultural liberation of both sexes. She also called for a firm stand against corruption while ensuring the expansion of opportunities for all in the context of a well-diversified economy. Such measures, in her view, will serve to redress the political and economic balance at the global level, so that Africa may take its rightful place within the global trading system.

Launching of Bank Group Publications

As part of the activities at the Annual Meetings, the *African Development Report 2004* was launched under the theme: "Africa in the Global Trading System." The *African Economic Outlook* (AEO) was also launched on this occasion. The *AEO* is a collaborative product, jointly prepared and published by the Bank Group and the OECD Development Center. This publication provides a review of socioeconomic trends in 22 selected countries, in addition to a thematic analysis, which for 2004 centered on the question of Energy Supply in Africa.

Resolutions of the Boards of Governors

During the Annual Meetings a number of resolutions relating to both the ADB and ADF were considered and adopted by the Boards of Governors (see Appendix A of Chapters 6 and 7). Among other documents, the Boards of Governors endorsed the report of the Joint Steering Committee and approved the recommendations made by the Committee and the relevant resolution on the Temporary Relocation of the Operations of the African Development Bank to the *Temporary Relocation Agency in Tunis, Tunisia: 12-month Review of the Temporary Relocation Period* (B/BG/2004/04 – F/BG/2004/05).

The Governors adopted the resolutions on the Annual Report and Audited Financial Statements for the Financial Year Ended December 31, 2003 for the ADB, ADF, NTF, and the Special and Trust Funds. They noted with appreciation the unqualified opinion that the Independent Auditors had issued on the audited financial statements, notwithstanding the difficult circumstances related to the temporary relocation of the Bank to Tunis in February 2003. They congratulated the Boards of Directors, Management, and staff on these results. They also approved the designation of Members of the Bureau and the Joint Steering Committee from the period end-2004 Annual Meetings to end-2005 Annual Meetings. The Bureau will comprise Nigeria as Chair, with Korea and Eritrea as the first and second Vice-Chairs respectively. Over the same period, the Joint Steering Committee will comprise Benin, Canada, Chad, China, Denmark, Egypt, Ghana, Tanzania, and Zimbabwe.

Further, the Governors approved the relevant resolution for allocating the Bank's 2003 net income of UA 117.4 million or operating income of UA 178.3 million (without IAS 39 adjustments) as follows: UA 53.6 million to the DRC Special Account; UA 6.0 million to the Enhanced HIPC Initiative; UA 45.0 million as first installment of the Bank's share of UA 100 million for the PCCF; UA 10.0 million as the third and final installment to ADF-IX; UA 2.7 million for transfer to reserves, representing residual operating income of UA 63.7 million less IAS 39 unrealized valuation net loss of UA 60.9 million.

The Governors expressed satisfaction with the measures the Bank has put in place over the past few years to curb arrears in order to reduce the level of non-accruals. These measures have included imposing sanctions on countries falling into arrears by suspending the granting or signing of any new loans, non-disbursement of any Bank Group loans previously granted to the borrower, as well as the suspension of identification or appraisal missions to countries in non-accrual status. At year-end 2004, all the 11 RMCs in conflict or emerging from conflict, excluding the multinational and very small projects, accounted for over 98 percent of the outstanding arrears (see Table 1.1). Among these post-conflict RMCs, the Boards have already approved the PCCF arrears clearance programs for Burundi and Congo Republic.

BOARDS OF DIRECTORS

Throughout the year, the Boards of Directors provided guidance and direction on operational, financial, and corporate governance issues as they considered policies and guidelines, country strategy papers, projects and program loans, debt relief operations, and technical assistance grants for all Bank Group activities.

The Temporary Relocation of the Bank Group

During the year, the Boards of Directors discussed and approved proposals on the context of the Extended Mission Regime of the Temporary Relocation of the Bank in Tunis. In addition, the Boards approved the necessary supplementary budgets to cover the additional operational costs related to the Extended Mission Regime.

In line with the Board of Governors' Resolution B/BG/2003/04, which requires the Board of Directors to review the situation in the Host Country of the Bank and submit 6-monthly reports to the Board of Governors, the Boards of Directors submitted the following recommendations, which were approved by the Boards of Governors during the 2004 Annual Meetings. It was agreed that:

(i) The Headquarters of the Bank will remain in Abidjan, Côte d'Ivoire;
(ii) The situation in the Host Country of the Headquarters is not yet conducive for a return of the operations of the Bank to its Headquarters;
(iii) The next substantive review of the temporary relocation period will be conducted by the Board of Governors during the 2005 Annual Meetings;
(iv) The Board of Directors will continue to conduct the 6-monthly comprehensive review of the situation in the host country to assess whether it is conducive for the return of the operations of the Bank to its Headquarters and, on the basis of such review, convene a meeting of the Governors' Consultative Committee (GCC), when necessary; and
(v) The one-year notice period for the return of the operations of the Bank to its Headquarters will be maintained to allow for an orderly and planned return.

Operational Activities

In addition to matters pertaining to the temporary relocation of the Bank, the Boards approved a number of policies and guidelines, several of which aim to enhance the oper-

TABLE 1.1
Summary of Loan Arrears at December 31, 2004
(UA millions)

COUNTRY	ADB	ADF	NTF	TOTAL
Central African Republic	4.08	18.91	-	22.99
Comoros	12.47	7.00	-	19.48
Côte d'Ivoire	154.08	3.43	-	157.51
Liberia	119.43	3.49	23.68	146.59
Seychelles	19.64	1.34	3.35	24.33
Somalia	9.64	26.06	1.11	36.81
Sudan	61.37	34.85	-	96.22
Togo	-	6.19	0.42	6.61
Zimbabwe	165.89	1.14	-	167.04
Others*	7.10	0.21	0.43	7.75
Subtotal	**553.70**	**102.63**	**28.98**	**685.32**
Burundi**	4.11	3.85	0.18	8.14
Congo**	24.10	0.46	-	24.56
TOTAL	**581.91**	**106.94**	**29.16**	**718.02**

** Includes arrears of multinational projects, arrears less than UA 25,000 in some countries, and arrears payments in the process of being regularized.*
Source: ADB Financial Control Department.
*** Under the PCCF arrears clearance arrangement, amounts due from these countries are backed by pledges from certain donors and are expected to be received during 2005.*

ational effectiveness of the Bank. In considering policies and projects, the Boards were guided by the 2003-2007 Strategic Plan as well as the subsequent 2003 Annual Review of the Strategic Plan. The Boards also approved the operational lending target of UA 2.23 billion.

Of the 17 Board Committee meetings, 6 were held by the Committee on Operations and Development Effectiveness (CODE), 7 by the Audit and Finance Committee (AUFI), 2 by the Committee on Administrative Affairs and Human Resource Policy Issues (CAHR), and 2 by the Committee on Administrative Matters (AMBD). During these meetings, in addition to considering for approval various policies and guidelines, the Boards examined a wide range of issues related both to Bank Group operations in the RMCs and to its internal activities. Some of the main issues considered at these Board Committee meetings are summarized below (see section "Other Activities of the Boards of Directors").

POLICIES AND STRATEGIES FOR BANK GROUP OPERATIONS

During the year 2004 the Boards approved a number of policies, guidelines, and strategic initiatives aimed at strengthening the effectiveness of Bank Group's operations (see Table 1.2). The key operational policy approvals are outlined below.

Bank Group Policy on the Environment

In February 2004 the Boards approved the *Bank Group Policy on the Environment,* which redefines the Bank Group's approach to environmentally sustainable development in Africa. The policy assesses environmental constraints and opportunities that affect medium- and long-term development objectives across the continent and seeks to integrate social, economic, and environmental objectives rather than protecting and conserving the environment solely for its own sake. The policy recognizes that economic growth will be the main engine of sustainable development, and seeks to ensure its sustainability by preserving and enhancing the ecological capital that nurtures such growth. In particular, the policy aims to:

- Mainstream environmental sustainability considerations in all of the Bank's operations;
- Strengthen existing environmental assessment procedures and develop new environmental management tools;
- Assist RMCs to build adequate human and institutional capacity to handle environmental management;

TABLE 1.2

Key Policy and Program-related Documents Approved by the Boards of Directors, January – December 2004

COUNTRY AND REGIONAL STRATEGY AND DIALOGUE PAPERS, HIPC AND HUMANITARIAN ASSISTANCE DOCUMENTS	POLICY AND PROGRAM-RELATED DOCUMENTS
COUNTRY STRATEGY PAPERS: 1. ERITREA: 2002-2004 2. SAO TOME AND PRINCIPE 2002-2004 3. BOTSWANA 2004-2008 4. DJIBOUTI: 2002-2004 5. EQUATORIAL GUINEA: 2004-2006 6. MAURITANIA: 2004-2008 7. BURUNDI: (Interim) 2004-2005 8. REPUBLIC OF CONGO: (Interim) 2004-2005 9. SOUTHERN AFRICA: Regional Assistance Strategy Paper **COUNTRY DIALOGUE PAPERS** 1. SUDAN: 2003-2004 **HIPC APPROVAL DOCUMENTS** 1. DEMOCRATIC REPUBLIC OF CONGO (DRC): Decision Point 2. ETHIOPIA: Completion Point under the Enhanced Framework 3. SENEGAL: Completion Point under the Enhanced Framework 4. NIGER: Completion Point under the Enhanced Framework 5. GHANA: Completion Point under the Enhanced Framework **EMERGENCY HUMANITARIAN ASSISTANCE** 1. MOROCCO: Victims of the February 24, 2004 Earthquake 2. MADAGASCAR: Victims of the Gafilo Cyclone 3. DJIBOUTI: Victims of the April 12, 2004 Floods 4. KENYA: Victims of the Drought-affected Areas 5. MULTINATIONAL: Control of Desert Locust Invasion	1. The Year 2004 Indicative Operational Program 2. Bank Group Policy on the Environment 3. Bank Group Policy on Disclosure of Information 4. Bank Group Policy on Poverty Reduction 5. Technical Cooperation Agreement Between the Government of Nigeria and the ADB and ADF 6. Proposal for the Rural Water Supply and Sanitation Initiative 7. Bank Group Policy on Guarantees 8. ADB — Financial Statements for the Year Ended December 31, 2003 9. ADF — Special Purpose Financial Statements for the Year Ended December 31, 2003 10. NTF — Financial Statements for the Year Ended December 31, 2003 11. Special and Trust Funds — Financial Statements for the Year Ended December 31, 2003 12. Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations 13. Guidelines for Bank Group Operations Using Sector–Wide Approaches (SWAPs) 14. Guidelines for Development Budget Support Lending - Revised version (DBSL) 15. Guidelines for Policy-based Lending on Governance (PBLG) 16. Review of the ADF Currency Risk Contingency Reserve 17. Bank Group Post-conflict Assistance Policy Guidelines 18. Proposal on the Hosting of the African Water Facility 19. Establishment of an Inspection Mechanism for the African Development Bank 20. Bank Group Post-Conflict Assistance Policy Guidelines – Arrears Clearance Framework 21. Proposal for an Integrated Internal Control Framework for the ADB 2004 22. The Private Sector Development Strategy of the African Development Bank Group 23. Staff Retirement Plan Benefits Reforms Proposal 24. The 2005 Administrative Expenses and Capital Expenditures 25. The Year 2005 Borrowing Program

- Improve public consultation and information disclosure mechanisms;
- Build partnerships to address environmental issues, to harmonize policies, and to disseminate environmental information; and
- Improve the monitoring and evaluation of Bank operations.

The policy takes account of the Bank's role as an executing agency of the Global Environmental Facility (GEF) and accords a high priority to measures that seek to combat desertification.

Bank Group Policy on Disclosure of Information

The Boards approved the *Bank Group Policy on Disclosure of Information* in March 2004. This is a revised version of an earlier Bank Group policy that had been approved in December 1997. The objective of the revision is to promote broader stakeholder participation and to provide for the disclosure of Bank Group documents, consonant with the Bank's legal provisions and the best practices of other MDBs. The revised policy aims to:

- Expand the scope and type of information for public disclosure;
- Incorporate changes in the Bank Group's lending activities and in new documents not explicitly covered by the 1997 policy;
- Harmonize the Bank Group's approach with those of sister institutions; and
- Increase transparency vis-à-vis the Bank's activities, in line with a request from ADF Deputies during the ADF-X Replenishment consultations.

The policy covers public documents that relate to the Bank Group's own operations, financial information and institutional information. The new policy recognizes that increased availability of information will promote a better understanding of the Bank's development agenda and should heighten support for the Bank's operations and objectives.

Bank Group Policy on Poverty Reduction

The Boards approved the *Bank Group Policy on Poverty Reduction* in February 2004. The policy reaffirms the commitment of the Bank to its overarching goal of poverty reduction and underscores support for national ownership, participation, and results orientation in the drive to improve the living conditions of Africa's poor. The main objective of the policy is to provide a framework for action by placing poverty reduction at the center of Bank support to its RMCs. This will entail the integration of a poverty perspective throughout Bank Group activities and the development of appropriate operational mechanisms and institutional arrangements.

The concept of poverty has expanded, as has the range of policy options to reduce it. Issues of good governance, empowerment, and sustainable livelihoods now feature prominently in the poverty agenda, as do measures to reduce vulnerability and inequality. The policy paper explicitly links poverty reduction to governance reforms, environmental protection, and reduction in inequality and exposure to vulnerability.

Rural Water Supply and Sanitation Initiative: Framework for Implementation

The Boards approved, in March 2004, the *Rural Water Supply and Sanitation Initiative: Framework for Implementation.* Within the context of the Bank Group's Strategic Plan, and in response to the Africa Water Vision and the MDGs, the Bank Group conceived the Rural Water Supply and Sanitation Initiative (RWSSI) in 2002. The Initiative aims to help the Bank's RMCs to meet the water-related MDGs, i.e. to accelerate access to water supply and sanitation services in rural Africa to a level of 66 percent by the year 2010, 80 percent by 2015, with full coverage by 2025. In order to meet the 2015 target, a total of approximately 270 million rural population would need to be provided with access to improved water supply and about 300 million to sanitation services. The RWSSI was officially launched during the Bank Group's Water Week, held in Tunis in July 2004 (see Box 4.6).

The Framework serves as the road map for realizing the goals of the Initiative. It calls on the Bank Group to mobilize support and resources through the building of partnerships with donors, governments, and communities. Under the Framework, it is estimated that additional investments of up to US$ 15 billion will be required, in order to attain the projected 80 percent access to water supply and sanitation by the year 2015. The Bank is expected to mobilize approximately 30 percent of the overall requirements, which represents an investment of about US$ 360 million per year.

African Development Bank Policy on Guarantees

In March 2004 the ADB Board approved the B*ank*

Policy on Guarantees. The policy is built on the lessons learned during the pilot phase (2000-2002), when the Board approved a framework to guide the issuance of Bank guarantees, and requested the preparation of a comprehensive follow-up policy document. The policy outlines the principles and modalities to guide the use of Bank guarantees in order to mobilize additional financial resources for member countries. By covering risks that the market is not able to bear or adequately evaluate, the Bank's guarantee can attract new sources of financing, reduce financing costs, and extend maturities. Principally, the Bank's objective is to cover risks that it is uniquely positioned to bear, given its international financial standing, credit experience with African countries, and special relationships with governments.

Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations

The Boards approved, in March 2004, the *Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations,* which articulate the Bank's commitment to fighting corruption in its operations and to promoting a culture of sound management. The Guidelines set out the procedures for attaining this goal by strengthening safeguards for transparent decision-making, quality in the project cycle, and regular oversight and enforcement. The Bank's anticorruption strategy calls for effective mechanisms on internal measures and safeguards, coupled with a robust agenda at the country and regional levels. The Guidelines hinge on a strategy underpinned by the following 4 elements: (i) preventing corruption in Bank operations; (ii) mainstreaming corruption concerns into Bank operations; (iii) helping RMCs that request assistance in this regard; and (iv) participating in regional and global efforts related to corruption and fraud. This strategy builds on best practices in MDBs and is harmonized, to the extent possible, with regional and global initiatives.

Guidelines for Bank Group Operations Using Sector-wide Approaches (SWAps)

The Boards approved the *Guidelines for Bank Group Operations Using Sector-wide Approaches (SWAps)* in April 2004. Sector-wide approaches are not only consistent with the strategic orientations of the Bank Group, but they are also central to comprehensive development strategies of RMCs, as outlined in their PRSPs.

As part of the drive to increase the Bank's development effectiveness, the Guidelines explicitly direct the use of SWAps in the implementation of poverty reduction strategies in RMCs. SWAps are one of the key instruments for forging strong donor coordination, building country ownership, and improving the allocation and utilization of government and donor resources. Successful implementation of SWAps may entail pragmatic adjustment and adaptation of the Bank's internal policies, procedures, and institutional arrangements.

Guidelines for Development Budget Support Lending (DBSL)

In April 2004 the Boards endorsed the Guidelines for *Development Budget Support Lending* (DBSL). The primary objectives of the Guidelines are to disseminate the concept of DBSL and its key features, and to set out the principal conditions under which the Bank Group might use DBSL as an intervention instrument. To this end, guidance is provided on how to identify, prepare, and appraise DBSL operations in accordance with the Bank Group's standard review process, and follow its implementation in partnership with the recipient country. The Guidelines have been prepared to respond to the specific request of the ADF-IX Deputies.

The Bank's participation in DBSL operations would depend, among other things, on its assessment of the status of the key defining imperatives, namely: the existence of a government-led and coordinated comprehensive PRSP or NDP; a Medium-Term Expenditure Framework (MTEF) with adequate and transparent fiduciary controls; prioritized pro-poor development strategies and action plans, both at macroeconomic and sector levels; and viable programs to build sustainable institutional capacity.

Guidelines for Policy-Based Lending on Governance (PBLG)

The Boards approved, in April 2004, the *Guidelines for Policy-Based Lending on Governance* (PBLG), thus underscoring the importance of a policy-based lending (PBL) approach to support policy reforms aimed at stimulating private investment and GDP growth. With PBL, governments rely less on direct actions and more on policy and incentive changes to improve public sector performance and to stimulate public and private initiatives to hasten economic development. The evolution of the PBL aid instrument has seen an expansion of the breadth of policy coverage, from macro stabilization issues to trade, monetary, and fiscal policies, and to private and financial sector reforms. This evolution is now being extended to Policy-Based Lending on Governance (PBLG).

The primary objective of the Guidelines is to familiarize Bank staff with the concept of PBLG, including the major preconditions under which the Bank Group might use such an intervention instrument. The Guidelines provide direction on how to identify, prepare, and appraise PBLG in accordance with the Bank Group's standard review process and how to monitor its implementation in partnership with the recipient country. The Guidelines allow the Bank to take a lead role in Africa for the design and implementation of PBLG.

Bank Group Post-Conflict Assistance Policy Guidelines

The Boards approved the *Bank Group Post-Conflict Assistance Policy Guidelines* in April 2004, with the aim of optimizing the Bank Group's involvement in post-conflict situations, within its overall mandate and strategic objective of poverty reduction. The Guidelines examine the underlying factors and socioeconomic consequences of post-conflict situations. The framework for classifying post-conflict countries (PCCs) is defined, as well as their short-, medium-, and long-term needs. The Bank Group's past experiences in this area are also reviewed, together with the practices of other institutions in post-conflict situations. Furthermore, the Guidelines identify the key criteria for Bank engagement in post-conflict situations; the priority areas of support; programming tools, resources and instruments; as well as procedures, institutional, and implementation arrangements.

Bank Group support will target the provision of basic social and economic infrastructure; reconstruction and rehabilitation; institutional reform and capacity building; and the promotion of good governance. The Bank's post-conflict assistance will also take into account the regional dimension of conflicts, and will promote political, economic, and social cohesion among neighbors through its regional integration and governance policies.

Proposal for the Hosting of the African Water Facility (AWF)

The Boards of Directors approved, in May 2004, the *Management Proposal on Hosting the African Water Facility* and transmitted it to the Board of Governors for their approval. This followed the endorsement by the African Ministers Council on Water (AMCOW) at their meeting in Cairo, Egypt, in February 2003, of the plan to establish the African Water Facility and their subsequent request for the Bank Group to host it.

The overriding goal of the Facility is to contribute to the efforts to reduce poverty and promote sustainable development in Africa by (i) expanding the capacity of Africa to access existing and future financing sources for water and (ii) improving the efficiency in the use of such resources. The objectives of the Facility focus on the enabling environment and water resources management so as to attract the requisite massive investments. In this connection, the Facility will establish the framework for mobilizing financial resources to establish grants in support of water-related programs and projects. The Facility will also assist in the implementation of the Bank's Integrated Water Resources Management (IWRM) Policy, RWSSI, and the NEPAD Water Program. It will also support the advancement of the MDGs and respond to the recommendations of the Camdessus Panel on Financing Water Infrastructure.

Establishment of an Inspection Mechanism for the African Development Bank

The Boards approved, in June 2004, the enabling Resolution and the draft Operating Rules and Procedures for the establishment of an Inspection Mechanism. The Mechanism permits a fair hearing for any individual or group of people who may have cause to feel that they have been adversely affected by Bank Group's non-compliance with its applicable policies and procedures. This new instrument is consistent with the Bank Group's *Policy on Good Governance* and its *Guidelines for Combating Corruption and Fraud in Bank Operations;* furthermore, it complements the Bank Group's *Information Disclosure Policy.*

The Inspection Mechanism is independent of the other departments within the Bank Group and has the authority to conduct preliminary investigations to determine the eligibility of a complaint and to carry out a mediation exercise. The structure of the Mechanism consists of a Compliance Review and Mediation Unit (CRMU) as the focal unit within the Bank Group and a roster of experts (the "Roster") who will undertake Compliance Reviews. The Boards are the sole decision-making authority on the terms of reference for a Compliance Review and on the appointment of the Panel of Experts to conduct the Review. Each year, an annual report covering the Mechanism's activities during the preceding year will be prepared and published.

Bank Group Guidelines on Communicable Diseases

The Boards approved, in July 2004, the *Bank Group Guidelines on Communicable Diseases.* The Guidelines acknowledge that the prevention and control of communicable diseases represent an institutional priority, given their increased impact on the socioeconomic development of RMCs. As evidenced in the MDGs agenda, the subject of communicable diseases is inextricably linked to poverty reduction and to sustainable development in general. The Guidelines build on the *Health Sector Policy* and on the recently agreed strategies on HIV/AIDS (2001) and on malaria (2002) for the prioritization of Bank Group responses.

The Bank's approach in communicable diseases control is to promote greater selectivity in operations and strengthen partnerships with specialized agencies and other bilateral partners. The Bank will prioritize: first, the high mortality diseases, such as HIV/AIDS, malaria and tuberculosis; second, the neglected but economically costly diseases; and third, the emerging and epidemic-prone diseases. The areas of interventions in communicable diseases control, in accordance with the specified priorities, are as follows: (i) prevention of diseases; (ii) care and treatment; (iii) capacity building in RMCs; (iv) infrastructure support; and (v) impact mitigation. Within this framework, the Guidelines encourage and support public–private partnerships (PPPs) in scaling-up communicable disease control activities in RMCs, particularly in the non-concessional ADB group of countries.

The Private Sector Development Strategy

In December 2004 the Boards approved the *Private Sector Development Strategy of the African Development Bank Group.* Development of the private sector is essential for effective poverty reduction and sustainable economic development and, as such, is a key component of the Bank's Vision and Strategic Plan. The Bank's Private Sector Development (PSD) Strategy focuses on creating the conditions and building the capacities (i.e., institutional, human, legal, and governance structures) needed to attract investment in the private sector. The Strategy is consistent with the 3 pillars of the Bank's Strategic Plan, namely, (i) ownership of the private sector development process by the country, (ii) partnership with development partners and other economic operators, and (iii) selectivity in sectors of interventions, as defined in the Bank's CSPs, based on country needs as confirmed in the country's PRSP. The PSD Strategy acknowledges the specificities of each country and responds in a manner appropriate to the circumstances, placing different emphasis on: (i) public sector lending to create an enabling environment, (ii) public–private partnerships to encourage privatization of public utilities and other industries, and (iii) purely private sector lending, with an emphasis on financial intermediaries and risk mitigation.

FINANCE-RELATED POLICIES AND GUIDELINES

During the year the Boards approved 2 main finance-related policy documents: *The Review of the ADF Currency Risk Contingency Reserve* and *Bank Group Post-Conflict Assistance Guidelines – Arrears Clearance Framework.* The Boards also approved the 2005 Administrative Expenses and Capital Expenditures Budgets and the Year 2005 Borrowing Program, as detailed below.

Review of the ADF Currency Risk Contingency Reserve

The Board approved, in May 2004, the *Review of the ADF Currency Risk Contingency Reserve* as part of a periodic review of the required level of contingency reserve to protect the Fund from overcommitting its resources. The possibility of the Fund's undisbursed commitments exceeding the amount of available resources poses a significant risk because of exchange rate movements.

To mitigate the risk of overcommitment, the ADF seeks to match the currency composition of its net development resources with the UA. In 1999, the Fund's Board approved a contingency reserve to cushion against potential exchange rate effects equal to 6 percent of net development resources. In 2002, the Board approved a downward revision; and in their 2004 review, the ADF Board of Directors approved a further reduction of the currency contingency reserve to 1 percent of net development resources (NDR). This is to reflect the reduced exchange rate exposure resulting from progressive implementation of the currency matching strategy. Reducing the contingency reserve to 1 percent of NDR will immediately release about UA 40 million of additional commitment capacity, while continuing to maintain an adequate level of protection from adverse currency movements.

Bank Group Post-Conflict Countries Arrears Clearance Framework

The Boards approved the *Post-Conflict Countries Arrears Clearance Framework* in June 2004. The policy is founded on the principle that a comprehensive arrears clearance framework will serve the Bank better than handling this issue on a purely ad hoc basis. The policy also clarifies for all stakeholders involved in arrears clearance operations the parameters for Bank Group interventions, and it signals the Bank Group's willingness to devise innovative measures to address the urgent needs of RMCs.

The *Post-Conflict Countries Arrears Clearance Framework* will help these post-conflict countries to re-engage with the international finance institutions (IFIs) and the donor community generally, and to access debt relief under the Enhanced HIPC Initiative. Resources used to assist PCCs to clear arrears and qualify for HIPC debt relief will count as contributions to the HIPC debt relief initiative. Upon the agreement of an arrears clearance program, the ADF will provide grant financing for special technical assistance, and the Bank Group will endorse further steps in the re-engagement program. Access to full ADF resources would be restored upon completion of the arrears clearance program. PCC arrears clearance programs mobilize resources from 3 sources: the beneficiary country, donors, and the Bank Group. The Bank Group's assistance is channeled through a legally autonomous Post-Conflict Countries Facility (PCCF) under the auspices of the ADF. Eligibility for an arrears clearance program under the framework is subject to strict conditions.

The 2005 Administrative Expenses and Capital Expenditure Budget

In December 2004 the Boards of Directors approved for the year 2005, an Administrative Expenses Budget of UA 165.50 million, a Capital Expenditure Budget of UA 7.00 million, and a Contingency Budget of UA 1.65 million. The ADF Board approved an indicative administrative budget of the Fund for the financial year ending December 31, 2005 for the amount of UA 124.9 million, of which UA 124.7 million is a management fee and UA 140,000 represents direct expenses.

The preparation of the 2005 Budget has been guided by the need to reform the budgetary process to ensure that it is resource-based and responsive to the imperatives of accountability. The preparation of the Budget was driven by a number of decisions taken by the Boards of Governors and Directors and Complementary Action Plans, principally the Extended Mission regime and the accelerated decentralization program, as embedded in the Strategic Resources Framework for Institutional Development (SRFID) initiative. The Boards have taken note of the SRFID, which is expected to have a cumulative impact in the Bank's budget amounting to UA 51.1 million over the 2005-2007 period. The Boards will decide on the precise level of allocation on an annual basis as part of the budgetary exercise. The first tranche of UA 16.10 million was approved by the Boards in the 2005 Budget.

Year 2005 Borrowing Program

The Bank's 2005 Borrowing Program for up to UA 550.0 million was prepared and presented to the ADB Board in November 2004 and subsequently considered and approved by the Board of Directors in December 2004. The Board authorized the President to enter into equivalent exchange arrangements with any reputable counterparts in connection with the proceeds, the principal amount, the interest rate, and the maturity structure of each borrowing under this Program. The proposed Borrowing Program will ensure that the Bank has sufficient liquidity to meet its cashflow requirements and will enable the Bank to maintain a regular flow of LIBOR-based funds for its clients. The execution of the 2005 Borrowing Program aims at providing cost-effective funding so that the Bank can provide resources to clients at the most competitive levels.

APPROVALS

The Bank Group continued to finance development projects and programs to promote sustainable economic growth and poverty reduction in its RMCs. During 2004 the Boards approved loans, grants, and HIPC debt relief amounting to UA 2.79 billion, of which UA 1.26 billion came from the ADF, UA 1.52 billion from the ADB, and UA 9.25 million from the NTF. The approvals covered 124 operations, including: 33 project loans and one sector investment and rehabilitation loan (all to the public sector); 5 lines of credit (4 to the private sector); 13 policy-based operations (2 sector adjustment loans and 11 structural adjustment loans); 1 private equity participation; 60 grants (21 project grants, 33 technical assistance grants, and 6 approvals for emergency assistance from the Special Relief Fund to address the impacts of natural calamities). In addition, 2 grants were approved for post-conflict debt relief; as well as 9 HIPC debt relief operations in 5 countries, of which 4 came from the ADB window and 5 from the ADF window.

POLICIES FOR HUMAN RESOURCES MANAGEMENT

During the year under review, the Boards approved one main policy for human resources management, namely, the *Staff Retirement Plan Benefits Reforms Proposal.*

Staff Retirement Plan Benefits Reforms Proposal

The Board of Directors approved, in November 2004, the *Staff Retirement Plan Benefits Reforms Proposal,* which is due to become effective on January 1, 2005. The reforms can be categorized under 3 broad headings: (i) clarification and definition of the legal nature of the Staff Retirement Plan, including the Bank's obligation toward it; (ii) increased transparency of the Plan by addressing some weak or unclear points in the Rules; and (iii) harmonization of the Rules of the SRP with those of the Human Resources Management, resulting in more flexibility in the administration of the pension benefits.

The SRP reforms improve the guarantees of the pension plan, eliminate discrimination, and give flexibility to participants regarding their choice of benefits. Above all, by ensuring that the Bank staff have an adequate and protected retirement income, the approved plan bolsters the Bank's competitiveness as an employer of choice among MDBs. These improvements also pave the way for establishing pension transfer agreements between the Bank and its sister organizations.

OTHER ACTIVITIES OF THE BOARDS OF DIRECTORS

In addition to the activities undertaken in the formal sessions, the Boards of Directors carried out a number of functions through the various Committees of the Boards. These include: the Committee on Administrative Matters Concerning the Boards of Directors (AMBD); the Audit and Finance Committee (AUFI); the Committee on Administrative Affairs and Human Resource Policy Issues (CAHR); the Committee on Operations and Development Effectiveness (CODE); as well as the Joint Committee on Operations and Development Effectiveness and Audit and Finance (CODE/AUFI). There is also the Committee of the Whole (CoW), chaired by the Bank President, which includes all the Executive Directors and which reviews the Bank Group annual budget and any other matters referred to it on an ad hoc basis by the Boards. During the year 2004, the Committees of the Boards held a total of 17 meetings to review policy papers, portfolio review reports, portfolio performance reports, and project performance audit reports, in addition to regular administrative matters. Highlights of these meetings are presented below.

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

The AMBD Committee held 2 meetings in May and October 2004 to consider, inter alia, specific internal issues pertaining to administrative matters concerning the Executive Directors and staff of their offices. At both meetings the AMBD Committee discussed the Retirement Age of Advisers and Assistants of Executive Directors. During the meeting in October they also considered the election of a Vice-Chairperson and the Terms of Reference of the Ethics Committee of the Boards of Directors, which is in the process of being established.

Concerning the retirement age of Advisers and Assistants of Executive Directors, the Committee agreed to convene a subsequent meeting to review the 1999 Regulations on this issue. It was agreed that the review would take into consideration the views and positions of concerned parties as well as practices in sister institutions.

Regarding the Terms of Reference for the Ethics Committee, one issue of concern centered on the 2-year non-renewable term for each member of the Committee. Clarification was given that this term of office was designed not to exceed the statutory 3-year term of an Executive Director. The Committee agreed to convene another meeting on the issue in the presence of the General Counsel.

Audit and Finance Committee (AUFI)

The AUFI Committee held 7 meetings in 2004, during which it examined and reviewed, inter alia, the following key documents: *The 2005 Internal Audit Work Program; The Bank Group Policy on Guarantees; Quality Assurance Review of the Internal Audit Department;* and the *2003 Annual Report of the Activities of the Internal Audit Department.* The AUFI Committee also considered the Bank experience and implications of the International Accounting Standards No. 39 (IAS 39), and approved the Financial Statements of the ADB, ADF, NTF, as well as the Special and Trust Funds.

During its meeting of 23 March, the Committee expressed satisfaction at the measures taken to tighten the controls for the Bank's transactions. It encouraged Management to maintain the appropriate control standards in an increasingly complex environment. The Committee noted that it should be informed of all changes in the principles and policies, such as the loan loss provisioning policy, which pertains to responsibilities of the Board.

In its meeting of May 2004, the AUFI Committee discussed the *2003 Annual Report of the Activities of the Internal Audit Department*. The discussion focused on the Special Audit on Executive Directors' Temporary Relocation Agency (TRA) Related Expenses. Specifically, the Committee recommended that the Bank draw lessons from the issues noted, particularly those concerning resources and procedures related to the status of Executive Directors. The Committee congratulated the Audit Department (AUDT) for the high standard of work accomplished under rather difficult conditions. It recalled the obligation that departments have to process all recommendations within the reaction and implementation timeframes. It was agreed that the Committee would await the report on the follow-up of recommendations made so far by AUDT.

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

The Committee on Administrative Affairs and Human Resource Policy Issues (CAHR) met twice during the course of 2004 in September and October to consider: (i) the *Proposal to Extend the Mandatory Staff Retirement Age at the African Development Bank* and (ii) the *Proposal for the Reform of the Staff Retirement Plan.* The Proposal to Extend the Mandatory Staff Retirement Age was considered and since no consensus was reached, Committee members decided to refer the Proposal back to the Board for their final consideration in early 2005.

With respect to the *Proposal for the Reform of the Staff Retirement Plan,* the Committee noted that the Proposal clarified the Bank's obligations toward the Plan; that it contributed to the harmonization of the Bank's compensation and benefits package; enhanced transparency and equity of the Plan; and that it aligned the staff retirement package with those of sister organizations. The Committee, therefore, recommended that the *Proposal for the Reform of the Staff Retirement Plan* be submitted to the Board for consideration and approval.

Committee on Operations and Development Effectiveness (CODE)

During the year CODE convened a total of 6 meetings to consider a number of policy documents, including: *Bank Group Private Sector Development Strategy,* and *Efficacy and Efficiency of Monitoring – Evaluation Systems (MES) of Bank Group Financed Projects.* CODE also examined the findings and recommendations of the Independent Evaluation Report on ADF-VII to IX, and Management's response; the 3-year rolling work program for OPEV; the backlog in the preparation of Project Completion Reports (PCRs); Project Performance Evaluation Reports (PPERs) for Benin and Algeria; Uganda Country Assistance Evaluation; social aspects of structural adjustment approaches; and the Internal Audit Department's report, among others.

Concerning the Independent Evaluation Report on ADF-VII to IX, the Committee recommended that the following issues should be included in the revised action plan: (i) the skills mix, recruitment of country economists, and other aspects of human resources management in operations; (ii) research issues, including generation and dissemination of know-how and knowledge in the Bank; (iii) issues relating to the divergent interests of RMCs and non-regional donors; and (iv) issues relating to selectivity, the African character of the Bank, and its comparative advantages.

Regarding the evaluation function in the Bank and 3-year rolling work program proposal for OPEV, the Committee recommended that:

- The Board approve the 2005/2007 Three-Year Rolling Program Proposal and the 2005 Budget for OPEV;
- The Board approve the increase in OPEV staffing as proposed in the document;
- The Board approve the establishment of 2 divisions within OPEV;
- The Board approve the conversion of two PL-4 positions to PL-3;
- Management present more detailed justifications to support the requested increases and conversion of two PL-4 positions to PL-3; and
- Management prepare a report on the status of independence of the evaluation function.

THE FORTIETH ANNIVERSARY CELEBRATIONS

In May 2004, a symposium was organized in Kampala to commemorate the Fortieth Anniversary of the Bank. It was attended by a number of distinguished delegates, among them the Dean of Former ADB Presidents, Dr. Kwame Donkoh Fordwor; Chairperson of the Committee of Nine, which had negotiated the creation of the Bank in the early 1960s; Dr. Romeo Horton; Mr. Kyoshi Kodera, Deputy Director General of the International Bureau of the Japan Ministry of Finance and former Executive Director for Japan; Professor Louka Katseli, Director of the OECD Development Center; former ADB Vice President for Finance and Chairman and CEO of the Bank of Abyssinia, Mr. Tekalign Gedamu; and the Chairman of the African Business Roundtable, Dr. Bamanga Tukur.

Bank Group President, Mr. Omar Kabbaj, opened the proceedings by welcoming delegates and underlining the critical reforms that had ensured the growth and expansion of the Bank. Several speakers underlined the critical need for the Bank to continue to take a leading role in African development, in particular by defining a long-term strategic vision for itself as an African institution while working with other donor agencies and multilateral institutions in harmonizing joint policies and perspectives. They also urged the Bank to sustain its expanding role in NEPAD, in private sector development, policy dialogue, the promotion of good governance, and the consolidation of regional economic communities.

Furthermore, on September 15, 2004, an illustrious gathering of African political leaders, together with international and regional development experts and partners, assembled in Tunis to participate in the Fortieth Anniversary Celebrations of the African Development Bank (ADB) Group. The Boards of the Bank Group and the assembled guests voiced a positive rating of the Bank's efforts to promote the economic and social development of the continent. They affirmed that the continent's aggregate economic indices have begun to show the impact of deeper reforms. These views were repeatedly expressed at a groundbreaking symposium on the theme, "Africa's Development – the Journey So Far and the Way Forward," which marked the high point of the weeklong celebrations.

Presidents Olusegun Obasanjo of Nigeria, Laurent Gbagbo of Côte d'Ivoire, and Prime Minister Mohammed Ghannouchi, who represented President Zine El Abidine Ben Ali of Tunisia, were guest panelists of Bank Group President, Omar Kabbaj, at the opening of the special anniversary symposium. The eminent gathering included past and present actors on the African and world stage, former Bank Group Presidents, Mr. Jacques Diouf, Director General of FAO, and the Director of the UN Millennium Program, Professor Jeffrey Sachs. Their statements and contributions set the tone for a day of reflection and debate on issues that ranged from the ADB's role in meeting Africa's challenges, its support for NEPAD, Africa and the challenges of globalization, to regional integration and international economic relations.

The President of the Bank Group, Mr. Omar Kabbaj, noted that the Bank had come a long way from a modest beginning with a subscribed membership of 33 African countries and an authorized capital of UA 250 million to become a highly rated multilateral development bank with a capital base of UA 21.5 billion and global members constituted by 77 countries spanning Africa, Asia, the Americas, and Europe. He informed the symposium participants that during this period, the Bank had provided its regional member countries with nearly US$ 50 billion in loans, grants, and debt relief and had mobilized an additional US$ 70 billion from cofinanciers, totaling US$ 120 billion. In the last 3 years, approvals had averaged between US$ 3 billion per annum from its own resources and between US$ 3.5 and US$ 4 billion per annum from its cofinanciers.

Mr. Kabbaj highlighted the major challenges that the Bank would now tackle. The first was to build on its recent achievements and become a stronger regional bank providing high-quality financial and technical support to its RMCs. The second was for the Bank to strengthen its capacity as an intellectual leader and innovator on African development issues. A further major challenge facing the Bank is to become an even more effective vehicle of cooperation and partnership between African countries and the donor community, in support of the continent's development efforts.

In his contribution, President Obasanjo emphasized that the Bank and other regional institutions have a critical role to play in repositioning the continent for growth, stability, development, and democracy. According to the President, "The ADB must build new networks, empower investors and institutions, and strengthen the capacity of African states to play a central role in the new globalization." He further stressed that "African countries are irrevocably committed to repositioning their economies in tandem with the imperatives of the twenty-first century," noting that hopes for the future lay in rededication, commitment, and enthusiasm for reform, results, and responsibility.

In his address, President Gbagbo stated that the Bank had performed well above and beyond the financial means available to it. As he reiterated, "By dint of hard work, conviction and commitment, the Bank has made strides that have placed it where it is today: a tool of excellence, the performances of which are recognized in Africa and the rest of the world." He added that his country has turned its back on war and that the conditions were now propitious for the Bank to return to its statutory headquarters in Abidjan.

President Ben Ali of Tunisia, in a speech read on his behalf by Prime Minister Ghannouchi, cited the numerous efforts deployed by the ADB in the funding of development projects in Africa and reaffirmed Tunisia's determination to do everything it can to enable the Bank to fulfill its mandate under the best possible conditions. He called for "greater emphasis in tackling the challenges facing Africa," such as "poverty, employment, diseases and the digital divide."

The celebrations from September 9-15 included a lively presentation on the history of the Bank by one of the founding architects, Dr. Romeo Horton of Liberia. Also present were 2 other members of the original Committee of Nine, namely Mr. Sekou Traore of Mali and Mr. Mansour Moalla of Tunisia. The activities also featured sports and cultural shows. President Kabbaj drew the curtain on the landmark event with the launch of a special publication, *The ADB 40th Anniversary Book,* which features testimonials from world leaders and write-ups on all of the Bank's 77 members.

2

Bank Group Operations

The Bank Group's Operational Strategic Thrust

Operational Activities in 2004

Capacity-Building and Training Activities in RMCs

Cofinancing Lending Operations

Mobilization of Financial Resources

Debt Relief Operations under the Enhanced HIPC Initiative

Partnership and Cooperation Activities

Introduction

This chapter reviews the Bank Group's main financing operations in the context of the Bank's strategic repositioning. It covers the key sectors of Bank Group cofinancing operations, capacity building and training, mobilization of financial resources, support for debt relief under the Enhanced HIPC Initiative, and partnership and cooperation activities.

THE BANK GROUP'S OPERATIONAL STRATEGIC THRUST

The Bank Group's 2003-2007 Strategic Plan, which was approved by the Boards of Directors in 2002, aims at operationalizing the Vision Statement. Productivity growth and poverty reduction in its regional member countries remain the twin overarching objectives of Bank Group operations. In this mission it is guided by a number of key strategic priorities and modalities, as outlined in the Strategic Plan and the Annual Review of the Plan (2004). These priorities are to:

- Optimize the allocation of the Bank's human and financial resources through greater selectivity in operations;
- Maximize the development effectiveness of the Bank's operations;
- Strengthen the Bank's human, institutional, and knowledge management capabilities; and
- Maintain the financial soundness and integrity of the Bank Group.

The Strategic Plan and the recent Bank documents prepared in 2004 (such as the Bank Framework for the ADF-X Replenishment, the Revised Action Plan, the Strategic Resource Framework for Institutional Development) aim to further improve the quality of the Bank Group portfolio and its development effectiveness. The Results Measurement Framework (RMF), which began to be implemented in 2004, and the Balanced Scorecard (BSC), which was developed in 2004 and is due to be rolled out in 2005, will assist in making the Bank a fully fledged results-based institution.

The Bank recognizes that there is a need for effective implementation processes and procedures in all its operations. In this regard, the Bank in 2004 prepared, at the request of ADF Deputies, an Action Plan to tackle the key areas of staffing, decentralization-/country focus, and disbursements. The actions in the Plan are in line with the Bank's program of reforms and respond to the quest for more concrete actions to improve Fund's operations. The actions are being implemented at 3 levels: (i) within the Bank, (ii) at country level, and (iii) at the level of donor coordination and partnership with other stakeholders.

The decentralization of some Bank activities and the ongoing program of opening 25 new field offices, which started in 2000 and is scheduled for completion by 2006, will enhance the Bank's field presence, strengthen dialogue with RMCs, and bolster country ownership. The Bank continues to make efforts to improve training of both Bank and RMC staff in procurement and disbursement rules and procedures to support a move toward greater reliance on national procurement systems that conform to internationally recognized standards. In addition, the Bank will continue to strengthen development partnership arrangements with multilateral, bilateral, and regional agencies that have a similar strategic orientation and with whom enhanced cooperation can lead to a constructive division of labor and synergistic benefits.

The consultations on the ADF-X Replenishment, together with the Bank Group's framework paper on post-conflict countries (PCCs), and the ongoing review of the Bank's business in ADB countries, have provided guidance on the strategic priorities in the different RMC groups. In the 36 ADF-only countries, the overarching objective remains that of reducing poverty and promoting sustainable and equitable economic growth. This aligns with the efforts of these countries to achieve the MDGs, as detailed in their PRSPs. In these countries, the focus remains that of greater selectivity in operations, enhancement of country ownership, increased performance-based allocation (PBA) of resources, debt sustainability, support for post-conflict reconstruction and rehabilitation as well as arrears clearance, improved donor coordination and partnerships, and transparency and accountability (see Box 2.1).

The operational priority areas for ADF countries under ADF-X (2005-2007) will remain the same as under ADF-IX (2002-2004), focusing on the following key areas: agriculture and rural development; social sector (education and health); transportation; rural water supply and sanitation; private sector development; good governance; regional economic cooperation and integration; environment and sustainable development; and capacity building in RMCs.

BOX 2.1

Rationalizing Scarce Resources: The African Development Fund's Performance-Based Allocation System

The ADF performance-based allocation (PBA) system is a rational and transparent method for allocating ADF resources on the basis of performance and need. It aims to provide a transparent means of allocating concessional resources to eligible borrowers based on performance and need, placing a higher premium on performance than on need. The allocation framework is based on specific assessment criteria, viz., the Country Performance Assessment (CPA), which is made up of 2 parts: the Country Policy and Institutional Assessment (CPIA, accounting for 70 percent of the rating), and the Country Portfolio Performance Rating (CPPR 30 percent). The PBA framework seeks to achieve effective allocation of ADF resources to countries that can use these with the greatest efficiency; identify critical institutional and capacity constraints, as well as policy weaknesses; and sharpen the focus on critical areas of policy dialogue with RMCs.

During the ADF-IX period a number of improvements were introduced in line with the directives of ADF Deputies. These included:

- *Further steps to strengthen the alignment of the CPIA with poverty reduction strategies, particularly in terms of the orientation of public expenditure policies to achieve growth with equity and poverty reduction;*
- *Strengthening the coverage of public expenditures by highlighting cases where nonproductive expenditures crowd out development expenditures; and*
- *Introducing guideposts in the CPIA Questionnaire to ensure that the assessment is consistent across the RMCs through the specification of benchmark countries as the standard by which to assess individual country performances.*

With respect to the Country Portfolio Performance Rating (CPPR), the main determinant is the percentage of "projects-at-risk." The smaller the percentage of "projects-at-risk," the higher is the CPPR, and vice versa. An analysis of the CPIA results for the ADF-VIII and ADF-IX periods shows that, on average, the bulk of countries have had ratings clustered in the 3 (unsatisfactory) to 4 (satisfactory) range.

Debt Sustainability and the PBA Framework

Another new element is the issue of debt sustainability. After extensive inter-agency consultations involving the World Bank, the Bank Group, and other IFIs and stakeholders, a consensus has emerged on the new Debt Sustainability Framework (DSF) in terms of the indicative policy-dependent thresholds by which to classify countries for loan/grant financing. It has been agreed with Deputies that the new DSF will guide the loan/grant financing terms for ADF and other concessional resources. Accordingly, countries deemed likely to face debt distress by contracting additional concessional loans would only be eligible for grant financing. By contrast, countries with a low probability of debt distress, which are deemed capable of sustaining higher levels of concessional debt, would be eligible for loans only, or a combination of loans and grants, depending on the degree of debt distress risk.

Future Challenges

At the final meeting of the ADF-X Replenishment consultations in December 2004, the Deputies stressed the importance of transparency and disclosure of the outcomes of the CPA exercise as a means to exert peer pressure among borrowing member countries to enhance performance and promote good governance. It was agreed that this would support the Bank Group's efforts to encourage intellectual exchange and knowledge sharing among RMCs on governance matters. Consequently, it was agreed to make the individual CPAs and their CPIA and CPPR components fully transparent. The Bank Group now has a simplified allocation formula that will ensure that better-performing countries with good governance receive correspondingly larger shares of the resources. Post-conflict countries will also receive additional allocation in support of their rehabilitation. The new framework also provides all countries with a basic minimum allocation of UA 5 million, which will be particularly beneficial to small countries.

In post-conflict countries (PCCs), the fundamental impediment to clearing arrears is that of insufficient resources. In response, the Bank Group established in 2004 a Post-Conflict Countries Facility (PCCF) to assist these countries to clear arrears, re-engage with development partners, and eventually become fully reintegrated in the international community. This will thereby facilitate a sustainable normalization of relations with the Bank Group and help the relevant PCC qualify for debt relief under the Enhanced HIPC Initiative. In 2004, Burundi and Republic of Congo benefited from this Facility (PCCF).

In the ADB and ADB/ADF Blend countries (Middle Income Countries – MICs), the Bank will target its interventions to the priority areas defined in these countries' NDPs. Due attention will be accorded to supporting structural reforms and growth strategies and to improving the efficiency of government spending either in general or in specific types of public sector investments. Other areas of intervention will be in infrastructure financing, using innovative public–private partnership programs that will be critical both to the implementation of the NEPAD short-term action programs (STAPs) across both ADB and ADF-RMCs and to the promotion of small and medium-scale enterprises (SMEs). A high-level committee was set up in 2004 to discuss ways and means of expanding lending from its ADB window and making the ADB products more competitive. In this respect, due account will be taken of the realities of the competitive environment in which the Bank is operating, notably with respect to the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which may negatively impact the Bank's efforts to enhance its franchise value with key North Africa ADB-RMCs.

In addition to striving for greater selectivity in its operations at the country level, the Bank continued throughout 2004 to ensure that the overall funding of projects and programs reflected the operational priority sectors set out in the Strategic Plan. In this regard, the Bank maintained its focus on the key poverty-reduction areas of agriculture and rural development; human capital formation and social protection; infrastructure development and regional economic integration, particularly in the context of the NEPAD initiative. The focus on these key areas will continue during the Strategic Plan period 2005-2007.

In December 2004, the Boards of Directors approved the *Private Sector Development Strategy for the Bank Group,* which supports the advancement of this crucial sector in the continent. The Bank's interventions in the private sector mainly took the form of lines of credit – primarily for onlending to SMEs – as well as institutional capacity-building support provided to national and regional development banks.

The Bank continues to promote interventions that improve systems of governance, to mainstream gender dimensions, and promote the sustainable management of the environment. In the area of governance, a high priority is accorded to reform of the public sector, and in particular to the management of public sector expenditures. Gender mainstreaming is applied across a wide range of Bank projects with the goal of promoting gender equity and the economic empowerment of women. In the area of environment and sustainable development, the focus has been on the sustainability of rural livelihoods that are based on natural resources.

In line with the Strategic Plan, regional cooperation and integration represents another major area of engagement for the Bank. In 2004 the focus has been on: supporting capacity building in regional economic communities (RECs); the development of regional infrastructure; the creation of an enabling regional environment for the private sector; promotion of sustainable development at the regional level; and the fight against the HIV/AIDS pandemic. The Bank's support to such initiatives has increased substantially under ADF-IX, reaching UA 154 million in the first 2 years and projected to reach nearly UA 400 million by the end of the cycle.

An ongoing major activity that has received substantial support over the past 2 years (2003-2004) is the Water Initiative. This ambitious initiative (see also Chapter 4), which has received strong endorsement from the international donor community, seeks to provide access to a sustainable supply of water and sanitation for 80 percent of the rural population by the year 2015, with a view to 100 percent access by 2025, as stipulated in the Africa Water Vision and the MDGs. Attainment of this MDG will also support other MDGs, particularly in relation to health, maternal and child mortality rates, and poverty reduction generally.

During the year under review, the Bank maintained its leadership role in infrastructure, governance, and banking and financial standards, which it had been assigned by the NEPAD Heads of State and Government Implementation Committee (HSGIC) in 2001 (see Box 4.5). With respect to banking and financial standards, the Bank developed a framework for fostering such standards in its RMCs. The framework benefited from inputs from the IMF and the World Bank and it has been incorporated into the African Peer Review Mechanism (APRM). In infrastructure, the Bank has developed a rolling short-term action plan (STAP) and work has also started on the preparation of a medium- to long-term framework in close collaboration with the RECs and in cooperation with the World Bank and the European Union.

The Bank has also continued to provide debt relief under the Enhanced HIPC Initiative and to examine possible new instruments for debt sustainability. With the support of ADF donors and partial financing from the ADB window, the

Bank Group has to date extended debt relief amounting to US$ 2.6 billion in NPV terms to a total of 23 countries.

OPERATIONAL ACTIVITIES IN 2004

The year 2004 represented the first full year of operations at the Temporary Relocation Agency (TRA) in Tunis for the Bank Group, after the disruptions of 2003. Consequently, with the full resumption of activities, the amount of loans and grants (including HIPC debt relief) approved during the year rose to UA 2.79 billion, compared to UA 1.77 billion in 2003 (representing a 57.8 percent increase). There was a substantial increase in HIPC debt relief, amounting to UA 1.01 billion in 2004 compared to UA 1.85 million in 2003 and UA 451.5 million in 2002. This reflects the fact that during 2004, the Bank Group approved debt relief at completion point for 4 countries (Ethiopia, Ghana, Niger, and Senegal) and approved debt relief at decision point for the Democratic Republic of Congo. Madagascar's completion point was approved by the IMF/World Bank in October 2004 but approval by the Bank Group has yet to be formalized; this is scheduled for early 2005.

The ADB window accounted for 54.5 percent of the Bank Group total approvals during 2004. The ADB window operations more than doubled to reach UA 1.52 billion in 2004, compared to UA 745.8 million in 2003 and UA 1.07 billion in 2002. However, the private sector window share decreased to UA 164.4 million in 2004 from UA 205.8 million in 2003 and UA 198.9 million in 2002. In addition, the ADB Special Relief Fund (SRF) provided emergency support grants of UA 2.8 million to countries affected by natural disasters, such as the invasion of the desert locusts in the Sahelian subregion in 2004. Total approvals from the ADF window also significantly increased from its 2003 level of UA 998.0 million to UA 1.26 billion in 2004, which represented 45.1 percent of Bank Group operations.

BOX 2.2

Action Plan to Improve the Implementation of ADF Operations

Since 1995, the Bank has implemented a number of major initiatives aimed at improving the quality and development effectiveness of its operations, strengthening its financial management, and reinvigorating its internal organizational structure. At the request of Deputies during ADF-X Replenishment consultations, and in response to the Independent Evaluation Report of ADF-VII to IX, Management drew up a new Action Plan which was approved by the Boards in December 2004. The proposed actions have been grouped into 4 priority areas, namely:

- *Improving Bank capacity and responsiveness, in particular, in the areas of staffing, decentralization of Bank operations and disbursements;*
- *Enhancing the quality of Bank operations;*
- *Strengthening the Bank's research function; and*
- *Improving development effectiveness, in close collaboration with development partners.*

The Bank has relaunched the staff recruitment drive, which had been suspended following the temporary relocation of the Bank to Tunis. By early November 2004, 106 new staff had been competitively selected for recruitment. Staffing at the professional level will increase by 280 during ADF-X compared to the level during ADF-IX, about 50 percent of whom will be in the Operations Complexes. The Bank has developed a Human Resources Strategy that fosters a corporate climate whereby all employees and work groups are encouraged to contribute actively to the Bank's corporate objectives. This strategy, which is under implementation, will be regularly reviewed to ensure that it reflects key priorities and that it positions the Bank to attract and retain high-caliber staff.

Apart from improving portfolio quality and enhancing disbursement rates through the decentralization process, another core element of the new Action Plan is to strengthen the research function, particularly in areas that relate to the practical operations of the Bank and its mission. Within the Action Plan, a critical analysis will be undertaken of the characteristics of the Bank's African character and its comparative advantage vis-à-vis other development agencies. Through the Communications Strategy, which is currently under preparation, and the Bank Group Disclosure of Information Policy, which was approved in 2004, the Bank will also continue to consult with its various stakeholders on how to enhance implementation effectiveness and the development impact of its operations.

As the focus on implementation increases, the Bank will intensify its involvement in the harmonization agenda and consolidate its strategic alliances and partnerships in a drive to reduce costs for borrowing countries and improve its operational effectiveness. The principal expected outcomes of this Action Plan are improved capacity and responsiveness within the Bank, better portfolio management and development effectiveness at the country level, and a position of intellectual leadership in African development issues.

The amount of grants significantly increased to UA 216.7 million in 2004 as compared to UA 174.5 million in 2003 and UA 87.6 million in 2002, in line with the new policy framework for ADF operations. However, the share of grants of the total approvals declined from 9.9 percent in 2003 to 7.7 percent in 2004. In addition to ADF lending operations for programs and projects, during 2004 two grants totaling UA 41.3 million were approved under the new Post-Conflict Countries Facility (PCCF). This was for arrears clearance for Burundi and the Republic of Congo, to enable them to re-engage with the donor community. The Nigeria Trust Fund (NTF) operations significantly declined to UA 9.3 million in 2004 from UA 22.5 million in 2003.

During 2004, the principal financing instrument was debt and debt service reduction, which accounted for 37.7 percent of the total approvals. These comprised 9 approvals for HIPC debt relief and 2 grants from the PCCF; followed by project lending (32.8 percent) comprising 33 project loans (all for the public sector), 5 lines of credit (4 for the private sector), and one sector investment and

TABLE 2.1

Bank Group Approvals by Financing Instrument, 2002-2004

(UA millions)

	2002			2003			2004		
Financing Instrument	**Number**	**Amount**	**%**	**Number**	**Amount**	**%**	**Number**	**Amount**	**%**
Project Lending	**62**	**1,187.31**	**58.2**	**61**	**1,184.73**	**67.1**	**39**	**913.42**	**32.8**
Public and Publicly -Guaranteed	*51*	*988.41*	*48.5*	*53*	*978.89*	*55.4*	*35*	*752.25*	*27.0*
Project Loans	45	753.77	37.0	49	793.63	44.9	33	703.44	25.2
Sector Investment and Rehabilitation	-	-	-	-	-	-	1	36.00	1.3
Lines of Credit	6	234.64	11.5	4	185.27	10.5	1	12.81	0.5
Private Non-Publicly Guaranteed	*11*	*198.90*	*9.8*	*8*	*205.84*	*11.7*	*4*	*161.17*	*5.8*
Project Loans	5	98.43	4.8	3	91.40	5.2	-	-	-
Lines of Credit	6	100.47	4.9	5	114.44	6.5	4	161.17	5.8
Policy-Based Lending	**8**	**276.94**	**13.6**	**10**	**404.59**	**22.9**	**13**	**602.96**	**21.6**
Sector Adjustment	1	82.47	4.0	5	280.76	15.9	2	210.25	7.5
Structural Adjustment	7	194.47	9.5	5	123.83	7.0	11	392.71	14.1
Grants	**36**	**87.64**	**4.3**	**70**	**174.53**	**9.9**	**60**	**216.68**	**7.7**
Technical Assistance	*30*	*46.56*	*2.3*	*20*	*25.84*	*1.5*	*33*	*99.96*	*3.5*
Project Cycle Activities	8	8.46	0.4	10	13.76	0.8	10	22.22	0.8
Institutional Support	22	38.10	1.9	10	12.08	0.7	23	77.74	2.8
of which Private Sector	-	-	-	-	-	-	1	1.60	0.1
Project Grants	-	-	-	*39*	*145.11*	*8.2*	*21*	*113.91*	*4.1*
Special Relief Fund	*5*	*4.58*	*0.2*	*11*	*3.58*	*0.2*	*6*	*2.82*	*0.1*
Emergency Assistance	5	4.58	0.2	11	3.58	0.2	6	2.82	0.1
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
DRC Debt Relief Grant	*1*	*36.50*	*1.8*	-	-	-	-	-	-
Project Preparation Facility	**1**	**0.40**	**0.0**	**2**	**0.61**	**0.0**	**-**	**-**	**-**
SFM Debt Alleviation	**2**	**34.60**	**1.7**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and Grants Subtotal	**109**	**1,586.89**	**77.8**	**143**	**1,764.46**	**99.9**	**112**	**1,733.06**	**62.1**
of which ADB	*29*	*880.08*	*55.5*	*28*	*745.84*	*42.3*	*18*	*808.57*	*46.7*
ADF	*78*	*696.85*	*43.9*	*110*	*996.11*	*56.5*	*92*	*915.25*	*52.8*
NTF	*2*	*9.96*	*0.6*	*5*	*22.51*	*1.3*	*2*	*9.25*	*0.5*
Other Approvals:									
HIPC Debt Relief	**8***	**451.52**	**22.1**	**2**	**1.85**	**0.1**	**9**	**1,009.13**	**36.2**
Post Conflict Country Facility	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**41.30**	**1.5**
Equity Participation	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**3.21**	**0.1**
Public Equity	-	-	-	-	-	-	-	-	-
Private Equity	-	-	-	-	-	-	1	3.21	0.1
Guarantee	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public Guarantees	-	-	-	-	-	-	-	-	-
Private Guarantees	-	-	-	-	-	-	-	-	-
Loan Reallocations	**1**	**0.54**	**0.0**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL APPROVALS	**118**	**2,038.95**	**100.0**	**145**	**1,766.31**	**100.0**	**124**	**2,786.70**	**100.0**
of which ADB	*31*	*1,068.06*	*52.4*	*28*	*745.84*	*42.2*	*23*	*1,519.54*	*54.5*
ADF	*84*	*960.74*	*47.1*	*112*	*997.96*	*56.5*	*99*	*1,257.91*	*45.1*
NTF	*3*	*10.14*	*0.5*	*5*	*22.51*	*1.3*	*2*	*9.25*	*0.3*

Source : ADB Statistics Division

** The 8 approvals in 2002 were in 5 countries, 1 of which was supported by both ADB, ADF and NTF, 1 by ADB and ADF and another 3 by ADF alone.*

- Magnitude zero

0.0 Magnitude less than 20 percent of the unit employed

rehabilitation. Policy-based lending accounted for 21.6 percent of the approvals, comprising 11 structural adjustment loans and 2 sectoral adjustment loans; while 60 grants accounted for 7.7 percent of the approvals during the year, comprising 33 technical assistance grants, 21 project grants, and 6 special relief fund grants.

Private sector project lending approvals declined from UA 205.8 million in 2003 to UA 161.2 million in 2004, representing 5.8 percent of total Bank approvals during the year. These comprised 4 lines of credit (LOCs) to strengthen financial institutions' capacity to provide longer-term loans to SMEs and corporate clients in order to increase their productive capacities and export potential. In addition there was 1 equity participation for the private sector, amounting to UA 3.2 million. Furthermore, one private sector grant for UA 1.6 million was allocated to ATMS III/AMSCO for institutional support.

In 2004, the Bank Group financed programs and projects in 34 countries, compared to 37 countries in 2003, many in collaboration with other multinational institutions and bilateral donors. In approving funds for projects and programs, the Bank Group accorded priority to regional economic cooperation and integration, through enhanced utilization of its ADF multinational window. This is in line with its commitments to promoting regional public goods within the framework defined by the NEPAD initiative and its short-term action plan for infrastructure. In the same vein, it also started, in the SADC subregion, the preparation of a Regional Integration Assistance Strategy (RIAS) to better focus its multinational assistance. With regard to multinational operations, there was a slight decrease in approvals in 2004, amounting to UA 219.2 million, accounting for 12.6 percent of total loan and grant approvals, as compared to UA 287.2 million in 2003 and UA 22.1 million in 2002.

Bank Group Loan Approvals by Sector in 2004

During 2004, Bank Group continued to prioritize the key sectors of agriculture and rural development, human capital formation (education, health, and social protection), infrastructure development, and regional economic integration. Due attention continued to be paid to the crosscutting issues of gender, good governance, environmental sustainability, and the fight against HIV/AIDS and other communicable diseases. In addition, the Bank approved substantial amounts for rural water supply and sanitation, in support of the Africa Water Vision and MDGs. The ADF window, which addresses poverty reduction in low-income countries in the continent, continued to focus on these key sectors, which accounted for 68.4 percent of the total ADF lending approvals for the year.

TABLE 2.2
Bank Group Approvals by Sector, 2004
(UA millions)

Sector	Loans			Grants			Loans and Grants		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	13	228.91	15.1	13	45.59	21.0	26	274.49	15.8
Social	7	77.91	5.1	22	79.22	36.6	29	157.13	9.1
Education	*3*	*20.73*	*1.4*	*6*	*19.03*	*8.8*	*9*	*39.76*	*2.3*
Health	*4*	*57.18*	*3.8*	*9*	*44.78*	*20.7*	*13*	*101.96*	*5.9*
Other	-	-	-	*7*	*15.41*	*7.1*	*7*	*15.41*	*0.9*
Water Supply and Sanitation	4	92.55	6.1	6	27.89	12.9	10	120.45	6.9
Power Supply	2	48.06	3.2	2	7.98	3.7	4	56.04	3.2
Communication	-	-	-	-	-	-	-	-	-
Transport	9	492.44	32.5	4	6.81	3.1	13	499.25	28.8
Finance	5	173.98	11.5	-	-	-	5	173.98	10.0
Multisector	12	402.52	26.5	12	47.50	21.9	24	450.02	26.0
Industry, mining and quarrying	-	-	-	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-	-	-	-
Environment	-	-	-	1	1.70	0.8	1	1.70	0.1
Total Loans and Grants	**52**	**1,516.38**	**100.0**	**60**	**216.68**	**100.0**	**112**	**1,733.06**	**100.0**
Other Approvals	**-**	**-**	**n.a.**	**-**	**-**	**n.a.**	**12**	**1,053.64**	**n.a.**
HIPC Debt Relief	-	-	n.a.	-	-	n.a.	9	1,009.13	n.a.
Post Conflict Countries Facility	-	-	n.a.	-	-	n.a.	2	41.30	n.a.
Equity Participation	-	-	n.a.	-	-	n.a.	1	3.21	n.a.
TOTAL APPROVALS	**52**	**1,516.38**	**n.a.**	**60**	**216.68**	**n.a.**	**124**	**2,786.70**	**n.a.**

Source : ADB Statistics Division
- Magnitude zero
n.a. Not applicable

Agriculture and rural development operations were geared toward increasing agricultural production, promoting agricultural diversification, and enhancing innovations in agricultural technologies. In addition, attention was given to improving food security, promoting agricultural marketing and agrobusiness development, building national capacities in sustainable natural resource management and biodiversity, as well as improving the social and health conditions of rural populations. The social sector operations, particularly in education and health, aimed at increasing access to and improving the quality of social services delivery; controlling the HIV/AIDS pandemic; and providing support for poverty reduction to promote the welfare of populations and the attainment of the MDGs. Operations in infrastructure development were mainly targeted to road development, water supply and sanitation, and power supply, as these have a marked impact on the living standards of the rural populations in the RMCs.

Agriculture and rural development lending approvals during 2004 reached UA 228.9 million for 13 operations, accounting for 15.1 percent of total lending as compared to UA 195.2 million (12.3 percent) for 14 operations in 2003. Infrastructure project lending amounted to UA 633.1 million for 15 operations (comprising 9 approvals for transportation, 4 approvals for water supply and sanitation, and 2 approvals for power supply), representing 41.8 percent of total lending approvals. These approvals are lower than those in 2003, which amounted to UA 673 million (42.3 percent) for 27 operations. Lending approvals for the 7 social sector projects amounted to UA 77.9 million (comprising 3 approvals for education and 4 approvals for health), representing 5.1 percent of total lending approvals as compared to UA 269.0 million (16.9 percent) for 17 operations in 2003.

Financial sector approvals during the year amounted to UA 174.0 million for 5 operations, accounting for 11.5 percent of total lending as compared to UA 299.7 million (18.9 percent) for 9 operations in 2003. This support comprised 5 lines of credit to support financial institutions' onlending activities to private sector enterprises, including SMEs. Approvals for 12 multisector projects (which include public sector management, and institutional support for capacity building and good governance) amounted to UA 402.5 million, accounting for 26.5 percent of the total as compared to UA 123.8 million (7.8 percent) for 5 operations in 2003. These operations mainly comprised policy-based lending

FIGURE 2.1

Bank Group Loan Approvals by Sector, 2004
(percentages)

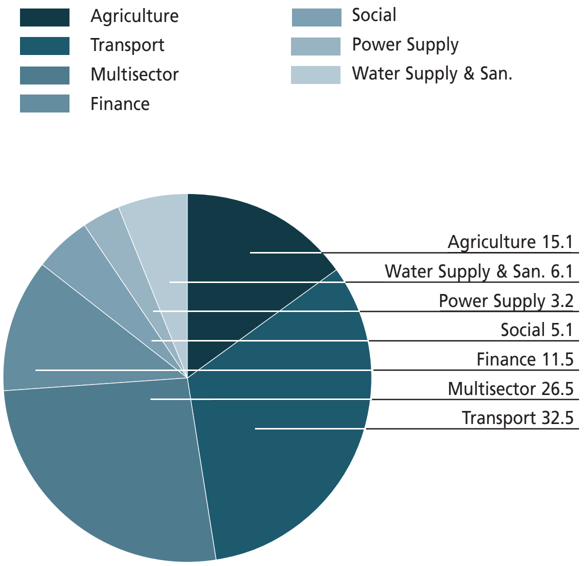
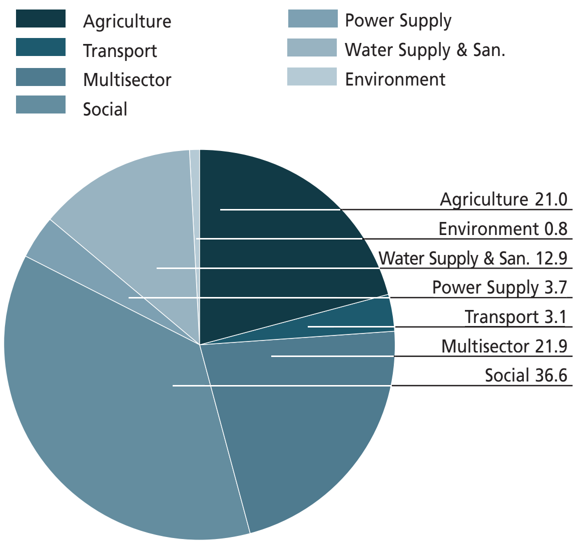


FIGURE 2.2

Bank Group Grant Approvals by Sector, 2004
(percentages)



through one major sector adjustment loan, structural adjustment loans, and institutional support for capacity building and good governance. These loans were for countries pursuing macroeconomic reforms, designed to encourage private sector-led investments, poverty reduction projects/programs, and the promotion of good governance. For those countries that had improved their budget management framework, the Bank Group's policy-based lending was channeled through Development Budget Support Loans (DBSLs), which contribute to the enhancement of harmonization and alignment of donor assistance to RMCs.

Bank Group Grant Approvals by Sector in 2004

The provisions of ADF-IX financing policy require the Fund to allocate between 18 and 21 percent of its resources in the form of grant funding (and up to 27 percent of the allocations for those low-income countries whose per capita income falls below US$ 360) for propoor investment projects. These include projects in the areas of HIV/AIDS interventions, post-conflict reconstruction, selected investments in education, health, and the provision of water and sanitation, and natural disaster reconstruction, in addition to institutional support and capacity-building operations.

During the year, Bank Group grant operations increased substantially in 2004 to UA 216.7 million for 60 operations, compared to UA 174.5 million for 70 operations in 2003. During 2004, the ADF window grant operations amounted to UA 213.9 million for 54 operations, compared to UA 170.9 million for 59 operations (excluding HIPC) in 2003.

Grant operations during 2004 continued to focus on the key sectors of agriculture and rural development, the social sector and infrastructure development, which together represented 77.3 percent of total grant allocations. The multisector category was second with grant allocations amounting to UA 47.5 million for 12 operations, representing 21.9 percent of total grant approvals. The grants for multisector operations were principally used for institutional support to countries within the framework of their sectoral adjustment programs, as well as support for the promotion of good governance in a bid to strengthen the Bank's lead role in this priority area.

The social sector, comprising mainly health and education operations, received the largest share of the grant allocations in 2004 with 22 approvals, amounting to UA 79.2 million (36.6 percent of total grant approvals), compared to UA 64.0 million (36.7 percent) in 2003. This was followed by the multisector category with UA 47.5 million (21.9 percent) in 2004, compared to UA 7.8 million (4.5 percent) in 2003. The agriculture and rural development sector with 13 operations received UA 45.6 million (21.0 percent of total grant approvals) compared to UA 40.7 million (23.3 percent) in 2003. Water supply and sanitation sector with 6 operations was allocated UA 27.9 million (12.9 percent) compared to UA 40.7 million (23.3 percent) in 2003. The power supply sector received UA 8.0 million (3.7 percent), transportation UA 6.8 million (3.1 percent), and environment UA 1.7 million (0.8 percent) in 2004, compared to UA 7.6 million (4.3 percent), UA 9.3 million (5.3 percent), and UA 3.0 million (1.7 percent) in 2003, respectively.

Project Preparation Facility (PPF)

The Bank introduced the Project Preparation Facility (PPF) in 2002 to assist RMCs to undertake technical studies to prepare projects for the Bank's pipeline, thereby improving their quality at entry and their implementation success rate. Since the PPF inception, 8 operations have been approved, amounting to UA 2.8 million. During 2004 no PPF was approved.

Cumulative Bank Group Loan and Grant Approvals by Sector and Region

During the period 1967-2004, the Bank Group cumulatively approved 2,898 loans and grants amounting to UA 34.95 billion, of which UA 1.20 billion was for grants. Of this cumulative amount, the ADB resources financed 59.0 percent of the operations while concessional ADF resources accounted for 40.1 percent and NTF 0.9 percent. Fifty-two countries and several multinational institutions in Africa have received funding of projects and programs in the sectors of: agriculture and rural development (18.3 percent); transportation (16.7 percent); multisector (15.2 percent); finance (13.4 percent); social sectors (11.6 percent); power supply (9.1 percent); water supply and sanitation (7.5 percent); industry, mining and quarrying (5.5 percent); and other sectors (2.7 percent).

The regional distribution of the cumulative Bank Group loans and grants in the period 1967-2004 was as follows: North Africa region (32.5 percent), West Africa (23.8 percent), East Africa (14.8 percent), Southern Africa (13.8 percent), and Central Africa (12.0 percent). The remaining 3.1 percent of the resources supported multiregional operations.

Programmed Operational Activities in 2005

In line with the Strategic Plan and the ADF-X guidelines, the operational priorities under ADF-X will remain largely the same as under ADF-IX. The Bank will target its support principally to the key areas of agriculture and rural development, education and health, including the fight against HIV/AIDS and other communicable diseases, private sector development, good governance, regional economic cooperation and integration, gender mainstreaming, environment and sustainable development, integrated water resources management, capacity building, and support to post-conflict countries. These areas will account for about 75 percent of the ADF resources in 2005.

The global lending objectives of the Bank Group for the year 2005 amounts to UA 2.25 billion. To achieve these objectives, the Bank has proposed an indicative work program, the cost of which is estimated at UA 2.84 billion for 2005.The programmed lending under the ADB window, amounting to UA 1.15 billion, will be allocated to the strategic areas in line with the Strategic Plan (accounting for about 84 percent of total ADB operations) as follows: private sector development (41 percent) comprising purely private operations; socioeconomic infrastructure development (30 percent); assistance in macroeconomic management and multisector operations (13 percent); agriculture and rural development (7 percent), and human resources and capital development (6 percent). The crosscutting areas of good governance, environment, gender and regional development will account for 2.7 percent of ADB window operations, while other strategic areas like macroeconomic management and multisector policy-based operations will account for 13 percent.

The ADF window resources for 2005, amounting to UA 1.62 billion (of which UA 310.4 million are grants), are to be allocated as follows: agriculture and rural development (33 percent); socioeconomic infrastructure development (27 percent); human resources and capital development (15 percent); macroeconomic management assistance and multisector policy-based operations (11 percent); support to regional economic cooperation and integration (8 percent). Stand-alone operations for institutional capacity building, advisory services and knowledge transfer have been allocated 2.1 percent of the ADF resources, while the balance covers specific stand-alone projects to mainstream the crosscutting issues of good governance, environment protection, and gender mainstreaming.

FIGURE 2.3

Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2004
(percentages)

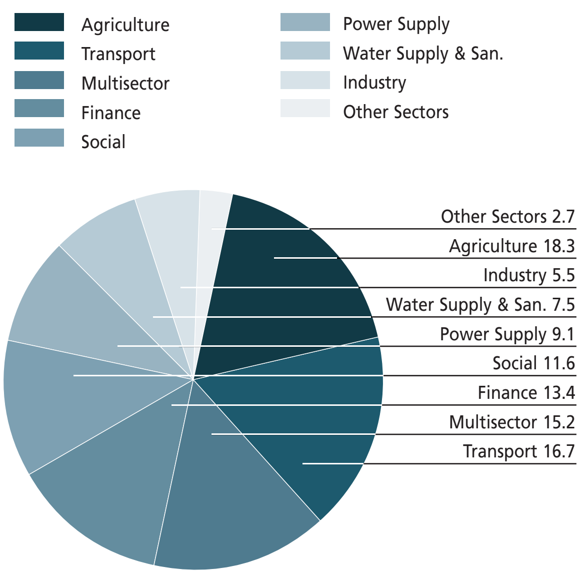
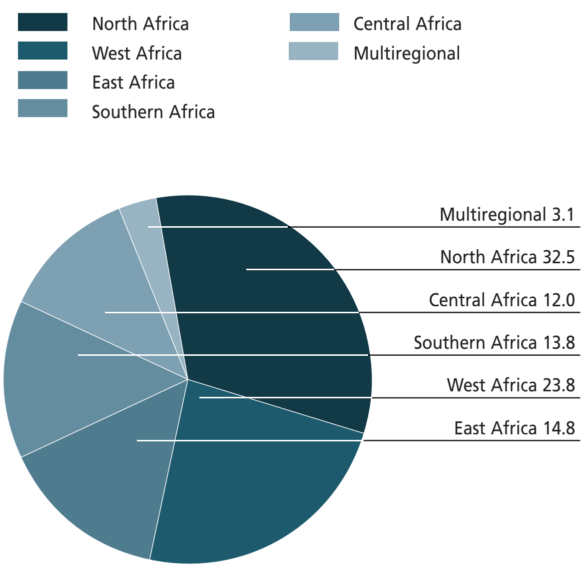


FIGURE 2.4

Cumulative Bank Group Loan and Grant Approvals by Region, 1967-2004
(percentages)



The NTF resources during 2005 will mainly be allocated in the area of socioeconomic infrastructure development (52 percent); human resource capital development (24 percent); agriculture and rural development (19 percent); and regional cooperation and economic integration (5 percent).

CAPACITY-BUILDING AND TRAINING ACTIVITIES IN RMCS

The Bank supports capacity-building activities in its RMCs through various means: the provision of training; assistance to institutions; and facilitating knowledge dissemination from different sources. Capacity-building activities implemented by the Bank's African Development Institute (ADI) in 2004 included workshops, seminars, and symposia. The Bank also provided support to the Joint Africa Institute (JAI) and helped to organize courses and seminars to meet the needs of officials and experts from RMCs. During the year under review, the Bank continued its support to the African Capacity Building Foundation (ACBF) as well as managing the implementation of the Japan Fellowship Program, which is funded by the Japanese Government. This provides 12 scholarships per annum to young Africans who wish to pursue a Master's degree in a field related to economic and social development to the benefit of their home countries.

Project-related Training

Project implementation workshops aim to build skills in project management and knowledge of Bank procurement, disbursement, and audit procedures for effective resource management. They also facilitate useful feedback on Bank Group operations as they serve as an interface between the Bank and its RMCs. In 2004, a total of 12 workshops attended by 401 participants were conducted in 11 regional member countries.

In 2004, the Bank continued to support the implementation of the Agricultural Management Training for Africa program, which is now in its second phase (AMTA II). The program seeks to improve the implementation of agricultural projects financed by IFAD, the ADB, and the World Bank. A total of 12 countries (9 in Sub-Saharan Africa and 3 in North Africa) participated in the program during 2004. In addition, the AMTA Coordination Unit of the ADB is assisting 12 agricultural projects in countries that are not participating in the current phase of the program to organize training activities for their staff, namely the Gambia, Ghana, Madagascar, Malawi, Mali, and Senegal.

Development Management Training

The Bank continued to organize several seminars and conferences in 2004 on issues related to development management in cooperation with other institutions. The Annual Meetings Symposium, jointly organized with UN Economic Commission for Africa (ECA) in Kampala, Uganda, was devoted to the theme of "Closing the Gender Gap: Promoting Gender Equality for Growth and Development in Africa" (see Chapter 1). It was followed at these Annual Meetings by a symposium on "ADB's 40 Years of Contribution to the Development of Africa." Both symposia attracted over 400 participants. A second symposium related to ADB's Fortieth Anniversary celebration took place in Tunis in September 2004.

The ADB also co-organized 2 seminars with *Euromoney,* namely the "Second African School for International Law" and "Financial Instruments and ADB Lending Products." The Bank also contributed to the organization of the Montreal Conference on "Competing in a Fast Changing World" (400 participants), the Third Trade Policy course in cooperation with the ECA and the WTO (65 participants), 2 meetings for African trade experts and negotiators in cooperation with ECA (150 participants), and a Forum on "Better Access to Energy for Africans" in cooperation with the OECD (60 participants). During the year, the Bank contributed with other MDBs to 3 activities: a "Regional Harmonization Workshop," organized in Dar Es Salaam, Tanzania (150 participants), a meeting on Capacity Building (15 participants), and an ad hoc meeting on "Volatility and Shocks in Low Income Countries" (35 participants).

The ADB, IMF, and the World Bank, under the auspices of the JAI, sponsored 5 seminars that drew on the expertise and experience of Bank personnel as resource persons. These seminars focused on a variety of themes: "NEPAD and Regional Integration" (38 participants), "Treasury Risk Management Tools" (30 participants), "SME Development" (30 participants), "Risk Management for Development Finance Institutions" (66 participants) and "Franchising" (30 participants). The one-week seminar on "Risk Management for Development Finance Institutions" was organized in collaboration with the Development Bank of Southern Africa, the Industrial Corporation of South Africa, and the Joint Africa Institute (JAI). The program, which was held in Cape Town, South

TABLE 2.3
Cofinancing Operations by Source and Sector, 2004
(UA millions)

Sector	SOURCE OF COFINANCING									Total Cost of Co-financed Projects	Multi-plier Coef-ficient
	Bank Group Contribution				External Sources				Local **		
	ADB (1)	ADF (2)	NTF (3)	Total (4)=(1)+(2)+(3)	Bi-lateral (5)	Multi-lateral (6)	Other * (7)	Total (8)=(5)+(6)+(7)	(9)	(10)=(4)+(8)+(9)	(11)=(8)/(4)
Agriculture and Rural Development	21.50	69.05	9.25	99.79	-	42.69	-	42.69	16.53	159.01	0.43
Social	-	70.87	-	70.87	4.12	51.53	-	55.65	9.02	135.54	0.79
Water Supply & Sanitation	-	2.10	-	2.10	2.10	17.17	-	19.27	1.61	22.98	9.18
Power	-	5.35	-	5.35	-	22.23	-	22.23	2.08	29.66	4.16
Communications	-	-	-	-	-	-	-	-	-	-	-
Transportation	207.75	56.04	-	263.79	19.75	96.36	-	116.11	9.65	389.54	0.44
Finance	-	-	-	-	-	-	-	-	-	-	-
Multisector	180.99	227.97	-	408.96	586.53	1,118.62	-	1,705.15	3.76	2,117.87	4.17
Industry, Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Environment	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**410.23**	**431.38**	**9.25**	**850.86**	**612.50**	**1,348.59**	**-**	**1,961.09**	**42.65**	**2,854.60**	**2.30**

* *Including private sources such as commercial banks, export credits and unspecified sources.*
* * *Including government and local financiers.*

Africa, was sponsored by the Japanese Trust Fund and attracted some 66 participants from 25 institutions.

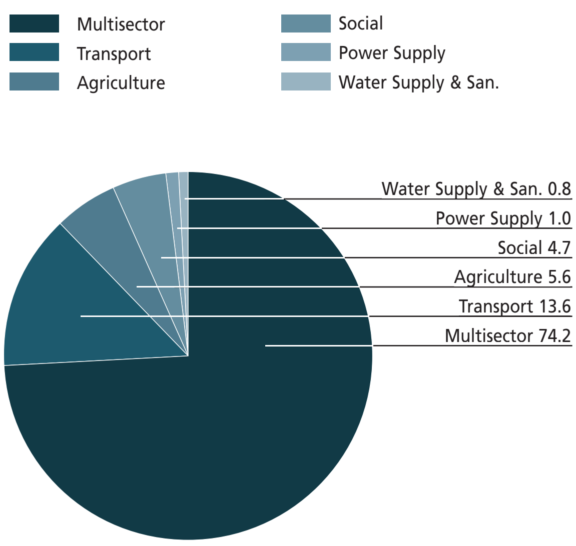
During 2005, the Bank will continue with its training and capacity-building activities for its RMCs aimed at improving the development effectiveness of its operations by enhancing the efficiency of the executing agencies. These activities will comprise: 16 project management workshops focusing on project cycle management, procurement, disbursement, auditing and accounting; 6 courses in development management training to be organized through the JAI; a trade policy course to be held jointly with the WTO; a forum on African Development Perspectives to be held jointly with the OECD; the ADB Annual Meetings Symposium; and management of the Japan Fellowship program.

COFINANCING LENDING OPERATIONS IN 2004

Cofinancing of operations continues to play an important role in the Bank's efforts to mobilize external resources for its RMCs. In 2004 the Bank Group and its development partners cofinanced 31 projects and programs, the total cost of which amounted to UA 2.85 billion, compared to UA 3.91 billion for 28 projects and programs in 2003. The Bank Group's contribution to these activities totaled UA 850.9 million in 2004, compared to UA 734.1 million in 2003, while that of its partners was UA 1.96 billion in 2004, compared to UA 2.51 billion in 2003. The beneficiary countries contributed UA 42.6 million compared to UA 70.4 million in 2003. Multilateral partners, principally the World Bank and the IMF, accounted for about 69.0 percent and bilateral agencies 31.2 percent of the external contribution. The main bilateral cofinanciers during

FIGURE 2.5

Cofinancing Operations by Sector, 2004
(percentages)



the year were: the UK (37.6 percent), Sweden (6.3 percent), The Netherlands (4.0 percent), and Denmark (3.7 percent). Other bilateral partners were Belgium, Canada, Finland, France, Germany, Ireland, Japan, Norway, Saudi Arabia, and Switzerland.

The distribution of the cofinanced activities during 2004 was as follows: multisector, UA 2.12 billion (74.2 percent); transportation, UA 389.5 million (13.6 percent); agriculture and rural development, UA 159.0 million (5.6 percent); social sector, UA 135.5 million (4.7 percent); power supply, UA 29.7 million (1.0 percent); and water supply and sanitation, UA 22.9 million (0.8 percent).

Cumulatively, the Bank Group approved 833 cofinancing activities during the period 1967-2004 amounting to UA 81.05 billion, with the Bank Group contributing UA 14.5 billion (17.9 percent) from its own resources. Multilateral and bilateral cofinanciers contributed UA 47.6 billion (58.7 percent), and governments and other local cofinanciers in RMCs contributed UA 19.0 billion (23.4 percent).

MOBILIZATION OF FINANCIAL RESOURCES

The ADF-X Replenishment Consultations

In December 2003 the Boards of Directors recommended the ADF Boards of Governors to authorize the commencement of the consultations for the Tenth General Replenishment of the resources of the African Development Fund (ADF-X). This entailed 4 separate meetings during the year, the first of which was held in Geneva, Switzerland on February 16-17, 2004.

At the first ADF Consultations, the Deputies supported the broad thrust of Management's preliminary proposal for the strategic orientation of Fund activities under ADF-X, and agreed that poverty reduction and the promotion of sustainable economic growth should remain the overarching objectives of Fund operations. They agreed to retain the operational priority areas of ADF-IX while underscoring the importance of selectivity and respecting the parameters of the agreed priorities, and asked for further clarification in upcoming meetings and in the draft Deputies' Report. With respect to providing assistance to post-conflict countries, Deputies welcomed the initiative and proactivity of the Fund on the matter. They requested Management to look further into several aspects, including: the moral hazard issue, unbundling arrears clearance and post-conflict assistance, and the links to the Enhanced HIPC Initiative.

The second ADF-X Replenishment Consultations were held in Kampala, Uganda, from May 27-28, 2004. Ministers from Burundi, Ethiopia, and Zambia took part in the meetings representing borrowing countries. The Deputies welcomed the Action Plan to improve the implementation of ADF operations in response to the independent external evaluation, and noted that it was ambitious and comprehensive. They asked for the following: prioritization of the proposed actions; clear indicators to assess results; and the timeframe for each action to be clearly spelt out. They also requested that it be harmonized with the recommendations of the Independent Evaluation, and that a revised Action Plan be presented at the next consultative meeting. Deputies endorsed the proposal for the decentralization of Bank operations, but emphasized the need for a prudent approach, one that would also ensure that the correct mix of staff was posted in these offices.

There was also strong overall support for the Bank's Rural Water Supply and Sanitation Initiative (RWSSI) during the Consultations. However, the Deputies stressed that the Fund's involvement in water and sanitation interventions at the country level should be determined through the PRSP process and channeled through the normal ADF country allocation system, in coordination with other initiatives in the sector. In addition, Deputies requested Management to develop a more comprehensive plan for the implementation and financing of the Initiative.

Further, Deputies endorsed the proposed *Framework for Clearing the Arrears of Post-Conflict Countries.* They asked Management to make some revisions in line with the comments and recommendations expressed at the meeting and to submit the revised proposal at the next meeting. They also gave a positive initial response to Management's proposal that UA 50-60 million of cancellations under ADF-IX be used as the initial contribution of the Fund. This is to enable the Bank to provide assistance to the early post-conflict countries in advance of the official establishment of the Framework. Deputies encouraged Management to prepare a joint information note with the other IFIs on their coordinated arrears clearance policies and practices, while noting that this will not be a condition for moving ahead on the Framework.

The third meeting with Deputies took place at the Bank's TRA in Tunis during September 16-17, 2004. On this occasion, Deputies firmly endorsed the revised *Action Plan to Improve the Implementation of ADF Operations* as providing a sound basis for the Tenth Replenishment. They also urged Management to continue discussions with the ADF Board on the implementation and funding of the Plan, and asked to be kept informed. A consensus was also reached on the need for an effective debt sustainability framework to help to determine the appropriate financing terms of ADF support to member countries. Deputies requested that further work be undertaken, particularly on the thresholds and incentives of the emerging Debt Sustainability Framework and its long-term impact on the Fund's finances. They requested the Fund to work closely with the IDA and IMF to ensure that a common framework be established, to reflect the specific circumstances of the Fund and its borrowers. They also reaffirmed their support for the further strengthening of ADF as a key African development institution, in view of its central role in assisting member countries to accelerate economic growth and reduce poverty.

During the fourth and final meeting, held on December 16-17, 2004, in Copenhagen, Denmark, Deputies reached a decision on the Tenth Replenishment of the Fund. In line with commitments made at Monterrey, Johannesburg, and at the G8 meetings, and in recognition of the increased absorptive capacity of a number of ADF countries following wide-ranging reforms implemented by the Bank and other development partners over the last decade, the Deputies agreed on a replenishment level of UA 3.7 billion (approximately US$ 5.4 billion) over the ADF-X period, 2005-2007. This represents an increase of about 43 percent over the amount of resources mobilized under ADF-IX. The Deputies agreed that the terms of ADF-X financing will be based on each country's degree of debt distress, in line with the emerging consensus on the IMF/World Bank Debt Sustainability Framework. However, a stronger emphasis will be placed on grants for countries with a high risk of debt distress.

The Tenth Replenishment of the ADF incorporates a number of significant new features:

- The share of grants in the overall replenishment was more than doubled from 21 percent under ADF-IX to about 44.5 percent. More specifically, for two-thirds of the ADF eligible countries (26 RMCs), ADF assistance will be in the form of grants only, while for 3 other countries, the allocation of grants will be increased to 45 percent, and the remaining 11 RMCs will receive their allocations in loans only.
- In support of the increased commitment shown under the NEPAD initiative for regional integration, the Deputies increased the allocation for multinational projects by 50 percent (from 10 to 15 percent of total ADF resources).
- The Deputies agreed that a substantial share of total resources would be used in support of the Bank's Rural Water Supply and Sanitation Initiative (RWSSI) in the context of country priorities.
- Strong support was also provided for the Bank's Post-Conflict Countries Facility (PCCF) initiative by including in the replenishment an initial allocation of UA 100 million (approximately US$ 146 million), with a commitment to increase this amount as required.
- Deputies also endorsed Management's proposal to introduce an advanced commitment authority (ACA) scheme at the ADF, as a mechanism to utilize more efficiently the commitment capacity emanating from "internally generated resources."

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 cash-flow requirements, assets and liability management goals, and risk management policies. In order to support these borrowing activities, the Bank has available for its use an array of instruments to access the international capital markets. These include a Global Debt Issuance Facility and a Euro Commercial Paper Program. These programs are flexible documentation facilities allowing convenient and continuous issuance, giving access to a large investor base in a wide range of capital markets.

In 2004 the Bank was selectively present in several segments of the capital market. The Bank raised funds through small-sized structured transactions, executed with an attached swap, to take advantage of attractive funding opportunities. The Bank returned to the Samurai market in Japan through a JPY 5 billion transaction. All these transactions were swapped into floating interest rate in US Dollars.

The Bank continued to consolidate its presence in the public bond markets. After successful global benchmark dollar bond issues in 2002 and 2003, the Bank launched in November 2004 a US$ 500 million bond transaction with maturity in January 2010. The all-in-cost of US$ LIBOR less 20 bps for the bond issue represents the best level achieved so far by the Bank in the public bond markets and a better appreciation of the Bank's creditworthiness among the investor community.

As of December 31, 2004, the borrowing portfolio of the Bank stood at UA 5.65 billion. The Bank is well within its debt policy limits. The key debt ratios are as follows:

- Total debt/total callable capital (max 80 percent): 29.16 percent
- Senior debt/non-borrowing members' callable capital (max 80 percent): 58.00 percent
- Total debt/usable capital (max 100 percent): 52.80 percent.

For the year 2004, the ADB Board of Directors approved in January 2004 a borrowing program of up to UA 1.074 billion. The Bank raised UA 418 million at a weighted average cost of 6-month US Dollar LIBOR minus 27.4 basis points and a weighted average maturity of 4.24 years.

Local Currency Funding

The Bank laid the groundwork in 2004 for local currency bond issues in African domestic markets. Local currency issues are expected to facilitate the financing of Bank operations in local currency and to promote the development of domestic bond markets across the continent. The Bank's borrowers will gain from reduced foreign exchange risk exposure and the economies of RMCs will benefit from mobilization of domestic savings, better capital allocation, and development of an efficient financial sector.

An initial assessment of the continent's capital markets was undertaken on the basis of a set of criteria and due diligence. While borrowing opportunities have been identified in several African currencies, following discussions with potential investors, government officials and regulatory bodies, the progress in each currency will depend on the set criteria. The Bank will pursue this strategic activity in the coming years with the objective of pioneering supranational issuance of bonds denominated in African currencies.

DEBT RELIEF OPERATIONS UNDER THE ENHANCED HIPC INITIATIVE

The Bretton Woods Institutions (BWIs), in close cooperation with other development partners, including the Bank Group, launched the Heavily-Indebted Poor Countries (HIPC) debt relief initiative in 1996. Following a global consultative review in 1999, which included NGOs and a wide spectrum of civil society, the key objectives of the HIPC Initiative were enhanced to achieve deeper, broader, and faster debt relief and to link freed-up resources from debt relief to poverty reduction projects and programs. This was the first international response to provide comprehensive debt relief to the 40 poorest and most heavily indebted countries around the world, including 32 African RMCs.

Under the Enhanced HIPC Initiative, an eligible HIPC reaches its decision point when the Boards of the IMF and the World Bank determine that its external debt is unsustainable (the threshold criterion being a debt-to-exports ratio of 150 percent) and should be reduced and that the country, in addition, has formulated a satisfactory interim or full poverty reduction strategy. In qualifying for debt relief, a country also agrees to implement satisfactorily its poverty reduction strategy, maintain macroeconomic stability, and undertake an agreed set of structural reforms. Progress on these undertakings is assessed after 2-3 years. If it is then determined that the country has fulfilled these undertakings to a satisfactory level, the country is deemed to have reached its "completion point," at which time debt relief becomes irrevocable. The major international financial institutions such as the African Development Bank, the IMF, and the World Bank begin to deliver debt relief at the decision point (referred to as interim relief), while a number of other creditors provide debt relief only at the completion point.

Decision Point Operations

The impact of HIPC has been considerable, particularly for the Bank Group and its eligible RMCs. Out of the 32 RMCs that are classified as HIPC, as at end December 2004, 23 countries are now benefiting from the Bank's debt relief under the Enhanced HIPC Initiative. Among the 23 RMCs, 11 are in the interim period, between decision and completion points, namely: Cameroon, Chad, Democratic Republic of the Congo (DRC), The Gambia, Guinea, Guinea-Bissau, Malawi, Rwanda, São Tomé and Príncipe, Sierra Leone, and Zambia. Table 2.4 below provides details of the HIPC debt relief cost for these RMCs, estimated at US$ 1.53 billion in decision point NPV terms, and equivalent to US$ 2.73 billion in nominal terms.

Maintaining macroeconomic stability remains a challenge for the RMCs that are still in the interim period. Of the above-mentioned 11 RMCs, 4 are on track with their macroeconomic reforms, namely the DRC, Rwanda, Sierra Leone, and Zambia. These countries have all made steady progress in the implementation of their IMF and IDA supported programs and have put in place economic adjustment programs supported by PRGF (Poverty Reduction and Growth Facility) arrangements. The remaining 7 RMCs, which reached their decision point in 2000/2001, were expected to reach their completion point in late 2003 or in 2004, but have yet to do so. They have experienced difficulties in policy implementation, particularly in the areas of

TABLE 2.4

Status of Enhanced HIPC Debt Relief Implementation as at December 31, 2004

(US$ millions)

Country	Approval Dates		Total Debt Relief Committed		Last Date of Debt Relief	Total Debt Relief Delivered		As % of Total Debt Relief Committed		40 Percent ceiling limit Date [4]
	Dec. Point	Compl. Point	Cost NPV Terms	Cost nom. Terms		NPV Terms	Nom. Terms	NVP Terms (%)	Nom. Terms (%)	
COMPLETION POINT CASES										
Benin	Jul-00	Mar-03	37.6	46.5	Apr-09	19.5	21.7	52.0	46.7	Irrevocable
Burkina Faso	Jun-00	Apr-02	86.7	125.7	Oct-20	28.8	31.6	33.2	25.2	Irrevocable
Ethiopia	Nov-01	Apr-04	339.5	461.4	Sep-21	84.5	90.8	24.9	19.7	Irrevocable
Ghana	Feb-02	Jul-04	130.9	160.2	Jan-13	55.1	58.7	42.1	36.6	Irrevocable
Madagascar	Dec-00	Oct-04	60.1	80.4	Mar-13	23.6	25.2	39.4	31.3	Irrevocable
Mali	Sep-00	Mar-03	69.7	86.4	Jul-10	31.8	34.8	45.6	40.3	Irrevocable
Mauritania	Feb-00	Jun-02	72.8	90.7	Apr-11	36.9	40.6	50.7	44.8	Irrevocable
Mozambique	Apr-00	Sep-01	22.3	29.3	Sep-10	9.9	11.2	44.6	38.2	Irrevocable
Niger	Dec-00	Apr-04	50.0	86.3	Dec-24	7.5	8.2	15.0	9.5	Irrevocable
Senegal*	Jun-00	Apr-04	56.8	65.4	May-06	35.3	39.0	62.2	59.6	Irrevocable
Tanzania	Apr-00	Nov-01	124.9	190.7	Jul-17	36.6	41.0	29.3	21.5	Irrevocable
Uganda	Feb-00	May-00	59.3	78.6	Mar-12	24.8	27.8	41.8	35.4	Irrevocable
Subtotal			**1,110.5**	**1,501.6**		**394.5**	**430.6**			
INTERIM PERIOD CASES **										
Cameroon [1]	Oct-00	2005-Q4	78.6	90.1	Mar-06	31.4	33.3	40.0	37.0	Sep-03
Chad [1]	May-01	2005-Q4	36.9	49.4	Apr-12	9.8	10.6	26.5	21.5	Apr-04
DRC [2]	Jul-03	2006-Q4	905.1	1804.9	Sep-24	85.8	87.6	9.5	4.9	Jul-07
Gambia [1]	Dec-00	2006-Q2	15.8	19.6	Jan-09	6.3	6.8	40.0	34.6	Jul-03
Guinea [1]	Dec-00	2005-Q3	75.3	89.1	Apr-07	30.1	26.2	40.0	29.4	Oct-03
Guinea Bissau [2]	Dec-00	2005-Q4	50.8	85.0	Jan-24	14.0	15.2	27.5	17.9	Dec-05
Malawi [1]	Dec-00	2005-Q4	70.9	98.2	Jan-14	20.5	22.0	28.9	22.4	Dec-03
Rwanda [1]	Dec-00	2005-Q2	75.0	141.1	Jul-25	18.0	20.1	24.0	14.2	Dec-04
Sao Tome & Pr. [1]	Dec-00	2006-Q1	34.2	78.9	Oct-38	5.0	5.5	14.5	6.9	Dec-04
Sierra Leone [1]	Mar-02	2006-Q4	42.8	98.6	Jan-36	7.2	6.6	16.8	6.7	Jan-05
Zambia [1]	Nov-00	2005-Q2	146.1	177.6	Jul-14	58.4	61.2	40.0	34.4	Dec-03
Subtotal	**…**	**…**	**1,531.5**	**2,732.5**	**…**	**286.5**	**295.0**	**…**	**…**	**…**
PRE-DECISION POINT RMCs										
Burundi [2]	2005-Q4	Floating	73.3	206.8	…	…	…	…	…	…
Central Afri. Rep. [2]	TBD	Floating	37.1	45.2	…	…	…	…	…	…
Comoros [3]	TBD	Floating	18.8	25.2	…	…	…	…	…	…
Congo Republic [2]	2005-Q4	Floating	126.7	151.6	…	…	…	…	…	…
Cote d'Ivoire [2]	TBD	Floating	300.0	360.2	…	…	…	…	…	…
Liberia [2]	TBD	Floating	123.1	145.4	…	…	…	…	…	…
Somalia [2]	TBD	Floating	53.1	63.0	…	…	…	…	…	…
Sudan [2]	TBD	Floating	159.5	210.5	…	…	…	…	…	…
Togo [3]	TBD	Floating	13.5	20.4	…	…	…	…	…	…
Subtotal	**…**	**…**	**905.1**	**1,228.2**	**…**	**…**	**…**	**…**	**…**	**…**
TOTAL			**3,547.2**	**5,462.4**	**…**	**680.9**	**725.6**	**…**	**…**	**…**

** Senegal reached its completion point in April 2004 and will be refunded for debt relief from April to December 2004*

*** Dates for completion points are tentative*

1. These countries have had delays in reaching their completion points, as a result they are expected to pay fully their debt service obligations falling due

2. Post conflict regional member countries or in crisis

3. Others

4. Refers to the constraint of 40 percent ceiling and/or the mandatory three-year program of economic reforms

Source: World Bank and Bank Group HIPC Database

TABLE 2.5
Resources Mobilized for Bank Group HIPC Participation as at end December 2004
(US$ millions)

Source of Funds	Grants already Funded	Resources Available	Total Contribution
I- Bank Internal Resources	**211.65**	**28.97**	**240.62**
II- Other Donor Resources	**1,382.85**	**451.03**	**1,833.88**
European Community	569.13	217.76	786.89
United States	215.68	177.30	392.98
United Kingdom	236.10	0.13	236.23
Italy	31.43	5.10	36.53
Germany	24.63	1.71	26.34
Canada	38.02	2.13	40.15
Belgium	10.69	0.70	11.39
Denmark	16.78	-	16.78
Japan	73.23	43.27	116.51
Netherlands	83.75	1.34	85.08
Switzerland	32.91	-	32.91
Norway	8.37	-	8.37
Sweden	12.63	-	12.63
Portugal	15.68	-	15.68
Ireland	5.07	-	5.07
Finland	2.31	1.59	3.90
Luxembourg	0.24	-	0.24
Investment Income	6.21	-	6.21
TOTAL	**1,594.50**	**479.99**	**2,074.50**

public resource management and structural reform, political disturbances, and exogenous shocks. Among these, 3 RMCs (Cameroon, Chad, and Malawi) have recently encountered difficulties in the implementation of their programs, mainly in the fiscal policy area, and are pursuing measures to put their economic programs back on track. Restoring macro-economic stability in the other 4 RMCs (Gambia, Guinea, Guinea Bissau, and São Tomé & Príncipe) will require a major effort to address obstacles in public resource management and structural reforms. Furthermore, creating a stable and favorable democratic environment remains a priority in Guinea-Bissau and São Tomé and Príncipe.

Completion Point Operations

Five RMCs reached their completion points during 2004, as approved by the Boards of the IMF/World Bank viz. Ethiopia, Ghana, Madagascar, Niger, and Senegal. (It should be noted, however, that Madagascar's completion point has yet to be officially approved by the Bank Group; this is scheduled for early 2005.) The 7 RMCs that had already reached their completion point prior to 2004 are: Benin, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania, and Uganda. Consequently, 12, or over half of the 23 RMCs, have now reached the completion point and have therefore qualified to receive irrevocably all debt relief committed under the Enhanced HIPC Initiative. Table 2.4 also provides details of the debt relief cost for the 12 completion point RMCs, estimated at US$ 1.11 billion in decision point NPV terms, and equivalent to US$ 1.50 billion in nominal terms.

Grant agreements have been duly concluded between the Bank Group and the enhanced HIPC Trust Fund. To date, a total of US$ 2.07 billion has been mobilized by the HIPC Trust Fund for the Bank Group to finance interim and completion point debt relief for these RMCs (see Table 2.5). The Bank has signed debt relief agreements with the respective RMCs, and as a result the Bank Group has delivered a total of US$ 1.59 billion to these countries (see Table 2.5).

PARTNERSHIP AND COOPERATION ACTIVITIES

The Bank Group's 2003-2007 Strategic Plan aims, among other things, at enhancing and deepening the strategic partnerships that exist between the Bank and other bilateral and multilateral development agencies. In line with this objective, the Bank continued to strengthen its collaboration with these development partners in 2004. In particular, the Bank undertook a Trust Fund Reform Study aimed at reviewing the key issues of management of trust funds, aid coordination, and resource mobilization. The Bank also continued to intensify its efforts in (i) mobilization of non-statutory resources; (ii) enhancing the leverage of the use of mobilized resources; (iii) developing and strengthening strategic alliances and partnerships with development agencies and institutions; and (iv) improving reporting mechanisms on the use of resources and enhancing the impact of trust funds on the Bank's operations.

At the end of the year, preparatory work on a Harmonization Action Plan, based on the inputs of the 4 working groups (Procurement, Environment, Governance, and Results-based Management) was at an advanced stage. This Action Plan sets out operational activities to mainstream the Rome Donor Harmonization Agenda within Bank Group policies and procedures, as well as in the RMCs. It also includes the development of indicators for monitoring and evaluation of the implementation of this agenda. In November 2004, the Bank organized the Second Africa Regional Workshop on Harmonization and Alignment for Development Effectiveness and Managing for Results in Dar es Salaam, Tanzania. This workshop was preparatory to the Second High-level Forum (HLF-2) on Harmonization and Alignment to be held in Paris in February/ March 2005.

At donor level, the Bank cosponsored, together with the Asian Development Bank, the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank, the World Bank, and the OECD/DAC the Second Roundtable on Managing for Development Results, which was held in February 2004 in Marrakech, Morocco. During the year, several coordination meetings were held with UN specialized agencies (UNESCO, UNICEF, UNFPA, WFP, FAO, UNDP, among others) and the Bank undertook many joint activities with these agencies, including the identification of operations in the RMCs.

The scope of the Bank partnership and cooperation efforts can be grouped in terms of the following areas: cofinancing operations, bilateral technical cooperation, multilateral technical cooperation, and collaboration with RECs, as outlined below.

Cofinanciers

Arab Bank for Economic Development in Africa (BADEA)
During 2004, the Bank Group and the Arab Bank for Economic Development in Africa (BADEA) were involved in the cofinancing of the Namibia Tandjieskoppe Green Scheme project. BADEA's contribution amounted to UA 7.0 million and that of the Bank Group UA 21.3 million.

Canada
During 2004 the Bank and Canada, together with several other cofinanciers, funded 2 PRSP support programs in Ethiopia and Tanzania. The Canadian contributions were UA 12.9 million for Ethiopia and UA 7.9 million for Tanzania.

European Investment Bank (EIB)
The Bank and the European Investment Bank (EIB) cofinanced, between 2003 and 2004, 3 projects amounting to UA 251.7 million. The EIB and the ADB Group contributed, respectively, UA 157.2 million and UA 94.4 million.

European Union (EU)
The respective contributions of the European Union (EU) and the ADB were UA 400.5 million and UA 391.6 million. The 2 institutions cofinanced a total of 7 projects, with a contribution by the EU amounting to UA 136.7 million. The cofinanced projects were: one Structural Adjustment Program (SAP) in Gabon; one SAP in Mali; one PRSP in Burkina Faso, one economic reform program in Cape Verde, one poverty reduction program in Ethiopia, and 2 support programs for the PRSPs in Rwanda and Tanzania.

France
In 2004 the Bank Group and France cofinanced a Supplementary Poverty Reduction Strategy in Burkina Faso at a total cost of UA 121.2 million. The French contribution amounted to UA 4.3 million and that of the Bank Group UA 15.5 million. The other cofinanciers were the World Bank, the IMF, and the European Union.

International Fund for Agricultural Development (IFAD)
In 2004 the Bank Group and the International Fund for Agricultural Development (IFAD) cofinanced the Participatory Integrated Watershed Management project in The Gambia. The total cost of the project was UA 12.0 million, of which IFAD contributed UA 4.9 million and the Bank UA 5.0 million.

International Monetary Fund (IMF)
The Bank Group and International Monetary Fund (IMF) cofinanced 5 multisector projects and programs, amounting to approximately UA 706.0 million, in Burkina Faso,

Cape Verde, Gabon, Mali, and Rwanda. The contribution of the IMF to all the multisector projects amounted to UA 93.1 million, representing 7.6 percent of the total contribution by the Bank Group's cofinanciers.

Islamic Development Bank (IsDB)
The Islamic Development Bank (IsDB) and the Bank Group jointly financed the Mauritania–West Brakna Irrigation Scheme. The IsDB contribution amounted to UA 4.6 million and that of the Bank Group UA 7.0 million.

Japan
The Government of Japan provided UA 3.4 million to cofinance the Tanzania Poverty Reduction Support Program. The ADF contribution was UA 50.0 million. Other cofinanciers in the program included the World Bank (UA 103.7 million), the UK's Department for International Development (DFID) (UA 74.0 million), the EU (UA 24.9 million), the Netherlands (UA 11.7 million), Sweden (UA 10.4 million), Norway (UA 9.6 million), Canada (UA 7.9 million), Denmark (UA 4.8 million), Ireland (UA 4.1 million), the German Development Bank (UA 3.4 million), Finland (UA 1.4 million), and SADC (UA 4.0 million).

Nordic Development Fund (NDF)
During 2004 a delegation from the Nordic Development Fund visited the Bank to discuss ways to further enhance collaboration between the 2 institutions. One of the projects already identified for cofinancing is the Mineral Resources and Capacity Building in Uganda, to which the NDF has contributed UA 4.9 million. In addition, the 2 parties cofinanced the Uganda Farm Income Enhancement and Forest Project and the Lake Tanganyika Integrated Regional Project; the NDF contributions being UA 4.1 million and UA 8.1 million respectively.

OPEC Fund for International Development
During 2004 the OPEC Fund cofinanced 4 projects with the Bank Group, namely: (i) Education-IV in Chad, (ii) Rural Health Project III in Kenya, (iii) Toliara Province Road Project in Madagascar, and (iv) the Namibia–Tandjieskoppe Green Scheme Project. The contributions of the OPEC Fund were UA 3.3 million, UA 5.4 million, UA 4.7 million, and UA 4.1 million respectively.

World Bank
In 2004 the Bank Group and the World Bank cofinanced 7 projects amounting to UA 1.25 billion in Burkina Faso, Cape Verde, Ethiopia, Mali, Rwanda, Tanzania, and Uganda, in addition to 2 multinational projects. The 9 projects were in the multisector domain of water and mineral resources development. The contribution of the World Bank to these projects amounted to UA 455.1 million, representing 37 percent of the total Bank Group cofinancing contribution.

Bilateral Technical Cooperation
Bilateral technical cooperation mainly involves mobilization, management, and administration of grant resources entrusted to the Bank Group by some of its members to support its institutional building and project-cycle activities in the RMCs. During the year 2004, a total of UA 30.4 million was mobilized from Nigeria and Canada. The Canadian contribution of C$ 25.0 million was in support of the African Water Facility (AWF) and Water Partnership Program (WPP), while the Nigerian contribution of US$ 25.0 million was to promote technical assistance services to RMCs.

In the year 2004 an amount of UA 8.8 million was committed from the bilateral grant resources to finance 93 activities in areas such as capacity building and knowledge transfer, regional integration, agricultural and rural development, private sector development, governance, human resources development, and gender. The specific activities financed included preinvestment studies, training, the provision of long-term experts, and workshops and seminars.

Austria
During 2004 the Austrian authorities expressed interest in reinforcing their cooperation with the Bank. The Bank and the Austrian Government have successfully concluded negotiations on a new Technical Cooperation Agreement, to be presented to the Board in early 2005. In December 2004, an Austrian business delegation visited the Bank in Tunis. One of the companies, GEOSAT, made a presentation to the Bank staff on satellite mapping technology for water and mining.

Belgium
Belgium approved a total of 7 activities funded by the Fonds d'études (Study Fund) managed by the Bank. Two technical assistance activities were funded (one short-term public health expert for € 44,000 and the expenses of one environmental specialist amounting to € 39,000). The preparation of 3 gender profiles was also financed (one study of the border countries of Mali, Guinea, and Senegal for € 25,000, one study of the border countries of CAR, Cameroon and Chad for € 27,000, and

one study of Eritrea for € 29,000). In addition, 2 other activities were financed from the same fund: one project preparation mission to promote employment in the Republic of Congo for € 44,000 and one study of the mining sector in Rwanda for € 400,000.

The Walloon Export Agency (AWEX) has approved € 42,000 for a one-year extension of the contract of the Operations Expert who joined the Bank with funding from the Walloon Regional Technical Assistance Fund. The implementations of the operations already approved by the Walloon Region continued throughout 2004.

In October 2004 a top-level delegation of Belgian investors, led by HRH Prince Philippe of Belgium and His Excellency M. Marc Verwilghen, Minister of Economy and Foreign Trade, met with the senior representatives of the Bank in Tunis. Further, a technical meeting between the ADB group and Belgium was held in December 2004 to review current activities and to consider areas of possible future collaboration. The Belgian authorities indicated their wish to maintain the priorities defined in their current strategy.

Canada

Canada has approved C$ 20 million in total to the African Water Facility, half of which has already been made available. The contribution to institutional support is C$ 5 million and the agreement is scheduled to become operational in 2005. From the existing Canadian grant, a total of C$ 1.3 million was released for the financing of 7 institutional and operational activities, including financial support for: Bank Group case studies on economic risk analysis; a workshop on franchising; a study on girls' education; a contribution to the Bank Water Week; analysis on needs of training for OPEV; and participation at the Montreal Conference on "Competing in a Fast Changing World."

Canada also provided seed funding amounting to C$ 10 million to operationalize the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF) in 2004, which is to be transformed into a multi-donor facility. Denmark has already contributed US$ 500,000 to the Facility. The annual High-Level Consultative Meeting between the Canadian authorities and the Bank Group was held at the end of 2004. The meeting focused on the Bank's key strategic sectors, thematic priorities, and on the efforts being made to enhance development effectiveness and results-based management within the context of the MDGs.

An independent evaluation of the Canada–ADB Trust Fund (CATF) was undertaken during the second semester of 2004 to assess, firstly, whether the Fund should be replenished and, secondly, whether its current terms and conditions correspond to the needs of the Bank, RMCs, and Canadian development objectives. The conclusions of the report were positive.

China

The ADB/China Annual Consultation was held in September 2004 to discuss the future utilization of the Chinese Grant, as the Government of China had expressed interest in refocusing its use. In this regard, it was agreed that the Grant could be expended on joint Afro-Sino seminars, the first of which would be organized during the year 2005 somewhere in Africa to mark the Twentieth Anniversary of the People's Republic of China as a member of the ADF. Furthermore, the Bank Group organized a Business Opportunities Seminar in Tunis for the officials and members of the China Association of International Engineering Consultants (CAIEC). At the seminar, the Bank Group explained its operations, priorities, as well as the business opportunities and prospects generated through these operations.

Denmark

In 2004 the Danish Government approved a total of DKK 2.9 million from the Danish Consultancy Trust Fund to finance 2 activities: a Small-Scale Horticulture Development Project in Kenya and Review of the Bank Group Assistance to the Social Sector of Ghana and Tanzania. Furthermore, a renewable energy expert funded by the Danish authorities commenced his assignment with the Private Sector Department of the Bank in January 2004.

As a follow-up to a Business Opportunities Seminar held in Denmark in November 2002 and in response to growing interest from the Danish business community to participate in the Bank's activities, a business delegation led by the Danish Ministry of Foreign Affairs visited the Bank in April 2004. The delegation was introduced, through a number of thematic seminars, to the Bank's policies and operations in the sectors of interest to the Danish business. The participants were also given the opportunity to discuss specific projects in bilateral meetings with the respective Bank staff. Annual bilateral consultation meetings between the Bank and the Government of Denmark took place in Tunis in June 2004. The Bank Group President visited Denmark in November 2004 with the aim of enhancing bilateral cooperation and, more specifically, to discuss the mobilization of resources for the replenishment of the ADF.

Finland

Early in 2004 the Bank launched a recruitment mission to Finland in order to promote the Bank and recruit qualified professionals. In October 2004 a delegation from the Finnish business sector visited the Bank to learn more about the Bank's policies and operations and to explore the possibilities of closer collaboration. The visit was organized in collaboration with the Finnish Expert and Service Organization (Finpro) and included representatives from the Finnish Ministry of Foreign Affairs. The delegation made presentations to the Bank's staff on the following topics: telecommunications technology (by Nokia), geo services for Africa (by Geological Survey of Finland), energy projects in Africa (by Wärtsilä Development and Financial Services), and solar energy opportunities in Africa (by FinnSolar).

France

The Bank and French authorities held consultation meetings in June 2004, during which the key priorities of the Technical Cooperation Agreement were reaffirmed as NEPAD, water, and microfinance. France also provided € 37,000 for the financing of the Bank's new website.

The Bank Group and the Agence française de développement (AfD) held 2 high-level meetings to formulate a strategic partnership between the institutions. In addition, 2 technical-level thematic meetings were held. The first was a joint French Government and AFD mission to discuss sponsorship and collaboration on the RWSSI and to prepare for a multi-donor conference sponsored by the French Government which will be held in Paris in early 2005. The second was an initial contact mission from the "Département du Pilotage et des Relations Stratégiques" of the AfD. These contacts enabled the institutions to agree on areas of future collaboration, namely water, energy, NEPAD, and knowledge management/research.

As part of its efforts to increase the level of private sector participation in Bank-financed operations and other public–private partnership activities in Africa, the ADB organized with UBIFRANCE a Business Opportunities Seminar in Paris, which was attended by about 50 French entrepreneurs. The President of the Bank also attended a similar event organized by the Conseil des Investisseurs Français en Afrique Noir (CIAN).

Germany

Bilateral relations between Germany and the Bank date back to 1975, mainly through the auspices of the Deutsche Gesellschaft für Technische Zusammenarbeit – (GTZ) and the German Bank for Reconstruction (Kreditanstalt für Wiederaufbau – KFW). Germany contributed UA 17.0 million during 2004 in support of the Bank's participation in the Enhanced HIPC Initiative. In 2004 the German authorities approved the secondment of 3 long-term Technical Assistance Experts in the areas of strategic planning, finance/budgeting and water to assume duties in the immediate future. Germany also provided resources for a high-level Environmental Management Desk Officer to be based in the Operations Complex of the Bank, to work exclusively on ADB-financed projects in the Maghreb. German authorities and Management agreed that further secondments and/or technical expertise are desirable and should be considered in the light of the experience gathered with the first batch of experts (e.g. in the fields of poverty and results-based management). Negotiations with regard to a Technical Cooperation Agreement are underway.

India

The Indian authorities approved a total of UA 958,166 for financing the ADB/ECA "Conference on Communicating for Development in Africa," Governance Profiles Study for Swaziland and technical assistance for operations evaluations. Included in this approval is the ADB Service Level Agreement Study, technical assistance for the development of the website of the International Comparison Program for Africa (ICP-Africa), a study of Rural and Transport Support Project for Ethiopia, and a study for the Multi-country Project of Local Service Delivery and Pro-poor Outcomes.

A delegation from the Project and Trade Finance Group of the Export–Import Bank of India visited the Bank in June 2004 to hold discussions with the Director of the ADB's Private Sector Department on the possibility of cofinancing projects for this sector.

Further, the President of the Bank paid an official visit to India in November 2004, at which time he met the Prime Minister and the Governor for the ADB Group and

Minister of Finance of India. They exchanged views on India's economic situation and prospects, the major role that the Bank plays in the preparation and implementation of the Infrastructure Program of NEPAD, the Bank's cooperation with Export-Import Bank of India, the use and replenishment of the Indian Technical Cooperation Grant, and the enhancement of the collaboration between the Bank and India.

The Bank held Business Opportunities Seminars in New Delhi, Mumbai, and Bangalore in November 2004 to promote business opportunities in Africa as well as those deriving from Bank Group operations on the continent. The Bank also held bilateral meetings with the Indian Ministry of Finance on the use and management of the Indian Technical Assistance Grant, as well as with the Export-Import Bank of India on the operationalization of the MOU on cofinancing between the 2 institutions.

To enhance India's participation in the developmental goals of the African continent, the Confederation of Indian Industry (CII) and the Export-Import Bank of India, together with the Indian Government Ministries of Commerce and of External Affairs, are organizing the first Conclave on "India–Africa Project Partnerships 2005" in New Delhi on March 2-4, 2005. The CII has invited the Bank to help organize the event.

Italy

In 2004 Italy approved 2 activities, namely a supplementary financing of € 19,415 for the Primary Healthcare Centers Project in Morocco, as well as a second long-term technical assistance grant for the education subsector for US$ 80,000. The Bank and Italy held several consultation meetings to discuss possible amendments to the existing Technical Cooperation Agreement, to facilitate the use of the resources. As a result, the Italian authorities extended eligible activities/areas under the Fund to include post-conflict, NEPAD, and water.

Japan

Under the Japan Policy and Human Resources Development Grant (PHRDG), Japan approved a total of UA 536,581 in 2004 to finance the following activities: the 2004/2005 ADB/Japan Fellowship Program; the Seminar on Risk Management for Development Finance Institutions in the SADC Region; a Business Opportunities Seminar; and an audit of PHRDG. In addition, the Japan Bank for International Cooperation (JBIC) seconded one of its staff members to the Operations Evaluation Department (OPEV) of the Bank as Post-Evaluation Officer for a 2-year period starting July 2004.

The Governor of JBIC met the President of the Bank in September 2004 in Tunis, at which time views were exchanged on strengthening the cooperation, particularly on the development of Sub-Saharan Africa through the Bank's water and sanitation initiative at the country level. A consultation meeting was held in August 2004 in Tunis, where an MOU between the JBIC and the Bank Group was finalized. The President of the Bank and the Governor of the JBIC signed this in November 2004, when the President visited Japan. During the visit, the President also held meetings with various parties, including the Ministry of Finance, the Ministry of Foreign Affairs, JICA, and the Japan Water Forum. Under the JBIC-ADB MOU, the 2 institutions will cooperate in the following areas: (i) development and implementation of poverty reduction strategies, including capacity-building activities; (ii) development and implementation of sectoral policies and studies; (iii) design and implementation of economic and institutional reforms including capacity-building activities; (iv) conducting joint evaluations of projects; (v) dissemination of the lessons of the Asian development experience; (vi) aid harmonization; (vii) intellectual partnership with regional development banks; and (viii) other areas as may be agreed upon between the 2 parties from time to time.

The Bank also participated in the TICAD Asia-Africa Trade and Investment Conference held in Tokyo on November 1-2, 2004. The Vice-President, ONVP, delivered a keynote address covering the Bank Group assessment of the private sector in Africa and risk management pertaining to private sector investment. In addition, in December 2004, a JIBC delegation visited the Bank to discuss the operationalization of the newly signed MOU and the joint evaluation of water sector projects in Morocco. A delegation headed by a representative of the Japan International Cooperation Agency (JICA) in Tunis also visited the Bank in December to discuss the organization of a seminar for African French-speaking countries.

Korea

In December 2004 the Export-Import Bank of Korea gave its approval to second one of its staff members to the Private Sector Department of the Bank as an SMEs Development Specialist for a 2-year period starting January 2005. The Ministry of Finance and Economy of Korea also plans to second one of its staff members to the Finance Complex of the Bank to be funded under the Korean Technical Assistance Grant, in the anticipation that the selection process would soon be finalized for this position.

Preparations were also made during the year for a Senior Policy Forum on "The Korean Development Experience and Its Implications for African Development", which will include field visits. Due to time constraints, the Forum was rescheduled to take place in Seoul in 2005. A delegation led by the Director, International Financial Institutions Division, International Finance Bureau of the Ministry of Finance and Economy of Korea, visited the Bank in September 2004 to discuss the detailed arrangements for the proposed Senior Policy Forum.

The Technical Cooperation Agreement between the Government of Korea, the Bank, and the Fund was amended in 2004 in order to improve the utilization of these resources and streamline the administration of this Agreement. A delegation led by the Director of African Department of the Export-Import Bank of Korea visited the Bank in November 2004 to discuss collaboration between the Bank and Korea in general, and between the Bank and the Export-Import Bank of Korea in particular.

The Netherlands

During the year 2004, UA 1.2 million was disbursed from the 3 existing Dutch thematic trust funds, namely the ADB-Netherlands Water Partnership Program; the PRSP Trust Fund; and the FINESSE (Financing Energy Services for Small-scale Energy Users in Africa) Trust Fund. These trust funds are being implemented on a parallel basis and are managed by the Bank. The Netherlands Water Partnership contributed a major portion of the funding for the ADB First Water Week, held in Tunis in July 2004. Under FINESSE a staff training workshop was held in September and a Wind Energy Seminar and a subregional expert meeting in Tunis in October 2004. The PRSP Trust Fund financed a Harmonization Workshop in November 2004 in Dar es Salaam, Tanzania, and a training workshop for staff at the Bank.

A number of Dutch delegations, including some from the Dutch business sector, visited the Bank during the year to discuss wide-ranging issues of mutual interest, such as poverty reduction, support harmonization, corporate decentralization, results-based management, infrastructure, water, energy, anticorruption policies, etc. The President visited the Netherlands in November to discuss topics of interest, in particular the ADF-X replenishment.

Nigeria

In April 2004 the Government of Nigeria signed a Technical Cooperation Agreement with the Bank Group, extending a grant of US$ 25.0 million for a period of 10 years. This is the largest bilateral trust fund in the Bank Group's history, and reinforces the role that Nigeria has played as a longstanding partner of the Bank since 1964. The Nigerian Technical Cooperation Fund (NTCF) targets resources to support projects and programs in Africa in the areas of science and technology, health, business and finance, agriculture, education, public administration, and regional integration. Other areas highlighted in the NTCF agreements include: capacity building and institutional support initiatives; provision of technical assistance related to the rehabilitation of projects experiencing difficulties; technical assistance in the preparation of policy studies; midterm reviews and audits; provision of training and capacity building; and post-evaluation activities.

The Federal Republic of Nigeria established the NTCF in order to achieve the following 4 main objectives, namely: (i) to contribute to the economic development and social progress of the RMCs; (ii) to promote African solidarity, regional integration, and the economic independence of African countries; (iii) to prepare and implement development projects and programs for the benefit of the RMCs; and (iv) to expand the framework for cooperation between the Bank and Nigeria for the benefit of the RMCs. In 2004, 3 operations were financed under the NTCF: the NEPAD Infrastructure Development Medium-term to Long-term Strategic Framework Study (MLTSF) for a total amount of US$ 1.41 million; a study on the Establishment of a Free Trade Area within the Community of Sahel-Saharan States (CEN-SAD) for US$ 50,000; and the Extension of the Northern Corridor Rail Network for an amount of US$ 1.0 million.

Norway

A new Technical Cooperation Agreement with the Norwegian Agency for Development Cooperation (NORAD), which had been approved by the Board in October 2003, was signed in January 2004 during the visit of the Governor for Norway. The Agreement made NOK 5 million (approx. UA 443,000) available to the Bank. In 2004, 4 activities were approved under this Agreement, namely: an Environmental Impact Assessment for the Tandjieskoppe Green Scheme Project in Namibia;

2 Multisector Country Gender Profiles for Angola and for South Africa; and the development of Environmental and Social Assessment Guidelines for Financial Intermediaries. In February 2004, the Assistant Director for the Department for Civil Society and Private Sector Development, NORAD, visited the Bank to explore ways of strengthening the collaboration between the 2 institutions.

Portugal

In 2004 the Portuguese authorities approved 2 activities, namely: (i) the implementation of training documents in Portuguese on project-cycle activities and Bank procedures, with workshops in PALOP countries (UA 110,000); and (ii) Governance Profiles for all the PALOP countries (UA 331,000). The Portuguese authorities and the ADB agreed to work closely together to revise the existing Technical Cooperation Agreement. A new Technical Cooperation Agreement, which is to be presented to the ADB Board during the first quarter of 2005, will include the following revisions: (i) introduction of Bank fiduciary responsibility; (ii) increased untied portion of the grant to recruit African consultants; (iii) an automatic disbursement of funds when resources fall below € 300,000; and (iv) an allocation of € 2.0 million in the form of grants to the Fund. Between February and December 2004, the Bank benefited from the assistance of a Portuguese-funded intern who was assigned to the Partnership and Cooperation Division. Also during the year 2004, as a means to promote interest in ADB activities, a Business Opportunities Seminar was organized in Lisbon, which attracted the participation of about 80 Portuguese companies.

Spain

In 2004 the Bank and Spanish authorities concentrated on enhancing the Technical Cooperation portfolio and ensuring an optimal utilization of the funds. The Spanish Technical Cooperation Fund also extended resources to the DACON Migration program within the context of the SAP project. A delegation from the Ministry of Economic Affairs visited the Bank during the year to hold discussions on the following topics: the replenishment of the Spanish Trust Fund; the Spanish contribution to the various thematic and multi-donor initiatives in the Bank, and a proposed recruitment mission to Madrid in the year 2005.

Sweden

During 2004 the Swedish authorities approved a total of SEK 6.09 million under the Swedish Consultancy Trust Fund to finance the following activities: SADC-Preparation of Shared Watercourses Support Project; Bank of Industry Management Study for Nigeria; Rural Water Supply and Sanitation Initiative in Nigeria; and revision of the Bank's *Urban Policy*.

The Bank undertook a recruitment mission to Stockholm in March 2004. Further, in June 2004 the Bank hosted consultations with the Swedish Ministry of Foreign Affairs and the Swedish Trade Council to prepare for a visit by the Swedish business community to the Bank, which took place in November. The purpose of this visit was to give the Swedish business community the opportunity to familiarize themselves with the Bank's Group policies and operations, particularly with respect to those areas where Swedish expertise might be of particular benefit.

Switzerland

The President made an official visit to Switzerland in February 2004 at the invitation of the Swiss authorities. During the year plans were also made for a recruitment mission to Switzerland during the course of 2005. The Bank participated at the "HEC Lausanne Career Day," organized jointly by the Swiss Ministry of Foreign Affairs and AIESEC in March 2004. This provided an opportunity for the Bank to present its work to the Swiss public together with more than 40 other international organizations.

In April 2004 a Business Opportunities Seminar was held in Zurich at the invitation of the Swiss authorities. The seminar brought together a large number of representatives of the Swiss Government, private sector, and media. Several presentations were made by the ADB staff on Bank Group strategies and activities in both the public and private sectors, with an emphasis on opportunities for the Swiss business community in the Bank-funded projects. An important outcome of the Bank's visit to Switzerland has been the decision by the Swiss Government to establish a Swiss Trust Fund in support of the private sector. The negotiations regarding the establishment of the Fund are scheduled for completion in early 2005.

United Kingdom/Department for International Development (DFID)

During 2004 the Bank Group and the UK authorities, through DFID, started negotiations for an MOU on the modalities for their future field-level collaboration. The MOU will provide a legal framework for both parties to better serve their African country clients through enhanced coordination of their activities. In this way, within the limitations of their respective resources, mandates, and policies, they will be better positioned to provide appropriate and consistent financing as well as technical assistance and capacity-building services, in a cost-effective and efficient manner.

The Department for International Development (DFID) remitted the first 2 tranches (total GBP 440,000) of the UK contribution of GBP 666,000 to the multi-donor Fund for ICP–Africa Program. The International Comparison Program (ICP) is a major international statistical initiative under the auspices of the United Nations, which enjoys the full support of the international community. During the year, DFID conducted a Multilateral Effectiveness Assessment (MEFF) study, in which the Bank participated. The DFID MEFF results confirm the conclusions of the Evaluation of ADF-VII to IX commissioned by ADF Deputies, which indicate that the Bank has undertaken the necessary reforms and is at par with sister institutions.

The Bank Group organized 2 Business Opportunities Seminars in London and Tunis respectively for the members of the British Consultants and Construction Bureau (BCCB). The seminars provided the BCCB members with the opportunity to learn about the operations of the Bank Group and its priorities as well as the business opportunities and prospects generated through these operations.

During September 2004 a DFID delegation visited the Bank to discuss joint collaboration on a new DFID-sponsored Facility on Inequality, which aims to promote knowledge sharing and development of best practices on inclusive development processes. The delegation articulated the viewpoint that whilst some progress has been made vis-à-vis inequality development institutions in Asia and Latin America, much remains to be done with regard to Africa. The delegation explained that they were putting together an international committee comprising officials from various MDBs to carry forward the work of the Facility in Africa and requested an ADB-nominated representative to serve on that committee. Following this meeting, the Bank nominated a representative to participate in the work of the Facility and represent the Bank during all meetings and activities of the Facility.

Multilateral Technical Cooperation

This section covers Bank Group technical cooperation with various multilateral institutions such as the Bretton Woods Institutions, the United Nations and its specialized agencies, and regional and subregional organizations.

The Multilateral Development Banks Roundtable

The Bank Group hosted the fourth MDBs meeting on "Trust Funds Administered by the Multilateral Development Banks" in October 2004 in Tunis. The objective of these roundtable meetings is to provide a forum for the MDBs to share experiences and best practices on trust fund management, as well as to review and harmonize their mechanisms and internal procedures. An important outcome of the meeting was the strong support expressed by sister institutions of the proposed Trust Fund Reform program. The other MDBs shared their respective experiences on issues and new trends in trust fund management, control and reporting systems, new information technologies and evaluation mechanisms, and aid coordination activities and cofinancing operations.

Arab Coordination Group (ACG)

In April 2004 the first joint meeting was held with 6 Arab Coordination Group (ACG) member institutions in Tunis to discuss cofinancing the African Water Initiative, NEPAD, strategic planning, and ways and means of improving collaboration regarding project-cycle activities, post-evaluation, and information exchange. The meeting was attended by the Islamic Development Bank (IsDB), the OPEC Fund, the Arab Fund for Economic and Social Development (AFESD), BADEA, the Kuwait Fund, and the Saudi Fund.

The ACG and ADB exchanged a large number of pipeline projects for collaboration. The ACG expressed willingness to cofund concrete activities within the NEPAD and Water Initiative, in addition to the traditional areas of cofinanced operations. Subsequently, the OPEC Fund and the AFESD agreed to cofinance the Marrakech Dam Project (total cost US$ 92.0 million), which will supplement the ADB Water and Sanitation Project for an amount of US$ 115.0 million. To improve future collaboration, it was decided to exchange operational experience and introduce greater harmonization in policies and procedures to improve project quality and help mitigate the limited capacity of recipient countries.

European Investment Bank (EIB)

During 2004 the Bank Group was represented at the meeting of the Coordination Committee of the Facility for

Euro-Mediterranean Investment and Partnership (FEMIP). During the year, the Vice-President responsible for Policy, Planning and Research and the Vice-President of Finance at the ADB also visited EIB headquarters in Luxembourg. Both institutions expressed their willingness to strengthen the strategic partnership and to complete the tripartite ADB/EIB/EC memorandum, which is now in its final stages. In December 2004, the Vice-President of EIB made a brief visit to Tunis to reinforce the partnership between the 2 institutions. He reaffirmed EIB's desire to accelerate the finalization of the tripartite memorandum and underscored the commitment of the EIB to Africa's development, as exemplified by the FEMIP. Within this framework, the EIB intends to increase its share of interventions in the private sector, including SMEs, to a minimum of 50 percent of its exposure, particularly in such sectors as finance, water, and infrastructure development.

International Monetary Fund (IMF)

The Bank Group and the IMF signed a Letter of Understanding (LOU) setting out terms and conditions for the ADF contribution of US$ 3.0 million to the 2 pilot IMF Africa Regional Technical Assistance Centers (AFRITACs) in the East and West. The first tranche of US$ 1.5 million was disbursed to the IMF during the year. Furthermore, the Bank was represented at the steering committees of the East and West AFRITAC. The latter are responsible for developing the strategy and priorities for each center in addition to approving and monitoring the implementation of each center's work program. The technical assistance activities provided to the beneficiary countries by the centers include: macroeconomics, financial administration, public expenditure management, monetary operations and banking supervision, statistics, public debt management, and microfinance. The program for each country was linked to the PRSPs. Finally, the independent evaluation of the 2 pilot AFRITACs (West and East) commenced in November 2004.

The Bank Group and the IMF had agreed during 2003 on a scheme for enhanced training of Bank staff at the IMF. Consequently, during the year 2004, 5 staff members of the Bank Group were seconded to the IMF African Department for a 3-month period. The staff members later reported that the program had enriched their knowledge of macroeconomic, social, and sectoral studies/analyses.

World Bank

A major area of collaboration between the Bank and the World Bank during 2004 comprised the hosting by the ADB of the Strategic Partnership for Africa (SPA) Plenary Meeting, including the Budget Support Seminar in Tunis in January 2004. At the SPA meeting in Tunis, participating countries and organizations renewed their commitment to increase aid to Africa and scale up poverty reduction in the continent. For the first time African governments (Benin, Burkina Faso, Ethiopia, Kenya, Mozambique, Rwanda, Senegal, Sierra Leone, and Uganda) were represented by their Finance Ministers as full participants in the SPA Plenary. The Partnership, which has mobilized support for economic reform to African economies since 1987, is the principal forum for aid mobilization and coordination for Sub-Saharan Africa.

Also during the year, the 2 institutions validated the Action Plan for the consolidation phase (2004-2005) of the ADB/World Bank Strategic Partnership. The Action Plan derived from the recommendations of the 2002 independent evaluation of the strategic partnership, which proposed a sharper focus and renewed emphasis on operational collaboration between the 2 institutions at the field level. Collaborative activities therefore focused on, inter alia: infrastructure development, governance and capacity building, transportation, and water supply and sanitation. The 2 institutions also jointly participated in implementing the good practices and principles of the Harmonization Technical Working Groups, in document collaboration efforts in advance of the next High-Level Harmonization Forum to be held in 2005, as well as in firming up country/subregional action plans.

Other topics of discussion and possible future collaboration considered by the ADB/WB during the year included: research development, strategic planning and the Balanced Scorecard; trust fund reforms; the future of the Joint Africa Institute (JAI); and microfinance. In addition to the above, 2 Bank staff were seconded to the World Bank for a 3-month study period.

United Nations and Its Specialized Agencies

Food and Agricultural Organization (FAO)

The ADB/FAO biannual Joint Review Meeting was held in Rome on October 4-6, 2004. During this meeting the 2 institutions reviewed the progress made in the implementation of 11 ongoing joint activities, including 8 national and 3 multinational projects. Furthermore, in September 2004, the ADB and FAO signed a US$ 2.0 million Grant Agreement for Emergency Assistance to 8 countries in Northwestern Africa that have suffered from the ravages of locust invasion, namely Algeria, Chad, Mali, Mauritania, Morocco, Niger, Senegal, and Tunisia. A joint 2005 prospective program was also established, which included identification and preparation of 4 multinational projects and 7 national projects. In addition, the 2 institutions held the first in a series of regular thematic meetings that will be included in the joint annual programs – for 2004 the topic was water. Areas identified for future collaboration included the role of agriculture in NEPAD, water management, gender and participation, rural finance, biotechnology, private sector promotion, and regional trade.

International Fund for Agricultural Development (IFAD)
Three project-cycle activities were undertaken jointly during 2004, namely, one preparation mission on Agriculture Rehabilitation Project in Sierra Leone; and 2 supervision missions on the Lowland Agricultural Development Program (LADEP) and Watershed Management Program in The Gambia and the Ghana Rural Enterprise Project. An independent consultant was recruited by IFAD to carry out an evaluation to improve the ADB/IFAD ongoing program and the quality of future cofinancing. Finally, to pave the way for an enhanced partnership, the Bank Group and IFAD held a consultative meeting in Rome during the year. It was agreed to organize regular thematic meetings on common areas of interest such as NEPAD, microfinance, agricultural training, operations in ADB countries, and gender.

International Labor Organization (ILO)
To operationalize the MOU concluded in 2003, preparations were initiated in the second semester of 2004 for the launch of consultative meetings on joint activities and projects. Due to scheduling constraints, the first consultative meeting was postponed to 2005. However, in the framework of this partnership, a joint ADB/ILO program to support female entrepreneurs in Ethiopia, Kenya, and Tanzania was initiated in 2004. Both the ADB and the ILO will seek to attract other partners to give appropriate support to very small, small and medium sized companies owned by female entrepreneurs in Africa.

United Nations Children's Fund (UNICEF)
Efforts intensified during the year to reinvigorate the collaboration between the 2 institutions in a more strategic manner. In this regard, a technical-level meeting was held in 2004 to identify potential joint activities in areas such as education, HIV/AIDS, conflict management and rehabilitation of child soldiers, child trafficking, child labor and social protection, gender issues, and water. Discussions centered on the possibility of collaborating in the aforementioned areas in Central and West Africa. During this meeting, agreement was also reached to amend the 1992 ADB/UNICEF Cooperation Agreement to incorporate the new strategies of the 2 institutions. Also, within the framework of reinvigorating the ADB/UNICEF collaboration, the Bank Group participated in the Global Partners Forum, organized by UNICEF and the World Bank in Washington DC from December 15-16, 2004. The forum aimed to accelerate the implementation of global commitments for children affected by HIV/AIDS, as outlined in the MDGs, the UN General Assembly 2001 *Declaration of Commitments on HIV/AIDS,* and the 2002 document *A World Fit for Children.*

United Nations Development Program (UNDP)
In 2004 high-level consultations were held between the ADB President and the UNDP Administrator in New York, as well as technical-level meetings in Tunis. Discussions centered on the status of implementation of the MOU signed in New York in 2001, which was designed to reinvigorate the Cooperation Agreement of 1977. Following the Fourth Consultation Meeting in Tunis in December 2003, the Associate Administrator visited the Bank on 2 further occasions in 2004. Representatives of both the UNDP Bureau, including Resident Coordinators, held working sessions with Bank management and staff. The focus of these meetings was identification of priority areas in line with the visions and strategic plans of the 2 institutions: namely, country-level collaboration especially for post-conflict countries; poverty reduction; private sector development; governance; microfinance; environment; and energy. The UNDP placed at the disposal of the Bank a resource person for the ADB staff "Workshop on the Economics of Poverty" held in September 2004.

Certain countries were earmarked for closer collaboration, particularly in the preparation of CGPs, PRSPs, and CSPs. The UNDP-GEF (Global Environmental Facility) visited the Bank and discussed possible collaboration on projects in Tanzania, Namibia, Lesotho, and on the multinational program for the eradication of T&T (Tsetse and Trypanosomiasis).

The UNDP is expected to sign a Delegated Works Management Agency Agreement with ECOWAS regarding the ADB Peace and Development Support Project. This concerns the Bank's participation in project management of the UNDP country offices in the 15 ECOWAS member states. The Bank is in touch with UNDP regarding collaboration in support of the Mano River Union Countries and Côte d'Ivoire HIV/AIDS Program. The UNDP Resident Representative in Tunisia, accompanied by the Tunisian Permanent Representative to the UN, visited the Bank to discuss the creation of the Tunisian Head of State World Solidarity Fund (Fonds Mondial de la Solidarité). It is envisaged that the Fund would be managed by the UNDP whilst the Bank would provide advisory and technical support.

The ADB plans to make greater use of the facilities of UNDP country offices, in parallel with the opening of its own country and regional offices. The Bank is also in discussions with UNDP to reactivate discussions on the integration of the ADB offices and staff into the UN security system.

United Nations Educational, Scientific and Cultural Organization (UNESCO)

The Forty-Ninth ADB/UNESCO consultation was held in Paris in December 2004. The consultation reviewed the joint work program that had been agreed at the previous consultation. Also during the 2004 meeting, the Bank Group and UNESCO agreed to conduct a joint seminar for their staff on the themes of ICT and distance education respectively. The planned seminars will provide a forum for staff of both institutions to share their experiences, identify possible areas of future collaboration, and agree on modalities. UNESCO and the ADB expressed their common interest to collaborate on world heritage sites as tools for poverty eradication. The concept of this collaboration in Sub-Saharan Africa is not one solely of conservation, but as a way to contribute to poverty eradication and the achievement of the MDG through an integrated approach. The approach includes rehabilitation of key infrastructures and stimulus of business activities and local community development, thus improving the social and economic condition of the populations. It was agreed that such an approach could be tested through a joint pilot operation.

United Nations Fund for Population Activities (UNFPA)

At a technical-level meeting between the Bank and the UNFPA in December 2003, agreement was reached on a modest and achievable joint work program for the year 2004. In pursuit of this goal, during the course of 2004, the 2 institutions collaborated in the following areas: the PRSP workshop in Senegal, financed by the Japan PHRDG; joint appraisal of an HIV/AIDS project in Cameroon; joint appraisal of a capacity-building project in Sierra Leone; the HIV/AIDS multinational project in the Mano River Region (Côte d'Ivoire, Liberia, and Guinea); and the ongoing preparation of the training manual for the integration of population variables into Bank-financed projects and programs. The UNFPA Director, Africa Division, together with the Resident Representative from Sierra Leone, also visited the Bank to take stock of the partnership. The next ADB/UNFPA consultation to identify additional joint activities is scheduled for the first quarter of 2005.

UN-HABITAT

During the year the ADB and the UN-HABITAT held high-level discussions on potential areas of collaboration. The talks focused on how the 2 institutions could move forward on a number of internationally agreed goals, including the MDGs and the 2002 Johannesburg Plan of Implementation on access to safe drinking water and sanitation, in urban, peri-urban, and rural areas. The 2 institutions earmarked a substantial amount of resources for their joint operations. They also participated in the special ADB Water Week in Tunis in July 2004 and initiated partnership arrangements on project-by-project basis. An MOU is currently under preparation and is due to be signed in early 2005.

World Food Program (WFP)

In 2004 the Bank Group approved an Emergency Relief Assistance grant of US$ 0.34 million for the flood victims in Djibouti. As a means to expand traditional areas of collaboration, the Bank visited WFP headquarters for the first time since the initiation of the partnership in 1999. The main objectives of this contact were to familiarize the Bank with WFP programs and procedures and to strengthen the partnership by identifying ways to extend collaboration beyond the financing of traditional emergency operations. ADB and WFP discussed possibilities to jointly address new issues such as school feeding programs, "home-grown feeding," and HIV/AIDS programs.

World Trade Organization (WTO)

During the course of 2004 the Bank Group consolidated its position in the overall debate under the Doha Development Round. Discussions were initiated with the WTO and UNCTAD, for a more clearly defined collaborative effort on multilateral trade issues. The Bank also hosted the Third WTO/ADB/ECA Trade Policy Course for African Countries. More than 40 trade officials and representatives from regional and subregional organizations participated in the event. Discussions are underway between the Bank, the WTO, and sister agencies on how to organize similar workshops on trade-related development for the benefit of the Bank's RMCs.

Other Multilateral Institutions

Common Fund for Commodities (CFC)
In March 2004 the Bank and the CFC prepared an MOU to enhance cooperation between the 2 institutions. Later, in June, they met to exchange ideas on possible joint future projects. As a follow-up, a Bank delegation visited the CFC in Amsterdam in September 2004 to agree on a work program and define the way forward in their future collaboration, particularly in the area of commodity development in common member countries.

European Union (EU)
In 2004 the European Union (EU), the ILO, and the ADB Group pursued their negotiations on a strategic tri-partnership. The MOU project was at the center of the discussion when the ADB conducted its consultation mission to the European Commission in December 2004. The main elements of the proposed partnership are: collaboration on the Enhanced HIPC Initiative, PRSPs, regional cooperation, governance, capacity building, private sector promotion, and the management of public expenditures. The project is framed by the common orientations defined in the Cotonou Convention and those of the ADB vision (which is also focusing on governance, the Enhanced HIPC Initiative, regional integration, and a participative approach to the preparation of PRSPs). The convergence of the vision of the ADB and that of the EU should advance progress toward a reinforced strategic partnership.

Organisation Internationale de la Francophonie
Activities between the Bank Group and the Secretariat of the Organisation Internationale de la Francophonie increased in 2004, with the Bank participating in a number of high-level conferences organized by the Francophone Secretariat, for example, the Symposium on Access to Financing, which was held in Paris, and the Tenth Session of the Summit of the Heads of States and Governments of the Francophonie in Ouagadougou, Burkina Faso. The Bank also received a high-level delegation from the Agence Universitaire de la Francophonie (AUF), with whom a collaborative program is being discussed.

Regional and Subregional Economic Organizations

African Capacity Building Foundation–Partnership for Capacity Fund
During the year, the ADB Group, the African Capacity Building Foundation (ACBF), and Partnership for Capacity Building in Africa Trust Fund (PACT Fund) signed an MOU. In June 2004, the Executive Secretary of ACBF–PACT led a high-level delegation to the Bank. Discussions centered on capacity-building issues in Africa and on the best ways to achieve a results-based implementation of the MOU.

Arab Maghreb Union (AMU)
During 2004 the AMU and ADB explored ways and means of operationalizing their first MOU. The MOU covers the following areas: agriculture and rural development, human resources and institutional capacities, private sector development, governance, regional integration, multisectoral issues, tourism, monetary harmonization, and development of the financial sector (including insurance, banking, and capital markets), infrastructure (integration of the energy network, water, and transportation management), and natural resources and environment, including communication and exchange of access to databases between the AMU member countries.

The ADB has developed a regional assistance strategy for the AMU. The 2 parties have exchanged their respective work programs, which essentially focus on the organization of joint training seminars for the RMCs. In December 2004, the AMU requested Bank technical assistance support in 4 areas: the creation of an electronic solution for its archives; the creation of a database with economic and social data; the updating of the AMU website; and reinforcement of the logistical and human resources of its General Secretariat. The respective technical and operational departments of the ADB are currently assessing these requests.

African Union (AU)
The prevailing priority objectives of the AU and ADB continued to be: political stability, the promotion of sustainable economic development and poverty reduction, and mobilization of capital investment from both domestic and external resources. The Bank continued to manage the Special Emergency Assistance Fund for Drought and Famine in Africa. During 2004 the 2 institutions also reviewed the progress made on the implementation of the Treaty establishing the African Economic Community,

the Alliance for Africa's Industrialization, the implementation of the Beijing Platform for Action, and good governance.

Common Market for Eastern and Southern Africa States (COMESA)

The ADB cooperation with the Common Market for Eastern and Southern Africa (COMESA) underwent considerable improvements during 2004, with a number of projects and programs geared to fostering regional integration and trade among COMESA member states as well others designed to enhance common policies in agriculture, education, transportation, and energy. Most ADB projects, such as the UA 5.1 million Agricultural Institutional Strengthening and Marketing Promotion Project (due for launch in the first quarter of 2005), targeted capacity and institutional building. Another important project submitted by COMESA in 2004 for Bank Group funding was for the Processing and Marketing of Leather. The Bank Group closely reviewed the pipeline of development projects in line with overall priorities of COMESA and the NEPAD initiative during the year.

Economic Commission for Africa (ECA)

In 2004 the ADB and ECA undertook various follow-up actions on the 2003 Annual Meetings Symposium, which they had jointly sponsored on the theme "Poverty Reduction, Social Development, and the Millennium Development Goals in Africa." Consequently, the Bank continued to collaborate with the ECA in activities relating to research, and on the preparation of studies on poverty reduction programs, as well as good governance. A number of the activities received funding from the Nordic Trust Fund, particularly for governance. In 2004, the twin issues of political stability on the continent and regional integration were accorded top priority in the collaborative efforts of the 2 institutions, with several exchange visits taking place.

Economic Community of Western African States (ECOWAS)

The ADB and the Economic Community of West African States (ECOWAS) held high-level consultative meetings in Tunis from July 19-22, 2004. During the meetings the 2 institutions undertook a technical review of ADB–ECOWAS infrastructure projects in telecommunications, energy, transportation, ICT, as well as agriculture, gender, environment, and water resources. The meetings also provided a forum for the first joint evaluation of the implementation issues relating to the ADB–ECOWAS Cooperation Agreement, which was signed on July 17, 2004. The July meetings resulted in a follow-up strategy for monitoring and reporting the activities under the Agreement. The ECOWAS delegation included 2 Ministers of Energy from Senegal and Guinea, 4 Chief Executives of the Electricity Corporations of Guinea (EDG), Senegal (SENELEC), Burkina Faso (SONABEL), and Nigeria (NEPA), as well as 4 representatives of ECOWAS Regional Institutions (EBID, WAEMU, ECOMARINE, and WAGPA). Following the consultative meetings, the ADB and ECOWAS made notable progress in a number of areas, such as the implementation of NEPAD projects that the ADB had been mandated to undertake by the ECOWAS Heads of State. There was also encouraging progress in the area of peace and development: the ECOWAS Peace Fund was established in 2004 and received the support and pledges of several donors.

Southern African Development Community (SADC)

In 2004 the ADB received a high-level delegation from the Southern African Development Community – Development Finance Resource Center (SADC-DFRC), which included the Chairman and the Chief Executive Officer of the institution. During the meeting the 2 institutions agreed to collaborate on such strategic sectors as private sector development, infrastructure, capacity building, development research, financial management, as well as sharing best practices in areas such as risk management, planning, budgeting, and procurement policies. One major area of future ADB assistance to SADC will be in the area of financial markets operations as well as regional and country ratings by international ratings agencies.

Future Partnerships and Cooperation Activities

In line with the Strategic Plan 2003-2007, the Bank will continue to deepen its partnerships and cooperation activities with bilateral and multilateral development partners. In particular, to address the issue of increasing its trust fund portfolio, the Bank undertook a Trust Fund Reform study in 2004, which will be presented to the Boards in early 2005. The Trust Fund reforms are expected to contribute to improved administration of trust funds, increased resource mobilization, and improved reporting to donors and general aid coordination.

The orientation of future partnerships and cooperation activities will continue to be aligned with the Strategic Plan and the ADF-X guidelines. The Bank will scale up its mobilization of external resources in order to assist RMCS in their efforts to address poverty reduction and attain equitable and sustainable economic growth. The institution will seek to enhance its aid coordination, particularly through its decentralization program of opening new field offices, and to strengthen its strategic partnerships with traditional and non-traditional bilateral and multilateral development assistance institutions, RMCs, and regional agencies and organizations.

3

Corporate and Financial Management

Strategic Planning and Budgeting

Development Research, Statistical Services, Training, and Knowledge Dissemination

Operational Policy Development and Review

Evaluation of Operations

Human Resources Management

Financial Management

Internal Audit

General Counsel and Legal Services

Information Technology Management and Telecommunications

Administrative Services

Procurement Monitoring Services

Corporate Communications

Introduction

This chapter reviews the major activities undertaken by the various organizational units of the Bank. During 2004, which represented the first full year of operation at the Temporary Relocation Agency (TRA) in Tunis, the Bank consolidated and broadened its operations in response to client circumstances and in line with the Strategic Plan (2003–2007). During the year the Bank Group also took account of the need to accelerate the decentralization strategy of Bank Group operations.

STRATEGIC PLANNING AND BUDGETING

During 2004 the Bank Group's planning and budgeting function coordinated the implementation of the Bank-wide strategic planning process and guided the deployment of the Bank's operational, human, and financial resources in line with its strategic goals and priorities. Work included: the first Annual Review of the Strategic Plan (2003-2007); coordination of the Bank's activities; and consultations with development partners in respect of the Enhanced HIPC Initiative. The Bank Group acknowledges the need to take concerted actions to help its RMCs achieve long-term debt sustainability and, in particular, to help those RMCs that are not currently eligible for HIPC debt relief to meet the necessary criteria. Further work related to strategic planning included the development and management of cooperation and strategic partnership arrangements with key multilateral, bilateral, and regional agencies, discussions on the implementation of the Post-Conflict Countries Facility (PCCF), and the ADF-X Replenishment.

The Bank's key strategic directions in 2004 centered on the following:

- Promotion of regional integration and the development of regional infrastructure, especially through NEPAD and the Water Initiative;
- Improved coordination with development partners through policy harmonization and joint projects at country and regional level; and
- Decentralization to become more responsive to RMCs' needs, to enhance policy dialogue, and improve development effectiveness.

In light of the expanded mandate and in response to the need to enhance quality, client responsiveness and effectiveness, the Bank Group is continuing to scale up its organizational effectiveness. This will be achieved through greater selectivity in its operations, increased field presence and country dialogue, aligning human resource strategies and policies with the Bank's operational priorities, leveraging investments in information systems, and more effective collaboration and harmonization of efforts with external stakeholders.

Alignment of Budgetary Resource Allocation to the Strategic Plan

Resource allocation within the programming and budgeting framework is now aligned with the major priorities of the Bank and the commitment to scaling operations toward meeting the Millennium Development Goals. The 2005 Administrative Expenses Budget of UA 165.50 million and the Capital Budget of UA 7.00 million, approved in December 2004, provide the necessary resources to implement the 2005 work program, which was based on the institution's Strategic Priority Objectives (SPOs). The Budget therefore forms part of the ongoing dialogue between Management and the Board of Directors on the implementation of the Bank's Vision, its Strategic Plan 2003-2007, and the Bank's financial outlook. The preparation of the Budget was driven by a number of decisions taken by the Boards of Governors and Directors and Complementary Action Plans, as embedded in the Strategic Resource Framework for Institutional Development (SRFID), which provides for the following major initiatives:

- **The enhanced and accelerated decentralization program,** which will lead to more effective relationships with the RMCs, donors, and development partners, and to a deeper knowledge of the local context, thus raising the quality and impact of the Bank's assistance;
- **The establishment of the office of the Chief Economist,** which is an integral part of the Bank's effort to enhance its capacity to generate and disseminate knowledge on African development issues and become a focal research institution for the continent;
- **Participation in global and regional development initiatives** as the Bank continues to be actively engaged in several African joint partnership development initiatives including: the Water Initiatives, NEPAD, policy harmonization, and results-based management.
- **Consolidation of institutional governance** through the creation of enabling structures such as the Independent Review Mechanism and the Investigation Unit.

The Boards have taken note of the SRFID, which is expected to have a cumulative impact in the Bank's budget amounting to UA 51.1 million over the 2005-2007 period. The Boards will decide on the precise level of allocation on an annual basis, as part of the budgetary exercise. The first tranche of UA 16.10 million was approved by the Boards in the 2005 Budget. Resource allocations made within the 2005 budgeting framework are directed towards corporate priorities, which will allow the Bank to implement its strategic goals. The bulk (63 percent) of the budgetary resources have been allocated to the frontline themes of strategic positioning (26 percent), development effectiveness (24 percent), and portfolio alignment (13 percent), as these relate to operational activities and support.

This alignment is the result of the continued efforts toward linking the Bank's strategic planning and budgeting functions. This has been implemented through the vehicle of enhanced Strategic Objective-based Budgeting developed in 2004. This new approach seeks to ensure that strategic planning, budget formulation, implementation and control, and program evaluation and review – including the assessment of outputs and outcomes through the BSC system and other measurement mechanisms – are fully interlinked. Strategic alignment of the 2005 Budget is assured by anchoring each departmental business plan and cost center work program to the 21 SPOs. The SPOs are articulated around 6 major strategic themes or perspectives which spell out how the Bank intends to pursue its goals in its priority areas of focus, namely: (i) development effectiveness; (ii) strategic repositioning; (iii) portfolio alignment; (iv) organizational efficiency; (v) human capital management; and (vi) financial soundness.

Design and Implementation of a Balanced Scorecard (BSC)

The overall objective is to introduce an institutional BSC coupled with a review system to monitor progress made in the implementation of the Strategic Plan and to establish a framework within which to formulate future strategic budgets. The BSC initiative progressed in 2004 with a refinement of measurable indicators for each of the 21 SPOs. The pilot scheme will be rolled out in mid-February 2005 with a view to having the BSC corporate-level model operational later in the year. The precondition for a fully fledged BSC, capable of tracking performance both at Complex and Departmental levels, is the existence of an appropriate data support system such as the SAP-based Data Warehouse (DW). The DW is currently under development, and the first modules will be available in mid-2005.

In the medium term, the expansion of the BSC will continue with the integration of the tool with the DW and the addition of other relevant indicators down to Complex and Departmental levels. The long-term goal remains the integration of this expanded model with the resource-based allocation process, i.e. to align strategic planning and budgeting and to link this with the results-based management (RBM) processes and activities.

TABLE 3.1
Schedule for the Opening of Field Offices

1st Round - 2000	2nd Round - 2004/05	3rd Round - 2005	4th Round - 2006
Egypt	Mozambique (Botswana, Lesotho, Namibia, South Africa, Swaziland)	Algeria	Angola
Ethiopia	Senegal** (Cape Verde, Gambia, Mauritania)	DRC (Congo)	Burkina Faso
Gabon* (Equatorial Guinea)	Tanzania	Ghana	Cameroon (CAR)
Nigeria	Tunisia***	Kenya	Chad
	Uganda	Madagascar	Malawi
		Mali	Sierra Leone
		Morocco	Sudan
		Rwanda	Zambia

* *It is proposed that Gabon cover Equatorial Guinea.*
** *It is proposed that Senegal cover Cape Verde, the Gambia and Mauritania.*
*** *Superseded by the TRA.*

Decentralization Strategy

Decentralization remains a critical component of the Bank's drive to improve effectiveness. It is key to the achievement of the Bank's operational objectives in respect of project processing, field supervision of projects, country programming, and Bank representation in key donor coordination meetings at the country level, as part of managing for development results. The decentralization strategy and accelerated implementation timetable approved by the Boards in September 2004 envisage that, in addition to the existing 9 field offices, a further 8 will open in 2005, followed by another 8 in 2006.

The opening of new field offices during 2005-2006 will involve the upgrading of 3 existing NPOs into Regional (Mozambique) or Country Offices (Chad and Cameroon; the latter to cover the CAR also). The field offices will gradually assume responsibility for country dialogue and aid coordination, and will be given delegated authority on procurement and disbursement matters commensurate with their staffing resources. Management will establish and monitor quantifiable indicators to measure the progress made in the size and quality of the Bank Group portfolio in the countries covered by the field offices.

DEVELOPMENT RESEARCH, STATISTICAL SERVICES, TRAINING AND KNOWLEDGE DISSEMINATION

The Bank seeks to position itself as a principal knowledge base and research center for the continent. Its activities in these areas focus on the generation, dissemination, and sharing of knowledge on African development issues. The information is disseminated externally and internally through the Bank's website (http://www.afdb.org) and the Bank's library service. In addition, the African Development Institute (ADI) and the Joint Africa Institute (JAI), in cooperation with the World Bank and the IMF, organize seminars, workshops, conferences, and training programs for capacity building in Africa.

Development Research

The research function of the Bank Group focuses on knowledge generation and dissemination. It aims to facilitate research and capacity-building in RMCs and to disseminate research outputs through various publications, including the annual *African Development Report, the African Economic Outlook,* and the biannual *African Development Review* journal, in addition to economic and research papers. A further function of research staff members is to provide Senior Management with economic intelligence and policy briefs.

The African Development Report (ADR) is one of the Bank's flagship publications and the theme adopted for 2004 was "Africa in the Global Trading System." The *African Economic Outlook* (AEO) is jointly prepared and published by the Bank Group and the OECD Development Center. The 2003/04 AEO focused on the theme of energy supply in Africa. In addition, it reviewed the economic development in 22 African countries and provided key statistics. Given the increasing popularity of the AEO, the coverage in the 2004/05 edition will be extended to 30 countries, with the intention of eventually achieving 100 percent coverage. The *African Development Review* was published in two issues in 2004, covering a broad spectrum of development topics.

Statistical Services

In 2004 the Bank continued to provide technical assistance for statistical capacity building in African countries in the context of the International Comparison Program for Africa (ICP-Africa). The methodological and technical aspects of the program focused on the classification of GDP components, the finalization of a continent-wide representative list of goods and services to be priced, and the development of price survey frameworks for data collection in RMCs. The enhanced activities included: scaling up funding for capacity-building activities in RMCs; assisting RMCs to finalize preparations for the launch of data collection activities in all the 51 participating RMCs; and pilot and research studies on various methodological and technical areas. The Bank also initiated work on the development of an ICP-Africa user-friendly and interactive website for the benefit of the 51 participating RMCs and other ICP-Africa stakeholders and regional partners worldwide.

In this context, the ADF Board of Directors approved a grant of UA 14.8 million to support the ICP-Africa. The grant was in addition to UA 3.4 millions of in-kind contributions provided by the Bank. The total contribution of the Bank Group comprised close to 80 percent of the budgeted resources for the program. Other cofinanciers included the World Bank, DFID-UK, NORAD-Norway, and the African Capacity Building Foundation (ACBF). The Indian Trust Fund provided resources for the development of the ICP-Africa website and the

Japanese authorities have also pledged financial support in this area.

In the context of capacity building, the Bank also organized 7 seminars and workshops to assist RMCs in the launching of household price surveys. The surveys are to be conducted in all 51 participating countries beginning in early 2005. The seminars reviewed methodological issues and agreed on the specification of items to be priced and guidelines to be followed during the price surveys. The seminars included training on both consumer price index (CPI) theory, conducted jointly with the IMF and the World Bank, and on the data collection Toolpack software to be used in all RMCs. The Bank's Statistics Division also commissioned several methodological studies during the year. These included pilot studies on construction and civil engineering projects, GDP estimates, and on poverty specific purchasing parities.

The Bank's other statistical activities in 2004 included: (i) the construction and maintenance of socioeconomic databases, covering the major development indicators needed to monitor economic and social progress in RMCs and (ii) the development and maintenance of databases on Bank Group operations to provide information on the financial contribution of the Bank to development efforts in RMCs. The information in the Bank's databases is disseminated throughout Africa and to various research and policy institutions in non-regional member countries via the Bank's website and the following annual publications: *Selected Statistics on African Countries; Gender, Poverty and Environmental Indicators on African Countries; Compendium of Statistics on Bank Group Operations; The ADB Statistics Pocketbook; The Annual Report; The African Development Report;* and *The Wall Chart,* which provides summary data on the status of the progress made by African countries toward achieving the MDGs.

Training and Knowledge Dissemination

The African Development Institute (ADI) of the Bank Group is responsible for training and knowledge dissemination in the Bank's RMCs through (i) project-related workshops and (ii) development management seminars and symposia. These training activities aim to provide RMC officials with the skills and knowledge needed to strengthen their capacity to implement projects and manage their economies (see also Chapter 2).

Library Services

The Library continues its long-established mandate to provide information products and services to advance the objectives of the Bank. This includes procuring data and background material needed by various departments for research, operations, and policy formulation. The Bank Library is also responsible for distributing Bank publications, both internally and externally. Externally, publications are distributed to select institutions in RMCs, including universities, research institutions, and governmental bodies. The Bank's Library Intranet site provides users with an electronic portal for search services, information product delivery for such resources as electronic journals, and document retrieval.

OPERATIONAL POLICY DEVELOPMENT AND REVIEW

The Bank's policy development and review activities in 2004 were geared to providing a solid basis for portfolio development to meet the MDGs, through 4 core activities:

- Preparing, updating, and disseminating operational policies, guidelines, manuals, and procedures;
- Ensuring the quality and development effectiveness of operations;
- Providing technical support toward institutional governance in Africa; and
- Mainstreaming microfinance into Bank Group operations.

Operational Policies and Guidelines

In 2004 the Boards considered and approved a number of key policies, guidelines, and strategic initiatives aimed at strengthening the effectiveness of Bank Group operations (see Table 1.2). At the year-end 2004, preparation was at an advanced stage on the following: *Annotated Format for Bank Group Results-based Country Strategy Papers; Bank Group Guidelines on Water Supply and Sanitation; Bank Group Strategy for Adult Literacy; Toolkit for Improving the Quality of Education Projects; Bank Group Policy on HIV/AIDS at the Work Place; the 2002-2003 Annual Portfolio Performance Review (APPR 2002-2003); Action Plan on Harmonization, Alignment, and Managing for Results; 2005 Bank Group Indicative Operational Program;* and *Operations Manual for the African Water Facility.*

Other important activities during 2004 in the area of operational policies included:

- Disseminating the "Revised Review Process" (Section OM 210-1 of the *Operations Manual*), to supersede the old review process dated June 1999, and preparing a new section, "Content of Typical DBSL Appraisal Report" (Section OM 600 Annex 1) to guide the implementation of the new lending instrument;
- Preparing the *Action Plan to Improve the Implementation of ADF Operations,* which formed an integral part of the Report of the Deputies for the ADF-X negotiations;
- Formulating a Resource Requirements and Mobilization Strategy as an input into the ADF-X negotiations; and
- Preparing a report on water sector activities and initiatives, which was submitted to the Board of Governors at the Annual Meetings 2004.

Operations Quality Review

During 2004 the Bank continued to strengthen the internal review process for operational, analytical, and policy documents. In this regard, a checklist of important issues and aspects of operational documents to be examined closely at the interdepartmental review stage was prepared, to facilitate implementation of the new review process. The Bank further consolidated its commitment to enhancing development effectiveness by elaborating a framework for undertaking Quality-at-Entry Assessment (QEA) on an annual basis. A concept paper and manual for QEA were developed which set out the process to be followed in order to promote objectivity in assessments and the ensuing recommendations. The first QEA on Bank operations is scheduled for implementation in 2005. A concept paper and manual for an analogous framework to carry out a Quality-of-Supervision Assessment (QSA) at periodic intervals were also developed. Furthermore, the Bank advanced its agenda toward results-based management (RBM) by preparing a conceptual framework for a corporate-level, results-based framework, in line with the Strategic Plan.

Recommendations to enhance the results-orientation of the Bank's IT system are now also under examination. Further, an enhanced results-based Logframe (project design tool) was developed and introduced to a few staff. The Logframe is more explicit in its specification; it requires impact-level indicators, identifies target reach (beneficiaries), and incorporates risk mitigation actions directly into the matrix.

The Bank also continued to play an active role in the Consultative Group on International Agricultural Research (CGIAR) system, supporting the multilateral efforts to address the chronic poverty and food insecurity challenges that face the African continent. A Bank representative participated in the Annual General Meeting of the CGIAR in Mexico City in October 2004. During the year, the Bank was nominated to a seat in the Executive Committee of the Forum for Agricultural Research in Africa (FARA). The Bank also serves as representative of the Sub-Saharan Africa constituency in the Executive Council of the CGIAR.

Promotion of Good Governance

Good governance continued to gain recognition in Africa as an integral part of sustainable development and key to poverty reduction and development effectiveness. This is, in part, thanks to the growing portfolio of the Bank's lending and non-lending activities in support of good governance objectives (see also Chapter 4). The implementation of the *Bank Group Policy on Good Governance,* approved in 2002, continued during 2004 as the Bank intensified its preparation of Country Governance Profiles (CGPs), through active dialogue with governments and key stakeholders in target RMCs and in collaboration with the World Bank. Eight CGPs, which serve as diagnostic tools to identify strengths and weaknesses of governance systems, were prepared for Benin, Cameroon, Chad, Kenya, Malawi, Mauritania, Senegal, and Swaziland in 2004. A further 10 are planned for 2005. This was complemented by work on strengthening financial and corporate governance.

At the level of external partnerships, the Bank continued its collaboration with the Economic Commission for Africa (ECA) and the African Union (AU) in organizing the Fourth African Development Forum (ADF-IV) in October 2004 in Addis Ababa, Ethiopia. This was preceded by the publication of a joint *African Governance Report* by the ECA and the Bank, which aims to measure and monitor good governance in 28 African countries. The Bank is supporting the revival of the African Organization of Supreme Audit Institutions (AFROSAI) and has been instrumental in the relaunching of AFROSAI-Francophone (AFROSAI-F).

The Bank continued to mainstream governance concerns into Bank Group operations. During 2004 a significantly increased number of Bank operations compared to previous years supported; (i) reforms of public enterprises, decentralization, and institutional capacity building; (ii) the participation of civil society organizations; and (iii) the fight against corruption. Such an approach was developed in countries such as Burundi, Madagascar, and Malawi. Technical assistance for capacity building and the promotion of good governance was also supported in a number of RMCs, including Congo, Mali, and Uganda.

Microfinance

The main thrust of Bank work in this area in 2004 was geared to implementing the document, *Business Plan: Mainstreaming Microfinance into Bank Group Operations,* as approved by the Boards in 2003. Specific activities included: a microfinance portfolio clean-up; preparing the groundwork for policy and strategic orientation toward internationally accepted standards and principles of microfinance; the recruitment of qualified microfinance specialists; and consolidating external partnerships with key bilateral and multilateral institutions in microfinance.

In the process of "cleaning up" the microfinance portfolio, the database of the 75 ongoing projects with microfinance credit components was updated. Forty-four action plans were developed for the existing projects, to be implemented from the start of 2005; these included midterm reviews, project restructuring, and the reprogramming of funds to support capacity building for microfinance institutions in RMCs concerned.

In line with best practice standards, Bank work in 2004 aimed to realign the microfinance portfolio, particularly with regard to the outreach of financial services (e.g. loans, savings, insurance, leasing, money transfer) to increase access to the poor while assuring the financial self-sufficiency of the intermediaries used to provide these services. Steps were initiated during the year for the recruitment of 4 microfinance specialists for the Operations Complexes. External partnerships in microfinance were cemented through the Consultative Group to Assist the Poor (CGAP), in particular, through meetings to develop and approve activities of the funding agency consortium, and the preparation of the *Donor Guidelines on Microfinance.* In this regard, a Bank team led by the President participated in the high-level meeting held in February in Paris on the theme "Donor Peer Reviews."

EVALUATION OF OPERATIONS

The Bank continues to conduct independent, comprehensive, and objective evaluations of its assistance strategies, policies, operations, processes, and procedures in order to improve its support to RMCs. The Bank's Operations Complexes play a vital role in this respect, to ensure that evaluation findings are disseminated and used effectively.

The number of key evaluation products undertaken in 2004 was more than double that of the previous year. The key evaluation products during the period consisted of 16 project/program performance evaluation reports (PPERs); the annual review of evaluation results; 14 other reviews including country sector reviews, sector and thematic reviews; country assistance evaluations for 3 ADF countries and 1 ADB country; reviews of operational processes and procedures; corporate evaluations; and evaluation guidelines. The progress in thematic and country sector studies and the reporting on development effectiveness exceeded the work plan for the year 2004. Substantial progress was also made in the preparatory work for several higher-level evaluations to be conducted in 2005.

The Independent Evaluation of ADF-VII to IX, which had been requested by ADF Deputies, was undertaken during the first half of the year (see Box 3.1). Bank staff and the consultancy team interacted with focus groups, Management, and the Board to draw from the findings and ongoing evaluations in the Bank. The main findings of the evaluation can be summarized as follows:

- ADF's compliance with ADF-VII, VIII, and IX undertakings has been fully satisfactory and the Bank has made important contributions to RMCs' development efforts;
- The Bank's performance has been helped by substantial changes in corporate capacities brought about by deep and broad institutional, policy, and administrative reforms;
- There still remains substantial unfinished business on all fronts; and
- The main barrier to full implementation and resolution of the unfinished business is inadequacy of human and financial resources.

A feedback workshop was subsequently organized by the Bank to discuss the findings of the study with representatives from 18 selected RMCs.

The Review of Evaluation Results (RER) for 2001-2002 was also completed in 2004. It covered 59 projects in 28 countries for which Project Completion Reports and Project Performance Evaluation Reports had been prepared. The main conclusion was that the tranche of projects and programs that exited the portfolio in 2001 and 2002 demonstrated an improvement in the overall performance ratings over those of previous years.

In 2004 there were 2 Country Evaluation Reports presented to the Bank's Committee on Development Effectiveness (CODE) and another 2 completed but under review by peer reviewers. An E*valuation Guideline for Country Assessment Reports* was also prepared. Country

BOX 3.1

Independent Evaluation of the African Development Fund

The Independent Evaluation of ADF-VII to IX, which was carried out at the request of ADF Deputies, was published in 2004. The evaluation had as its main objective to assess the extent to which the ADF has put in place strategic objectives, organizational structures, policies, lending instruments and systems capable of delivering development effectiveness on a continent-wide basis and to provide general recommendations for the future and specific suggestions for ADF-X.

The major conclusions of the independent evaluation report noted that the Bank Group, after undergoing intensive and continuous reform for 8 years – often under difficult conditions – had achieved the following:

- ***Established a more effective organization:*** *Within the resource constraints, the 2 reorganizations carried out by the Bank have created a focused and effective institution that has equipped itself as far as possible to meet the development challenges of the 21st century.*
- ***Formulated new policies and strategies:*** *The Bank is now equipped with a high-quality policy toolkit that is based on current development thinking and that generally reflects the state of the art in development.*
- ***Improved process and quality control mechanisms:*** *The architecture required for effective and efficient quality control is now in place through the enhancement of Country Strategy Papers (CSPs).*

However, despite these achievements, the Evaluation noted that much unfinished business remains, such as:

- ***Organizational and structural responses:*** *Despite the 2 major reorganizations that have been undertaken since 1996, the Bank Group continues to face difficulties in several areas, including: serious understaffing; a lessening of country focus; limited research and knowledge-generating capacity; and limited progress in decentralizing its operations.*
- ***Policy responses:*** *Approximately 40 major policies and guidelines approved since 1995 clearly reflect contemporary development thinking. The essential building blocks are in place and energies should now be concentrated on a phase of consolidation and application.*
- ***Programming instruments and processes:*** *The CSPs have become the primary strategic planning document of the Bank Group and their preparation and their quality have improved steadily. Despite these advances, the economic and sector work associated with CSPs remains for the most part inadequate and in need of upgrading.*
- ***Project design and evaluation methodology and review process:*** *Despite important advances since 1998, further attention is required to make the review process truly interdepartmental, more rigorous and transparent.*

The Report concludes that the unfinished business of the reform effort can best be approached through incremental steps and fine-tuning. The principal remaining barrier to full implementation and internal take-up of past reforms is inadequacy of human and financial resources. With additional human and financial resources, the Bank Group can indeed move forward to fulfill its goal of becoming the premier institution for African development.

In response to Deputies' request and to this Report's recommendations, as well in pursuit of further improvement of the quality of the Bank Group portfolio and its development effectiveness, Management developed an Action Plan to improve implementation of ADF projects and programs in 2004. The actions in the Plan have been prioritized, and several areas are already being implemented. The Plan has a detailed implementation matrix, spelling out measures and actions to be taken on key issues, and the target timeframe. The main thrust of the Action Plan is, therefore, to consolidate the steady trend of improvements in the key areas of staffing, decentralization/country focus, and disbursement in line with the Bank's program of reforms (institutional, human, and organizational). The actions are being implemented within the Bank, at country level, and at the level of donor coordination and partnerships with other stakeholders.

Assistance Evaluations are prepared to ensure the timely availability of evaluation findings to Country Departments for the formulation of new CSPs. Despite the established practice of project-level evaluations, there have in the past only existed a few mechanisms for reporting on aggregate Bank outcomes and Bank performance at corporate level. A significant milestone in this direction is the plan to prepare an *Annual Review on Development Effectiveness* (ARDE), the scope and content of which were approved by CODE in 2004. The ARDE is expected to provide an aggregate assessment of Bank-wide, country, sector, and project-level outcomes.

As part of its effort to strengthen evaluation capacities in RMCs, the Bank sponsored a technical strand in the African Evaluation Association (AfrEA) Conference in December 2004 on the theme of "Evaluation, NEPAD, and Other Regional Initiatives" with the purpose of promoting synergy and building a community of practice around the African Peer Review Mechanism (APRM), which is also actively supported by the Bank.

In 2004 the Bank continued to strengthen knowledge management and dissemination and to integrate this as an essential part of the evaluation function. To this end an online Help Desk is being developed and is due to become operational by early 2005. Furthermore, preparatory work was started for the dissemination of evaluation findings, lessons, and recommendations through a dedicated quarterly publication, also due for publication by early 2005.

HUMAN RESOURCES MANAGEMENT

In 2003 the Bank's human resources (HR) management was primarily concerned with the implementation of the Bank's temporary relocation exercise and all the changes this entailed for Bank staff and their families. In 2004, the focus shifted to the alignment of the Bank's deliverables as a strategic partner with corporate plans; this would be achieved by translating business strategies into human resource priorities. The critical challenges in this area included:

- Filling about 150 professional positions;
- Building and enhancing skills through training and staff exchange programs;
- Creating an enabling policy environment for career mobility and advancement; and
- Promoting and developing a framework that places the Bank as an employer of choice through competitive compensation and benefits.

During 2004 the Bank embarked on the preparation of a Human Resources Strategy to align human resource management to business priorities. The strategy is to be finalized by mid-2005.

Staff Planning and Recruitment

The recruitment campaign that the Bank had launched in 2002 was suspended as a result of the events of September 2002 in Côte d'Ivoire and by the subsequent temporary relocation of the Bank to Tunis. With the completion of the temporary relocation exercise by the end of May 2003, the recruitment drive to fill the outstanding vacancies in the Bank (standing at some 150 vacancies in mid-2003) was relaunched and continued throughout 2004.

One overriding objective has been to attract and hire staff of the highest caliber, particularly in the newly prioritized areas of operations, such as governance, water, the private sector, the environment, gender, and results-based management. In addition, the recruitment campaign seeks to achieve diversity in terms of geographical distribution, gender, and age of staff. Emphasis has also been laid on internal mobility and transparency, whereby incumbent staff members compete with outside candidates for some of these vacant positions. At the end of 2004, some 104 posts had been filled, accounting for 69.3 percent of the total vacancies, with 92 new recruits having assumed duty in 2004. More than 50 percent of these new posts were in the Operations Complexes. All new staff received a comprehensive orientation program to foster a positive organizational culture and to effectively integrate them into their departments. To enhance transparency and quality, a Recruitment Manual has been produced and made available to all staff. It serves both as a guide to recruitment and also as a basis for evaluating the recruiting process.

In support of the decentralization exercise, recruitment was also targeted to filling vacancies in the new field offices of Uganda and Tanzania. National Program Officers were recruited for Cameroon, Guinea Bissau, Mozambique, and Rwanda. In December 2004, interviews were concluded to fill new vacancies in the pilot offices in Egypt, Ethiopia, and Gabon. A strategy has already been put in place to recruit staff for the 8 new field offices that are due to open in 2005.

TABLE 3.2

STAFFING AND EMPLOYMENT RATIO TO COUNTRY SHARE PERCENTAGES (MANAGEMENT, PROFESSIONAL AND GENERAL SERVICES STAFF) AS AT DECEMBER 31, 2004

	Management & Professional Staff at post as at December 31, 2004							Other Staff	
COUNTRIES	Vice - Presidents	Directors	Managers	Other Pro- fessionals	Total	Staff %	Shares %	Advisers & Assistants	General Services
CENTRAL REGION									
Burundi		1	1	5	7	1.08	0.24	1	2
Cameroon	1	1	4	28	34	5.24	1.04		9
Central African Republic			2	3	5	0.77	0.05		
Chad		1		7	8	1.23	0.08		5
Congo				9	9	1.39	0.47		2
Democratic Republic of Congo			2	3	5	0.77	1.05	1	3
Equatorial Guinea							0.16		
Gabon				3	3	0.46	1.26	1	
Rwanda		1		6	7	1.08	0.14		
Sao Tome & Principe							0.07		
SUBTOTAL CENTRAL	**1**	**4**	**9**	**64**	**78**	**12.02**	**4.54**	**3**	**21**
NORTH REGION									
Algeria			2	7	9	1.39	3.83	1	2
Egypt			2	4	6	0.92	5.16	2	
Libya				1	1	0.15	3.68	2	
Mauritania	1		3	12	16	2.47	0.22		3
Morocco		1	2	7	10	1.54	3.35	1	3
Sudan		1	2	3	6	0.92	0.45	1	
Tunisia		1	2	13	16	2.47	1.41		1
SUBTOTAL NORTH	**1**	**3**	**13**	**47**	**64**	**9.86**	**18.10**	**7**	**9**
EAST REGION									
Comoros				1	1	0.15	0.02		1
Djibouti			1	2	3	0.46	0.06		
Eritrea				2	2	0.31	0.13		1
Ethiopia				10	10	1.54	1.60	1	5
Kenya		1		17	18	2.77	1.46		3
Madagascar		1		4	5	0.77	0.65		1
Mauritius			1	4	5	0.77	0.65		1
Seychelles				1	1	0.15	0.06	1	
Somalia			1	5	6	0.92	0.09		
Tanzania				7	7	1.08	0.84		2
Uganda			3	13	16	2.47	0.53		5
SUBTOTAL EAST		**2**	**6**	**66**	**74**	**11.40**	**6.10**	**2**	**19**
SOUTH REGION									
Angola							1.17	1	
Botswana							2.15		
Lesotho				2	2	0.31	0.15	1	
Malawi				7	7	1.08	0.30	1	1
Mozambique							0.64	1	
Namibia							0.34		
South Africa			1	3	4	0.62	4.07		
Swaziland				2	2	0.31	0.33		
Zambia			2	9	11	1.69	1.27		
Zimbabwe			1	10	11	1.69	2.18		1
SUBTOTAL SOUTH			**4**	**33**	**37**	**5.70**	**12.60**	**4**	**2**
WEST REGION									
Benin				23	23	3.54	0.20		25
Burkina Faso			2	14	16	2.47	0.44		21
Cape Verde				2	2	0.31	0.08		3
Côte d'Ivoire			6	52	58	8.94	3.75	1	136
Gambia			1	13	14	2.16	0.16		1
Ghana		1	2	22	25	3.85	2.16	1	36
Guinea				10	10	1.54	0.44	1	11
Guinea Bissau							0.03		
Liberia				4	4	0.62	0.20		8
Mali		1	3	18	22	3.39	0.44		9
Niger				7	7	1.08	0.26		3
Nigeria	1	1	10	37	49	7.55	9.12	2	19
Senegal		2	2	29	33	5.08	1.05		13
Sierra Leone		2	1	5	8	1.23	0.25		10
Togo				3	3	0.46	0.16		4
SUBTOTAL WEST	**1**	**7**	**27**	**239**	**274**	**42.22**	**18.72**	**5**	**299**

TABLE 3.2 (cont.)

STAFFING AND EMPLOYMENT RATIO TO COUNTRY SHARE PERCENTAGES (MANAGEMENT, PROFESSIONAL AND GENERAL SERVICES STAFF) AS AT DECEMBER 31, 2004

	Management & Professional Staff at post as at December 31, 2003							Other Staff	
COUNTRIES	Vice - Presidents	Directors	Managers	Other Pro-fessionals	Total	Staff %	Shares %	Advisers & Assistants	General Services
NON-REGIONAL COUNTRIES									
Argentina							0.27		
Austria				1	1	0.15	0.45	1	
Belgium				5	5	0.77	0.64	1	
Brazil							0.44		
Canada	1	1		13	15	2.31	3.75		1
China				2	2	0.31	1.12	1	
Denmark				1	1	0.15	1.16		
Finland				1	1	0.15	0.49	1	
France	1		3	36	40	6.16	3.75		9
Germany		1	1	5	7	1.08	4.12		1
India				6	6	0.92	0.22		1
Italy		1		2	3	0.46	2.42		
Japan				1	1	0.15	5.48		
Korea (Republic)							0.45		
Kuwait							0.45		
Netherlands				1	1	0.15	0.77		
Norway				1	1	0.15	1.16		
Portugal				1	1	0.15	0.23	1	
Saudi Arabia							0.19	1	
Spain				1	1	0.15	1.06	1	
Sweden				2	2	0.31	1.54		
Switzerland			1		1	0.15	1.46		
UK		1	1	7	9	1.39	1.68	1	
USA		3	2	19	24	3.70	6.66	2	1
SUBTOTAL NON-REGIONALS	**2**	**7**	**8**	**105**	**122**	**18.80**	**39.94**	**10**	**13**
GRAND TOTAL	**5**	**23**	**67**	**554**	**649**	**100.00**	**100.00**	**31**	**363**
Number of Female Staff per Category		3	7	133	143			7	201
Percentage of Female Staff per Category		13.04%	10.45%	24.01%	22.03%			22.58%	55.37%

Moreover, in its bid to achieve diversity in terms of geographical distribution, the Bank undertook a series of recruitment missions to countries in both Africa and Europe. One noteworthy result has been a significant reduction in the number of underrepresented countries on the staffing of the Bank. The goal is to achieve complete representation of all member countries.

At year-end 2004 the staffing of the Bank stood at 1,043 compared to 987 at year-end 2003. Of the total staff at year-end 2004, 649 were professional level (PL) and Management (of whom 22.0 percent were female), while 363 were general services (GS) (55.4 percent female), and 31 were advisers and assistant level (22.6 percent female) (see Table 3.2). In 2004 the Bank contracted 80 short-term staff (STS) who are deployed in Abidjan-HQ and Tunis-TRA offices. In addition, the Bank contracted 2 employment agencies in Tunis who have recruited 60 STS for deployment at the Bank's TRA.

Annual Salary Review and Increase for General Services (GS) Staff

The Boards of Directors approved the proposals for salary increases for 2004 (May 2004) with effect from January 2004, and Management proposals for salary increases for 2005 (November 2004) with effect from January 2005. The objective of the annual salary increase for the GS staff is to recognize and reward the performance of this category of staff and to promote greater productivity as well as to maintain competitiveness in the local labor market. The Board's approval was based on studies conducted by external consultants who assessed the competitiveness of the current GS staff remuneration against the 75th percentile market reference point amongst local market competitors.

The Boards agreed that the 2004 survey comparator market references for the GS staff salary structure should remain the 6 international Abidjan organizations used in past studies and as approved by the Boards. Taking into account the decision of the Boards of Governors to extend the temporary relocation period, the study for the 2005 salary increase also made a spot assessment of the local market at the TRA in Tunis. (TRA limited comparison checks were conducted among sister institutions at the TRA to determine validity in the local market.)

As a result of the above, the new salary guide approved by the Boards includes, effective January 1, 2005: (i) a salary structure adjustment of 3 percent for the GS staff; (ii) an actual salary increase of 3 percent; and (iii) a performance-based bonus award for GS staff whose salaries fall outside the salary guide.

Annual Salary Review for Professional Level (PL) Staff

In November 2004 the Boards of Directors approved Management's proposal for a salary increase to take effect from January 2005 for PL category (Officers and Executive level). This adjustment was in response to a study conducted by a leading international consulting firm that highlighted gaps between salaries at the Bank and those at sister MDBs. The Bank seeks to ensure that the salary structure of its professional staff remains internationally competitive in order to attract high-caliber recruits. Many staff at this level possess the competencies and skills profiles that are in great demand in competitor markets, and which are essential to the successful implementation of the Bank's Strategic Plan.

In response to the study and the resulting Management recommendations, the Board approved a salary structure adjustment for PL staff of 3 percent, and an actual salary increase of 3.5 percent, effective January 1, 2005, taking into consideration the average salary structure adjustment implemented by sister institutions for the year.

Training and Staff Development

The Bank recognizes that learning and human capacity building – both within the institution and in its RMCs – are prerequisites for the achievement of the Bank's objectives, as set out in the Strategic Plan (2003-2007). Consequently, in a rapidly changing and challenging environment, training and staff development featured among the Bank Group's priorities in 2004. New policies and procedures to facilitate staff learning and programs to raise the level of staff performance and aid retention were implemented during 2004, as presented in Box 3.2.

BOX 3.2

The Bank Group's Training and Learning Priorities

The Strategic Plan (2003-2007) sets out a range of business priorities designed to meet the challenges of economic development and poverty reduction in Africa and to achieve the internationally endorsed MDGs. These priorities include sectoral and crosscutting themes and initiatives to support development effectiveness, such as agriculture and rural development; human resources development; private sector development; economic integration and cooperation; governance, environment, and gender. Other priority areas identified in the Plan include: increasing the Bank's role in NEPAD; improving water resources management; combating HIV/AIDS; mainstreaming microfinance; strengthening Bank portfolio supervision; decentralizing the Bank's activities for greater client focus; developing human and knowledge management resources and strategic staffing; and increasing the Bank's strategic partnerships with multilateral and bilateral agencies and key regional partners such as the ECA, NEPAD, and the African Business Roundtable.

The Plan has enormous implications for staff training and learning. In many of the priority areas, Bank staff need to acquire new knowledge and competencies and a better understanding of RMCs' requirements. Priority will therefore be accorded to training in support of the following areas over the next 2-3 years:

- *Decentralization of Bank operations and management of field offices;*
- *Management and leadership skills development;*
- *Strengthening operational skills, in particular project design and implementation, monitoring and evaluation;*
- *Sensitizing staff on ways of mainstreaming key crosscutting themes, particularly the Environmental and Social Assessment Guidelines (ESAG) and Strategic Impacts Assessment (SIA) Directives, environment, gender, governance, microfinance, and poverty;*
- *Promotion of new development initiatives spearheaded by the Bank, in particular the Water Initiative, NEPAD, and the International Partnership Against AIDS in Africa (IPAA); and*
- *Supporting the Bank's aspirations to become a major research facility for the continent and to facilitate knowledge sharing and capacity building.*

A new Presidential Directive on Mobility was introduced in 2004. The Mobility Program offers staff the chance to develop new skills and facilitate their movement within the organization, thereby enhancing their career prospects and job satisfaction. Over 20 staff took advantage of this opportunity in 2004, some transferring to field offices and others to positions in other Complexes.

Internal Capacity-building Activities

Over 25 courses were conducted internally during the course of the year, to train more than 400 staff in various disciplines, including: Procurement of Goods and Services; Investment Appraisal; Anti-Money Laundering; HIV/AIDS; Mainstreaming Gender in Agricultural Projects; Budget Preparation and Monitoring; Renewable Energy; Environmental Policies and Guidelines; Motivation; Country Governance Profiles; Advanced Derivatives and Interest Rates Swaps; Project Quality in the Education Sector; Economics of Poverty; Costab and SUMMIT.

In addition, intensive training was conducted for members of the Recruitment and Promotion Board and Panels, heads of organizational units, and recruitment officers. This aimed to ensure that those managers and staff who are involved in recruitment and selection are equipped with the knowledge, skills, and confidence to conduct interviews effectively. Senior Management, including the Vice-Presidents of CMVP, OCVP, PRVP, and FNVP, participated in the training.

Forty staff were sent abroad for specialized training during the year, while a further 8 were seconded to the World Bank and IMF for 3-month periods. Seventy-nine staff registered for second language training, including Arabic.

Staff Retirement Plan Reforms

At its meeting held in November 2004, the Board of Directors approved Management's proposal for reforms in the Staff Retirement Plan (SRP), which will become effective on January 1, 2005. The first and most significant improvement involves the clarification of the obligation of the Bank towards the Plan. The SRP operates as a defined benefit scheme. However, the Rules did not explicitly recognize the Plan as a defined benefit plan. The approved SRP reforms have clarified and defined the legal nature of the pension plan. The sponsoring employer (ADB) will adopt the standard actuarial practice of annual variable cost for contributions in defined benefit schemes.

The second most important set of proposals aims at improving the transparency of the Plan and addressing the embedded weaknesses in the Rules of the Plan. The key reform improvements include:

- Elimination of the tax factor in future pension benefits computations; a revision of the employee contribution rate from 7 percent of the pensionable salary to 9 percent of the base salary; and an increase in the pension accumulation rate from 2 percent of the pensionable salary to 2.5 percent of the base salary, per year of participation;
- Denomination of pension benefits in the same currency as the salary of the participant;
- Indexation of all annuities: using the UA and the local currency inflation rates, with a maximum adjustment of 4 percent per annum;
- Removal of the marital discrimination in payment of the death benefit.

The final set of proposals involves harmonizing the Rules of the SRP with those of the Human Resources Department of the Bank and allowing more flexibility in the administration of the pension benefits. Key reforms include:

- Lowering the early retirement reduction factors to 5 percent per year of anticipation (instead of 6 percent) between 55 and 60 years;
- Increasing child benefits from UA 600 to UA 1,500 per child. The amount, per year and per family, increases from UA 1,800 to UA 4,500. The child benefits would be indexed and adjusted with COLA, in the same way as for pensions.

These reforms can be expected to improve the pension plan, enhance transparency, eliminate discrimination, and give flexibility to participants regarding their choice of benefits. Above all, by ensuring that the Bank's staff will enjoy a commensurate and secure retirement income, the approved Plan bolsters the Bank's competitiveness as an employer of choice among MDBs. These improvements also pave the way for establishing pension transfer agreements between the Bank and its sister organizations.

FINANCIAL MANAGEMENT

The financial management function has as its principal objective an efficient utilization of the Bank Group's financial resources and risk-bearing capacity. In pursuit of this objective, the Department's activities target 2 areas: first, the formulation of financial and risk management policies, guidelines, and procedures and, secondly, the monitoring and reporting on compliance thereof. Organizationally, the Department's operations are divided into 3 thematic groups: (i) asset and liability management, (ii) credit risk management, and (iii) treasury risk management.

Asset and Liability Management

In 2004 the Bank's asset and liability management (ALM) activities continued to focus on implementing the Bank Group's financial reform program, which had been launched in 1996. To this end, the Bank concentrated on further strengthening the Asset and Liability Management Committee (ALCO) control process by streamlining the Committee's routine decision-making functions such as maintaining alignment with the interest rate, currency, and liquidity risk benchmarks to devote more time to its policy development and financial strategic planning role.

During the year, the ALM guidelines for the ADB and the NTF were revised and a proposal to introduce an advance commitment authority scheme for the ADF in support of the ADF-X replenishment was prepared. The advance commitment authority scheme, endorsed by the ADF Deputies during the ADF-X Replenishment negotiations, make it possible to approve more loans and grants for development, thereby eventually resulting in increased use of the liquidity of ADF for projects and programs in eligible member countries.

Credit Risk Management

During 2004 the Bank's credit risk management activities continued to adjust to the growing emphasis on non-sovereign guaranteed projects in the Bank's lending program. Credit opinions were submitted to the Board for all new projects whose risks were principally of a commercial nature. The credit management team also contributed to the development of a new Post-Conflict Countries Framework (PCCF) to assist those countries emerging from conflict to clear their arrears to the Bank Group and to qualify for debt relief under the Enhanced HIPC Initiative. In 2004 the first 2 country cases under the new PCC framework (for Burundi and the Congo) were approved by the Board.

Treasury Risk Management

The Bank's treasury risk management functions during 2004 focused on completing the implementation of the IT systems to handle straight-through processing of all treasury transactions. During the year a major quality assurance exercise was completed to validate and convert the Bank's borrowing and derivatives database. Models were implemented to produce the necessary valuations to comply with international accounting standards.

INTERNAL AUDIT

The Internal Auditing Department (AUDT) seeks to provide independent, objective assurance and consulting services to improve the Bank's operations through a systematic approach to evaluate and enhance the effectiveness of risk management, control, and governance processes. In order for the Bank to effectively discharge its mandate as well as comply with the International Standards for the Professional Practice of Internal Auditing, AUDT adopts a proactive and participatory approach in the provision of consultancy and advisory services and in carrying out traditional auditing, while maintaining its professionalism, independence, and integrity.

The annual work program of the Internal Audit Department was derived from a risk-based, long-term coverage plan, which analyzed the Bank Group Complexes by auditable activities and ranked these into high, medium and low risk. The work program was devised so as to provide reasonable assurance to Management within the constraints of the available resources.

Planned project audits are becoming an increasing part of the Bank's auditing functions. Such audits underscore the importance of good governance and accountability within the Bank and RMCs. The country focus of such exercises aim at providing an overall indication as to the adequacy of the systems of controls relating to Bank-financed projects instituted by the Bank, the Borrower, Executing Agencies, and Project Implementation Units. During 2004, there was a marked improvement in the submission of annual audit reports from field projects.

During 2004 the control environment within the Finance, Planning and Corporate Complexes was enhanced by the full implementation of SAP/R3 system. While the overriding objective of the Bank's AUDT to concentrate on high- and medium-risk activities remains unchanged, the scope of the audit work was influenced by the need to ensure efficient controls over staff-related benefits. Approximately 34 percent of the Bank's AUDT effort was devoted to this area.

Special audits and investigations were another priority area during 2004 to meet the requirements of good governance in country operations and at corporate levels. Increasingly, AUDT services are also being sought for problematic project-procurement matters. Managers have become more open in recognizing mismanaged projects while Senior Management has adopted a tougher attitude toward lapses in controls and procedures. AUDT has been able to identify some lapses in controls, leading, in some instances, to the suspension of disbursements and a strengthening of the control environment within the Bank and the RMCs.

Furthermore AUDT, in partnership with PDRE as well as the Operations Complexes, participated in training workshops for RMCs. As a resources department, AUDT provided training in loan accounting systems with an emphasis on reporting and auditing. This intervention has assisted in providing the Bank-funded projects with practical guidelines in how to set up project records and in how to strengthen the accountability of project funds.

During 2004 work progressed on the proposed reorganization of the Internal Audit Department. Following the Board approval of the *Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations,* Management presented to the Boards a proposal for the establishment of a dedicated anti-corruption and fraud Investigation Mechanism. The proposal includes the establishment of an Oversight Committee on Fraud and Corruption (OCCF) which will ensure fair but effective treatment of any potential fraud cases. It also includes the creation of an independent, anti-corruption and fraud investigation division under the Office of the Auditor-General, and the renaming of the existing Internal Audit Department as the Office of the Auditor-General, with two separate divisions (the Anti-Corruption and Fraud Investigation Division and Internal Audit Division).

GENERAL COUNSEL AND LEGAL SERVICES

The General Counsel and Legal Services function (GECL) has at its mandate the safeguarding of the Bank's legal and statutory provisions and the protection of its legal interests while providing legal advice to the President and the Boards as and when needed. Increasingly, it is also engaged in promoting law for development while enhancing good governance and judicial capacity in RMCs.

In June 2004 an independent compliance review and problem-solving mechanism, otherwise referred to as the Bank Group Independent Review Mechanism (IRM), was established. The mechanism will provide stakeholders adversely affected by Bank Group-financed projects with a forum to express any complaints and to seek redress in the event of the Bank's non-compliance with its own applicable policies and procedures.

During the year under review, in support of the Bank's decentralization program, GECL concluded negotiations with many of the host states. It also developed, with the Strategic Planning Complex, the hosting arrangement and related documentation for the African Water Facility Special Fund, which was established by the Board of Governors in May 2004, and became effective in December 2004[1]. GECL also contributed to procuring Board approval for the Bank's first non-sovereign guaranteed line of credit to a public sector entity. GECL also worked with the Operations Complexes to ensure that they achieved their 2004 lending program targets, and it continued to provide technical assistance in furtherance of the Bank's work under the New Partnership for Africa's Development (NEPAD).

In December 2004 GECL crafted the draft Resolution containing the key terms of the ADF-X, and participated in legal aspects of the Tenth Replenishment consultations. Further, in connection with the Bank's resource mobilization and capital market activities, GECL prepared the legal instruments for the Bank's US$ 500 million global bond transaction as well as the JPY 5 billion Samurai bond transaction.

[1] *The African Water Facility Special Fund is a product of the collaboration between the Bank and the African Ministerial Council on Water (AMCOW), and is dedicated to mobilizing resources from donors to finance water infrastructure and water investment facilitation activities in RMCs.*

Another milestone for the Bank Group in 2004 was the adoption of an integrated Internal Control Framework, which places the Bank in tandem with international best practice in internal fiduciary controls and financial reporting. The Bank also continues to make progress with its governance-related initiatives, including the design and implementation of country governance profiles, anti-money laundering measures, and preparation of a draft Bank corporate governance strategy.

A further highlight for the year under review was the publication in September 2004 of the first issue of the *African Development Bank Law for Development Bulletin.* A major capacity-building initiative also took place during the year in the form of the cosponsoring by the Bank of the Second African School for International Financial Law.

INFORMATION TECHNOLOGY MANAGEMENT AND TELECOMMUNICATIONS

During 2004 the Bank's information technology strategy consolidated the upgrading and maintenance of its IT and telecommunications infrastructure under the Information Technology and Telecommunications Modernization Program (ITTMP). By capitalizing on the substantial investments made in the IT infrastructure in the recent past, the Bank seeks to ensure that staff will continue to have access to appropriate software and equipment and will be fully trained in their use, so that the benefits of business process reengineering are fully realized. Furthermore, the IT strategy during the year continued to address new priorities emanating from the Strategic Plan (2003-2007).

The SUMMIT application, a fully integrated treasury system introduced in 2002, was upgraded during 2004 to take advantage of some enhanced features and SUMMIT/NUMERIX integration. The enhanced new features include straight-through processing, collateral management, and callable bonds amongst others.

Two key new departmental applications came online during the year. The first was in the Audit Department and the second in the Bank's Language Services Unit. The audit application improves the Bank's risk management in scheduled audit programs and serves as a valuable planning and automation tool for key audit activities. The language services application enhances the localization function of the unit. It provides the users with a database of pre-translated words and phrases. Efficiency gains in translation services are expected to rise from the current level of around 25 percent to upwards of 70 percent as the number of entries on the database increases over time.

Following the activation of the Bank's business continuity plan and the temporary relocation exercise in 2003, a new IT infrastructure with significant changes was installed at the TRA site and is fully operational. During the course of 2004 the Bank upgraded the core applications (SAP, DARMS, and SUMMIT) that impact on the business continuity procedures. Furthermore, in order to ensure that all the changes implemented at the TRA are aligned with the IT architecture at the Bank's business continuity site in Paris, 2 test missions were carried out. The success of these missions offers the reassurance that in the event of any future emergency, all the applications installed and running on the TRA systems in Tunis could be properly restored and operated at the business continuity site.

Virtual Private Network (VPN) Linkage and Satellite Enhancements

The IT networks for the Bank's headquarters in Abidjan, the TRA, and the operational field offices need to be linked securely. Consequently, a project has been launched to construct the linkage through a VPN (Virtual Private Network) infrastructure. Such a facility will permit all Bank staff and authorized personnel to access information and applications from any location. Partial delivery of the equipment was made during 2004 and installation is due for completion in the first quarter of 2005. The network will be extended to the remaining field offices as they are opened in 2005 and 2006.

Progress continued during 2004 on upgrading satellite communications systems to provide online access to HQ systems and video-conferencing capabilities in the network of field offices. VSAT systems are already operational in 3 field offices (Egypt, Gabon, Nigeria) and at the TRA. During the year under review, the satellite system was installed in 3 more Country Offices (Ethiopia, Tanzania, and Uganda). For the remaining field offices, negotiations were held with regulators and the respective governments to commit to the granting of telecommunications licenses and permits.

Integrated Knowledge Management System
Progress continued during 2004 on building an integrated knowledge management system for the Bank. The IT strategy actively supported this effort through its implementation of DARMS (Data Automation Resource Management System), the Corporate Data Warehouse Project, the Executive Information System, and the Web Enhancement System. All Board documents from 1994 to date are now available, while pre-1994 documents (a total of 21,000) are being scanned and imported into the system. It is estimated that during the first quarter of 2005, all documents will have been scanned.

The Corporate Data Warehouse (DW) Project provides a consolidated repository of historical internal and external data related to the Bank's development operations. The project implementation started in May 2004 and will produce a single blueprint that will be used to quickly implement the Executive Information System and then proceed with the Corporate Data Warehouse. The Executive Information System is planned for March 2005.

To enhance the Bank's website, the I*NET contract was signed in December 2004, with the duration of the project scheduled for 19 months. The first phase of the project will consist of requirements definition and scoping and is expected to be completed during the first quarter of 2005. The second phase will address improvements to both the Internet and Intranet web platforms as well as the implementation of an Extranet. Meanwhile, the Bank launched in December 2004 a quick-fix solution that provides the dynamic website, separation of content management from the web technical administration, and a better search engine.

ADMINISTRATIVE SERVICES

With regard to the administration of the Bank's statutory Headquarters in Abidjan, efforts have been ongoing to minimize operating and maintenance costs while continuing to safeguard the security of the staff and the integrity of the Bank's assets.

At the Bank's Temporary Relocation Agency (TRA) in Tunis, a process of consolidation took place throughout the year 2004. In this respect, efforts were ongoing to fully furbish the offices and office equipment to the highest standards and to provide a favorable working environment for Bank staff. In the course of the second semester, the administrative services implemented the decision approved earlier by the Boards, concerning the renting of additional office space. As a result, new offices have been rented, fitted out, and made fully operational to accommodate the increase in personnel and to upgrade working conditions.

A particular focus at the TRA in respect of staff facilities has been major improvements, in terms of facilities, to the staff Medical Center and the Library. Progress is also being made in the development of a Public Information Center. Measures have also been taken to scale up security across the various sites of the Bank. An access control system has been installed and video-surveillance equipment is operational in most of the sites.

In respect of staff travel arrangements, ongoing negotiations with airline companies have resulted in more competitive fares, thus effecting substantial savings for the Bank. Similar cost-saving agreements have been reached with a satellite operator in respect of communications costs and with insurance companies to provide better-value cover for both property and personnel.

The ongoing implementation of the Bank's decentralization policy led to the opening in 2004 of two Country Offices in Uganda and Tanzania and a Regional Office in Senegal. In coordination with PECOF (Permanent Committee for Country Offices), Administrative Services helped to negotiate Host Country Agreements with the respective governments, identify premises and local capabilities in terms of goods and services procurement, and assist in operationalizing the field offices.

PROCUREMENT MONITORING SERVICES

The procurement monitoring function of the Bank continued to be executed through the provision of assistance to the Operations Complexes in the review of procurement documents throughout the project cycle. Activities included reviewing tender documents and borrowers' evaluation reports and participating in about 20 project-cycle missions covering several projects. About 180 Complex procurement issues were treated during the year, which represents an increase of 12.5 percent over 2003.

Twelve monthly briefs outlining sensitive procurement situations were prepared for the attention of Management, while procurement post-review missions were conducted for 5 ongoing projects that had been identified in the Annual Portfolio Performance Review (APPR) as projects at high risk and with procurement problems, for which disbursement stood at around 50 percent.

Procurement capacity-building support was provided to the Bank's RMCs through the implementation, jointly with Research Department (PDRE), of 12 national Project Implementation Workshops, which were essentially procurement-based in content. Five procurement-training seminars were also conducted for staff, one of which was targeted at managers and section heads. In pursuit of continued dialogue, communication, and interaction with clients and partners, 8 Business Opportunities Seminars were conducted externally in various member countries (Finland, France, Germany, India, Japan, Portugal, and Switzerland) while 11 others were undertaken internally in Tunis for visiting delegations. Also, the first phase of the migration of the Bank's Consultancy Registration System (DACON) to the SAP platform was completed, and website registration by consultants became operational in November 2004.

Harmonization, enhancement, and improvement of procurement policies, procedures, and relations with sister institutions continued during 2004. Activities included 2 meetings of the heads of Procurement, a meeting between the MDBs and the International Contractors Associations, 3 meetings of the Working Group on the preparation of Master Procurement Document for Turnkey Contracts, as well as 5 international meetings dealing with procurement harmonization. The Bank continued to cooperate closely with the World Bank in the preparation of Country Procurement Assessment Reports (CPARs) for 3 RMCs. Finally, the Bank was also represented at 5 other international forums; these focused on fighting fraud and corruption in procurement, e-procurement, and government procurement.

CORPORATE COMMUNICATIONS

The Bank initiated the development of a corporate Communications Strategy in 2004. This initiative, which seeks to enhance the Bank's standing as an information and research center on African development issues, and as a multilateral finance and development institution of choice for the international donor community, are scheduled to continue through 2005.

External Communications

The 2004 external communications program targeted 3 major events organized by the Bank: the Annual Meetings held in Kampala, Uganda, in May; the Group's First Water Week in Tunis in July, and celebrations of the Fortieth Anniversary of the Bank in September 2004.

A major undertaking during the year involved preparations for the redesign of the Bank's website. This will improve the home page, introduce a more user-friendly categorization of development themes, and a powerful search engine to facilitate site navigation. Content management measures included the designation of departmental Web Coordinators, who were given appropriate training for enriching site content.

The web is a recognized platform for implementation of the Bank's revised *Policy on the Disclosure of Information.* This policy, approved by the Boards in March 2004, aims to broaden stakeholder participation and to share information on Bank activities with those parties that are most affected. A policy implementation guide is under preparation and efforts have been made to sensitize staff on the underlying rationale of the policy.

A further vehicle to enhance the Bank's visibility is the proposed Public Information Center (PIC), which will serve as an important knowledge-sharing venue. Arrangements to open a PIC in Tunis are well advanced. An interdepartmental committee has been established to review the state of Bank publications and to recommend measures to streamline intellectual production in the institution and the management of publications stock. The use of broadcasting and visuals as channels to help publicize the Bank's activities also received renewed emphasis.

Internal Communications

New measures to improve internal communications are being implemented using both electronic and print platforms. A completely revamped version of the newsletter, *ADB Dialogue,* was launched, featuring a wide range of institutional and social topics. Modules have also been developed for staff media training both at the TRA and in the Country/Regional Offices to enhance project communication. A media guide for field communications has also been produced. Furthermore, the number of staff on the communications team has been increased in order to fully implement the Bank's communications program.

PART II

Operational Priorities and Regional Perspectives

Operational Priorities and Effectiveness

Economic and Social Trends in RMCs and Bank Group Operations

4

Operational Priorities and Effectiveness

The Bank Group's Strategic Approach

Development Effectiveness of Bank Group Operations

Focus on Poverty Reduction

Agriculture and Rural Development

Social Development

Private Sector Development

Economic Cooperation and Regional Development

Water Initiatives

Good Governance

Environmental Management

Gender Mainstreaming Activities

Introduction

This chapter examines how the Bank in 2004, in conformity with its Vision Statement of 1999 and Strategic Plan 2003-2007, continued to translate its policies, guidelines, and operational priorities into projects and programs to foster poverty reduction and sustainable economic growth in its regional member countries (RMCs).

THE BANK GROUP'S STRATEGIC APPROACH

During 2004 the Bank continued to focus its interventions on the following priority areas:

- **At the country level:** agriculture and rural development, infrastructure (including transportation, power supply, communications, water supply and sanitation), education, health, private sector development, and good governance;
- **At the regional level:** economic cooperation and integration, in particular through its continued support to the New Partnership for Africa's Development (NEPAD) and the African Peer Review Mechanism (APRM), as well as the water initiatives;
- **Crosscutting activities:** promoting sustainable environmental management and gender equity.

The Bank also increased its support for structural reforms and debt relief operations in line with the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

A number of important policy documents were prepared in 2004, including the *Bank Framework for the ADF-X Replenishment,* the revised *Action Plan to Improve the Implementation of ADF Operations* and the *Strategic Resource Framework for Institutional Development (SRFID).* The Action Plan presents the overall framework for scaling up Bank Group activities and sets out clear monitorable indicators to assess progress in staffing, decentralization, knowledge management, and disbursements (see Box 2.2). The SRFID comprehensively sets out a global budget and timeframe for building the Bank's capacity to deliver on its mandate, including the many pressing demands made by its RMCs and donors, and its commitments to the broader development agenda.

DEVELOPMENT EFFECTIVENESS OF BANK GROUP OPERATIONS

During 2004 the Bank Group scaled up efforts to improve the development effectiveness of its operations by strengthening the review process, and initiating quality-at-entry (QEA) and quality-of-supervision (QSA) assessments. Other measures included improving linkages between lending and performance, and the alignment of Bank strategies to country priorities, as defined in RMCs' Poverty Reduction Strategy Papers (PRSPs). Furthermore, the Bank has improved operational selectivity, increased the use of participatory approaches at all project-cycle stages, enhanced supervision, and strengthened its partnership and coordination with other development partners at both the corporate and country levels. These measures form part of an overall drive by the Bank to optimize its assistance to lower-income RMCs.

In order to remedy the weaknesses of the reporting process on Bank outcomes and performance at the corporate level, the Bank's Committee on Operations and Development Effectiveness (CODE) approved in 2004 the scope and content of an *Annual Review on* (ARDE) *Development Effectiveness* with a view to providing an aggregate assessment of corporate, country, sector, and project operational performance. One of the objectives of this policy framework is to achieve cross-country selectivity based on the enhanced performance-based allocation (PBA) system of ADF resources, as well as ensuring selectivity within countries by aligning Country Strategy Papers (CSPs) with PRSPs. The evaluation of investment projects and programs, including policy reforms and other lending and non-lending instruments at the country and sector levels, will form the basis of the first assessment of development effectiveness, with its conclusions expected during the first quarter of 2005.

Harmonizing operations with development partners is another important element in the development effectiveness agenda. In this regard, the Bank collaborates with the World Bank, the International Monetary Fund (IMF), the Economic Commission for Africa (ECA), the United Nations Development Program (UNDP), the UK's Department for International Development (DFID), GTZ, and the Strategic Partnership for Africa (SPA), among others, in order to minimize transaction costs to RMCs, leverage areas of special expertise, and optimize synergistic benefits. The collaboration includes capacity and institution building, cofinancing of programs and projects,

Grassroots participation and dialogue promote country ownership of projects and thereby enhance development effectiveness.

especially those related to PRSPs and Poverty Reduction Support Credits (PRSCs), and harmonization of intervention mechanisms including administrative procedures. In addition, joint support for the implementation of PRSPs featured prominently during the SPA meeting that the Bank hosted in Tunis in January 2004.

Strengthening dialogue with RMCs through the Bank's ongoing decentralization program will serve to boost the Bank's visibility, heighten country ownership of projects and programs, and improve the monitoring of operations in the field, thereby contributing to development effectiveness. The decentralization will accelerate under the SRFID, as noted by the Boards in December 2004. In addition to the existing 9 Regional and Country Offices (Egypt, Ethiopia, Gabon, Mozambique, Nigeria, Senegal, Tanzania, Tunis, and Uganda) a further 8 offices will open in 2005, followed by another 8 in 2006.

Greater Selectivity in Operations

The first *Annual Review of the Strategic Plan,* published in 2004, reaffirmed the emphasis on selectivity in Bank operations. The Bank's areas of activity have been streamlined to no more than 3 sectors at country level for those RMCs eligible for ADF resources. In both low- and middle-income countries (MICs), selectivity is to be achieved through the alignment of the CSPs with the PRSPs and National Development Plans.

The key criteria guiding the cross-country resource allocations are income poverty, post-conflict status, and performance. Resources are targeted at those countries where the overall policy environment favors aid effectiveness and where the Bank's presence will yield high development impact. At the end of 2004, for example, through the PBA system, high-performing RMCs received a 28.8 percent allocation of resources against 4.8 percent for non-performing RMCs (see also Box 2.1). Some development issues such as NEPAD, regional integration, the water initiatives, and HIV/AIDS are most effectively addressed at the regional level, but with clear linkages to the Bank's strategic objectives and country operational work.

Results-based Management

The Bank took an active part in organizing the Second International Roundtable on Managing for Development Results, which was held in Marrakech, Morocco, during February 4-6, 2004. The Roundtable was co-hosted by the ADB and the World Bank and attracted more than 150 participants, representing 30 developing countries, 30 donor agencies, the 5 Heads of MDBs, and the Head of OECD-DAC. The meeting culminated in the signing of the joint Memorandum of Understanding and Core Principles on Managing for Development Results. During the year under review, the Bank took an active role in the OECD-DAC-MDB Joint Venture on Managing for Results and is co-organizing a study on the methods and approaches taken to harmonizing country PRSP reporting systems.

In line with the *ADF-IX Lending Policy,* the Bank Group designed a Results Measurement Framework (RMF) to track the impact of the ADF-financed operations as well as donor assistance, and implementation of this instrument began in 2004. A further Bank instrument to scale up its effectiveness is the Balanced Scorecard (BSC), which was designed to develop, execute, and manage the Strategic Plan. The BSC is due to be implemented by mid-2005. During 2004, Management developed an *Action Plan to Improve the Implementation of ADF Operations,* which incorporates key recommendations of the Independent Evaluation of ADF-VII to IX (see Box 2.2). It promotes a results-based management approach, including a results-based CSP format and an improved project design; enhanced Economic Sector Work (ESW); more efficient procurement and accelerated disbursement; training of officials from RMCs; monitoring and evaluation (M&E), as well as research and knowledge building. The Action Plan will be monitored on a regular basis and progress in implementing its activities will be reported to the Fund's Board of Directors on a quarterly and annual basis. These measures are designed to transform the Bank Group into a fully fledged results-based management (RBM) institution.

The Bank prepared in 2004 an Annotated Outline for a *Results-based Country Strategy Paper (RBCSP),* which will be reviewed in early 2005. Based on best practices accumulated by sister institutions, it provides a basis for the Bank to align its program with RMCs' PRSPs. The RBCSP includes a monitorable results-based matrix to be evaluated at the end of its cycle. Also during the year under review, the Bank developed an enhanced Results-based Logframe, which requires clearer specification of impact-level goals, as well as ascertaining risk mitigation and the identification of beneficiaries within the matrix.

With respect to monitoring and evaluation (M&E), challenges are emerging as the Bank moves toward a results-based management approach at corporate and country levels. As the recent review on monitoring and evaluation shows, there is a need to rectify the gaps in the tracking systems of performance measurements for the Bank's lending and non-lending operations at project, country, and corporate levels. In this regard, the Bank will undertake a detailed review of the current supervision system in 2005 and will suggest specific areas for priority action.

During the course of 2004, guidelines and procedures on quality-at-entry and quality-of-supervision assessments were developed, in addition to the completion of the 2002-2003 *Annual Portfolio Performance Review.* In order to identify projects that might require additional monitoring, the Bank revised its projects-at-risk methodology. While the review showed that there was no significant deterioration in the portfolio, the application of the new methodology resulted in raising the overall level of projects-at-risk.

The SRFID will provide the resources needed over the next 3 years (2005-2007) to transform the Bank into a results-based management institution. In addition to UA 2.93 million targeted for quality assurance initiatives during that period, UA 1.02 million has also been earmarked for the implementation of RBM activities (IT and training).

Donor Harmonization and Alignment

In accordance with the recommendations of the Rome High-Level Forum on Donor Harmonization, the Bank prepared in September 2004 the *Bank Group Action Plan on Harmonization, Alignment, and Managing for Results.* This Action Plan analyzes operational activities aimed at mainstreaming the international harmonization agenda within the Bank Group and in RMCs, as well as the development of appropriate indicators for monitoring and assessing the implementation of the Rome Agenda.

In November 2004 the Bank organized in Dar es Salaam, Tanzania, a Regional Workshop on Harmonization, Alignment and Management for Development Results, in collaboration with the World Bank. At the workshop, donors reaffirmed their Monterrey and Rome pledges to increase development assistance on a more predictable basis to enable countries to meet the MDGs. Other key conclusions included the importance of donors aligning development assistance to results-based strategies of the beneficiary countries as a basis for harmonization. Furthermore, a consensus was reached on the necessity for developing partner countries to exercise effective ownership of the development process, including south–south and regional cooperation in finding solutions to common development challenges.

At the country level, activities in this area include the alignment of CSPs with the RMCs' priorities, as spelt out in their PRSPs; the harmonization of country programming with other partners; provision of technical/financial assistance to RMCs to finalize their Action Plans and PRSPs (examples are Uganda, Mozambique, and Ethiopia); and collaboration on sector and thematic issues such as HIV/AIDS, NEPAD, water and sanitation, agriculture, infrastructure, and regional integration.

The Bank is also involved in the development of implementation indicators and in the monitoring and reporting of the progress made at country level, in collaboration with partner development agencies. As an example, the Bank has made significant contributions to the World Bank's *Global Monitoring Report* 2004, which presents policies, actions, and initiatives implemented by developing and well as developed countries toward the achievement of the MDGs.

BANK GROUP FOCUS ON POVERTY REDUCTION

In February 2004 a new *Policy on Poverty Reduction* was approved by the Boards. The new policy is informed by a broadened definition of poverty, best practices in poverty reduction, concerted approaches toward more effective support for PRSPs and the MDGs, and the focusing of all the Bank's activities toward pro-poor and sustainable economic growth in its RMCs. The policy seeks to strengthen the links between CSPs and poverty diagnostics, sectoral priorities, and outcome indicators of country-owned PRSPs.

In line with the new *Poverty Reduction Policy,* the new CSPs prepared in 2004 for Botswana, Djibouti, Equatorial Guinea, Eritrea, and São Tomé & Príncipe emphasized the importance of clearly and systematically addressing poverty issues. Thus, key aspects such as pro-poor growth, public expenditure strategies, strengthening quality-at-entry of projects, and safety net programs are addressed in the new CSPs. Increased attention is now being paid to reflect the poverty reduction measures and sectoral priorities outlined in country-owned PRSPs with a view to aligning the Bank's interventions with the aspirations and outcome indicators articulated by the RMCs themselves.

Poverty Reduction Support

The Bank has been supportive of the PRSP processes in the RMCs since their inception. In this area, several countries have benefited from financial support from the Bank. This is particularly the case with the policy-based loans designed to facilitate the implementation of PRSPs in Burkina Faso, Ethiopia, Rwanda, and Tanzania during the year. The ADF provided Poverty Reduction Support Loans to the 4 RMCs amounting to UA 147.4 million during 2004.

In 2004 the Bank approved a loan to Tanzania (UA 50.0 million) to assist in the financing of the Poverty Reduction Support Program. It also extended to Rwanda UA 21.9 million to assist in the financing of Phase I of the Poverty Reduction Strategy Support Program (2004-2006) and UA 15.5 million to Burkina Faso to finance part of the cost of the Supplementary Poverty Reduction Strategy Support Program II (PCASRP II – see Box 4.1). A Poverty Reduction Support Loan amounting to UA 60.0 million was granted to Ethiopia to help finance the Sustainable Development and Poverty Reduction Program (SDPRP). The Bank's support for the Ethiopian project is part of an overall multi-partner development budget support financing equivalent to UA 261.8 million.

During 2004 Management continued preparations for a *Progress Report on Poverty Reduction,* to cover lending and non-lending activities during 2001-2002. The report will be finalized in 2005. In addition, arrangements are underway to launch the preparation of the *Annual Poverty Reports* for 2003 and 2004. These reports will examine the extent to which the Bank's *Policy on Poverty Reduction* is being used to inform Bank operations and to identify opportunities and constraints during its implementation.

BOX 4.1

Bank Support for Burkina Faso's Supplementary Poverty Reduction Strategy Support Program II

This program is comprised of 3 components: (i) accelerated growth by consolidating the macroeconomic framework and strengthening competitiveness; (ii) improved access to basic social services; and (iii) promotion of good governance. The overall goal of the program is to reduce the incidence of poverty in the country from the 2003 level of 46.6 percent to 41 percent by 2006, targeting in particular the most vulnerable social groups. The key objectives include the following:

- *To attain a 5.2 percent annual growth rate in 2004 compared to an annual average rate of 4.2 percent between 2000 and 2003, while containing the inflation rate at below 3 percent in 2004, and reducing the current account deficit from 12.2 percent of GDP in 2003 to 11.8 percent in 2004;*
- *To increase the investment rate from 18.9 percent of GDP in 2003 to 20.5 percent in 2004 and 22 percent in 2006;*
- *To raise the school enrollment rate from 50/43 percent (male/female) in 2004 to 70/65 percent (male/female) in 2010;*
- *To improve the male literacy rate from 28 percent in 2004 to 40 percent in 2010;*
- *Boost the DTC3 vaccination rate from 65 percent in 2004 to 87.5 percent in 2006, and thereby improve the Infant Mortality Rate to 313 per 100,000 births; and*
- *To augment budgetary allocations in the social sectors under the 2005 Budget Act to 13 percent for education and 13.2 percent for health (including HIV/AIDS), in line with the Medium-Term Expenditure Framework and reflecting the PRSP.*

AGRICULTURE AND RURAL DEVELOPMENT

Given that poverty is most acute in rural areas, the Bank gives special emphasis to agriculture and rural development activities in its portfolio of projects and programs. In line with its *Agriculture and Rural Development Sector Policy* (2000), the Bank assists African countries to develop comprehensive and realistic plans for rural development and agricultural modernization. The plans focus on policy, institutional, and technological changes, food security, community-based organization programs, and land tenure security, to effect a transformation in Africa's rural areas.

Agriculture and rural development is a key sector for the Bank's pro-poor strategic approach.

During 2004 the Bank Group approved loans and grants for 26 projects in the agriculture and rural development sector in RMCs, amounting to UA 274.5 million, representing 15.8 percent of total Bank Group lending for the year. For the concessional and non-concessional windows, Bank Group assistance to agriculture and rural development amounted to UA 251.6 million and UA 22.9 million respectively. As at December 31, 2004, the cumulative loans and grants approved since 1967 for the agriculture and rural development sector for the various operations amounted to UA 6.41 billion, or 18.3 percent of total Bank Group cumulative lending.

Investment in agriculture and rural development project and programs focused mainly on poverty reduction, fisheries, and food security. Many projects and programs were at the multinational level, including: the Project to Support the Lake Tanganyika Integrated Regional Development Program (PRODAP), the Creation of Sustainable Tsetse-fly and Trypanosomiasis-free Areas in East and West Africa Project (see Box 4.2), the Water Resource Planning and Management in the Nile Basin, and the Agricultural Marketing Promotion and Regional Integration Project in the COMESA region. Two project approvals in this sector were at the national rather than the multinational level, namely the Inland Fisheries Development Support Project (PADEPECHE) in Mali and the Inland Lakes Integrated Fishery Management Project (PAIGELAC) in Rwanda. These aim to build national

BOX 4.2

Creation of Sustainable Tsetse and Trypanosomiasis–free Areas in East and West Africa Project

The Bank Group approved in December 2004 a continent-wide project to counter the menace of tsetse flies in order to eradicate "sleeping sickness." The Creation of Sustainable Tsetse and Trypanosomiasis (T&T) Free Areas in East and West Africa Project forms the first phase of a wider program on the continental level, coordinated by the African Union Pan-African T&T Eradication Campaign (PATTEC).

The duration of the program is scheduled for 6 years and the objective is to eradicate T&T from the 37 affected African countries and so remove the constraint on livestock production and human productivity. It has 4 interrelated components, namely: (i) suppression and eradication of the tsetse flies, (ii) human resource development/capacity building, (iii) sustainable land management, and (iv) program coordination and management. The program will be implemented in a sustained and continuous way through a series of interlinked and coordinated projects. The Bank and PATTEC are leading the efforts to mobilize resources for use in the implementation of the program. The ADF will provide a loan of UA 44.6 million with another UA 2.9 million in the form of a grant. The loan and grant will cover 86.4 percent of the total cost with participating countries and development partners funding the rest.

The project will free 13 million hectares from T&T. It will train 600 technical staff, 1,800 extension staff, 3,600 village technicians, and 1,200 village leaders. It will also enable an estimated increase in production of crops and livestock by 19,000 mt of meat, 99,000 liters of milk, 7,000 mt of sorghum, and 15,336 mt of various crops in the project areas. Momentum for action is building in a number of affected countries to remove the disease. Removal of the constraint of T&T is needed for the success of other programs and particularly for NEPAD initiatives.

capacities in sustainable management of fish resources and to ensure a secure level of fish stocks. The overall goal of these agricultural projects is to increase agricultural productivity while mainstreaming environmental sustainability concerns; improve the living standards and incomes of rural communities; enhance household food security; and improve rural infrastructure, such as feeder roads and irrigation schemes.

Other approved projects and programs for this sector in 2004 included the Farm Income Enhancement and Forest Conservation Project in Uganda, the Third Line of Credit and the Tandjieskoppe Green Scheme Project in Namibia, and the District Agricultural Sector Investment Project in Tanzania. These all focused on natural resources conservation and management, agribusiness development, and rural income enhancement. Special efforts were made in the area of agriculture information dissemination, extension work, and research, which resulted in wide adoption of agricultural methods conducive to the environment and biodiversity. Emphasis was also placed on the sustainable management of natural resources, watersheds, and areas that are sensitive to degradation such as springs and mountain slopes as well as conservation of soils and soil erosion control (e.g. in Burkina Faso and Mauritania). This includes projects for rehabilitation of basins suitable for flood recession crop cultivation (e.g. in Mauritania), development of farmland, and management of river basins.

Rural Infrastructure

Of the total loan and grant approvals for 2004, UA 675.7 million or 39.0 percent was allocated to infrastructure, which includes transportation, communication, water supply and sanitation, and power supply. Projects approved during the year included rural roads (e.g. in Namibia), irrigation schemes (e.g. in Mauritania), and water supply and sanitation project and studies (e.g. in Morocco and Nigeria). Most of the road projects approved for financing through ADB and ADF-IX resources in 2004 will connect agricultural production areas to markets, reduce transportation costs, boost local and regional trade, while facilitating access to social services for the rural populations.

The Bank has also been at the forefront of the Rural Water Supply and Sanitation Initiative (RWSSI) to support water supply and sanitation projects, particularly in the rural areas, with the goal of increasing access to a safe supply of water and sanitation, and thus improve health and reduce poverty. The Bank has also been actively involved in the establishment of the African Water Facility (AWF) to raise about US$ 616 million to support small-scale investment operations in the area of water supply and sanitation. In addition, the Bank is providing leadership in the NEPAD Water Program for regional water resources development (see section on "Water Initiatives" below).

Construction of the Bumbuna dam in Sierra Leone. This will provide electricity to much of the country in addition to supporting tourism activities

The Bank recognizes that poor financial services also pose a major constraint to the support of agriculture and rural development in Africa. Consequently, the Bank formulated in 2002 the *Rural Finance Policy Guidelines* (RFPG), which assist Bank staff and RMCs in the design and implementation of more sustainable financial services through improved rural financial intermediation. Since the adoption of the RFPG in 2002, most projects in the agriculture and rural development portfolio have included an element of microfinance to provide rural households, especially women, with credit for their economic empowerment.

SOCIAL DEVELOPMENT

Several developments and natural disasters influenced the nature of funding and assistance provided during 2004. First, there was increased availability of grants to support social development, which targeted the following areas: emergency assistance to victims of flood, cyclones, and earthquake; to support HIV/AIDS operations; to support basic education (including adult education); and for capacity building in both the education and health sectors. Second, there was a renewed focus on ensuring that projects and programs financed by the Bank in these sectors have monitorable indicators, to make it easier to evaluate or measure the results on ground and their development effectiveness. A third and recent emphasis has been support to regional initiatives, given that some of the worst social development problems facing Africa today, such as HIV/AIDS, are transboundary issues and can only be adequately addressed through a concerted regional effort.

The catalytic role of the social sector in improving the living standards of the poor, particularly the rural poor, and in the empowerment of rural women, has long been acknowledged. The Bank's funding to this sector in 2004 aimed principally to reduce existing huge gender differential in access to social services. It also targeted the previously disadvantage individuals and remote rural population groups (e.g. the migrant population in the Sahelian region of Northern part of Africa).

During 2004 the Bank Group approved loans and grants for 29 operations in the social sector amounting to UA 157.1 million, which represents 9.1 percent of the entire lending for the year. For the concessionary and non-concessionary windows, approvals to the social sector in 2004 amounted to UA 155.8 million and UA 1.3 million respectively, which is a 52.8 percent decrease from the Bank Group approvals to this sector in 2003. In cumulative terms, the Bank Group lending to the social sector for the period 1967-2004 was UA 4.06 million or 11.6 percent of total lending.

Education

Consonant with its *Education Policy,* the Bank Group continues to focus support on basic and vocational/adult education and training. In the area of basic education, the Bank actively seeks to promote the MDG of universal primary education by the year 2015, and particularly to redress the gender disparity in primary school enrollment. The Bank continues to support the other subsectors of education such as secondary education, technical and vocational training. In line with its approved *Guidelines for the Utilization of SWAps,* the Bank is progressively supporting the *Education For All-Fast Track Initiative* (EFA-FTI) in many countries, especially in Burkina Faso, Cameroon, Chad, DRC, Mali, and Niger.

In 2004 the Bank Group approved loans and grants for 9 education projects and programs totaling UA 39.76 million or 2.3 percent of all lending for 2004. The interventions in the education subsector are guided by the following key objectives:

- Improve access to integrated basic education through enhanced management of schools, improved school infrastructure and environment, and strengthening the quality of teachers, as in the Chad Education Sector Support IV Project (UA 2.4 million), the Cape Verde Education Sector Institutional Support Project (UA 1 million), and the DRC Education Sector Support Project (UA 5.2 million);
- Increase access to quality secondary education, increase the intake capacity, and improve the equity, as in the cases of Djibouti Education III Strengthening Project (UA 4.6 million) and the Eritrea Education Sector Development Project (UA 13.6 million);
- Assist in establishing Open, Distance and eLearning (ODeL) capacity development centers and connectivity provision at Africa Virtual University (AVU) partner institutions to support teacher training and development programs and to mainstream gender issues, as in the AVU Support Project (UA 5.0 million).

Health

On the basis of its *Health Sector Policy,* which embodies the HIV/AIDS and malaria control strategy, the emphasis is on access to quality healthcare facilities in both rural and urban areas, the control of communicable diseases (e.g. HIV/AIDS and Sexually Transmitted Infections (STIs), malaria, etc.), human resource development and capacity building, and emergency humanitarian assistance to the victims of natural disasters. In addition to primary healthcare, attention is focused on nutrition and basic health counseling, and the supply of essential drugs and basic equipment.

During 2004 the Bank Group approved 13 projects and programs in the health subsector for UA 102.0 million, representing 5.9 percent of total lending for the year. The 13 operations are supported entirely from ADF resources of which 9 are grants (UA 44.8 million) and 4 are loans (UA 57.2 million). Overall, the Bank's funding of projects and programs in the health subsector represents 64.9 percent of all approvals for the social sector. The Bank's interventions in this subsector are based on a number of key objectives, namely to:

- Provide funding to prevent the spread and transmission of HIV/AIDS and STIs among refugees and migrant populations, provide them with access to quality preventive and curative services, and psychological support to those living with HIV/AIDS, as in (i) the 2004 approved multinational grant for the Subregional HIV/AIDS Program for the Refugees, Internally Displaced Populations and their Host Communities in the Mano River Union Countries and Côte d'Ivoire (UA 5.0 million) and (ii) the multinational grant for the Regional Initiative for HIV/AIDS/STI Prevention in Member Countries of the Indian Ocean Commission (UA 6.0 million).

- Reduce the HIV/AIDS prevalence rate in some countries, improve services for testing, counseling and provision of anti-retroviral drugs, and strengthen women's competence vis-à-vis HIV/AIDS, as in the case of the ADF grant of UA 8.3 million to Mali's HIV/AIDS Control Project.
- Ensure safe blood transfusion and improve the population's access to preventive and curative care with regard to communicable diseases, such as the Madagascar Control of Communicable Diseases (HIV/AIDS-/STI/-Tuberculosis) Project (ADF grant of UA 6.0 million).
- Improve access of the population to quality healthcare in general, and in particular for the most vulnerable groups, through the strengthening of district health systems, the prevention and control of major diseases and project management, as in the case of the loan and grant approved for Kenya's Rural Health III Project (UA 23.2 million) and the DRC's Eastern Province Healthcare Development Master Plan Support Health Project I loan and grant (UA 25.0 million).

BOX 4.3

The New Private Sector Development Strategy

In 2004 the Boards of Directors of the ADB Group approved the new Private Sector Development Strategy. The new strategy acknowledges the essential role played by the private sector in promoting economic growth and poverty reduction. Small and medium enterprises, which constitute the majority of the private concerns, are job-creating and income-generating sources of revenue not only for households, but also for the government to invest in social development.

The main objective of the strategy is to scale up the capacity and effectiveness of the Bank Group in promoting the development of a viable private sector in the RMCs. This requires a Bank-wide approach by providing strategic orientations and outlining responsibilities for the Bank's private and public sector departments. This strategy is consonant with the 3 overarching goals of the Bank's Strategic Plan, namely: ownership of the private sector development process by the recipient countries; partnership with development agencies and their economic operators; and selectivity of sectors of intervention, as defined by the Bank's Country Strategy Papers (CSPs). The strategy identifies the following key areas for effective private sector development:

- *Creating an enabling business environment so as to stimulate a sound investment climate for investors, both local and foreign, by assisting RMC governments in the reform of their regulatory and legal frameworks;*
- *Strengthening financial systems by assisting RMCs to develop sound banking systems, to create or expand capital markets, and to diversify non-banking financial products such as leasing, franchising, mortgaging, and insurance;*
- *Building competitive physical and social infrastructure which represents a cornerstone for the promotion of public–private partnerships (PPPs), through the broadening of financial options, supporting training for business skills, and brokering PPPs for basic services;*
- *Promoting trade by stimulating trade liberalization and diversification through the removal or reduction of subsidies and other tariff and non-tariff barriers. Furthermore, the Bank will be assisting the RMCs' trade promotion policies by supporting the financial capacity of local trade financing institutions and in contributing to finance large, medium and small export-oriented enterprises.*

During 2005-2007 the Bank's Private Sector Development Strategy will seek to structure its indicative cumulative volume of approvals according to the following proportions:

• *Financial intermediation*	*35%*
• *Infrastructure and public–private partnerships (PPPs)*	*29%*
• *Sector reform*	*24%*
• *Direct lending to private enterprises*	*8%*
• *Advocacy for free market access*	*3%*
• *Social sector*	*1%*

The strategy focuses on institutional and structural reforms in this area, rather than simply lending to the African private sector, as these are mainstreamed in the Bank's overall operational program (for example, as lines of credit for onlending to SMEs).

- Create sustainable tsetse fly and trypanosomiasis-free (T&T) areas in 6 countries in Sub-Saharan East and Western African countries. This is in support of the eradication of T&T through integrating suppression, control, and eradication technologies while ensuring that the reclaimed areas are economically exploitable. (See Box 4.2.)

In the health subsector, the Bank Group seeks to harmonize its operations in partnership with UN agencies. In 2004 it collaborated with the UNFPA and UNESCO to provide funding for the National Reproductive Health Support Program in Cameroon (UA 12.1 million, or 88.9 percent of the total cost). With regard to the fight against communicable diseases, the Bank is collaborating with the UNFPA and other specialized agencies to complement their work.

PRIVATE SECTOR DEVELOPMENT

With low savings rates, capital flight, inadequate foreign direct investment, and a private sector that is predominantly informal, Africa presents a daunting challenge to robust private sector development. Nonetheless, development of the private sector is essential for effective poverty reduction and, as such, is a key component of the Bank's Vision and Strategic Plan.

In December 2004 the Boards approved the *Private Sector Development Strategy of the African Development Bank Group*. The strategy of intervention focuses on creating the conditions and building the capacities (i.e. institutional, human, legal, and governance structures) needed to attract investment in the private sector. This requires, first of all, mainstreaming private sector development considerations into all aspects of the Bank's development activities, whether they be lending or non-lending operations, directed at the public, private, or public/private sectors.

Quality-at-entry, backed by due diligence, will govern each operation supported by the Bank, and these will be selected on the basis of their development impact and cost effectiveness. At country and regional levels, the Bank will assist both the public and private sector working together to address jointly the challenges that the country or the region is facing. The new SRFID provides UA 2.8 million for the implementation of the *Private Sector Development Strategy* for the period 2005-2007 to be approved by installments annually through the budgeting process (see Box 4.3).

2004 Bank Funding to the Private Sector

During 2004 the Bank continued to record a high volume of private sector operations for a total of UA 166.0 million. The approvals included 4 lines of credit (LOCs) amounting to UA 161.2 million, 1 equity participation for UA 3.2 million and one grant for UA 1.6 million to ATMS III / AMSCO. South Africa received 2 LOCs of UA 117.1 million, channeled through Nedcor Ltd. One LOC for UA 112.5 million was for investment in viable private sector projects in Southern Africa, while the Franchising Program for UA 4.5 million was to promote franchising as a business strategy, to develop SMEs amongst previously disadvantaged individuals. Botswana benefited for the first time since the inception of Bank's private sector operations from an LOC to the National Development Bank (NDB) for an amount of UA 34.3 million, including a technical assistance component for capacity building. The Bank's facility is to be onlent to NDB's corporate clients and enterprises in various sectors of the economy. The fourth LOC was granted to Kenya Commercial Bank (KCB) for an amount of UA 9.8 million, including technical assistance for capacity building. This medium-term based facility is to be onlent to KCB's corporate clients with the objective to support enterprise expansion and rehabilitation projects with strong foreign currency income streams, principally SMEs in various sectors.

Regarding the private sector equity window, the Bank extended, with cross-border scope, an amount of UA 3.2 million to increase its share capital contribution in the Africa Reinsurance Corporation (Africa-Re), a company involved in the insurance and reinsurance industry in Africa. The objective of the Bank's additional subscription is to contribute to the strengthening of the capital base of the company.

Non-Lending Activities

Under non-lending activities, the private sector window in 2004 took an active part in the preparation of the Bank's Country Strategy Papers, addressing in particular issues related to private sector development. Also during the year, work commenced on Private Sector Country Profiles for 3 countries (Algeria, Egypt, and Mali) and these will be completed in 2005. In full partnership between the Bank's public and private sector windows, a program to support the structural adjustment of the private sector in Senegal (PAASP Senegal) was also launched in 2004. In the near future this type of coordinated approach will be intensified and developed for other countries, in line with the new *Private Sector Development Strategy.*

During the year under review, the Bank continued to use its concessional resources to help improve SMEs' operating conditions. The ADF provided the ATMS/AMSCO (African Training Management Services/African Management Service) program with a grant of UA 1.6 million to improve managerial skills in SMEs. In parallel, work continued to develop specific programs targeting SMEs to ease conditions under which they may access financing, through mechanisms that effectively tackle the adverse risk perception of local banks. During the year under review, the first program on "Franchising to Support Previously Disadvantaged Groups of South Africa" was finalized.

The Bank also carried out jointly with the International Labor Organization (ILO) an assessment of the business environment for women entrepreneurs in 3 East African countries (Ethiopia, Kenya, and Tanzania). This represents the first in a country series exercise, to help design assistance instruments to foster women entrepreneurship. These assessments will be used in Multisector Gender Country Profiles as well in the PSCPs and CSPs. Another initiative for which work is well advanced is the Corporate Governance Program: this exercise will result in a strategy and plan of action that will guide Bank activities in this area.

ECONOMIC COOPERATION AND REGIONAL DEVELOPMENT

The promotion of regional cooperation and integration in Africa supports the Bank's overarching aim to foster sustainable economic growth in its RMCs and

BOX 4.4

Developing Mozambique's Untapped Natural Resources: The SASOL Natural Gas Project

The ADB is a cofinancier of the SASOL Natural Gas Project in Mozambique, which was approved in 2003 for implementation over a 21-month period. The Bank is contributing a loan of UA 55.6 million to the project's total cost of UA 858.9 million. The project involves the upstream development of the gas fields of Temane and Pande in the northeastern region of Mozambique, construction of a central processing facility and an 860-km gas pipeline from Mozambique to South Africa. The project is in line with the Bank's objective to promote private sector development in Mozambique, particularly the vast gas resources of the country. It is also in line with its Private Sector Development Strategy, which focuses on cofinancing operations with African development finance institutions in national and cross-border investments.

The project provides strong economic impetus for both South Africa and Mozambique and contributes to promoting regional economic integration. SASOL has embarked on the commercialization of the Mozambican natural gas, construction of new chemical plants, in addition to the expansion and/or optimization of existing production facilities in South Africa.

Economic benefits will accrue to both countries in the form of revenues, direct and indirect employment creation, and other spin-offs. Capital investment in the gas project contributes to higher economic growth for both countries, especially Mozambique. The gas project is a substantial addition to the country's infrastructure, such as access roads to the pipeline, ancillary infrastructure (roads to the gas fields, potable water supply, and de-mining of project area, including the pipeline route), and increased exploration activity.

During the project's expected 25-year lifespan, Mozambique is expected to earn about US$ 2.1 billion in taxes and royalties, increasing the country's GDP by an estimated 10 percent. The project has also set up a Social Development Fund of US$ 6.0 million designed to provide development assistance to communities within areas in Mozambique that are potentially affected by the project's infrastructure. The Fund is being used mainly for the provision of boreholes and clean water, clinics, schools, agriculture, gas and electricity supply, and roads for local communities. In South Africa, SASOL has set up social development funds for assistance to local communities, in addition to allocating ownership in the project to black empowerment enterprises.

BOX 4.5

Infrastructure, Governance, Banking and Financial Standards – The ADB Spearheading Progress in NEPAD Implementation

In November 2001, the Heads of State and Government Implementation Committee (HSGIC) of NEPAD requested the Bank to assume a lead role and provide technical assistance and advisory services in support of 2 main areas: (i) infrastructure and (ii) banking and financial standards. To implement its NEPAD mandate, the Bank has put in place the necessary institutional arrangements, including establishment of a NEPAD Support Unit within its organizational structure. In addition, the Boards of Directors approve yearly administrative budgets of approximately US$ 1.5 million to fund the Bank's technical and logistic support to NEPAD-related activities.

Support to Infrastructure Development

During the fiscal year 2004, much of the emphasis on the infrastructure sector aimed, in the case of ADB countries, to support and enhance the economic competitiveness of these countries and assist them to manage their water resources within an integrated framework. Examples of such projects include the Transport Sector Adjustment Program in Morocco, the Road Project in Tunisia, and the Water and Sanitation Project in Morocco. In ADF countries, emphasis was laid on the provision of basic infrastructure services in rural areas, as illustrated by the road project on Zanzibar Island in Tanzania, the Small Towns Water Supply and Sanitation Project in Uganda, and the Rift Valley Water Supply and Sanitation Project in Kenya. Regional integration and NEPAD objectives were also promoted through 2 multinational projects in power and one in transportation, one study in power as well as through the Kamanjab–Omakange road project in Namibia, which links the country to Angola. Public–private partnerships were also strongly supported in several projects, including the Transport Sector Adjustment Program in Morocco and the Mineral Resources Management and Capacity-Building Project in Uganda, which are expected to foster an environment conducive to private sector investments in both countries.

The Bank has adopted a two-pronged approach to the NEPAD infrastructure development program: a Short-term Action Plan (STAP) to be complemented by a Medium- to Long-term Strategic Framework (MLTSF). The Bank developed the STAP as a first stage in the prioritization of its infrastructural program under NEPAD, in consultation with RECs and development partners, namely the World Bank and European Union. The STAP focused wider attention on the critical infrastructure requirements of the continent and on the necessary policy, regulatory, and institutional measures to ensure the efficiency of existing and planned regional infrastructure assets. This was complemented by about 124 projects and programs (18 for capacity building, 52 for facilitation, 36 investment, and 18 technical studies) for a total financing of over US$ 8.13 billion. These key projects and programs were proposed by the RECs to kick-start the implementation of the NEPAD agenda in infrastructure development for the period 2002-2007.

Within the NEPAD framework, during 2002-2004, the Bank Group financed 12 physical projects, including one private sector project, and 8 studies for a total amount of US$ 520 million, in addition to mobilizing about US$ 1.6 billion in cofinancing. For the year 2005, the Bank will be considering 7 physical projects, 1 capacity-building project, and 3 studies estimated at about US$ 500 million. Through the NEPAD Infrastructure Preparation Facility (with seed funding of C$ 10 million provided by the Government of Canada), RMCs and regional communities are able to sponsor technical studies for identification of viable infrastructure projects.

Support to Economic and Corporate Governance

During the first phase of its activities in the area of economic and corporate governance, the Bank developed the Framework for the Implementation of Banking and Financial Standards under NEPAD. The Bank also identified and submitted indicators and criteria for the assessments of banking and financial standards to the APRM Secretariat. These served as inputs to the drafting of the indicators and benchmarks for the African Peer Review Mechanism (APRM). The second phase of the Bank Group's support to financial standards consists in the development of country assessments. In the third phase, the Bank Group will assist countries to formulate and implement plans of actions to correct weaknesses in compliance with the standards.

The Bank and the other strategic partners are also providing basic economic and governance data on the countries of the APRM to facilitate preparation for the assessments. To help countries prepare for the self-assessments and technical assessments, the Bank together with other strategic partners, is participating in country support missions, which are being organized by the APRM Secretariat. The missions evaluate the independence of the process and mechanisms put in place by the countries to undertake self-assessments and to prepare their preliminary Programs of Action. They also assess and advise on the proposed involvement of stakeholders.

As part of its institutional support to the APRM, the Bank is also financing a position of Corporate Governance Expert at the APRM Secretariat. It has also made a contribution of US$ 100,000 to help finance the country assessments of the APRM. Furthermore, the Bank Group will involve the Association of African Central Banks in the technical assessments of compliance with banking and financial standards, as part of its effort to enhance stakeholder ownership of the process. In this connection, the Bank organized a workshop in Johannesburg from November 29 to December 1, 2004 on the "Framework for the Implementation of Capital Adequacy Standards and Good Corporate Governance in African Banks" with assistance from the Federal Reserve Bank of New York and the Financial Stability Institute.

reduce poverty. Regional integration and cooperation create larger markets, improve infrastructure and linkages between producers and customers, and promote economies of scale that will allow Africa to become more competitive in the international marketplace. With the trend toward regionalism and globalization, regional economic blocs serve as vehicles to help integrate regional markets into the larger global trading arena. The Bank operations focus on regional institutional capacity building; the development of regional infrastructure; policy-based operations aimed at harmonizing macroeconomic policy; trade liberalization and creating the appropriate conditions for regional private sector development; and the promotion of sustainable development at the regional level. The Bank's allocation of resources for multinational projects serves as a catalyst to mobilize investment resources from other development partners.

Collaboration with NEPAD and the ECA

NEPAD, which is an African-led initiative to promote the continent's development, serves as the political and economic basis for each region's development agenda. The Bank has been designated as the lead agency for promoting NEPAD programs in infrastructure development and banking and financial standards (see Box 4.5). A dedicated NEPAD Support Unit was established within the Bank's organizational structure in December 2003 to work full-time on NEPAD-related activities, as well as to advance the NEPAD ideals in its RMCs and provide support to the African Peer Review Mechanism (APRM).

The NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), which was approved by the Bank in December 2003, has been established with seed funding of C$ 10 million from the Government of Canada. NEPAD-IPPF is to be transformed into a multi-donor facility, to which the Government of Denmark has already made a contribution of US$ 500,000. The *Guidelines for the Utilization of the IPPF,* which have been prepared and disseminated to all the regional economic communities (RECs) and to specialized infrastructure development agencies as well as all African countries, were formally launched during the Tenth Heads of State and Government Implementation Committee (HSGIC) meeting in Maputo, Mozambique, in May 2004.

The Bank was also requested by NEPAD to collaborate with the UN Economic Commission for Africa (ECA) on economic governance issues, and especially on the country assessments. As part of its assistance to the APRM, the Bank will help countries in drawing up action plans to address weaknesses in economic and corporate governance. It will also provide technical assistance and financial support (including policy-based loans and grants) to support the implementation of action plans to improve economic and corporate governance.

The Boards of the Bank Group approved a total budget of UA 7.4 million for the implementation of regional initiatives for the 2003-2007 period, to include NEPAD and the Water Initiative program.

Multinational Operations Approved during 2004

During the year 2004 the Bank Group continued to extend loans and grants for 24 operations to support regional integration on the continent in the priority sectors of agriculture and rural development (9 operations), infrastructure (transportation, communications, power, and water supply and sanitation – 6 operations); social sector (health, HIV/AIDS and education – 4 operations) and multisector (5 operations). The total amount approved from the ADF window for multinational projects/ programs rose from UA 129.4 million in 2003 to UA 217.7 million in 2004, representing an increase of 68.2 percent. This indicates the growing demand for regional project financing, boosted by major regional development initiatives as well as demand from RECs.

Most of the multinational infrastructure studies and projects financed during the year are within the framework defined by the NEPAD initiative and accord with the objectives stated in the NEPAD Short-Term Action Plan (STAP) for infrastructure. The NEPAD-STAP, which was prepared by the Bank Group, focuses on integrating and interconnecting the African infrastructure networks, in order to boost Africa's competitiveness in the global market. In this regard, special emphasis has been placed on projects and programs designed for the development of international transportation corridors linking landlocked countries with seaports. The aim of such projects and programs is to promote seamless transportation while reducing costs for land-locked countries, such as:

- The multinational project to link, by road, Addis Ababa and Southern Ethiopia to the port of Mombasa, through the construction of part of the Isiolo–Moyale road section (ADF loan of UA 33.6 million; ADF grant of UA 2.55 million); and
- The Feasibility Study on the Isaka–Kigali Railroad Project, which aims to open up Rwanda and promote trade (ADF grant of UA 1.66 million).

The improvement of power supply systems through a regional approach is another area of focus for regional integration by the Bank Group. In 2004 approvals for multinational power programs included:

- The interconnection of national power grids, such as in the Ethiopia–Djibouti Power Interconnection Project (ADF loan of UA 38.5 million), whereby the development of power pools is promoted, to allow countries to benefit from economies of scale and reduce fuel import costs; and
- The promotion of regional power trade through the creation of an enabling environment and coordinated planning and development of power generation and transmission interconnection projects, such as Eastern Nile Power Trade Program (ENTRO) Study (ADF grant of UA 2.6 million).

Multinational projects and programs in the area of agriculture and rural development in 2004 focussed on:

- Preserving regional agricultural assets, fisheries development, and environmental protection, such as the Project to Support the Lake Tanganyika Integrated Regional Development Program (PRODAP) (ADF loan of UA 20.0 million);
- Enhancing food security, such as the Eastern Nile Irrigation and Drainage Study (ADF grant of UA 1.8 million); and
- Improving agricultural marketing information and agribusiness opportunities, as in the Agricultural Marketing Promotion and Regional Integration Project for COMESA (ADF grant of UA 3.74 million).
- Building capacity in integrated water management, as in the Integrated Management of Invasive Aquatic Weeds in West Africa (ADF loan 10.2 million; ADF grant UA 2.00 million) which covers 8 countries.

During the year, the Bank continued to provide support for regional social initiatives. In the health subsector, this was through enhanced participation in the fight against HIV/AIDS/STIs, as in the Regional Initiative for Indian Ocean Commission member countries (ADF grant UA 6.0 million) and Mano River Union Basin countries and the Côte d'Ivoire HIV/AIDS program (UA 5.0 million); also in the creation of tsetse and trypanosomiasis (T&T) free areas across 6 countries to help eradicate "sleeping sickness" (see Box 4.2). The latter is envisaged as an eventual continent-wide program (ADF loan of UA 44.6 million; ADF grant of UA 2.94 million).

In the education subsector, approval was given in support of Open, Distance and eLearning (ODeL) Capacity Development Centers at African Virtual University (AVU) partner institutions. This fulfills the Bank's objective to help build human capacity for adult learning; a further component of this project is to assist in teacher training programs (ADF grant of UA 5.0 million).

Another vital role that regional cooperation and integration can play in the overall development agenda is to support peace efforts and create a climate that is conducive to economic growth, social development, and domestic and international investment. In 2004 the ADF Board approved UA 10.0 million to support the Economic Community of West African States (ECOWAS) Peace and Development Program. This aims to strengthen the institutional capacities of ECOWAS and civil society in countries affected by conflict and to assist in the coordination and implementation of conflict prevention measures.

In 2004 the Bank extended financial support for capacity-building operations in RECs, river basin organizations, and other sectoral regional associations as well as for countries participating in regional initiatives. These included: support to RECs such as Autorité du Liptako-Gourma (ALG) Institutional Support Project (ADF grant of UA 1.6 million); Institutional Support Project for the General Secretariat of the Economic Community of the Central African States (ECCAS) (ADF grant of UA 2.6 million); strengthening of the capital base of pan-African insurance company through participation in the Third Capital Increase of Africa Reinsurance Corporation (Africa-Re) (ADB loan of UA 3.2 million); and Statistical Capacity Building in RMCs under the International Comparison Program (ICP) for Africa (ADF grant of UA 14.8 million). Furthermore, the Bank has also started the preparation of a Regional Integration Assistance Strategy (RIAS) in the SADC subregion, to better focus its multinational assistance.

WATER INITIATIVES

The development of Africa's water resources has become one of the key objectives of the Bank's development efforts on the continent. African annual renewable water resources, which are estimated at about 5,400 billion m^3 per year, are considered to be abundant. These water resources are characterized by extreme temporal and spatial variability with over 60 shared water basins

TABLE 4.1
Summary of the Principal Bank-supported Water Initiatives

Initiative	Main Objectives	Activity Focus	Linkage
Rural Water Supply and Sanitation Initiative	Contribute to poverty reduction by providing rural communities in Africa with improved and sustained access to water supply and sanitation; target 80 percent access by 2015.	Primary emphasis on the provision of appropriate water and sanitation infrastructure and advocacy. Secondary area is reform of RWSS sector and capacity building.	Complements AWF facilitation activities in policy formulation, institutional reform, capacity building, promotion of stakeholder participation, particularly in countries with poor policies and weak institutions.
African Water Facility	Reduce poverty and promote sustainable development in Africa by expanding the capacity of Africa to access existing and future financing sources for water and by improving the efficiency in the use of such resources.	Primary emphasis is to create/strengthen policy and institutional environment for water. Secondary area is limited, small-scale capital investment programs/innovative pilot operations.	Support for capacity building and piloting of innovative investments. Hence upstream support for RWSSI and NEPAD investment.
NEPAD Water Resources Management Program	Mobilizing political will and actions to implement policy and institutional reforms; overarching strategy for transboundary water resources management.	Supporting transboundary waters in order to promote regional integration.	Complements other initiatives including RWSSI, by addressing regional investment requirements.

dominating the landscape. However, the exploitation of water resources is low with only about 3 percent of the total amount used under managed condition. Africa is therefore faced with the major challenge of achieving significant development of its water resources to ensure sustained economic growth and social wellbeing.

The social cost of Africa's poor exploitation of its water resources is well documented. Currently about 300 million people in Africa do not have access to safe water and about 313 million have no access to sanitation. Most of Africa's population live in rural areas (62 percent) and yet access is lowest in the rural areas, at about 47 percent for water and 45 percent for sanitation. Low access to a safe water supply and adequate sanitation is the root cause of many diseases that afflict Africa and a contributory factor to the high infant and maternal mortality rates in many RMCs. The World Health Organization (WHO) has reported that approximately 50 percent of all Africans suffer from one of 6 water-related diseases.

It was in response to the enormity of these challenges that the *African Water Vision for 2025* and the associated *Framework for Action* were presented at the Second World Water Forum in 2000. A consensus emerged at the Forum that a transboundary approach was needed that would incorporate an integrated watercourse management strategy. This would require considerable resources and full collaboration and commitment by the international donor community, RMCs, NGOs, and bilateral partners.

The Bank Group's Water Initiatives

The Bank Group has over 37 years accumulated a broad experience of water resources management in Africa. In 2000 the Bank Group developed an *Integrated Water Resources Management (IWRM) Policy,* which drew from the Bank's experience in this sector. The key lesson that has emerged is the need for a comprehensive and integrated approach to unlock the full benefits of sustainable water management for poverty reduction and economic growth. The IWRM recognizes that water has an ecological, social, and economic use and that water management has to be optimized within these systems. The Bank has been actively involved in a number of major policy instruments, namely the NEPAD Water Resources Management Program, the Rural Water Supply and Sanitation Initiative (RWSSI), and the African Water Facility (AWF). The salient features of these 3 initiatives are set out in Table 4.1.

Rural Water Supply and Sanitation Initiative (RWSSI)

The Bank conceived the Rural Water Supply and Sanitation Initiative (RWSSI) in response to the challenge of supporting the water-related MDGs and the African Water Vision targets, as well as addressing the problem of low access to water supply and sanitation in rural Africa. The overall goal of the RWSSI is poverty reduction through the provision of safe water and basic sanitation to 80 percent of the rural populations in Africa by 2015, with eventual 100 percent coverage by 2025, as stated in the MDGs. The attainment of these targets will require cumulative investments estimated at about US$ 14.2 billion. These resources would need to be mobilized from international sources to cover approximately 80 percent of the overall requirements (30 percent through ADF replenishment and 50 percent from other bilateral and multilateral donors) with the remaining 20 percent financed from government resources (15 percent) and beneficiaries (5 percent).

The Bank is currently organizing the first International Donors' Conference, which will be held with the support of the French authorities on April 1, 2005 in Paris. The Bank has undertaken several missions to major donor countries to seek support and prepare the groundwork for the conference, whose theme is, "Achieving the Millennium Development Goals on Water Supply and Sanitation in Rural Africa."

African Water Facility (AWF)

The African Water Facility (AWF) is led by the African Ministers' Council on Water (AMCOW) and seeks to improve the enabling environment and strengthen water resources management so as to attract the massive investments necessary to achieve the regional objectives. The AWF aims to raise about US$ 615.7 million, of which some US$ 2.5 million will be allocated to organization and administration, US$ 170 million to facilitation activities, and US$ 434 million to capital investments. An indicative medium-term action program for the period 2005-2009 has been developed to guide this effort. To date, the following pledges and contributions have been made:

- Canada has approved C$ 20 million in total, of which C$ 10 million has already been made available;
- The European Commission has approved a total contribution of € 20 million from its own EU/ACP Water Facility over approximately 2 years and has indicated that it is open to additional contributions immediately thereafter;
- France has approved € 12 million over 5 years;
- Norway has indicated its intention to contribute € 1.5 million per annum for 3 years (this is currently being submitted for approval);
- Sweden, Denmark, and Austria have given positive signals of their intention to contribute, but no approval has yet been issued;
- Japan has signaled its intention to make a contribution through its trust fund at the Bank.

The Facility has been established as a Special Water Fund managed by the Bank. The Bank is preparing the operational documents including the operations manual, work program, staffing plan, rules and regulations, and model agreements for contributing donors. Procurement and disbursement will be conducted by applying fast-track procedures in accordance with the Rules of the Bank.

NEPAD Water Resources Management Program

At the continental level, NEPAD provides the overarching framework for directing water resources development efforts to achieve the strategic goal of ensuring water security across the whole of Africa. The Bank has the

The reservoir at Sidi Yacoub was constructed to supply water to the city of Ech Cheliff in Algeria

lead responsibility to assist NEPAD to implement its water and sanitation infrastructure development program with a view to enhancing regional integration. A 5-year short-term action plan (STAP) has been prepared which includes the development of national integrated water resources management (IWRM) policies; mitigation of floods and droughts; meeting basic needs, and management of transboundary water resources. The implementation of STAP has focused on 7 river basins, i.e. the Rivers Niger and Senegal in West Africa; River Congo and Lake Chad in Central Africa; River Nile in East Africa; and Rivers Zambezi and Okavango in Southern Africa. The Bank is also assisting NEPAD in the formulation of the medium- to long-term strategic framework (MLTSF) for Water and Sanitation Infrastructure Program.

BOX 4.6

The First Water Week of the Bank Group: "Building Partnerships for Water in Africa"

The African Development Bank Group hosted its first Water Week in July 2004, in Tunis. This event testified to the Bank's continued commitment to this vital sector, in its drive to meet the MDG of providing 80 percent access to a sustainable water supply and safe sanitation by the year 2015, with 100 percent coverage by the year 2025. Progress in this sector is inextricably linked to the Bank's twin overarching goals of poverty reduction and sustainable economic growth and will have synergistic beneficial effects across a range of sectors such as health, education, energy, agriculture and environment.

In response to the daunting challenges facing the management and development of water resources in Africa, the ADB has spearheaded a number of water sector activities with the most significant being the Rural Water Supply and Sanitation Initiative, the Africa Water Facility, and the NEPAD Water Resources Management Program. The Water Week provided the venue for Bank staff and various stakeholders to come together and exchange ideas, experiences, and best practices on the water agenda.

The Water Week attracted 422 participants from 60 countries, including 17 African Ministers responsible for water resources development. Participants were drawn from government agencies, water sector professionals from NGOs, universities and research institutions, river basin organizations, and private and public organizations. International organizations active in the water sector, including the WHO, UNICEF, UN-HABITAT, the International Water Management Institute, the Global Water Partnership, together with multilateral and bilateral donors, participated in the Water Week. The theme of the event was "Building Partnerships for Water in Africa". It aimed to engage the stakeholders in the African water sector to forge partnerships around the Bank's major initiatives as well as to galvanize broad support for concerted action to advance sustainable water resources management and development in Africa.

The highlight of the Opening Session, which was also addressed by the Bank President, was the official launching of the RWSSI and the AWF, the 2 major water initiatives in which the Bank Group takes a leading role. This was followed by the keynote speech by Dr. Bill Cosgrove, President of the World Water Council. The rest of the day was devoted to presentations and far-ranging discussions on how to work toward achieving the water MDGs in Africa as well as water security challenges and responses in light of the Infrastructure Action Plans of NEPAD.

The second day was devoted to a series of parallel technical sessions designed to provide a forum for in-depth deliberation of the 3 main program components of the Water Week: "Water Supply and Sanitation," "Financing Water Initiatives" and "Water Resources Development." The last day was devoted to progress reports on major global and African water programs: The World Water Assessment Program (WWAP), the African Water Resources Development Report, and the Outcome of the Commission on Sustainable Development (CSD) Conference and its Implications for Africa. Highlights on preparations for the Fourth World Water Forum were provided in this session.

A number of conclusions emerged from the discussion sessions, viz.:

- *It is vital to secure the engagement and political commitment of the Governments or specialized government agencies during the development of the World Water Assessment Program (WWAP);*
- *There should be an increased involvement of NGOs and CSOs in subsequent Water Weeks;*
- *The role of applied research and related topics should be included in subsequent Water Weeks;*
- *The major challenge facing the water sector is how to close the gap between the resources that are cited as "available" and the full delivery of services on the ground.*

In addition to ADB resources, the Governments of the Netherlands, Norway, Canada as well as the UN-HABITAT and the World Bank Water and Sanitation Program made financial contributions to the organization of the Water Week.

Water Partnership Program

The Water Partnership Program was established with assistance from The Netherlands Government to promote integrated water management principles and practices in the RMCs and to support the implementation of the IWRM Policy in Africa. The implementation of the Program, which covers 3 years, commenced in 2003 with a grant of US$ 5.0 million. The grant is being utilized to (i) enhance the Bank's water operations capacity; (ii) build awareness and capacity in the RMCs; (iii) develop water information and public awareness; and (iv) participate in partnerships and exchange best practices and experiences in RMCs. Canada has agreed to support the water partnership program by availing C$ 5 million over a 3-year period, starting from 2004.

The program has enabled the Bank to develop the African Water Facility and the Framework for the implementation of the pilot phase program for RWSSI. It has supported regional and international advocacy work and enabled the Bank to participate in the collaborative program on agricultural water use with the World Bank, FAO, IFAD, and IWMI under the NEPAD framework.

Coordination and Collaborative Activities

The Bank will take a lead role in the implementation of RWSSI by coordinating the efforts of donors and other partners around a common program, ensuring a synchronized response in meeting the challenges, and facilitating a harmonized approach to program implementation. The Bank will also establish a Water Coordinating Committee to provide the Secretariat functions for the implementation of the various initiatives.

Coordination at the national level will be primarily achieved through the PRSPs. The mechanisms for developing the PRSPs involve discussion of the national programs of the various institutions, governments, donors, MDBs, and NGOs and ensuring their accommodation within the overall country IWRM plan. The coordination of Bank operations will be ensured through the CSPs and Regional Assistance Strategy Papers, where Bank commitments to national and regional programs are determined.

The establishment of AMCOW and its involvement in the AWF has provided a good opportunity to ensure that all the programs to be supported by RWSSI, the NEPAD Water Program, and AWF fit into the national and regional programs of the RMCs, along with the support programs of the donor community. The Bank, together with other regional and international partners, has coordinated and participated in regional and international forums such as the World Summit on Sustainable Development (WSSD), the World Water Forum, and World Panel on Financing Water Infrastructure. In addition, UN Water Africa will have a significant coordinating role among UN agencies and with other stakeholders.

The Bank Group's commitment to water initiatives and the importance attached to this by the Bank Group, its development partners, and RMCs, was well demonstrated by the First ADB Water Week, which was held in Tunis in July 2004 (see Box 4.6). The Water Week aimed at engaging the stakeholders and partners in the African water sector, consolidating existing partnerships and creating new ones, as well as galvanizing broad support from both stakeholders and the wider international community to advance African water resources development and management. It was during the Water Week that the RWSSI and AWF were officially launched.

GOOD GOVERNANCE

Whilst the primary mandate of the Bank is to contribute to the economic development and social progress of its RMCs, the Bank is also aware that it cannot fulfill its objectives without the institutionalization of good governance throughout the continent. This requires adherence to the axioms of good governance both within the development agency itself and also in the countries of its operations. Consequently, the Bank has embarked since 1995 on an evolving process of internal reform with the aim of maximizing both the transparency of its operations and its development effectiveness. The *Bank Group Policy on the Disclosure of Information,* approved in March 2004, is consonant with this approach.

Over the years, the Bank has also sharpened its focus on issues pertaining to good governance in RMCs. Governance issues that are of particular concern to the Bank include the following:

- Ensuring the accountability of public agencies and officials through formal transparent processes for monitoring and reporting;
- Fostering transparency at all levels of government and public administration, including budgetary transparency;

- Combating corruption;
- Fostering greater participation and freedom of speech and association, to enable the beneficiaries of government programs to participate effectively in determining and meeting their needs;
- Nurturing an objective and efficient judiciary; and
- Enhancing efficiency within public and private institutions by building both technical and management capacities.

In operationalizing its agenda for good governance, the Bank is guided by the RMC's institutional capacity, and its social and political situation. The objective in each case is to help in the development of an enabling environment, taking into consideration all the economic and non-economic factors, the effects of bad governance on development performance, the imperative of country ownership of development programs and policies, and the commitment to effective partnership among government, private sector, civil society and the international development community in the implementation of governance initiatives and activities.

The *Bank Group Good Governance Policy* and its *Implementation Guidelines,* adopted by the Board in 1999 and 2001 respectively, provide the basis for addressing governance issues facing RMCs in the Bank's programs. It acknowledges the complexity of the governance concept and the interrelated nature of its different components. Against this background, the Bank also recognizes the need for a more differentiated approach among countries. The issue of good governance continues to be a key criterion in the performance-based allocation of ADF resources, with more resources going to countries that achieve high governance ratings.

Good governance falls within the multisector category of Bank operations, together with public sector management (including structural adjustment programs and debt relief operations), private sector development, anticorruption measures, institutional support, balance of payments support, etc. Approvals for multisector operations as a whole amounted to UA 450.0 million in 2004, or 26.0 percent of total approvals. Of these, 12 were governance-related programs and projects amounting to UA 93.7 million, or 20.8 percent of all approvals for the multisector.

Other Bank activities in the governance subsector during the course of the year centered on the preparation and revision of operational policies and guidelines, ESW, and other support activities to operations, participation in training workshops, seminars and conferences, and other collaborative activities.

Bank Group Policies, Guidelines, and Studies Relating to Good Governance

In March 2004 the Board approved the *Guidelines on Preventing and Combating Fraud and Corruption in Bank Operations.* This document identifies areas where and how corruption and fraud may occur in Bank operations and delineates standards and procedures on how Bank staff and other employees of Bank-supported activities should respond to incidents of corruption and fraud. Work on the *Guidelines for Policy Based Lending in Governance* (PBLG) had begun in 2003 and was completed and approved by the Board in April 2004. The Guidelines consolidate the mainstreaming of governance in operations and provide directions on how to identify, prepare, and appraise PBLG in accordance with the Bank Group's standard review process and follow its implementation in partnership with the recipient RMC.

As part of the implementation process for its good governance practices, the Bank Group's Board approved in 2000 the *Guidelines for Financial Management and Financial Analysis of Projects.* During 2004 work began on revising and updating this policy document. Once revised, it will become an essential tool that will improve the efficiency of activities to promote good practice on the financial governance of projects/programs and to enhance the contribution of the Bank to RMCs' effort to reduce poverty.

In 2004, 3 studies were initiated on *Enhancing Effectiveness in Customs Administration, Local Service Delivery and Pro-poor Outcomes,* and *Local Governance, Decentralization and Capacity Building for Good Governance.* It is expected that on completion, the outcome of these studies will inform the programming and activities of Bank operations. Work is also ongoing on a Concept Paper on Decentralization, which aims to (i) define the modalities and strategy for program work in the area of decentralization and local governments and (ii) enhance the efficiency of pro-poor decentralized and local government institutions and their responsiveness in providing basic services.

As part of the Bank's Economic and Sector Work (ESW), in 2004 Bank officials participated in the conduct of

Country Governance Profiles (CGPs) for Benin, Cameroon, Chad, Kenya, Malawi, Mauritania, Senegal, and Swaziland. The CGP is a Bank diagnostic tool to identify key structural and institutional weaknesses and to enter into participatory dialogue with RMC governments. CGPs are used to assess risks to Bank funds and inform dialogue on governance-based reforms and capacity-building programs. In 2004 Bank officials participated in the conduct of CGPs for Benin, Cameroon, Chad, Kenya, Malawi, Mauritania, Senegal, and Swaziland.

Collaboration on Governance Issues

The Bank collaborates with the World Bank in carrying out Country Financial Accountability Assessments (CFAAs) to assess and analyze the degree to which RMC financial management practices comply with internationally accepted standards. CFAAs are also used to recommend corrective actions where shortfalls are found. In 2004 the Bank undertook joint CFAAs with the World Bank in Chad and Uganda.

In May 2004 the Bank collaborated with the Center for Corporate Governance in Africa to provide a residential training program on Corporate Governance for Board members and Chief Executives of state-owned enterprises (SOEs) in 15 RMCs from Eastern and Southern Africa. A similar training program for SOE leaders from 11 francophone RMCs was held in Dakar, Senegal, in October 2004. During the year the Bank also continued to support the Public Sector Committee (PSC) of the International Federation of Accountants. Bank comments were integrated into the new standard on *Accounting for Development and Human Assistance.* Once implemented, the provisions of this standard are expected to enhance transparency of financial reporting by governmental agencies.

During the year the Bank co-organized with the ECA and the AU the Fourth African Development Forum, which took place in Addis Ababa on October 11-15, 2004. The Bank had earlier cosponsored the ECA's Africa Governance Project, the outcome of which was presented at the Forum as the *Africa Governance Report.* The Forum brought together over 1,000 participants from the public, private, and civil society sectors, including key representatives of governments and regional and international organizations. It is also liaising with other donors in devising a common approach to assist audit institutions in Africa at national and regional levels. Work is also ongoing on the drafting of a Bank Strategy to support Supreme Audit Institutions.

Also in October 2004, the Bank participated in the meeting organized by the Kenyan Government and the Transparency International on "New Anti-Corruption Governments: The Challenge of Delivery". There was high-level representation from the 27 participating countries, including representatives of the donor community and the World Bank. The Bank also chairs the Anti-Money Laundering and Combating Terrorist Financing (AML/CT) Working Group, in collaboration with the US Treasury Department and continues to be active in the Working Group on Anti-money Laundering Initiatives in Africa.

ENVIRONMENTAL MANAGEMENT

The mainstreaming of environmental sustainability concerns in the Bank's operations continued throughout 2004. In January the Boards approved the new *Bank Group Policy on the Environment,* which incorporates and redefines the former policy on environmentally sustainable development in Africa. The new policy acknowledges that to sustain economic growth in Africa, there is an urgent need to preserve and enhance the ecological capital that enriches such growth. The main goals of the new policy are to:

- Promote a long-term view and perspective of economic and social development;
- Reverse where possible and halt the impoverishment process in Africa by enhancing the access of the poor to environmental resources;
- Help RMCs to build their human capacity and sensitize policymakers on environmental issues and bring about institutional changes to achieve sustainable development; and
- Reinforce the existing partnerships with international institutions and network also with regional and subregional organizations to coordinate interventions in environmental sustainable development.

Two guidelines relevant to the new *Policy on the Environment* were completed and disseminated in 2004, namely the *Strategic Impact Assessment Guidelines* (SIA) and the *Integrated Environmental and Social Assessment Guidelines* (IESA). The SIA is a systematic process of evaluating the environmental consequences of any proposed policy or program. It is also a tool for assessing social and environmental sustainability of policy-based lending, structural adjustment, and sector investment lending. The *IESA Guidelines,* on the other hand, are designed to ensure that both environmental and social issues are mainstreamed in Bank projects throughout the project cycle.

In 2004 the Bank developed a 3-year Implementation Plan (2005-2007) to execute its new *Policy on the Environment.* The Plan seeks to ensure that a strong and diversified economy will continue to take account of environmental protection, and to guarantee that all developmental decision-making integrates economic, social, and environmental considerations. In addition, the Plan aims to ensure that environmental management tools, like environmental reactive and proactive assessments, will be used systematically to monitor environmental performance and encourage community involvement.

In September 2004 the Bank organized a seminar to sensitize its staff in the area of renewable energy and energy efficiency projects. Furthermore, a workshop was organized for staff and officials of RMCs in the area of wind energy on October 28-29, 2004. In pursuit of this program, Bank staff are currently working with 5 experts from different regions of the continent in assessing the current situation vis-à-vis renewable energy in Africa so as to assess capacity-building needs at the country level and identify higher impact and visible alternative projects. It is expected that the findings of this team will be discussed during a regional consultative workshop planned for February 2005. To enhance its operations in renewable energy projects, the Bank is now revising its 1994 *Energy Sector Policy* with the aim of incorporating into it a *Renewable Energy and Energy Efficiency Strategy.*

GENDER MAINSTREAMING ACTIVITIES

Over the last few years considerable progress has been made in mainstreaming gender in Bank Group activities. Recent Bank policies in the areas of education, health, water resources, agriculture and rural development, and governance, inter alia, take account of gender concerns. In 2004 the new *Bank Group Gender Plan of Action* (GPOA) was finalized. The Plan builds on the Bank's 2001 *Gender Policy* and seeks to mainstream gender issues across a wide range of Bank projects, with the objective of harmonizing Bank priorities with those adopted by RMCs in the Dakar and Beijing Platforms of Action. During the recent ADF-X consultations, it was highlighted that greater focus will be given to defining the scope of gender activities, enhancing the development effectiveness of operations, strengthening the gender competence of Bank staff and RMC officials, and enhancing collaboration and coordination with other development partners on gender issues.

The formulation of operational *Guidelines on Gender Equity* continued during 2004, with staff training within the Bank and in the field planned for 2005. The Bank's sectoral guidelines lay out strategies to be adopted for gender issues across the various stages of the project cycle, including the need to collect gender disaggregated data for project appraisal and evaluation.

Multisector Country Gender Profiles (MCGPs) were formulated in 2004 for Mozambique, Tanzania, and Uganda. These MCGPs will provide scope for the Bank and the borrowing country to participate in a collaborative process to analyze the gender dimensions of development and identify gender-responsive policies, programs, and actions to foster economic growth, human welfare, and development effectiveness.

The Bank's first Symposium on Gender, organized jointly by the African Development Bank Group and the ECA, was held in Kampala, Uganda, in May 2004 in conjunction with the Bank's Annual Meeting, taking as its theme "Closing the Gender Gap: Promoting Gender Equity for Growth and Development in Africa." The key messages to emerge from the Symposium were the need to: enhance the empowerment of women through education, including the specification of quotas in favor of girls; improve data collection and analysis methods in order to promote a better understanding of the linkages between gender, growth, and development; promote male education and sensitization in the fight against HIV/AIDS while addressing gender-based violence; and position women in strategic positions of responsibility.

Progress in Mainstreaming Gender in Bank Group Operations

Several ongoing projects aim to enhance the level of women's participation, increase their access and control over project resources, promote their involvement in decision-making bodies and processes, and improve the sustainability of the benefits. Some projects target key institutions, which are mandated to spearhead gender mainstreaming at the national level, and aim to strengthen their capacity to design and implement gender-sensitive policy and development planning interventions.

In the education subsector, the multinational African Virtual University Project, which supports the African Virtual University (AVU) in Nairobi and its Open, Distance and eLearning (ODeL) centers at 10 African universities, includes a comprehensive range of gender components. The project's primary objective is to increase enrollment of female students generally in non-traditional subjects through scholarships awards. The Eritrea Education Sector Development Program and the Zanzibar Alternative Learning and Skills Development Project both focus on encouraging girls to continue their education.

The Kenya Rural Health Project III and two other health projects in the Indian Ocean (the Multinational Regional Initiative for HIV/AIDS/STI Prevention in IOC Member Countries and the Madagascar: Support for the Control of Communicable Diseases) address the special vulnerability of women to HIV/AIDS infection, while the Zambia Child Welfare Project aims to increase the welfare of poor families, many of whom care for AIDS orphans. The Social Protection Projects in Tanzania and Uganda and the 2 projects currently being implemented in Egypt (the Social Fund Project and the Women's Empowerment in the New Lands) offer microcredit and demand-driven skills and business and literacy training, together with support to integrated healthcare, as does the Madagascar Reduction of Poverty of Women Project, which also targets savings societies and health concerns.

The District Agriculture Sector Investment Project in Tanzania seeks to ensure gender-responsive and equitable participation for development planning and implementation and the participation of women and other disadvantaged groups in project implementation and community representation and decision-making. Similarly, the Farm Income Enhancement and Forest Conservation Project currently being implemented in Uganda is being designed specifically to address the needs of women, as they themselves perceive and identify those needs. Community members and beneficiaries of each site will be exposed to a social and gender training package.

The objectives of the Institutional Support Project for the Women's Affairs Office in Ethiopia are to build capacity at various levels for addressing and monitoring progress in achieving gender equity and related MDGs at the national and federal administration level. Similarly, the Djibouti Women's Support Project aims to build the capacity of the Ministry of Gender and the NGO sector to support gender equity. In addition, the Capacity Building for Poverty Reduction Project in Sudan has a specific gender component, which aims to support the governments in both North and South Sudan to formulate and implement Gender Policies and Action Plans and to conduct baseline surveys on gender.

During the year under review, the Bank also financed a study on *Poverty, Gender and Social Exclusion in Mauritius.* The study was designed to inform the Government on appropriate interventions in the area of social protection. In the same vein, the recommendations of the study on *Education for Nomads in Eastern Africa* sought to address the needs of all nomadic children generally and the special needs of girls in particular.

During 2004, the Bank's Private Sector Department published a study under its *African Women in Business Initiative.* The study assesses the constraints and conditions for creating an enabling environment and promoting women entrepreneurial development in Africa. In tandem with this study, the Bank carried out, in collaboration with the ILO, an assessment of women entrepreneurs in Ethiopia, Kenya, and Tanzania. Based on the conclusions of the study and the initial findings of the ADB/ILO country assessments, a Plan of Action has been developed to, among other things, raise awareness among stakeholders and mobilize key players in the field of women and entrepreneurship promotion, reinforce business capacity building and networking among businesswomen associations, and promote financial and technical support for the development of women entrepreneurs in Africa.

5

Economic and Social Trends in Regional Member Countries and Bank Group Operations

The Global Economic Context

Economic and Social Trends in Africa

Regional Socioeconomic Trends and Bank Group Operations

Introduction

This chapter addresses socioeconomic developments and Bank Group operations in regional member countries (RMCs) in 2004, set within the wider framework of the changing global economic environment. The discussion highlights the major dimensions of macroeconomic performance – economic growth, fiscal balance, inflation, export earnings, current account balance, and foreign capital inflows – for each of the Bank Group's 5 operational regions: Central, East, North, Southern, and West Africa. The analysis focuses on major recent macroeconomic trends and reforms, privatization, social indicators, and regional economic integration and cooperation issues. The discussion of Bank Group operations examines the historical trends for operations in each region, their cumulative performance, and approvals made in 2004. The conclusion summarizes the trends and the short- to medium-term prospects.

THE GLOBAL ECONOMIC CONTEXT

Global Economic Upswing

The year 2004 witnessed a strong global expansion and higher demand for commodities, marking a second year of fairly robust global economic performance. As a result, global growth rebounded to 5.1 percent in 2004 from 3.9 percent in 2003, the highest level for nearly 30 years. The improved performance was widespread and well balanced – with strong growth in advanced countries and exceptionally rapid expansion in emerging countries, especially China and India. The other reasons for this global economic upswing include a strong upturn in industrial production and global trade flows, improved labor market conditions, and continued strengthening of investment. A further positive factor was the relative improvement in domestic macroeconomic management and reforms. Improved macroeconomic stability in 2004 boosted private sector confidence and investment in many developing countries and transition economies, thereby accelerating growth.

However, there were a number of unanticipated economic shocks, including the increase in world oil prices, changes in exchange rates among major currencies, and increased prices of many non-fuel commodities. The largest of these economic shocks was the increase in oil prices by almost 60 percent in the first 10 months, before easing toward the end of the year. The second was the continuous appreciation of the Euro and Yen against the US Dollar. These economic shocks had counterbalancing effects for most countries, but the overall net effect on the global economy was beneficial. Furthermore, besides the tsunami disaster in Asia, which occured at the tail end of the year, and isolated threats to economic stability in certain parts of the world, 2004 was largely characterized by fewer geopolitical tensions and uncertainties compared to 2003. The United States continued to be the main driver of economic growth in the advanced economies, attaining a growth rate of 4.1 percent in 2004, up from 2.9 percent in 2003.

In Japan, the world's second largest economy, economic recovery accelerated in the first half of 2004 before gradually subsiding, leading to overall growth of 3.6 percent in 2004 from 2.7 percent in 2003. The Euro Zone still appears to be the weakest link in the global upturn, although there was a continuation of recovery to 1.9 percent from 0.5 percent in 2003, fueled by expansion in exports and fixed investments. In Europe as a whole, consumer spending has remained lackluster in spite of a modest growth rate of 2.3 percent during 2004. Developing countries as a group witnessed a significant increase in their growth rates in 2004, up from 4.6 percent in 2003 to 6.2 percent. East Asia continues to be the principal driving force in the developing world, with its growth rate rising from 6.0 percent in 2003 to 7.2 percent in 2004. China's growth (at 9.2 percent) continued to play a key role in the performance of the region, supported by India's 6.8 percent growth rate.

In Africa real GDP growth rate reached an average of 5.1 percent in 2004, up from 4.4 percent in 2003. However, this is still well below the 7 percent considered necessary to meet the principal MDG target of halving the number of people living in extreme poverty (i.e. on less than US$ 1 a day) by 2015. More significantly, the growth rate in 2004 is the highest recorded for the continent since 1996, and well above the average of 3.7 percent for the previous 5 years.

Africa's impressive economic performance in 2004 is attributable to the continent's improved macroeconomic policies, high oil and non-fuel commodity prices, the expansionary effects of global economic recovery, and debt relief under the Enhanced HIPC Initiative. Other positive factors affecting growth in Africa during the year included better weather conditions and post-conflict dividends in a number of countries. In spite of this historic growth performance, Africa continues to face major challenges, including conflicts in some regions, a high incidence of poverty, and the relentless surge of the HIV/AIDS pandemic.

Globally, the rate of inflation registered a slight increase during the year. In the advanced countries it rose from 1.8 percent in 2003 to 2.0 percent in 2004, while in the developing countries it increased from 5.8 percent to 6.0 percent during the same period. The inflation statistics for the developing countries, however, mask considerable regional variations. The average rate of inflation declined to single digits in Africa from 10.0 percent in 2003 to 7.7 percent in 2004, and for the Western Hemisphere from 10.6 percent in 2003 to 6.6 percent in 2004. The most significant aspect, however, is that global inflationary pressures remained low during the year 2004.

Improved Global Trade

The volume of global merchandise trade accelerated from 5.5 percent in 2003 to 10.5 percent in 2004, reflecting the rebound in global economic recovery and demand conditions. Much of the trade growth in 2004 originated in developed countries, particularly North America and Japan; this is in contrast to 2003, when growth was driven by the developing economies, particularly China and India. During 2004 both merchandise exports and imports of developed countries increased significantly to 8.6 percent and 9.0 percent respectively, from 2.9 percent and 4.4 percent in 2003. Although merchandise exports in the developing countries also increased from 10.5 percent in 2003 to 13.8 percent in 2004, merchandise imports accelerated at an even greater rate, from 10.5 percent in 2003 to 16.5 percent in 2004.

Africa's external trade performance in 2004 mirrored that of developing countries as a whole. While the average growth of merchandise exports from Africa decelerated from 7.2 percent in 2003 to 4.6 percent in 2004, that of merchandise imports accelerated from 5.8 percent to 7.2 percent over the same period. The growth in Africa's imports is a reflection of the relative improvement in its terms of trade, which stood at 6.7 percent in 2004, compared to 3.8 percent in 2003. In many oil-exporting countries, increased investment to boost productive capacities and infrastructure development constituted the main driving force behind import growth. The high prices for key commodities encouraged transnational corporations (TNCs) to pursue new exploration projects in African countries, and a large part of the increase in FDI came from investment in natural resources exploitation.

During 2004 oil and many non-oil commodity prices rose strongly as a result of increased global demand. Oil prices, though volatile, in 2004 averaged US$ 38.3/bbl, a rise of nearly 60 percent from the 2001 level of US$ 24.4/bbl. The oil price hike is due more to rising global demand than to supply-side factors, although supply constraints in some major oil producers were a further contributory factor. International prices for most of the non-oil commodities rose also in 2004 relative to 2003, except for cocoa, robusta coffee, and groundnut oil, which registered a drop in price during the year, owing largely to increases in world production. There was a significant increase in the price of metals and minerals in 2004 over the 2003 level.

Key Global Policy Developments Affecting Africa in 2004

A number of key global policy developments affected the continent in 2004. In the area of trade, progress was made in the WTO July 2004 Framework, which sets out modalities for the elimination of protectionist measures. The July Framework by itself does not translate into tariff cuts or reduction/elimination of subsidies, nor does it denote the end of the Doha Round. Nonetheless, by setting out agreed modalities for multilateral trade negotiations on the key trade issues, it has succeeded in moving forward negotiations on the Doha Work Program (DWP), which was stalled by the failure of the Cancún negotiations in 2003. Two aspects of the July Framework are worth mentioning: These are issues relating to trade facilitation and cotton subsidies in the USA, which were raised by African cotton producers.

Progress was also made in other areas, namely, the African Growth and Opportunity Act (AGOA) initiative of the United States and the Everything But Arms (EBA) initiative of the European Union. The AGOA, announced in 2000, provides for duty-free access to US markets for products originating from African countries; by year-end 2004, 38 African countries had qualified for preferential treatment under this initiative. The EBA initiative, introduced in 2001, allows tariff-free, quota-free access to imports from the least developed countries (LDCs) into the EU; currently, 34 African countries benefit from this initiative.

In addition, the process of reaching Economic Partnership Agreements (EPAs) or free trade agreements (FTAs) between the EU and Sub-Saharan Africa (SSA) has gathered substantial momentum. The EPA agreements center on the following issues: mutual access to each other's markets, liberalization of trade in services, a regulatory framework to promote investment and competition, institutional provisions to facilitate trade, and technical and financial assistance for trade and development. The EPAs are expected to come into effect on January 1, 2008 as a replacement for the Cotonou trade preferences which the EU currently grants to African, Caribbean, and Pacific (ACP) countries.

Official Development Assistance and Debt Relief

After a gradual and continuous decline through most of the 1990s, net official development assistance (ODA) to Africa increased from US$ 15.8 billion in 2001 to US$ 24.7 billion in 2003, although much of the increase is accounted for by debt relief. Furthermore, in keeping with pledges made at the 2002 Conferences on Financing for Development (Monterrey) and Sustainable Development (Johannesburg), a number of donors unveiled plans to raise their level of ODA and launched various aid initiatives. For instance, the United States has established the Millennium Challenge Account (MCA) to increase its ODA to poor countries with a solid track record in good governance and the rule of law. The Account is already funded at US$ 2.5 billion and the United States has announced its intention to raise the annual funding to US$ 5.0 billion a year from October 2006. The MCA alone would be a 50 percent increase in US core development assistance over that provided in 2000.

Progress has also been made in terms of reducing Africa's external debt burden. This is partly due to the Enhanced HIPC Initiative. Of the 32 countries that were expected to qualify for HIPC debt relief, 23 have so far become eligible and 2 are expected to qualify in 2005. It is also noteworthy that 5 countries reached their completion points in 2004, as approved by the Boards of the IMF/ World Bank, thus bringing the total to 12. The remaining 7 countries are either in conflict or emerging from conflict, and would need assistance toward post-conflict reconstruction and clearance of their arrears to enable them to qualify for HIPC debt relief.

ECONOMIC AND SOCIAL TRENDS IN AFRICA

Key Macroeconomic Indicators

The rebound in the global economy and favorable commodity prices, together with the relative improvement in domestic macroeconomic management, helped to improve the political situation in many countries. Moreover, donor support in the form of aid and debt relief made 2004 an exceptional year for Africa. As mentioned previously, Africa's real GDP in 2004 rose to 5.1 percent from 4.4 percent in 2003, while the real per capita GDP growth rate increased from 2.1 percent in 2003 to 2.8 percent in 2004 (see Table 5.1 and Figure 5.1).

As in previous years, growth in 2004 exhibited a considerable variation across individual countries, albeit with a positive overall trend. Some 20 countries achieved GDP growth rates above 5 percent, while 14 others recorded

TABLE 5.1
Africa: Macroeconomic Indicators, 1990-2004

Indicators	1990	1999	2000	2001	2002	2003	2004
Real GDP Growth Rate (%)	1.3	3.2	3.4	3.9	3.5	4.4	5.1
GDP Per Capita (US$)	760	716	725	695	668	792	913
Inflation (%)	16.2	11.8	13.5	10.5	9.1	10.0	7.7
Fiscal Balance (% of GDP)	-4.4	-2.2	-0.5	-2.2	-3.0	-1.4	0.0
Gross Domestic Investment (% of GDP)	21.6	20.1	18.9	19.6	20.1	20.0	20.1
Gross National Savings (% of GDP)	18.9	16.8	18.9	18.4	18.4	19.7	19.8
Real Export Growth (%)	7.8	3.6	9.3	0.8	1.0	7.2	4.6
Trade Balance (% GDP)	1.7	-1.1	4.6	1.9	1.2	2.4	1.2
Current Account (% GDP)	-1.5	-3.2	0.9	-0.3	-1.1	0.2	0.7
Terms of Trade (%)	3.2	5.8	14.8	-3.5	1.0	3.8	6.7
Total External Debt (% GDP)	59.4	60.4	55.9	53.7	53.9	48.3	43.2
Debt Service (% of Exports)	28.3	19.5	16.2	16.6	17.2	13.2	11.8

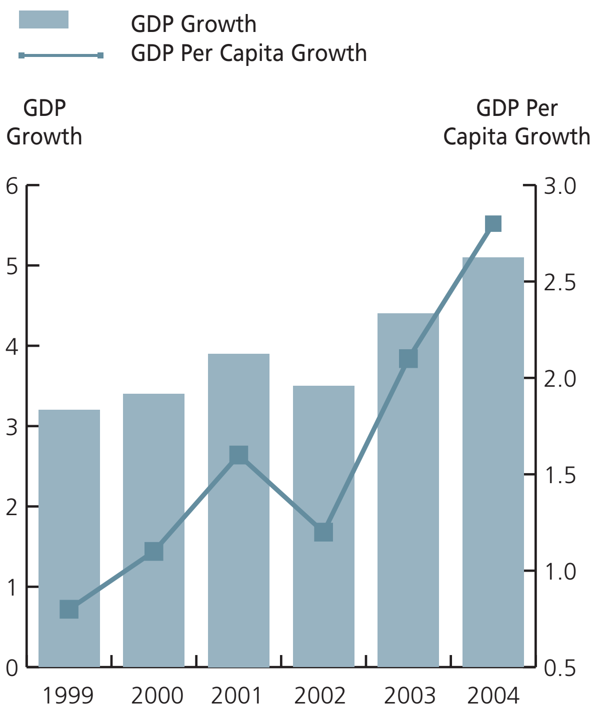
Source: ADB Statistics Division and IMF.

growth rates of between 3 and 5 percent. It is also notable that only 3 countries witnessed negative growth rates, compared with 6 in the preceding year.

In the continent as a whole, the terms of trade improved significantly to 6.7 percent in 2004. This increase is partly accounted for by the rise in oil prices and the further strengthening of the prices of major non-fuel commodities. In addition, the rebound in the global economy along with strong demand from Asia for the region's primary export commodities also boosted the continent's exports. Africa's exports grew by 18.6 percent in value terms and by 4.6 percent in volume terms. As a result, the continent's current account improved significantly in 2004, recording a surplus of over US$ 5 billion, despite an import growth of 7.2 percent. In addition, improved export performance and debt relief measures have contributed to a continuing decline in the debt-service ratio for the continent, which reached 11.8 percent in 2004, the lowest for 20 years. Similarly, Africa's total debt in relation to its GDP continued its decline, from a high of 76 percent in 1994, and 60.4 percent in 1999, to 43.2 percent in 2004 (see Figure 5.3).

FIGURE 5.1

Africa: Real GDP & GDP Per Capita Growth, 1999-2004 (percentages)



The most recent UNCTAD data on foreign direct investment (FDI) inflows to Africa indicate that although these were quite low in 2003, compared to other developing countries, they increased to 2.7 percent of global FDI inflows, up from 1.7 percent in 2002. The upturn, from US$ 19.9 billion in 2002 to US$ 24.3 billion in 2003, occured against the backdrop of a global economy recovery and an improved business environment in many African countries.

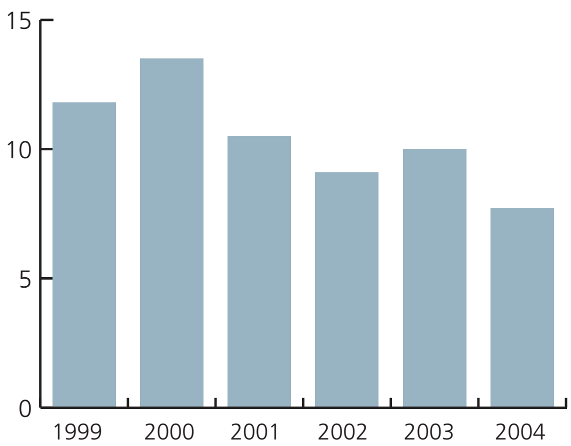
In 2004 the average fiscal deficit for the continent stood at zero percent of GDP, the lowest for over a decade, while monetary growth, at 15.6 percent, was substantially lower than the 18.5 percent historical average for the past 5 years. The improvement in the region's fiscal deficit and tighter monetary policy contributed to its lowest average inflation rate of 7.7 percent in over 2 decades.

Social Indicators

Africa's population grew by 2.2 percent in 2004, continuing its downward trend from 2.7 percent in 1990. The average, however, masks considerable differences among regions. The countries of North Africa, along with a few others such as Mauritius and Seychelles, have reduced both fertility and mortality rates and have consequently registered population growth rates of less than

FIGURE 5.2

Africa: Inflation Rate, 1999-2004 (percentages)



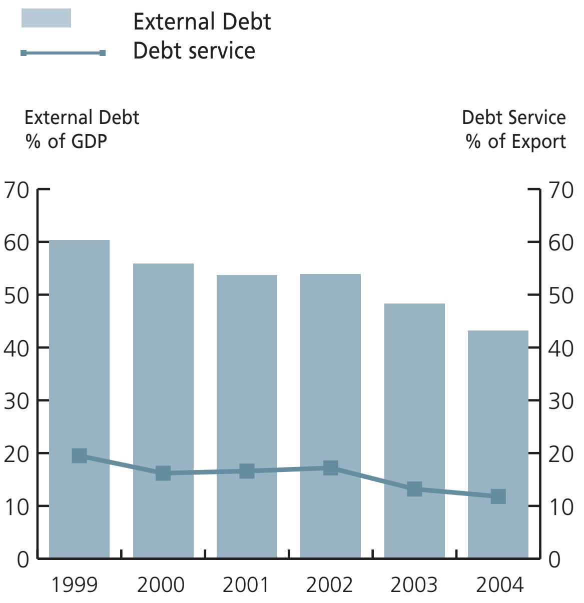
2.0 percent. Other countries, mostly in Southern Africa, that are heavily affected by the HIV/AIDS pandemic, have seen mortality rates increase sharply and their population growth rates decline steeply to an estimated 1.2 percent. Estimates for the remaining regions range from 2.4 percent for East Africa to 2.6 percent for Central Africa, with West Africa at the median of 2.5 percent.

African countries have lagged behind other developing countries in such areas as life expectancy, school enrollment, and access to basic services. Life expectancy at birth of 51 years is well below the developing countries' average of 65 years, and the developed countries' average of 78 years. The figure is declining further in several countries due to the HIV/AIDS pandemic. Infant mortality is estimated at 79 per 1,000 live births, which is higher than the developing countries' average of 61 per 1,000 live births, and dramatically higher than the 5 per 1,000 live births for developed countries. The maternal mortality rate for Africa is estimated at 661 per 100,000 live births; again this is far higher than 440 for developing countries and 13 for the developed world.

School enrollment rates in Africa (estimated at 89 percent for primary education and 43 percent for secondary education) are below the developing countries' averages of 107 percent and 59 percent, respectively. Only about 64 percent of the population has access to potable water, compared with 79 percent availability in all developing countries and 100 percent for the industrialized countries. Furthermore, the proportion of population in Africa that has access to health services is only 67 percent, compared with 100 percent in the developed world.

FIGURE 5.3

Africa: Total External Debt & Debt Service, 1999-2004
(percentages)



Domestic Policy Developments

In 2004 the main thrust of most African countries' domestic policy was macroeconomic stabilization, fiscal consolidation, private sector participation, economic diversification, trade promotion, and poverty reduction. The promotion of foreign direct investment, trade liberalization, and strengthening of regional economic groupings were further areas of renewed attention.

Many African countries adopted a tight fiscal policy during the year toward controlling government expenditure. Fiscal policy was also directed to revenue enhancement schemes in some countries, leading to improved tax collection. The tight monetary policy stance in Africa witnessed in 2003 continued through 2004, leading to a slowdown in broad money growth from 18.0 percent in 2003 to 15.6 percent in 2004. This continental performance is also reflected in the monetary policy stance of a number of countries, especially the larger ones.

Structural reforms in Africa have evolved in recent years. Although public sector restructuring (including privatization) continues to play a major part in the program of reforms, African governments have also started to pursue more active policies toward poverty alleviation and employment creation (with a strong focus on infrastructure, education, and health) and to push through regulatory reforms to create an enabling environment for the private sector.

Regional Development Policy

Africa's regional development policy is grounded in the New Partnership for Africa's Development (NEPAD). African Heads of State and Government have continued to champion NEPAD both in Africa and on the international stage. Several African countries have established national NEPAD Steering Committees with representation from civil society and business. The support for the NEPAD initiative continued to grow during 2004. (On Bank Group support to NEPAD, see Chapter 1 and Box 4.5.) In order to benefit from NEPAD, national governments are giving increased priority to agriculture and to the preparation of integrated agricultural and rural development plans.

An important development for NEPAD was the launching of the African Peer Review Mechanism (APRM) at the Seventh Meeting of NEPAD Heads of State and Government Implementation Committee (HSGIC) in May 2003. The APRM Forum held its inaugural meeting in February 2004, when a 6-member Panel of Eminent Persons was appointed to take charge of implementing the mechanism. The APRM is seen as "a system of voluntary self-assessment and constructive peer dialogue and persuasion," and aims to ensure compliance by participating States to agree on political, economic, and corporate governance values, codes, and standards. Twenty-three member states of the African Union (AU) have signed the APRM's Memorandum of Understanding to date. It is hoped that the transparency of the process and its results will encourage compliance with good governance standards, especially on the part of the stakeholders in the country. (See also Box 5.1.)

REGIONAL SOCIOECONOMIC TRENDS AND BANK GROUP OPERATIONS

CENTRAL AFRICA

Recent Macroeconomic Trends and Reforms

The Central Africa region comprises 10 countries: Burundi, Cameroon, Central African Republic (CAR), Chad, Congo, the Democratic Republic of Congo (DRC), Equatorial Guinea, Gabon, Rwanda, and São Tomé and Príncipe. The total population in Central Africa numbered 107.6 million in 2004, equivalent to 12.4 percent of the continental total.

Although the region's contribution to continental GDP increased for the fourth consecutive year in 2004, to 5.8 percent, its share is still the lowest of all the 5 regions. The growth in Central Africa's GDP is due to enhanced peace prospects in the Great Lakes region, and increased oil exploration and developments in Equatorial Guinea and Chad. The region was the best growth performer in 2004, with real GDP increasing by 14.4 percent, against a continental average of 5.1 percent. Central Africa's GDP per capita rose from US$ 375 in 2003 to US$ 442 in 2004 (see Table 5.2).

BOX 5.1

Reforming Public Sector Management in Africa

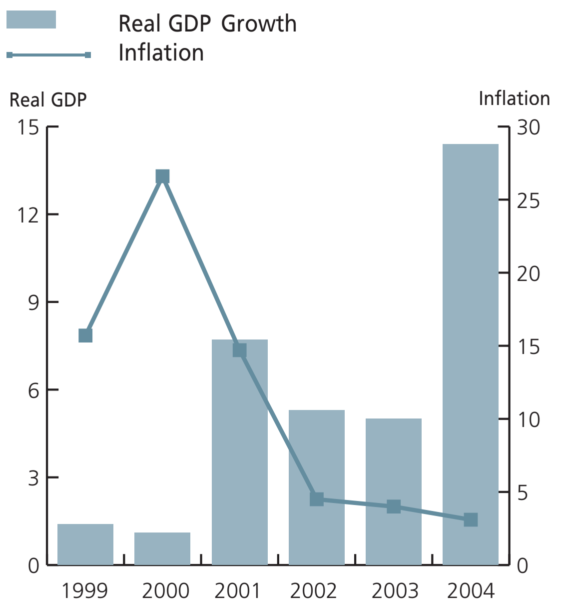
In Africa, the capacity of the public sector to manage and guide the development process as well as create an enabling environment for the private sector is often regarded as one of the major challenges to economic growth. Since the 1980s, several countries have undertaken structural reforms, some of which have involved state structures and public sector management systems. There have been marked improvements in terms of efficiency, although some problems, such as corruption and rent seeking, have proved hard to eradicate entirely from political and state institutions. Public accountability, administrative and public policy-making capacities have remained weak, while deficiencies still exist in terms of the capacity and efficiency of fiscal, budgetary, and expenditure monitoring systems.

In our era of globalization, the state systems need to be made more effective to cope with challenges of not only securing the common peace, but also maintaining macroeconomic stability to enhance both domestic and international competitiveness. In the African context, this requires the strengthening of public administration systems, adopting and practicing participative governance, adherence to openness and adaptability, and equitably developing social capital. It also entails adopting flexible approaches and methods of administration, and strengthening the voice of African governments in international bodies.

Lessons of recent experience show that for reforms to be successful, they need to be not only homegrown and demand-driven, but also internally consistent and coordinated on the national policy level. The Asian model of the developmental state points to certain vital ingredients for successful public management: a reliable and effective judiciary, including institutionalization and enforcement of property rights; existence of the rule of law; a merit-based and highly professionalized civil service based on competitive entry and promotion; and competent core economic agencies for planning and management. Leadership at the highest levels is critical, including political commitment and a willingness to risk political capital in the interest of growth.

FIGURE 5.4

Central Africa: Real GDP Growth & Inflation, 1999-2004
(percentages)



Inflation in the Central Africa region decreased to an average of 3.1 percent in 2004, down from 4.0 percent in 2003. This is well below the continental average of 7.7 percent. The low inflation rate is a result of tight monetary and fiscal policies in the CFA Zone. The strengthening of the regional currency, the CFA Franc, against the US Dollar also helped to dampen inflationary pressure and contain fuel prices in the region. The region's gross domestic investment as a proportion of GDP declined slightly from 21.4 percent in 2002-2003 to 18.4 percent in 2004, while the gross national savings ratio rose from 14.7 percent in 2002 to 18.2 percent in 2003 and 18.5 percent in 2004.

The region's external position improved in 2004, with the current account balance turning in a small surplus of 0.2 percent of GDP after 3 years of consistent deficits. This reflected a 12.5 percent improvement in the terms of trade of the region, coupled with an 18.7 percent increase in the volume of exports. However, its external debt burden remains the highest in Africa, amounting to 62 percent of GDP in 2004, down from an average of 105.6 percent of its GDP in 2000-2003.

Social Indicators

The social indicators for the Central Africa region are set out in Table 5.3. The Human Poverty Index (HPI) in the region averaged about 43 percent, which is above the continental average of 39 percent. Some countries register HPI indices above both the regional and continental averages. The Human Development Index (HDI) for all countries in the region has revealed some improvement over the past 20 years. While the HDI averaged 0.485 for the continent, it is 0.402 for the region.

Average life expectancy in Central Africa is 43 years, against the continental average of 51 years. Life expectancy tends to be low in the region because of conflicts, disease, and poverty. Infant mortality rates (IMR) are high in the region at 107 deaths per 1,000 live births, compared to the continental average of 79 deaths per 1,000 live births. The maternal mortality rate (MMR) averages 928 per 100,000 live births in the region, which is higher than the African average of 661 per 100,000 live births. The percentage of population with access to

TABLE 5.2
Central Africa: Macroeconomic Indicators, 1990-2004

Indicators	1990	1999	2000	2001	2002	2003	2004
Real GDP Growth Rate (%)	-4.4	1.4	1.1	7.7	5.3	5.0	14.4
GDP Per Capita (US$)	491	303	296	300	320	375	442
Inflation (%)	11.4	15.7	26.6	14.7	4.5	4.0	3.1
Fiscal Balance (% of GDP)	-7.6	-2.4	0.6	0.8	0.5	2.4	3.9
Gross Domestic Investment (% of GDP)	21.3	16.8	16.6	21.9	21.8	21.0	18.4
Gross National Savings (% of GDP)	13.8	15.2	17.5	15.8	14.7	18.2	18.5
Real Export Growth (%)	6.2	-4.4	9.6	-8.4	0.9	4.3	18.7
Trade Balance (% GDP)	9.6	11.3	19.1	12.3	11.4	13.4	20.5
Current Account (% GDP)	-3.1	-5.0	0.3	-5.5	-6.4	-2.7	0.2
Terms of Trade (%)	3.6	7.0	20.9	-6.2	5.4	5.5	12.5
Total External Debt (% GDP)	69.8	131.9	118.3	119.4	97.2	87.5	62.0
Debt Service (% of Exports)	11.4	10.4	17.6	18.7	50.3	16.1	9.4

Source: ADB Statistics Division and IMF.

TABLE 5.3
Central Africa: Social Indicators (Compared with the Averages for Africa, Developed and Developing Countries)

Region/Country	HDI* Value (0 to 1)	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 Illiteracy rates (%)	
								Male	Female	Male	Female
Developed Countries	**0.933**	**78.3**	**5.0**	**13.0**	**100.0**	**100.0**	**3,285**	**101.0**	**101.0**	**0.7**	**1.0**
Developing Countries	**0.663**	**64.6**	**61.0**	**440.0**	**79.0**	**49.0**	**2,675**	**105.0**	**96.0**	**16.5**	**30.4**
African Average	**0.485**	**50.8**	**79.3**	**661.4**	**64.4**	**42.4**	**2,379**	**98.8**	**84.3**	**27.7**	**44.0**
Central Africa Average	**0.402**	**43.3**	**107.2**	**927.7**	**73.3**	**36.8**	**1,798**	**95.6**	**82.5**	**24.8**	**42.2**
Burundi	0.339	41.7	103.9	1,300.0	79.0	36.0	1,649	80.0	62.0	40.8	53.3
Cameroon	0.501	45.1	84.9	550.0	63.0	48.0	2,273	115.0	99.0	17.6	30.7
Central Africa	0.361	39.6	98.6	1,100.0	75.0	27.0	1,980	79.0	53.0	35.6	58.4
Chad	0.379	45.4	111.6	827.0	34.0	8.0	2,114	90.0	57.0	42.6	58.9
Congo	0.494	48.9	80.3	890.0	46.0	9.0	2,162	88.0	83.0	9.6	20.5
Congo (DRC)	0.365	42.6	117.7	990.0	84.0	40.0	1,599	89.3	79.0	22.8	43.3
Equatorial Guinea	0.703	49.2	97.6	880.0	44.0	53.0	...	132.0	120.0	6.2	20.8
Gabon	0.648	57.4	53.9	519.0	87.0	36.0	2,637	135.0	134.0	...	...
Rwanda	0.431	40.1	107.4	1,100.0	73.0	41.0	2,084	118.0	116.0	23.0	33.7
Sao Tomé & Principe	0.645	70.4	30.0	100.0	79.0	24.0	2,460	130.0	122.0	...	...

Sources: ABD Statistics Division; Unesco Database 2004, UN Population Division, the 2002 Revision
Notes: columns (1), (5), (6) & (7,8) data refer to 2002; columns (2), (3), (10, 11), data refer to 2004; column (4) data refer to latest year available
columns (8), (9) data refer to 2001/02
** : The HDI measures the average achievement in a country in the three basic dimensions of human development: Life expectancy, education and standard of living.*
Perfomance is expressed as a value between 0 (the worst) to 1(the best).
(...) : data not available.

health services and sanitation in the region is 64 percent and 37 percent, which is lower than Africa's average of 67 percent and 42 percent respectively. The statistics for both the daily supply of calories (DSC) and daily protein supply (DPS) reveal the existence of a general deficiency in nutritional status when compared to the previous 2 decades.

In terms of school enrollment, there is an educational deficiency at both the primary and secondary school levels, particularly for girls. Gross primary school enrollment of males and females at the regional level is 96 percent and 83 percent, respectively. This marks, however, an improvement over the 1980 levels for male/female enrollment of 94 percent and 69 percent respectively. At the secondary school level, the enrollment statistics are even more disappointing at 37/24 percent (male/female), which is well below the continental levels of 42/41 (male/female). No country in the region has achieved a secondary male/female enrollment ratio above the continental average.

Furthermore, it is clear that the limited access of the population to both health services and sanitation poses serious implications for related indices like life expectancy, infant mortality, and maternal mortality in the region.

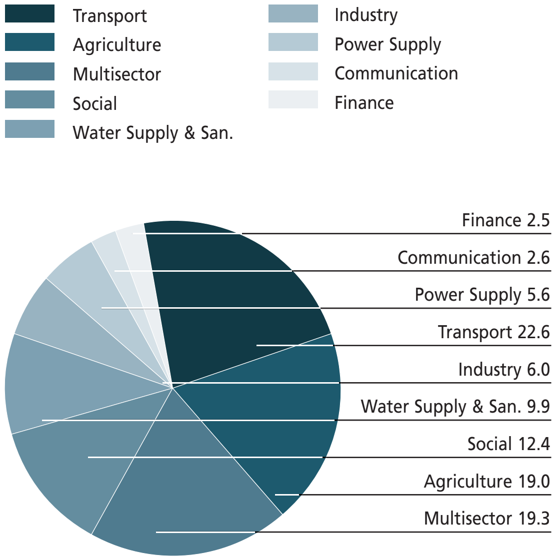
Regional Economic Integration and Cooperation

The Central African region has 3 regional integration structures, namely the Economic Community of Central African States (ECCAS), the Central African Monetary and Economic Community of Countries (CEMAC), and the dormant Economic Community of Countries of the Great Lakes (CEPGL). During the year 2004, ECCAS and its Council for Peace and Security in Central Africa (COPAX) continued to work very closely with the UN Standing Advisory Committee on Security Questions in Central Africa. In December 2004, ECCAS decided to create a 2,400-strong regional military command to promote the prevention, resolution, and management of conflicts within the region.

The regional organization renewed its commitment to the implementation of the New Partnership for Africa's Development (NEPAD) at its summit in Brazzaville (Congo) in January 2004, when ECCAS Heads of State agreed to set up a Free Trade Zone and a Common Agricultural Policy by 2008. In the CEMAC region, the action group against money laundering (GABAC) was inaugurated in March 2004, but plans to introduce T-bills in the region in January 2005 were postponed. Discussions are ongoing among member countries to create a regional stock market, set up a CEMAC Development Fund, establish a CEMAC passport, and launch Air CEMAC in the near future.

FIGURE 5.5

Central Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2004
(percentages)



Bank Group Operations

In Central Africa, only Gabon and Equatorial Guinea qualify for access to ADB resources. With the exception of limited ADB resources for the private sector and enclave projects, the remaining countries in the region are only ADF-eligible. The Central African region received UA 4.20 billion or 12.0 percent of the cumulative Bank Group loan and grant approvals between 1967 and 2004. The sectoral distribution of the cumulative Bank Group loan and grant approvals to the region is shown in Figure 5.5.

In 2004 the Central Africa region received Bank Group loan and grant approvals of UA 225.0 million (see Table 5.4). The sectors that benefited were the multisector (55.7 percent), social sector (19.9 percent), agriculture (17.7 percent), and transportation (6.8 percent).

EAST AFRICA

Recent Macroeconomic Trends

The East Africa region is made up of 11 countries: Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Seychelles, Somalia, Tanzania, and Uganda. The region registered a combined population of 204.5 million in 2004, representing approximately 23.6 percent of the continent's population.

After 2 years of subdued economic activity, mostly resulting from the severe drought that hit the Horn of Africa in 2002, East Africa recorded a remarkable economic recovery in 2004 with a real GDP growth rate of 6.8 percent. This is far above the average of 2.3 percent achieved in 2003. East Africa was the second highest regional economic performer on the continent in 2004 after Central Africa.

The region's GDP per capita remains the lowest in Africa, averaging US$ 276 in 2004. East Africa's GDP accounted for 7.1 percent of total Africa's GDP in 2004, making it the second lowest contributor to the continent's wealth after Central Africa.

TABLE 5.4
Central Africa: Bank Group Loan and Grant Approvals by Country
(UA millions)

Country	2002	2003	2004	1967-2004
Burundi	-	-	20.16	296.49
Cameroon	34.69	46.50	12.13	750.26
Central African Rep.	-	-	-	139.39
Chad	24.27	2.32	2.40	357.22
Congo	-	0.86	7.00	286.04
Congo, Dem. Rep.	78.90	47.50	55.23	1,120.19
Equatorial Guinea	-	-	-	67.19
Gabon	0.38	-	76.25	673.44
Rwanda	-	49.77	51.86	411.22
São Tomé & Principe	4.00	-	-	99.62
TOTAL APPROVALS	**142.24**	**146.95**	**225.03**	**4,201.07**

Source : ADB Statistics Division
- Magnitude zero

TABLE 5.5
East Africa: Macroeconomic Indicators, 1990-2004

Indicators	1990	1999	2000	2001	2002	2003	2004
Real GDP Growth Rate (%)	4.3	4.6	4.0	5.3	2.2	2.3	6.8
GDP Per Capita (US$)	226	242	236	242	242	268	276
Inflation (%)	20.6	7.0	7.3	4.4	5.3	6.4	5.0
Fiscal Balance (% of GDP)	-5.6	-3.7	-4.2	-3.0	-4.6	-3.9	-3.0
Gross Domestic Investment (% of GDP)	19.1	17.9	17.9	17.5	17.7	17.9	19.5
Gross National Savings (% of GDP)	14.5	11.3	14.7	15.2	14.7	15.2	14.7
Real Export Growth (%)	6.4	5.3	10.6	12.9	3.1	7.6	7.9
Trade Balance (% GDP)	-12.1	-11.4	-11.3	-10.5	-9.5	-10.1	-11.8
Current Account (% GDP)	-5.0	-6.3	-4.3	-3.6	-2.8	-3.2	-4.3
Terms of Trade (%)	-23.3	-3.3	-3.0	-1.0	-1.8	-0.1	-3.9
Total External Debt (% GDP)	91.7	73.4	70.2	63.7	60.0	57.9	55.9
Debt Service (% of Exports)	26.3	19.1	21.3	27.8	16.1	14.2	11.9

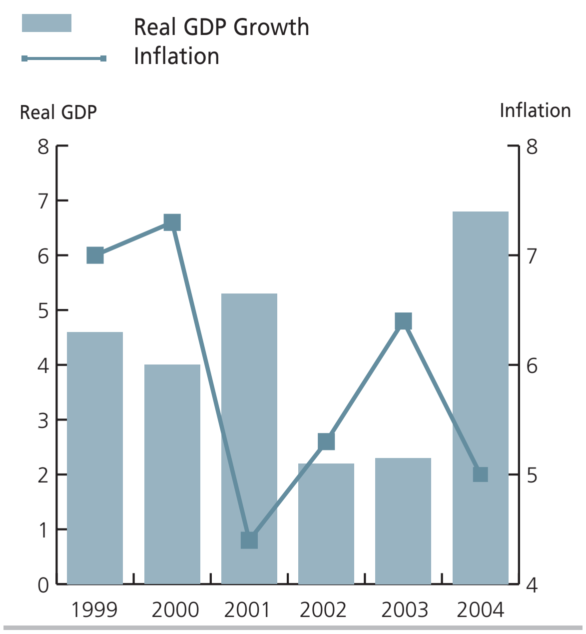
Source: ADB Statistics Division and IMF.

After 4 years of consecutive marginal increases, average inflation in East Africa declined from 6.4 percent in 2003 to 5.0 percent in 2004 (see Table 5.5 and Figure 5.6), partly as a result of improved food supply conditions and an improvement in the conduct of monetary and fiscal policy in the region.

The average fiscal deficit declined to 3.0 percent of GDP in 2004, from 3.9 percent in 2003, reflecting continued efforts by most governments in the region to enhance revenue and tighten expenditure control. The region's fiscal deficit nonetheless remained high compared with the continental average of zero percent in 2004.

FIGURE 5.6

East Africa: Real GDP Growth & Inflation, 1999-2004 (percentages)



The region's domestic investment rate rose to 19.5 percent in 2004, up from 17.9 percent in 2003. This remained close to the continental average of 20.1 percent. Gross national savings as a percentage of the GDP decreased, from 15.2 percent in 2003 to 14.7 percent in 2004. Savings shortage and strong aid dependency are very serious problems in some of East Africa's countries. East Africa's current account deficit increased to 4.3 percent of GDP in 2004, compared with a small continental surplus of 0.7 percent of GDP.

On the other hand, the external debt burden continued to decline in 2004 as a result of cautious borrowing policies of many governments and debt relief. However, the total external debt overhang averaged 55.9 percent of GDP in 2004, which is much higher than the continental average of 43.2 percent of GDP.

Social Indicators

Using the available statistics of percentage of population living below the international extreme poverty threshold of US$ 1 per day, 3 countries of the region stand out with high concentrations of poverty. The Human Development Index (HDI) for East Africa is generally low at 0.424, as against 0.485 for the continent. Average life expectancy in the region, which stands at 47 years, is much lower than the continental average of 51 years. Life expectancy for most countries of the region has actually declined since 1970.

Further, infant mortality rate (IMR) for the region is high at an average 90 deaths per 1,000 live births, while that of the continent averaged 79 per 1,000 live births. The maternal mortality rate (MMR) is also very high.

TABLE 5.6

East Africa: Social Indicators (Compared with Averages for Africa, Developed, and Developing Countries)

Region/Country	HDI* Value (0 to 1)	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 Illiteracy rates (%)	
								Male	Female	Male	Female
Developed Countries	**0.933**	**78.3**	**5.0**	**13.0**	**100.0**	**100**	**3,284.7**	**101.0**	**101.0**	**0.7**	**1.0**
Developing Countries	**0.663**	**64.6**	**61.0**	**440.0**	**79.0**	**49**	**2,675.2**	**105.0**	**96.0**	**16.5**	**30.4**
African Average	**0.485**	**50.8**	**79.3**	**661.4**	**64.4**	**42**	**2,379.4**	**98.8**	**84.3**	**27.7**	**44.0**
East Africa Average	**0.424**	**46.8**	**89.5**	**899.3**	**42.3**	**27**	**1,961.9**	**89.4**	**79.1**	**28.2**	**42.5**
Comoros	0.530	61.6	63.5	650.0	94.0	23	1,753.9	98.0	81.0	36.2	50.5
Djibouti	0.454	45.5	99.1	550.0	80.0	50	2,219.7	46.0	35.0	21.0	40.0
Eritrea	0.439	53.0	70.2	1,000.0	57.0	9	1,512.8	67.0	54.0	29.3	51.3
Ethiopia	0.359	45.9	96.9	1,400.0	22.0	6	1,857.3	75.0	53.0	48.7	63.4
Kenya	0.488	44.2	66.4	590.0	62.0	48	2,090.1	97.0	95.0	8.9	19.1
Madagascar	0.469	54.4	88.1	488.0	45.0	33	2,004.6	106.0	102.0	23.9	36.5
Mauritius	0.785	72.4	15.4	21.0	100.0	99	2,954.8	106.0	106.0	11.2	16.8
Seychelles	0.853	…	…	…	87.0	…	2,464.6	116.0	115.0	…	…
Somalia	…	49.1	111.9	1,750.0	29.0	25	…	…	…	…	…
Tanzania	0.407	43.5	99.5	529.0	51.0	34	1,974.9	71.0	69.0	13.5	28.0
Uganda	0.493	48.4	82.6	510.0	56.0	41	2,409.6	139.0	134.0	20.0	38.5

Sources: ABD Statistics Division; Unesco Database 2004, UN Population Division, the 2002 Revision

Notes: columns (1), (5), (6) & (7,8) data refer to 2002; columns (2), (3), (10, 11), data refer to 2004; column (4) data refer to latest year available columns (8), (9) data refer to 2001/02

** : The HDI measures the average achievement in a country in the three basic dimensions of human development: Life expectancy, education and standard of living. Perfomance is expressed as a value between 0 (the worst) to 1(the best).*

(…) : data not available.

The region's nutritional status remains a challenging concern, for while the daily calorie supply per capita (DCS) for the continent is 2,379, it stands at 1,962 for East Africa. Both these figures, however, fall below the World Heath Organization (WHO) benchmark of 2,500 DCS (see Table 5.6). The average proportion of the population in the region with access to health services and sanitation is only 54 percent and 27 percent, compared to the continent's average of 67 percent and 42 percent respectively. Gross primary school enrollment ratio in the region of 89/79 (males/females), compared fairly favorably to the continental average of 99/84 percent respectively.

With respect to secondary education, enrollment was generally low in 2004, although there has been a significant improvement over the last 10 years. Africa's continental average stood at 42/41 percent (males/females), while the East Africa regional average was 22/20 percent. Adult illiteracy rates in the region remain high at 28/43 percent (males/females), although this represents a 10-year decrease from 49 percent for males and 73 percent for females. Considerable progress therefore seems to have been made in reducing adult illiteracy of both males and females in the region. However, for the majority of countries in the region, poverty and low human development as well as the AIDS/HIV pandemic, and low female school enrollment represent serious challenges for their development.

Regional Economic Integration and Cooperation

The Common Market for Eastern and Southern Africa (COMESA), the East Africa Community (EAC), and the Intergovernmental Authority on Development (IGAD) are the major regional integration organizations in East Africa. A number of major developments took place in the region in 2004.

COMESA had planned to launch a Customs Union in December 2004 but this was postponed in June 2004 to allow more time for impact assessment studies to be completed and regional consultations to take place. During the year, Swaziland, which is also a member of the Southern African Customs Union (SACU), was given a year to join the COMESA Free Trade Area (FTA). Comoros was accepted as a member of FTA in December 2004, bringing the number of COMESA countries in the FTA to 12.

The EAC Customs Union was formally launched in January 2004. The Protocol on the establishment of the EAC Customs Union was signed in March 2004 and the 3 member countries – Kenya, Uganda, and Tanzania – ratified it in December 2004. The EAC Customs Union aims to: liberalize intraregional trade; promote efficiency in production; enhance domestic, regional and foreign investment; as well as promote economic development, diversification, and industrialization.

TABLE 5.7
East Africa: Bank Group Loan and Grant Approvals by Country
(UA millions)

Country	2002	2003	2004	1967-2004
Comoros	-	-	-	64.74
Djibouti	6.42	6.95	5.34	113.87
Eritrea	-	0.36	18.63	78.79
Ethiopia	21.01	102.41	61.98	1,419.52
Kenya	-	57.85	51.33	682.70
Madagascar	10.33	25.00	45.24	520.32
Mauritius	8.05	-	-	271.53
Seychelles	-	-	-	89.49
Somalia	-	-	-	150.77
Tanzania	16.90	31.33	114.73	924.66
Uganda	96.96	0.22	74.18	855.88
TOTAL APPROVALS	**159.67**	**224.11**	**371.43**	**5,172.28**

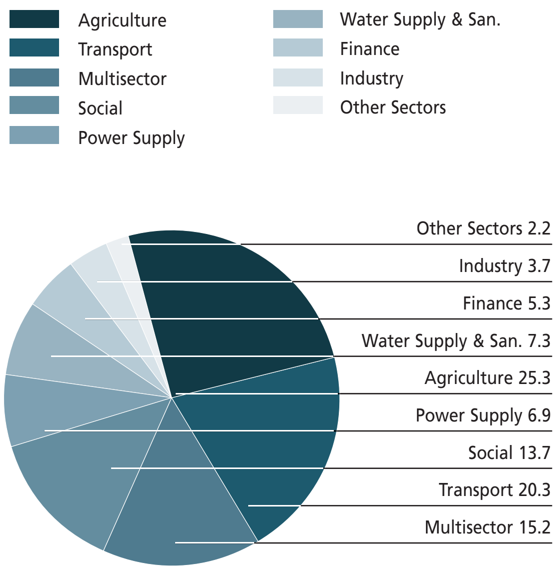
Source : ADB Statistics Division
- Magnitude zero

Bank Group Operations

Only 2 out of 11 countries in East Africa – Mauritius and Seychelles – have access to ADB-window resources, while the remaining 9 are ADF-eligible with limited access to ADB resources for private sector and enclave projects. The region received UA 5.2 billion or 14.8 percent of the cumulative Bank Group loan and grant approvals between 1967 and 2004 (see Table 5.7).

FIGURE 5.7

East Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2004
(percentages)



The sectoral distribution of the cumulative (1967-2004) Bank Group loan and grant approvals was as follows: agriculture (25.3 percent), transportation (20.3 percent), the multisector (15.2 percent), social sector (13.7 percent), water supply and sanitation (7.3 percent), power supply (6.9 percent), finance (5.3 percent), industry (3.7 percent), and other sectors (2.2 percent) (see Figure 5.7).

In 2004 the region's Bank Group loan and grant approvals totaled UA 371.4 million. Loans and grants were allocated to the sectors as follows: multisector (34.9 percent), agriculture (23.0 percent), social sector (14.8 percent), transportation (13.5 percent), water supply and sanitation (9.8 percent), finance (2.6 percent), and power supply (1.4 percent). Three humanitarian emergency relief grants were approved for Djibouti, Kenya, and Madagascar.

NORTH AFRICA

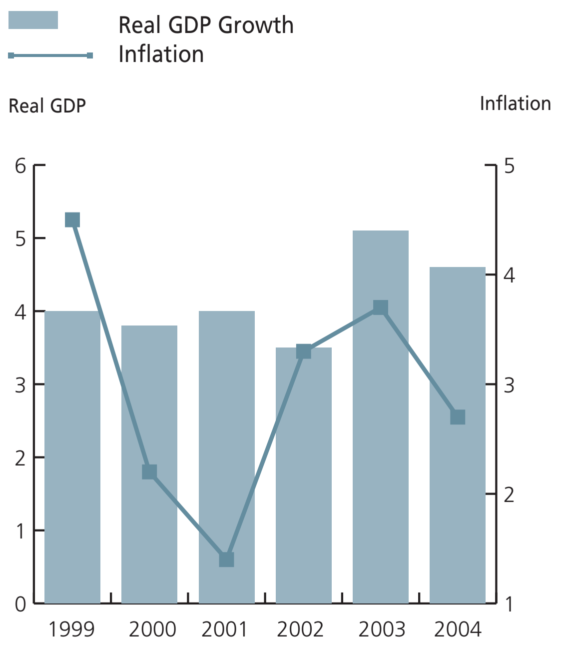
Recent Macroeconomic Trends

North Africa, which comprises 7 countries – Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, and Tunisia – is the largest contributor to the continent's wealth, accounting for 36.4 percent of its GDP in 2004. The region is home to some 190 million people, representing around 22 percent of the continent's population.

North Africa's economic performance remained impressive in 2004, with an average real GDP growth rate of 4.6 percent. The remarkable growth rate, which started in

FIGURE 5.8

North Africa: Real GDP Growth & Inflation, 1999-2004
(percentages)



2003 and persisted through 2004, is largely due to a robust export performance in the region's oil-producing countries. The region's average per capita GDP income was US$ 1,521 in 2004, which is about twice the continental average. Except for Mauritania and Sudan, all countries in the region are classified as middle-income countries (MICs).

Inflation in North Africa has remained relatively stable during the last 3 years, averaging about 2.7 percent in 2004 – a significant decrease from 3.7 percent in 2003. This is no doubt far better than the continent's average of 7.7 percent. The fiscal position in North Africa is relatively healthy compared with the rest of the continent. The regional fiscal balance registered a modest surplus of 0.9 percent of GDP in 2004, against the continental average of zero percent of GDP.

The region has a high national savings averaging 25.7 percent of GDP during the last 4 years. This could be explained by strong inflows of foreign exchange earnings from the oil sector and slow credit growth in the private sector. Gross domestic investment in the region rose to 21.7 percent of GDP in 2004, marginally up from 21.6 percent in 2003, while gross national savings increased to 27.6 percent of GDP, which was well above the continental average of 19.8 percent (see Table 5.8).

North Africa's external position was strengthened in 2004, in the face of rising oil prices and improved external competitiveness. The current account balance, which had consistently been in surplus for 4 consecutive years (2000-2003), rose to 5.9 percent of GDP in 2004, up from 5.1 percent in 2003.

The region's external debt burden is the second lowest in the continent after Southern Africa. The total debt stock of North Africa stood at an equivalent of 40.9 percent of its GDP in 2004, which is a significant decline over 45.0 percent for 2003. The region has consistently experienced a declining debt service ratio since 2000 except for 2002. The ratio is 12.0 percent in 2004, down from 13.9 percent in 2003.

Social Indicators

North Africa has the lowest poverty incidence in the conti-

TABLE 5.8
North Africa: Macroeconomic Indicators, 1990-2004

Indicators	1990	1999	2000	2001	2002	2003	2004
Real GDP Growth Rate (%)	1.4	4.0	3.8	4.0	3.5	5.1	4.6
GDP Per Capita (US$)	1,315	1,376	1,442	1,384	1,303	1,388	1,521
Inflation (%)	15.1	4.5	2.2	1.4	3.3	3.7	2.7
Fiscal Balance (% of GDP)	-6.1	-0.8	0.8	-1.7	-2.7	-0.2	0.9
Gross Domestic Investment (% of GDP)	25.0	21.8	20.5	20.8	22.1	21.6	21.7
Gross National Savings (% of GDP)	21.9	21.2	25.6	24.5	24.0	26.5	27.6
Real Export Growth (%)	17.0	6.6	10.9	-0.4	1.4	8.0	5.5
Trade Balance (% GDP)	-4.3	-6.4	-2.2	-2.1	-2.8	-1.0	-0.3
Current Account (% GDP)	-1.2	-1.0	4.7	3.5	1.6	5.1	5.9
Terms of Trade (%)	16.5	3.9	22.2	-2.9	-0.7	3.1	6.5
Total External Debt (% GDP)	54.1	50.1	43.2	42.3	47.8	45.0	40.9
Debt Service (% of Exports)	40.2	20.8	15.6	15.6	16.5	13.9	12.0

Source: ADB Statistics Division and IMF.

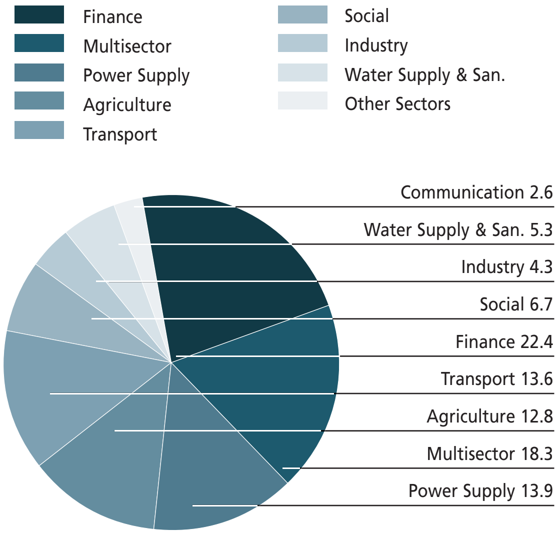
nent. Available data on population living under the US$ 1 a day extreme poverty threshold show that this ranges from 1.8 percent to 3.1 percent of the population. The regional HPI at 29 percent is below Africa's average of 39 percent, but its HDI of 0.636 is above Africa's average of 0.485.

The region's average life expectancy is 67 years, which is well above the continental average. The infant mortality in the region, which averages 45 per 1,000 live births, is much below the continental average (see Table 5.9). Maternal mortality in the region is the lowest in the continent at 233 deaths per 100,000 live births.

The nutritional status of the region is fairly good. The regional average for daily calorie supply per capita (DCS) is 2,967 which is not only much higher than the continental average (2,379 DCS) but surpasses the WHO minimum daily requirement (of 2,500 DCS). Correspondingly, the daily protein supply per capita (DPS) is high, averaging 85 DPS. The population with access to health services and sanitation in the region averaged 88 percent and 64 percent. This is much higher than the continental average of 67 percent and 42 percent respectively.

FIGURE 5.9

North Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2004
(percentages)



Gross enrollment ratio for primary schooling in the region is 99/91 percent (males/-females). The region's male enrollment is at par with Africa's continental level of 99 percent, but the enrollment ratio for female students surpasses the continental average of 84 percent. At the secondary school level, enrollment records are not as robust, but most countries' enrollment ratio exceeded the continental average. The adult illiteracy rate for the region (28 percent) is basically the same as the continental average for males, although the female ratio at 49 percent is higher than the continental average of 44 percent (see Table 5.9). Adult illiteracy in the region is therefore a challenging issue to be addressed.

TABLE 5.9
North Africa: Social Indicators (Compared with Averages for Africa, Developed, and Developing Countries)

Region/Country	HDI* Value (0 to 1)	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 Illiteracy rates (%)	
								Male	Female	Male	Female
Developed Countries	**0.933**	**78.3**	**5.0**	**13.0**	**100.0**	**100**	**3,284.7**	**101.0**	**101.0**	**0.7**	**1.0**
Developing Countries	**0.663**	**64.6**	**61.0**	**440.0**	**79.0**	**49**	**2,675.2**	**105.0**	**96.0**	**16.5**	**30.4**
African Average	**0.485**	**50.8**	**79.3**	**661.4**	**64.4**	**42**	**2,379.4**	**98.8**	**84.3**	**27.7**	**44.0**
North Africa Average	**0.636**	**67.1**	**44.7**	**233.1**	**85.2**	**64**	**2,966.5**	**98.6**	**90.9**	**28.0**	**48.8**
Algeria	0.704	70.2	41.2	117.0	87.0	92	3,021.5	112.0	104.0	20.3	37.9
Egypt**	0.653	69.4	37.9	84.0	98.0	68	3,338.0	100.0	94.0	31.1	52.1
Libya	0.794	73.2	19.8	75.0	72.0	97	3,319.8	114.0	114.0	7.1	27.0
Mauritania	0.465	53.3	93.3	747.0	56.0	42	2,772.0	88.0	85.0	47.8	67.5
Morocco	0.620	69.3	39.3	228.0	80.0	61	3,051.8	113.0	101.0	35.2	59.6
Sudan	0.505	55.6	74.0	550.0	69.0	34	2,227.8	63.0	54.0	27.6	48.2
Tunisia	0.745	73.2	22.1	54.8	73.0	46	3,237.8	114.0	109.0	15.2	34.5

Sources: ABD Statistics Division; Unesco Database 2004, UN Population Division, the 2002 Revision
Notes: columns (1), (5), (6) & (7,8) data refer to 2002; columns (2), (3), (10, 11), data refer to 2004;
column (4) data refer to latest year available columns (8), (9) data refer to 2001/02
(...) : data not available.
** : The HDI measures the average achievement in a country in the three basic dimensions of human development: Life expectancy, education and standard of living.*
Perfomance is expressed as a value between 0 (the worst) to 1(the best).
*** : Preliminary figures.*

TABLE 5.10

North Africa: Bank Group Loan and Grant Approvals by Country

(UA millions)

Country	2002	2003	2004	1967-2004
Algeria	148.87	0.18	-	1,888.97
Egypt	166.33	-	-	1,729.48
Mauritania	7.55	24.62	6.97	351.11
Morocco	245.27	177.01	369.34	3,715.39
Sudan	-	0.35	-	350.87
Tunisia	86.23	196.33	140.22	3,320.10
TOTAL APPROVALS	**654.25**	**398.49**	**516.53**	**11,355.93**

Source : ADB Statistics Division

- Magnitude zero

Regional Economic Integration and Cooperation

In North Africa, the major economic grouping is the Arab Maghreb Union (AMU). During an extraordinary meeting of the AMU Council of Foreign Ministers convened in Tripoli in December 2004, the position of Libya as Chairman of the organization was ratified for the third consecutive year. In May 2004, 4 new countries – Côte d'Ivoire, Ghana, Liberia, and Guinea-Bissau – joined CENSAD, bringing its total membership to 22 states.

In February 2004 a crucial step was taken under the EU-Mediterranean Partnership (also called the Barcelona Process), when Jordan, Egypt, Tunisia, and Morocco signed a Free Trade Agreement. The EU has agreed to support this initiative with a € 4 million grant.

Bank Group Operations

Four of the North African countries – Algeria, Egypt, Morocco, and Tunisia – are ADB-window eligible because of their relatively high-income status. Mauritania is ADF-eligible. Libya is not a borrowing RMC, while Sudan has been under sanctions since 1995 because of its default in the payment of its arrears.

The Bank started operations in North Africa in 1968, a year later than in other regions. Between 1967 and 2004, North Africa was the biggest recipient of cumulative Bank Group approvals, attracting UA 11.4 billion or 32.5 percent of total loan and grant approvals. Sectoral priorities in this region varied from the other regions of the continent, with most of the Bank Group's allocations in North Africa going to support financial sector reforms and private sector development. The cumulative loan and grant distribution according to sectors for the period 1967-2004 was as follows: finance (22.4 percent), multisector (18.3 percent), power supply (13.9 percent), transportation (13.6 percent), agriculture (12.8 percent), social sectors (6.7 percent), water supply and sanitation (5.3 percent), industry (4.3 percent), and communication (2.6 percent) (see Figure 5.9).

In 2004 loan and grant approvals to the region totaled UA 516.5 million. This represents a sharp increase from UA 398.5 million in 2003. The funds were allocated to the following sectors: transportation (67.4 percent), multisector (20.3 percent), water supply and sanitation (10.9 percent), agriculture (1.3 percent), and social sector (0.1 percent). With a combination of project loans and lines of credit, most of the region's Bank approvals in 2004 were directed towards water supply, electricity, railway, housing, and road rehabilitation. A humanitarian emergency grant was approved for Morocco.

SOUTHERN AFRICA

Recent Macroeconomic Trends

Ten countries make up the Southern African region – Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. The region is dominated by South Africa, which accounts for 24.4 percent of the continental GDP. The population in Southern Africa totaled 121.4 million in 2004, or 14.0 percent of the continental total.

The region's real GDP growth rate rose from 2.6 percent in 2003 to 4.0 percent in 2004. This was 1.1 percent below the continental average. The higher rate of regional growth mostly reflected improved performance in South Africa. The critical food situation, which was the result of drought and the spread of HIV/AIDS, continued to take its toll on most of

TABLE 5.11
Southern Africa: Macroeconomic Indicators, 1990-2004

Indicators	1990	1999	2000	2001	2002	2003	2004
Real GDP Growth Rate (%)	0.6	2.3	3.3	2.7	3.8	2.6	4.0
GDP Per Capita (US$)	1,575	1,474	1,467	1,333	1,265	1,773	2,232
Inflation (%)	21.5	30.8	33.3	26.2	30.6	36.0	26.4
Fiscal Balance (% of GDP)	-3.8	-3.1	-2.9	-2.3	-3.2	-2.8	-3.2
Gross Domestic Investment (% of GDP)	17.5	17.4	16.7	17.1	17.1	19.3	20.0
Gross National Savings (% of GDP)	18.4	15.5	15.9	13.2	14.3	14.9	15.1
Real Export Growth (%)	2.5	2.9	6.9	2.5	1.2	0.9	3.3
Trade Balance (% GDP)	5.8	3.2	5.5	5.0	4.8	3.0	3.5
Current Account (% GDP)	0.9	-1.8	-0.1	-1.9	-0.6	-1.4	-1.1
Terms of Trade (%)	-3.3	2.4	4.3	-0.6	2.3	2.2	7.4
Total External Debt (% GDP)	33.6	42.1	40.1	38.3	38.9	32.3	29.8
Debt Service (% of Exports)	14.6	19.1	15.6	15.9	13.8	13.3	12.4

Source: ADB Statistics Division and IMF.

the countries. Higher economic performance by most of the countries in the group led to a rise in the region's per capita income from US$ 1,773 in 2003 to US$ 2,232 in 2004.

Southern Africa has consistently recorded inflation rates well above the continental average. Inflation in this region, though still very high, declined from an average of 36.0 percent in 2003 to 26.4 percent in 2004. This is well over 3 times the continental average of 7.7 percent. South Africa, the economic powerhouse of the region, has experienced a stable inflation rate of 2.6 percent due to tight monetary policy and fiscal discipline. The relatively high inflation levels in Southern Africa are due to raised inflation levels in Zimbabwe, Angola, and Zambia.

The region's fiscal deficit increased from 2.8 percent in 2003 to 3.2 percent in 2004. The gross domestic investment/GDP ratio inched up to 20.0 percent in 2004, indicating ongoing investment projects in the region's mining, electricity, transportation, and telecommunications sectors. Gross national savings meanwhile stood at 15.1 percent of GDP, which remained low by continental standards.

There was a significant improvement in Southern Africa's terms of trade during the year, rising from 2.2 percent in 2003 to 7.4 percent. This increase is to a large part a reflection of the continuous rise in non-oil commodity prices (including gold, diamonds, platinum and copper, and zinc – and for Angola only, oil). Export performance was mixed in the Southern Africa Customs Union (SACU) countries. Southern Africa is also the least indebted region in the continent, with the region's external debt-to-GDP ratio averaging 29.8 percent in 2004, against a continental average of 43.2 percent.

Social Indicators

On the basis of international extreme poverty line of US$ 1 a day, poverty in the region ranged from 11.5 percent to 64 percent among the countries. The high level of poverty therefore continues to pose a major challenge to some countries in the region. The HPI averaged 42 percent against the continental average of 39 percent. The regional HDI averaged 0.508, which is higher than the continental average of 0.485.

FIGURE 5.10

Southern Africa: Real GDP Growth & Inflation, 1999-2004 (percentages)

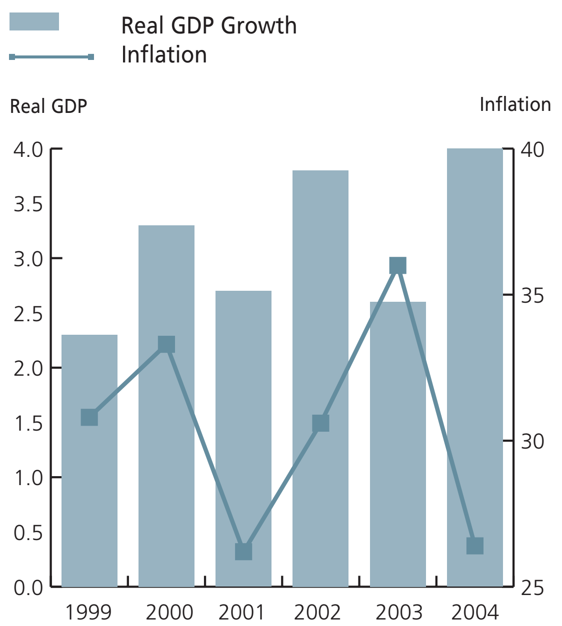


TABLE 5.12

Southern Africa: Social Indicators (Compared with Averages for Africa, Developed, and Developing Countries)

Region/Country	HDI* Value (0 to 1)	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 (%) Male	Primary School Enrollment (%) Female	Adult Illiteracy rates (%) Male	Adult Illiteracy rates (%) Female
Developed Countries	**0.933**	**78.3**	**5.0**	**13.0**	**100.0**	**100**	**3,284.7**	**101.0**	**101.0**	**0.7**	**1.0**
Developing Countries	**0.663**	**64.6**	**61.0**	**440.0**	**79.0**	**49**	**2,675.2**	**105.0**	**96.0**	**16.5**	**30.4**
African Average	**0.485**	**50.8**	**79.3**	**661.4**	**64.4**	**42**	**2,379.4**	**98.8**	**84.3**	**27.7**	**44.0**
Southern Africa Average	**0.508**	**39.8**	**81.9**	**580.0**	**70.0**	**50**	**2,374.1**	**108.8**	**101.7**	**17.4**	**28.1**
Angola	0.381	40.2	136.2	1,500.0	50.0	30	2,082.7	...	...	...	...
Botswana	0.589	36.7	54.4	330.0	95.0	41	2,151.4	103.0	103.0	22.2	16.8
Lesotho	0.493	33.7	88.5	550.0	76.0	37	2,638.3	123.0	125.0	24.8	5.2
Malawi	0.388	37.7	111.3	620.0	67.0	46	2,154.6	149.0	143.0	23.4	49.2
Mozambique	0.354	37.9	118.3	1,100.0	42.0	27	2,078.9	110.0	87.0	35.4	65.8
Namibia	0.607	42.3	57.2	230.0	80.0	30	2,277.5	106.0	106.0	15.0	15.5
South Africa	0.666	45.2	46.2	230.0	87.0	67	2,956.1	107.0	103.0	12.6	13.9
Swaziland	0.519	32.6	75.5	230.0	52.0	52	2,322.0	103.0	98.0	16.9	18.6
Zambia	0.389	32.8	101.2	650.0	55.0	45	1,927.4	81.0	76.0	12.7	24.2
Zimbabwe	0.491	32.3	56.4	400.0	83.0	57	1,942.6	100.0	98.0	5.3	12.1

Sources: ABD Statistics Division; Unesco Database 2004, UN Population Division, the 2002 Revision
Notes: columns (1), (5), (6) & (7,8) data refer to 2002; columns (2), (3), (10, 11), data refer to 2004;
column (4) data refer to latest year available columns (8), (9) data refer to 2001/02
** : The HDI measures the average achievement in a country in the three basic dimensions of human development: Life expectancy, education and standard of living.*
Perfomance is expressed as a value between 0 (the worst) to 1(the best).
(...) : data not available.

Life expectancy in the region is the lowest in the entire continent at 40 years against the African average of 51 years. No country in the region registered a life expectancy level above the continental average. The low and declining state of life expectancy is attributed to the increase in the HIV/ AIDS pandemic. Infant mortality remains high in Southern Africa, averaging 82 deaths per 1,000 live births. Five countries have infant mortality rates below the continental average of 79 deaths per 1,000 live births (see Table 5.12). The region has the second lowest average MMR (580 deaths per 100,000 live births), after North Africa.

Available data reveal that population with access to health services and sanitation in the region averaged 48 percent and 50 percent, compared to the continent's average of 67 percent and 42 percent respectively. Nutrition levels also remain a development challenge, with an average DCS per capita of 2,374, against the continental average of 2,379 and also below the World Heath Organization (WHO) daily minimum requirement of 2,500 DCS. Also, the region's daily protein supply per capita of only 58 grams is below Africa's average of 61 grams.

The region recorded the highest enrollment ratios in the continent, for both male and female at the primary school level, averaging 109 percent for males and 102 percent for females. At the secondary school level, the region registered near-balanced gender school enrollment ratios of around 51/50 percent for males/females, although there exist significant disparities among the countries. Stepping up enrollment at all levels therefore constitutes a major task facing these countries. Adult illiteracy rates in Southern Africa are reasonably low, averaging 17 percent for males and 28 percent for females. These are all below the rates of all the regions in the continent whose averages are 28 percent for males and 44 percent for females, respectively.

Regional Economic Integration and Cooperation

Apart from COMESA, the Southern African countries also belong to the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). Madagascar applied to join SADC in August 2004, where the Dar es Salaam *Declaration on Agriculture and Food Security* and the *Principles and Guidelines Governing Democratic Elections in the Region* were adopted.

Two major road maps were launched in 2004 – the SADC Regional Indicative Strategic Plan (RISP) and the Strategic Indicative Plan for the Organ (SIPO), which focuses on strengthening political, defense, and security cooperation. The SADC Business Forum was launched in February 2004, regrouping regional business organizations in mining, agriculture, small and medium enterprises, railway, banking, and trade. The mid-review of SADC Protocol on Trade took place in February 2004, in preparation for a full-blown FTA in 2008. The first SADC–EU economic partnership agree-

TABLE 5.13

Southern Africa: Bank Group Loan and Grant Approvals by Country

(UA millions)

Country	2002	2003	2004	1967-2003
Angola	13.50	4.63	-	321.90
Botswana	-	-	34.34	362.05
Lesotho	11.69	10.53	0.79	300.60
Malawi	9.97	21.84	12.00	590.63
Mozambique	24.87	55.25	30.00	905.59
Namibia	19.72	-	59.10	167.77
South Africa	15.07	106.31	117.07	510.99
Swaziland	14.62	49.96	-	294.25
Zambia	-	22.03	13.66	657.62
Zimbabwe	-	-	-	726.53
TOTAL APPROVALS	**109.44**	**270.54**	**266.96**	**4,837.93**

Source : ADB Statistics Division
- Magnitude zero

ment (EPA) negotiation meeting took place in Brussels in December 2004. In 2004, SACU continued to negotiate new Free Trade Agreements (FTAs) with its main trading partners. After 3 years of negotiation, the new SACU agreement came into force in July 2004. The agreement seeks to democratize revenue-sharing and decision-making within the community. A regional FTA between SACU and South American bloc, Mercosur, was signed in December 2004. Also during the year, the Bank's Regional Assistance Strategy Paper (RASP) for Southern Africa for the period 2004-2008 was finalized, the first region to benefit from this initiative.

Bank Group Operations

The Bank Group started its operations in Southern Africa in 1969. Four countries (Botswana, Namibia, South Africa, and Swaziland) are ADB-window eligible, while the remaining 5 (Angola, Lesotho, Malawi, Mozambique, and Zambia) are ADF-eligible. Zimbabwe is a blend country, eligible for funding from both the ADB and ADF windows.

Between 1969 and 2004, the region received cumulative Bank Group loan and grant approvals of UA 4.84 billion (see Table 5.13). This represents 13.8 percent of the cumulative loan and grant approvals to all RMCs. The cumulative approvals for the region supported the following key sectors: transportation (17.9 percent), agriculture (16.1 percent), finance (15.0 percent), social (12.8 percent), multisector (11.3 percent), power supply (7.1 percent), water supply and sanitation (7.0 percent), industry (6.9 percent), and communications (5.9 percent) (see Figure 5.11).

In 2004 Bank Group loan and grant approvals to the region stood at UA 267.0 million, which is slightly lower than the UA 270.5 million approved in 2003. Sectorally, the approvals were allocated thus: finance (61.5 percent), multisector (16.0 percent), transportation (9.3 percent), agriculture (8.1 percent), and social sector (5.1 percent). The emphasis on financing reflects the Bank's expansion of private sector operations in Southern Africa, where lines of credit were distributed between infrastructure projects and financial intermediaries.

FIGURE 5.11

Southern Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2004 (percentages)

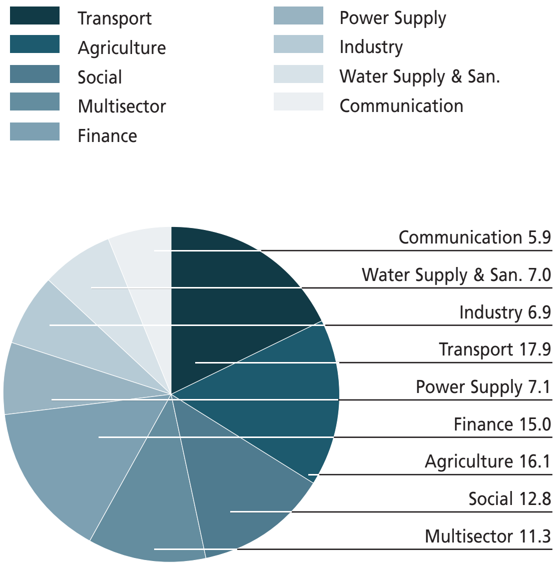


TABLE 5.14
West Africa: Macroeconomic Indicators, 1990-2004

Indicators	1990	1999	2000	2001	2002	2003	2004
Real GDP Growth Rate (%)	4.5	2.8	3.4	3.9	2.5	7.0	3.4
GDP Per Capita (US$)	398	367	367	373	375	454	527
Inflation (%)	13.6	5.1	3.9	7.2	4.8	5.2	4.3
Fiscal Balance (% of GDP)	-3.0	-3.5	1.9	-3.8	-4.1	-2.0	3.7
Gross Domestic Investment (% of GDP)	18.1	22.3	19.1	20.3	20.8	19.8	20.7
Gross National Savings (% of GDP)	18.5	14.4	21.6	19.3	14.1	17.0	18.0
Real Export Growth (%)	11.7	1.6	9.6	-1.0	-3.3	14.5	1.2
Trade Balance (% of GDP)	8.6	2.5	15.2	8.5	5.5	9.8	12.0
Current Account (% of GDP)	-4.0	-9.3	-6.1	-4.5	-6.4	-5.6	-5.2
Terms of Trade (%)	11.1	10.3	26.2	-7.0	2.0	6.0	12.0
Total External Debt (% of GDP)	92.6	81.4	80.5	75.4	73.1	63.3	54.4
Debt Service (% of Exports)	21.8	15.4	11.1	10.6	7.9	7.1	8.0

Source: ADB Statistics Division and IMF.

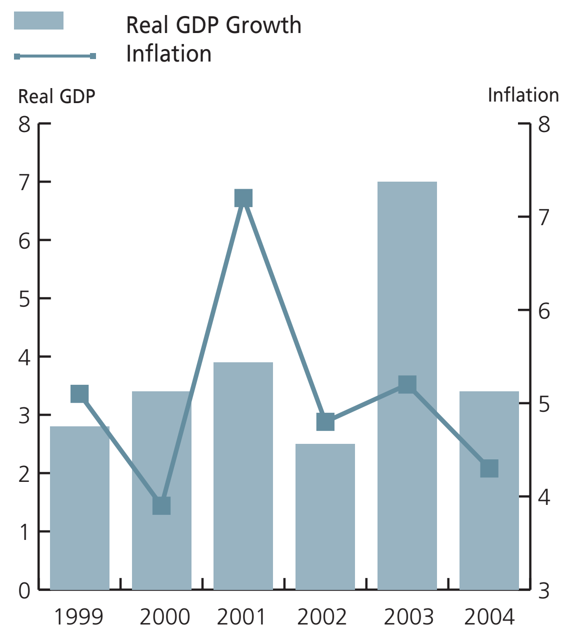
WEST AFRICA

Recent Macroeconomic Trends

The West African region consists of 15 countries. Eight countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo) belong to the CFA Zone, while the remaining 7 countries (Cape Verde, Ghana, Guinea, The Gambia, Liberia, Nigeria, and Sierra Leone) are outside the CFA Zone. Nigeria is the economic powerhouse of the region, accounting for some 55.4 percent of regional output. In 2004, the region's GDP constituted 16.5 percent of the continent's total, a contribution higher than that of Central and East Africa combined.

FIGURE 5.12

West Africa: Real GDP Growth & Inflation, 1999-2004 (percentages)



West Africa's population totaled 247.6 million, or 31.2 percent of the continental total, in 2004. With a GDP per capita of US$ 527, West Africa ranked far behind the North and Southern regions in terms of living standards, but slightly better than the Central and East African regions.

Growth in West Africa decelerated sharply from a peak of 7.0 percent in 2003 to 3.4 percent in 2004. This is 1.7 percent below the continental average. Inflation in West Africa averaged 4.3 percent in 2004, down from 5.2 percent in 2003 as a result of tight monetary and fiscal policies. The inflation in West Africa was therefore well below the continental average of 7.7 percent in 2004. The fiscal position in the region improved in 2004, despite the impact of Côte d'Ivoire's crisis on the CFA Zone's fiscal position. The fiscal balance moved from a deficit of 2.0 percent in 2003 to a surplus of 3.7 percent in 2004.

West Africa's external position improved in 2004, with the current account deficit declining slightly to 5.2 percent of GDP, against 5.6 percent in 2003. The region's terms of trade improved from 6 percent in 2003 to 12 percent in 2004, but the growth in volume of export goods was only 1.2 percent (see Table 5.14). West Africa's debt burden eased in 2004, with the debt GDP ratio declining to 54.4 percent, down from 63.3 percent in 2003. But the debt service as a percentage of exports grew from 7.1 percent in 2003 to 8.0 percent in 2004. Despite the marginal increase, it compares favorably with the continent's debt service ratio of 11.8 percent for 2004.

Social Indicators

West Africa remains one of the poorest regions on the continent. Based on the international extreme poverty indicator of US$ 1 a day, the poverty incidence ranges from 12.3 percent to 88 percent within the countries of the region. West Africa's HPI averaged 40 percent, which is slightly higher than the continental average of 39 percent. The average life expectancy, which stands at 50 years, is slightly below the continental average (51 years). Infant mortality in the region is high, registering 84 per 1,000 live births. Similarly, the maternal mortality rate (MMR) at 843 per 100,000 live births is higher than the continental average of 661 per 100,000 live births. Access to health services and sanitation in the region remains a serious problem: an average of 66 percent and 37 percent of the people have access to health services and sanitation as against 67 percent and 42 percent for the continental average.

Nutrition in the region poses a formidable challenge, although the regional average of 2,500 DCS is precisely the WHO minimum daily requirement (see Table 5.15). The daily protein supply per capita (DPS), on the other hand, was 59, which is slightly below Africa's average of 61.

Primary school enrollment in the region averaged 95 percent for males and 76 percent for females. These are below the continental ratios of 99/84 percent (males/females). At the secondary school level, the enrollment rates for both males and females averaged 28 and 19 percent, respectively. Both are below Africa's continental averages of 42/41 percent (male/female). Adult illiteracy rates for both males and females (33/50 percent) are above the continental averages of 28 and 44 (males/females). These statistics demonstrate clearly that the region is educationally disadvantaged in relation to the entire continent.

Regional Economic Integration and Cooperation

There are 3 regional integration organizations in West Africa: the Economic Community of West African States (ECOWAS), the West African Economic and Monetary Union (WAEMU), and the Mano River Union (MRU). Main developments in regional cooperation in 2004 are detailed below. ECOWAS Heads of State met with World Bank President James Wolfensohn in March 2004 to agree on a short-term plan of action on the establishment of a free trade area and customs union by the end of 2007. In July 2004, the ECOWAS Council of Ministers revived plans to establish a Court of Justice and approved the launch of the Intergovernmental Group against Money Laundering in Africa (GIABA).

ECOWAS and WAEMU signed a cooperation agreement for

TABLE 5.15

West Africa: Social Indicators (Compared with Averages for Africa, Developed, and Developing Countries)

Region/Country	HDI* Value (0 to 1)	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 Illiteracy rates (%)	
								Male	Female	Male	Female
Developed Countries	**0.933**	**78.3**	**5.0**	**13.0**	**100.0**	**100**	**3,284.7**	**101.0**	**101.0**	**0.7**	**1.0**
Developing Countries	**0.663**	**64.6**	**61.0**	**440.0**	**79.0**	**49**	**2,675.2**	**105.0**	**96.0**	**16.5**	**30.4**
African Average	**0.485**	**50.8**	**79.3**	**661.4**	**64.4**	**42**	**2,379.4**	**98.8**	**84.3**	**27.7**	**44.0**
West Africa Average	**0.437**	**50.3**	**84.2**	**843.0**	**59.8**	**37**	**2,500.3**	**94.5**	**75.5**	**32.8**	**49.7**
Benin	0.421	50.8	89.4	498.0	68.0	32	2,547.9	122.0	86.0	42.5	72.6
Burkina Faso	0.302	46.6	89.7	930.0	51.0	12	2,461.9	51.0	36.0	62.2	82.6
Cape Verde	0.717	70.8	27.7	55.0	80.0	42	3,243.2	125.0	120.0	13.8	30.2
Cote d'Ivoire	0.399	41.8	97.7	597.0	46.0	29	2,630.6	92.0	68.0	37.2	58.0
Gambia, The	0.452	54.9	77.3	1,100.0	82.0	53	2,272.7	82.0	75.0	51.4	65.8
Ghana	0.568	58.6	55.0	740.0	79.0	58	2,667.2	85.0	78.0	16.6	31.3
Guinea	0.425	49.9	98.2	528.0	51.0	13	2,408.9	88.0	66.0	…	…
Guinea-Bissau	0.350	45.7	116.3	910.0	59.0	34	2,024.2	…	…	41.1	71.1
Liberia	…	41.4	142.8	110.0	62.0	26	1,899.8	…	…	25.8	58.5
Mali	0.326	49.3	114.7	580.0	48.0	45	2,173.9	65.0	49.0	60.8	81.3
Niger	0.292	47.0	121.7	590.0	46.0	12	2,130.4	47.0	32.0	73.6	89.8
Nigeria	0.466	51.3	75.7	1,000.0	60.0	38	2,725.5	107.0	86.0	23.5	37.4
Senegal	0.437	53.7	58.5	510.0	72.0	52	2,279.5	79.0	72.0	49.2	68.2
Sierra Leone	0.273	34.2	172.4	1,800.0	57.0	39	1,936.0	…	…	…	…
Togo	0.495	50.0	78.3	480.0	82.0	80	2,345.4	136.0	112.0	23.6	51.5

Sources: ABD Statistics Division; Unesco Database 2004, UN Population Division, the 2002 Revision

Notes: columns (1), (5), (6) & (7,8) data refer to 2002; columns (2), (3), (9), data refer to 2002; column (4) data refer to latest year available (8), (9) data refer to 2001/02.

** : The HDI measures the average achievement in a country in the three basic dimensions of human development: Life expectancy, education and standard of living.*

Perfomance is expressed as a value between 0 (the worst) to 1(the best).

(…) : data not available.

TABLE 5.16
West Africa: Bank Group Loan and Grant Approvals by Country
(UA millions)

Country	2002	2003	2003	1967-2004
Benin	19.31	51.72	21.24	430.26
Burkina Faso	28.26	79.00	39.61	523.39
Cape Verde	8.46	0.35	3.50	166.27
Cote d'Ivoire	83.28	-	-	1,143.49
Gambia	11.92	0.36	4.95	215.14
Ghana	69.66	81.38	12.80	868.64
Guinea	24.45	-	-	540.47
Guinea-Bissau	-	7.16	-	177.74
Liberia	-	0.35	-	153.97
Mali	53.75	28.13	33.92	584.55
Niger	10.10	43.20	3.00	301.73
Nigeria	160.63	35.00	1.70	2,198.07
Senegal	13.40	65.29	9.58	586.27
Sierra Leone	16.00	30.54	3.64	239.49
Togo	-	14.56	-	185.24
TOTAL APPROVALS	**499.22**	**437.04**	**133.94**	**8,314.73**

Source : ADB Statistics Division
- Magnitude zero

regional integration in May 2004. The ECOWAS trade liberalization scheme also made some progress in 2004, with the Ministers of Trade adopting a road map for an Economic Partnership Agreement with the European Union in August. The ECOWAS Heads of State of the West African Monetary Zone (WAMZ) – Ghana, The Gambia, Guinea, Nigeria, and Sierra Leone – met in September 2004 to assess progress toward launching a common currency in July 2005.

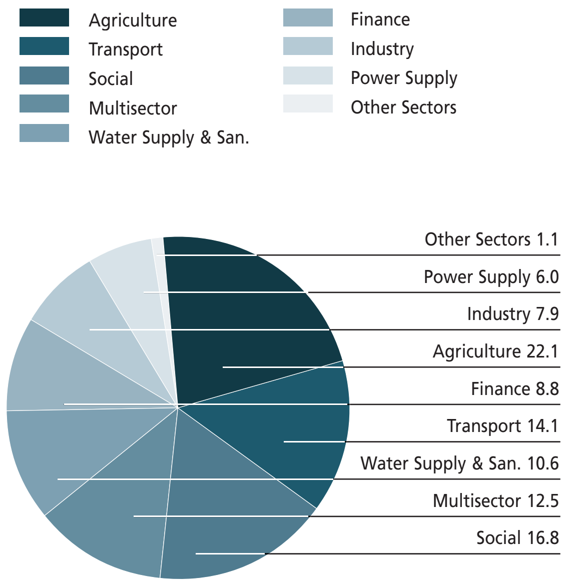
Bank Group Operations

Nigeria is the only blend RMC in the West African region that can borrow from both the ADB and ADF windows. All the remaining 14 countries are only ADF-eligible. Between 1967 and 2004, the region had cumulative Bank Group loan and grant approvals of UA 8.31 billion, equivalent to 23.8 percent of the total cumulative allocations to Africa as a whole. This made West Africa the second largest recipient of Bank Group operations after North Africa. The cumulative loans and grants were distributed to the following key sectors: agriculture (22.1 percent), social (16.8 percent), transportation (14.1 percent), multisector (12.5 percent), water supply and sanitation (10.6 percent), finance (8.8 percent), industry (7.9 percent), power supply (6 percent), and other sectors (1.1 percent) (see Figure 5.13).

In 2004 Bank Group approvals to West Africa stood at UA 133.9 million, which is substantially lower than the UA 437.0 million approved in 2003 (see Table 5.16). In accordance with the Bank Group's strategic framework, loans and grants were distributed amongst the following priority sectors: agriculture (22.0 percent), multisector (20.1 percent), water supply and sanitation (18.9 percent), transportation (17.6 percent), social sector (13.1 percent), power supply (7.2 percent), and the environment (1.3 percent).

FIGURE 5.13

West Africa : Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2004
(percentages)



CONCLUSION

Africa's average real GDP growth in 2004 stood at 5.1 percent, the highest economic performance the continent has witnessed since 1996. The recovery in the global economic climate, coupled with higher oil and non-oil commodity prices and improved macroeconomic management, accounted for Africa's growth performance. There is, however, considerable variation in economic performance across African countries and regions. There were 20 countries that recorded growth rates above 5 percent, while only 3 of the remaining 33 countries experienced negative growth.

In terms of the short- and medium-term outlook, Africa's improved growth rate is expected to continue in 2005 but at a slightly lower rate of about 4.7 percent. This projection is based on the premise that the global economy will continue to expand, regional conflicts in Africa will subside, while weather conditions and prices of oil and non-oil commodities as well as minerals will remain relatively favorable to African countries.

There can be no doubt that Africa still faces enormous challenges. At the Extraordinary Summit of AU Heads of State in Ouagadougou, Burkina Faso, in September 2004, African leaders affirmed that reducing poverty and achieving the MDGs would continue to be a central focus of their development efforts. To halve the number of people living in extreme poverty by 2015 would, however, require more countries to continuously raise their growth rates to the level of 6-8 percent. Appropriate policies would be needed to ensure that the anticipated higher growth rates translated into improved livelihoods for the vast majority of the poor. African countries also need to sustain the prudent macroeconomic policies that they have begun to implement and to deepen their reform programs, as these are critical to improving the continent's growth and development prospects.

In particular, financial sector and governance reforms – including legal and judicial reforms and systems to protect property rights – are critical to creating a more favorable climate for mobilizing domestic resources and attracting foreign investment. In addition, in an era of globalization, it is imperative that regional cooperation and integration arrangements are also strengthened, particularly in the context of the NEPAD initiative. African countries will need to take advantage of the improved external environment to push through vital reforms. The higher oil and non-oil commodity prices have resulted in significant windfall earnings for many countries. These countries need to use such earnings to finance critical reforms as to well as put aside a large share of these windfalls to enable them to withstand adverse terms of trade and external shocks that are likely to occur in the future.

PART III

ADB, ADF, and NTF Operations and Finance

The African Development Bank

The African Development Fund

The Nigeria Trust Fund

6

The African Development Bank

Operations

Financial Management

Financial Results

Profile of ADB-Approved Projects and Programs in 2004

Financial Statements and Report of the Independent Auditors

Administrative Budget for the Financial Year 2005

Appendices

OPERATIONS

The ADB window is the nonconcessional lending arm of the Bank that supports development activities in its creditworthy regional member countries (RMCs) and also in blend countries, which are eligible for concessional financing from the ADF window. The Bank mobilizes funds from the international capital markets to finance key reform projects and programs to improve the competitiveness of the economies of the beneficiary countries. Funds from the ADB window are also used to finance private sector projects in all RMCs provided they are financially viable. In addition, the Bank provides emergency assistance from its Special Relief Fund (SRF) to support RMCs emerging from situations of conflict and those affected by unpredictable natural disasters.

During 2004, ADB operational activities increased to UA 1.52 billion from UA 745.8 million in 2003 and UA 1.07 billion in 2002, as a result of a substantial increase in HIPC debt relief operations and policy-based lending.

Lending activities for ADB approvals in 2004 comprised 9 project lending operations for a total of UA 417.0 million, 3 policy-based loans for UA 388.7 million, 6 grants for a total of UA 2.8 million for emergency assistance under the Special Relief Fund (SRF), 4 debt relief operations under the Enhanced HIPC Initiative amounting to UA 707.8 million, and one equity participation loan for UA 3.2 million.

The sectoral distribution of ADB operations for 2004 approvals was as follows: the transportation sector accounted for the largest share (UA 372.8 million) or 46.1 percent of the total loans and grants. The multisector accounted for the second largest share of approvals (22.4 percent); followed by the finance sector (21.5 percent); then water supply and sanitation (7.0 percent);

TABLE 6.1
ADB Approvals by Financing Instrument, 2002-2004
(UA millions)

	2002			2003			2004		
Financing Instrument	**Number**	**Amount**	**%**	**Number**	**Amount**	**%**	**Number**	**Amount**	**%**
Project Lending	**22**	**689.94**	**64.6**	**16**	**565.61**	**75.8**	**9**	**417.01**	**27.4**
Public and Publicly -Guaranteed	*11*	*491.04*	*46.0*	*8*	*359.78*	*48.2*	*5*	*255.84*	*16.8*
Project Loans	7	274.90	25.7	4	174.51	23.4	4	243.03	16.0
Sector Investment and Rehabilitation	-	-	-	-	-	-	-	-	-
Lines of Credit	4	216.14	20.2	4	185.27	24.8	1	12.81	0.8
Private Non-Publicly Guaranteed	*11*	*198.90*	*18.6*	*8*	*205.84*	*27.6*	*4*	*161.17*	*10.6*
Project Loans	5	98.43	9.2	3	91.40	12.3	-	-	-
Lines of Credit	6	100.47	9.4	5	114.44	15.3	4	161.17	10.6
Policy-Based Lending	**2**	**185.56**	**17.4**	**1**	**176.65**	**23.7**	**3**	**388.74**	**25.6**
Sector Adjustment	1	82.47	7.7	1	176.65	23.7	1	207.75	13.7
Structural Adjustment	1	103.09	9.7	-	-	-	2	180.99	11.9
Special Relief Fund	**5**	**4.58**	**0.4**	**11**	**3.58**	**0.5**	**6**	**2.82**	**0.2**
Emergency Assistance	5	4.58	0.4	11	3.58	0.5	6	2.82	0.2
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
Debt and Debt Service Reduction	**2**	**187.98**	**17.6**	**-**	**-**	**-**	**4**	**707.77**	**46.6**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
HIPC Debt Relief	2	187.98	17.6	-	-	-	4	707.77	46.6
Equity Participation	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**3.21**	**0.2**
Public Equity	-	-	-	-	-	-	-	-	-
Private Equity	-	-	-	-	-	-	1	3.21	0.2
Guarantee	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public Guarantees	-	-	-	-	-	-	-	-	-
Private Guarantees	-	-	-	-	-	-	-	-	-
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL APPROVALS	**31**	**1,068.06**	**100.0**	**28**	**745.84**	**100.0**	**23**	**1,519.54**	**100.0**

Source : ADB Statistics Division
- Magnitude zero
0.0 Magnitude less than 20 percent of the unit employed

agriculture and rural development (2.8 percent); and social (0.2 percent). The sections that follow provide details on these operations, while descriptions on the activities covered by each operation are provided in the subsequent ADB Project Profiles.

Public Sector Operations

Public sector operations continued to play a significant role in ADB operations in 2004. A total amount of UA 1.36 billion was approved for 18 projects and programs representing 89.2 percent of total ADB approvals in the year. The operations comprised 5 project lending operations for UA 255.8 million, 3 policy-based operations of UA 388.7 million, 6 grants from the Special Relief Fund for UA 2.8 million; and 4 debt relief operations for UA 707.8 million. For ADB public sector approvals by country, see Figure 6.1.

The main financial instrument for the public sector operations comprised project loans, providing funding for a wide range of activities. These aimed at creating the physical and social infrastructure necessary for sustainable development and poverty reduction. During 2004, project lending comprised 4 project loans for a total amount of UA 243.0 million and one line of credit (LOC) for UA 12.8 million to a financial intermediary. Of the 4 project loan approvals, 2 were allocated to Namibia for the Tandjieskoppe Green Scheme Project and the Kamanjab–Omakange Road Project. The Green Scheme Project has 4 components: (i) provision of irrigation infrastructure including engineering design and land preparation, reservoirs etc.; (ii) provision of credit for the production of crops, farm machinery, etc.; (iii) the construction of farm and social infrastructure, roads and a small landing strip and (iv) support to the Ministry of Agriculture, Water, and Rural Development (MAWRD) for project implementation. The Kamanjab–Omakange Road Project aims to achieve broader access to social services in the project area and to improve connectivity between the Kunene Region and other parts of the country.

The third project loan was approved for Tunisia's Road Network Rehabilitation Project (Phase IV). The project aims to cut transportation costs by improving the capacity of the classified road network and reducing constraints related to the width of paved roads. The fourth loan was for Morocco's Eighth Drinking Water Supply and Sanitation Project. The aims of the project are (i) to ensure a sustainable supply of drinking water to several towns and cities, and the new tourist and port complexes; (ii) to improve drinking water access and sanitary conditions in rural areas that are not on the supply network; and (iii) to protect and preserve water resources.

The only line of credit (LOC) approved went to Agricultural Bank of Namibia (ABN). This is to provide financial resources for onward lending to embryonic/emergent commercial

TABLE 6.2
ADB Approvals by Sector, 2002-2004
(UA millions)

Sector	2002			2003			2004		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	3	16.96	1.9	1	9.96	1.3	2	22.87	2.8
Social	6	87.05	9.9	11	3.58	0.5	4	1.35	0.2
Water Supply and Sanitation	1	8.05	0.9	1	176.65	23.7	1	56.51	7.0
Power Supply	3	169.66	19.3	2	118.94	15.9	-	-	-
Communication	1	90.43	10.3	-	-	-	-	-	-
Transport	2	72.76	8.3	3	108.10	14.5	3	372.76	46.1
Finance	10	316.6	36	9	299.71	40.2	5	173.98	21.5
Multisector	1	103.09	11.7	-	-	-	3	181.09	22.4
Industry, mining and quarrying	2	15.48	1.8	1	28.90	3.9	-	-	-
Urban Development	-	-	-	-	-	-	-	-	-
Environment	-	-	-	-	-	-	-	-	-
Total Loans and Grants	**29**	**880.08**	**100**	**28**	**745.84**	**100.0**	**18**	**808.57**	**100.0**
Other Approvals	**2**	**187.98**	**n.a.**	**-**	**-**	**n.a.**	**5**	**710.97**	**n.a.**
HIPC Debt Relief	2	187.98	n.a.	-	-	n.a.	4	707.77	n.a.
Equity Participation	-	-	n.a.	-	-	n.a.	1	3.21	n.a.
TOTAL APPROVALS	**31**	**1,068.06**	**n.a.**	**28**	**745.84**	**n.a.**	**23**	**1,519.54**	**n.a.**

Source : ADB Statistics Division
0 Magnitude zero
n.a. Not applicable

farmers, and to previously disadvantaged and marginalized communal farmers. It is also to support commercial farmers countrywide to finance the acquisitions of farmland, agricultural inputs, and equipment intended for improving livestock production, irrigated and rain-fed agricultural and agro-allied enterprise development.

With regard to policy-based lending, one sector adjustment loan amounting to UA 207.8 million was approved for Morocco to support the transportation sector reform program. The program objectives comprise: (i) liberalizing the transportation market and auxiliary activities; (ii) upgrading the professional, structural, and organizational capacities of the operators in the sector; (iii) better allocation of resources and institutional building of the transportation administration; and (iv) strengthening of transportation security and safety.

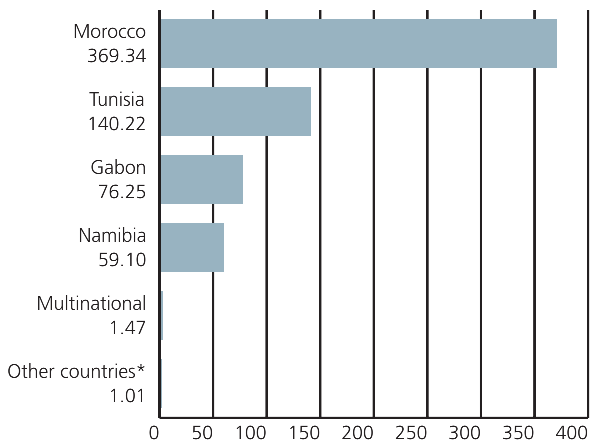
The 2 structural adjustment loans (SALs) amounting to UA 181.0 million were approved for Gabon and Morocco. The SAL for Gabon is to help the Government implement its 2004-2005 Reform Program, which is widely supported by the international community and particularly by the IMF and the EU. The objective of the program is to create the right conditions for generating sustainable growth that could curb the high level of poverty in Gabon. The loan is also to help address the steady decline in oil production, lighten Gabon's excessive external debt-servicing burden, and improve the living conditions of the people. The aim of the SAL for Morocco is to promote strong economic growth and sustainable development, thus strengthening the competitiveness of the economy while ensuring medium-term macroeconomic viability.

Special Relief Fund for Emergency Operations

The Special Relief Fund (SRF) resources are used to support emergency humanitarian relief operations in countries affected by unpredictable natural disasters and those emerging from post-conflict situations. In 2004 a total amount of UA 2.82 million was approved for emergency operations in 4 countries and one multinational. The approvals to Djibouti, Kenya, and Madagascar were to assist in the alleviation of the suffering of the victims of flood, drought, and cyclones in these countries respectively. The humanitarian emergency assistance to Morocco was to support the February 2004 earthquake victims. The multinational humanitarian emergency relief was for the control of desert locust invasion in Northern Africa, which was to be administered by the FAO.

FIGURE 6.1

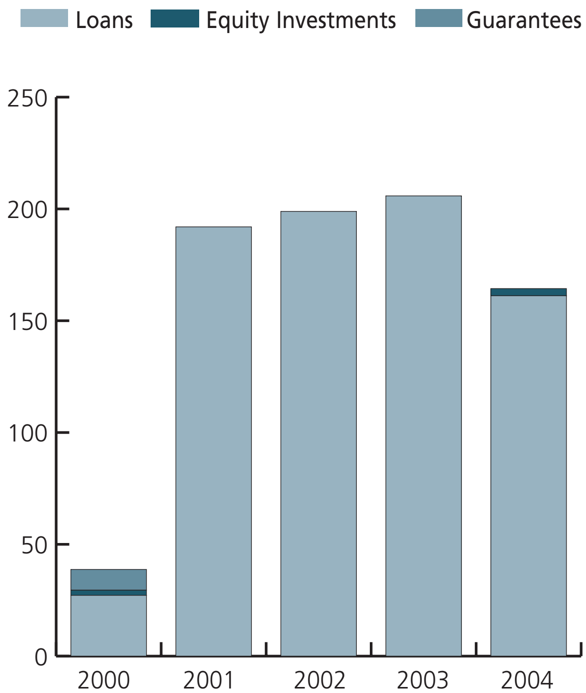
ADB Public Sector Approvals, 2004
(UA millions)



**For emergency relief operations in Djibouti, Kenya and Madagascar*

FIGURE 6.2

ADB Private Sector Approvals, 2000-2004
(UA millions)



Private Sector Operations

The Bank recognizes the contribution of the private sector in facilitating broad-based economic growth leading to poverty reduction in RMCs. In this regard, the ADB continues to increase its support for private sector activities with the emphasis on the financial sector, infrastructure, and small and medium-scale enterprise (SME) development.

In 2004 the Bank approved 4 private sector loans amounting to a total of UA 161.2 million representing 10.6 percent of ADB total approvals, and one equity participation (in Africa Reinsurance Corporation) for UA 3.2 million. There was a decline (21.7 percent) in the private sector operations in 2004 compared to 2003, when the ADB recorded 8 project loan approvals amounting to UA 205.8 million.

Private sector lending operations continued to support the financial sector through lines of credit (LOC). The 4 LOCs went to 3 financial institutions in Botswana, Kenya, and South Africa. The LOCs to the National Development Bank of Botswana and the Kenya Commercial Bank (KCB) amounted to UA 34.3 million and UA 9.8 million respectively. The 2 LOCs approved for South Africa, which are to be channeled through Nedcor Limited, amounted to UA 117.1 million. The Bank's equity participation was in the Third Capital Increase of Africa Reinsurance Corporation (Africa-Re).

Cumulative ADB Loan and Grant Approvals by Sector and Region

Since the year 1967, when the Bank operations began, a cumulative total of 902 loans and grants amounting to UA 20.61 billion have been approved from the ADB window. These include 67 non-publicly guaranteed private sector operations for a total amount of UA 1.03 billion.

The sectoral distribution of cumulative approvals (see Figure 6.3) reveals that the finance sector accounted for the largest share (20.9 percent), followed by the trans-

BOX 6.1

The Ghana Oil Palm Development Project

In December 2002 the Bank approved a loan of UA 5.4 million in cofinancing for the expansion of the Ghana Oil Palm Development Company Limited (GOPDC). This private sector project, whose total cost amounts to UA 18.76 million, aims to expand oil palm cultivation, adopt the concept of sustainable agriculture, and focus on the production of organic oil palm. The project is establishing a new 2,100 ha organic oil palm nucleus estate in Okumaning; replanting 2,300 ha of nucleus estate in Kwae; and developing 5,000 ha outgrower and smallholder farms in both Okumaning and Kwae. It is also expanding the capacity of the palm oil mill and the palm kernel crushing plant, and establishing a new refinery.

The project has had a strong development impact. At the local level, it injects capital into the economy of Kwaebibirim District and helps increase the living standards of the rural population. The project employs 300 permanent staff and other seasonal workers. The project has a strong gender component in that women constitute about 30 percent of the permanent workforce and up to 80 percent of the contract employees. The Company seeks to close the gender gap in education, as evidenced by gender parity in enrollment at the local school.

At the national level, the project is contributing to the development of the country's oil palm industry, in particular, by producing more value added products. It is helping the Government to generate tax revenues in excess of € 357,000 per annum as well as foreign exchange earnings, thereby improving the balance of payment position of the country.

GOPDC has also put in place a "Workplace HIV Policy". The aims of the policy are to (i) provide protection from discrimination in the workplace for people living with HIV/AIDS, (ii) prevent the spread of HIV/AIDS among the workforce, (iii) provide care, support and counseling for those infected and affected, and (iv) provide free counseling and testing for workers.

GOPDC is the first certified organic oil palm producer in Africa and the Company's strategy focuses on organic farming, which discourages the use of agrochemicals and employs good solid and liquid waste management practices. A key feature of the project is the already proven outgrower and smallholder scheme, which is consistent with the Bank's private sector strategy of supporting linkages between large private firms and small /micro operators in Africa. The scheme already involves 7,000 farmers and under the expansion project, will be extended by an additional 1,500.

portation sector (16.1 percent), the multisector category (14.1 percent), agriculture and rural development (12.5 percent), power supply (11.9 percent), industry, mining and quarrying (8.3 percent), water supply and sanitation (7.4 percent), the social sectors covering education, health and poverty reduction operations (5.1 percent), and communications (3.7 percent).

In terms of regional distribution, the largest proportion of cumulative approvals went to the North Africa region (51.3 percent), followed by West Africa (18.4 percent), Southern Africa (12.4 percent), Central Africa (10.4 percent), and East Africa (5.5 percent). Multiregional loan approvals, aimed at promoting regional integration activities, accounted for the remaining 2.0 percent (see Figure 6.4).

FINANCIAL MANAGEMENT

Subscriptions

As at December 31, 2004, the authorized capital stock of the Bank remained unchanged at UA 21.87 billion (2,187,000 shares). The authorized capital is made up of 236,520 paid-up shares (10.81 percent) and 1,950,480 callable shares (89.19 percent), and has been allocated to regional and non-regional members for subscriptions in the proportion of 3:2 respectively.

The Fifth General Capital Increase (GCI-V) became effective in 1999 after approval by the Board of Governors in 1998. Members are considered to have subscribed to capital only when installments are fully paid. A member country's payment of the first installment will trigger subscription to the entire callable capital portion of shares allocated to it. Members are required to pay for their subscriptions in 8 equal and consecutive annual installments in cash or notes encashable on demand in freely convertible currencies.

At year-end 2004, cumulative subscriptions stood at UA 21.60 billion (98.77 percent) of the authorized capital, compared with UA 21.56 billion (98.58 percent) a year earlier. The net increase in the level of subscriptions is attributable to:

- Shares subscribed on payment of subsequent installments under GCI-IV and GCI-V;
- Shares withdrawn as a result of nonpayment of installments in arrears of more than 48 months in case of GCI-IV, and 90 days in case of GCI-V, in accordance with the Share Transfer Rules. Consequently, adjustments were also made to the callable capital of the Bank; and
- Shares subscribed as a result of new allocations under the Share Transfer Rules.

At the end of 2004, the total callable capital stood at UA 19.37 billion.

FIGURE 6.3

Cumulative ADB Loan and Grant Approvals by Sector, 1967-2004
(percentages)

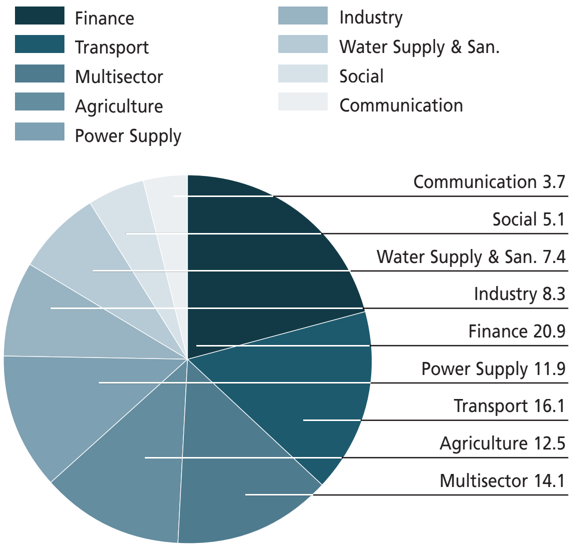
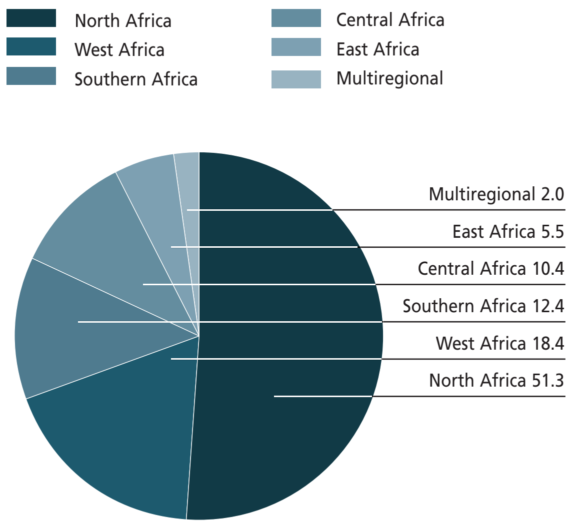


FIGURE 6.4

Cumulative ADB Loan and Grant Approvals by Region, 1967-2004
(percentages)



As at December 31, 2004 cumulative subscriptions amounted to 2,159,791 shares out of 2,187,000 authorized shares, leaving 23,326 shares unsubscribed (exclusive of 3,883 shares belonging to the successor States ex-Yugoslavia, except the Republic of Slovenia). Of these 23,326 shares, 12,845 shares are to be issued upon payment of future cash installments and 10,481 shares were forfeited by some member countries and therefore became available for reallocation. The GCI-IV shares available for subscription are to be subscribed at a ratio of one (1) paid-up share to seven (7) callable shares, in accordance with the Share Transfer Rules and Resolution B/BG/92/08. Similarly, the GCI-V shares available for subscription are to be subscribed at a ratio of one (1) paid-up share to fifteen two-thirds (15.67) callable shares, pursuant to the Share Transfer Rules and Resolution B/BG/98/05.

In 2004 the cumulative paid-in amount on subscriptions before cumulative exchange adjustment on subscription was UA 2.22 billion, compared to UA 2.18 billion in 2003. Arrears on subscriptions, as at December 31, 2004, amounted to UA 10.1 million relating to unhonored GCI-IV promissory notes, UA 1.5 million relating to GCI-IV normal cash installments, and UA 1.3 million relating to GCI-V normal cash installments.

In accordance with the terms of the GCI-V Resolution and the Share Transfer Rules, shares for which payment have become due and remain outstanding are forfeited by the ninetieth (90th) day following the due date. Shares corresponding to the amounts in arrears are automatically withdrawn, cancelled, and reissued for subscription at the ratio of one (1) paid-up share to seven (7) callable shares under GCI-IV; and one (1) paid-up share to fifteen two-thirds (15.67) callable shares in accordance with sub-paragraph 2.2 of the GCI-V Resolution.

During the quarter ending June 30, 2004, the Board of Directors approved Management's proposal for the reallocation in accordance with the Share Transfer Rules of the 8,706 shares (2,598 shares for GCI-IV and 6,108 shares for GCI-V) for RMCs and 1,564 shares (909 shares for GCI-IV and 655 shares for GCI-V) for non-RMCs eligible for subscription by member countries. In accordance with the Board of Directors' Resolution B/BD/2004/32 adopted on December 3, 2004, these shares were allocated. After June 2004, 211 additional shares have become available under GCI-IV.

The position of capital subscriptions at December 31, 2004 is shown in the Statement of Subscriptions to the Capital Stock and Voting Power, which forms part of the Financial Statements of this Report.

Capital Market Operations

During 2004 the Bank raised UA 418 million at a weighted average cost of 6-month US Dollar LIBOR minus 27.4 basis points and a weighted average maturity of 4.24 years. The Bank has continued to consolidate its presence in the public bond markets. After successful global benchmark dollar bond issues in 2002 and 2003, the Bank issued in November 2004 a US$ 500 million bond transaction with maturity in January 2010 at the lowest cost achieved so far by the Bank in the public bond markets.

The Bank also raised funds through small-sized structured transactions, executed with an attached swap, to take advantage of attractive funding opportunities. In addition, the Bank returned to the Samurai market in Japan through a JPY 5 billion transaction. All these transactions were swapped into floating interest rate in US Dollars.

In summary, as of December 31, 2004, the borrowing portfolio of the Bank, excluding embedded derivatives, stood at UA 5.65 billion. The Bank is well within its debt policy limits. The key debt ratios are as follows:

- Total debt/total callable capital (max 80 percent): 29.16 percent
- Senior debt/non-borrowing members' callable capital (max 80 percent): 58.00 percent
- Total debt/usable capital (max 100 percent): 52.80 percent.

Bank Rating

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

Investments

The Bank's cash and treasury investments as of December 31, 2004 totaled UA 4.45 billion, compared to UA 4.07 billion at the end of 2003. Investment income for 2004 amounted to UA 123.6 million, representing a return of 2.9 percent on an average investment of 4.22 billion. This

FIGURE 6.5a

Loans Outstanding, December 31, 2004
(percentages)

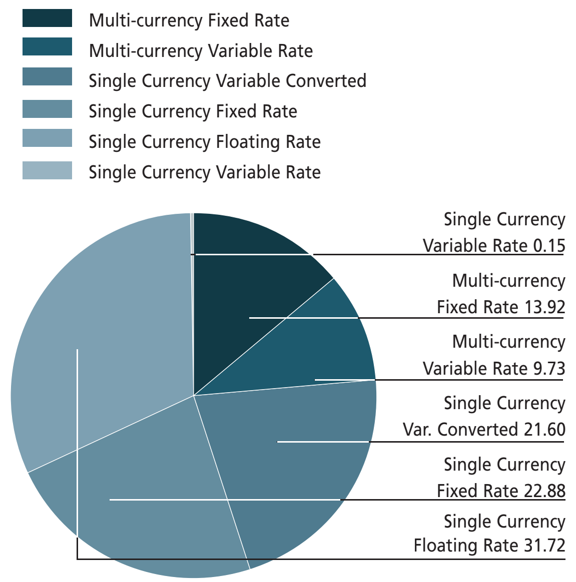
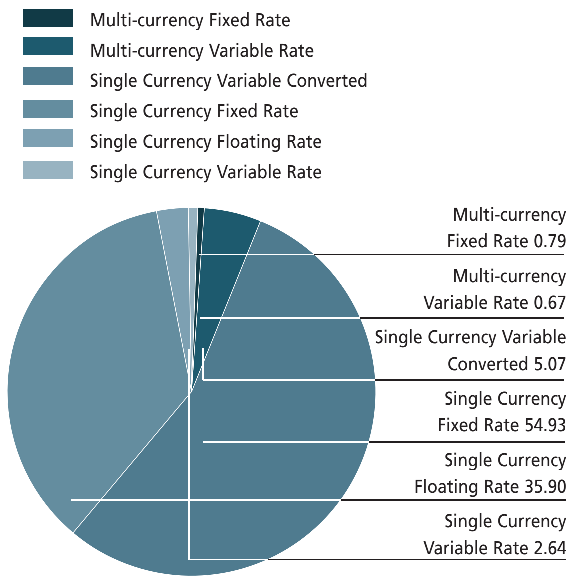


FIGURE 6.5b

Undisbursed Balances at December 31, 2004
(percentages)



can be compared to an investment income of UA 99.8 million for 2003 which represents a return of 2.9 percent, on an average investment of UA 3.44 billion.

Effective January 1, 2001, the ADB's liquid assets were 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 one-month LIBID for the operational portfolio, and 6-month LIBOR, resetting on February 1 and August 1 for the prudential portfolio. The equity-backed portfolio is managed against a repricing profile benchmark with 10 percent of the Bank's net assets repricing uniformly over a period of 10 years.

Loan Portfolio

Loans signed, net of cancellations, as at December 31, 2004, amounted to UA 15.99 billion. Total outstanding loans, as at December 31, 2004, amounted to UA 5.22 billion, which was UA 389.7 million lower than the UA 5.61 billion outstanding at the end of 2003. This decrease was attributable primarily to prepayments during the year amounting to UA 541.8 million. Undisbursed balances at December 31, 2004 totaled UA 1.52 billion, a decrease of UA 278.1 million from December 31, 2003. The number of active signed loans stood at 317 for a total amount of UA 5.22 billion. Also at December 31, 2004, 459 loans amounting to UA 6.23 billion had been fully repaid. A breakdown of the loan portfolio by product type is presented in Figure 6.5.

Disbursements

Disbursements on Bank loans dropped from UA 652.3 million in 2003 to UA 630.2 million in 2004, representing a slight decrease of 3.4 percent. At December 31, 2004, cumulative disbursements (including private sector loans) amounted to UA 14.55 billion. At December 31, 2004, 686 loans were fully disbursed for a total amount of UA 13.03 billion, representing 89.5 percent of cumulative disbursements.

Financial Products

Loans

The Bank offers 3 loan products, namely, the variable, floating, and fixed interest rate loans with a selection of loan currencies, currently, US Dollars, Euro, Japanese Yen (JPY) and South Africa Rand (ZAR). 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.

FIGURE 6.6

ADB Loan Approvals by Currency, October 1997- December 31, 2004
(percentages)

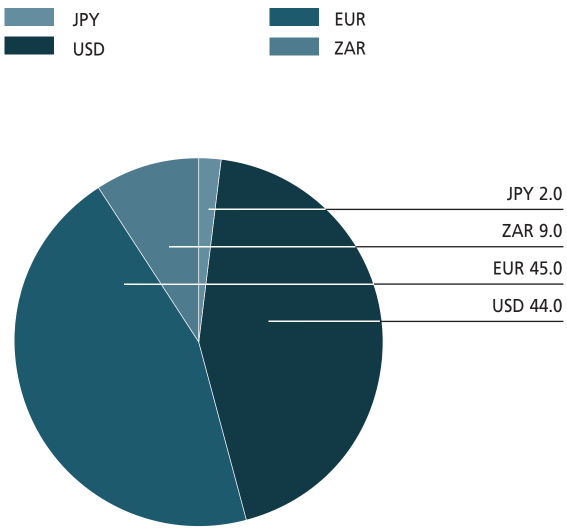
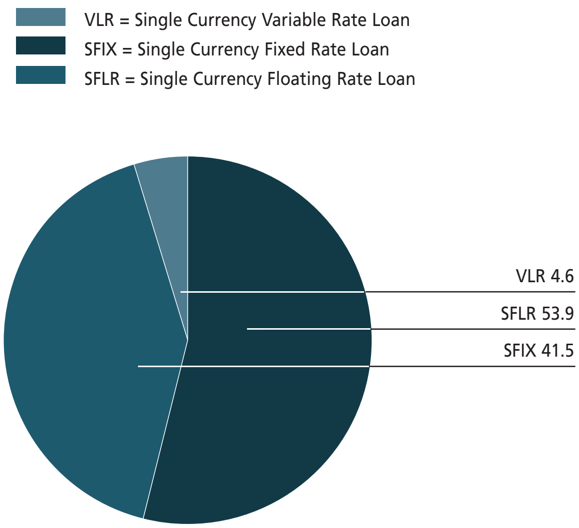


FIGURE 6.7

ADB Loan Approvals by Loan Product, October 1997- December 31, 2004
(percentages)



For the single currency variable interest rate loan, the lending 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 lending 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 lending 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. Sovereign and sovereign-guaranteed borrowers benefit from the Bank's ability to fund itself at levels below the market reference rates (e.g. sub-LIBOR) since the computation of lending rates includes a funding margin, which is the Bank's funding spread relative to the market reference rate. This funding margin is calculated each semester and varies with the cost of the Bank's funding for single-currency floating-rate loans. For sovereign and sovereign-guaranteed borrowers, the lending spread is 50 basis points. 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.

The distribution of loans by currency and interest rate basis since 1997 is shown in Figures 6.6 and 6.7.

Risk Management Products

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.

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 the capital markets. Guarantees would 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.

Equity Participation or Quasi-Equity Products
The Bank's ability to provide risk capital through equity investment is a key element of its resource mobilization role. Even though the Bank will not 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, through its private sector window, may offer loan syndication and underwriting services.

Risk Management Policies and Processes

Congruent to its role as a development finance institution, the African Development Bank seeks to reduce its exposure to risks that are not essential to its core business of providing development finance and related assistance. To this end, the Bank has adapted its risk management policies, guidelines, and processes to reduce exposure to interest rate, currency, liquidity, counterparty, legal, and other operational risks, while maximizing its capacity to assume the risks of extending credit to its public and private sector clients within its approved risk limits.

Credit Risk
Credit risk, the potential default of one or more debtors, is the largest source of risk for the African Development Bank and is managed within an integrated framework of credit policies, guidelines, and processes. The foundation of the Bank's credit 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.

The Bank manages 3 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 instruments.

INTERNAL CREDIT RISK RATING SCALE

Risk Rating	Range of Expected Losses	Risk Class	International Equivalent
1	1-2%	Very Low Risk	A - BBB
2	2-3%	Low Risk	BB
3	3-5%	Moderate Risk	B
4	5-7%		
5	7-12%	High Risk	CCC
6	12-20%		
7	20-40%	Very High Risk	<CCC
8	40-60%		
9	60-80%		
10	80-100%		

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. Consequently, the expected loss rate on the Bank's public sector portfolio is derived from regular assessments of the ultimate collectibility risk of the sovereign guarantees from the Borrowing Member States. The credit risk ratings of the Bank's Borrowing Member States are updated quarterly by the credit management division.

In 2004 the overall risk profile of the Bank's sovereign guaranteed portfolio deteriorated marginally. The portfolio's weighted-average risk rating showed a marginal weakening from 2.92 at the end of 2003 to 2.97 in 2004. The distribution of the sovereign portfolio across the Bank's 5 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
2004	28%	28%	21%	11%	12%
2003	25%	32%	21%	16%	6%
2002	21%	35%	23%	13%	8%
2001	20%	37%	30%	6%	7%
2000	19%	26%	42%	3%	10%
1999	18%	32%	37%	4%	9%

To ensure adequate diversification, the Bank maintains a prudent distribution of its sovereign guaranteed portfolio through its exposure management policies. For each eligible public sector borrower, the Bank applies an

[1] *The maximum sustainable portfolio is the largest outstanding portfolio that can be supported by the current level of risk capital applying the Bank's capital adequacy policy.*

exposure limit that reflects the country's risk rating and its economic potential subject to a maximum loan equivalent exposure for any single country that is no more than 15 percent of the Bank's maximum sustainable portfolio.[1] The country exposure limits are reviewed annually and are used as a risk-based benchmark to plan the Bank's medium-term country assistance strategies.

It is the Bank's policy that if a 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. Further, 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 percent on the commitment fees charged on qualifying undisbursed ADB loans.

Although the Bank benefits from the advantages of preferred creditor status and rigorously applies sanctions on non-performing sovereign borrowers, some countries have experienced difficulties to service their debts to the Bank on a timely basis. In line with best practice, the Bank makes a general provision for the expected losses in its sovereign portfolio commensurate with the assessment of the collectibility risk inherent in the portfolio. The Bank's general provisioning rate of 8.84 percent at the end of 2004 was within the range of expected losses for the sovereign portfolio and is considered appropriate at this time. The Bank will continue to adapt its methodologies for determining provisions in line with the impairment rules specified in the international accounting standards.[2]

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.[3] At the end of 2004, the Bank's public sector portfolio required as backing, 47 percent of the Bank's total on-balance sheet risk capital.[4] This compares with 51 percent at the end of 2003 and reflects both the changes in the portfolio size and risk profile as well as continued strong growth of the Bank's risk capital base.

Non-Sovereign Credit Risk

When the Bank lends to private sector borrowers or to enclave projects, it does not benefit from full sovereign guarantees or the equivalent. The Bank may also provide financing to creditworthy commercially oriented entities that are publicly owned, without a sovereign guarantee. Consequently, the expected loss rate on its non-sovereign portfolio is derived from the assessment of the ultimate collectibility risk of each project loan, including any security or guarantees. The credit management division assigns a credit risk rating for all new projects at entry and the risk ratings on all outstanding projects are updated quarterly.

In 2004 the non-sovereign loan and equity portfolios continued to grow. By year-end the weighted-average risk rating improved from 3.7 in 2003 to 3.4 in 2004. The distribution of the non-sovereign portfolio across the Bank's 5 credit risk classes is shown in the table below.

RISK PROFILE OF THE OUTSTANDING NON-SOVEREIGN LOAN AND EQUITY PORTFOLIO

	Very Low Risk	Low Risk	Moderate Risk	High Risk	Very High Risk
2004	14%	14%	55%	10%	6%
2003	0%	20%	62%	10%	8%
2002	19%	0%	58%	18%	5%
2001	0%	0%	57%	26%	17%
2000	0%	0%	68%	11%	21%
1999	0%	0%	56%	8%	36%

To ensure a prudent distribution of its non-sovereign portfolio, the Bank manages its lending activities within a framework of country, sector, client, and instrument exposure limits and risk profile benchmarks. In addition, the Bank generally requires a range of securities and guarantees from the project sponsors to partially mitigate the credit risk for direct private sector loans.

[2] *The Bank is preparing for a possible transition from an "expected-loss" provisioning framework to the "incurred-loss" based model set forth in IAS39.*

[3] *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%.*

[4] *The Bank defines risk capital as the sum of paid-in capital, accumulated reserves plus general provisions net of translation adjustments. Reflecting a conservative approach to measuring capital adequacy for operational planning, the Bank does not include callable capital in its computation of risk capital.*

To cover the expected losses in the performing non-sovereign portfolio, the Bank makes a general provision on the total loan equivalent exposure based on individual project risk ratings. For the non-performing portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2004, the average general provisioning rate in the non-sovereign portfolio was equal to 3.8 percent of the performing loan portfolio, whereas the average specific provisioning rate was 83.8 percent of the non-performing loan portfolio.

In addition to lending, the Bank may make equity investments in private sector projects either directly or through investment funds. To the extent possible, equity investments are carried at fair value. In cases where an equity investment that is not fair valued is assessed as potentially non-performing, the Bank may make a provision based on accepted impairment tests measured against the Bank's carrying cost. At the end of 2004, the average provisioning rate for equity investments was equivalent to 2.7 percent of the outstanding equity portfolio.

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 2004, the Bank's non-sovereign portfolio required as backing approximately 4.1 percent of the Bank's total on-balance sheet risk capital, compared to 3.1 percent at the end of 2003. This was still well below the limit of 20 percent for total non-sovereign operations.

Counterparty Credit Risk

In the normal course of its business, the Bank utilizes various financial instruments to meet the needs of its borrowers, to manage its exposure to fluctuations in market interest and currency rates, and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that limit the Bank's financial operations to counterparties with the very best credit ratings. For example, the minimum rating for counterparties for derivative instruments is AA- or the equivalent.

In addition to these stringent rating standards, the Bank operates a framework of exposure limits based on the counterparty credit rating and size subject to a maximum of 8 percent 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 exposure methodology and monitored regularly against the Bank's credit limits after considering the benefits of any collateral. As a rule, the Bank executes an ISDA master agreement and netting agreement with its derivative counterparties prior to undertaking any transactions. As shown below, the estimated potential counterparty credit exposure of the investment and derivative portfolios remained largely unchanged, with a small bias towards AAA credits.

CREDIT RISK PROFILE OF THE INVESTMENT AND DERIVATIVE PORTFOLIOS

	AAA	AA	A	Other
2004	62%	36%	2%	0%
2003	67%	27%	6%	0%
2002	68%	29%	3%	0%
2001	56%	41%	3%	0%
2000	52%	43%	4%	0%
1999	30%	64%	6%	0%

To cover potential unexpected credit related losses due to extreme and unpredictable events, the Bank maintains a conservative risk capital cushion for counterparty credit risks as per the current BIS standards. At the end of 2004, the Bank's counterparty credit portfolio including all investments and derivative instruments required as backing just over 1.7 percent of the Bank's total on-balance sheet risk capital. This is broadly unchanged from 2003.

Liquidity Risk

As long-term development lender, the Bank holds sufficient liquid assets to enable it to continue normal operations, even in the unlikely event that it is unable to obtain fresh resources from the capital markets for an extended period of time. To achieve this objective, the Bank computes a prudential minimum level of liquidity based on the projected net cash requirement for a rolling one-year period. The prudential minimum level of liquidity is updated quarterly and includes all potential debt service payments due to early redemption of swaps and borrowings with embedded options. To enable the Bank to take advantage of low-cost funding opportunities as they arise, the Bank's policy permits a judicious increase of liquid resources where there is an economic benefit. Throughout 2004, the level of liquid assets remained well above the minimum prescribed by the Bank's liquidity policy.

To strike the optimal 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 is invested in relatively liquid securities that can be readily sold if required. In addition to the core portfolio, the Bank maintains a second tranche of liquidity that is always invested in the most highly liquid securities to cover its expected 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 against the Bank's minimum liquidity requirements.

Currency Risk

The Agreement Establishing the Bank explicitly prohibits it from taking direct currency exchange exposures by requiring liabilities in any one currency (after swap activities) to be matched with assets in the same currency. This is achieved primarily by holding or lending the proceeds of its borrowings 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. However, to facilitate loan repayment for its borrowers that may not have easy access to certain currencies, the Bank provides currency exchange services on an agency basis.

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. In line with this policy, throughout 2004 the Bank's currency alignment was adjusted within a band of +/- 1 percent of the risk-neutral position in each of the currencies making up the SDR composition. As a result, despite sharp movements in the values of the major currencies during the year, the Bank registered only a minor change in translation adjustments of less than 0.5 percent of net assets.

The distribution of the currencies of the Bank's recurring administrative expenditures shows a high concentration of expenses in Euros, CFA, and Tunisian Dinar. For 2004, the Bank's strategy of purchasing Euros in the forward market to cover the estimated amount of Euro and Euro-related expenses during the year partially mitigated the unfavorable impact of the sharp increase in the value of the Euro.

Interest Rate Risk

The Bank's exposure to interest rate risk can be traced to 2 principal sources: i) the interest rate sensitivity of the net interest margin between the rate the Bank earns on its assets and the cost of the borrowings funding those assets; and ii) the interest rate sensitivity of the interest margin the Bank earns on the assets funded by its equity resources. The Bank's principal interest rate risk management objective is to generate a stable overall net interest margin[5]. It is understood that as an inevitable part of managing interest rate risk, the strategies that would help to stabilize the Bank's net interest margin (longer duration of equity) would often lead to increased volatility of the economic value of the Bank's equity on a mark-to-market basis.

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 and liabilities.

In 1990 the Bank began offering "variable rate loans", with an interest rate that 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

[5] *A net interest margin that is not overly sensitive to sharp changes in market interest rates yet adequately responsive to general market trends.*

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.

The Bank also offers fixed and floating rate loans where the interest rate is directly linked to market interest rates. 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 (6-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 prefers to retain the credit risks, the Bank safeguards the intermediation fee it earns on risk management products by simultaneously laying off the 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 duration mismatch 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 2 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 6-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 6-month LIBOR rate reference. Where the Bank issues debt with embedded options, the Bank simultaneously enters into a swap with matching terms to synthetically create the desired 6-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 percent of the outstanding debt portfolio.

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 resources. 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 percent 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 10-year moving average of 10-year maturity SDR interest rates. At the end of 2004, the Bank's overall repricing profile was closely aligned to the benchmark in all annual buckets. For net assets repricing within one year, the Bank had a manageable gap relative to the benchmark.

In addition to these 2 principal sources of interest rate risk, the Bank is exposed to prepayment risk on the parts of its loan portfolio issued before 1997. Although the Bank is unable to charge a prepayment penalty on these older loans, in practice the level of prepayments has generally been within acceptable levels. In 2003, 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. In 2004, an additional UA 542 million of fixed and pool-based loans were prepaid, representing about 10 percent of the loan portfolio at the beginning of the year. 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.

Operational Risk
The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures, and the execution of legal, fiduciary, and agency responsibilities. The Bank maintains a comprehensive system of internal controls and back-up procedures designed to keep operational risk at appropriate levels, in view of the Bank's financial strength and the characteristics of the activities and markets in which it operates. These internal controls are periodically updated to conform to industry best practice.

In 2004 internal control improvements focused on completing the implementation of the Bank's main treasury management IT systems to reduce the ambient level of operational risk in the Bank's trading activities and to facilitate reporting of its financial instruments in compliance with international financial reporting standards. In addition, the Bank began the process of implementing COSO, an internationally recognized internal control framework, with a view to consolidate and enhance the existing internal control processes.

Risk Management Process
The processes and procedures by which the Bank manages its risk profile continually evolve as its activities change in response to market, credit, product, and other developments. The highest level of risk management 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 those policies. An independent risk management team supports the Bank's risk management process.

The Asset and Liability Management Committee (ALCO) is the Bank's most senior management forum on risk management issues. ALCO is chaired by the Vice President (Finance) and meets at least once monthly to perform its oversight role. Among its key functions, the committee 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 expected loss estimates. ALCO is supported by 7 standing working groups that report to the committee on specific risk management issues. These working groups cover country risk, commercial credit risk, interest rate risk, currency risk, financial projections, financial products and services, and operational risk.

Day-to-day operational responsibility for implementing the Bank's risk management policies and guidelines is delegated to the appropriate business units.

FINANCIAL RESULTS

The financial results of the Bank for 2004 are consistent with the objective to earn a level of income that is adequate to ensure the financial strength necessary for supporting and sustaining its development activities. Operating income, defined as the net income before the unrealized IAS 39 fair valuation adjustments, amounted to UA 219.9 million for 2004, compared to UA 178.3 million for 2003. The Bank reported a net income of UA 107.4 million for 2004, compared to UA 96.7 million in 2003[6]. The unrealized fair valuation adjustments (losses) included in net income for 2004 and 2003 amounted to UA 112.5 million and UA 81.6 million, respectively. These unrealized amounts included in net income arise from the fair valuation of certain non-trading derivative financial instruments, pursuant to the adoption by the Bank of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement". The derivative financial instruments relate primarily to the Bank's borrowing transactions and are effective in accomplishing the desired asset/liability management objectives of the Bank. Since the underlying borrowing transactions are not carried at fair value, the gains or losses on these underlying borrowing transactions are not available to offset the gains or losses on the derivative financial instruments. Consequently, the unrealized gains or losses from the derivative financial instruments are deemed to represent

[6] Net income for 2003 was restated from the UA 117.4 million previously reported to UA 96.7 milllion, due to a correction to the unrealized net loss on non-trading derivatives – IAS 39 Adjustment. Operating income, the basis for decision-making, was not affected by the restatement.

volatilities, which do not reflect the economic substance of the underlying transactions and accordingly are not relevant for management decision-making. Other highlights of the Bank's performance in 2004 include the following:

- Net operational income increased from UA 227.1 million in 2003 to UA 253.4 million for 2004. As a result of lower average outstanding loans, income from loans decreased from UA 325.5 million in 2003 to UA 310.5 million in 2004. However, the decrease in loan income was more than offset by an increase in investment income, which rose by 23.9 percent, from UA 99.8 million in 2003 to UA 123.6 million in 2004. Interest expense also decreased by 9.4 percent from UA 219.6 million in 2003 to UA 198.8 million in 2004. Based on collectibility risk analysis under the Bank's loan loss provisioning policy and due to reductions in the level of principal outstanding on public sector sovereign guaranteed loans, and improvement in quality of such loans, accumulated provisions for loan losses decreased, resulting in a net write-back to income of loan loss provisions of UA 18.2 million in 2004. There was also a write-back to income of provision for equity investments of UA 3.5 million in 2004. Administrative expenses also decreased by UA 8.0 million from UA 45.1 million in 2003 to UA 37.1 million in 2004 due to certain one-time expenses incurred in 2003 relating to the temporary relocation of the Bank's operations to Tunis.

- The Bank continues to maintain a stable risk-bearing capacity. As a result of the allocation from 2003 net income approved by the Board of Governors in May 2004, reserves net of cumulative currency translation adjustments decreased slightly by UA 21.1 million or 1.4 percent, from UA 1.51 billion at December 31, 2003 to UA 1.49 billion at December 31, 2004. Total reserves (i.e. including accumulated loan loss provisions) at December 31, 2004 amounted to UA 1.94 billion or 37.1 percent of loans outstanding at the end of the year. Reserves at December 31, 2004 included a cumulative unrealized net loss on non-trading derivatives (IAS 39 Adjustment) of UA 85.5 million.

- In 2004 the number of borrowers in non-accrual status (including the Democratic Republic of Congo) was 10, compared to 11 in 2003. In 2002, in accordance with the terms of an exceptional arrears clearance mechanism for the Democratic Republic of Congo (DRC) coordinated with other multilateral development finance institutions and approved by the Board of Directors, the amounts receivable from DRC less payments received from the DRC and certain donors in partial satisfaction of the DRC's indebtedness were consolidated into new loans. Following the consolidation, the DRC became contractually current on its loans. However, the loans to the DRC continue to be maintained in non-accrual status pending a period of satisfactory performance. Excluding the previous interest and charges receivable of UA 417.9 million from the DRC now included in the consolidated DRC loans, the cumulative interest income not recognized by the Bank relating to all loans in non-accrual status amounted to UA 366.1 million compared to UA 347.8 million at December 31, 2003. Loan income not recognized in 2004 due to loans in non-accrual status amounted to UA 61.3 million, compared to UA 80.8 million in 2003.

- At December 31, 2004, accumulated provision for losses on public sector sovereign guaranteed loans represented 8.6 percent of the outstanding balance compared to 8.4 percent at the end of 2003. The 8.6 percent rate was at the higher end of the range of probable loss estimates determined by Management for public sector sovereign guaranteed loans and is consistent with the Bank's loan loss provisioning policy. Management considers the level of accumulated provisions at December 31, 2004 to be adequate. Based on the loan-by-loan review of the collectibility risk of the non-sovereign guaranteed (i.e. private sector) loan portfolio, a provision of UA 9.2 million was made in 2004, compared to UA 8.1 million in 2003.

- Administrative expenses, net of reimbursement by ADF and NTF for their share of such expenses, decreased by UA 8.0 million from UA 45.1 million in 2003 to UA 37.1 million in 2004. The decrease in total administrative expenses of the Bank Group was due to certain one-time expenses incurred in 2003, relating to the temporary relocation of the Bank to Tunis. The share of administrative expenses between the Bank, the ADF, and NTF is based on a predetermined cost-sharing formula driven primarily by the relative levels of certain operational volume indicators.

- Net income allocation decisions of the Bank are driven primarily by the adequacy of reserves. Over the last few years, the Bank has earned levels of net income sufficient to enable the Bank, not only to maintain a stable level of reserves position, but also contribute to other development initiatives for Africa. In 2004, the Board of Governors approved allocations of UA 114.6 million out of the 2003 income. The allocation comprised UA 6.0 million to the Heavily Indebted Poor Countries (HIPC) initiative, UA 10.0 million to ADF, UA 45.0 million to the Post Conflict Countries Facility (PCCF), and UA 53.6 million to the special fund for post-conflict assistance to the Democratic Republic of Congo.

- International Accounting Standard 39 (IAS 39), adopted by the Bank effective January 1, 2001, requires among other things that all derivative financial instruments be marked to fair value and reported on the balance sheet. The Bank uses derivative financial instruments for asset/liability management purposes to achieve desired economic hedges and also to achieve lower borrowing costs. Management believes that the Bank's current portfolio of derivative financial instruments achieves such purposes. However, the marking to fair value of these derivatives without marking to fair value the related underlying borrowing transactions introduces volatility in the Bank's reported earnings that is not reflective of the Bank's asset/liability and risk management strategies. To enable Management and the Board of Directors to make informed judgments, the results of the asymmetrical marking to fair value described above are isolated in the line described as "Unrealized net loss on non-trading derivatives – IAS 39 Adjustment" on the income statement. Further, to insulate economic decisions from the volatility in the IAS 39 Adjustment, the Boards have since 2001 agreed with Management that Operating Income, that is, income before the IAS 39 Adjustment, should be the basis for economic and managerial decisions. Additionally, the financial performance indicators used to assess the financial strength of the Bank exclude the effects of the IAS 39 Adjustment.

- In 2003 and 2004, the International Accounting Standards Board (IASB) revised several International Accounting Standards, including IAS 39, as part of ongoing efforts to eliminate redundancies or inconsistencies between existing standards. The revised standards are to be applied for fiscal years beginning on or after January 1, 2005. The Bank is applying the revised standards to its financial statements starting in 2005 and expects certain significant changes, particularly relating to anticipated decreases in provisioning for impairment on loans.

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004

(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE AND RURAL DEVELOPMENT				
NAMIBIA	Tandjieskoppe Green Scheme Project	36.76	21.50*	Project components involve: (i) irrigation infrastructure; (ii) crop development, which would mainly be provision of credit, (iii) construction of farm and social infrastructure, and (iv) provision of support to the Ministry of Agriculture, Water, and Rural Development (MAWRD) for project implementation, including recruitment of project implementation staff as well as technical assistants and field supervision managers, an HIV/AIDS awareness campaign and implementation of the Environmental and Social Management Plan. The ADB loan represents 58.32 percent of the total cost. BADEA, the OPEC Fund and the Government of Namibia will finance the remaining 41.68 percent of the total cost. The expected project duration is 6 years.
MULTINATIONAL	Humanitarian Emergency Assistance to Control Desert Locust Invasion		(Grant: 1.37)	The threat of desert locust invasion in the northern part of Africa is important. To contribute to the control of the desert locust invasion, the ADB has decided to grant this emergency relief. The grant will be administrated through the Food and Agriculture Organization (FAO).

** Loan.*

*** Private sector loan.*

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
FINANCE				
BOTSWANA	Line of Credit to the National Development Bank		34.34**	The project involves the extension of a long-term Line of Credit (LTLOC) of Yen 5.5 billion to the National Development Bank of Botswana with a technical assistance component for capacity building. Through this direct LOC to NDB, the Bank Group supports, inter alia, expansion of water supply infrastructure and services as well as the rehabilitation and upgrade of power generating and distribution infrastructures in Botswana. The duration of the LOC is 12 years, including a grace period of 2 years.
KENYA	Line of Credit to the Kenya Commercial Bank (KCB)		9.77**	The project is made up of 2 components: a direct LOC to KCB principally targeted at SMEs and technical assistance to upgrade capacities at KCB. This will allow KCB to promote projects that will contribute to economic growth, reduce poverty and unemployment, as well as increasing exports in the agro-business-/floriculture, manufacturing, and service sectors. The duration of the LOC is 7 years, including a grace period of 2 years.
NAMIBIA	Third Line of Credit to the Agricultural Bank of Namibia		12.81*	The loan proceeds will be on-lent at market rates to commercial farmers, including those just starting up, those previously disadvantaged and marginalized communal farmers, to finance the acquisition of farmland, agricultural inputs, and equipment. About 80 percent of project beneficiaries would be from communal rural backgrounds, of which at least 30 percent would be women groups. The duration of the LOC is 14 years, including a grace period of 4 years.

** Loan.*
*** Private sector loan.*

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
FINANCE				
SOUTH AFRICA	Credit Risk Sharing Agency Line to NEDCOR Limited		112.55**	NEDCOR Ltd. is appointed as an Agent of the Bank and provides a Risk Sharing Agency Line (RSAL), which will be used to invest in qualifying underlying projects. In line with the principal terms of the Credit Risk Sharing Agreement, NEDCOR will set aside its own funds to match the Bank's investment in underlying projects. For each transaction, NEDCOR will be obliged to match at the minimum, the Bank's investment on similar terms and conditions. The RSAL will be utilized by the Agent to lend funds to identified borrowers for specific qualifying projects. The RSAL is given for a period of 3 years.
SOUTH AFRICA	Program to Develop SMEs through Franchising		4.52**	Enhance access to finance amongst previously disadvantaged individuals (PDIs) in SA, thereby addressing the financing gap and facilitating their entry into formal entrepreneurship and economic empowerment. The program will specifically promote franchising as a lower-risk business option than independent SMEs. The program is designed to mitigate the high-perceived risk of lending to PDIs by providing technical and financial support to potential PDI franchisees to help them develop their business successfully. The duration of the Extended Finance Facility will be for a maximum tenure of 8 years with a grace period of up to 5 years on principal, and up to 1 year on interest.

** Loan.*
*** Private sector loan.*

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
GABON	Third Structural Adjustment Program	168.23	76.25*	The objective of the proposed loan is to help the Government of Gabon to implement the 2004-2005 reform program, with the support of the international community and especially the IMF and the European Union. The program aims to create the right conditions for generating sustainable growth that can curb the high level of poverty in Gabon. The sector goal of the project is to help the country address the steady decline in oil production, lighten its excessive external debt-servicing burden, and improve the living conditions of the people. The IMF is providing a loan of UA 86.90 million and the EU is providing a loan of UA 5.08 million. The expected duration of the program is 12 months.
MOROCCO	Public Administration Reform Support Program (PARAP)	238.23	104.74*	The project is to promote strong economic growth and sustainable development, thus strengthening the competitiveness of the economy while ensuring medium-term macroeconomic viability. The project hinges on the following 4 components: (i) strengthening of public finance management; (ii) strengthening of human resource management efficiency; (iii) control of wage costs; and (iv) simplification and rationalization of administrative procedures and formalities. In addition to the ADB loan, the World Bank is financing the project with a loan of UA 65.11 million and the EU is providing a grant of UA 68.38 million. The expected duration of the project is 18 months.
MULTINATIONAL	Technical Assistance for Middle Income Countries for a Free Trade Zone		(Grant: 0.10)	CENSAD is one of 6 regional integration communities in the African Union. It was created in June 1998, following the recommendations of the AU on establishing regional trade zones. The study will cover: national and regional commercial legislation; the consequences, for each member states, of the creation of a free trade zone; and a proposal of a set of measures to be implemented in order to create the free trade zone.

** Loan.*
*** Private sector loan.*

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
SOCIAL				
DJIBOUTI	Humanitarian Emergency Assistance for the Victims of April 2004 Floods		(Grant: 0.34)	The objective of the Bank humanitarian assistance is to contribute to the alleviation of the suffering of the victims of the 2004 floods. This assistance will support efforts to reduce the risk of epidemics.
KENYA	Humanitarian Emergency Assistance to Drought-Affected Communities in 2004		(Grant: 0.33)	The objective of the Bank humanitarian assistance is to contribute to the alleviation of the suffering of the drought-affected victims. This assistance will support the provision of food rations, medical supplies and temporary schools for children.
MADAGASCAR	Humanitarian Emergency Assistance for the Victims of the Gafilo Cyclone		(Grant: 0.34)	Two cyclones hit Madagascar in March 2004, affecting more than 40,000 victims. The objective of the Bank's humanitarian assistance is to contribute to the alleviation of the suffering of the victims of the cyclones. This assistance will help to reduce the risks of epidemics.
MOROCCO	Humanitarian Emergency Assistance for the Victims of February 2004 Earthquake		(Grant: 0.34)	The earthquake in Morocco in February 2004 was one of the most devastating in the country's history. The objective of the Bank's assistance is to contribute to the alleviation of the suffering of the victims of the earthquake. This assistance will support the efforts to reduce the risks of epidemics.

** Loan.*
*** Private sector loan.*

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
TRANSPORTATION				
MOROCCO	Transportation Sector Reform Program	285.65	207.75*	The program objectives are as follows: (i) liberalization of the transportation market and auxiliary activities; (ii) professional, structural and organizational upgrading of operators of the sector; (iii) state divestiture from commercial activities, better allocation of resources and institution building of the transport administration; and (iv) strengthening of transportation security and safety. The program is also funded by a grant from the EU of UA 77.91 million. The expected duration of the program is 24 months.
NAMIBIA	Kamanjab–Omakange Road Project	28.77	24.79*	The development objective of the project is to achieve broader access to social services in the project area and to improve connectivity between the Kunene Region and other parts of the country. 86.2 percent of the total cost is financed by an ADB loan, with The Republic of Namibia financing the remainder. The expected duration of the project is 2 years.
TUNISIA	Classified Road Network Rehabilitation Project-Phase IV	200.21	140.22*	The project aims to cut transportation costs by improving the capacity of the classified road network, and thereby the network level of service, as well as contributing to the development of intra- and inter-regional trade. The Government of Tunisia finances 30 percent of the total cost. The expected duration of the project is 4 years.

** Loan.*
*** Private sector loan.*

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
WATER SUPPLY AND SANITATION				
MOROCCO	Eighth Drinking Water Supply and Sanitation Project	77.80	56.51*	The project's specific objectives are (i) to ensure a sustainable supply of drinking water to several towns and cities and new tourist and port complexes, (ii) to improve drinking water access in rural areas that are not on the supply network, and (iii) to improve the sanitary conditions and protect and preserve water resources. The ADB loan finances 72.6 percent of the total cost with the National Drinking Water Authority financing the rest. The expected duration of the project is 4 years.
OTHER APPROVALS				
DEMOCRATIC REPUBLIC OF CONGO	HIPC Debt Relief		535.94	Help reduce the Democratic Republic of Congo's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.
ETHIOPIA	HIPC Debt Relief		84.11	Help reduce Ethiopia's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.

** Loan.*
*** Private sector loan.*

PROFILE OF ADB-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
OTHER APPROVALS				
GHANA	HIPC Debt Relief		55.27	Help reduce Ghana's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.
SENEGAL	HIPC Debt Relief		32.45	Help reduce Senegal's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.
MULTINATIONAL	Participation in the Third Capital Increase of Africa Reinsurance Corporation (Africa-Re)		3.21** [Equity participation]	The Bank has been instrumental in creating and launching a profitable pan-African insurance company, professionally managed and with a strong balance sheet. With the new investment, the Bank will support the Company in the expansion of its activities. The Bank's participation will contribute to the strengthening of the capital base of Africa-Re, and this capital-raising exercise will increase its underwriting capacity. Furthermore, the proposed investment will allow the Bank to retain its shareholding at the current 8 percent, and therefore, its seat on the Board.

* *Loan.*
** *Private sector loan.*

FINANCIAL STATEMENTS AND REPORT OF THE INDEPENDENT AUDITORS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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BALANCE SHEET
AS AT DECEMBER 31, 2004 AND 2003
(UA thousands – Note B)

ASSETS	2004	2003
DUE FROM BANKS	43,800	66,540
DEMAND OBLIGATIONS	3,909	3,800
AMOUNTS RECEIVABLE FROM SWAPS		
Swaps receivable – Borrowings (Notes B & N)	273,564	214,184
Swaps receivable – Investments (Notes B & I)	1,226	39,726
	274,790	253,910
INVESTMENTS (Notes B & I)		
Trading	2,299,010	2,293,272
Held-to-maturity	2,136,407	1,842,590
	4,435,417	4,135,862
NON NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL (Note H)	31,180	41,809
ACCOUNTS RECEIVABLE		
Accrued income and receivables from loans and investments	158,257	168,704
Other accounts receivable	130,790	35,196
	289,047	203,900
LOANS (Notes B, J & V)		
Disbursed and outstanding	5,222,545	5,612,240
Less: Accumulated provision for loan losses	(450,085)	(469,090)
	4,772,460	5,143,150
EQUITY PARTICIPATION (Note K)		
ADF	111,741	111,741
Other institutions	67,684	70,361
Less: Accumulated provision for equity losses	(4,247)	(17,878)
	63,437	52,483
Total equity participation	175,178	164,224
OTHER ASSETS		
Fixed assets (Note L)	17,605	20,773
Miscellaneous	533	571
	18,138	21,344
TOTAL ASSETS	**10,043,919**	**10,034,539**

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

LIABILITIES & EQUITY	2004	Restated (Note B) 2003
ACCOUNTS PAYABLE		
Accrued financial charges	182,812	95,031
Other accounts payable	128,685	99,736
	311,497	194,767
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND PAYABLE FOR CASH COLLATERAL RECEIVED	9,295	113,907
AMOUNTS PAYABLE FOR SWAPS		
Swaps payable – Borrowings (Notes B & N)	495,634	336,395
Swaps payable – Investments (Notes B & I)	17,609	59,690
	513,243	396,085
BORROWINGS (Note N)	5,649,888	5,864,778
Embedded derivatives	7,260	(65,667)
EQUITY		
Capital (Notes G, W & X) (in shares of UA 10 000 each)		
Authorized	21,870,000	21,870,000
Less: Unsubscribed	(272,106)	(306,296)
Subscribed Capital	21,597,894	21,563,704
Less: Callable Capital	(19,374,628)	(19,382,767)
Paid-up Capital	2,223,266	2,180,937
Add: Amounts paid in advance	338	263
	2,223,604	2,181,200
Less: Amounts in arrears	(10,099)	(12,698)
	2,213,505	2,168,502
Cumulative Exchange Adjustment on Subscriptions (Note G)	(147,203)	(145,330)
	2,066,302	2,023,172
Reserves (Note F)		
General Reserve	1,847,034	1,862,521
Net income (Note F)	107,374	96,686
Cumulative Currency Translation Adjustment (Note B)	(467,974)	(451,710)
Total Reserves	1,486,434	1,507,497
Total Equity	3,552,736	3,530,669
TOTAL LIABILITIES & EQUITY	**10,043,919**	**10,034,539**

STATEMENT OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(UA thousands – Note B)

	2004	Restated (Note B) 2003
OPERATIONAL INCOME & EXPENSES		
Income from loans		
Interest	300,500	315,052
Commitment charges	6,586	7,795
Statutory commission	3,428	2,608
Income from investments (Note I)	123,567	99,767
Total income from loans and investments	434,081	425,222
Borrowing expenses (Note N)		
Interest	(195,561)	(215,308)
Amortization of issuance costs	(3,287)	(4,284)
Provision for loan losses (Note J)	18,154	21,507
Net operational income	253,387	227,137
OTHER EXPENSES, net		
Administrative expenses (Note M)	37,084	45,136
Other income	(7,392)	(2,617)
Depreciation	6,417	5,571
Provision for equity investments	(3,457)	1,682
Sundry expenses	836	(968)
Total other expenses (net)	33,488	48,804
Operating income	219,899	178,333
Unrealized net loss on non-trading derivatives – IAS 39 adjustment (Notes B & N)	(112,525)	(81,647)
NET INCOME	**107,374**	**96,686**

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

STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(UA thousands – Note B)

	2004	Restated (Note B) 2003
Net income before restatement	107,374	117,412
Restatement (Note B)	-	(20,726)
Net income after restatement	107,374	96,686
Other comprehensive (loss)/income:		
Currency translation adjustment	(16,264)	3,125
Fair valuation of equity investments	2,467	-
Total other comprehensive (loss)/income:	(13,797)	3,125
COMPREHENSIVE INCOME	**93,577**	**99,811**
Reserves at January 1:		
General	1,959,207	1,919,473
Cumulative Currency Translation Adjustment (CCTA)	(451,710)	(454,835)
Total reserves at January 1	1,507,497	1,464,638
Board of Governors' approved allocations/transfers:		
Post Conflict Countries Fund	(45,000)	-
Post Conflict Asssitance – DRC	(53,640)	(12,952)
African Development Fund*	(10,000)	(25,000)
Heavily Indebted Poor Countries	(6,000)	(9,000)
Special Relief Fund	-	(10,000)
Total net income allocation/transfers	(114,640)	(56,952)
Reserves at the end of the year	**1,486,434**	**1,507,497**
Reserves at the end of the year, composed of:		
General	1,954,408	1,959,207
Cumulative Currency Translation Adjustment (CCTA)	(467,974)	(451,710)
TOTAL RESERVES AT THE END OF THE YEAR	**1,486,434**	**1,507,497**

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

* *Includes an exceptional additional allocation in 2003 of UA 15 million relating to the temporary relocation of the Bank group to Tunis.*

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(UA thousands – Note B)

	2004	Restated (Note B) 2003
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	107,374	96,686
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,417	5,571
Provision for loan losses	(18,154)	(21,507)
Unrealized gains on investments and asset swaps	(4,421)	(6,388)
Amortization of discount or premium on held-to-maturity investments	10,289	7,527
Amortization of borrowing costs	3,287	4,284
Provision for equity losses	(3,457)	1,682
Derivative asset movement	112,525	81,647
Prior year restatement of derivative asset	20,726	-
Profit on disposal of equity investments	(2,641)	-
Losses/(gains) on exchange	836	(968)
Changes in accrued income on loans and investments	10,447	45,027
Changes in accrued financial charges	87,872	3,007
Changes in other receivables and payables	(34,777)	(37,866)
Net cash provided by operating activities	296,323	178,702
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(630,235)	(652,322)
Repayments of loans	1,012,537	1,028,903
Investments maturing after 3 months of acquisition:		
Held-to-maturity portfolio	(265,890)	(655,777)
Trading portfolio	(234,384)	(1,050,548)
Payment of allocation of net income	(114,640)	(56,952)
Changes in other assets	(3,255)	(10,192)
Equity participations disposals	4,133	-
Equity participations acquisitions	(11,969)	(6,706)
Net cash used in investing, lending and development activities	(243,703)	(1,403,594)
FINANCING ACTIVITIES:		
New issues on borrowings	432,550	2,189,615
Repayments on borrowings	(579,728)	(677,152)
Net cash from currency swaps	(60,778)	(41,683)
Net cash from capital subscriptions	54,920	57,144
Net cash (used in)/provided by financing activities	(153,036)	1,527,924
Effect of exchange rate changes on:		
Cash and investments	(5,035)	15,253
(Decrease)/increase in cash and investments	(105,451)	318,285
Cash and investments at beginning of the year	637,113	318,828
Cash and investments at the end of the year	**531,662**	**637,113**
Composed of:		
Investments maturing within 3 months of acquisition		
Trading portfolio	441,587	669,240
Held-to-maturity portfolio	55,570	15,240
Securities sold under agreements to repurchase and payable for cash collateral received	(9,295)	(113,907)
Cash	43,800	66,540
	531,662	**637,113**
Supplementary disclosure:		
Movement resulting from exchange rate fluctuations:		
Loans	6,889	(21,160)
Borrowings	(96,831)	(123,770)
Currency swaps	98,286	130,426

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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 ADB. Notably, each of the ADB, ADF, and NTF has separate assets and liabilities, and the ADB is not liable for their respective obligations. 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 fair valuation of certain financial assets and financial liabilities and all derivative contracts where it adopts the fair value basis of accounting.

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

Accounting for Derivatives

The Bank adopted the original International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement", on January 1, 2001. IAS 39 requires that all derivatives be measured at fair value and reported on the balance sheet. The Bank uses derivative instruments in its portfolios for asset/liability management, cost reduction, risk management and hedging purposes. Although IAS 39 allows special hedge accounting for certain qualifying hedging relationships, the application of such special hedge accounting criteria does not make evident the asset/liability and risk management strategy of the Bank and would result in certain hedged instruments being carried at fair value, while other similar hedged instruments are carried at amortized cost. Consequently, the Bank has elected not to define any qualifying hedging relationships, but rather marks all derivatives to fair value, with all changes in fair value recognized in income. The effect of the adoption of IAS 39 relates primarily to the derivatives in the borrowings portfolio. No adjustment is required to the investments portfolio held for trading, since those derivatives were already recorded at fair value, prior to the adoption of the original IAS 39.

Upon adoption of IAS 39, a transition adjustment was made directly to retained earnings. This transition adjustment represented primarily the difference between the carrying value and the fair value of the embedded derivatives and derivative instruments as defined in IAS 39 in the borrowing portfolio and loan portfolio as at January 1, 2001, offset by any gain or losses on those borrowings for which fair value exposure was being hedged.

Accounting and Financial Reporting Developments

In 2003 and 2004, the International Accounting Standards Board (IASB) revised several International Accounting Standards, including IAS 39, as part of ongoing efforts to eliminate redundancies or inconsistencies between existing standards. The revised standards are to be applied for fiscal years beginning on or after January 1, 2005. The Bank is applying the revised standards to its financial statements starting in 2005 and expects certain significant changes, particularly relating to anticipated decreases in provisioning for impairment on loans.

Monetary Basis of Financial Statements

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 (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.

Translation of Currencies

The Bank conducts its operations in several currencies, but principally in the basket of currencies that constitute the SDR of the IMF. Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Assets and liabilities other than non-monetary items denominated in UA are translated into UA at rates prevailing at the balance sheet date. Translation differences are debited or credited directly to retained earnings under Cumulative Currency Translation Adjustment (CCTA) and also reported as part of "Other Comprehensive Income". Capital Subscriptions are recorded in UA at the rates prevailing at the time of receipt. This is composed of the UA amount at the predetermined rate net of the difference between the predetermined rate and the rate at the time of receipt. Such difference is described in the Financial Statements as Cumulative Exchange Adjustment on Subscriptions (CEAS).

When currencies are converted into other currencies, the resulting gains or losses are included in the determination of net income.

Revenue recognition

Interest income is accrued based on the terms of the related financial instrument and for the time that such instrument is outstanding and held by the Bank, using the effective interest rate applicable, which 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. Interest and other charges are not accrued on overdue loans which management considers as non-performing.

Income from investment includes realized and unrealized gains and losses on trading financial instruments and the amortization of premiums and discounts calculated on the constant yield basis for the held-to-maturity financial instruments.

Loans

The Bank's loan portfolio comprises loans 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 20 years, including a grace period, which is typically the period of project implementation.
The Bank places in non-accrual status all loans to, or guaranteed by a member country, if principal, interest or other charges with respect to any such loan are overdue by 6 months or more, unless the Bank'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. In addition, if loans made by the ADF or the NTF to a member country are placed in non-accrual status, all loans made to or guaranteed by that member country are also placed in non-accrual status by the Bank. When a loan is placed in non-accrual status, all related unpaid interest and other charges are reversed against current income. Interest and other charges on loans in non-accrual status are included in income only when actually received by the Bank. In general, loans are returned to accrual status immediately after the related arrears have been cleared. However, certain loans that have become current may continue to be carried in non-accrual status until after a period of satisfactory performance.

The Bank may experience delays in receiving loan repayments from certain borrowers. The Bank maintains a general provision for possible loan losses based on an assessment of the collectibility risk of the disbursed and outstanding public sector loan portfolio for the present value losses associated with such delays. For the private sector portfolio, the Bank assesses collectibility risk on a loan-by-loan basis and provides for loan losses accordingly.

It is the Bank's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans.

Arrears Clearance Operations

The Democratic Republic of Congo (DRC)

In connection with an internationally 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 have been consolidated into new contractual receivables, such that the present value of the new loans equals 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 has 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, has been 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 of the Bank 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 allocation, in whole or in part, of such amount by the Board of Governors of the Bank. The amount of income from the DRC consolidated loan included in the reported earnings is disclosed in Note J.

Assistance to Post-Conflict Countries

The Bank has established a framework to assist post-conflict countries in clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources with contributions from the ADB net income allocations and contributions from the ADF. Contributions would also be accepted from third parties that are interested in facilitating the process of re-engaging the post-conflict countries in the development process and in assisting them to reach the Heavily Indebted Poor Countries (HIPC) decision point. Resources would be 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 approved an allocation of UA 45 million from the 2003 net income of the Bank, to the Post-Conflict Countries Fund (PCCF). Contributions received from ADB will not be used to clear debts owed to the Bank by beneficiary post-conflict countries. The resources of the PCCF are kept separate and distinct from those of the ADB.

Equity Investments

The Bank may take equity positions in privately owned productive enterprises and financial intermediaries, or public sector companies that are in the process of being privatised 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 flow of domestic and external resources to financially viable projects which also have significant economic merit.

The Bank's participation in the equity of any institution should not exceed twenty five percent (25%) of the total equity capital of the institution. The Bank will therefore not seek a controlling interest in the companies in which it invests but will closely monitor its equity investments through Board representation. 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.

The Bank classifies its equity investments as available for sale. Generally, there are no quoted market prices for the Bank's equity investments. Consequently, the fair values of the equity investments are estimated if reasonably determinable; otherwise equity investments are carried at cost. The Bank records changes in fair value through reserves, as disclosed in the Statement of Comprehensive Income and Changes in Reserves, until the investment is sold, at which time the cumulative profit or loss previously recognized in reserves is included in the income statement. 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. Provision for losses on impaired equity investments are included in the income statement.

Fixed Assets

Land is stated at cost, including charges for reclamation. No depreciation is provided.

Buildings are shown at cost less accumulated depreciation. Depreciation is calculated at a rate which is expected to amortize the cost in equal annual installments over the useful life, which is estimated at between 15 to 20 years. Financial charges incurred in connection with funds borrowed for the construction of buildings are capitalized during the construction period. Major improvements are depreciated over the remaining period of the estimated useful life of the building concerned. Leasehold improvements are amortized over the lesser of the remaining lease term or the estimated useful life of the improvement.

Fixtures and fittings, furniture and equipment, motor vehicles and computer system software are stated at cost less accumulated depreciation. Such assets are depreciated on a straight line basis with no salvage values. Fixtures and fittings are depreciated over periods ranging from 6 to 10 years. Furniture and equipment are depreciated over periods ranging between 3 to 7 years. Computer system software are depreciated over periods ranging from 3 to 5 years while motor vehicles are depreciated over 5 years.

Accounting For Leases

The Bank has entered into operating lease agreements for its offices in Tunisia and in certain 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. 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 recognised as an expense in the period in which the termination takes place.

Borrowings

In the ordinary course of its business, the Bank borrows worldwide in the major capital markets. The proceeds of such borrowings are used for lending and liquidity purposes. The Bank issues debt instruments denominated in various currencies, with differing maturities at fixed or variable interest rates. Certain of the Bank's borrowings contain embedded derivatives that are required under IAS 39 to be separated from the host contract and carried on the balance sheet at fair value. Fair value is based on market quotations when possible or on discounted cash flow models using market estimates of cash flows and discount rates. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. Selection of these inputs may require judgement. All financial models used for valuing the Bank's financial instruments are subject to internal and periodic external reviews.

In compliance with IAS 39, where it has not been possible to reliably measure such embedded derivatives, the combined contracts associated with these borrowings have been carried at fair value on the balance sheet. Other borrowings are carried on the balance sheet at par value (face value) adjusted for unamortized premiums or discounts. The unamortized balance of the issuance costs are netted off against borrowings in the balance sheet. Borrowing expenses include the amortization of issuance costs, discounts and premiums, which is determined on an effective yield basis.

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost savings opportunities and to lower its funding costs. These instruments include currency swaps and interest rate swaps. The derivatives are used to modify the interest rate or currency characteristics of the borrowing portfolio and are linked to the related borrowings at inception and remain so throughout the terms of the contracts. The interest component of these derivatives is disclosed as borrowing cost over the life of the derivative contract and included in the income statement. Prior to the adoption of IAS 39, all borrowings-related derivatives were recorded on a historical cost basis. However, upon adoption of IAS 39 these derivatives are carried at market value on the balance sheet. The Bank uses trade date for recording its borrowing transactions.

Investments

Investment securities are classified based on management's intention on the date of purchase. Securities which management has the intention and ability to hold until maturity are classified as held-to-maturity and reported at amortized cost. Held-to-maturity and trading investments maturing within three months from their date of acquisition are included in liquidity in the Statement of Cash Flows. Investments in the trading portfolio, recorded on trade date basis, are carried and reported at market values and related unrealized gains and losses are included in income.

The Bank uses derivative instruments, such as over-the-counter foreign exchange forwards, currency swaps, cross currency interest rate swaps and interest rate swaps, in the management of its trading portfolio. These derivatives are carried at market value and related gains and losses are included in trading income.

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

Fair Value Disclosure

Unless otherwise specified, financial instruments for which market quotations are available have been valued at the prevailing market value. 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 methods and assumptions used by the Bank in estimating the fair values of financial instruments are as follows:

Cash: The carrying amount reported in the Balance Sheet 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.

Swaps: Fair values for the Bank's interest rate and currency swaps are based on quoted market prices or pricing models and represent the amounts that the Bank would receive or pay to terminate the agreements based upon market quotes.

Borrowings: The fair values of the Bank's borrowings are based on quoted market prices, where available or at par where market prices are not available.

Equity Investments: The underlying assets of the Bank's equity investments carried at fair value are periodically fair valued both by the fund managers and independent valuation experts using appropriate approaches. Where such underlying assets represent investments in listed enterprises, fair values are based on the latest available quoted bid prices. On the other hand, where the underlying assets represent investments in unlisted enterprises, fair values are assessed using appropriate methods, for example, discounted cash flows. The fair value of the Bank's investments in these funds 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 on discounted cash flow models using market estimates of cash flows and discount rates. 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: ADB currently does not sell its loans, nor does it believe there is a comparable market for its loans. The estimated fair value of loans is calculated as detailed in Note J for the various types of loans .

Post-Retirement Benefits

The Bank maintains a defined benefit pension plan for its employees which provide benefit payments to participants upon retirement. Actuarial gains or losses that arise on post retirement benefits are recognized in the income statement in accordance with IAS 19. At the beginning of the reporting period, the unrecognized net actuarial gains or losses are compared with the greater of 10 percent of the present value of the defined benefit obligation and 10 percent of the plan assets. Any excess is recognized in the income statement as an actuarial gain or loss over the expected average remaining working lives of the employees participating in the plan.

With effect from January 2003, the Bank revised its Staff Medical Benefit Plan. The revised Plan provides medical coverage for staff members and their dependants, certain retired staff members, survivors of staff members and staff on disability. Under the Plan, staff members or retirees contribute a percentage of their salary or pension toward the financing of the plan. The Bank also contributes twice the total staff contribution toward the medical plan. A medical benefits plan board, composed of selected officers of the Bank and representatives of retirees and the staff association, oversees the management and activities of the benefit plan. The contributions from the Bank, staff and retirees are deposited in a trust account.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting equity that, under International Financial Reporting Standards, are excluded from net income. For the Bank, comprehensive income comprises currency translation adjustments, unrealized gains or losses on equity investments carried at fair value and net income. These items are presented in the Statement of Comprehensive Income and Changes in Reserve.

Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities. Actual results could differ from such estimates. Significant judgment has been used in the estimation of fair values of loans, borrowings and equity participation and in the determination of the accumulated provision for loan losses and equity participations.

Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not have an income statement impact.

Restatement of prior year financial statements

During 2003 the Bank issued certain deep-discounted bonds, the proceeds of which were immediately swapped into other currencies. Interest expense on these borrowings was correctly reported in 2003. However, a total of UA 20.73 million, representing the amortization of the discount on the swap side of the transaction, was omitted from the calculation of the unrealized net loss/gain on non-trading derivatives (IAS 39 Adjustment) for 2003. Accordingly, the IAS 39 Adjustment as well as the borrowings amount in the Balance Sheet for 2003 have been restated to correct such omission. There is no effect in 2004.

Note C – Exchange rates

The rates used for translating currencies into Units of Account at December 31, 2004, and 2003 are as follows:

		2004	2003
1 UA = SDR =	Algerian Dinar	112.168000	100.629000
	Angolan Kwanza	133.138000	112.941000
	Botswana Pula	6.631700	6.420470
	Brazilian Real	4.121060	4.292080
	Canadian Dollar	1.869200	1.920470
	Chinese Yuan	12.810700	12.298900
	CFA Franc	747.896000	771.760000
	Danish Kroner	8.462960	8.820990
	Egyptian Pound	9.342050	8.881020
	Ethiopian Birr	12.959700	11.854700
	Euro	1.140160	1.176540
	Gambian Dalasi	39.053800	39.053800
	Ghanaian Cedi	13,563.000000	12,533.600000
	Guinean Franc	2,941.760000	2,756.060000
	Indian Rupee	67.680100	67.775000
	Japanese Yen	161.161000	158.575000
	Kenyan Shilling	124.780000	110.614000
	Korean Won	1,608.290000	1,779.890000
	Kuwaiti Dinar	0.456488	0.437915
	Libyan Dinar	1.932370	1.932370
	Mauritian Rupee	43.852300	40.269600
	Moroccan Dirham	12.896000	13.212000
	Nigerian Naira	203.307000	199.497000
	Norwegian Krone	9.377960	9.918860
	Pound Sterling	0.804085	0.832619
	São Tomé Dobra	14,360.100000	13,426.400000
	Saudi Arabian Riyal	5.823770	5.572400
	South African Rand	8.743400	9.866800
	Swedish Krona	10.235100	10.771500
	Swiss Franc	1.757380	1.838000
	Tunisian Dinar	1.864890	1.810980
	Ugandan Shilling	2,682.560000	2,837.830000
	United States Dollar	1.553010	1.485970
	Zimbabwean Dollar	8,250.410000	1,183.290000

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 D – 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, 2004 and 2003, the following funds were held separately from those of the ordinary capital resources:

1. The Nigeria Trust Fund 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 Fund shall be in effect for a period of 30 years from the date of the Agreement and that the resources of the Fund shall be transferred to Nigeria upon termination. However, the 30-year sunset period may be extended by mutual agreement between the Bank and Nigeria. The initial capital of this Fund 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 Fund 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.

The resources of the Nigeria Trust Fund at December 31, 2004 and 2003 are summarized below:

(UA thousands)	**2004**	2003
Contribution received	128,586	128,586
Funds generated (net)	344,170	356,345
Adjustment for translation of currencies	(124,876)	(109,475)
	347,880	**375,456**
Represented by:		
Due from banks	856	1,244
Investments	308,231	317,125
Interest & charges receivable on loans	819	1,067
Accrued interest on loans and investments	4,820	720
Other amounts receivable	287	261
Loans outstanding (net)	53,209	56,004
	368,222	376,421
Less: Current accounts payable	(20,342)	(965)
	347,880	**375,456**

2. 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 the Fund consist of contributions by the Bank, the African Development Fund 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, 2004 and 2003 follows:

(UA thousands)	**2004**	2003
Fund balance	42,448	42,448
Funds generated	2,599	2,753
Funds allocated to SDA	1	1
Less: Relief disbursed	(38,081)	(32,105)
	6,967	**13,097**
Represented by:		
Due from bank	285	951
Investments	6,844	12,145
Accrued interest on investments	8	1
	7,137	13,097
Less: Accounts payable	(170)	-
	6,967	**13,097**

At December 31, 2004, a total of UA 1.77 million (2003: UA 5.22 million) had been committed but not yet disbursed under the Special Relief Fund.

3. The Staff Retirement Plan (the Plan), 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 Plan, upon completion of 6 months service without interruption of more than 30 days.

The Plan 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 Plan, including simplification of the calculation of the employee contribution rate, more explicit reference to the Bank's residual responsibility and rights as the Plan 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 has been recorded in the current year. Participants of the Plan as of the December 31, 2004 were given up to April 30, 2005 to make the election on either to remain in the former Plan or switch to the revised Plan, which is effective January 1, 2005. Staff joining the Bank after January 1, 2005 can benefit only from the revised Plan. Most participants are expected to switch to the Plan. Under the revised Plan, employees contribute at a rate of 9 percent of regular salary. The tax factor used in the previous Plan 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 Plan are irrevocable and are held by the Bank separately in a retirement fund to be used in accordance with the provisions of the Plan. 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 Plan's liabilities. At December 31, 2004, virtually all of the investments of the Plan 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 Plan'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 Plan's anticipated future liabilities.

In accordance with IAS 19, and based on actuarial valuations, the pension expense for 2004 and 2003 for the Bank, the African Development Fund and the Nigeria Trust Fund combined (the Bank Group) comprised the following:

(UA millions)	**2004**	2003
Current service cost	14.02	14.37
Interest cost	8.23	7.56
Expected return on plan assets	(7.61)	(6.22)
Net actuarial loss recognized in the year	2.17	3.15
Past service cost	1.64	-
Gross pension cost	18.45	18.86
Less: employee contributions	(4.47)	(4.39)
Pension expense for the year	**13.98**	**14.47**

At December 31, 2004, the Bank Group's liability to the Plan amounted to UA 5.37 million (2003: UA 3.16 million). This liability, which is included in "Other accounts payable" on the Balance Sheet, comprised the following:

(UA millions)	**2004**	2003
Fair value of plan assets:		
Market value of Plan assets at beginning of the year	119.81	99.51
Actual return on assets	9.17	7.47
Employer's contribution	12.10	14.01
Plan participants' contributions	4.47	4.39
Benefits paid	(4.66)	(5.57)
Market value of Plan assets at end of the year	**140.89**	**119.81**
Present value of defined benefits obligation:		
Benefit obligation at beginning of the year	156.74	145.76
Current service cost	9.88	9.98
Past service cost	1.64	-
Employee contributions	4.47	4.39
Interest cost	8.23	7.55
Actuarial loss/(gain)	1.53	(5.37)
Benefits paid	(4.66)	(5.57)
Benefit obligation at the end of the year	**177.83**	**156.74**
Funded Status:		
Plan assets less than benefits obligation	(36.94)	(36.93)
Unrecognized actuarial loss	31.57	33.77
Liability at end of the year	**(5.37)**	**(3.16)**

There were no unrecognized past service costs at December 31, 2004. Assumptions used in the latest available actuarial valuations at December 31, 2004 and 2003 were as follows:

(percentages)	**2004**	2003
Discount rate	5.00	5.25
Expected return on plan assets	6.00	6.00
Rate of salary increase	3.00	3.50
Future pension increase	2.50	2.50

4. Staff Medical Benefit Plan: The staff medical benefit plan 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. Contributions by the Bank to the Staff Medical Plan in 2004 totaled UA 1.73 million (2003: UA 1.71 million). The net assets of the Plan at December 31, 2004 amounted to UA 1.46 million (2003: UA 1.03 million). A detailed actuarial valuation of the Plan will be carried out in 2005.

Note E – 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.

1. 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.

2. 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, 2004, a total of US$ 13.45 million (2003: US$ 13.45 million) had been so repaid.

3. 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, 2004 and 2003 are summarized below:

(UA thousands)		2004	2003
A)	**Mamoun Beheiry Fund**		
	Contribution	152	152
	Income from investments	195	175
		347	327
	Less: Prize awarded	(13)	(13)
	Gift	(25)	(25)
		309	289
	Represented by:		
	Short-term deposits	293	274
	Due from banks	14	13
	Accrued Interest	2	2
		309	289
B)	**Arab Oil Fund (contribution of Algeria)**		
	Net contribution	644	673
	Represented by:		
	Loans disbursed net of repayments	644	673
C)	**Special Emergency Assistance Fund for Drought and Famine in Africa (SEAF)**		
	Contributions	20,271	21,187
	Funds generated	4,841	5,002
		25,112	26,189
	Relief granted	(21,178)	(22,134)
		3,934	4 055
	Represented by:		
	Due from banks	183	152
	Investments	3,741	3,903
	Accrued interest	10	-
		3,934	4,055
	Total Resources & Assets of Trust Funds	**4,887**	**5,017**

Note F – Reserves and Net Income Allocations

The total reserves of the Bank comprise General Reserves, net income for the current year to be allocated by the Board of Governors of the Bank and translation gains or losses. The General Reserve represents retained earnings, after allocations of net income by the Board of Governors. In addition, the General Reserve includes a transition adjustment of UA 10.80 million relating to the adoption of IAS 39 on January, 2001. On May 25, 2004, the Board of Governors of the Bank approved certain allocations of the Bank's net income for 2003. Such allocations are summarized in the Statement of Comprehensive Income and Changes in Reserves.

At December 31, 2004, the total reserves of the Bank included UA 39.90 million (2003: UA 53.64 million) representing income recognized on the restructured loans to the Democratic Republic of Congo (DRC) but not yet formally allocated to the DRC special account. Under Article 42 of the Agreement establishing the Bank, the authority for the allocation or distribution of the net income or part thereof of the Bank is vested in the Board of Governors. Management has proposed for the consideration of the Board of Directors an allocation of the UA 36.74 million to the DRC Special Account. The decision of the Board of Directors on this proposal will be considered by the Board of Governors at the Annual General Meeting of the Bank.

Note G – Capital Stock

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 subscribed capital increased from UA 21.56 billion as at December 31, 2003 to UA 21.60 billion at December 31, 2004.

Total unsubscribed shares at December 31, 2004 amounted to UA 272.11 million, comprising UA 128.45 million for shares to be issued upon payment of future cash installments, UA 104.83 million for shares available for reallocation, and UA 38.83 million representing the balance shareholding of the former Socialist Federal Republic of Yugoslavia (former Yugoslavia) after allocating UA 9.09 million to treasury shares. Since the former Yugoslavia has ceased to exist as a state under international law, its shares (composed of UA 41.93 million callable and UA 5.99 million paid-up shares) are currently held as treasury shares of 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 has since accepted the offer.

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$ have been 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 when received to Units of Account. Such conversion differences are reported in the Cumulative Exchange Adjustment on Subscriptions account.

At December 31, 2004 and 2003, the Cumulative Exchange Adjustment on Subscriptions was made up as follows:

(UA thousands)	**2004**	2003
Balance at 1 January	145,330	141,991
Net conversion losses on new subscriptions	1,873	3,339
Balance at December 31	**147,203**	**145,330**

Note H – Non-negotiable Instruments

Prior to May 1981, all payments on 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:

a) Five (5) equal annual installments, of which at least 50 percent is payable in convertible currency and the remainder in the local currency; or

b) 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 in Note G above (GCI-IV), is to be paid as follows:

a) 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.

b) 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 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.

Note I – Investments

As part of the overall portfolio management strategy, the Bank invests in government and agency obligations, time deposits, asset-backed securities, repurchase agreements, resale agreements and related financial derivatives including futures, forward contracts, currency swaps, interest rate swaps, options and short sales.

For Government and agency obligations with final maturity longer than 1 year, the Bank 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 Bank may only invest in securities with an AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than one year and a minimum 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 one year, and such transactions are only executed with counterparties with credit ratings of AA- or above. Currency and interest rate swaps including asset swap transactions are permitted only with approved counterparties or guaranteed by entities with minimum credit ratings of AA-/Aa3 at the time of the transaction.

Income from investments comprised interest income of UA 142.40 million (2003: UA 106.17 million) and net realized and unrealized loss on investments of UA 18.83 million (2003: loss of UA 6.40 million).

Realized and unrealized loss on investments as at December 31, 2004 is made up as follows:

(UA thousands)

Realized and unrealized gains	5,424
Realized and unrealized loss	(24,255)
Net loss	**(18,831)**

The Bank 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, 2004, UA 177.45 million (2003: UA 174.43 million) of government and other obligations were under external management.

Securities sold under repurchase agreements with a market value of UA 9.29 million were outstanding at December 31, 2004 (2003: UA 113.91 million). These securities include trading and held-to-maturity instruments, which have been included in the respective balance sheet captions.

A summary of the Bank's trading investments at December 31, 2004 and 2003 follows:

(Amounts in UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Time Deposits										
Carrying Value	211.75	225.36	85.05	238.62	2.49	32.02	77.41	112.07	376.70	608.07
Average Balance during the year	318.96	218.38	778.72	165.45	186.18	84.96	107.79	164.50	1,391.65	633.29
Average Maturity (year)	0.03	0.05	0.02	0.06	0.01	0.03	0.10	0.22	0.04	0.08
Asset-Backed Securities										
Carrying Value	455.01	405.42	174.47	202.33	-	-	-	0.44	629.48	608.19
Average Balance during the year	386.93	392.85	182.22	140.28	-	-	-	0.64	569.15	533.77
Average Maturity (year)	19.15	7.17	20.50	12.84	-	-	-	1.06	19.52	8.93
Government and Agency Obligations										
Carrying Value	56.26	65.76	36.66	104.78	-	-	4.59	-	97.51	170.54
Average Balance during the year	47.84	63.72	38.29	72.64	-	-	6.39	-	92.52	136.36
Average Maturity (year)	1.14	1.60	1.14	1.10	-	-	1.51	-	1.76	1.34
Corporate Bonds										
Carrying Value	466.58	310.11	646.18	557.64	-	6.10	82.56	32.62	1,195.32	906.47
Average Balance during the year	396.75	300.50	674.91	359.56	-	16.20	115.37	47.92	1,187.03	724.18
Average Maturity (year)	1.67	2.44	1.58	1.90	-	1.63	0.81	-	1.57	2.12
Total Trading Investments										
Carrying Value	1,189.60	1,006.65	942.36	1,103.37	2.49	38.12	164.56	145.13	2,299.01	2,293.27
Average Balance during the year	1,150.48	975.45	1,674.14	737.93	186.18	101.16	229.55	213.06	3,240.35	2,027.60

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Swaps (Net)										
Carrying Value (Net)	18.47	16.03	(34.56)	(54.83)	-	(0.07)	(0.29)	18.91	(16.38)	(19.96)
Average Balance during the year	15.73	15.53	(36.10)	(38.02)	-	(0.19)	(0.40)	27.76	(20.77)	5.08
Average Maturity (year)	1.00	1.67	0.94	2.03	-	1.38	1.18	2.30	0.88	2.07
The investment swaps on a gross basis are:										
Assets									1.23	39.73
Liabilities									(17.61)	(59.69)
									(16.38)	**(19.96)**

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Repos										
Carrying Value	-	-	(9.29)	-	-	-	-	-	(9.29)	-
Average Balance during the year	(138.91)	-	(689.89)	-	(179.54)	-	-	-	(1,008.34)	-
Average Maturity (year)	-	-	0.02	-	-	-	-	-	0.02	-

A summary of the Bank's investments held to maturity at December 31, 2004 and 2003 follows:

(Amounts in UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Time Deposits										
Carrying Value	5.71	3.54	49.86	11.41	-	0.29	-	-	55.57	15.24
Average Balance during the year	5.53	3.09	48.04	9.44	-	0.27	-	-	53.57	12.80
Average Maturity (year)	0.02	0.02	0.01	0.01	-	0.04	-	-	0.01	0.01
Asset-Backed Securities										
Carrying Value	24.89	-	30.28	41.29	-	7.96	-	-	55.17	49.25
Average Balance during the year	24.08	-	29.17	34.15	-	7.31	-	-	53.25	41.46
Average Maturity (year)	6.12	-	4.97	6.12	-	5.50	-	-	5.49	6.02
Government & Agency Obligations										
Carrying Value	491.46	475.37	236.53	270.87	252.20	245.82	99.59	122.30	1,079.78	1,114.36
Average Balance during the year	475.57	414.64	227.90	224.12	249.48	225.82	72.49	74.98	1,025.44	939.56
Average Maturity (year)	6.10	5.82	4.50	4.35	5.26	4.96	4.39	5.81	5.39	5.27
Corporate Bonds										
Carrying Value	296.36	217.38	374.56	322.22	149.27	107.79	125.70	16.35	945.89	663.74
Average Balance during the year	286.79	189.57	360.90	266.62	147.66	99.02	91.49	10.03	886.84	565.24
Average Maturity (year)	4.47	5.21	3.12	3.12	4.68	5.19	5.77	5.05	4.15	4.16
Total Held-to-maturity Investments										
Carrying Value	818.42	696.29	691.23	645.79	401.47	361.86	225.29	138.65	2,136.41	1,842.59
Average Balance during the year	791.97	607.30	666.01	534.33	397.14	332.42	163.98	85.01	2,019.10	1,559.06

The maturity structure of held-to-maturity investments as at December 31, 2004 was as follows:

(UA millions)	
January 1, 2005 to December 31, 2005	212.27
January 1, 2006 to December 31, 2006	179.43
January 1, 2007 to December 31, 2007	204.09
January 1, 2008 to December 31, 2008	217.57
January 1, 2009 to December 31, 2009	279.80
January 1, 2010 to December 31, 2010	326.80
January 1, 2011 to December 31, 2011	313.09
January 1, 2012 to December 31, 2012	149.25
January 1, 2013 to December 31, 2013	153.04
January 1, 2014 to December 31, 2014	88.19
January 1, 2015 to December 31, 2015	12.88
Total	**2,136.41**

The market value of held-to-maturity investments at December 31, 2004 was UA 2,134.61 million.

Note J – Loans

The loans of the Bank are for the purpose of financing development projects and programs and are not intended for sale. Further, management does not believe that there is a comparable secondary market for the type of loans made by the Bank. The fair values of loans reported in these financial statements represent management's best estimates of the present value of the expected cash flows of these loans. The types of loans currently held by the Bank are described below:

Multi-Currency Fixed Rate Loans: For all loans negotiated prior to July 1, 1990, the Bank charges interest at fixed rates. Fair values were estimated using a discounted cash flow model based on a discount rate comprising the fixed rate loan spread plus the year-end estimated cost of funds.

Multi-Currency Variable Rate Loans: Effective from July 1, 1990, the Bank introduced variable rate loans in a bid to reduce its interest risk. The variable interest 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 those lenders that benefit from the Bank's loans. The estimated fair value is considered to approximate carrying value, adjusted for credit risk.

Single Currency Variable Rate Loans: The Bank introduced single currency variable rate loans on October 1, 1997. The lending rate is based on the average cost of the Bank's pool of specific borrowings for each currency comprising mostly medium- to long-term fixed rate borrowings. It is reset semi-annually and also carries a spread of 50 basis points. The estimated fair value is considered to approximate carrying value, adjusted for credit risk.

Single Currency Floating Rate Loans: The Bank introduced LIBOR-based single currency floating rate loans with effect from October 1, 1997. The lending rate is tied to 6-month LIBOR or (EURIBOR) in the currencies of the borrower's choice. The lending rate provides a direct pass-through of the Bank's cost of funds, and is reset annually with a spread of 50 basis points. The estimated fair value is considered to approximate carrying value, adjusted for credit risk.

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 lending rate is based on the amortizing swap rate, that is, single fixed rate equivalent of 6-month LIBOR in the loan currency for value on the rate fixing date. It is based on the Bank's cost of borrowing for funding these loans in the loan currency plus a market risk premium and the Bank's standard spread of 50 basis points. The estimated fair value of single currency fixed rate loans is considered to approximate carrying value.

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. The estimated fair value is considered to approximate carrying value, adjusted for credit risk.

The Private Sector Loans: These loans are made at market terms and are at variable interest rates and their carrying values are considered to approximate fair value.

Fair Value

At December 31, 2004 and 2003, the carrying and estimated fair values of loans were as follows:

(UA thousands)		2004		2003	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Public Sector –	Variable rate loans	3,043,872	3,043,875	3,512,990	3,512,990
	Fixed rate loans	1,859,630	1,978,270	1,870,890	2,163,860
Private sector –	Variable rate loans	256,783	256,780	183,710	183,710
	Fixed rate loans	62,260	62,260	44,650	44,650
		5,222,545	5,341,185	5,612,240	5,905,210
Accumulated loan loss provision		(450,085)	(450,085)	(469,090)	(469,090)
Net loans		**4,772,460**	**4,891,100**	**5,143,150**	**5,436,120**

Loans are expressed in Units of Account but repaid in the currencies disbursed.

Loan Loss Provision

The movements in the accumulated provision for loan losses for the years ended December 31, 2004 and 2003 were as follows:

(UA thousands)	2004	2003
Balance at January 1	469,090	491,664
Provision for loan losses - Public sector	(27,391)	(29,630)
Provision for loan losses - Private sector	9,237	8,123
Translation effects	(851)	(1,067)
Balance at December 31	**450,085**	**469,090**

During the year ended December 31, 2004, provisions on private sector loans of UA 9.24 million (2003: UA 8.12 million) were made. The accumulated provisions on private sector loans at December 31, 2004 amounted to UA 28.03 million (2003: UA 19.64 million).

Interest rates charged on loans outstanding ranged from 2 percent per annum to 10 percent per annum. At December 31, 2004, loans made to or guaranteed by certain member countries and private sector loans, with an aggregate principal balance of UA 1,121.45 million (2003: UA 1,188.18 million), of which UA 305.07 million (2003: UA 301.58 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, 2004 would have been higher by UA 61.30 million (2003: UA 80.85 million). The cumulative non-accrued income on loans at December 31, 2004 was UA 784.00 million (2003: UA 703.32 million).

Effective July 1, 2002, the outstanding balance and accumulated arrears on interest and charges to the Democratic Republic of Congo (DRC) were restructured into two (2) new consolidated loans. The disbursed and outstanding balances were consolidated into loan "A", while the accumulated arrears on interest and charges were consolidated into a loan "B". Whilst the consolidation of the interest previously due (loan B) had resulted in an increase of UA 361.19 million in receivables outstanding and contractually due from the DRC, the balance sheet exposure to the DRC (loan A) remained unchanged, due to the deferral of the recognition of such interest and charges which were in non-accrual status prior to the restructuring (loan B). The consolidated loans carry interest at the rate of 8.97 percent, representing the weighted average interest rate on all the DRC loans prior to the consolidation. The final maturity of the consolidated loan is 20 years, which includes a 2-year grace period. The previous loans had final maturities extending to 2010. Although the consolidated DRC loans are contractually current, they remain in non-accrual status, to allow for a period of satisfactory performance. As at December 31, 2004, the balances outstanding on loans 'A' and 'B' were UA 343.47 million and UA 417.90 million, respectively. Income for the year ended December 31, 2004 includes UA 39.90 million (2003: UA 53.64 million) recognized on a cash-basis on the DRC consolidated loan.

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, 2004, irrevocable reimbursement guarantees issued by the Bank to commercial banks on undisbursed loans amounted to UA 14.94 million (2003: UA 9.86 million).

Also, the Bank has provided guarantees for securities issued by an entity eligible for the Banks' 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. Outstanding guarantee of loan principal of UA 15.38 million at December 31, 2004, representing the maximum potential risk if the payments guaranteed for the entity are not made, was not included in reported loan balance.

Loan Hedges

In addition to the swaps on borrowings disclosed in Note N, the Bank has entered into interest rate swaps which transform fixed rate income on loans in certain currencies into variable rate income. The fair value of interest rate swaps are included in the Balance Sheet under Accounts Receivable.

At December 31, 2004 and 2003 the carrying and estimated fair values of interest rate swaps on some of the Bank's loan portfolio were as follows:

(UA thousands)	**2004**		2003	
	Contract or Notional Amount	Estimated Fair Value	Contract or Notional Amount	Estimated Fair Value
Interest Rate Swaps	**683,834**	**(19,787)**	**728,196**	**(22,783)**

Heavily Indebted Poor Countries (HIPC) Initiative

The Bank participates in a multilateral initiative for addressing the debt problems of countries identified as Heavily Indebted Poor Countries (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 framework of HIPC initiatives, 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, as calculated using the methodology agreed under the initiatives, and their nominal values.

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 32 African countries are eligible, the debt relief is delivered through annual debt service reductions; and 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, 2004, the Board of Directors had approved relief for 17 ADB borrowing countries, of which 8 had reached the completion point. During the year ended December 31, 2004, debt relief of UA 129.48 million (2003: UA 71.69 million) was received on behalf of the ADB borrowing countries.

Maturity and Currency Composition of Outstanding Loans

Maturity Distribution as at December 31, 2004
(UA millions)

Period	Fixed Rate	Floating Rate	Variable Rate	Total
January 1, 2005 to December 31, 2005	353.25	140.58	340.91	834.74
January 1, 2006 to December 31, 2006	182.89	137.57	196.64	517.10
January 1, 2007 to December 31, 2007	182.68	150.49	190.34	523.51
January 1, 2008 to December 31, 2008	171.87	156.43	185.28	513.58
January 1, 2009 to December 31, 2009	131.36	155.28	183.84	470.48
January 1, 2010 to December 31, 2014	302.07	612.71	536.22	1,451.00
January 1, 2015 to December 31, 2019	308.90	291.79	10.85	611.54
January 1, 2020 to December 31, 2024	288.86	11.73	-	300.59
Total	**1,921.88**	**1,656.58**	**1,644.08**	**5,222.54**

Currency Composition and Type of Loans as at December 31, 2004 and 2003

(Amounts in UA millions)			2004		2003	
			Amount	**%**	**Amount**	**%**
Fixed Rate	Multi Currency	Euro	147.65		177.34	
		Japanese Yen	251.12		331.44	
		Swiss Franc	48.56		62.03	
		Pound Sterling	1.19		1.69	
		US Dollar	267.19		418.52	
		Others	11.36		16.09	
			727.07	13.92	1,007.11	17.94
	Single Currency	Euro	744.31		456.98	
		Japanese Yen	154.12		156.64	
		Swiss Franc	57.37		54.85	
		Pound Sterling	2.43		2.35	
		US Dollar	212.58		225.92	
		South African Rand	23.67		11.37	
		Others	0.33		0.31	
			1,194.81	22.88	908.42	16.19
Floating Rate	Single Currency	Euro	597.36		602.79	
		US Dollar	894.81		762.14	
		South African Rand	162.05		70.95	
		Others	2.36		-	
			1,656.58	31.72	1,435.88	25.58
Variable Rate	Multi Currency	Euro	235.71		265.89	
		Japanese Yen	64.72		81.76	
		Swiss Franc	1.68		2.55	
		US Dollar	205.34		249.66	
		Others	0.49		0.57	
			507.94	9.73	600.43	10.70
	Single Currency Converted	Euro	482.17		577.63	
		Japanese Yen	239.52		329.49	
		Swiss Franc	19.77		19.94	
		US Dollar	394.62		733.27	
		Others	0.06		0.07	
			1,136.14	21.75	1,660.40	29.59
Total			**5,222.54**	**100.00**	**5,612.24**	**100.00**

Summary of Currency Composition of Loans at December 31, 2004 and 2003

(Amounts in UA millions)	2004		2003	
	Amount	**%**	**Amount**	**%**
Euro	2,207.20	42.26	2,080.63	37.07
Japanese Yen	709.48	13.58	899.33	16.03
Swiss Franc	127.38	2.44	139.37	2.48
Pound Sterling	3.62	0.07	4.04	0.07
US Dollar	1,974.54	37.81	2,389.50	42.58
South African Rand	185.72	3.56	82.32	1.47
Others	14.60	0.28	17.05	0.30
Total	**5,222.54**	**100.00**	**5,612.24**	**100.00**

The distribution of outstanding loans at December 31, 2004 and 2003 by sector was as follows:

(Amounts in UA millions)	2004		2003	
	Amount	**%**	**Amount**	**%**
Finance	1,157.68	22.17	985.06	17.55
Multi-Sector	1,214.37	23.25	1,512.48	26.95
Communications	178.31	3.41	188.17	3.35
Power	404.73	7.75	366.50	6.53
Social	167.66	3.21	197.46	3.52
Transport	689.76	13.21	769.17	13.71
Agriculture & Rural Development	667.07	12.77	841.08	14.99
Urban Development	0.05	-	0.06	-
Industry, Mining and Quarrying	384.87	7.37	365.90	6.52
Water Supply and Sanitation	358.04	6.86	386.36	6.88
Total	**5,222.54**	**100.00**	**5,612.24**	**100.00**

Note K – Equity Participations

The Bank's participation in the equity of African Development Fund and other institutions was as follows:

African Development Fund

The African Development Fund (ADF or the Fund) was established in 1972 as an international institution 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. 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 Increase 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, which reports to the Board of Governors made up of representatives of the State Participants and the ADB. The ADB exercises fifty percent (50%) of the voting powers in ADF and 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 management fee. The management fee 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, management fees incurred by ADF for the year ended December 31, 2004 amounted to UA 103.06 million (2003: UA 101.66 million), representing 69.64 percent (2003: 66.19 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. As at December 31, 2004, the Bank's subscriptions to ADF amounted to UA 111.74 million.

Other Equity Participations

As at December 31, 2004 and 2003, the cost and carrying values of the Bank's equity participation in other institutions (including private sector equity participations) were as follows:

(Amounts in UA thousands)

Institutions	Year Established	Callable	Carrying Value 2004	Carrying Value 2003
Regional Development Banks:				
BDEAC	1975	2,407	1,604	1,555
East African Development Bank	1967	-	5,000	5,000
PTA Bank	1985	10,000	5,000	5,000
Afreximbank	1993	9,659	6,439	6,730
BOAD	1973	2,006	669	648
BDEGL	1980	-	1,946	1,946
		24,072	20,658	20,879
Other Development Institutions:				
K-REP Bank Limited	1997	-	607	684
Alexandria National Iron & Steel	1993	-	-	10,269
Zimbabwe Development Bank	1984	-	1	3
Meridien BIAO SA	1991	-	-	5,047
Africa - Re	1977	-	5,609	673
Shelter Afrique	1982	-	3,220	3,365
Development Bank of Zambia *	1974	-	-	-
National Development Bank of Sierra Leone *		-	-	-
		-	9,437	20,041
Investment Funds (carried at fair value):				
AIG Africa Infrastructure Fund	1999	10,188	22,724	15,062
South Africa Infrastructure Fund	1996	2,392	12,883	9,856
Acacia Fund Limited	1996	-	684	731
Zambia Venture Capital Fund	1996	-	588	1,346
Indian Ocean Regional Fund Limited	1999	755	710	1,230
Msele Nedventure Limited	1995	-	-	1,216
		13,335	37,589	29,441
Total		37,407	67,684	70,361
Less: Accumulated provision for equity losses		-	(4,247)	(17,878)
Net		**37,407**	**63,437**	**52,483**

** Amounts fully disbursed, but the value is less than UA 100, at the current exchange rate.*

The cost of equity investment carried at fair value at December 31, 2004 was UA 35.12 million.

Accumulated provision for equity losses is made up as follows:

(UA thousands)	**2004**	2003
BDEAC	-	1,244
BDEGL	1,946	1,946
Zimbabwe Development Bank	1	3
PTA Bank	1,500	1,500
Meridien BIAO SA	-	5,047
South Africa Infrastructure Fund	-	2,464
Zambia Venture Capital Fund	-	202
Msele Nedventure Limited	-	851
Alexandria National Iron & Steel	-	4,621
East African Development Bank	800	-
Total	**4,247**	**17,878**

An analysis of the movement in accumulated provision for losses on equity participation is as follows:

(UA thousands)	**2004**	2003
Balance at January 1	17,878	17,969
Provision for the year	(3,457)	1,993
Reversal of provision in the year	(10,316)	(311)
Translation Adjustment	142	(1,773)
Balance at December 31	**4,247**	**17,878**

Note L – Fixed Assets

(UA thousands)

		Land	Building and Improvements	Furniture, Fixtures & Fittings	Equipments & Motor Vehicles	Total
Cost:	Balance at January 1, 2004	141	22,751	5,897	47,289	76,078
	Additions during the year	-	6	337	2,950	3,293
	Disposals during the year	-	(5)	(37)	(1,507)	(1,549)
	Balance at December 31, 2004	141	22,752	6,197	48,732	77,822
Accumulated Depreciation:	Balance at January 1, 2004	-	20,979	3,088	31,238	55,305
	Depreciation during the year	-	101	736	5,580	6,417
	Disposals during the year	-	-	(15)	(1,490)	(1,505)
	Balance at December 31, 2004	-	21,080	3,809	35,328	60,217
Net Book Values:	**December 31, 2004**	**141**	**1,672**	**2,387**	**13,405**	**17,605**
	December 31, 2003	141	1,772	2,809	16,051	20,773

Note M – 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 allocated expenses to NTF shall not exceed 20 percent of the gross income of NTF. The administrative expenses comprised the following:

(UA thousands)	2004	2003
Personnel expenses	115,582	119,403
Other general expenses	26,092	28,664
Total	141,674	148,067
Reimbursable by ADF	(103,060)	(101,659)
Reimbursable by NTF	(1,530)	(1,272)
Net	**37,084**	**45,136**

The average number of staff (including short-term staff) included in personnel expenses for 2004 was 1,057. (2003: 1,192). The number of staff (regular and short-term) at December 31, 2004 was 1,085 (2003: 1,096).

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 hedge its administrative expenses. These transactions were entered into with a zero lock-in cost. The nominal value of the forward transactions as at December 31, 2004 amounted to UA 65.00 million with an unfavorable market value of UA 0.13 million.

Included in general administrative expenses is an amount of UA 3.18 million (2003: UA 2.47 million) incurred under operating lease agreements for offices in Tunisia and 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)	2004	2003
Within one year	1,778	2,329
In the second to fifth years inclusive	192	1,100
Total	**1,970**	**3,429**

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.

Note N – Borrowings

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.

The Bank has entered into currency swap agreements with major international banks by which proceeds of a borrowing are converted into a different currency and simultaneously a forward exchange agreement is executed 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.

The Bank has a potential risk of loss if the swap counterparty fails to perform its obligations. In order to reduce such credit risk, the Bank only enters into long-term swap transactions with counterparties eligible under the Bank's *Assets and Liability Management Guidelines*, which include requirement that the counterparties have a minimum credit rating of AA-/Aa3. The Bank does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

At December 31, 2004, borrowings with embedded callable options amounted to UA 533.96 million (2003: UA 409.62 million). These options can be exercised annually on interest payments dates from the time the bond is first callable until its maturity date.

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. At December 31, 2004, total borrowing, excluding embedded derivatives, amounted to UA 5,649.89 million comprising senior debt and subordinated debt amounting to UA 4,948.69 million and UA 701.20 million, respectively. As of the same date, the ratio of senior debt to the non-borrowing members' callable capital of UA 8,532.00 million was 58.00 percent. Also at December 31, 2004 the ratio of total outstanding borrowings to the total callable capital of UA 19,374.63 million was 29.16 percent.

A summary of the Bank's borrowings portfolio at December 31, 2004 and 2003 follows:

Borrowings and Swaps at December 31, 2004
(Amounts in UA millions)

	Direct Borrowings			Currency Swap Agreements (a)			Interest Rate Swaps			Net Currency Obligations		
Currency Rate Type	Amount	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)	Amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)	Notional amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)	Amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)
Euro												
Fixed	267.42	6.50	1.7	149.67	8.71	14.7	205.52	5.16	3.4	622.61	6.59	5.4
	-	-	-	-	-	-	(267.42)	6.50	1.7	(267.42)	6.50	1.7
Adjustable	66.85	4.40	2.3	2,006.49	2.20	6.0	334.27	5.60	1.9	2,407.61	2.73	5.4
	-	-	-	(182.82)	1.43	7.6	(272.37)	2.74	3.1	(455.19)	2.21	4.9
Sterling												
Fixed	62.18	11.13	5.0	-	-	-	-	-	-	62.18	11.13	5.0
	-	-	-	-	-	-	(62.18)	11.13	5.0	(62.18)	11.13	5.0
Adjustable	-	-	-	-	-	-	62.18	10.67	5.0	62.18	10.67	5.0
	-	-	-	(62.18)	10.67	5.0	-	-	-	(62.18)	10.67	5.0
Japanese Yen												
Fixed	1,197.62	2.73	6.3	-	-	-	248.20	4.64	3.3	1,445.82	3.06	5.8
	-	-	-	(315.21)	2.55	8.3	(797.70)	2.54	4.3	(1,112.91)	2.54	5.4
Adjustable	823.40	3.12	9.4	-	-	-	866.57	(0.07)	4.5	1,689.97	1.48	6.9
	-	-	-	(1,226.06)	2.12	5.6	(317.07)	0.60	4.3	(1,543.13)	1.81	5.3
US Dollar												
Fixed	2,514.47	3.19	7.8	-	-	-	-	-	-	2,514.47	3.19	7.8
	-	-	-	(354.15)	5.66	6.5	(1,606.56)	2.55	5.8	(1,960.71)	3.11	5.9
Adjustable	12.88	2.74	0.7	1,125.30	1.56	6.7	1,487.35	1.54	5.5	2,625.53	1.55	6.0
	-	-	-	(598.02)	1.98	6.2	(12.88)	2.70	0.7	(610.90)	2.00	6.1
Others												
Fixed	1,097.76	1.33	8.2	13.19	1.89	7.1	-	-	-	1,110.95	1.34	8.2
	-	-	-	(922.75)	1.31	9.1	-	-	-	(922.75)	1.31	9.1
Adjustable	-	-	-	246.27	7.75	8.1	170.71	0.70	3.3	416.98	4.86	6.1
	-	-	-	-	-	-	(170.71)	1.50	3.3	(170.71)	1.50	3.3
Total												
Fixed	5,139.45	2.95	7.2	162.86	8.16	14.1	453.72	4.88	3.3	5,756.03	3.25	7.1
	-	-	-	(1,592.11)	2.52	8.3	(2,733.86)	3.13	5.0	(4,325.97)	2.91	6.2
Adjustable	903.13	3.21	8.7	3,378.06	2.39	6.4	2,921.08	1.67	4.6	7,202.27	2.20	6.0
	-	-	-	(2,069.08)	2.28	5.9	(773.03)	1.59	3.6	(2,842.11)	2.09	5.3
Principal at face value	6,042.58	2.99	7.4	(120.27)	-	-	(132.09)	-	-	5,790.22	2.78	-
Net unamortized premium/(discount)	(392.69)	-	-	260.15	-	-	113.60	-	-	(18.94)	-	-
	5,649.89	-	-	139.88	-	-	(18.49)	-	-	5,771.28	-	-
IAS 39 Adjustment	-	-	-	93.26 (c)	-	-	(12.37) (c)	-	-	80.89	-	-
Total	**5,649.89**	**2.99**	**7.4**	**233.14**	**-**	**-**	**(30.86)**	**-**	**-**	**5,852.17**	**2.78**	**-**

Supplementary disclosure (direct borrowings):

The estimated fair value of borrowings at December 31, 2004 was UA 6,095.20 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, 2004.
c. These amounts are included in swaps payable and receivable on the balance sheet.

Slight differences may occur in totals due to rounding.

Borrowings and Swaps at December 31, 2003 (Restated – Note B)
(Amounts in UA millions)

	Direct Borrowings			Currency Swap Agreements (a)			Interest Rate Swaps			Net Currency Obligations		
Currency Rate Type	Amount	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)	Amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)	Notional amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)	Amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)
Euro												
Fixed	259.15	6.50	2.8	145.04	8.71	15.7	199.16	2.60	4.6	603.35	5.74	6.5
	-	-	-	-	-	-	(259.15)	6.50	4.6	(259.15)	6.50	4.6
Adjustable	64.79	3.77	3.4	1,970.61	1.76	11.2	321.27	3.92	3.0	2,356.67	2.11	9.9
	-	-	-	(41.17)	0.59	3.3	(261.28)	1.05	4.3	(302.45)	0.99	4.2
Sterling												
Fixed	60.05	11.13	6.1	-	-	-	-	-	-	60.05	11.13	6.1
	-	-	-	(60.05)	9.21	6.1	(60.05)	11.13	6.1	(120.10)	10.17	6.1
Adjustable	-	-	-	-	-	-	60.05	9.21	6.1	60.05	9.21	6.1
	-	-	-	-	-	-	-	-	-	-	-	-
Japanese Yen												
Fixed	1,217.14	2.07	6.6	-	-	-	252.25	4.64	4.3	1,469.39	2.55	6.2
	-	-	-	(320.35)	2.10	9.5	(810.71)	1.80	5.1	(1,131.06)	1.88	6.3
Adjustable	786.38	2.60	10.3	-	-	-	880.70	(0.04)	7.1	1,667.08	1.30	8.7
	-	-	-	(1,101.02)	1.32	10.7	(322.24)	0.52	8.1	(1,423.26)	1.14	10.1
US Dollar												
Fixed	2,728.35	3.72	7.7	-	-	-	(1,134.55)	0.25	5.9	1,593.80	6.19	9.0
	-	-	-	(370.13)	4.92	5.8	-	-	-	(370.13)	4.92	5.8
Adjustable	6.73	1.84	0.1	1,095.05	0.25	14.9	991.23	1.70	0.9	2,093.01	0.94	8.2
	-	-	-	(671.64)	0.47	5.0	-	-	-	(671.64)	0.47	5.0
Others												
Fixed	1,191.85	1.54	8.0	53.42	2.92	2.3	163.22	0.30	4.3	1,408.49	1.45	7.4
	-	-	-	(1,014.18)	1.42	8.9	(173.35)	2.23	4.1	(1,187.53)	1.54	8.2
Adjustable	-	-	-	114.67	2.29	6.4	10.13	10.96	0.8	124.80	2.99	5.9
	-	-	-	-	-	-	-	-	-	-	-	-
Total												
Fixed	5,456.54	3.19	7.2	198.46	7.15	12.1	(519.92)	(2.80)	7.7	5,135.08	4.05	7.3
	-	-	-	(1,764.71)	2.54	8.1	(1,303.26)	3.22	4.9	(3,067.97)	2.83	6.7
Adjustable	857.90	2.67	9.7	3,180.33	1.26	12.3	2,263.38	1.58	3.7	6,301.61	1.59	8.9
	-	-	-	(1,813.83)	0.99	8.4	(583.52)	0.76	6.4	(2,397.35)	0.93	7.9
Principal at face value	6,314.44	3.12	7.7	(199.75)	-	-	(143.32)	-	-	5,971.37	3.33	-
Net unamortized premium/(discount)	(449.66)	-	-	293.22	-	-	133.74	-	-	(22.70)	-	-
	5,864.78	-	-	93.47	-	-	(9.58)	-	-	5,948.67	-	-
IAS 39 Adjustment	-	-	-	59.16 (c)	-	-	(20.84) (c)	-	-	38.32	-	-
Total	**5,864.78**	**3.12**	**7.7**	**152.63**	**-**	**-**	**(30.42)**	**-**	**-**	**5,986.99**	**3.33**	**-**

Supplementary disclosure (direct borrowings):

The estimated fair value of borrowings at December 31, 2003 was UA 5,384.79.

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, 2003.
c. These amounts are included in swaps payable and receivable on the balance sheet.

Slight differences may occur in totals due to rounding.

The maturity structure of outstanding borrowings as at December 31, 2004 is as follows:

(UA millions)

Period	Ordinary	Callable	Total
January 1, 2005 to December 31, 2005	322.21	376.49	698.70
January 1, 2006 to December 31, 2006	267.64	142.09	409.73
January 1, 2007 to December 31, 2007	306.90	9.31	316.21
January 1, 2008 to December 31, 2008	1,058.66	6.20	1,064.86
January 1, 2009 to December 31, 2009	64.66		64.66
January 1, 2010 to December 31, 2014	1,593.06	-	1,593.06
January 1, 2015 to December 31, 2019	1,278.92	-	1,278.92
January 1, 2020 to December 31, 2024	518.48	-	518.48
January 1, 2025 to December 31, 2029	73.39	-	73.39
January 1, 2030 to December 31, 2035	24.57	-	24.57
Sub-total	5,508.49	534.09	6,042.58
Net unamortized premium	(392.56)	(0.13)	(392.69)
Total	**5,115.93**	**533.96**	**5,649.89**

Unrealized net losses on non-trading derivatives

Unrealized net losses on non-trading derivatives included in income and expenses for the year ended December 31, 2004 and 2003 are as follows:

(UA thousands)	2004	Restated (Note B) 2003
Interest rate swaps on borrowings	1,703	(21,307)
Cross currency swaps on borrowings	(43,012)	(135,647)
Borrowings with embedded derivatives	(70,672)	69,987
Interest rate swaps on loans	(4,322)	5,012
Embedded derivatives stripped off borrowings	(3,510)	1,255
Macro-hedge swaps	7,288	(947)
Total	**(112,525)**	**(81,647)**

Borrowing expenses for the year ending December 31, 2004 comprised the following:

(UA thousands)	
Charges to bond issuers	229,231
Net charges received from swap counterparties	(33,670)
	195,561
Amortization of issuance costs	3,287
Borrowing expenses for the year	**198,848**

Note O – Net Currency Position at December 31, 2004

(UA thousands)

	Euro	US Dollar	Japanese Yen	Sterling	Other	Sub-total	Units of Account	Total
Assets								
Due from banks	(800)	12,682	24,235	1,697	5,986	43,800	-	43,800
Demand obligations	-	109	-	-	3,800	3,909	-	3,909
Investments - Trading (a)	907,067	1,207,901	27,523	2,492	128,349	2,273,332	-	2,273,332
Investments - Held-to-maturity	691,230	818,420	225,280	401,477	-	2,136,407	-	2,136,407
Non negotiable instruments on account of capital	1,985	19,703	-	-	-	21,688	9,492	31,180
Accounts receivable	92,878	95,353	35,273	16,600	25,728	265,832	23,215	289,047
Loans	2,016,103	1,803,180	647,478	3,798	301,901	4,772,460	-	4,772,460
Equity participation	2,273	39,974	-	-	13,490	55,737	119,441	175,178
Other assets	1,430	183	-	32	707	2,352	15,786	18,138
	3,712,166	3,997,505	959,789	426,096	479,961	9,575,517	167,934	9,743,451
Liabilities								
Accounts payable	(79,840)	(141,137)	(35,391)	(6,965)	(30,061)	(293,394)	(18,103)	(311,497)
Borrowings and embedded derivatives	(333,750)	(2,398,803)	(2,018,949)	(59,175)	(839,211)	(5,649,888)	(7,260)	(5,657,148)
	(413,590)	(2,539,940)	(2,054,340)	(66,140)	(869,272)	(5,943,282)	(25,363)	(5,968,645)
Currency swaps on borrowings and related derivatives (b)	(1,973,343)	(156,942)	1,541,269	62,182	405,442	(121,392)	(100,678)	(222,070)
Currency position as at December 31, 2004	**1,325,233**	**1,300,623**	**446,718**	**422,138**	**16,131**	**3,510,843**	**41,893**	**3,552,736**
% of sub-total	37.75	37.05	12.72	12.02	0.46	100.00	-	-
SDR Composition as at December 31, 2004	37.45	37.23	13.06	12.26	-	100.00	-	-

(a) Investments - Trading, comprise the following:

Amount per balance sheet:

Investments held for trading	*2,299,010*
Currency swaps receivable	*1,226*
Currency swaps payable	*(17,609)*
Repos	*(9,295)*
Amount per statement of net currency position	*2,273,332*

(b) Currency swaps on borrowings, net comprise the following:

Amount per balance sheet:

Currency swaps receivable	*273,564*
Currency swaps payable	*(495,634)*
Net swaps on borrowings per statement of net currency position	*(222,070)*

Note P – Liquidity Position

The Bank's liquidity policy ensures that it has the resources to meet its net disbursement and debt service obligations while at the same time allowing the flexibility in deciding the appropriate time to access the capital markets. The Bank's liquidity policy requires that it holds liquid assets in a target zone, above the required prudential minimum level of liquidity (PML) and less than the operational level of liquidity (OLL). The PML is computed as the sum of the debt service payment for the next year, the projected net loan disbursement for the next year, the loan equivalent value of signed guarantees and the undisbursed equity investments. As an operational guideline, the OLL is computed as the prudential minimum level of liquidity (PML) plus 50 percent of the stock of undisbursed loans. The table below provides an analysis of assets, liabilities and members' equity into relevant maturity groupings based on the remaining period from the balance sheet date to contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment patterns allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown, while for assets, it is the latest possible repayment date. Assets and liabilities that do not have a contractual maturity date are grouped together in the "Maturity undefined" category.

Liquidity position at December 31, 2004
(UA thousands)

	Up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years and up to and including 15 years	Over 15 years	Maturity undefined	Total
Assets							
Due from banks	43,800	-	-	-	-	-	43,800
Demand obligations	3,909	-	-	-	-	-	3,909
Amount receivable from swaps	5,687	104,011	62,386	85,531	17,175	-	274,790
Investments - Trading (net of repos)	2,289,715	-	-	-	-	-	2,289,715
Investments - Held-to-maturity	212,270	880,890	1,030,370	12,877	-	-	2,136,407
Non negotiable instruments on account of capital	7,083	17,995	6,102	-	-	-	31,180
Accounts receivable	287,709	1,338	-	-	-	-	289,047
Loans	834,740	2,024,670	1,451,000	611,540	300,595	-	5,222,545
Accumulated loan loss provision	-	-	-	-	-	(450,085)	(450,085)
Equity participation	-	-	-	-	-	175,178	175,178
Other assets	533	-	-	-	-	17,605	18,138
	3,685,446	3,028,904	2,549,858	709,948	317,770	(257,302)	10,034,624
Liabilities and Equity							
Accounts payable	(311,497)	-	-	-	-	-	(311,497)
Amounts payable for swaps	(121,628)	(154,112)	(113,160)	(78,868)	(45,475)	-	(513,243)
Borrowings and embedded derivatives	(719,690)	(1,828,090)	(1,641,670)	(1,216,670)	(243,768)	(7,260) *	(5,657,148)
Equity	-	-	-	-	-	(3,552,736)	(3,552,736)
	(1,152,815)	(1,982,202)	(1,754,830)	(1,295,538)	(289,243)	(3,559,996)	(10,034,624)
Liquidity position as at December 31, 2004	**2,532,631**	**1,046,702**	**795,028**	**(585,590)**	**28,527**	**(3,817,298)**	**-**

** Relates to IAS 39 adjustments on borrowings.*

Supplementary information:

Loans in chronic arrears (i.e. more than 2 years)	238,820	98,600	61,860	180	-	-	399,460

Note Q – Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Securities that comprise the Bank's dealing portfolio are assumed to reprice within the "Up to and including 1 year" category

Interest Rate Risk Position at December 31, 2004
(UA thousands)

	Up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years and up to and including 15 years	Over 15 years	Maturity undefined	Total
Assets							
Due from banks	43,800	-	-	-	-	-	43,800
Demand obligations	-	-	-	-	-	3,909	3,909
Investments - Trading (a)	2,273,332	-	-	-	-	-	2,273,332
Investments - Held-to-maturity	196,913	863,709	1,012,781	13,613		49,391	2,136,407
Non negotiable instruments on account of capital	-	-	-	-	-	31,180	31,180
Accounts receivable	289,047	-	-	-	-	-	289,047
Loans	2,611,253	1,002,810	664,809	476,986	466,687	-	5,222,545
Accumulated loan loss provision	-	-	-	-	-	(450,085)	(450,085)
Equity participation	-	-	-	-	-	175,178	175,178
Other assets	-	-	-	-	-	18,138	18,138
	5,414,345	1,866,519	1,677,590	490,599	466,687	(172,289)	9,743,451
Liabilities							
Accounts payable	(311,497)	-	-	-	-	-	(311,497)
Borrowings (b & c)	(4,537,539)	(234,238)	(572,717)	(155,187)	(290,542)	(88,995)	(5,879,218)
Macro-hedge swaps	(201,450)	98,660	102,790	-	-	-	-
	(5,050,486)	(135,578)	(469,927)	(155,187)	(290,542)	(88,995)	(6,190,715)
Position of interest rate risk as at December 31, 2004	**363,859**	**1,730,941**	**1,207,663**	**335,412**	**176,145**	**(261,284)**	**3,552,736**

(a) Investments - Trading, comprise the following:

Amount per balance sheet:	
Investments - trading	*2,299,010*
Currency swaps receivable	*1,226*
Currency swaps payable	*(17,609)*
Securities sold under agreements to repurchase	*(9,295)*
Amount per statement of interest rate risk	*2,273,332*

(b) Borrowings comprise the following:

Amount per balance sheet:	
Borrowings	*5,649,888*
Currency swaps receivable	*(273,564)*
Currency swaps payable	*495,634*
Embedded derivatives	*7,260*
Net borrowings per statement of interest rate risk	*5,879,218*

(c) Non interest-bearing funds included in borrowings comprise the following:

Cross currency swaps - IAS 39 adjustment	*(111,751)*
Interest rate swaps - IAS 39 adjustment	*30,863*
IAS 39 adjustment on loan interest rate swaps	*(19,787)*
IAS 39 adjustment on embedded derivatives on borrowings	*(7,260)*
Net issuance costs on swaps and borrowings	*18,940*
	(88,995)

Note R – Financial Risks

In the normal course of its development banking business, the Bank may be exposed to the following types of financial risk:

Country Credit Risk: Country credit risk includes potential losses arising from a country's inability or willingness 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 socio-political conditions and future growth prospects. Potential losses from country credit risk are considered in the determination of the accumulated provision for loan losses.

Commercial Credit Risk: In the ordinary course of business, the Bank uses a variety of financial instruments, some of which involve elements of commercial credit risk in excess of the amount recorded on the balance sheet. Commercial credit risk exposure represents the maximum potential accounting loss due to possible nonperformance by counterparties under the terms of the contracts. Additionally, the nature of the instruments involve contract value and notional principal amounts that are not reflected in the basic financial statements. For securities, the Bank limits trading to a list of authorized dealers and counterparties with the highest credit ratings. Credit risk is controlled through application of eligibility criteria and limits for transactions with individual counterparties, based on their credit rating and size, subject to a maximum of 10 percent of the Bank's total risk capital for any single counterparty. The Bank may require collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

Market Risks: Market risks encompass funding, liquidity, currency and interest, and exchange rate risks. Such risks are managed through the pricing of loans and the Bank's overall asset and liability management practices. The Bank's liquidity policy ensures that it has the resources to meet its net disbursement and debt service obligations and allow it flexibility in deciding the appropriate time to access the capital market. To achieve this objective, the Bank operates on a prudential minimum as well as an operational level of liquidity established by this policy. The prudential minimum level of liquidity is based on the debt service payment of the next year, the projected net loan disbursement for the next year, the loan equivalent value of signed guarantees and the undisbursed equity investments. All potential debt service payments due to early redemption of swaps and borrowings with embedded options are included in the determination of the debt service payment of the next year. To enable the Bank to take advantage of low-cost funding opportunities as they arise, the Bank's policy allows it to build up liquid resources above the prudential minimum level. The maximum level of liquidity is limited to the total of the minimum plus 50% of the stock of undisbursed loans. The Bank maintains interest rate limits for each internally managed or externally managed active currency portfolio. The borrowing cost pass-through formulation incorporated in the lending rates charged on the Bank's recent loans, has helped to limit the interest rate sensitivity of the net spread earnings on its loan portfolio. The Bank holds or lends the proceeds of its borrowings in the same currencies borrowed (after swap activities). Also, to avoid currency mismatches, borrowers are required to service their loans in the currencies disbursed by the Bank. Furthermore, in order to minimize exchange rate risks, the Bank matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency. The Bank also offers loans with interest rates directly linked to market interest rates. For such market-based loan products, the Bank's net margin is preserved by using swaps to align the interest rate sensitivity of the loans with that of the Bank's underlying funding (6-month LIBOR floating rate).

Note S – 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, 2004 and 2003 comprised the following:

(UA thousands)	**2004**	2003
AMINA	1,310	108
AMTA/NAMTA	21	131
Belgium	2,681	2,771
Canada	190	457
China	51	53
Denmark	1,886	1,307
Finland	514	279
France	3,266	3,208
ICP-Africa	419	-
India	1,303	1,643
Italy	18,150	2,367
Korea	1,403	1,453
Nordic	1,633	2,043
The Netherlands	3,487	3,212
Norway	1,326	1,313
Spain	534	698
Sweden	2,077	2,244
Switzerland	287	295
Others	60	-
Total	**40,598**	**23,582**

Note T – Segment Reporting

Other than the private sector lending operations, which at December 31, 2004 accounted for about 6 percent of the lending operations of the Bank and therefore considered to be insignificant to make a meaningful segment reporting, Management believes that the Bank has only one reportable segment, because it does not manage its operations by allocating resources based on a determination of the contribution to net income from individual borrowers. With regards to loans made to, or guaranteed by member countries, given the nature of the Bank, the risk and return profiles are sufficiently similar among borrowers that the Bank does not differentiate between the nature of the products or services provided, the preparation process or the method for providing the services among individual countries.

Note U – Related Party Transactions

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 Governor appointed by each member of the Bank, who exercises the voting power of the appointing member country. Member country subscriptions and voting powers are disclosed in Notes W and X. The Board of Directors, which is constituted by 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. Outstanding balances on loans granted to regional member countries are disclosed in Note V. Outstanding borrowings of the Bank are disclosed in Note N.

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 African Development Fund (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 Nigeria Trust Fund (NTF) as well as 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 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 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 ADF is included in Equity Participation and disclosed in Note K. 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. Share of administrative expenses reimbursed to the Bank by both the ADF and NTF are disclosed in Note M. The 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 are disclosed in Note S.

NOTE V – Summary of Loans as at December 31, 2004

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loans Amount	Undisbursed Balance	Outstanding Balance	% of Outstanding Loans
Algeria	9	423,015	-	126,815	296,200	5.67
Angola	4	3,870	-	330	3,540	0.07
Botswana	9	30,210	-	45	30,165	0.58
Burundi	3	1,932	-	-	1,932	0.04
Cameroon	8	120,073	-	38,826	81,247	1.56
Central African Republic**	1	2,467	-	-	2,467	0.05
Comoros**	1	6,361	-	-	6,361	0.12
Congo**	6	78,437	-	-	78,437	1.50
Côte D'Ivoire**	14	370,180	-	9,429	360,751	6.91
Dem.Rep.Congo**(a)	6	343,466	-	-	343,466	6.58
Egypt	8	257,672	-	16,355	241,317	4.62
Ethiopia	7	67,702	-	-	67,702	1.30
Gabon	17	319,776	-	103,650	216,126	4.14
Ghana	5	35,810	-	-	35,810	0.69
Guinea	5	28,425	-	21	28,404	0.54
Kenya	4	23,747	-	-	23,747	0.45
Lesotho	2	3,183	-	-	3,183	0.06
Liberia**	17	39,616	-	-	39,616	0.76
Madagascar	1	86	-	-	86	0.00
Malawi	1	9,093	-	-	9,093	0.17
Mauritania	2	39,132	-	318	38,814	0.74
Mauritius	9	38,084	-	34,758	3,326	0.06
Morocco	23	1,546,512	374,947	488,076	683,489	13.09
Namibia	8	136,199	38,287	53,098	44,814	0.86
Nigeria	14	445,552	-	19,971	425,581	8.15
Senegal	4	56,035	-	-	56,035	1.07
Seychelles**	9	20,464	-	-	20,464	0.39
Somalia**	3	3,795	-	-	3,795	0.07
South Africa	4	219,168	-	64,391	154,777	2.96
Sudan**	5	55,367	-	-	55,367	1.06
Swaziland	10	124,065	-	57,856	66,209	1.27
Tanzania	1	4,967	-	-	4,967	0.10
Tunisia	41	1,752,229	144,717	396,986	1,210,526	23.18
Uganda	1	2,804	-	-	2,804	0.05
Zambia	7	38,194	-	-	38,194	0.73
Zimbabwe**	12	192,871	-	-	192,871	3.69
Multinational	6	70,910	32	39,057	31,821	0.61
Total Public Sector	**287**	**6,911,468**	**557,983**	**1,449,983**	**4,903,502**	**93.89**
Total Private Sector	**30**	**527,348**	**133,934**	**74,371**	**319,043**	**6.11**
Total	**317**	**7,438,816**	**691,917**	**1,524,354**	**5,222,545**	**100.00**

* *Excludes fully repaid loans and cancelled loans.*
** *Country in non-accrual status as at December 31, 2004.*
(a) *Following the arrears clearance mechanism approved in June 2002, the total amount contractually due from DRC at December 31, 2004 was UA 761.37 million.*

Slight differences may occur in totals due to rounding.

NOTE W – Statement of Subscriptions to the Capital Stock and Voting Power as at December 31, 2004

(Amounts in UA thousands)

MEMBER STATES	PRE - GCI-IV [3] Paid-up share	PRE - GCI-IV [3] Callable shares	PRE - GCI-IV [3] Total	GCI- IV [4] Paid-up shares	GCI- IV [4] Paid-in shares	GCI- IV [4] Callable shares	GCI- IV [4] Total	Total [6] shares
1 ALGERIA	4,493	31,451	35,944	4,022	3,974	28,155	32,129	68,072
2 ANGOLA	2,003	14,023	16,027	610	610	4,273	4,883	20,910
3 BENIN	201	1,406	1,607	236	236	1,652	1,888	3,495
4 BOTSWANA	1,982	13,871	15,852	2,816	2,816	19,713	22,529	38,381
5 BURKINA FASO	264	1,847	2,111	762	762	5,334	6,096	8,207
6 BURUNDI	419	2,931	3,350	228	228	1,594	1,822	5,171
7 CAMEROON	1,346	9,423	10,769	1,037	922	7,260	8,182	18,951
8 CAPE VERDE	138	966	1,104	71	71	497	568	1,672
9 CENT.AFR.REP	102	714	816	20	20	137	157	973
10 CHAD	139	975	1,114	66	66	461	527	1,641
11 COMOROS	50	350	400	11	6	75	81	481
12 CONGO	719	5,033	5,752	369	369	2,583	2,952	8,704
13 COTE D'IVOIRE	3,738	26,166	29,904	6,388	6,388	44,716	51,104	81,008
14 DEM.REP.CONGO	2,294	16,060	18,355	548	548	3,837	4,385	22,740
15 DJIBOUTI	116	813	929	36	36	249	285	1,213
16 EGYPT	7,610	53,270	60,880	3,895	3,895	27,265	31,160	92,040
17 EQ.GUINEA	52	362	414	375	300	2,625	2,925	3,339
18 ERITREA	-	-	-	358	358	2,504	2,862	2,862
19 ETHIOPIA	2,367	16,569	18,936	1,211	1,211	8,477	9,688	28,624
20 GABON	1,373	9,611	10,984	2,030	1,894	14,215	16,109	27,092
21 GAMBIA	193	1,351	1,544	169	151	1,179	1,330	2,874
22 GHANA	2,921	20,447	23,368	1,871	1,814	13,092	14,906	38,274
23 GUINEA	678	4,746	5,424	348	348	2,436	2,784	8,208
24 GUINEA BISSAU	75	525	600	-	-	-	-	600
25 KENYA	2,158	15,106	17,264	1,104	1,104	7,728	8,832	26,096
26 LESOTHO	226	1,582	1,808	116	116	812	928	2,736
27 LIBERIA	422	2,954	3,376	107	107	748	855	4,230
28 LIBYA	4,914	34,400	39,314	3,302	3,302	23,114	26,416	65,730
29 MADAGASCAR	964	6,748	7,712	493	493	3,451	3,944	11,656
30 MALAWI	535	3,745	4,280	274	274	1,918	2,192	6,472
31 MALI	150	1,052	1,202	853	853	5,971	6,824	8,026
32 MAURITANIA	119	835	954	464	464	3,248	3,712	4,666
33 MAURITIUS	959	6,713	7,672	491	491	3,437	3,928	11,600
34 MOROCCO	5,072	35,504	40,576	2,363	2,363	16,541	18,904	59,480
35 MOZAMBIQUE	936	6,547	7,483	481	481	3,367	3,848	11,331
36 NAMIBIA	-	-	-	761	761	5,327	6,088	6,088
37 NIGER	691	4,835	5,526	-	-	-	-	5,526
38 NIGERIA	13,208	92,456	105,664	7,252	7,175	50,754	57,929	163,593
39 RWANDA	204	1,426	1,629	102	102	711	813	2,442
40 SAO TOME & P.	129	905	1,034	57	57	398	454	1,488
41 SENEGAL	1,523	10,659	12,182	843	817	5,897	6,714	18,896
42 SEYCHELLES	138	966	1,104	10	10	70	80	1,184
43 SIERRA LEONE	406	2,842	3,248	256	256	1,794	2,050	5,298
44 SOMALIA	217	1,521	1,738	25	25	178	203	1,941
45 SOUTH AFRICA	-	-	-	4,721	4,446	33,044	37,490	37,490
46 SUDAN	845	5,919	6,764	373	373	2,613	2,986	9,750
47 SWAZILAND	493	3,451	3,944	253	253	1,771	2,024	5,968
48 TANZANIA	957	6,697	7,654	960	960	6,720	7,680	15,334
49 TOGO	345	2,418	2,763	86	86	602	688	3,451
50 TUNISIA	2,075	14,525	16,600	1,062	1,062	7,434	8,496	25,096
51 UGANDA	724	5,065	5,788	570	570	3,990	4,560	10,348
52 ZAMBIA	2,905	20,334	23,239	-	-	-	-	23,239
53 ZIMBABWE	3,445	24,115	27,560	1,763	1,763	12,341	14,104	41,664
Total Regionals	**78,034**	**546,230**	**624,264**	**56,618**	**55,787**	**396,306**	**452,092**	**1,076,352**

GCI - V [5]														
Paid-up shares	Paid-in shares	Callable shares	Total	Total [7] shares	% of Total	Callable Capital	Paid-up Capital	Amount due	Amount paid	Amounts in arrears	Excess [2] payments	Number [1] of Votes	Voting power	No.
903	555	14,154	14,709	82,781	3.833	737,600	90,210	90,210	90,231	-	21	83,407	3.797	1
270	168	4,225	4,393	25,303	1.172	225,212	27,817	27,817	27,825	-	8	25,929	1.180	2
45	45	706	751	4,246	0.197	37,633	4,817	4,817	4,817	-	-	4,871	0.222	3
495	309	7,757	8,066	46,447	2.151	413,405	51,065	51,065	51,069	-	4	47,071	2.143	4
80	39	1,243	1,282	9,489	0.439	84,231	10,648	10,648	10,655	-	8	10,087	0.459	5
-	-	-	-	5,171	0.239	45,256	6,465	6,465	6,465	-	-	5,797	0.264	6
214	214	3,355	3,569	22,520	1.043	200,371	24,808	24,808	24,824	-	16	23,086	1.051	7
-	-	-	-	1,672	0.077	14,630	2,090	2,090	2,090	-	-	2,297	0.105	8
-	-	-	-	973	0.045	8,512	1,217	1,217	1,217	-	-	1,598	0.073	9
-	-	-	-	1,641	0.076	14,360	2,052	2,052	2,052	-	-	2,265	0.103	10
-	-	-	-	481	0.022	4,250	560	560	566	-	6	1,098	0.050	11
84	42	1,320	1,362	10,066	0.466	89,363	11,310	11,310	11,310	-	-	10,663	0.485	12
-	-	-	-	81,008	3.751	708,820	101,260	101,260	99,285	1,975	-	80,053	3.644	13
-	-	-	-	22,740	1.053	198,975	28,426	28,426	28,426	-	-	23,365	1.064	14
-	-	-	-	1,213	0.056	10,618	1,517	1,517	1,517	-	-	1,838	0.084	15
1,187	741	18,602	19,343	111,383	5.157	991,370	122,460	122,460	122,469	-	9	112,009	5.098	16
5	2	84	86	3,425	0.159	30,713	3,538	3,538	3,543	-	5	4,041	0.184	17
-	-	-	-	2,862	0.133	25,040	3,580	3,580	2,506	1,074	-	2,628	0.120	18
369	230	5,785	6,015	34,639	1.604	308,310	38,080	38,080	38,086	-	6	35,265	1.605	19
-	-	-	-	27,092	1.254	238,255	32,672	32,672	28,601	4,083	13	23,499	1.070	20
31	22	483	505	3,379	0.156	30,130	3,660	3,660	3,672	-	11	3,960	0.180	21
519	307	8,127	8,434	46,708	2.163	416,661	50,409	50,409	50,429	-	20	47,334	2.155	22
80	26	1,244	1,270	9,478	0.439	84,258	10,520	10,520	10,525	-	5	10,102	0.460	23
-	-	-	-	600	0.028	5,250	750	750	750	-	-	1,225	0.056	24
337	210	5,274	5,484	31,580	1.462	281,080	34,720	34,720	34,726	-	6	32,206	1.466	25
35	21	553	574	3,310	0.153	29,470	3,630	3,630	3,641	-	11	3,936	0.179	26
-	-	-	-	4,230	0.196	37,017	5,287	5,287	5,287	-	-	4,855	0.221	27
848	530	13,284	13,814	79,544	3.683	707,978	87,463	87,463	87,463	-	-	80,169	3.649	28
150	93	2,356	2,449	14,105	0.653	125,550	15,500	15,500	15,508	-	8	14,731	0.671	29
-	-	-	-	6,472	0.300	56,630	8,090	8,090	8,090	-	-	7,097	0.323	30
91	52	1,418	1,470	9,497	0.440	84,411	10,545	10,545	10,547	-	2	10,083	0.459	31
-	-	-	-	4,666	0.216	40,828	5,831	5,831	4,015	1,816	-	3,838	0.175	32
150	93	2,344	2,437	14,037	0.650	124,940	15,430	15,430	15,438	-	8	14,663	0.667	33
767	767	12,021	12,788	72,268	3.346	640,660	82,020	82,020	82,020	-	-	72,894	3.318	34
146	91	2,290	2,381	13,712	0.635	122,038	15,084	15,084	15,089	-	4	14,336	0.653	35
79	49	1,230	1,279	7,367	0.341	65,570	8,100	8,100	8,104	-	4	7,992	0.364	36
-	-	-	-	5,526	0.256	48,353	6,908	6,908	6,908	-	-	6,151	0.280	37
2,056	1,136	32,199	33,335	196,928	9.118	1,754,094	215,200	215,200	215,208	-	8	197,553	8.992	38
32	20	494	514	2,956	0.137	26,310	3,253	3,253	3,253	-	-	3,581	0.163	39
-	-	-	-	1,488	0.069	13,024	1,864	1,864	1,864	-	-	2,113	0.096	40
238	119	3,723	3,842	22,738	1.053	202,793	24,588	24,588	24,596	-	8	22,898	1.042	41
2	2	38	40	1,224	0.057	10,739	1,501	1,501	1,501	-	-	1,845	0.084	42
-	-	-	-	5,298	0.245	46,361	6,624	6,624	6,624	-	-	5,924	0.270	43
-	-	-	-	1,941	0.090	16,986	2,427	2,427	2,427	-	-	2,566	0.117	44
3,113	1,582	48,762	50,344	87,834	4.067	818,060	60,270	60,270	60,284	-	14	88,459	4.027	45
-	-	-	-	9,750	0.451	85,313	12,187	12,187	11,036	1,151	-	9,454	0.430	46
77	48	1,206	1,254	7,222	0.334	64,280	7,940	7,940	7,941	-	1	7,847	0.357	47
177	102	2,763	2,865	18,199	0.843	161,805	20,187	20,187	20,196	-	8	18,825	0.857	48
-	-	-	-	3,451	0.160	30,201	4,314	4,314	4,314	-	-	4,077	0.186	49
324	202	5,072	5,274	30,370	1.406	270,310	33,390	33,390	33,395	-	5	30,996	1.411	50
67	13	1,039	1,052	11,400	0.528	100,939	13,063	13,063	13,066	-	3	11,818	0.538	51
263	112	4,108	4,220	27,460	1.271	244,429	30,169	30,169	30,174	-	5	27,497	1.252	52
336	134	5,266	5,400	47,064	2.179	417,221	53,420	53,420	53,423	-	3	47,622	2.168	53
13,570	**8,076**	**212,527**	**220,603**	**1,296,955**	**60.050**	**11,550,608**	**1,418,936**	**1,418,936**	**1,409,066**	**10,099**	**226**	**1,319,511**	**60.062**	

NOTE W (cont.) – Statement of Subscriptions to the Capital Stock and Voting Power as at December 31, 2004

(Amounts in UA thousands)

	PRE - GCI-IV (3)			GCI-IV (4)				
MEMBER STATES	Paid-up share	Callable shares	Total	Paid-up shares	Paid-in shares	Callable shares	Total	Total (6) shares
Total Regionals	78,034	546,230	624,264	56,618	55,787	396,306	452,092	1,076,352
1 ARGENTINA	499	3,493	3,992	-	-	-	-	3,992
2 AUSTRIA	499	3,493	3,992	250	250	1,750	2,000	5,992
3 BELGIUM	718	5,026	5,744	359	359	2,513	2,872	8,616
4 BRAZIL	499	3,493	3,992	250	250	1,750	2,000	5,992
5 CANADA	4,200	29,400	33,600	2,100	2,100	14,700	16,800	50,400
6 CHINA	1,250	8,750	10,000	625	625	4,375	5,000	15,000
7 DENMARK	1,295	9,065	10,360	647	647	4,529	5,176	15,536
8 FINLAND	547	3,829	4,376	273	273	1,911	2,184	6,560
9 FRANCE	4,200	29,400	33,600	2,100	2,100	14,700	16,800	50,400
10 GERMANY	4,611	32,277	36,888	2,305	2,305	16,135	18,440	55,328
11 INDIA	250	1,750	2,000	125	125	875	1,000	3,000
12 ITALY	2,708	18,956	21,664	1,354	1,354	9,478	10,832	32,496
13 JAPAN	6,142	42,994	49,136	3,071	3,071	21,497	24,568	73,704
14 KOREA	499	3,493	3,992	250	250	1,750	2,000	5,992
15 KUWAIT	499	3,493	3,992	250	250	1,750	2,000	5,992
16 NETHERLANDS	853	5,971	6,824	426	426	2,982	3,408	10,232
17 NORWAY	1,295	9,065	10,360	647	647	4,529	5,176	15,536
18 PORTUGAL	252	1,764	2,016	126	126	882	1,008	3,024
19 SAUDI ARABIA	325	2,275	2,600	-	-	-	-	2,600
20 SPAIN	656	4,592	5,248	892	892	6,244	7,136	12,384
21 SWEDEN	1,728	12,096	13,824	864	864	6,048	6,912	20,736
22 SWITZERLAND	1,640	11,480	13,120	820	820	5,740	6,560	19,680
23 U.K.	1,881	5,643	7,524	940	940	14,100	15,040	22,564
24 U.S.A	7,455	22,365	29,820	3,727	3,727	55,905	59,632	89,452
Total Non-Regionals	**44,501**	**274,163**	**318,664**	**22,401**	**22,401**	**194,143**	**216,544**	**535,208**
Grand Total	**122,536**	**820,393**	**942,928**	**79,018**	**78,190**	**590,449**	**668,636**	**1,611,560**

NOTES:

1. The Bank Agreement provides that each member shall have 625 votes in addition to one vote for each share subscribed by that member.

2. Excess payments will be applied to future installments.

3. Pre-GCI-IV for regional member states is made up of Initial, Voluntary, First General Increase, Second General Increase and Third General Increase of capital subscriptions. For non-regional member states, it refers to their initial capital subscription to the Bank. (The ratio of the paid-up to the callable capital is 1:7).

4. The GCI-IV refers to the fourth capital increase. Shares are issued only upon payment of cash installments or deposit of notes. The difference between the Paid-up shares and the Paid-in shares corresponds to the shares to be issued on payment of subsequent installments. (The ratio of the Paid-up to the Callable Capital is 1:7).

5. The GCI-V refers to the fifth capital increase. Shares are issued only upon payment of cash installments or deposit of demand notes. The difference between the Paid-up shares and the Paid-in shares corresponds to the shares to be issued on payment of subsequent installments. (The ratio of the Paid-up to the Callable Capital is 1:15 2/3).

6. ''Total Shares" gives the sum of Pre-GCI-IV total shares subscribed and that of GCI-IV shares subscribed.

7. ''Total Shares" gives the sum of Pre-GCI-IV total shares subscribed, GCI-IV total shares subscribed and that of GCI-V shares subscribed.

In accordance with the decision of the Board of Directors of April 3, 2002, the shares held by the former Socialist Federal Republic of Yugoslavia (SFRY) have been transferred to the Bank, consistent with Article 6(6) of the Bank Agreement, and are considered Treasury Shares. In this connection, and as directed by the Board of Directors, the Bank initiated discussions with the successor states of SFRY, to determine whether they would be interested in becoming members of the Bank. The Republic of Slovenia (which is one of the successor states) has advised that it would not be considering membership in the Bank, and has therefore offered the Bank, as part of its Official Development Assistance (ODA), the value of its pro rata interest in the shares of SFRY. Accordingly, 909 shares held by SFRY, corresponding to Slovenia's pro rata interest in such shares, will be offered for re-allocation under the Share Transfer Rules.

Slight differences may occur in totals due to rounding.

GCI - V [5]														
Paid-up shares	Paid-in shares	Callable shares	Total	Total [7] shares	% of Total	Callable Capital	Paid-up Capital	Amount due	Amount paid	Amounts in arrears	Excess [2] payments	Number [1] of Votes	Voting power	No.
13,570	8,076	212,527	220,603	1,296,955	60.050	11,550,608	1,418,936	1,418,936	1,409,066	10,099	226	1,319,511	60.062	
112	55	1,743	1,798	5,790	0.268	52,364	5,540	5,540	5,549	-	9	6,416	0.291	1
223	139	3,492	3,631	9,623	0.446	87,350	8,880	8,880	8,884	-	4	10,248	0.466	2
321	200	5,021	5,221	13,837	0.641	125,600	12,770	12,770	12,776	-	6	14,463	0.658	3
221	109	3,461	3,570	9,562	0.443	87,036	8,580	8,580	8,585	-	5	9,750	0.444	4
1,875	1,171	29,373	30,544	80,944	3.748	734,730	74,710	74,710	74,719	-	9	81,570	3.713	5
558	348	8,742	9,090	24,090	1.115	218,670	22,230	22,230	22,238	-	8	24,716	1.125	6
578	433	9,054	9,487	25,023	1.159	226,480	23,750	23,750	23,755	-	5	25,649	1.167	7
244	183	3,823	4,006	10,566	0.489	95,630	10,030	10,030	10,030	-	-	11,192	0.509	8
1,875	1,406	29,373	30,779	81,179	3.759	734,730	77,060	77,060	77,063	-	3	81,805	3.724	9
2,058	1,543	32,245	33,788	89,116	4.126	806,570	84,590	84,590	84,595	-	5	89,742	4.085	10
112	70	1,748	1,818	4,818	0.223	43,730	4,450	4,450	4,450	-	-	5,443	0.248	11
1,209	755	18,939	19,694	52,190	2.416	473,730	48,170	48,170	48,176	-	6	52,816	2.404	12
2,742	1,713	42,954	44,667	118,371	5.481	1,074,450	109,260	109,260	109,268	-	8	118,997	5.417	13
223	139	3,492	3,631	9,623	0.446	87,350	8,880	8,880	8,884	-	4	10,248	0.466	14
223	223	3,492	3,715	9,707	0.449	87,350	9,720	9,720	9,720	-	-	10,333	0.470	15
381	381	5,963	6,344	16,576	0.767	149,160	16,601	16,601	16,601	-	-	17,202	0.783	16
578	432	9,054	9,486	25,022	1.159	226,480	23,750	23,750	23,755	-	5	25,649	1.167	17
113	70	1,763	1,833	4,857	0.225	44,090	4,480	4,480	4,486	-	6	5,483	0.250	18
97	60	1,515	1,575	4,175	0.193	37,900	3,850	3,850	3,856	-	6	4,801	0.219	19
639	531	10,011	10,542	22,926	1.061	208,470	20,790	20,790	20,790	-	-	23,553	1.072	20
771	481	12,085	12,566	33,302	1.542	302,290	30,730	30,730	30,739	-	9	33,928	1.544	21
732	457	11,470	11,927	31,607	1.463	286,900	29,170	29,170	29,175	-	5	32,233	1.467	22
839	524	13,151	13,675	36,239	1.678	328,940	33,450	33,450	33,454	-	4	36,864	1.678	23
3,328	2,107	52,132	54,239	143,691	6.653	1,304,020	132,890	132,890	132,895	-	5	144,316	6.569	24
20,052	**13,530**	**314,096**	**327,626**	**862,836**	**39.950**	**7,824,020**	**804,331**	**804,331**	**804,440**	**-**	**112**	**877,415**	**39.938**	
33,622	**21,606**	**526,622**	**548,229**	**2,159,791**	**100.000**	**19,374,628**	**2,223,266**	**2,223,266**	**2,213,506**	**10,099**	**338**	**2,196,927**	**100.000**	

NOTE X – Supplementary Statement of Subscriptions to the Capital Stock as at December 31, 2004

(Amounts in UA thousands)

	MEMBER STATES	AMOUNT DUE Convertible Currency	Local Currency	Notes	Total	AMOUNT PAID Convertible Currency	Local Currency	Notes *	Total
1	ALGERIA	80,100	7,750	2,360	90,210	80,121	7,750	2,360	90,231
2	ANGOLA	20,031	7,786	-	27,817	20,039	7,786	-	27,825
3	BENIN	4,817	-	-	4,817	4,817	-	-	4,817
4	BOTSWANA	41,683	9,383	-	51,065	41,686	9,383	-	51,069
5	BURKINA FASO	8,651	765	1,232	10,648	8,658	765	1,232	10,655
6	BURUNDI	6,465	-	-	6,465	6,465	-	-	6,465
7	CAMEROON	23,273	-	1,535	24,808	23,284	-	1,540	24,824
8	CAPE VERDE	2,090	-	-	2,090	2,090	-	-	2,090
9	CENT.AFR.REP	1,217	-	-	1,217	1,217	-	-	1,217
10	CHAD	2,052	-	-	2,052	2,052	-	-	2,052
11	COMOROS	510	-	50	560	511	-	55	566
12	CONGO	11,310	-	-	11,310	11,310	-	-	11,310
13	COTE D'IVOIRE	99,285	-	1,975	101,260	97,310	-	1,975	99,285
14	DEM.REP.CONGO	28,426	-	-	28,426	28,426	-	-	28,426
15	DJIBOUTI	1,517	-	-	1,517	1,517	-	-	1,517
16	EGYPT	122,460	-	-	122,460	122,469	-	-	122,469
17	EQ. GUINEA	1,663	-	1,875	3,538	1,668	-	1,875	3,543
18	ERITREA	3,580	-	-	3,580	2,506	-	-	2,506
19	ETHIOPIA	38,080	-	-	38,080	38,086	-	-	38,086
20	GABON	25,575	4,375	2,722	32,672	21,496	4,384	2,722	28,601
21	GAMBIA	2,706	639	315	3,660	2,718	639	315	3,672
22	GHANA	49,359	-	1,050	50,409	49,374	-	1,055	50,429
23	GUINEA	8,360	2,160	-	10,520	8,365	2,160	-	10,525
24	GUINEA BISSAU	750	-	-	750	750	-	-	750
25	KENYA	27,845	6,875	-	34,720	27,851	6,875	-	34,726
26	LESOTHO	3,630	-	-	3,630	3,641	-	-	3,641
27	LIBERIA	5,287	-	-	5,287	5,287	-	-	5,287
28	LIBYA	67,708	19,755	-	87,463	67,708	19,755	-	87,463
29	MADAGASCAR	15,500	-	-	15,500	15,508	-	-	15,508
30	MALAWI	8,090	-	-	8,090	8,090	-	-	8,090
31	MALI	9,920	-	625	10,545	9,922	-	625	10,547
32	MAURITANIA	5,831	-	-	5,831	4,015	-	-	4,015
33	MAURITIUS	12,375	3,055	-	15,430	12,383	3,055	-	15,438
34	MOROCCO	79,144	-	2,876	82,020	79,144	-	2,876	82,020
35	MOZAMBIQUE	15,084	-	-	15,084	15,089	-	-	15,089
36	NAMIBIA	8,100	-	-	8,100	8,104	-	-	8,104
37	NIGER	5,026	1,882	-	6,908	5,026	1,882	-	6,908
38	NIGERIA	169,020	44,915	1,265	215,200	169,028	44,915	1,265	215,208
39	RWANDA	3,253	-	-	3,253	3,253	-	-	3,253
40	SAO TOME & PRINCIPE	1,512	352	-	1,864	1,512	352	-	1,864
41	SENEGAL	19,539	4,739	310	24,588	19,542	4,739	315	24,596
42	SEYCHELLES	1,501	-	-	1,501	1,501	-	-	1,501
43	SIERRA LEONE	6,624	-	-	6,624	6,624	-	-	6,624
44	SOMALIA	2,427	-	-	2,427	2,427	-	-	2,427
45	SOUTH AFRICA	46,540	-	13,730	60,270	46,554	-	13,730	60,284
46	SUDAN	12,187	-	-	12,187	11,036	-	-	11,036
47	SWAZILAND	7,940	-	-	7,940	7,941	-	-	7,941
48	TANZANIA	20,187	-	-	20,187	20,196	-	-	20,196
49	TOGO	4,314	-	-	4,314	4,314	-	-	4,314
50	TUNISIA	33,390	-	-	33,390	33,395	-	-	33,395
51	UGANDA	12,337	726	-	13,063	12,340	726	-	13,066
52	ZAMBIA	30,169	-	-	30,169	30,174	-	-	30,174
53	ZIMBABWE	53,420	-	-	53,420	53,423	-	-	53,423
	Total Regionals	**1,271,859**	**115,157**	**31,920**	**1,418,936**	**1,261,960**	**115,166**	**31,940**	**1,409,066**

AMOUNT IN ARREARS				EXCESS PAYMENTS				
Convertible Currency	Local Currency	Notes	Total	Convertible Currency	Local Currency	Notes	Total	No
-	-	-	-	21	-	-	21	1
-	-	-	-	8	-	-	8	2
-	-	-	-	-	-	-	-	3
-	-	-	-	4	-	-	4	4
-	-	-	-	8	-	-	8	5
-	-	-	-	-	-	-	-	6
-	-	-	-	11	-	5	16	7
-	-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	-	9
-	-	-	-	-	-	-	-	10
-	-	-	-	1	-	5	6	11
-	-	-	-	-	-	-	-	12
1,975	-	-	1,975	-	-	-	-	13
-	-	-	-	-	-	-	-	14
-	-	-	-	-	-	-	-	15
-	-	-	-	9	-	-	9	16
-	-	-	-	5	-	-	5	17
1,074	-	-	1,074	-	-	-	-	18
-	-	-	-	6	-	-	6	19
4,083	-	-	4,083	4	9	-	13	20
-	-	-	-	11	-	-	11	21
-	-	-	-	15	-	5	20	22
-	-	-	-	5	-	-	5	23
-	-	-	-	-	-	-	-	24
-	-	-	-	6	-	-	6	25
-	-	-	-	11	-	-	11	26
-	-	-	-	-	-	-	-	27
-	-	-	-	-	-	-	-	28
-	-	-	-	8	-	-	8	29
-	-	-	-	-	-	-	-	30
-	-	-	-	2	-	-	2	31
1,816	-	-	1,816	-	-	-	-	32
-	-	-	-	8	-	-	8	33
-	-	-	-	-	-	-	-	34
-	-	-	-	4	-	-	4	35
-	-	-	-	4	-	-	4	36
-	-	-	-	-	-	-	-	37
-	-	-	-	8	-	-	8	38
-	-	-	-	-	-	-	-	39
-	-	-	-	-	-	-	-	40
-	-	-	-	3	-	5	8	41
-	-	-	-	-	-	-	-	42
-	-	-	-	-	-	-	-	43
-	-	-	-	-	-	-	-	44
-	-	-	-	14	-	-	14	45
1,151	-	-	1,151	-	-	-	-	46
-	-	-	-	1	-	-	1	47
-	-	-	-	8	-	-	8	48
-	-	-	-	-	-	-	-	49
-	-	-	-	5	-	-	5	50
-	-	-	-	3	-	-	3	51
-	-	-	-	5	-	-	5	52
-	-	-	-	3	-	-	3	53
10,099	**-**	**-**	**10,099**	**197**	**9**	**20**	**226**	

NOTE X (cont.) – Supplementary Statement of Subscriptions to the Capital Stock as at December 31, 2004

(Amounts in UA thousands)

MEMBER STATES	AMOUNT DUE				AMOUNT PAID			
	Convertible Currency	Local Currency	Notes	Total	Convertible Currency	Local Currency	Notes *	Total
Total regionals	1,271,859	115,157	31,920	1,418,936	1,261,960	115,166	31,940	1,409,066
1 ARGENTINA	5,540	-	-	5,540	5,549	-	-	5,549
2 AUSTRIA	8,880	-	-	8,880	8,884	-	-	8,884
3 BELGIUM	12,770	-	-	12,770	12,776	-	-	12,776
4 BRAZIL	8,580	-	-	8,580	8,585	-	-	8,585
5 CANADA	74,710	-	-	74,710	74,719	-	-	74,719
6 CHINA	22,230	-	-	22,230	22,238	-	-	22,238
7 DENMARK	23,750	-	-	23,750	23,755	-	-	23,755
8 FINLAND	10,030	-	-	10,030	10,030	-	-	10,030
9 FRANCE	77,060	-	-	77,060	77,063	-	-	77,063
10 GERMANY	84,590	-	-	84,590	84,595	-	-	84,595
11 INDIA	4,450	-	-	4,450	4,450	-	-	4,450
12 ITALY	48,170	-	-	48,170	48,176	-	-	48,176
13 JAPAN	109,260	-	-	109,260	109,268	-	-	109,268
14 KOREA	8,880	-	-	8,880	8,884	-	-	8,884
15 KUWAIT	8,884	-	836	9,720	8,884	-	836	9,720
16 NETHERLANDS	15,648	-	953	16,601	15,648	-	953	16,601
17 NORWAY	23,750	-	-	23,750	23,755	-	-	23,755
18 PORTUGAL	4,480	-	-	4,480	4,486	-	-	4,486
19 SAUDI ARABIA	3,850	-	-	3,850	3,856	-	-	3,856
20 SPAIN	17,932	-	2858	20,790	17,932	-	2858	20,790
21 SWEDEN	30,730	-	-	30,730	30,739	-	-	30,739
22 SWITZERLAND	29,170	-	-	29,170	29,175	-	-	29,175
23 U.K.	33,450	-	-	33,450	33,454	-	-	33,454
24 U.S.A.	132,890	-	-	132,890	132,895	-	-	132,895
Total Non-Regionals	**799,684**	**-**	**4,647**	**804,331**	**799,793**	**-**	**4,647**	**804,440**
Grand Total	**2,071,543**	**115,157**	**36,567**	**2,223,266**	**2,061,753**	**115,166**	**36,587**	**2,213,506**

** The UA amount of non negotiable notes on the balance sheet is the revalued USD and EUR equivalent of outstanding balances converted at the fixed exchange rates of 1 UA = USD 1.20635 and 1 UA = EUR 1.30777.*

Slight differences may occur in totals due to rounding.

AMOUNT IN ARREARS				EXCESS PAYMENTS				
Convertible Currency	Local Currency	Notes	Total	Convertible Currency	Local Currency	Notes	Total	No
10,099	-	-	10,099	197	9	20	226	
-	-	-	-	9	-	-	9	1
-	-	-	-	4	-	-	4	2
-	-	-	-	6	-	-	6	3
-	-	-	-	5	-	-	5	4
-	-	-	-	9	-	-	9	5
-	-	-	-	8	-	-	8	6
-	-	-	-	5	-	-	5	7
-	-	-	-	-	-	-	-	8
-	-	-	-	3	-	-	3	9
-	-	-	-	5	-	-	5	10
-	-	-	-	-	-	-	-	11
-	-	-	-	6	-	-	6	12
-	-	-	-	8	-	-	8	13
-	-	-	-	4	-	-	4	14
-	-	-	-	-	-	-	-	15
-	-	-	-	-	-	-	-	16
-	-	-	-	5	-	-	5	17
-	-	-	-	6	-	-	6	18
-	-	-	-	6	-	-	6	19
-	-	-	-	-	-	-	-	20
-	-	-	-	9	-	-	9	21
-	-	-	-	5	-	-	5	22
-	-	-	-	4	-	-	4	23
-	-	-	-	5	-	-	5	24
-	**-**	**-**	**-**	**112**	**-**	**-**	**112**	
10,099	**-**	**-**	**10,099**	**309**	**9**	**20**	**338**	

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE AFRICAN DEVELOPMENT BANK

We have audited the financial statements of the African Development Bank (the Bank) for the year ended 31 December 2004 which comprise the Balance Sheet, the Statement of Income and Expenses, the Statement of Comprehensive Income and Changes in Reserves, the Statement of Cash Flows and the related Notes A to X. These 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 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 Bank and its Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of management and auditors

The Bank's management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable 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 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
London
30 March 2005

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2005

(UA thousands)

Description	
Personnel Expenditure	
Salaries	64,730
Benefits	45,566
Other Employee Expenses	5,030
Short-Term and Technical Assistance Staff	1,172
Consultants	7,044
Staff Training	1,902
	125,444
General Expenses	
Official Missions	11,289
Accommodation	7,853
Equipment Rental, Repairs and Maintenance	4,607
Communication Expenses	5,728
Printing, Publishing and Reproduction	917
Office Supplies and Stationery	659
Library	661
Other Institutional Expenses	8,337
	40,051
Total Administrative Budget	165,495
Depreciation	10,690
Total	176,185
Less: Management Fees	(124,876)
Administrative Budget, Net	**51,309**

Appendices

Resolutions Adopted by the Board of Governors in 2004

Board of Governors and Voting Powers of Member Countries on December 31, 2004

Board of Directors: Voting Powers and Countries Represented on December 31, 2004

Appendix A

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS IN 2004

Number	Subject
B/BG/2004/01	Venue of the Thirty-Ninth Annual Meeting of the Board of Governors of the Bank and the Thirtieth Annual Meeting of the Board of Governors of the Fund (ADB/BG/WP/2003/16 – ADF/BG/WP/2003/14)
B/BG/2004/02	Designation of the Chairperson of the Boards of Governors and the Bureau (ADB/BG/WP/2003/16 – ADF/BG/WP/2003/14)
B/BG/2004/03	Revised Procedure for the Designation of the Members of the Bureau and the Joint Steering Committee
B/BG/2004/04	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
B/BG/2004/05	Establishment of the African Water Facility Special Fund
B/BG/2004/06	Annual Report and Audited Financial Statements for the Financial Year ended December 31, 2003
B/BG/2004/07	Allocation of Net Income of the African Development Bank for the financial year ended December 31, 2003 using operating income as the basis for allocation
B/BG/2004/08	Allocation of Net Income of the Nigeria Trust Fund for the Financial Year ended December 31, 2003
B/BG/2004/09	Timetable and Procedure for the Election of the President of the African Development Bank
B/BG/2004/10	Date and Venue of the Fortieth Annual Meeting of the Board of Governors of the Bank and the Thirty-First Annual Meeting of the Board of Governors of the Fund
B/BG/2004/11	General Election of the Executive Directors of the African Development Bank
B/BG/2004/12	Vote of Thanks of the Boards of Governors to His Excellency Mr. YOWERI MUSEVENI, President of the Republic of Uganda
B/BG/2004/13	Vote of Thanks of the Boards of Governors to the Outgoing Chairman, the Bureau and the Joint Steering Committee
B/BG/2004/14	Vote of Thanks of the Boards of Governors to the Boards of Directors, Management and Staff
B/BG/2004/15	Remuneration of Elected Officers: Annual Salary Review and Three-year Comprehensive Review of the Compensation Package of the President

Appendix B

BOARD OF GOVERNORS AND VOTING POWERS OF MEMBER COUNTRIES ON DECEMBER 31, 2004

	Country	Governor	Alternate	Voting Powers	%
1	Algeria	ABDELATIF BENACHENHOU	ABDELKRIM LAKEHAL	83,407	3.797
2	Angola	JOSÉ PEDRO de MORAIS	AMADEU MAURICIO	25,929	1.180
3	Benin	GREGOIRE LAOUROU	SEMIOU BAKARY	4,871	0.222
4	Botswana	DUNCAN MLAZIE	WILFRIED J. MANDLEBE	47,071	2.143
5	Burkina Faso	SEYDOU BOUDA	LENE SEGBO	10,087	0.459
6	Burundi	ATHANASE GAHUNGU	MATHIAS SINAMENYE	5,797	0.264
7	Cameroon	ABAH ABAH POLYCARPE	ELOUNDOU FRANCOIS XAVIER	23,086	1.051
8	Cape Verde	JOÃO PINTO SERRA	VICTOR FIDALGO	2,297	0.105
9	Central Afr. Rep.	DANIEL NDITIFEI BOYSEMBE	MOHAMED MAHDI MARBOUA	1,598	0.073
10	Chad	MAHAMAT ALI HASSAN	IDRISS AHMED IDRISS	2,265	0.103
11	Comoros	AHAMADI ABDOULBASTOI	SAID ABDILAHI	1,098	0.050
12	Congo	RIGOBERT ROGER ANDELY	PIERRE MOUSSA	10,663	0.485
13	Côte d'Ivoire	PAUL BOHOUN BOUABRE	BRITTO BONIFACE	80,053	3.644
14	Dem. Rep. Congo	ANDRE–PHILIPPE FUTA	JEAN CLAUDE MASANGU MULONGO	23,365	1.064
15	Djibouti	YACIN ELMI BOUH	DJAMA MAHAMOUD HAID	1,838	0.084
16	Egypt	FAROUK EL–OKDAH	MAHMOUD MOHEY EL DIN	112,009	5.098
17	Equatorial Guinea	MARCELINO OWONO EDU	JOSÉ ANGEL BORICO MOISES	4,041	0.184
18	Eritrea	BERHANE ABREHE	MARTHA WOLDEGIORGHIS	2,628	0.120
19	Ethiopia	SUFIAN AHMED	MULU KETSELA	35,265	1.605
20	Gabon	PAUL TOUNGUI	CASIMIR OYE MBA	23,499	1.070
21	Gambia	MOUSSA G. BALA GAYE	KARAMO BOJANG	3,960	0.180
22	Ghana	YAW OSAFO MAAFO	PAUL A. ACQUAH	47,334	2.155
23	Guinea	MADIKABA CAMARA	EUGENE CAMARA	10,102	0.460
24	Guinea Bissau	JOAO ALADJE MAMADU FADIA	CARLOS ALBERTO ANDRADE	1,225	0.056
25	Kenya	DAVID MWIRARIA	CHARLES KIRUI	32,206	1.466
26	Lesotho	TIMOTHY THAHANE	M. MAJORO	3,936	0.179
27	Liberia	LUSINEE F. KAMARA, Sr.	CHRISTIAN G. HERBERT	4,855	0.221
28	Libya	MOHAMED ALI M. EL HUWEJ	FARHAT O. BEN–GDARA	80,169	3.649
29	Madagascar	RADAVIDSON ANDRIAMPARANY B.	RANDRIARIMANANA HARISON EDMOND	14,731	0.671
30	Malawi	GOODALL GONDWE	MILTON KUTENGULE	7,097	0.323
31	Mali	ABOU–BAKAR TRAORE	MARIMANTIA DIARRA	10,083	0.459
32	Mauritania	SIDI OULD DIDI	ABBA OULD AHMED–TOLBA	3,838	0.175
33	Mauritius	PRAVIND KUMAR JUGNAUTH	AYUB HUSSEIN NAKHUDU	14,663	0.667
34	Morocco	FATHALLAH OUALALOU	ABDELATIF LOUDYI	72,894	3.318
35	Mozambique	LUISA DIAS DIOGO	ADRIANO AFONSO MALEIANE	14,336	0.653
36	Namibia	SAARA KUUGONGELWA–AMADHILA	CARL–HERMAN G. SCHLETTWEIN	7,992	0.364
37	Niger	ALI MAHAMAN LAMINE ZEINE	YACOUBOU MAHAMAN SANI	6,151	0.280
38	Nigeria	NGOZI OKONJO–IWEALA	SALEH SHETTIMA	197,553	8.992
39	Rwanda	DONALD KABERUKA	MONIQUE NSANZABAGANWA	3,581	0.163
40	São Tomé & Prin.	EUGÉNIO LOURENÇO SOARES	MARIA DO CARMO TROVOADA P.C. SILVEIRA	2,113	0.096
41	Senegal	ABDOULAYE DIOP	MAMADOU FAYE	22,898	1.042
42	Seychelles	JEREMIE BONNELAME	SYLVESTRE RADEGONDE	1,845	0.084
43	Sierra Leone	JOSEPH BANDABLA DAUDA	SAMURA M.W. KAMARA	5,924	0.270
44	Somalia	*	*	2,566	0.117
45	South Africa	TREVOR A. MANUEL	LESETJA KGANYAGO	88,459	4.027
46	Sudan	EL ZUBAIR AHMED EL HASSAN	SABIR MOHAMED HASSAN	9,454	0.430
47	Swaziland	MAJOZI VINCENT SITHOLE	Absalom M.C. DLAMINI	7,847	0.357
48	Tanzania	BASIL PESAMBILI MRAMBA	ENOS S. BUKUKU	18,825	0.857
49	Togo	DÉBABA BALE	M'BA LEGZIM	4,077	0.186
50	Tunisia	MOHAMED NOURI JOUINI	MOHAMED ALI MOUELHI	30,996	1.411
51	Uganda	GERALD SSENDAULA	M.C. KASSAMI	11,818	0.538
52	Zambia	NGANDU PETER MAGANDE	STUMBEKO MUSOKOTWANE	27,497	1.252
53	Zimbabwe	CHRISTOPHER KURUNERI	WILLARD L. MANUGO	47,622	2.168
TOTAL REGIONALS				**1,319,511**	**60.062**

**Not yet appointed at December 31, 2004.*

Appendix B (continued)

BOARD OF GOVERNORS AND VOTING POWERS OF MEMBER COUNTRIES ON DECEMBER 31, 2004

	Country	Governor	Alternate	Voting Powers	%
1	Argentina	ROBERTO LAVAGNA	HERNAN MARTIN PEREZ REDRADO	6,397	0.291
2	Austria	KARL–HEINZ GRASSER	THOMAS WIESER	10,248	0.466
3	Belgium	DIDIER REYNDERS	GINO ALZETTA	14,463	0.658
4	Brazil	GUIDO MANTEGA	JOSE CARLOS ROCHA MIRANDA	9,750	0.444
5	Canada	PIERRE PETTIGREW	ALISTER M. SMITH	81,570	3.713
6	China	ZHOU XIAOCHUAN	LI RUOGU	24,716	1.125
7	Denmark	OLE E. MOESBY	NANNA HVIDT	25,649	1.167
8	Finland	PERTTI MAJANEN	TAISTO HUIMASALO	11,192	0.509
9	France	XAVIER MUSCA	ODILE RENAUD–BASSO	81,805	3.724
10	Germany	USCHI EID	ROLF WENZEL	89,742	4.085
11	India	SHRI P. CHIDAMBARAM	SHRI D.C. GUPTA	5,443	0.248
12	Italy	DOMENICO SINISCALCO	LORENZO BINI SMAGHI	52,816	2.404
13	Japan	SADAKAZU TANIGAKI	TOSHIHIKO FUKUI	118,997	5.417
14	Korea	HUN–JAI LEE	SEUNG PARK	10,248	0.466
15	Kuwait	MAHMOUD AL–NOURI	HESHAM AL–WAQAYAN	10,333	0.470
16	Netherlands	GERRIT ZALM	AGNES VAN ARDENNE VAN DER HOEVEN	17,202	0.783
17	Norway	OLAV KJØRVEN	NILS HAUGSTVEIT	25,649	1.167
18	Portugal	ANTONIO JOSÉ DE CASTRO B. F.	LUIS MIGUEL MORAIS LEITÃO	5,483	0.250
19	Saudi Arabia	YOUSEF AL–BASSAM	ABDULLAH AL–SUBALI	4,801	0.219
20	Spain	PEDRO SOLBES MIRA	DAVID VEGARA FIGUERAS	23,553	1.072
21	Sweden	ANNIKA SÖDER	STEFAN EMBLAD	33,928	1.544
22	Switzerland	OSCAR KNAPP	SERGE CHAPPATTE	32,233	1.467
23	United Kingdom	HILARY BENN	GARETH THOMAS MP	36,864	1.678
24	United States of America	JOHN W. SNOW	ALAN P. LARSON	144,316	6.569
TOTAL NON-REGIONALS				**877,396**	**39.938**
GRAND TOTAL				**2,196,906**	**100.000**

Appendix C

BOARD OF DIRECTORS: VOTING POWERS AND COUNTRIES REPRESENTED ON DECEMBER 31, 2004

Executive Director	For	Voting Powers	%
H. J. C. ANDZE-OLINGA	Cameroon	1.051	
J. MOUTOU-KANGO (Alternate)	Congo	0.485	
	Burundi	0.264	
	Central African Rep.	0.073	
	Dem. Rep. Congo	1.064	2.936
O. BOUGARA	Algeria	3.797	
G. A. F. GOMES (Alternate)	Guinea Bissau	0.056	
	Madagascar	0.671	4.523
P. H. DACOURY-TABLEY	Côte d'Ivoire	3.644	
D. J. MBA OWONO (Alternate)	Equatorial Guinea	0.184	
	Guinea	0.460	4.288
A. FONTES	Cape Verde	0.105	
O. SYLLA (Alternate)	Senegal	1.042	
	Benin	0.222	
	Burkina Faso	0.459	
	Chad	0.103	
	Comoros	0.050	
	Gabon	1.070	
	Mali	0.459	
	Niger	0.280	3.789
P. E. GININDZA	Swaziland	0.357	
	Lesotho	0.179	
	Malawi	0.323	
	Mauritius	0.667	
	South Africa	4.027	
	Zambia	1.252	6.805
B. R. R. KUKURI	Namibia	0.364	
	Botswana	2.143	
	Angola	1.180	
	Mozambique	0.653	
	Zimbabwe	2.168	6.507
F. B. L. MANSARAY	Sierra Leone	0.270	
T. N. DOE (Alternate)	Liberia	0.221	
	Gambia	0.180	
	Ghana	2.155	
	Sudan	0.430	3.256
F. SAMIR	Morocco	3.318	
M. BOUALLAGUI (Alternate)	Tunisia	1.411	
	Togo	0.186	4.914
M. L. SANI	Nigeria	8.992	
	Sao Tome & Principe	0.096	9.089
F. A. H. SHAKWEER	Egypt	5.098	
A. H. BAHDON (Alternate)	Djibouti	0.084	5.182
A. T. TABIB	Libya	3.649	
	Mauritania	0.175	
	Somalia	0.117	3.941
G. ZIRIMWABAGABO	Rwanda	0.163	
P. A. G. SINON (Alternate)	Seychelles	0.084	
	Eritrea	0.120	
	Ethiopia	1.605	
	Kenya	1.466	
	Tanzania	0.857	
	Uganda	0.538	4.833
TOTAL REGIONALS			**60.062**

Appendix C

BOARD OF DIRECTORS: VOTING POWERS AND COUNTRIES REPRESENTED ON DECEMBER 31, 2004

Executive Directors	For	Voting Powers	%
F. ARSENAULT	Canada	3.713	
Y. G. AL-BADER (Alternate)	Kuwait	0.470	
	Spain	1.072	
	China	1.125	
	Korea	0.466	6.847
V. DUCKLAU	Germany	4.085	
M. VERSCHUUR (Alternate)	The Netherlands	0.783	
	Portugal	0.250	
	UK	1.678	6.796
F. PERRAULT	France	3.724	
F. PITTORE (Alternate)	Italy	2.404	
	Belgium	0.658	6.786
C. S. PERRY	USA	6.569	6.569
A. M. WIIG	Norway	1.167	
T. EGGENBERGER (Alternate)	Switzerland	1.467	
	Denmark	1.167	
	Finland	0.509	
	India	0.248	
	Sweden	1.544	6.104
Y. YONEYAMA	Japan	5.417	
M. L. MACHINANDIARENA* (Alternate)	Argentina	0.291	
	Austria	0.466	
	Brazil	0.444	
	Saudi Arabia	0.219	6.837
TOTAL NON-REGIONALS			**39.938**
GRAND TOTAL			**100.000**

** Vacant since January 1, 2005*

7

The African Development Fund

Operations

Project and Program Lending

Grant-Financed Operations

Financial Management

Financial Results

Profile of ADF-Approved Projects and Programs in 2004

Financial Statements and Report of the Independent Auditors

Administrative Budget for the Financial Year 2005

Appendices

OPERATIONS

The African Development Fund (ADF) window is the concessional lending arm of the Bank Group for the 38 RMCs that are unable to borrow at market rates under the ADB window. The 2 blend countries (Nigeria and Zimbabwe) are also entitled to the concessional borrowing from the ADF. The window provides funding in the form of highly concessional loans and grants to low-income RMCs for investment in basic economic and human development projects. Allocation of resources is fundamentally based on several criteria, which include country creditworthiness, per capita GNP, and country performance. ADF resources are made available to the 38 Category A countries (countries deemed not creditworthy enough for non-concessional borrowings and corresponding to IDA-only countries) and 2 Category B countries (eligible for blend financing). In accordance with established rules, the allocation of resources for planned operations in ADF borrowing countries must reflect each country's policy and institutional performance, as well as its record in terms of project implementation. The resources of the ADF are designed to accelerate a broad-based, equitable, and sustainable economic growth as well as promote social development, with a special focus on poverty reduction.

Total approvals from the ADF window amounted in 2004 to UA 1.26 billion for 99 operations in 27 countries and 18 multinational projects (UA 217.7 million), as compared to 112 operations in 25 countries and 16 multinational projects amounting to UA 998.0 million in 2003. The 26 percent increase in ADF allocations is due to the pursuit of full operations under this window following the conclusion of the consultations for the Ninth Replenishment of the Fund (ADF-IX) in September 2002, with the year 2004 representing the third and final year of the ADF-IX funding cycle. The resources mobilized under ADF-IX are expected to be fully utilized by the end of 2004. In this regard, ADF donors completed the consultations in mid-December 2004 on the Tenth Replenishment of the Fund (ADF-X), which will be covering the Fund's operations throughout the 2005-2007 period.

Project loans represented more than one-third of ADF approvals in 2004, accounting for 38.7 percent of the total. The loans went to 28 operations totaling UA 487.2 million. In 2004 the Fund also provided financing for 7

BOX 7.1

Rice Rehabilitation Project in Lower Mangoky, Madagascar

Approved in October 1999, the Rice Rehabilitation Project was aimed primarily at reducing poverty and promoting food security in the Lower Mangoky area of southern Madagascar. The project's specific objective is to develop and increase rice production in the area by rehabilitating hydro-agricultural infrastructure and feeder roads. The project focuses on rehabilitation of irrigation facilities, support to perimeter upgrading, and project management. The project's total cost amounted to UA 17.0 million and was financed by ADF for UA 10.0 million, while the remainder was covered by the OPEC Fund and the Government for UA 3.1 million and UA 1.1 million respectively. The project was approved by the ADF in October 1999.

The project has made a positive impact on the target rural communities. The good results achieved by farmers are noteworthy, since the average yield has reached 4 tons per hectare. During an agricultural contest held in 2003, the Lower Mangoky farmers were awarded the 1st and 3rd prize for best producer in the country, with an astounding yield of 12,700 tons per hectare. Also, before the start of the project, women seldom owned production plots. Adding to the scarcity of plots, women suffered from specific problems that kept them from fully participating in the development of the perimeter. The project will contribute to lift constraints and foster women's access to credit and land property.

With the upgrading of nearly 8,400 ha, the project has favorably impacted on the livelihood of between 500 and 600 families. Additional production, expected to reach 35,580 tons of paddy rice a year, will contribute to food security and increase the farmers' incomes. Thanks to a new rural financing scheme, farmers now have access to credit to meet their needs in the areas of storage, processing, and trading of agricultural products. The promotion of income-generating activities and crop diversification (maize, manioc, and peas) is also helping farmers to secure their income generation capacities. The securing of land tenure for peasants is underway within a partnership with the Department of Domains and Land services. As a result, 4,804 plots have already been delineated, out of the 4,519 ha to be used to that end, and 3,850 land contracts have been attributed to beneficiaries, including women.

FIGURE 7.1

ADF Loan Approvals by Country, 2004
(UA millions)

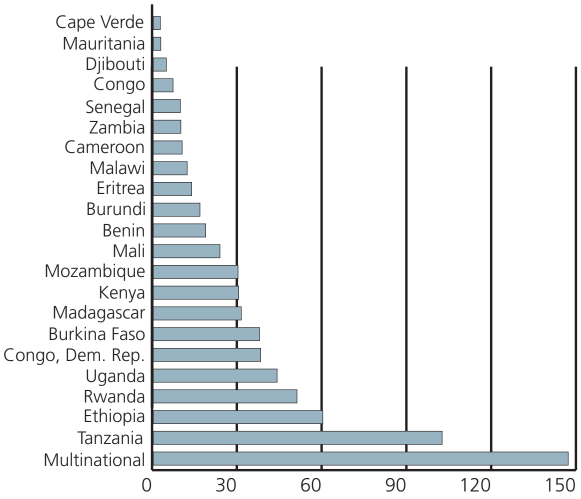
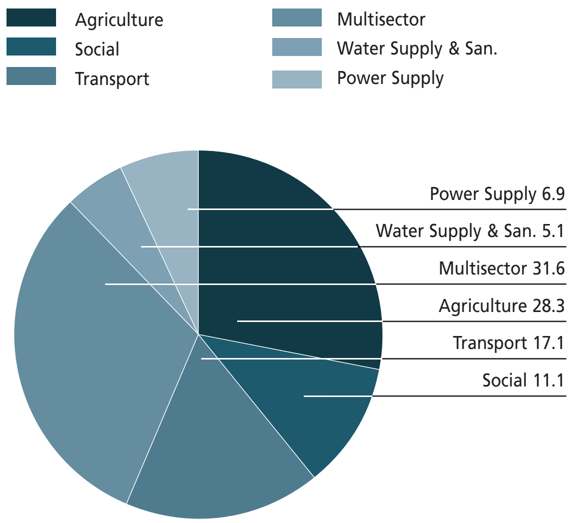


FIGURE 7.2

ADF Loan Approvals by Sector, 2004
(percentages)



debt and debt service reduction which represented the second largest share of ADF approval with an amount of UA 342.7 million representing 27.2 percent of the total. The 5 operations were all geared toward HIPC debt relief and 2 post-conflict debt relief grants (UA 41.3 million). Grants constituted the third largest approvals of ADF resources, with some 54 operations accounting for 17.0 percent of total approvals (UA 213.9 million), of which 33 operations were for technical assistance (UA 100.0 million) and 21 operations related to project grants (UA 113.9 million). Policy-based lending targeted 10 operations representing 17.0 percent of the total approvals and amounting to UA 214.2 million. This amount funded 9 structural adjustment loans for UA 211.7 million and 1 sector adjustment loan for UA 2.5 million.

A new feature of Fund operations in 2004 was the significant increase in the debt and debt service reduction instrument, which disbursed UA 301.4 million.

PROJECT AND PROGRAM LENDING

Loan-financed Projects

During 2004 the ADF lending program placed emphasis mainly on agriculture and rural development, the social sector, transportation, and multisector activities, all of which impact significantly on economic growth and the livelihood of poor people, contributing consequently to poverty reduction. These 4 sectors accounted for 88 percent of total ADF sector lending in 2004.

The continued focus on agriculture and rural development and the social sector as the main target of Bank intervention reflects the importance of these sectors in the drive to improve output growth and raise living standards, thus contributing significantly to reducing poverty and social alienation in the recipient RMCs. Ten operations, amounting to UA 198.2 million and representing 28.3 percent of total loan approvals, were allocated to the agriculture and rural development sector. These operations were mainly aimed at promoting broad-based rural growth, strengthening food security, enhancing agricultural productivity of poor rural households, improving production techniques, and strengthening linkages between research, extension, farmers and private business. They also aim at expanding stakeholder participation and access to basic services. The social sectors, including health and education, which are critical to poverty reduction and to addressing basic needs, were allocated UA 77.9 million (11.1 percent of the total ADF approvals for 2004), to help finance 7 operations.

The Fund earmarked more loan resources to the multisector activities in 2004 because of their great impact on economic reforms. The multisector which comprises, inter alia, support activities in favor of public sector management, including structural adjustment programs and debt relief operations, private sector development, and good governance and institutional support, is vital for consolidating institutional and economic reforms in RMCs. In this regard, the multisector was allocated UA 221.5 million in loan approvals (31.6 percent of total loan approvals), to fund 10 operations. This is to ensure that growth is broad-based and equitably distributed in eligible RMCs and that economic and social development becomes sustainable.

Infrastructure development, which includes power supply, transportation, and water supply and sanitation, attracted 29.1 percent of approvals (UA 203.8 million) during 2004. The biggest share in this area went to transportation, with UA 119.7 million (17.1 percent) for 6 projects, underlining the importance of infrastructural development, such as road construction, upgrading and maintenance, in the drive to reduce poverty and strengthen the access of the rural poor to farm and industrial production areas.

Policy-based Lending

In 2004 some 10 policy-based loans amounting to UA 214.2 million, and representing 17.0 percent of total loan, were approved to support 9 structural adjustment programs totaling some UA 211.7 million and 1 sector adjustment operation amounting to UA 2.5 million.

TABLE 7.1
ADF Approvals by Financing Instrument, 2002-2004
(UA millions)

Financing Instrument	2002 Number	2002 Amount	2002 %	2003 Number	2003 Amount	2003 %	2004 Number	2004 Amount	2004 %
Project Lending	**38**	**487.42**	**50.7**	**40**	**596.61**	**59.8**	**28**	**487.16**	**38.7**
Public and Publicly -Guaranteed	*38*	*487.42*	*50.7*	*40*	*596.61*	*59.8*	*28*	*487.16*	*38.7*
Project Loans	36	468.92	48.8	40	596.61	59.8	27	451.16	35.9
Sector Investment and Rehabilitation	-	-	-	-	-	-	1	36.00	2.9
Lines of Credit	2	18.50	1.9	-	-	-	-	-	-
Private Non-Publicly Guaranteed	-	-	-	-	-	-	-	-	-
Project Loans	-	-	-	-	-	-	-	-	-
Lines of Credit	-	-	-	-	-	-	-	-	-
Policy-Based Lending	**6**	**91.38**	**9.5**	**9**	**227.94**	**22.8**	**10**	**214.22**	**17.0**
Sector Adjustment	-	-	-	4	104.11	10.4	1	2.50	0.2
Structural Adjustment	6	91.38	9.5	5	123.83	12.4	9	211.72	16.8
Grants	**31**	**83.06**	**8.6**	**59**	**170.95**	**17.1**	**54**	**213.87**	**17.0**
Technical Assistance	*30*	*46.56*	*4.8*	*20*	*25.84*	*2.6*	*33*	*99.96*	*7.9*
Project Cycle Activities	8	8.46	0.9	10	13.76	1.4	10	22.22	1.8
Institutional Support	22	38.10	4.0	10	12.08	1.2	23	77.74	6.2
of which Private Sector	-	-	-	-	-	-	1	1.60	0.1
Project Grants	-	-	-	*39*	*145.11*	*14.5*	*21*	*113.91*	*9.1*
Special Relief Fund	-	-	-	-	-	-	-	-	-
Emergency Assistance	-	-	-	-	-	-	-	-	-
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
DRC Debt Relief Grant	*1*	*36.50*	*3.8*	-	-	-	-	-	-
Project Preparation Facility	**1**	**0.40**	**0.0**	**2**	**0.61**	**0.1**	**-**	**-**	**-**
Debt and Debt Service Reduction	**7**	**297.94**	**31.0**	**2**	**1.85**	**0.2**	**7**	**342.67**	**27.2**
SFM Debt Alleviation	2	34.60	3.6	-	-	-	-	-	-
HIPC Debt Relief	5	263.34	27.4	2	1.85	0.2	5	301.37	24.0
Post Conflict Country Facility	-	-	-	-	-	-	2	41.30	3.3
Loan Reallocations	**1**	**0.54**	**0.1**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL APPROVALS	**84**	**960.74**	**100.0**	**112**	**997.96**	**100.0**	**99**	**1,257.91**	**100.0**

Source : ADB Statistics Division
- Magnitude zero
0.0 Magnitude less than 20 percent of the unit employed

TABLE 7.2
ADF Approvals by Sector, 2004
(UA millions)

Sector	Loans Number	Loans Amount	Loans %	Grants Number	Grants Amount	Grants %	Loans and Grants Number	Loans and Grants Amount	Loans and Grants %
Agriculture and Rural Development	10	198.16	28.3	12	44.22	20.7	22	242.38	26.5
Social	7	77.91	11.1	18	77.87	36.4	25	155.78	17.0
Education	*3*	*20.73*	*3.0*	*6*	*19.03*	*8.9*	*9*	*39.76*	*4.3*
Health	*4*	*57.18*	*8.2*	*9*	*44.78*	*20.9*	*13*	*101.96*	*11.1*
Other	-	-	-	*3*	*14.06*	*6.6*	*3*	*14.06*	*1.5*
Water Supply and Sanitation	3	36.04	5.1	6	27.89	13.0	9	63.93	7.0
Power Supply	2	48.06	6.9	2	7.98	3.7	4	56.04	6.1
Communication	-	-	-	-	-	-	-	-	-
Transportation	6	119.68	17.1	4	6.81	3.2	10	126.49	13.8
Finance	-	-	-	-	-	-	-	-	-
Multisector	10	221.53	31.6	11	47.40	22.2	21	268.93	29.4
Industry, Mining and Quarrying	-	-	-	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-	-	-	-
Environment	-	-	-	1	1.70	0.8	1	1.70	0.2
Total Loans and Grants	**38**	**701.38**	**100.0**	**54**	**213.87**	**100.0**	**92**	**915.25**	**100.0**
Other Approvals	**-**	**-**	**n.a.**	**-**	**-**	**n.a.**	**7**	**342.67**	**n.a.**
HIPC Debt Relief	-	-	n.a.	-	-	n.a.	5	301.37	n.a.
Post Conflict Countries Facility	-	-	n.a.	-	-	n.a.	2	41.30	n.a.
Loan Reallocation	-	-	n.a.	-	-	n.a.	-	-	n.a.
TOTAL APPROVALS	**38**	**701.38**	**n.a.**	**54**	**213.87**	**n.a.**	**99**	**1,257.91**	**n.a.**

Source : ADB Statistics Division
- Magnitude zero
n.a. Not applicable

GRANT-FINANCED OPERATIONS

Grant financing has increased considerably under ADF-IX, being part of the effort to address the special challenges facing low-income Fund countries. ADF grants represented almost one-third of the total amount allocated as loans. Besides technical assistance and capacity-building initiatives, grant resources are being used to fund priority activities such as HIV/AIDS interventions; post-conflict reconstruction and natural disaster prevention; education and health; water and sanitation; environmental protection; as well as technical assistance and capacity-building support for agriculture.

Total ADF grant approvals in 2004 increased substantially to reach UA 213.9 million for 54 operations, compared to UA 170.9 million in 2003 and an annual average of UA 170 million over the past 3 years.

Eleven grants amounting to UA 47.4 million were approved for multisector activities to support growth acceleration and institutional strengthening in recipient RMCs, and the remaining grants went to support the newly established project grant operations eligible for grant financing under ADF-IX Guidelines.

In 2004, 22 countries benefited from grant financing amounting to UA 143.0 million, while the remaining UA 70.9 million (33.1 percent of the total) was approved for multinational projects and programs in support of regional economic cooperation and integration; private sector development, good governance, and institutional support.

Grants Financed by Sector in 2004

Consonant with the Fund's strategy to curb poverty and promote broad-based growth, grant operations in 2004 focused on the priority sectors of agriculture and rural development, the social sector, and water supply and sanitation, as well as on the multisector. The social sector comprising education and health projects accounted for the largest share (36.4 percent) for 18 operations. The multisector accounted for the second largest share (22.2 percent) with 11 operations, while agriculture and rural development ranked third with 20.7 percent of total ADF grants for 12 operations. Infrastructure attracted UA 42.7 million, of which UA 27.9 million (13 percent) was allocated to 6 projects to improve water supply and sanitation facilities, particularly in rural areas, while 1 grant amounting to UA 1.7 million was directed to support environmental studies and programs.

FIGURE 7.3

ADF Grant Approvals by Country, 2004
(UA millions)

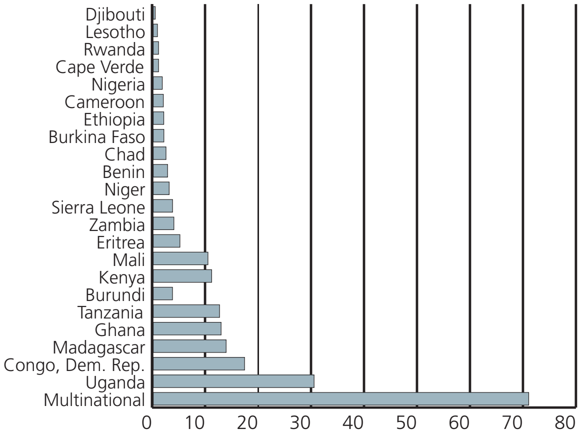
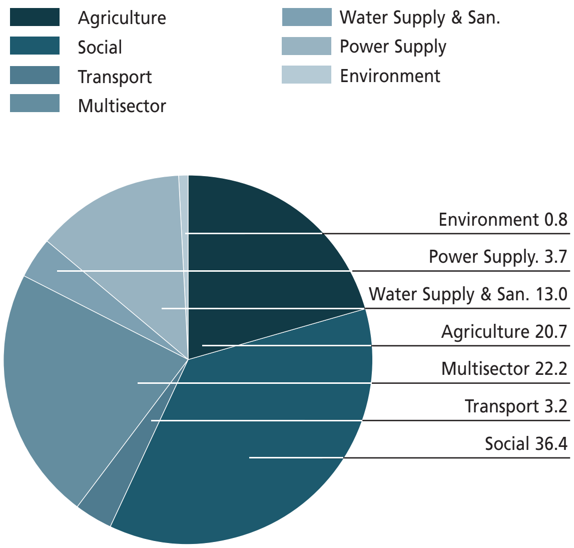


FIGURE 7.4

ADF Grant Approvals by Sector, 2004
(percentages)



Grant Financing for Technical Assistance

Project grant financing for technical assistance is an important instrument to assist RMCs in designing, developing, and implementing development projects and programs and to strengthen national institutions and regional agencies. In 2004 a total of 33 grants amounting to UA 100.0 million were approved for this category, of which 10 grants totaling UA 22.2 million went to fund project-cycle activities and 23 grants amounting to UA 77.7 million were allocated to institutional support, including private sector development.

Project Grant Financing

Grant financing was an innovative step taken in 2003 under the ADF-IX Guidelines to support activities in priority areas such as HIV/AIDS interventions, post-conflict reconstruction, investments in education, health and water supply and sanitation, and natural disaster reconstruction. In 2004, 21 project grants were approved for a total amount of UA 113.9 million.

Post-Conflict Debt Relief Grant

In 2004 the ADF contributed a total of UA 55 million to the Post-conflict Countries Facility. During the year 2 countries were allocated grants, totaling UA 41.3 million from this facility.

HIPC Debt Relief

The Heavily Indebted Poor Countries (HIPC) Initiative was set up to reduce poor RMCs' indebtedness, bring it to sustainable levels, and direct debt service savings toward poverty reduction activities. Resources made available under HIPC are devoted to finance key pro-poor growth programs that are listed in the recipient countries' PRSPs. In 2004, 5 operations amounting to UA 301.4 million were approved within this framework.

Cumulative ADF Loan and Grant Approvals by Sector and Region 1974-2004

For over three decades, and since its inception in 1974, the Fund has approved a cumulative total of 1,283 loans and 642 grants, amounting respectively to UA 12.85 billion and UA 1.18 billion. Some 26.9 percent of these resources were allocated to agriculture and rural development while 21.1 percent went to the social sectors. The multisector and the transportation sectors each represented 17.2 percent of the total cumulative ADF approvals during the period, followed by water supply and sanitation (7.7 percent), power supply (5.2 percent), the finance sector (2.5 percent), industry (1.4 percent), and other sectors (1.0 percent).

The regional distribution of ADF cumulative approvals was as follows: West Africa (31.4 percent), East Africa

(28.3 percent), Southern Africa (15.8 percent), Central Africa (14.5 percent), and North Africa (5.5 percent). Multiregional projects and programs accounted for the remaining 4.5 percent.

FINANCIAL MANAGEMENT

Subscriptions

The replenishment amount for the Ninth General Replenishment of the resources of the Fund (ADF-IX) was set at UA 2.37 billion, and covers the 3-year operational period starting in 2002 and ending in 2004.

As of December 31, 2004, State Participants subscribed to an amount of UA 1.81 billion, representing 76.4 percent of the ADF-IX target replenishment level. State Participants have made payments for their ADF-IX subscriptions totaling UA 1.61 billion.

Cumulative subscriptions to ADF increased from UA 12.50 billion in 2003 to UA 12.82 billion in 2004. The Fund encashed in 2004 promissory notes for a total amount of UA 805.5 million compared to UA 715.4 million in 2003.

The ADF Deputies agreed on a replenishment level of UA 3.7 billion for the Tenth Replenishment of the Fund, which will cover the period 2005-2007. Subscriptions to ADF-X are scheduled to start in 2005.

Investments

ADF cash and investments amounted to UA 1.54 billion at December 31, 2004, compared to UA 1.30 billion in 2003. Investment income for the year amounted to UA 48.2 million, a return of 3.2 percent, on an average investment of UA 1.53 billion compared to an income of UA 23.6 million in 2003 for a return of 1.8 percent on an average investment of UA 1.29 billion.

Loan Portfolio

Cumulative loans and grants signed, net of cancellations, at December 31, 2004, amounted to UA 12.16 billion, compared with UA 11.48 billion at end of 2003. At the end of 2004, there were 1,873 active signed loans and grants amounting to UA 7.23 billion. Also at December 31, 2004, a total of 43 loans amounting to UA 189.4 million had been fully repaid.

Disbursements

Disbursements of loans and grants increased from UA 368.1 million in 2003 to UA 680.5 million, representing

FIGURE 7.5

Cumulative ADF Loan and Grant Approvals by Sector, 1974-2004
(percentages)

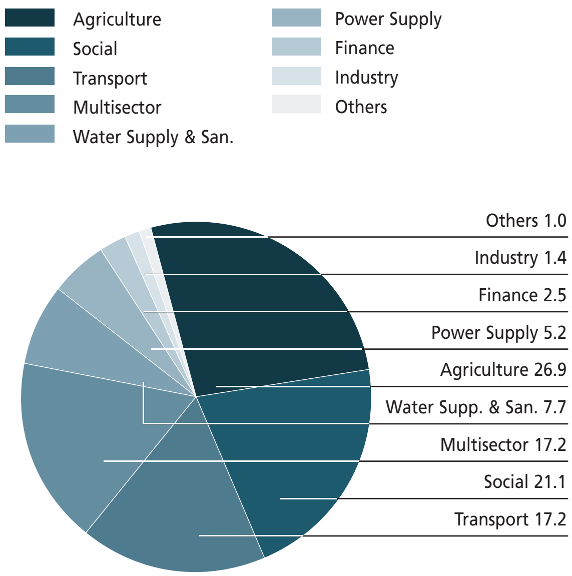
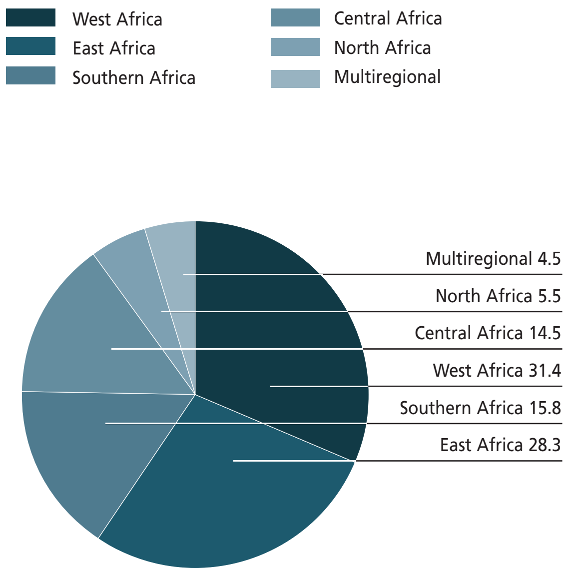


FIGURE 7.6

Cumulative ADF Loan and Grant Approvals by Region, 1974-2004
(percentages)



an increase of 84.9 percent. As at December 31, 2004, cumulative disbursements on loans and grants amounted to UA 8.72 billion. A total of 1,159 loans and grants were fully disbursed for an amount of UA 6.82 billion, representing 78.2 percent of cumulative disbursements.

FINANCIAL RESULTS

The ADF reported a surplus of UA 0.9 million for 2004, compared to a loss of UA 26.2 million for 2003. Income from investment more than doubled in 2004, increasing from UA 23.6 million in 2003 to UA 48.2 million in 2004, due mainly to the change in the Fund's investment policy during 2004, which included investment in higher yielding held-to-maturity securities. Income from loans increased by 18.9 percent from UA 53.9 million in 2003 to UA 64.1 million in 2004 due primarily to the exit from non-accrual status of a borrower and an increase in the average balance of disbursed and outstanding loans. Administrative expenses, which represent the Fund's share of the total shareable expenses of the ADB Group, increased by UA 1.4 million from UA 101.7 million in 2003 to UA 103.1 million in 2004. The Fund's proportion of the total shareable expense 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.

According to the Fund's non-accrual policy, service charges on loans made to, or guaranteed by a regional member country 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, an amount of UA 0.4 million representing net non-accrued loan income for the year was excluded from 2004 income compared to an amount of UA 6.7 million of non-accrued income in 2003.

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE & RURAL DEVELOPMENT				
BURKINA FASO	Community Investment Project for Agricultural Fertility (PICOFA)	21.09	6.40*	The Community Investment Project for Agricultural Fertility (PICOFA) is aimed at assisting village communities to develop farmland over 6,840 ha of valleys and bottom-lands and 30,000 ha of developed anti-erosion areas. It also provides for the sustainable management of river basins with close to 1,000 filtering facilities. The main components of the project are: (i) support to integrated management of soil fertility; (ii) local capacity building; and (iii) project management. The ADF loan represents 30 percent of the total cost while International Fund for Agricultural Development (IFAD), the West African Development Bank (WADB), the Government, and beneficiaries will finance the rest. The expected duration of the project is 6 years.
BURKINA FASO	National Territorial Development Scheme Study	2.13	(Grant: 2.00)	Provide the administration and territorial authorities with a consistent planning framework with a spatial dimension. The ADF grant will finance 94 percent of the total cost with the Government of Burkina Faso financing the remainder. The expected duration of the study is 21 months.
DEMOCRATIC REPUBLIC OF CONGO	Agricultural and Rural Sector Rehabilitation Support Project in Bas-Congo and Bandundu Provinces (PARSAR)	28.00	18.00* (Grant: 7.00)	Components of the project are: (i) capacity-building of various ministries in charge of rural development; (ii) rehabilitation of agricultural feeder roads; (iii) upgrading marketing infrastructure; (iv) propagation and dissemination of improved seeds; and (v) training and organization of populations. The project will provide quality seeds and food crops adapted to local climatic conditions. The roads rehabilitation component will improve local roads and inland waterways linking production areas to marketing centers. The community project component comprises development of water and sanitation facilities, and improvement of marketing infrastructure. ADF assistance represents 89.3 percent of the total cost with the government and beneficiaries financing the rest. The project has a horizon of 5 years.

* *Loan.*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004

(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE & RURAL DEVELOPMENT				
ETHIOPIA	Fisheries Resources Development Study Plan	1.03	(Grant: 0.92)	Examine the technical, biophysical, institutional, political, environmental, economic, and social aspects of the Ethiopian fisheries resources in order to (i) prepare a development plan for the sustainable and equitable development of the fisheries and aquaculture subsector thereby assisting poverty reduction; and (ii) formulate and prepare a priority project for future financing. The Plan seeks to optimize the available natural and human resources with the minimum detrimental impact on the environment. The ADF grant finances 89.0 percent of the total cost with the remainder provided by the Government. The expected duration of the project is 18 months.
MALI	Inland Fisheries Development Support Project	17.24	15.00*	Improve the food security of the country and increase fishermen's incomes by improving the fish production conditions. The ADF loan represents 87 percent of the total cost; Government and beneficiaries will finance the rest. The expected duration of the project is 6 years.
MALI	The Djenne District Rural Development Study	1.13	(Grant: 1.06)	Contribute to poverty reduction by creating the conditions for food security and better incomes. The objective of the study is to prepare a master plan for the Bani lower basin and the technical, economic, environmental, and social feasibility studies this entails. The study will be financed by the ADF with the Government funding the rest. Expected completion of the study is 2006.

** Loan.*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004

(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE & RURAL DEVELOPMENT				
MAURITANIA	The West Brakna Irrigation Scheme Project	12.82	2.67*	Rehabilitation of 3,400 ha of basins suitable for flood recession crop cultivation and the clearing of the water supply channels. Some 40 vegetable growing blocks tended by women, totaling 110 ha., will be rehabilitated. The project will build the capacities of farming organizations and provide advisory services for crop production and farm management. The project is in line with the integrated irrigated agricultural development program aimed at revitalizing farming activities in the River Senegal valley. The ADF loan represents 20.8 percent of the total cost, while the NTF loan covers 33.5 percent and the Islamic Development Bank (IsDB) will provide 35.5 percent of the cost. The Government and beneficiaries will finance the rest. The horizon of the project is 5 years.
RWANDA	Inland Lakes Integrated Development and Management Support Project (PAIGELAC)	16.80	13.76* (Grant: 1.00)	The project components are: (i) institutional capacity building; (ii) improvement of production and marketing; and (iii) project management. The main expected outputs are: (i) building of the institutional capacities of fishery sub-sector operators, NGOs, administration and local communities; (ii) integrated management of 25,000 ha. of water bodies and protection of 35,000 ha. of watersheds; (iii) increase in the national fish production by 10,000 tonnes per year, associated animals by 1,000 tonnes per year, and the diversification of the activities of fishermen; and (iv) improvement of basic infrastructure, equipment, and services. The ADF loan and grant will finance 87.9 percent of the total cost, with the Government and beneficiaries financing the remainder. The expected duration of the project is 6 years.

** Loan.*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE & RURAL DEVELOPMENT				
TANZANIA	District Agriculture Sector Investment Project	58.01	36.00* (Grant: 7.00)	Increase production, productivity, and profitability, and build the capacity of local government authorities concerned with the facilitation, preparation, and execution of Village Agriculture Development Plans and District Agriculture Development Plans. The project will also strengthen the capacity of local farmer groups and networks. The total project cost is estimated at UA 58.0 million, with the ADF loan and grant representing 74.1 percent of the total cost. The Government of Tanzania and the beneficiaries will cover the remaining cost. The expected duration of the project is 6 years.
UGANDA	Farm Income Enhancement and Forest Conservation Project	51.14	31.57* (Grant: 9.85)	Improve incomes, rural livelihoods, and food security, through sustainable natural resources management and agricultural enterprise development. Attention will focus on: forestry support component; agricultural enterprise development; and project coordination. The ADF loan and grant will finance 81 percent of the total cost. The Nordic Development Fund (8.1 percent) and the Government of Uganda and beneficiaries (11 percent) will fund the remainder. The expected duration of the project is 5 years.
MULTINATIONAL	Integrated Management of Invasive Aquatic Weeds in West Africa	16.20	10.20* (Grant: 2.00)	The project will cover 8 countries (Benin, Gambia, Ghana, Nigeria, Niger, Mali, Mauritania, Senegal) and comprise 3 components: (i) integrated management of invasive aquatic weeds; (ii) capacity building in water management and compost-based farming; and (iii) establishment of a Project Coordination Unit. The ADF loan and grant represent 75.3 percent of the total cost. Governments, ECOWAS, and the beneficiary communities will finance the rest. The expected project is 5 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004

(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE & RURAL DEVELOPMENT				
MULTINATIONAL	Project to Support the Lake Tanganyika Integrated Regional Development Program (PRODAP)	46.20	20.00* (Grant: 4.96)	The project consists of 4 components, namely: (i) institutional capacity building; (ii) fisheries development and environmental protection; (iii) infrastructure rehabilitation and local development; and (iv) project management. The major expected outcomes are: (i) close technical supervision of 245,000 operators in the fisheries subsector; (ii) training of 15,000 operators and revitalization and/or creation of 500 viable socio-professional groups; (iii) establishing a sustainable financing system for community micro-projects; (iv) sustainable management of fishery resources in some 200 pilot villages; (v) institutional capacity building at the regional, national, and local levels for the sustainable management of the lake; (vi) establishing a system for lake surveillance and rational exploitation of fishery resources; and (vii) environmental and biodiversity protection through the treatment of waste water and protection of 200,000 ha of catchments areas. The ADF loan and the grant represent 54.0 percent of the total cost. The ADF loan is given for 50 years with a 10-year grace period.
MULTINATIONAL	Eastern Nile Irrigation and Drainage Study as part of the Nile Basin Irrigation Study	1.98	(Grant: 1.75)	Enhance food security and reduce both rural poverty and population pressures in the Eastern Nile sub-basin region. The ADF grant will finance 88.4 percent of the total cost with the beneficiary communities funding the rest. The study duration is 12 months.
MULTINATIONAL	Agricultural Marketing Promotion and Regional Integration Project (COMESA)	6.17	(Grant: 3.74)	(i) Improve agricultural marketing information and agribusiness opportunities in the COMESA region (ii) strengthen the institutions for agricultural marketing; and (iii) improve and harmonize sanitary and phytosanitary measures and food safety standards. The ADF grant represents 60.7 percent of the total project cost with the COMESA Secretariat and member states financing the rest. The expected duration of the project is 3 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE & RURAL DEVELOPMENT				
MULTINATIONAL	Creation of Sustainable Tsetse and Trypanosomiasis (T&T) Free Areas in East and West Africa	54.96	44.56* (Grant: 2.94)	Create sustainable tsetse and trypanosomiasis-free areas in 6 countries in support of the eradication of "sleeping sickness" in sub-Saharan Africa by integrating suppression, control, and eradication technologies while ensuring the reclaimed areas are equitably, sustainably, and economically exploited. The ADF loan and grant will cover 86.4 percent of the total cost with participating countries and other partners financing the remainder. The expected duration of the project is 6 years.
ENVIRONMENT				
NIGERIA	Niger Delta Environmental and Social Study	1.85	(Grant: 1.70)	The study will be executed in 2 phases: (i) diagnostic assessment of the environment and social issues, problems, constraints, strengths, resources and potential; (ii) development of an Environmental and Social Management Plan, subject to periodic reviews. The emphasis will be on capacity building and establishment of rules and guidelines for environmental management and monitoring. The ADF grant will finance 92 percent of the study with the Government of Nigeria financing the rest. The study will be implemented over 15 months.
MULTISECTOR				
BURKINA FASO	Poverty Reduction Strategy Support Program II	122.80	15.5*	(i) Accelerate growth by consolidating the stability of the macroeconomic framework and strengthening competitiveness; (ii) improve access to basic social services; and (iii) promote good governance. The ADF loan represents 12.6 percent of total cost. Cofinanciers comprise the IDA (33.0 percent), EU (28.9 percent), the Netherlands (8.6 percent), IMF (5.6 percent), France (3.5 percent), Switzerland (3.5 percent), Sweden (2.9 percent), with the Government funding the rest. The expected duration of the program is 12 months.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
BURUNDI	Institutional Capacity Building Project	2.24	(Grant: 2.13)	Develop and consolidate capacities in macroeconomic planning, public investment programming, and strengthening of the statistical system by focusing on the development of human resources, improvement of managerial procedures, and modernization of working tools. The ADF grant represents 95 percent of the total project cost with the Government of Burundi financing the rest. The expected duration of the project is 3 years.
BURUNDI	Economic Reforms and Governance Support Program	117.78	6.72* (Grant: 1.50)	The Government's 3-year economic reform program for the 2004-2006 period, which is supported by the Poverty Reduction and Growth Facility (PRGF), comprises the following components: (i) reintegrating conflict victims and disadvantaged groups into the economic system; (ii) reforming the macroeconomic framework; (iii) disengaging the Government from the productive sector; and (iv) strengthening good governance. These components are supported by the World Bank, IMF, EU, UNDP, UNIDO, and other bilateral donors such as France. The ADF's intervention will focus on 2 major components: reforming the macroeconomic framework and promoting good governance. The share of the total cost of the project is: Bank Group (7.0 percent); IMF (52.8 percent), EU (27.1 percent); IDA (8.1 percent), Belgium (3.0 percent); France (2.1 percent), and the Government of Burundi (0.8 percent). The expected duration of the program is 12 months.
BURUNDI	Multisector Project for Socioeconomic Reintegration	10.95	9.81*	Contribute to the socioeconomic reintegration of disadvantaged groups. The project aims to (i) create jobs by promoting labor-intensive work for building infrastructure and (ii) improve access to social infrastructure (health, education, and living conditions). The ADF loan will finance 89.6 percent of the total project cost, with the Government and beneficiaries funding the remainder. The expected duration of the project is 5 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
CAPE VERDE	Economic Reforms Support Program III	25.30	2.50*	Support growth and contribute to poverty reduction through: (i) consolidation of the macroeconomic framework; (ii) strengthening of governance; (iii) intensification of the fight against poverty; and (iv) broadening of the productive base. The ADF loan finances 9.9 percent of the total cost. Other cofinanciers are the World Bank (45.9 percent), EU (19.6 percent), IMF (14.7 percent), and the Netherlands (9.9 percent). The expected duration of the program is 6 months.
CONGO	Policy Reform Program	81.52	7.00*	To stimulate the economy and alleviate poverty by: (i) strengthening the macroeconomic and growth framework; (ii) promoting and enhancing governance; (iii) reducing poverty; and (iv) promoting the private sector and strengthening sectoral policies. The ADF loan represents 8.6 percent of the total cost of the project. Cofinanciers are the IDA (24.0 percent) and the IMF (67.5 percent). The expected duration of the program is 12 months.
ETHIOPIA	Sustainable Development and Poverty Reduction Program (SDPRP)	261.82	60.00*	Support the Government's SDPRP to tackle poverty and to achieve the MDGs. The program includes 4 components: (i) monitoring the overall implementation of the SDPRP policy matrix; (ii) public sector fiduciary framework; (iii) enhance private sector development by addressing issues relating to privatization, access to urban land, and financial sector reforms; and (iv) promoting agriculture and rural development. The ADF loan will finance 23 percent of the project. Cofinanciers are: the IDA (38.7 percent), UK/DFID (14.2 percent), the EU (9.4 percent), Canada (4.9 percent), Germany (3.0 percent), Ireland (3.4 percent), and Sweden (3.4 percent). The expected duration of the program is 12 months.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
LESOTHO	Institutional Support to the Ministry of Finance and Development Planning and the Ministry of Public Works and Transport	0.83	(Grant: 0.79)	Support capacity-building activities in the Ministry of Finance and Development Planning (MOFDP) and the Ministry of Public Works and Transport (MOPWT). For the MOFDP, capacity building support will be provided in the areas of planning, financial, and budget management combined with training in project analysis, monitoring and evaluation, project appraisal, and capital budgeting. For the MOPWT, capacity building will be in policy formulation, project management, environmental management, budgeting and financial management to enhance its capacity in the management and running of the Lesotho Road Management System. The ADF grant represents 95.0 percent of the total cost with the Government of Lesotho financing the remainder. The expected duration of the project is 3 years.
MADAGASCAR	Institutional Capacity Building for Good Governance	6.41	(Grant: 5.86)	(i) Support for increased transparency and accountability in public finance management; (ii) support to modernization and enhancement of the security of legal and judicial environment; and (iii) project management. The ADF grant finances 91.4 percent of the total cost with the Government of Madagascar financing the remainder. The expected duration of the project is 3 years.
MALAWI	Support for Good Governance Program	86.57	12.00*	Support Government efforts to promote good governance. The loan program targets reforms in 2 main areas: (i) improving accountability and transparency in public financial management and (ii) promoting the rule of law and improving access to justice. The ADF loan finances 13.9 percent of the total cost. Cofinanciers are: the IDA (39.0 percent), UK (21.3 percent), EU (15.0 percent), Norway (6.8 percent), and Sweden (4.0 percent). The expected duration of the project is 6 months.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
MALI	Supplementary Program to the Third Structural Adjustment Program (SAP-III/SP)	76.13	8.60*	Stabilize the economic environment against external shocks, with a view to accelerated, sustainable, and equitable growth. The Supplementary Program will be based on the SAP III components, viz. (i) to consolidate the bases of economic growth and competitiveness particularly around the cotton sector; (ii) further rationalize public expenditure around sector medium-term expenditure frameworks (MTEFs) to promote the equitable utilization of public resources in favor of the poor; (iii) improve good governance by pursuing the modernization of public administration, simultaneously controlling and monitoring performance especially in the areas of finance and justice. The ADF loan represents 11.3 percent of the cost. Cofinanciers are the EU (31.6 percent), the IDA (29.8 percent), IMF (13.1 percent), and bilateral donors (11.3 percent). The estimated duration of the project is 12 months.
MOZAMBIQUE	Second Program of Economic Reform and Good Governance for the Reduction of Poverty	236.00	30.00*	The loan will support reforms in 3 core areas as follows: (i) deepening macroeconomic policy measures; (ii) reinforcement of the organizational structures, notably the skills pool and the incentives framework in the civil service; and (iii) filling the gaps in good governance, notably by modernizing the legal and judicial framework, strengthening transparency, and combating corruption, especially in procurement. The ADF loan will cover 12.7 percent of the total cost, while bilateral partners (57.2 percent), IDA (25.4 percent), and IMF (4.7 percent) will fund the remainder. The expected duration of the program is 2 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
RWANDA	Poverty Reduction Strategy Support Program-Phase I	390.80	21.9*	Reduce poverty through accelerated and sustainable economic growth by (i) strengthening the bases of growth and competitiveness; (ii) improving socio-economic infrastructure and protecting the environment; (iii) improving governance. The ADF loan represents 5.6 percent of the total cost. Cofinanciers are: the IDA (39.2 percent), UK-DFID (25.8 percent), EU (11.2 percent), Sweden (3.1 percent), IMF (0.8 percent), and several other donors (14.5 percent). The program is expected to run for 2 years.
SIERRA LEONE	Institutional Support Project to Strengthen the Public Financial Management and the Energy Sectors	2.94	(Grant: 2.79)	(i) Strengthen the productive capacity of the institutions involved in Public Financial Management (PFM); (ii) strengthen the capacity of the public sector to manage the national debt and to establish a country-wide tracking system to capture and reconcile data on all external loans and grants; (iii) rebuild the management, policy-making, and implementation capacity of the Ministry of Energy and Power (MEP); and (iv) improve the management capacity of the Project Implementation Units responsible for ADB projects. The ADF grant will finance 94.9 percent of the total cost, while the Sierra Leone Government will fund the remainder. The expected duration of the project is 3 years.
TANZANIA	Poverty Reduction Support Program	317.50	50.00*	Provide the Government of Tanzania with direct budget support to assist its Poverty Reduction Strategy and attain the MDGs through: (i) the promotion of an enabling environment for private sector development, (ii) the development of microfinance, and (iii) strengthening public financial management. The ADF loan represents 15.7 percent of the total cost. Cofinanciers comprise the IDA (32.7 percent), UK-DFID (23.3 percent), and the EU (7.8 percent), with the remaining 20 percent of the costs funded by the Netherlands, Sweden, Norway, Canada, Denmark, Ireland, SDC, the Kuwait Fund, Japan, and Finland. The expected duration of the program is 12 months.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
TANZANIA	Institutional Support Project for Good Governance	5.05	(Grant: 4.8)	Support the Government's efforts to undertake reforms that will promote good governance. The components of the project include (i) improving the management of public finances and specifically contributing to the development of a public procurement system that is transparent and professional; (ii) enhancing the efficiency of the legal sector and judiciary system; and (iii) enhancing sound corporate management practices. The ADF grant will finance 95.0 percent of the total cost with the Government financing the rest. The expected duration of the project is 3 years.
UGANDA	Institutional Support Project for Good Governance	9.84	(Grant: 9.00)	The capacity-building needs of Uganda are vast, with its ambitious decentralization program costed at over US$ 250 million, for which the World Bank is providing US$ 200 million. The ADF grant will be used to fund 4 main areas: (i) technical assistance to design, install, and roll out monitoring and evaluation (M&E) systems aimed at reinforcing the Government's poverty reduction activities; (ii) hiring of consultancy services to train the staff of the beneficiary institutions in different disciplines (e.g. accountancy, forensic audit expertise, IT skills, anti-corruption investigation techniques, and procurement management skills); (iii) equipment acquisition such as computer hardware and software, and forensic investigation machinery, to reinforce the monitoring of good governance practices. The ADF grant will cover 91.5 percent of the total project cost with the Government of Uganda financing the remainder. The expected duration of the project is 3 years.

* *Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004

(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
MULTINATIONAL	African Training and Management Services/African Management Service Company (ATMS/AMSCO)	10.76	(Grant: 1.6) (Private sector)	Strengthen the program's position and delivery. The ATMS/AMSCO contribution to enterprise development in Africa is important because as a PPP project, it offers unique services to African companies, mainly SMEs, and helps to build capacity in the private sector, which is vital to the continent's trading prospects in the global marketplace. The grant represents 14.5 percent of the total cost.
MULTINATIONAL	"Autorité du Liptako-Gourma (ALG)" Institutional Support Project	1.69	(Grant: 1.59)	(i) Build ALG's human capacity and provide 5 technical assistants in the areas of water resources, renewable energy, mixed farming, rural transportation, and geographic information systems, as well as a training program for all ALG staff; and (ii) strengthen technical capacity, technical installations, and procuring information technology and office equipment. The ADF grant finances 94.1 percent of the total project cost. ALG and Governments of the beneficiary countries will finance the remainder. The expected project duration is 2 years.
MULTINATIONAL	Institutional Support Project for the General Secretariat of the Economic Community of Central African States (ECCAS)	2.83	(Grant: 2.59)	(i) Support the restructuring of the General Secretariat of ECCAS, through the design and implementation of an organizational chart; (ii) support the implementation of the activity program of the General Secretariat; and (iii) project management and monitoring. The ADF grant will finance 91.5 percent of the total cost, while ECCAS will finance the rest. The expected duration of the project is 3 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
MULTISECTOR				
MULTINATIONAL	Statistical Capacity Building in Regional Member Countries Initiative under the ICP Program for Africa	20.40	(Grant: 14.75)	The ICP program involves financial and technical assistance to RMCs in (i) the collection of socioeconomic statistics for generating purchasing power parities (PPPs) necessary for cross-country economic comparisons; (ii) improving their statistical capacity through training and technical assistance so as to meet the urgent demand for reliable and timely data to support the monitoring of progress on the MDGs, PRSPs, and the results-based management and evaluation system for development effectiveness, and (iii) the development of ICP-focused National Accounts data. Some 72.3 percent of the total cost of the program is financed by the ADF grant. Cofinancing partners are the World Bank (10.2 percent), DFID (3.4 percent), Norway (0.6 percent), ACBF (3.4 percent), and participating RMCs (10.2 percent). The estimated duration of the project is 3 years.
POWER SUPPLY				
SENEGAL	Rural Electrification Project	18.01	9.58*	Improve the living conditions of rural populations with a view to fighting poverty. The specific objectives are to increase access to electricity for rural populations in the Louga region and to improve the management capacity of subsector institutions. The ADF loan will finance 53.2 percent of the total cost. The Government of Senegal and beneficiaries will finance the remainder. The expected duration of the project is 4 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
POWER SUPPLY				
UGANDA	Mineral Resources Management and Capacity Building Project	29.66	(Grant: 5.35)	Encourage expansion of private investment in the mineral sector in a socially and environmentally sound manner. The project entails (i) building institutional capacity and regulatory reform; (ii) improving the country's geological information system; (iii) establishing a preventive environment protection for mining; and (iv) improving lives of local communities to lead to the sustainability of small-scale and artisanal mining. The cofinanciers are the ADF (18 percent), IDA (58.6 percent), the Nordic Development Fund (16.4 percent), and the Government of Uganda (7.0 percent). The expected duration of the project is 5 years.
MULTINATIONAL	Eastern Nile Power Trade Program (ENTRO) Study	2.93	(Grant: 2.63)	Promote regional power trade through the creation of an enabling environment and coordinated planning and development of power generation and transmission interconnection projects. The outcome of the study will include a power trade strategy, a regional investment program, and MOUs to be executed by the countries concerned. The ADF will finance 89.8 percent of the study while ENTRO will finance the remainder. The study is expected to be finished by July 2006.
MULTINATIONAL (ETHIOPIA/ DJIBOUTI)	Power Interconnection Project	42.76	38.48*	The proposed Ethiopia–Djibouti Power Interconnection Project will facilitate the export of at least 300 GWh per annum from Ethiopia to Djibouti from the year 2009. The Ethiopian hydropower will replace Djibouti's diesel electricity generation and reduce the importation of fuel. The power interconnection should reduce supply costs and promote growth and development in both Ethiopia and Djibouti. The ADF loan will finance 90 percent of the total cost. Eléctricité de Djibouti and the Ethiopian Electric Power Corporation will finance the remainder. The expected duration of the project is 54 months.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
SOCIAL				
BENIN	HIV/AIDS Control Support Project	2.84	(Grant: 2.70)	The project objective is to boost preventive activities, traditional medicine, and the structures that carry out HIV/AIDS/STI control. The project has 3 components: (i) support preventive activities and traditional medicine; (ii) support the structures responsible for HIV/AIDS/STI control; and (iii) project management. The project activities include technical assistance, training, community-based activities, impact studies, ex-ante and ex-post studies, training sessions/study trips, supply of furniture, equipment and ARV/drugs, consumables, and the operating expenses. The ADF grant will finance 95.1 percent of the total project cost and the Government will finance the remainder. The expected duration of the project is 3 years.
CAMEROON	National Reproductive Health Support Program	13.65	10.23* (Grant: 1.90)	To contribute towards enhancing the quality of reproductive health services by focusing on: (i) improvement of geographic and financial access by women, children, and adolescents to quality reproductive healthcare; (ii) establishment at the national level of a Reproductive Health Information Center which will serve as the training, basic and applied research tool; and (iii) support to the Directorate of Family Health (DFH) within the framework of implementing the national reproductive health program. The ADF loan and grant will finance 88.9 percent of the total cost; the UNFPA will fund 2.9 percent, and the Government will finance the rest. The expected duration of the program is 4 years.
CAPE VERDE	Education Sector Institutional Support Project	1.05	(Grant: 1.00)	Improve integrated basic education through the enhanced management of schools and supervision of teaching as well as the qualifications of basic education teachers. The ADF grant covers 95.2 percent of the cost with the Government funding the rest. The project will be implemented over a 3-year period.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
SOCIAL				
CHAD	Education Sector Support (Education VI)	6.00	(Grant: 2.40)	Contribute to Chad's achieving the Education-for-All (EFA) objectives and the education MDGs by: (i) improving the school infrastructure and environment; (ii) strengthening the quality of teachers and pedagogical supervisors; and (iii) improving the capacity of the education system to monitor and evaluate performance. The ADF grant will finance 40.0 percent of the total cost. The OPEC Fund will finance 54.8 percent and the Government of Chad will finance the remainder. The expected duration of the program is 5 years.
DEMOCRATIC REPUBLIC OF CONGO	Eastern Province Healthcare Development Master Plan Support – Health Project I	27.49	20.00* (Grant: 5.00)	Contribute to improving the population's health in general and that of vulnerable groups in particular. The project's specific objectives with regard to the Eastern Province include: (i) improving the health cover and (ii) reducing morbidity and mortality attributable to such communicable diseases as malaria, STI/HIV/AIDS, and tuberculosis. The Bank Group will finance 90.9 percent of the project with the Government financing the rest. The expected duration of the program is 5 years.
DEMOCRATIC REPUBLIC OF CONGO	Education Sector Support Project	5.50	(Grant: 5.23)	Contribute to the reconstruction of the Congolese educational system in order to attain the EFA goals. The twin objectives are to support the preparation of sectoral reforms and to strengthen institutional planning and sector management capacities. The project comprises 4 components: (i) support for the preparation of sectoral reforms; (ii) introduction of an information system for the management of education; (iii) institutional planning, training and teaching management capacity building; and (iv) project management. The ADF grant will finance 95.1 percent of the project's total cost with the Government funding the remainder. The expected duration of the project is 3 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
SOCIAL				
DJIBOUTI	Basic and Secondary Education Strengthening Project (Education III)	5.56	4.63* (Grant: 0.37)	Increase access and improve the quality of the education system by helping to increase the intake capacity, improve the equity and the quality of basic and secondary education, as well as the delivery of health services in schools. The ADF loan and grant will finance 89.9 percent of the total project cost while the Government will finance the remaining 10 percent. The expected duration of the project is 5 years.
ERITREA	Education Sector Development Program	20.40	13.60* (Grant: 5.03)	(i) Improve access to quality basic education; (ii) improve access to quality secondary education; and (iii) build capacity for the education system. The ADF loan and grant will finance 91.3 percent of the total program cost with the Government financing the rest. The expected duration of the program is 54 months.
ETHIOPIA	Institutional Support to Women's Affairs Office	1.17	(Grant: 1.06)	(i) Support training, procurement of office and training equipment, (ii) rehabilitate the women's training center; and (iii) provide technical assistance to support the Women's Affairs Office in developing training manuals, gender mainstreaming guidelines, gender monitoring indicators, etc. The ADF grant will finance 90.6 percent of the total cost with the Government funding the remainder. The expected duration of the project is 2 years.
KENYA	Rural Health Project III	26.70	17.18* (Grant: 6.00)	Improve access of the population to quality healthcare. The project will comprise 3 components: (i) strengthening of district health systems; (ii) prevention and control of major diseases; and (iii) project management. The ADF loan and grant will finance 86.6 percent of the total cost with the OPEC Fund providing 16.9 percent and the Kenyan Government 11.0 percent. The expected duration of the project is 5 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
SOCIAL				
MADAGASCAR	Project to Support the Control of Communicable Diseases (HIV-AIDS /STI/ Tuberculosis)	11.60	(Grant: 6.00)	Ensure safe blood transfusion and improve the population's access to preventive and curative care with regard to communicable diseases (HIV/AIDS, STI, and tuberculosis). Components comprise: (i) establishing a blood transfusion network to screen the quality of the blood to prevent transmissible diseases; (ii) improve the access of the population to preventive, diagnostic, and curative services; (iii) capacity building for epidemiological surveillance; and (iv) capacity building for project management. The ADF grant represents 51.7 percent of the total project cost. Cofinanciers are the OPEC Fund (29.4 percent), UNAIDS (2.9 percent), and the Government (16.0 percent). The expected duration of the project is 5 years.
MALI	HIV/AIDS Control Project	9.20	(Grant: 8.29)	Reduce the HIV/AIDS prevalence rate in the country; improve services for testing, counseling, and provision of anti-retroviral drugs; and strengthen women's competence vis-à-vis HIV/-AIDS. The project has 3 components: (i) capacity building; (ii) prevention and medical, psychological and social care; and (iii) project management. The ADF grant will fund 90.1 percent of the total project cost with the Government financing the rest. The expected duration of the project is 4 years.
NIGER	Gender Equity Reinforcement Project	3.16	(Grant: 3.00)	Contribute to enhancing the capacities for design, planning, and management of gender activities and create a social environment that is more conducive to gender equity. The project has the following components: (i) capacity building; (ii) improving the legal framework and women's access to information and communication; and (iii) project implementation. The ADF grant will finance 94.9 percent of the project cost while the Government will fund the rest. The expected duration of the project is 3 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004

(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
SOCIAL				
ZAMBIA	Child Welfare Project	15.62	9.77* (Grant: 3.89)	Improve access for children-in-need to social services (nutrition, education, and life skills opportunities) and provide an appropriate framework for child welfare. The ADF loan and grant will fund 87.5 percent of the total cost. Cofinanciers are GTZ (4.9 percent) and the Government (11.9 percent). The expected duration of the project is 5 years.
MULTINATIONAL	Support to the Economic Community of West African States (ECOWAS) Peace and Development Program	10.53	(Grant: 10.00)	Support the promotion of peace in ECOWAS member countries by strengthening the institutional capacities of ECOWAS and civil society in countries affected by conflict and achieving better coordination, management, and implementation of conflict prevention measures. The project has 3 components: (i) capacity building for ECOWAS, (ii) support to the ECOWAS Peace and Development Program, and (iii) project management. The costs of the project are borne principally by the ADF (95.0 percent) with the remainder financed by ECOWAS member countries. The expected duration of the project is 6 years.
MULTINATIONAL	Subregional HIV/AIDS Program for the Refugees, Internally Displaced Populations and their Host Communities in the Mano River Union Basin Countries and Côte d'Ivoire	22.82	(Grant: 5.00)	Prevent the spread of STI/HIV/AIDS among refugees, internally displaced populations, and their host communities in the Mano River Union Countries and Côte d'Ivoire and provide psychosocial support to those living with HIV/AIDS. The ADF grant will fund 21.9 percent of the total program cost with the Global Fund (77 percent) and beneficiary Governments (1.1 percent) financing the rest. The expected duration of the program is 3 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
SOCIAL				
MULTINATIONAL	Regional Initiative for HIV/AIDS/STI Prevention in Member Countries of the Indian Ocean Commission	7.63	(Grant: 6.00)	Prevent transmission of HIV/AIDS and STIs, particularly in migrant populations that move from island to island, along with the populations with whom they interact by: (i) sensitizing the populations on the risks, modes of transmission, and means of protection for HIV/STI; (ii) ensuring access to quality preventive and curative services from the socio-health units; and (iii) establishing a joint epidemiological surveillance system to monitor the evolution of the HIV/AIDS/STI epidemic in the subregion. The ADF grant will finance 78.6 percent of the total cost of the initiative. The Indian Ocean Commission (6.2 percent), French cooperation agencies (10.7 percent) and UNAIDS (4.6 percent) will finance the remainder. The expected duration of the project is 4 years.
MULTINATIONAL	African Virtual University (AVU) Support Project	5.51	(Grant: 5.00)	(i) Establish Open, Distance and eLearning (ODeL) Capacity Development Centers and connectivity provision at African Virtual University (AVU) partner institutions; (ii) support a teacher training and development program; (iii) mainstream gender issues into AVU operations; and (iv) project management. The ADF grant will fund 90.7 percent of the total project cost with the AVU financing the rest. The expected duration of the project is 3 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
TRANSPORTATION				
BENIN	Pobé–Kétou–Illara Road Rehabilitation Project	24.63	7.80*	Improve the transportation infrastructure with a view to strengthening regional economic integration and so facilitating national and international trade. Specifically, the project aims at (i) improving the Pobé–Kétou–Illara road and the standard of living in the project impact area; and (ii) building the capacity of the Pobé and Kétou City Halls. The ADF loan will finance 31.7 percent of the total project cost. Cofinanciers are: DANIDA (60.9 percent), the Benin Government (6.4 percent), and beneficiaries (1.1 percent). The project is expected to run for 39 months.
BURKINA FASO	Feeder Roads Project	18.76	15.71*	The project is a component of the second transportation sector program. Its objectives are to: (i) foster trade through a reduction in the domestic transportation costs; and (ii) improve the living conditions of the rural populations through better access to the production areas and basic social services. It aims to achieve this through: (i) supporting production by opening up many cotton-production and market gardening areas in the 13 provinces targeted; (ii) improving the income level of the populations of the project impact area; and (iii) facilitating the transportation of produce. The ADF loan will fund 83.7 percent of the project while the Government of Burkina Faso will finance the rest. The expected duration of the project is 40 months.

* *Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
TRANSPORTATION				
MADAGASCAR	Toliara Province Road Project	41.86	31.15* (Grant: 1.89)	Improve the efficiency of the transportation sector to sustain the recovery of the economy and so reduce poverty. Specifically, the project seeks to (i) improve accessibility and mobility for a rural population of 750,000 inhabitants in Toliara province; (ii) support the opening up of this province; (iii) define, within the context of the PRSP, the impact of transportation on poverty; and (iv) improve the management capacity of projects. The ADF grant and loan will finance 78.9 percent of the total cost. An OPEC Fund loan (11.3 percent) and the Government of Madagascar (9.8 percent) will provide the rest of the funding. The expected duration of the project is 50 months.
RWANDA	Gitarama– Ngororero–Mukamira Road Project	37.40	15.20*	(i) Improve the living conditions of the rural communities of the Gitarama and Gisenyi Provinces with the opening up of the agropastoral and industrial areas; and (ii) build the technical and institutional capacities of the Roads Department. The ADF loan will finance 40.6 percent of the project. Cofinanciers are ABEDA (18.3 percent), the OPEC Fund (18.3 percent), the Saudi Development Fund (12.6 percent), and the Government of Rwanda (9.9 percent). The expected duration of the project is 34 months.
TANZANIA	Zanzibar Roads Upgrading Project	18.18	16.22* (Grant: 0.71)	Reduce vehicle operating and road maintenance costs and improve road transportation services in Unguja Island to achieve better management of the road network. The ADF loan and grant will fund 93.1 percent of the total project cost with the Revolutionary Government of Zanzibar financing the remainder. The expected duration of the project is 18 months.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
TRANSPORTATION				
MULTINATIONAL	Mombasa–Nairobi–Addis Ababa Road Corridor Development Project	40.34	33.60* (Grant: 2.55)	Increase cross-border trade and production factor flows between the Eastern region and Horn of Africa region to support regional socioeconomic development. The objectives of the project are to: (i) improve land transportation communications between Kenya and Ethiopia and so enhance trade and regional economic integration; (ii) provide landlocked Ethiopia with an alternative outlet to the sea through the port of Mombasa; and (iii) open up Kenya's Northeastern Province (ASAL), and integrate it with the rest of Kenya. The ADF loan and grant will finance 89.6 percent of the project. The Governments of Ethiopia and Kenya will bear the remaining costs. The expected duration of the project is 54 months.
MULTINATIONAL	Feasibility Study on the Isaka–Kigali Railroad Project	1.75	(Grant: 1.66)	Determine the optimum solution for the operation of a railroad between Isaka in Tanzania and Kigali in Rwanda on the "Central Transport Corridor" with a view to opening up Rwanda. The ADF grant will finance 94.9 percent of the study with the Governments of Tanzania and Rwanda financing the rest. The study is expected to be completed in December 2006.
WATER SUPPLY AND SANITATION				
BENIN	Rural Drinking Water Supply and Sanitation Program	12.67	10.74*	Part of a larger program, the Bank's first subprogram concerns the hydrogeologically disadvantaged areas of southern Benin, which span Atlantique and Zou Regions. The Japanese and Danish Cooperation agencies operate in these 2 regions but their activities do not extend to these difficult areas where deep boreholes and water supply networks are required. The ADF loan will finance 84.8 percent of the total cost with the Government and beneficiaries financing the rest. The expected duration of the project is 3 years.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
WATER SUPPLY AND SANITATION				
GHANA	Rural Water Supply and Sanitation Program	13.62	(Grant: 12.80)	The country RWSS program remains a high priority for the Government. The program has been developed in consultation with all stakeholders and donors active in Ghana, including the World Bank/IDA, European Union (EU), Agence française de développement (AFD), Canadian International Development Agency (CIDA), Danish International Development Agency (DANIDA), the UK's Department for International Development (DFID), and the Japan International Cooperation Agency (JICA). The Bank will kick-start the program implementation by financing 94.0 percent of the costs of the launch phase, with the Government and beneficiaries funding the rest. This first phase is expected to be finished by 2008.
KENYA	Rift Valley Water Supply and Sanitation Project	21.21	13.04* (Grant: 5.02)	The project comprises: (i) institutional support to the Rift Valley Water Services Board (RVWSB) and Nakuru Water and Sanitation Services Company (NAWASSCO); (ii) major water and sanitation improvements in Nakuru together with public awareness campaigns on water, health, gender; (iii) water and sanitation improvements in small towns in the Rift Valley; and (iv) development and implementation of a rural water supply and sanitation program based on the demand-responsive approach. The ADF loan and grant will finance 85.1 percent of the total project cost with the Government and beneficiary communities funding the rest. The expected duration of the project is 42 months.
MALI	Study for Preparation of a Master Plan and Program Concerning Rainwater Drainage and Sewage Evacuation in the Bamako District.	1.03	(Grant: 0.97)	The study will comprise 3 phases: (i) design of a new master plan for rainwater drainage and sewage evacuation in the Bamako district up to 2015; (ii) definition of a priority investment program; and (iii) a restitution workshop involving all the stakeholders, to validate the study recommendations and identify the master plan as well as a priority investment program. The ADF grant will fund 94.8 percent of the total study cost, while the Government will finance the remainder. The study is expected to be finished by October 2005.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
WATER SUPPLY AND SANITATION				
SIERRA LEONE	Water Supply and Sanitation Study	0.98	(Grant: 0.85)	Part I of the study comprises the preparation of a Water Supply and Sanitation (WSS) project for Makeni, Bo, and Kenema towns. This part will be executed in 2 stages, including a feasibility study and detailed designs and tender documents preparation. Part II consists of the preparation of a Rural Water Supply and Sanitation (RWSS) Program, including a comprehensive sector assessment and the preparation of investment program and action plan, and a RWSS priority phase intervention. Part II will be prepared in one stage only. The ADF grant will finance 86.7 percent of the total cost and the Government will fund the remainder. The study is expected to be completed by October 2005.
UGANDA	Small Towns Water Supply and Sanitation Project	20.92	12.26* (Grant: 6.15)	Improve the standard of living and promote development in the 7 project towns through the construction of water supply schemes and improved sanitation, solid waste management and drainage. The ADF loan and grant will cover 88.0 percent of the total cost with the Government of Uganda financing the remaining part. The expected duration of the project is 3 years.
MULTINATIONAL	Water Resources Planning and Management Project for the Nile Basin Initiative Member Countries	22.98	(Grant: 2.10)	To build capacity in the formulation of water policy and water resources planning and management; preparation of a computer-based decision support system (DSS); regional coordination and facilitation. The ADF grant will finance 9.1 percent of the total project cost. Cofinanciers are: the Global Environmental Facility (GEF) (11.2 percent), GTZ (9.1 percent), Nile Basin Trust Fund (NBTF) (63.5 percent), and the Government (7.0 percent). The expected duration of the project is 6 years.

* *Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
OTHER APPROVALS				
BURUNDI	Grant under the Post-Conflict Countries Facility (PCCF)		(Grant: 8.0)	Burundi is successfully emerging from a protracted conflict and the prospects for lasting peace and national reconciliation are very encouraging. The country has articulated an economic reform, reconstruction and rehabilitation program, which is being implemented with the support of its development partners. International support has been mobilized in favor of the country's reform agenda, and, according to the BWIs, implementation has been satisfactory. This has opened a window of opportunity to assist Burundi to clear its arrears to the Bank Group, normalize relations, and proceed with full re-engagement. Therefore, the ADF is extending to Burundi a UA 8.0 million grant from the PCCF to complete the proposed arrears clearance program.
CONGO	Grant under the Post-Conflict Countries Facility (PCCF)		(Grant: 33.30)	Congo is successfully emerging from a series of three internal conflicts and the prospects for lasting peace and national reconciliation in the country are encouraging. Congo has articulated an economic reform, reconstruction and rehabilitation program that is being implemented with the support of its development partners. International support is being mobilized in favor of the country's reform agenda, and the BWIs are currently preparing major re-engagement programs. This has opened a window of opportunity to assist Congo to clear its arrears to the Bank Group, thereby normalizing relations, and allowing full re-engagement with the international donor community. Therefore, the Bank Group is extending to the Republic of Congo a UA 33.3 million grant from the PCCF to complete the proposed arrears clearance program.
DEMOCRATIC REPUBLIC OF CONGO	HIPC Debt Relief		80.27	Help reduce the Democratic Republic of Congo's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.

** Loan*

PROFILE OF ADF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
OTHER APPROVALS				
ETHIOPIA	HIPC Debt Relief		146.97	Help reduce Ethiopia's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.
GHANA	HIPC Debt Relief		33.87	Help reduce Ghana's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.
NIGER	HIPC Debt Relief		34.04	Help reduce Niger's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.
SENEGAL	HIPC Debt Relief		6.22	Help reduce Senegal's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities.

** Loan*

SPECIAL PURPOSE FINANCIAL STATEMENTS AND REPORT OF THE INDEPENDENT AUDITORS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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STATEMENT OF NET DEVELOPMENT RESOURCES
AS AT DECEMBER 31, 2004 AND 2003

(UA thousands – Note B)		**2004**	2003
DEVELOPMENT RESOURCES			
DUE FROM BANKS		32,039	6,980
INVESTMENTS (Notes C & H)			
Trading	623,148		1,129,894
Held-to-maturity	882,210		165,368
		1,505,358	1,295,262
DEMAND OBLIGATIONS (Note D)		2,568,563	2,693,858
RESTRICTED FUNDS (Note C)		-	83,786
RECEIVABLES			
Accrued income on loans and investments	37,534		24,300
Other amounts	28,697		43,120
		66,231	67,420
LIABILITIES		(68,226)	(154,481)
NET DEVELOPMENT RESOURCES		**4,103,965**	**3,992,825**
FUNDING OF DEVELOPMENT RESOURCES			
SUBSCRIPTIONS (Notes F & N)			
Total subscribed, including total contributions through accelerated encashment of subscriptions	12,824,786		12,500,335
Less: Portion of accelerated encashment not yet effected	8,325		-
	12,816,461		12,500,335
Less: Installments not yet payable	155,006		489,613
	12,661,455		12,010,722
Less: Installments due	7,018		21,582
	12,654,437		11,989,140
Less: Unamortized discounts on subscriptions (Note B)	21,049		-
	12,633,388		11,989,140
Cumulative Exchange Adjustment on Subscriptions (Note B)	(302,733)		(316,141)
		12,330,655	11,672,999
HIPC DEBT RELIEF (Note E)		(71,079)	(71,079)
OTHER RESOURCES (Note G)		89,970	79,970
RESERVES (Note I)		76,528	75,588
CUMULATIVE TRANSLATION ADJUSTMENT (Note B)		(364,028)	(308,906)
		12,062,046	11,448,572
ALLOCATION OF DEVELOPMENT RESOURCES			
TECHNICAL ASSISTANCE GRANTS DISBURSED (Note E)		(539,131)	(450,864)
HIPC GRANTS DISBURSED		(184,000)	(209,500)
LOANS (Notes E, H, L & M)			
Disbursed and outstanding		(7,234,950)	(6,795,383)
NET DEVELOPMENT RESOURCES		**4,103,965**	**3,992,825**

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, 2004 AND 2003

(UA thousands – Note B)

	2004	2003
INCOME AND EXPENSES		
Service charges on loans	51,724	43,053
Commitment charges on loans	12,425	10,879
Income on investments	48,176	23,639
Administrative expenses (Note K)	(103,060)	(101,659)
Discount on accelerated encashment of participants' demand obligations	(7,884)	-
Direct expenses	(304)	-
Financial charges	(187)	(136)
Unrealized loss on forward contracts	-	(702)
Gain/(Loss) on exchange	50	(1,283)
Surplus/(Loss)	**940**	**(26,209)**
CHANGE IN DEVELOPMENT RESOURCES FUNDING		
Increase in paid-up subscriptions	665,297	568,016
Increase in other resources	10,000	25,000
Changes in accumulated exchange adjustment on subscriptions	13,408	38,110
Changes in unamortized discounts on subscriptions	(21,049)	-
Changes in accumulated translation adjustment	(55,122)	40,006
	612,534	671,132
CHANGE IN DEVELOPMENT RESOURCES ALLOCATION		
Disbursement of Technical Assistance Grants	(93,079)	(26,231)
Refund/(Payment) of HIPC Grants	25,500	(25,500)
Disbursement of loans	(587,416)	(341,837)
Repayment of loans	88,463	69,394
Translation adjustment on Loans and Technical Assistance Grants	64,198	(12,317)
	(502,334)	(336,491)
Change in Net Development Resources	111,140	308,432
Net Development Resources at beginning of the year	3,992,825	3,684,393
NET DEVELOPMENT RESOURCES AT THE END OF THE YEAR	**4,103,965**	**3,992,825**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(UA thousands – Note B)

	2004	2003
SURPLUS/(LOSS)	940	(26,209)
OTHER COMPREHENSIVE (LOSS)/INCOME :		
Changes in accumulated translation adjustment	(55,122)	40,006
COMPREHENSIVE (LOSS)/INCOME	**(54,182)**	**13,797**

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(UA thousands – Note B)

	2004	2003
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Surplus/(Loss)	940	(26,209)
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in accrued income on loans and investments	(13,234)	(4,246)
Discount on accelerated encashment of participants' demand obligations	5,222	-
Amortization of premium and discount on held-to-maturity investments	5,609	66
Changes in net current assets	(57,905)	(40,445)
Net cash used in operating activities	(59,368)	(70,834)
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursement of Technical Assistance Grants	(93,079)	(26,231)
Refund/(Payment) of HIPC Grants	25,500	(25,500)
Disbursement of loans	(587,416)	(341,837)
Repayment of loans	88,463	69,394
Investments maturing after 3 months:		
Held-to-maturity	(747,801)	(174,801)
Trading	139,105	(54,417)
Net cash used in lending and development activities	(1,175,228)	(553,392)
FINANCING ACTIVITIES:		
Subscriptions received in cash	11,024	22,496
Participants' demand obligations encashed	805,497	715,410
Increase in other resources	10,000	25,000
Net cash provided by financing activities	826,521	762,906
Effect of exchange rate changes on cash and liquid investments	3,417	(21,801)
Net (decrease)/increase in cash and liquid investments	(404,658)	116,879
Cash and liquid investments at beginning of the year	496,627	379,748
Cash and liquid investments at end of the year	**91,969**	**496,627**
Composed of:		
Cash	32,039	6,980
Investments maturing within 3 months:		
Held-to-maturity	3,652	399
Trading	56,278	405,462
Restricted Funds (Note C)	-	83,786
	91,969	**496,627**
Supplementary disclosure:		
Movement resulting from exchange rate fluctuations on:		
Loans and grants	(64,198)	12,317
Subscriptions	13,408	38,110

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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 has a 12-member Board of Directors, 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 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 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 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 ADF Agreement. Thereafter, the resources have been replenished through Special and General Increases of subscriptions.

Note B – Summary of Significant Accounting Policies

Due to the nature and organization of the Fund, these special purpose financial statements have been 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. These special purpose financial statements have been prepared to comply with Articles 35(1) and (2) 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 financial statements are as follows:

Monetary Basis of Special Purpose Financial Statements

The special purpose financial statements are expressed in Units of Account. Article 1 of the Agreement Establishing the Fund (the Agreement) defined a Unit of Account as having a value of 0.81851265 gram 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 from that date 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 Unit of Account of the African Development Bank (the Bank) which is for the time being 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 Unit of Account has since then been defined as equal to the Bank's Unit of Account.

The Fund conducts its operations in the currencies of its State Participants. Income and expenses are converted into Units of Account at the rate prevailing on the date of the transaction. Assets and liabilities are translated into Units of Account at rates prevailing at the Statement of Net Development Resources date. 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. Where currencies are converted into any other currency, the resulting gains or losses are included in income.

The rates used for translating currencies into Units of Account at December 31, 2004 and 2003 are as follows:

	2004	2003
1 Unit of Account equals:		
Argentinian Peso	4.595360	4.308620
Brazilian Real	4.121060	4.292080
Canadian Dollar	1.869200	1.920470
Danish Krone	8.462960	8.820990
Euro	1.140160	1.176540
Indian Rupee	67.680100	67.775000
Japanese Yen	161.161000	158.575000
Korean Won	1,608.290000	1,779.890000
Kuwaiti Dinar	0.456488	0.437915
Norwegian Krone	9.377960	9.918860
Pound Sterling	0.804085	0.832619
South African Rand	8.743400	9.866800
Swedish Krona	10.235100	10.771500
Swiss Franc	1.757380	1.838000
United States Dollar	1.553010	1.485970

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

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 ADF receives instruments of subscriptions 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 3 years) in accordance with an agreed payment schedule. The actual payment of subscriptions when they become due from certain members is conditional upon the respective member'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 replenishment, participants were given the option of an early payment of cash in an amount equivalent to the net present value of their entire subscription and contribution. 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 to the credit of the state participant. Such discount is amortized over the projected encashment period, to recognize the effective contributions to capital by the relevant participant over and above the initial cash advanced.

Maintenance of Value of Currency Holdings

Prior to the second general replenishment, subscriptions were denominated in Units of Account 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 Unit of Account 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 and 2002-09 which all stipulated that Article 13 shall not apply to the Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth and Ninth 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 the Fund's Unit of Account, are applied against subscriptions, with the offsetting debits or credits to the Cumulative Exchange Adjustment on Subscriptions.

Investments

The Fund's investment securities are classified based on management's intention on the date of purchase. Securities which management has the intention and ability to hold until maturity are classified as held-to-maturity and reported at amortized cost. All other investment securities are carried at market value. 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 AAA credit rating. Money market instruments include time deposits, certificates of deposit and other obligations with maturity period of less than a year, issued or unconditionally guaranteed by banks and other financial institutions with a minimum rating of A.

Income from investments includes realized and unrealized gains and losses and interest earned.

Investments maturing within 3 months from the date of acquisition are also included in liquidity in the statement of cash flows. Investments in the trading portfolio are carried and reported at market values and related unrealized gains and losses are included in income. Income from investments includes realized and unrealized gains and losses on trading financial instruments, and the amortization of premiums and discounts calculated on the constant yield basis for the held-to-maturity financial instruments.

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, and, 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, charges that had been accrued on loans to the borrower, which remained unpaid, are deducted from the income from loans of the current period. Charges on loans in non-accrual status are included in income only to the extent that payment has been received by the Fund.

The Fund participates in a multilateral initiative for addressing the debt problems of countries identified as Heavily Indebted Poor Countries (HIPCs) to help ensure that the reform efforts are not compromised by unsustainable external debt burdens. Under this initiative, creditors provide debt relief for those countries that demonstrated 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 initiative, upon signature of a HIPC Debt Relief Agreement between 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 framework, implementation mechanism comprises partial payment of ADF debt service as it falls due with funds received from the Trust Fund.

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, 2004 and 2003 are made up as follows:

(UA thousands)	**2004**	2003
Time deposits	56,278	405,462
Asset-backed securities	235,130	419,275
Government and agency obligations	-	89,019
Corporate bonds	331,740	216,138
Total	**623,148**	**1,129,894**

Investments held to maturity at December 31, 2004 and 2003 are made up as follows:

(UA thousands)	**2004**	2003
Time deposits	3,652	399
Government and agency obligations	458,850	83,559
Corporate bonds	419,708	81,410
Total	**882,210**	**165,368**

The maturity structure of held-to-maturity investments as at December 31, 2004 was as follows:

(UA millions)	
January 1, 2005 to December 31, 2005	3.65
January 1, 2006 to December 31, 2006	101.04
January 1, 2007 to December 31, 2007	99.71
January 1, 2008 to December 31, 2008	99.26
January 1, 2009 to December 31, 2009	98.44
January 1, 2010 to December 31, 2010	94.38
January 1, 2011 to December 31, 2016	385.73
Total	**882.21**

The currency composition of total investments at December 31, 2004 and 2003 was as follows:

(UA thousands)	2004			2003
	Trading	Held to Maturity	Total	Total
Euro	45,561	-	45,561	850
Pounds Sterling	281,860	-	281,860	272,622
United States Dollar	295,727	882,210	1,177,937	1,021,790
Total	**623,148**	**882,210**	**1,505,358**	**1,295,262**

Restricted Funds

Pursuant to the Board of Directors' Resolution F/BD/2000/02, concerning the introduction of replenishment-specific encashments for the Fund, the Government of Canada agreed with the Fund on a customised encashment schedule to meet its remaining payment obligations under the Sixth, Seventh and Eight General Replenishments. The arrangement called for three scheduled payments, which together with income earned, would be applied by the Fund against the obligations as they fell due. In 2004, at the request of the Government of Canada, this arrangement was terminated and the remaining funds, held in a restricted account, were used to offset part of Canada's obligations to ADF under the above subscriptions' replenishments. Consequently, there was no balance outstanding under this agreement at December 31, 2004 (2003: UA 83.79 million).

Note D – Demand Obligations

These 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 Units of Account and repaid in the currency disbursed.

Project Loans and Lines of Credit

Loans are generally granted under conditions that allow for repayment between 40 and 50 years, after a 10-year grace period commencing from the date of the loan agreement. Loan principal is repayable from the eleventh to the twentieth year at a rate of 1 percent per annum and thereafter 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 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 equal installments over 7 years.

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, 2004, outstanding irrevocable reimbursement guarantees to commercial banks amounted to UA 2.41 million (2003: UA 2.70 million).

As at December 31, 2004, loans made to or guaranteed by certain borrowers with an aggregate principal balance outstanding of UA 843.01 million (2003: UA 962.60 million) of which UA 67.04 million (2003: UA 67.89 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, 2004, would have been higher by UA 5.33 million (2003: UA 6.67 million). At December 31, 2004, the cumulative charges not recognized on the non-accrual loans amounted to UA 38.86 million, compared to UA 38.81 million at December 31, 2003.

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. The service charge rate on utilized lines of credit is the same as for project loans.

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, 7.50 percent under the Seventh and Eighth General Replenishments have been allocated as grant funds to provide technical assistance for the identification and preparation of development projects or programs in specified member countries. In addition, amounts in the range of 18 to 21 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. Under the Eighth and Ninth General Replenishments, technical assistance may 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 possible, 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 Initiative

Under the original framework of the Heavily Indebted Poor Countries (HIPC) initiative, selected loans to beneficiary countries are paid off by the HIPC Trust Fund at a price equivalent to the net present value (NPV) of the loans as calculated using the methodology agreed under the initiative. Following the signature of a HIPC debt relief agreement, loans identified to be paid off are written down to their estimated net present value. The amount of this write-down, representing the difference between the book value and net present value of the loans, is shown as a reduction in Sources of Development Resources.

At December 31, 2004, the cumulative position of loans sold to the HIPC Trust Fund relates to loans to Mozambique with outstanding balance of UA 132.04 million sold under the original framework for a net present value of UA 60.96 million. The difference of UA 71.08 million was applied as a reduction to net development resources.

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 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. During the year ended December 31, 2004, the HIPC Trust Fund provided debt service relief of UA 66.47 million to ADF eligible beneficiary countries.

Special Arrears Clearance Mechanism

In connection with an internationally coordinated effort between 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.

Note F – Subscriptions

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 nine general replenishments. Details of these movements are shown in the statement of subscriptions and voting power.

The ninth general replenishment, approved by the Board of Governors resolution F/BG/2002/09 adopted on December 16, 2002, came into effect on January 30, 2003, when State Participants deposited with the Fund, instruments of subscription representing an aggregate amount of 31.94 percent of the total intended subscription.

Gains or losses arising from translation of subscriptions received into Units of Account are recorded in the cumulative exchange adjustment on subscriptions account.

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 the international law and hence 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 in these financial statements as Other Resources.

Also included in Other Resources is a total of UA 77.00 million representing the contributions by the Bank of UA 75.00 million, and by the Government of Botswana of UA 2.00 million towards the Fund's activities, in accordance with Article 8 of the Fund's Agreement. The contributions by the Bank included UA 15.00 million allocated from the Bank's 2002 net income to mitigate the negative impact on the commitment capacity of the Fund, of the cost relating to the temporary relocation of the operations of the Bank Group to Tunisia.

Note H – Disclosures about Fair Value of Financial Instruments

Investments: Since the Fund carries its investments held for trading 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 0.5 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

(UA thousands)	**2004**	2003
Balance at January 1	75,588	101,797
Surplus/(Loss) for the year	940	(26,209)
Balance at December 31	**76,528**	**75,588**

Note J – Trust Funds

In accordance with the agreement establishing the Fund, the Fund has available resources arising from contributions entrusted to it under Article 8, 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, 2004 the undisbursed balance of trust fund resources amounted to UA 3.85 million (2003: UA 4.15 million) representing the balance on grant received from Japan for the Development of Human resources in Africa.

Resources of the trust funds are kept separate from those of ADF.

Note K – Administrative Expenses

Pursuant to Article 31 of the Agreement, the Fund reimburses the African Development Bank for the fair value of its use of the latter's offices, staff, organization, services and facilities. The amount reimbursed, referred to as Administrative Expenses, 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 period by the Bank Group. The Administrative Expenses incurred by the Fund for the year amounted to UA 103.06 million (2003: UA 101.66 million).

Note L – Summary of Loans as at December 31, 2004

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans *	Unsigned Loans	Undisbursed	Outstanding Balance	% of Outstanding Loans
Algeria	1	305	-	-	305	0.00
Angola	9	42,689	-	21,275	21,414	0.30
Benin	44	352,040	-	124,267	227,773	3.15
Botswana	12	61,666	-	587	61,079	0.84
Burkina Faso	40	420,858	6,400	160,120	254,338	3.52
Burundi	32	165,565	16,530	10,039	138,996	1.92
Cameroon	29	234,948	-	101,333	133,615	1.85
Cape Verde	23	84,183	-	14,716	69,467	0.96
Central African Republic **	19	104,167	-	-	104,167	1.44
Chad	37	299,524	-	78,184	221,340	3.06
Comoros **	8	29,440	-	-	29,440	0.41
Congo **	3	14,592	-	7,000	7,592	0.10
Côte D'Ivoire **	15	247,741	-	77,486	170,254	2.35
Dem. Rep. Congo **	28	231,676	-	79,352	152,324	2.11
Djibouti	16	75,890	-	14,355	61,535	0.85
Egypt	17	164,560	-	19,147	145,413	2.01
Eq. Guinea	11	32,901	-	4,329	28,572	0.39
Eritrea	6	70,274	13,600	16,834	39,841	0.55
Ethiopia	51	908,113	60,000	252,118	595,995	8.24
Gabon	3	2,076	-	-	2,076	0.03
Gambia	26	132,473	-	23,496	108,977	1.51
Ghana	37	502,602	-	187,917	314,685	4.35
Guinea	32	260,903	-	65,570	195,333	2.70
Guinea-Bissau	26	118,189	3,650	23,563	90,976	1.26
Kenya	28	319,378	-	112,275	207,103	2.86
Lesotho	30	143,398	-	22,675	120,723	1.67
Liberia **	3	15,581	-	-	15,581	0.22
Madagascar	42	358,274	2	107,277	250,994	3.47
Malawi	49	390,595	12,000	105,797	272,798	3.77
Mali	62	520,352	-	159,410	360,942	4.99
Mauritania	39	207,313	2,670	38,061	166,582	2.30
Mauritius	3	2,603	-	-	2,603	0.04
Morocco	6	43,835	-	8,482	35,353	0.49
Mozambique	35	545,731	-	220,177	325,553	4.50
Namibia	2	12,546	-	-	12,546	0.17
Niger	30	213,762	-	55,860	157,902	2.18
Nigeria	12	202,537	1	96,025	106,510	1.47
Rwanda	46	312,637	15,200	117,215	180,222	2.49
São Tomé & Principe	20	74,479	-	5,257	69,222	0.96
Senegal	39	359,040	-	115,145	243,895	3.37
Seychelles **	3	8,992	-	-	8,992	0.12
Sierra Leone	19	179,501	-	44,556	134,945	1.87
Somalia **	17	63,636	-	-	63,636	0.88
Sudan **	15	171,907	-	-	171,907	2.38
Swaziland	8	38,232	-	896	37,337	0.52
Tanzania	51	707,429	36,000	233,053	438,375	6.06
Togo **	12	102,006	-	17,442	84,564	1.17
Uganda	41	520,515	45,764	144,436	330,316	4.57
Zambia	33	281,809	9,770	67,215	204,824	2.83
Zimbabwe **	10	34,548	1	-	34,547	0.48
Multinational	47	293,293	138,249	133,575	21,469	0.30
Total	**1,227**	**10,681,305**	**359,837**	**3,086,518**	**7,234,950**	**100.00**

** Excludes fully repaid loans and cancelled loans.*
*** Countries in non-accrual status as at December 31, 2004.*

Slight differences may occur in totals due to rounding.

NOTE M – Maturity and Currency Composition of Outstanding Loans

Maturity Distribution as at December 31, 2004

(Amounts in UA millions)

Period	Amount	%
January 1, 2005 to December 31, 2005	172.74	2.39
January 1, 2006 to December 31, 2006	103.31	1.43
January 1, 2007 to December 31, 2007	110.88	1.53
January 1, 2008 to December 31, 2008	120.73	1.67
January 1, 2009 to December 31, 2009	132.16	1.83
January 1, 2010 to December 31, 2016	1,810.62	25.02
January 1, 2017 and thereafter	4,784.51	66.13
Total	**7,234.95**	**100.00**

Currency Composition as at December 31, 2004

(Amounts in UA millions)

Currency	Amount	%
Canadian Dollar	47.88	0.66
Danish Kroner	60.23	0.83
Euro	2,295.48	31.73
Japanese Yen	1,565.25	21.64
Norwegian Krone	123.22	1.70
Pound Sterling	53.76	0.74
Swedish Krona	66.06	0.91
Swiss Franc	265.33	3.67
United States Dollar	2,749.51	38.00
Others	8.23	0.12
Total	**7,234.95**	**100.00**

Note N – Statement of Subscriptions and Voting Power as at December 31, 2004

(Amounts in UA thousands - Note B)

	Participants	Subscriptions: Initial	Special Increase	1st to 8th General Replenishment	9th General Replenishment: Normal Subscriptions [(1)]	9th General Replenishment: Suppl. Contributions through Accelerated encashments [(4)]	9th General Replenishment: Total	Total Subscribed incl. Contributions through Accelerated encashments	Payment Positions: Installments paid [(9)]	Installments due	Installments not yet payable	Voting Power: Number of votes	%
1	ADB[2]	4,605	1,382	105,754	-	-	-	111,741	111,741	-	-	1,000.000	50.000
2	ARGENTINA [11]	1,842	-	7,018	-	-	-	8,860	1,842	7,018	-	0.148	0.007
3	AUSTRIA	13,816	-	117,665	23,236	-	23,236	154,717	154,717	-	-	12.411	0.621
4	BELGIUM	2,763	-	189,452	30,714	8,391	39,105	231,320	231,320	-	-	18.557	0.928
5	BRAZIL[7]	1,842	921	116,379	7,912	409	8,321	127,463	119,141	-	7,912	9.558	0.478
6	CANADA[3]	13,816	6,908	908,329	104,494	2,156	106,650	1,035,703	1,035,703	-	-	83.085	4.154
7	CHINA	13,816	-	163,293	38,915	-	38,915	216,024	216,024	-	-	17.330	0.866
8	DENMARK	4,605	1,842	344,554	55,857	15,243	71,100	422,101	422,101	-	-	33.861	1.693
9	FINLAND	1,842	-	163,253	35,550	-	35,550	200,645	200,645	-	-	16.096	0.805
10	FRANCE	8,809	-	1,024,875	173,668	-	173,668	1,207,352	1,207,352	-	-	96.855	4.843
11	GERMANY	6,860	6,956	1,054,300	198,000	-	198,000	1,266,116	1,266,116	-	-	101.569	5.078
12	INDIA	5,526	-	47,862	4,124	-	4,124	57,512	57,512	-	-	4.614	0.231
13	ITALY [11]	9,211	-	851,402	-	-	-	860,613	860,613	-	-	66.083	3.304
14	JAPAN	13,816	-	1,485,536	208,965	-	208,965	1,708,317	1,708,317	-	-	137.042	6.852
15	KOREA	9,211	-	76,608	15,073	-	15,073	100,892	100,892	-	-	8.094	0.405
16	KUWAIT [5]	4,974	-	143,187	3,956	-	3,956	152,117	152,117	-	-	12.203	0.610
17	NETHERLANDS	3,684	1,842	316,431	87,690	-	87,690	409,647	409,647	-	-	31.902	1.595
18	NORWAY	4,605	2,303	432,677	88,500	-	88,500	528,085	528,085	-	-	41.447	2.072
19	PORTUGAL	7,368	-	72,551	15,215	-	15,215	95,134	95,135	-	-	7.632	0.382
20	SAUDI ARABIA	8,289	-	193,221	11,869	932	12,801	214,311	213,379	-	-	17.117	0.856
21	SOUTH AFRICA	1,794	-	5,114	2,274	521	2,795	9,703	9,703	-	-	0.000	0.000
22	SPAIN [10]	1,842	921	195,029	47,400	6,985	54,385	252,177	204,739	-	40,454	16.424	0.821
23	SWEDEN	4,605	3,684	535,964	94,800	-	94,800	639,053	639,053	-	-	51.265	2.563
24	SWITZERLAND	2,763	2,938	438,862	71,100	-	71,100	515,663	515,663	-	-	41.367	2.068
25	U.A.E.[11]	4,145	-	4,145	-	-	-	8,290	8,290	-	-	0.665	0.033
26	UNITED KINGDOM	4,800	3,073	487,472	137,500	-	137,500	632,845	632,845	-	-	50.194	2.510
27	U.S.A.[8]	12,434	8,289	1,357,559	280,101	-	280,101	1,658,384	1,551,744	-	106,640	124.482	6.224
	SUB-TOTAL	**173,684**	**41,060**	**10,838,492**	**1,736,913**	**34,637**	**1,771,550**	**12,824,786**	**12,654,436**	**7,018**	**155,006**	**2,000.000**	**100.000**
28	Supplementary Contributions through Accelerated encashment to reduce the Gap	-	-	-	-	38,565	38,565	38,565	26,458	-	-	-	-
	TOTAL	**173,684**	**41,060**	**10,838,492**	**1,736,913**	**73,202**	**1,810,115**	**12,863,351**	**12,680,894**	**7,018**	**155,006**	**2,000.00**	**100.000**

Notes:

1 *Include supplementary contributions through voluntary contributions to reduce ADF-IX gap: UA 7,150,000 for the UK and UA 4,602,000 for Norway. Voluntary contributions do not carry voting power.*

2 *To date, the Board of Governors has approved a total ADB net income allocation of UA 30 million during ADF-VIII period, and UA 30 million during ADF-IX period.*

3 *The special agreement signed between the Fund and Canada under ADF-VIII has been terminated.*

4 *Supplementary contributions and the voting power rights attached to them will be credited at the end of each country's specific accelerated encashment period. The notes for Canada, Belgium and Denmark have been fully encashed and they have therefore been credited with the corresponding voting rights. South Africa has fully paid its subscription in cash.*

5 *Kuwait subscribed to ADF-IX an amount of USD 5 million equivalent to UA 3,956,234 less than the amount pledged of USD 10,064,115.*

6 *Qualified subscriptions are not included.*

7 *State Participant has deposited a qualified Instrument of Subscription to ADF-IX.*

8 *USA has deposited an Instrument of Subscription to ADF-IX which has a qualified portion of UA 106,477,481.*

9 *Including supplementary contributions through accelerated encashment to maintain burden Share.*

10 *Spain has unqualified UA 6,946,736 of its subscription and has also chosen an acceleration of 14.74% to increase its burden share from 2.000% to 2.295%.*

11 *State Participant has not subscribed to ADF-IX.*

On July 4, 2003, the amendments to the ADF Agreement, authorized by Resolution F/BG/2002/04, entered into force. The amendments modify the voting structure of the Fund by: (i) eliminating the previous prohibition of the allocation of voting rights to regional members of the Bank, who become State Participants, contained in Article 29 (6); and (ii) providing in paragraph (3) of the same Article 29, that the total number of votes to be allocated to regional members who are State participants, shall not exceed one per cent of the total number of votes of State Participants (the "Carve-out").
It will be recalled that these amendments followed the Board of Governors' adoption of the Resolution F/BG/98/04, approving the participation of the Republic of South Africa in the Fund.

Slight differences may occur in totals due to rounding.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE AFRICAN DEVELOPMENT FUND

We have audited the accompanying special purpose financial statements of the African Development Fund (the Fund) for the year ended 31 December 2004 which comprise the Statement of Net Development Resources, Statement of Income and Expenses and other Changes in Development Resources, Statement of Comprehensive Income and the Statement of Cash Flows and the related Notes A to N. These special purpose 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 26 (v) of the Agreement Establishing the Fund.

This report is made solely to the Fund's Board of Governors, as a body, in accordance with Article 26 (v) 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.

Respective responsibilities of management and auditors

The Fund's management is responsible for the preparation of the financial statements in accordance with the accounting policies set out in Note B.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net development resources of the African Development Fund as at 31 December 2004 and the income and expenses and other changes in development resources and comprehensive income and its cash flows for the year then ended and have been prepared in accordance with the basis of accounting policies set out in Note B.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
London
30 March 2005

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2005
(UA thousands)

Description	
Management Fees*	124,736
Direct Expenses	140
Total	**124,876**

** 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.*

Appendices

Resolutions adopted by the Board of Governors in 2004

Board of Governors and voting powers of State Participants and the ADB on December 31, 2004

Board of Directors: Voting powers and countries represented on December 31, 2004

Subscriptions of State Participants and the ADB on December 31, 2004

Appendix A

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS IN 2004

Number	Subject
F/BG/2004/01	Tenth General Replenishment of the Resources of the Fund
F/BG/2004/02	Venue of the Thirty-Ninth Annual Meeting of the Board of Governors of the Bank and the Thirtieth Annual Meeting of the Board of Governors of the Fund (ADB/BG/WP/2003/16 – ADF/BG/WP/2003/14)
F/BG/2004/03	Designation of the Chairperson of the Boards of Governors and the Bureau (ADB/BG/WP/2003/16 – ADF/BG/WP/2003/14)
F/BG/2004/04	Revised Procedure for the Designation of the Members of the Bureau and the Joint Steering Committee
F/BG/2004/05	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
F/BG/2004/06	Annual Report and Audited Special Purpose Financial Statements for the Financial Year ended December 31, 2003
F/BG/2004/07	Date and Venue of the Fortieth Annual Meeting of the Board of Governors of the Bank and the Thirty-First Annual Meeting of the Board of Governors of the Fund
F/BG/2004/08	Selection of the Executive Directors of the African Development Fund
F/BG/2004/09	Vote of Thanks of the Boards of Governors to His Excellency Mr. YOWERI MUSEVENI, President of the Republic of Uganda
F/BG/2004/10	Vote of Thanks of the Boards of Governors to the Outgoing Chairman, the Bureau and the Joint Steering Committee
F/BG/2004/11	Vote of Thanks of the Boards of Governors to the Boards of Directors, Management an Staff
F/BG/2004/12	Post-Conflict Country Facility: Re-Allocation of ADF-IX Resources for purposes of Funding the Post-Conflict Country Facility (ADF/BG/WP/2004/10)

Appendix B

BOARD OF GOVERNORS AND VOTING POWERS OF STATE PARTICIPANTS AND THE ADB ON DECEMBER 31, 2004

Country	Governor	Alternate	Voting Power	%
1 African Development Bank			1,000.000	50.000
2 Argentina	ROBERTO LAVAGNA	HERNAN MARTIN PEREZ REDRADO	0.148	0.007
3 Austria	KARL–HEINZ GRASSER	THOMAS WIESER	12.411	0.621
4 Belgium	DIDIER REYNDERS	GINO ALZETTA	18.557	0.928
5 Brazil	GUIDO MANTEGA	DEMIAN FIOCCA	9.558	0.478
6 Canada	PIERRE PETTIGREW	ALISTER M. SMITH	83.085	4.154
7 China	ZHOU XIAOCHUAN	LI RUOGU	17.330	0.866
8 Denmark	OLE E. MOESBY	NANNA HVIDT	33.861	1.693
9 Finland	PERTTI MAJANEN	TAISTO HUIMASALO	16.096	0.805
10 France	XAVIER MUSCA	ODILE RENAUD–BASSO	96.855	4.843
11 Germany	USCHI EID	ROLF WENZEL	101.569	5.078
12 India	SHRI P. CHIDAMBARAM	SHRI D.C. GUPTA	4.614	0.231
13 Italy	DOMENICO SINISCALCO	LORENZO BINI SMAGHI	66.083	3.304
14 Japan	SADAKAZU TANIGAKI	TOSHIHIKO FUKUI	137.042	6.852
15 Korea	HUN–JAI LEE	SEUNG PARK	8.094	0.405
16 Kuwait	MAHMOUD AL–NOURI	HESHAM AL–WAQAYAN	12.203	0.610
17 Netherlands	GERRIT ZALM	AGNES VAN ARDENNE VAN DER HOEVEN	31.902	1.595
18 Norway	OLAV KJØRVEN	NILS HAUGSTVEIT	41.447	2.072
19 Portugal	A. J. DE CASTRO BAGÃO FELIX	LUIS MIGUEL MORAIS LEITÃO	7.632	0.382
20 Saudi Arabia	YOUSEF AL–BASSAM	ABDULLAH AL–SUBALI	17.117	0.856
21 Spain	DAVID VEGARA FIGUERAS	RAMON GUZMAN ZAPATER	16.424	0.821
22 Sweden	ANNIKA SÖDER	STEFAN EMBLAD	51.265	2.563
23 Switzerland	OSCAR KNAPP	SERGE CHAPPATTE	41.367	2.068
24 United Arab Emirates	M. K. BIN YOUSEF AL SUWEIDI	ABDULLAH HUSSAIN DAWOOD	0.665	0.033
25 United Kingdom	HILARY BENN	GARETH THOMAS MP	50.194	2.510
26 United States of America	JOHN W. SNOW	ALAN P. LARSON	124.482	6.224
TOTAL			**2,000.000**	**100.000**

Appendix C

ADF BOARD OF DIRECTORS: VOTING POWERS AND COUNTRIES REPRESENTED ON DECEMBER 31, 2004

Executive Directors /Alternates	Participants	Voting Powers*	In %*
GININDZA, P.E. **	ADB	8.333	
KUKURI, B.R.R. **	ADB	8.333	
ZIRIMWABAGABO, G.J. **	ADB	8.333	
SAMIR, F. **	ADB	8.333	
SANI, M.L.	ADB	8.333	
SHAKWEER, F.A.	ADB	8.333	50.000
PERRY, C.S.	United States of America	6.224	
MORRIS, E.H.	United States of America		6.224
YONEYAMA, Y.	Japan	6.852	
MACHADO, C.	Brazil	0.478	
	Saudi Arabia	0.856	
	Argentina	0.007	
	Austria	0.621	8.814
WIIG, A.M.	Norway	2.072	
EGGENBERGER, T.	Switzerland	2.068	
	Denmark	1.693	
	Finland	0.805	
	India	0.231	
	Sweden	2.563	9.433
DUCKLAU, V.	Germany	5.078	
VERSCHUUR, M.	The Netherlands	1.595	
	Portugal	0.382	
	United Kingdom	2.510	9.565
ARSENAULT, F.	Canada	4.154	
AL-BADER, Y.G.	Kuwait	0.610	
	China	0.866	
	Korea	0.405	
	Spain	0.821	6.857
PERRAULT, F.	France	4.843	
PITTORE, F.	Italy	3.304	
	Belgium	0.928	9.075
Vacant	United Arab Emirates	0.033	0.033
GRAND TOTAL			**100.000**

* *Slight differences may occur in totals due to rounding.*

** *For the period beginning July 1, 2004 through March 31, 2005.*

Appendix D

SUBSCRIPTION OF STATE PARTICIPANTS AND THE ADB AS AT DECEMBER 31, 2004

	Participant	Contribution UA
1	African Development Bank	111,740,678
2	Argentina	1,842,104
3	Austria	154,716,409
4	Belgium	231,319,939
5	Brazil	119,142,098
6	Canada	1,035,702,518
7	China	216,024,431
8	Denmark	422,101,443
9	Finland	200,644,978
10	France	1,207,352,138
11	Germany	1,266,116,185
12	India	57,512,483
13	Italy	860,612,640
14	Japan	1,708,317,075
15	Korea	100,891,807
16	Kuwait	152,117,046
17	Netherlands	409,647,131
18	Norway	528,084,464
19	Portugal	95,134,879
20	Saudi Arabia	213,379,018
21	South Africa*	9,702,488
22	Spain	204,738,953
23	Sweden	639,053,638
24	Switzerland	515,663,521
25	United Arab Emirates	8,289,468
26	United Kingdom	632,845,342
27	United States of America	1,551,743,909
28	Supplementary contributions through accelerated encashment to reduce the gap	26,458,202
TOTAL		**12,680,894,987**

** South Africa is in the process of completing the requirements for state participation in the ADF.*

8

The Nigeria Trust Fund

Operations

Financial Management

Financial Results

Profile of NTF-Approved Projects and Programs in 2004

Financial Statements and Report of Independent Auditors

OPERATIONS

The operations of the Nigeria Trust Fund (NTF) focus on assisting development efforts in RMCs, particularly in low-income countries. In 2003, an agreement was reached with the Nigerian government on a revised protocol for the NTF. As part of this agreement, the Federal Government of Nigeria authorized the reduction of the fixed rate of 4 percent for NTF loans to a lower range of 2 to 4 percent, to be applied on the basis of operational guidelines to be developed in consultation with the Nigerian Government. The new terms of the NTF Agreement also permit the allocation of 10 percent of the annual net income of the NTF as a contribution to the HIPC Trust. This compares highly favorably to the ADF, which contributes only 5 percent of its net income to the Enhanced HIPC Initiative. This protocol is intended to strengthen the operational effectiveness of NTF as an instrument for economic and social development in Africa. However, operations through that window fell sharply in 2004 to UA 9.3 million compared to a 2003 high of UA 22.5 million.

As part of the new financing agreement, the Government of Nigeria authorized the Board of Directors to appropriate the sum of US$ 25 million from the corpus of the NTF to finance activities under the Technical Cooperation Agreement with Nigeria. It also directed that the disbursements of these funds be done in tranches, taking into consideration the viability of the NTF window, its operational commitments as well as the immediate needs under the Technical Cooperation Agreement.

The approved amount was exclusively devoted to fund activities in the agriculture sector and rural development in Gambia and Mauritania. The 2 countries received, respectively, UA 5.0 million and UA 4.3 million. The operation in Mauritania was cofinanced with resources from the ADF and from the Islamic Development Bank.

Cumulative Loan Approvals, 1976-2004

Since its inception in 1976, the NTF has approved a total of UA 304.6 million for 71 projects in 30 RMCs. Of this total, UA 14.1 million has been directed into multinational projects.

FIGURE 8.1

Cumulative NTF Approvals by Sector, 1976-2004
(percentages)

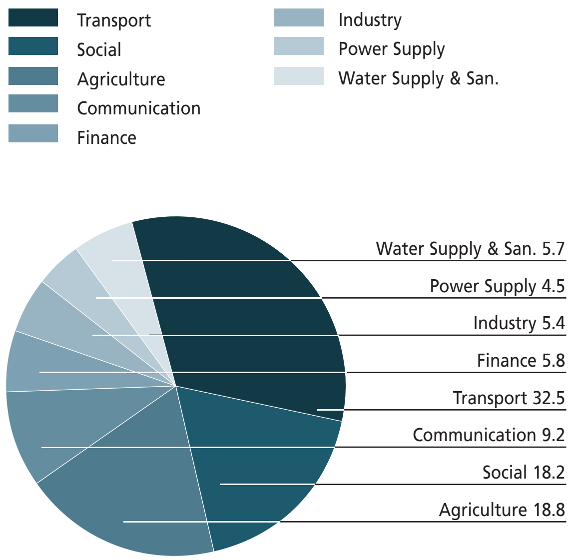
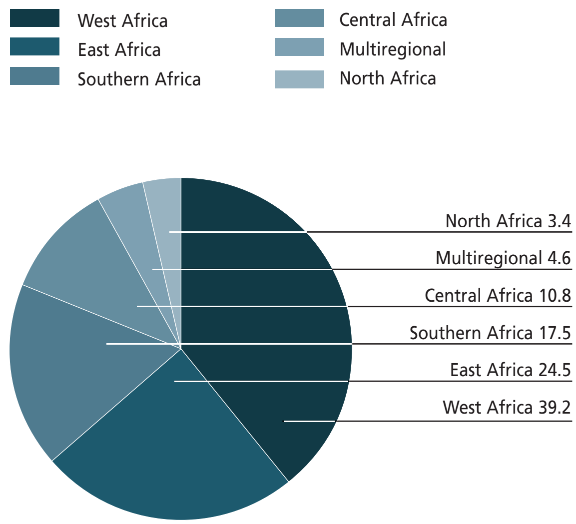


FIGURE 8.2

Cumulative NTF Approvals by Region, 1976-2004
(percentages)



A review of sector distribution shows that the transportation sector was the main beneficiary of NTF cumulative loan approvals with UA 98.9 million (32.5 percent), followed by agriculture and rural development, UA 57.3 million (18.8 percent), the social sector, UA 55.6 million (18.3 percent), communication, UA 28.1 million (9.2 percent), the finance sector, UA 17.6 million (5.8 percent), water supply and sanitation, UA 17.2 million (5.6 percent), and industry, mining and quarrying, UA 16.3 million (5.4 percent).

In terms of regional distribution, the largest share of NTF cumulative loan approvals for the period 1976-2004 went to West Africa (39.2 percent), followed by East Africa (24.5 percent), Southern Africa (17.5 percent), Central Africa (10.8 percent), and North Africa (3.4 percent). NTF resources were also used to finance multinational projects, which accounted for 4.6 percent of the NTF cumulative approvals during the same period.

FINANCIAL MANAGEMENT

Investments

NTF cash and investments, which are solely denominated in US Dollars, amounted to UA 309.1 million at December 31, 2004, compared to UA 318.4 million in 2003. Investment income for 2004 amounted to UA 5.6 million, representing a return of 1.7 percent, on an average investment level of UA 328.5 million.

A recent amendment of the NTF Agreement has removed the limitation on investments of uncommitted NTF resources to short-term securities. This has enabled the adoption of a dual portfolio management approach for the NTF resources whereby 25 percent of the liquidity is managed against a rolling average of the 3-month US$ LIBOR, while the remaining 75 percent of the liquidity is invested as a held-to-maturity (HTM) portfolio maturing on the statutory sunset date.

Loan Portfolio

Loans signed, net of cancellations, as at December 31, 2004, amounted to UA 242.1 million compared with UA 246.5 million at end of 2003, a decrease of 1.8 percent. As at end 2004, there were 46 active signed loans amounting to UA 70.0 million. There were 23 fully repaid loans for a total amount of UA 57.7 million.

Disbursements

Disbursements doubled in 2004, increasing from UA 2.4 million in 2003 to UA 4.8 million in 2004. As at December 31, 2004, cumulative disbursements amounted to UA 207.7 million. A total of 54 loans were fully disbursed for a total amount of UA 172.2 million, representing 82.9 percent of cumulative disbursements.

FINANCIAL RESULTS

The NTF earned a net income of UA 6.0 million in 2004, compared to UA 11.6 million in 2003. The net income for 2003 included a net write-back of loan loss provision of UA 6.5 million. Interest and charges on loans remained unchanged at UA 2.1 million in 2003 and 2004. Investment income increased from UA 4.3 million in 2003 to UA 5.6 million in 2004, due to a change in the investment strategy of NTF in 2004. Administrative expenses, which represent the Fund's share of the total shareable expenses of the ADB Group, increased by UA 0.2 million from UA 1.3 million in 2003 to UA 1.5 million in 2004.

PROFILE OF NTF-APPROVED PROJECTS AND PROGRAMS IN 2004
(UA millions)

COUNTRY/ SECTOR	PROJECT	TOTAL COST	LOAN * & GRANT AMOUNTS	DESCRIPTION
AGRICULTURE & RURAL DEVELOPMENT				
GAMBIA	Participatory Integrated Watershed Management Project (PIWAMP)	12.09	4.95*	The PIWAMP has the following 3 components: (i) capacity building; (ii) watershed development; and (iii) project management. The project will empower communities at the grassroots level through the transfer of control of efficient land use management from the Government to local people. The project, in supporting local communities, is aiming at increasing yields and productivity of crops, livestock, and forestry and hence food security and improved incomes at the household level. The process consists of: (i) capacity building actions, such as awareness raising and sensitization of local communities to identify current and potential problems associated with resource use and resource degradation; and (ii) watershed development and management actions, with the communities involved in preparing community action plans and implementing these plans themselves. The NTF loan represents 40.94 percent of total cost. IFAD (40.94 percent), the Government of the Gambia (9.6 percent) and beneficiaries (8.5 percent) will finance the rest
MAURITANIA	West Brakna Irrigation Scheme Project	12.83	4.30*	Rehabilitation of 3,400 ha of basins suitable for flood recession crop cultivation and the clearing of the water supply channels. Some 40 vegetable growing blocks tended by women, totaling 110 ha., will be rehabilitated. The project will build the capacities of farming organizations and provide advisory services for crop production and farm management. The project is in line with the integrated irrigated agricultural development program aimed at revitalizing farming activities in the River Senegal valley. The NTF loan covers 33.5 percent, the Islamic Development Bank (IsDB) will provide 35.5 percent, and the ADF loan will cover 20.8 percent; the rest being financed by the Government and beneficiaries. The horizon of the project is 5 years.

** Loan.*

FINANCIAL STATEMENTS AND REPORT OF THE INDEPENDENT AUDITORS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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BALANCE SHEET
AS AT DECEMBER 31, 2004 AND 2003
(UA thousands - Note A)

ASSETS	**2004**	2003
DUE FROM BANKS	856	1,244
INVESTMENTS (Notes A & B)		
Trading	91,215	317,125
Held-to-maturity	217,016	-
	308,231	317,125
ACCOUNTS RECEIVABLE		
Interest and charges receivable on loans	819	1,067
Accrued income on loans and investments	4,820	720
Other receivables	287	261
	5,926	2,048
LOANS (Notes A, C, H, & I)		
Disbursed and outstanding	70,020	73,573
Less: Accumulated provision for loan losses	(16,811)	(17,569)
	53,209	56,004
TOTAL ASSETS	**368,222**	**376,421**

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

LIABILITIES, RESERVES AND CAPITAL	**2004**	2003
ACCOUNTS PAYABLE	20,342	965
RESERVES		
Accumulated net income	356,345	345,452
Board of Governors' approved allocations/transfers	(18,210)	(689)
	338,135	344,763
Net income for the year	6,035	11,582
	344,170	356,345
Cumulative Currency Translation Adjustment (Note A)	(124,876)	(109,475)
	219,294	246,870
FUND CAPITAL (Note D)		
Initial contribution		
First installment	32,730	32,730
Second installment	32,730	32,730
	65,460	65,460
First general increase		
First installment	45,687	45,687
Second installment	10,042	10,042
Third installment	7,397	7,397
	63,126	63,126
TOTAL FUND CAPITAL	128,586	128,586
TOTAL LIABILITIES, RESERVES AND CAPITAL	**368,222**	**376,421**

STATEMENT OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(UA thousands - Note A)

	2004	2003
INCOME		
Interest and charges on loans	2,062	2,071
Income from investments	5,589	4,288
Total Income	7,651	6,359
EXPENSES		
Administrative expenses (Note F)	1,530	1,272
Bank charges	86	35
Total expenses	1,616	1,307
Provision for loan losses (Note C)	-	(6,530)
Total expenses and provision for loan losses	1,616	(5,223)
NET INCOME	**6,035**	**11,582**

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

STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN RESERVES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(UA thousands – Note A)

	2004	2003
NET INCOME	6,035	11,582
Other comprehensive loss:		
Currency translation adjustment	(15,401)	(35,220)
Total other comprehensive loss	(15,401)	(35,220)
COMPREHENSIVE LOSS	**(9,366)**	**(23,638)**
RESERVE AT JANUARY 1:		
General	246,870	271,197
Board of Governors-approved allocation/transfers:		
Heavily Indebted Poor Countries	(1,159)	(689)
Transfer to Technical Cooperation Grant	(17,051)	-
Reserve at December 31	**219,294**	**246,870**
Reserve at end of the year composed of:		
Accumulated net income	344,170	356,345
Cumulative Currency Translation Adjustment (CCTA)	(124,876)	(109,475)
TOTAL RESERVES AT THE END OF THE YEAR	**219,294**	**246,870**

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(UA thousands - Note A)

	2004	2003
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Net Income	6,035	11,582
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of held-to-maturity investments	3,020	-
Provision for loan losses	-	(6,530)
Changes in unrealized gains on investments	72	(132)
Changes in accrued income on loans and investments	(4,100)	139
Changes in net current assets	3,014	(657)
Net cash provided by operating activities	8,041	4,402
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES		
Disbursements of loans	(4,812)	(2,440)
Repayment of loans	5,464	6,085
Payment of allocation of net income	(1,159)	(689)
Investments - movement in HTM maturing after 3 months of acquisition	(227,282)	-
Investments - trading portfolio maturing after 3 months of acquisition	110,698	(16,569)
Net cash used in investing, lending and development activities	(117,091)	(13,613)
Effect of exchange rate changes on cash and liquid investments	(2,932)	(10,737)
Net decrease in cash and liquid investments	(111,982)	(19,948)
Due from banks and investments at beginning of the year	119,511	139,459
Due from banks and investments at end of the year	**7,529**	**119,511**
Composed of:		
Investments maturing within 3 months of acquisition:		
Trading portfolio	6,074	118,267
Held-to-maturity	599	-
Cash	856	1,244
	7,529	**119,511**
Supplementary disclosure:		
Movement resulting from exchange rate fluctuation on loans	2,900	6,864

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note A – Summary of Significant Accounting Policies

The Nigeria Trust Fund (the Fund) was established under an agreement signed on February 26, 1976 (the Agreement) between the African Development Bank (the Bank or ADB) and the Federal Republic 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 of the Agreement and that the resources of the Fund shall be transferred to Nigeria upon termination. However, the 30-year sunset period may be extended by mutual agreement between the Bank and Nigeria.

The financial statements of the Fund are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. The significant accounting policies of the Fund are summarized below.

Monetary Basis of Financial Statements

The Fund conducts its operations in United States Dollars. In accordance with Article VII, section 7.3, of the Agreement Establishing the Nigeria Trust Fund, the financial statements are presented in Units of Account (UA). The value of the UA 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 International Monetary Fund (IMF). At December 31, 2004, 1 UA was equivalent to 1.55301 United States dollars (2003: 1.48597 United States dollars).

Translation of Currencies

Income and expenses are converted into UA at the rate of exchange prevailing on the date of the transaction. Assets and liabilities are translated into UA at the rates of exchange ruling at the balance sheet date. The resulting translation gains and losses are reported as Cumulative Currency Translation Adjustments. Where currencies are converted into any other currency, the resulting gain or loss is included in the determination of net income.

Revenue recognition

Interest income is accrued based on the terms of the related financial instrument and for the time that such instrument is outstanding and held by the Fund using the effective interest rate applicable, which 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 and the amortization of premiums and discounts calculated on the constant yield basis for the held-to-maturity financial instruments.

Investments

The Fund's trading investments are primarily in government and other obligations and are carried at market value. Government and other obligations include marketable bonds, notes and other obligations. For government and agency obligations, the Fund may only invest in obligations with a minimum credit rating of AA – issued or unconditionally guaranteed by governments of ADB member countries or other official entities. For asset-backed securities, the Fund may only invest in securities with AAA credit rating. Time deposits include certificates of deposits and other obligations issued or unconditionally guaranteed by banks and other financial institutions, and are carried at amortized cost.

Investment securities are recorded on trade date basis and are classified based on management's intention on the date of purchase. Securities which management has the intention and ability to hold until maturity are classified as held-to-maturity and reported at amortized cost. All other investment securities held in a trading portfolio are carried and reported at market value and related unrealized gains and losses are included in income. Investments including those held to maturity, maturing within 3 months from the date of acquisition are classified as an element of liquidity in the Statement of Cash Flows.

Loans

It is the policy of the Fund to place in non-accrual status all loans to borrowers if the principal installments, interest or other charges related to such loans, are overdue by 6 months or more, unless the Fund's management determines that the overdue amount will be collected in the immediate future. Interest and other charges on loans in non-accrual status are included in income only to the extent that payment has been received by the Fund. When a loan is placed in non-accrual status, all related unpaid interests and related charges are reversed against current income. In general, loans are returned to accrual status immediately after the related arrears have been cleared. However, certain loans that have become current may continue to be carried in non-accrual status until after a period of satisfactory performance.

Prior to 2003, the policy of the Fund was to provide for loan losses where the repayment would not have been in accordance with the contractual terms and consequently in arrears for a period of 2 years or more. During 2003 this policy was reviewed and aligned to that of the Bank. The current policy requires accumulated provision for loan losses to be determined based on an assessment of the collectibility risk of the disbursed and outstanding loan portfolio.

Fair Value

Fair value is the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Unless otherwise specified, financial instruments for which market quotations are available have been valued at the prevailing market value. 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 realizable in a sale might be different 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: The carrying amount reported in the Balance Sheet for cash approximates fair values.

Investments: Fair values of 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 that there is a comparable market for its loans. Fair values for loans are determined using a discounted cash flow model based on a discount rate comprising the fixed rate loan spread plus the year-end estimated cost of funds based on the experience of the African Development Bank. NTF does not borrow in the capital markets.

Derivatives: On January 1, 2001, the Fund adopted International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement". IAS 39 requires that all derivatives be measured at fair value and reported on the balance sheet. Except for the held-to-maturity investments, which are reported at amortized cost, as stated above, all other securities in the Fund's investment portfolio are carried at fair value.

Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities. Actual results could differ from such estimates.

Reclassification

Certain reclassifications of prior year amounts have been made to conform to the current year's presentation.

Note B – Investments

Investments held for trading at December 31, 2004 and 2003 are summarized below:

(UA thousands)	**2004**	2003
Time deposits	6,071	118,266
Asset-backed securities	85,144	189,185
Corporate bonds	-	9,674
Total	**91,215**	**317,125**

Investments held to maturity at December 31, 2004 are summarized below:

(UA thousands)	
Time deposit	599
Corporate bonds	216,417
Total	**217,016**

There were no held-to-maturity investments at December 31, 2003.

The maturity structure of held-to-maturity investments at December 31, 2004 was as follows:

(UA thousands)	
January 1, 2005 to December 31, 2005	5,889
January 1, 2006 to December 31, 2006	211,127
Total	**217,016**

The fair value of held-to-maturity investments at December 31, 2004 was UA 214.29 million.

Realized and unrealized gains and losses on investments at December 31, 2004 were made up as follows:

(UA thousands)	
Realized and unrealized gains	(2,197)
Realized and unrealized loss	2,687
Net	**490**

Note C – Loans

Loans originated prior to September 22, 2003, carry an interest rate of four percent (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, interest rate on loans was changed from a flat four percent (4%) per annum to a range of 2 percent to 4 percent (inclusive) per annum on the outstanding balance. Further, a 0.75 percent 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, 2004 all the Fund's loans were disbursed and repayable in US Dollars.

At December 31, 2004 and 2003, the estimated fair value of loans was as follows:

(UA thousands)	**2004**		2003	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loan balance at December 31	70,020	63,950	73,573	69,570
Accumulated provision for loan losses	(16,811)	(16,811)	(17,569)	(17,569)
Net balance	**53,209**	**47,139**	**56,004**	**52,001**

Movements in accumulated provision for loan losses at December 31, 2004 and 2003 are summarized below:

(UA thousands)	**2004**	2003
Balance as at January 1	17,569	26,369
Provision for loan losses for the year	-	(6,530)
Translation adjustment	(758)	(2,270)
Balance as at December 31	**16,811**	**17,569**

At December 31, 2004 loans made to or guaranteed by certain regional member countries of the ADB, with an aggregate principal balance outstanding of UA 28.38 million (2003: UA 30.11 million) of which UA 14.39 million (2003: UA 13.61 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, 2004 would have been higher by UA 1.12 million (2003: UA 1.24 million). The cumulative amount of non-accrued income on loans at December 31, 2004 was UA 14.87 million (2003: UA 14.41 million).

Note D – 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$ 39.9 million was received by the Bank on July 14, 1976, and payment of 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 (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 payment of the third installment of Naira 7 million equivalent to US$ 7.38 million was received on September 13, 1985.

Note E – Financial Risks

In the course of its business, the Fund is exposed to the following types of financial risks:

Country credit risk: Country credit risk 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 its credit policy, including a sanctions policy that contains cross default clauses. Potential losses from country credit risk are considered in the determination of the accumulated provision on loan losses. Such consideration of country credit risk has resulted in the accumulated provision for loan losses of 24.01 percent on the Fund's loans on December 31, 2004.

Counterparty Credit Risk: In the course of managing its investments, the Fund is exposed to trading counterparty and investment counterparty risk. Counterparty risk is managed by restricting trading to an eligible list of authorized dealers and counterparties with the highest credit ratings. Furthermore, exposure to any single counterparty is restricted by the application of a limit based on the counterparty's size and credit rating, subject to a maximum of the 10 percent of the Fund's total liquidity.

Market Risks: Market risks comprise currency, interest rate and liquidity risks. Currency risk is mitigated by the Fund's policy of holding all its investments, as well as loans, in US Dollars. In order to mitigate liquidity risk, the Fund's investment management policy ensures that it has sufficient liquid assets to meet its disbursement obligations. Interest rate risk on the Fund's loans is minimal as the loans are contractually fixed rate. Interest rate risk arising out of the variability in investment interest income is mitigated by holding a core component of investments, not required for immediate disbursements, in longer duration investments.

Note F – Administrative Expenses

According to the Agreement Establishing the Fund, 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.

b) Indirect costs incurred by the Bank in the management of the Fund.

However, the annual payment for the aforementioned expenses of the Bank shall not exceed the total of 20% of the gross income of the Fund during the course of each year.

The formula set out in these sections may be reviewed from time to time by mutual agreement. The amount of UA 1.53 million charged for the year (2003: UA 1.27 million) represents the expenses reimbursed by the Fund.

Note G – Related Party Transaction

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 NTF Agreement and in consultation with the Government of Nigeria. The NTF utilizes the offices, staff, organisation, 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. NTF administrative expenses (Note F) comprise, primarily, such reimbursements made to the Bank during the year.

NOTE H – Summary of Loans as at December 31, 2004

(Amounts in UA thousands)

Country	No of Loans*	Total Loans*	Unsigned Loans	Undisbursed Balance	Outstanding Balance	% of Total Outstanding Loans
Benin	3	12,155	-	5,485	6,670	9.53
Botswana	1	914	-	-	914	1.31
Burundi	2	377	-	-	377	0.54
Cape Verde	1	4,085	-	1,038	3,047	4.35
Djibouti	1	3,118	-	769	2,349	3.35
Gambia	3	8,403	-	7,613	790	1.13
Ghana	1	3,000	-	3,000	-	0.00
Guinea	2	7,450	-	3,162	4,288	6.12
Guinea-Bissau	1	3,510	3,510	-	-	0.00
Lesotho	2	2,164	-	-	2,164	3.09
Liberia**	4	21,735	-	-	21,735	31.04
Madagascar	1	5,847	-	4,125	1,722	2.46
Mali	2	1,368	-	-	1,368	1.95
Mauritania	2	6,405	-	5,638	767	1.10
Mauritius	1	5,100	-	5,100	-	0.00
Namibia	1	2,116	-	-	2,116	3.02
Rwanda	3	8,296	-	6,000	2,296	3.28
São Tomé	1	37	-	-	37	0.05
Senegal	3	5,190	-	-	5,190	7.41
Seychelles**	4	5,530	-	-	5,530	7.90
Somalia**	1	749	-	-	749	1.07
Swaziland	2	5,260	-	4,950	310	0.44
Tanzania	2	5,829	-	1,517	4,312	6.16
Togo**	1	366	-	-	366	0.52
Uganda	1	2,923	-	-	2,923	4.17
Total	**46**	**121,927**	**3,510**	**48,397**	**70,020**	**100.00**

**Excludes fully repaid loans and cancelled loans.*
*** Country in non-accrual status at December 31, 2004.*

Slight differences may occur in totals due to rounding.

Note I – Maturity Structure of Outstanding Loans as at December 31, 2004

(Amounts in UA millions)

Period	Amount	%
January 1, 2005 to December 31, 2005	20.98	29.97
January 1, 2006 to December 31, 2006	6.08	8.68
January 1, 2007 to December 31, 2007	5.79	8.27
January 1, 2008 to December 31, 2014	29.61	42.29
January 1, 2015 to December 31, 2028	7.56	10.79
Total	**70.02**	**100.00**

All outstanding loans are denominated and repayable in United States Dollars.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE AFRICAN DEVELOPMENT BANK IN RESPECT OF THE NIGERIA TRUST FUND

We have audited the financial statements of the Nigeria Trust Fund (the Fund) for the year ended 31 December 2004 which comprise the Balance Sheet, the Statement of Income and Expenses, the Statement of Comprehensive Income and Changes in Reserves, the Statement of Cash Flows and the related Notes A to I. These 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 Board of Governors of the African Development 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.

Respective responsibilities of management and auditors

The Fund's management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the state of the affairs of the Fund as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
London
30 March 2005

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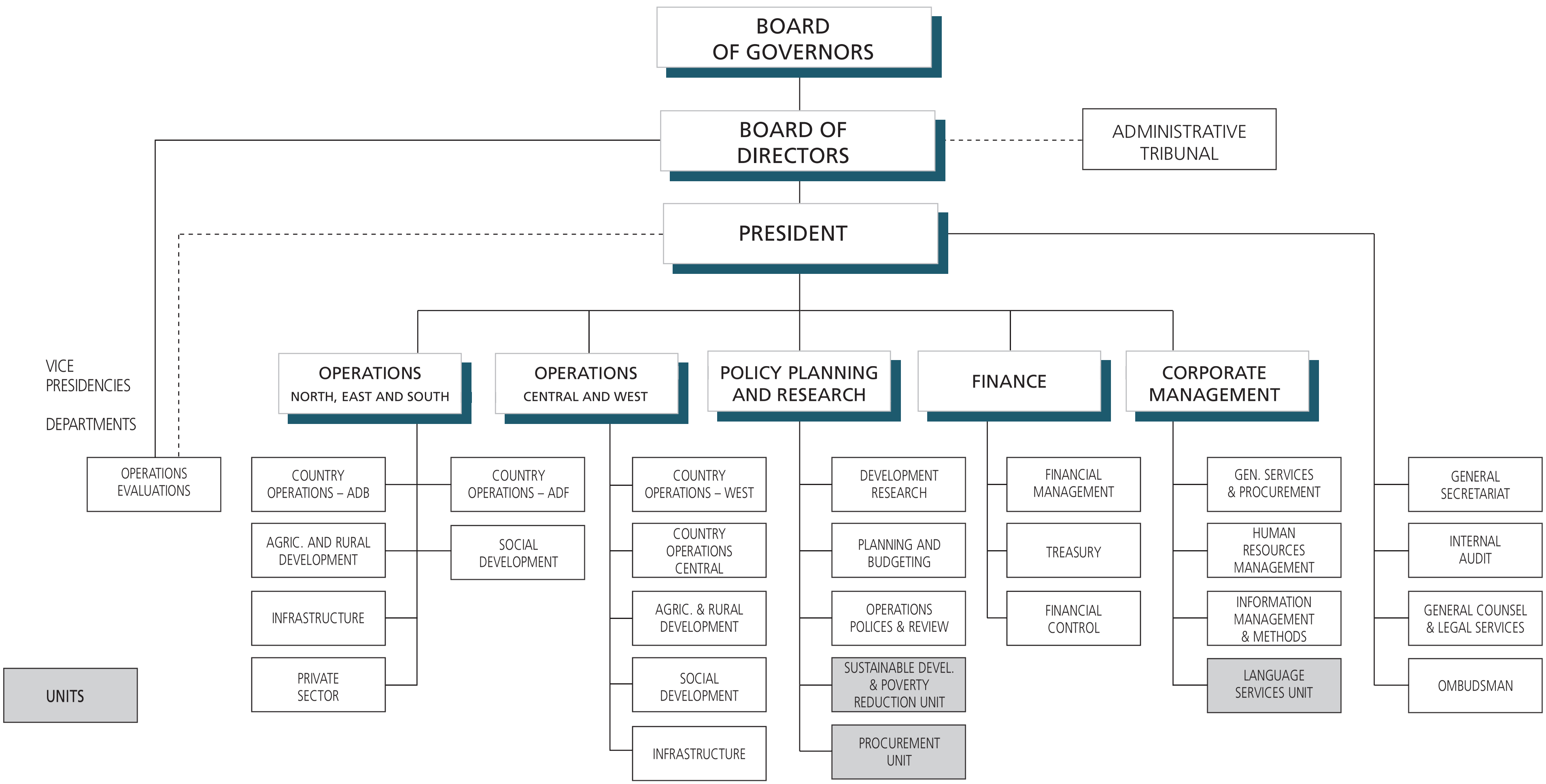
APPENDIX I
PRINCIPAL OFFICERS OF THE BANK AT DECEMBER 31, 2004

	PRESIDENCY
O. KABBAJ	President
Vacant	Director of Cabinet
C. I. FALL	Secretary General
A. AKIN-OLUGBADE	General Counsel & Director Legal Services
G. GIORGIS	Director, Operations Evaluation Department
E. R. OUKO	Director, Internal Audit Department
J. NABINA	Ombudsman
	CORPORATE MANAGEMENT
O. KANE	Vice President
I. N'DIAYE	Director, Information Management and Methods Department
A. R. RAKOTOBE	Director, General Services & Procurement Department
Vacant	Director, Human Resources Management Department
V. N. MBARGA	Head, Language Services Unit
	FINANCE
T. DE LONGUEMAR	Vice President
C. BOAMAH	Director, Financial Control Department
A. OTEH	Director, Treasury Department
T. TURNER	Director, Financial Management Department
	POLICY, PLANNING & RESEARCH
C. BOUCHER	Vice President
P. AFRIKA	Director, Operations Policies & Review Department
H. KIFLE	Director, Development Research Department
J. K. LITSE	Director, Planning & Budgeting Department
J. MENSAH-QUAINOO	Head, Procurement Unit
Y. VYAS	Head, Sustainable Development & Poverty Reduction Unit
	OPERATIONS, CENTRAL & WEST
O. O. OGUNJOBI	Vice President
Z. EL BAKRI	Director, Social Development Department
L. CHAKROUN	Director, Country Operations – Central Department
J. M. GHARBI	Director, Country Operations – West Department
G. MBESHERUBUSA	Director, Infrastructure Department
C. D. SPENCER	Director, Agriculture & Rural Development
	OPERATIONS, NORTH, EAST & SOUTH
T.F. NKODO	Vice President
K. BEDOUMRA	Director, Infrastructure Department
L. BORIN	Director, Private Sector Department
A. HAMER	Director, Social Development Department
G. E. TAYLOR-LEWIS	Director, Country Operations – ADB Department
B. B. SIDIBE	Director, Agriculture & Rural Development Department
B. B. SIDIBE	Acting Director, Country Operations – ADF Department

APPENDIX II
ORGANIZATIONAL CHART



Annex I

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ANNEX I
CLASSIFICATION OF REGIONAL MEMBER COUNTRIES

A. Countries Eligible for ADF Resources Only*

Angola
Benin
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo
Congo, Democratic Republic
Côte d'Ivoire
Djibouti
Eritrea
Ethiopia
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Rwanda
São Tomé and Principe
Senegal
Sierra Leone
Somalia
Sudan
Tanzania
Togo
Uganda
Zambia

B. Countries Eligible for a Blend of ADB and ADF Resources

Nigeria
Zimbabwe

C. Countries Eligible for ADB Resources Only

Algeria
Botswana
Egypt
Equatorial Guinea
Gabon
Libya **
Mauritius
Morocco
Namibia
Seychelles
South African Republic
Swaziland
Tunisia

** Except for limited ADB lending for enclave and private sector projects.*
*** Libya is not a Borrowing Member Country.*

Annex II

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ANNEX II – 1
AFRICA : SELECTED SOCIAL INDICATORS

Country	Population (thousands) 2003	Life Expectancy at Birth (years) 2003	Infant Mortality Rate (per 1,000) 2003	Adult Illiteracy Rate (%) 2003	% of Population with Access to Safe Water 2002	Sanitation 2002
Algeria	31,800	70.0	43	30	87	92
Angola	13,625	40.1	138	...	50	30
Benin	6,736	50.7	91	59	68	32
Botswana	1,785	38.2	55	20	95	41
Burkina Faso	13,002	46.1	91	73	51	12
Burundi	6,825	41.3	106	48	79	36
Cameroon	16,018	45.7	87	25	63	48
Cape Verde	463	70.5	29	24	80	42
Central African Republic	3,865	39.6	100	49	75	27
Chad	8,598	45.0	113	53	34	8
Comoros	768	61.2	65	44	94	23
Congo	3,724	48.6	82	16	46	9
Congo, Democratic Republic	52,771	42.2	119	35	84	40
Côte d'Ivoire	16,631	41.4	100	48	46	29
Djibouti	703	45.6	101	32	80	50
Egypt	71,931	69.1	39	42	98	68
Equatorial Guinea	494	49.2	99	14	44	53
Eritrea	4,141	52.8	72	41	57	9
Ethiopia	70,678	45.7	99	57	22	6
Gabon	1,329	57.0	55	...	87	36
Gambia	1,426	54.5	79	60	82	53
Ghana	20,922	58.3	56	25	79	58
Guinea	8,480	49.5	100	...	51	13
Guinea Bissau	1,493	45.5	118	58	59	34
Kenya	31,987	44.4	68	15	62	48
Lesotho	1,802	34.4	90	15	76	37
Liberia	3,367	41.4	145	43	62	26
Libya	5,551	73.0	20	18	72	97
Madagascar	17,404	54.0	90	31	45	33
Malawi	12,105	37.6	113	37	67	46
Mali	13,007	49.0	117	72	48	45
Mauritania	2,893	52.9	95	58	56	42
Mauritius	1,221	72.2	16	14	100	99
Morocco	30,566	69.0	41	48	80	61
Mozambique	18,863	38.0	120	52	42	27
Namibia	1,987	43.3	58	16	80	30
Niger	11,972	46.6	124	82	46	12
Nigeria	124,009	51.4	77	32	60	38
Rwanda	8,387	39.7	109	30	73	41
Sao Tome & Principe	161	70.2	31	...	79	24
Senegal	10,095	53.3	60	60	72	52
Seychelles	84	...	...	...	87	...
Sierra Leone	4,971	34.2	175	...	57	39
Somalia	9,890	48.5	115	...	29	25
South Africa	45,026	46.5	47	14	87	67
Sudan	33,610	55.6	75	39	69	34
Swaziland	1,077	33.5	77	18	52	52
Tanzania	36,977	43.4	100	22	51	34
Togo	4,909	49.9	80	39	82	80
Tunisia	9,832	73.0	23	26	73	46
Uganda	25,827	47.3	84	30	56	41
Zambia	10,812	32.6	103	19	55	45
Zimbabwe	12,891	32.7	57	9	83	57
Africa	**849,491**	**50.7**	**81**	**37**	**64**	**43**

Sources: World Bank, World Development Indicators 2004; UN Population Division, The 2002 Revision; and ADB Statistics Division; WHO and UNICEF, 2000, Joint Reporting Form and WHO regional offices reports; October 2004

Notes :

... Data not available

- Magnitude zeros

0 or 0.0 Magnitude less than half of the unit employed

ANNEX II – 2
AFRICA : SELECTED MACROECONOMIC INDICATORS

Country	GNI per Capita (US $) 2003	GDP Growth Rate(%) Annual Average 1997-2003	GDP Growth Rate(%) 2004	Investment (% of GDP) 2004	Consumer Price Inflation (%) 2004	Fiscal Balance (% of GDP) 2004	Debt Service (% of exports) 2004
Algeria	1,930	3.6	5.4	28.8	4.0	5.6	14.8
Angola	740	6.0	10.9	33.4	43.5	-3.5	9.2
Benin	440	4.9	2.2	18.2	0.4	-2.2	13.1
Botswana	3,530	5.7	4.4	27.2	4.5	-0.3	2.0
Burkina Faso	300	5.4	4.0	20.6	-0.7	-3.5	21.9
Burundi	90	1.2	5.5	12.4	7.0	18.3	408.5
Cameroon	640	4.6	4.1	15.3	0.2	0.8	10.4
Cape Verde	1,440	7.4	4.0	17.5	1.1	-4.6	15.8
Central African Republic	260	1.4	0.9	6.8	-2.1	-1.2	13.1
Chad	240	6.1	31.3	22.9	-8.7	-4.1	1.0
Comoros	440	2.3	1.9	10.4	5.0	-0.3	6.0
Congo	650	2.6	4.0	22.9	3.3	5.0	13.6
Congo, Democratic Republic	100	-1.6	6.8	12.3	7.9	-4.8	4.1
Côte d'Ivoire	650	0.9	-2.0	8.5	0.2	-3.9	16.8
Djibouti	910	1.5	3.0	20.6	2.0	1.0	5.4
Egypt	1,390	4.6	4.3	16.7	9.7	-6.0	11.5
Equatorial Guinea [(a)]	930	32.2	59.8	13.6	4.0	28.5	1.1
Eritrea	190	1.3	1.8	32	9	-22.1	29.7
Ethiopia	90	2.9	11.5	19.5	7.5	-5.0	16.0
Gabon	3,400	0.5	1.6	29.5	-0.7	8.8	12.5
Gambia	280	4.7	7.7	24.6	16.7	-3.6	34.9
Ghana	320	4.4	5.8	24.8	12.7	-2.7	11.1
Guinea	430	3.7	2.5	10.7	13.3	-2.5	13.0
Guinea Bissau	140	-1.7	1.0	15.3	0.0	-14.7	8.3
Kenya	400	1.3	3.1	13.7	11.6	-1.7	10.9
Lesotho	610	2.4	2.3	31.4	4.7	2.4	9.1
Liberia	130	…	…	…	10.0	…	…
Libya	…	2.5	0.9	12.6	2.2	16.6	…
Madagascar	290	2.9	5.3	22.4	5.0	-3.3	8.0
Malawi	160	2.0	4.3	11.9	6.0	-12.7	19.2
Mali	420	5.5	2.1	27.0	-4.6	-2.9	6.1
Mauritania	420	4.6	5.2	37.7	-6.7	1.0	16.8
Mauritius	4,090	4.9	4.1	25.0	3.4	-5.3	6.3
Morocco	1,330	3.0	3.5	22.8	1.5	-2.5	13.9
Mozambique	210	8.6	7.8	44.3	8.1	-5.2	24.4
Namibia	1,930	3.2	4.4	22.6	-0.7	-2.1	2.0
Niger	200	3.8	1.0	15.4	-1.7	-2.8	9.9
Nigeria	350	3.7	3.7	22.7	11.7	7.4	4.9
Rwanda	220	7.6	4.0	20.3	8.2	-0.1	29.4
Sao Tome & Principe	300	3.4	6.1	48.0	14.0	-17.2	109.0
Senegal	550	4.9	6.0	20.2	1.7	-2.4	17.6
Seychelles	7,480	4.2	-2.0	18.5	4.2	7.9	13.3
Sierra Leone	150	4.5	7.4	19.6	3.5	-5.9	11.0
Somalia	…	…	…	…	…	…	88.2
South Africa	2,880	2.7	3.8	17.1	2.6	-3.2	13.9
Sudan	460	6.6	7.3	20.4	5.0	-1.2	10.7
Swaziland	1,350	2.8	2.1	19.2	6.7	-6.6	..
Tanzania	300	5.2	7.4	21.4	5.7	-2.9	10.7
Togo	310	1.8	2.9	13.3	2.5	0.0	14.96
Tunisia	2,240	4.7	5.5	24.7	0.0	-1.5	19.3
Uganda	250	5.6	5.9	21.7	1.9	-1.7	17.4
Zambia	380	2.9	5.1	25.4	17.8	-3.9	23.4
Zimbabwe [(a)]	480	-4.0	-4.8	3.1	350.0	…	4.1
Africa	**704**	**3.6**	**5.1**	**20.1**	**7.7**	**0.0**	**11.8**

Sources : World Bank, Africa Live Database, January 2003 ; IMF, World Economic Outlook, September 2004 ; and ADB Statistics Division

Notes :

… *Data not available*

\- *Magnitude zeros*

0 or 0.0 Magnitude less than half of the unit employed

(a) GNI per Capita data for Zimbabwe and Equatorial Guinea are for years 2001 and 2002 respectively.

ANNEX II–3
BANK GROUP TRANSFER OF RESOURCES TO REGIONAL MEMBER COUNTRIES
(US$ millions)

Year	Gross Dis-bursements	Repay-ments of Principal	Net Dis-bursements	Interest and Charges	Net Transfers	Net Transfers as % of Gross Dis-bursements
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	2,043.0	1,713.4	329.6	580.3	(250.7)	(12.3)
TOTAL	**31,494.7**	**13,433.6**	**18,061.2**	**11,239.6**	**6,821.6**	**21.7**

Source: ADB Financial Control Department.
Notes :
ADF and NTF transfers are included for the periods starting from 1974 and 1976, respectively.

The payments by the borrowing member countries reported above include loan prepayments as well as amounts paid on behalf of certain borrowing member countries by the HIPC Trust Fund. Loan prepayments in 2004 amounted to US$ 842 million (US$ 700 million for 2003). Debt service assistance provided in 2004 by the HIPC Trust Fund amounted to US$ 123 million.

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
TOTAL	**12,161.0**	**990.9**	**11,170.1**	**867.3**	**10,302.7**	**84.7**

Source: ADB Financial Control Department.
Notes :
Bank Group concessional resource transfers refer to ADF and NTF resources.

The payments by the borrowing member countries reported above include amounts paid on behalf of certain borrowing member countries by the HIPC Trust Fund. Debt service assistance provided in 2004 by the HIPC Trust Fund amounted to US$ 78 million.

ANNEX II–5

BANK GROUP PAYMENTS TO SUPPLYING COUNTRIES FOR PROCUREMENT OF GOODS AND SERVICES, BY ORIGIN OF SUPPLY*

(UA thousands)

Country	2003 Amount	2003 %	2004 Amount	2004 %
REGIONALS				
Algeria	44,354	4.34	350	0.03
Angola	59	0.01	31	0.00
Benin	990	0.10	2,881	0.22
Botswana	4,084	0.40	3,081	0.23
Burkina Faso	4,275	0.42	7,001	0.53
Burundi	82	0.01	71	0.01
Cameroon	2,338	0.23	3,234	0.25
Cape Verde	369	0.04	1,018	0.08
Central African Republic	-	-	-	-
Chad	1,055	0.10	1,349	0.10
Comoros	-	-	-	-
Congo, Democratic Republic	500	0.05	-	-
Congo	-	-	511.51	0.04
Côte d'Ivoire	3,273	0.32	1,401	0.11
Djibouti	92	0.01	935	0.07
Egypt	24,288	2.37	799	0.06
Equatorial Guinea	-	-	257	0.02
Eritrea	2,084	0.20	2,828	0.21
Ethiopia.	682	0.07	7,529	0.57
Gabon	2,136	0.21	1,074	0.08
Gambia	1,702	0.17	1,208	0.09
Ghana	15,439	1.51	18,169	1.38
Guinea	1,630	0.16	895	0.07
Guinea Bissau	68	0.01	85	0.01
Kenya	2,969	0.29	8,232	0.63
Lesotho	1,656	0.16	2,275	0.17
Liberia	-	-	-	-
Madagascar	1,561	0.15	20,308	1.54
Malawi	1,762	0.17	1,772	0.13
Mali	4,659	0.46	8,458	0.64
Mauritania	5,010	0.49	1,113	0.08
Mauritius	25	0.00	87	0.01
Morocco	7,115	0.70	10,409	0.79
Mozambique	4,300	0.42	3,572	0.27
Namibia	12,048	1.18	3,468	0.26
Niger	7,341	0.72	9,877	0.75
Nigeria	50,099	4.90	12,122	0.92
Rwanda	1,716	0.17	3,471	0.26
Sao Tome & Principe	182	0.02	267	0.02
Senegal	6,574	0.64	18,904	1.44
Seychelles	-	-	-	-
Sierra Leone	1,055	0.10	202.29	0.02
Somalia	-	-	-	-
South Africa	37,498	3.67	29,888	2.27
Sudan	5	0.00	-	-
Swaziland	1,667	0.16	936	0.07
Tanzania	7,092	0.69	6,605	0.50
Togo	240	0.02	23	0.00
Tunisia	83,829	8.20	79,824	6.07
Uganda	8,667	0.85	6,925	0.53
Zambia	5,586	0.55	2,828	0.21
Zimbabwe	2,141	0.21	1,763	0.13
Multinational	5,360	0.52	2,780	0.21
Subtotal Regionals	**369,656**	**36.14**	**290,819**	**22.11**

A N N E X I I – 5 (continued)

BANK GROUP PAYMENTS TO SUPPLYING COUNTRIES FOR PROCUREMENT OF GOODS AND SERVICES, BY ORIGIN OF SUPPLY*

(UA thousands)

Country	2003 Amount	2003 %	2004 Amount	2004 %
NON-REGIONALS				
Argentina	35	0.00	-	-
Austria	68	0.01	-	-
Belgium	2,133	0.21	4,361	0.33
Brazil	5,321	0.52	5,179	0.39
Canada	6,557	0.64	10,487	0.80
China	30,487	2.98	30,283	2.30
Croatia	-	-	-	-
Denmark	1,856	0.18	8,719	0.66
Finland	121	0.01	2,855	0.22
France	53,991	5.28	90,156	6.85
Germany	10,747	1.05	18,294	1.39
India	1,204	0.12	1,972	0.15
Ireland	-	-	38	0.00
Italy	26,478	2.59	30,316	2.30
Japan	6,203	0.61	5,230	0.40
Korea	124	0.01	4,506	0.34
Kuwait	992	0.10	89	0.01
Netherlands	7,994	0.78	4,730	0.36
Norway	163	0.02	877	0.07
Portugal	9,324	0.91	10,805	0.82
Saudi Arabia	-	-	8,232	0.63
Spain	8,979	0.88	17,084	1.30
Sweden	1,884	0.18	1,313	0.10
Switzerland	1,967	0.19	3,193	0.24
United Arab Emirates	-	-	-	-
United Kingdom	9,909	0.97	15,665	1.19
USA	8,637	0.84	15,507	1.18
Subtotal Non-Regionals	**195,176**	**19.08**	**289,891**	**22.04**
Net Advance Disbursements**	302,440	29.57	434,524	33.03
Disbursement for Policy-based Loans**	155,558	15.21	300,308	22.83
TOTAL	**1,022,830**	**100.00**	**1,315,541**	**100.00**

Source: ADB Financial Control Department.

* *Origin of Supply (OOS) for Bank Group procurement and disbursenment 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 :

… Data not available

- Magnitude zeros

0 or 0.0 Magnitude less than half 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)

	2003		2004	
Country	Amount	%	Amount	%
REGIONALS				
Algeria	47,850	4.68	744	0.06
Angola	59	0.01	31	0.00
Benin	1,506	0.15	3,884	0.30
Botswana	4,193	0.41	3,208	0.24
Burkina Faso	4,893	0.48	7,482	0.57
Burundi	85	0.01	182	0.01
Cameroon	2,759	0.27	3,626	0.28
Cape Verde	773	0.08	1,097	0.08
Chad	1,631	0.16	1,963	0.15
Comoros	-	-	-	-
Congo, Democratic Republic	737	0.07	-	-
Congo	-	-	-	-
Côte d'Ivoire	4,349	0.43	4,073	0.31
Djibouti	92	0.01	935	0.07
Egypt	23,765	2.32	190	0.01
Equatorial Guinea	-	-	257	0.02
Eritrea	2,028	0.20	2,851	0.22
Ethiopia	275	0.03	7,045	0.54
Gabon	2,467	0.24	5,901	0.45
Gambia	1,603	0.16	1,181	0.09
Ghana	14,432	1.41	17,383	1.32
Guinea	6,842	0.67	1,239	0.09
Guinea Bissau	269	0.03	129	0.01
Kenya	2,091	0.20	3,866	0.29
Lesotho	1,599	0.16	1,194	0.09
Madagascar	2,416	0.24	24,776	1.88
Malawi	2,531	0.25	4,531	0.34
Mali.	19,454	1.90	9,514	0.72
Mauritania	5,383	0.53	1,310	0.10
Mauritius	16	0.00	37	0.00
Morocco	7,514	0.73	98,155	7.46
Mozambique	6,628	0.65	11,510	0.87
Namibia	12,529	1.22	4,412	0.34
Niger	7,527	0.74	10,366	0.79
Nigeria	61,229	5.99	28,044	2.13
Rwanda	1,948	0.19	3,732	0.28
Sao Tome & Principe	182	0.02	85	0.01
Senegal	6,678	0.65	19,235	1.46
Seychelles	-	-	-	-
Sierra Leone	1,056	0.10	445	0.03
Somalia	-	-	-	-
South Africa	37,764	3.69	21,178	1.61
Sudan	-	-	-	-
Swaziland	1,609	0.16	1,571	0.12
Tanzania	8,941	0.87	9,789	0.74
Togo	232	0.02	53	0.00
Tunisia	95,523	9.34	83,808	6.37
Uganda	11,620	1.14	7,505	0.57
Zambia	5,210	0.51	3,277	0.25
Zimbabwe	2,188	0.21	2,580	0.20
Multinational	2,321	0.23	7,978	0.61
SUBTOTAL REGIONALS	**424,800**	**41.53**	**422,351**	**32.10**

A N N E X I I – 6 (continued)

BANK GROUP PAYMENTS TO SUPPLYING COUNTRIES FOR PROCUREMENT OF GOODS AND SERVICES, BY SOURCE OF SUPPLY*

(UA thousands)

	2003		2004	
Country	**Amount**	**%**	**Amount**	**%**
NON-REGIONALS				
Argentina	-	-	-	-
Austria	-	-	-	-
Belgium	1,660	0.16	2,886	0.22
Brazil	153	0.01	5,329	0.41
Canada	5,637	0.55	6,534	0.50
China	24,145	2.36	25,110	1.91
Denmark	3,036	0.30	8,043	0.61
Finland	121	0.01	1,105	0.08
France	42,434	4.15	38,714	2.94
Germany	10,147	0.99	16,399	1.25
India	254	0.02	1,091	0.08
Italy	16,765	1.64	14,534	1.10
Japan	514	0.05	895	0.07
Korea	185	0.02	3,214	0.24
Kuwait	1,369	0.13	451	0.03
Netherlands	7,159	0.70	5,475	0.42
Norway	184	0.02	631	0.05
Portugal	3,316	0.32	3,194	0.24
Saudi Arabia	-	-	760	0.06
Spain	3,269	0.32	404	0.03
Sweden	1,720	0.17	404	0.03
Switzerland	4,434	0.43	6,622	0.50
United Arab Emirates	-	-	-	-
United Kingdom	3,896	0.38	5,608	0.43
USA	9,633	0.94	10,957	0.83
Subtotal Non-Regionals	**140,032**	**13.69**	**158,359**	**12.04**
Net Advance Disbursements**	302,440	29.57	434,524	33.03
Disbursement for Policy-based Loans**	155,558	15.21	300,308	22.83
TOTAL	**1,022,830**	**100.00**	**1,315,541**	**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 :

… Data not available

- Magnitude zeros

0 or 0.0 Magnitude less than half of the unit employed

ANNEX II–7
BANK GROUP LOAN AND GRANT APPROVALS BY COUNTRY, 1967-2004
(UA millions)

Country	2000	2001	2002	2003	2004	1967-2004
Algeria	89.2	-	148.9	0.4	-	1,889.1
Angola	-	9.6	13.5	4.6	-	321.9
Benin	27.3	33.1	19.3	51.7	21.2	430.3
Botswana	2.8	-	-	-	34.3	362.0
Burkina Faso	11.0	60.7	28.3	79.0	39.6	523.4
Burundi	0.4	-	-	-	20.2	296.5
Cameroon	26.5	53.1	34.7	46.5	12.1	750.3
Cape Verde	5.7	-	8.5	0.3	3.5	166.3
Central African Rep.	-	-	-	-	-	139.4
Chad	12.0	22.6	24.3	2.3	2.4	357.2
Comoros	-	-	-	-	-	64.7
Congo	-	-	-	0.9	7.0	286.0
Congo, Dem. Rep.	-	2.4	78.9	47.5	55.2	1,120.2
Cote d'Ivoire	28.7	-	83.3	-	-	1,143.5
Djibouti	0.8	3.4	6.4	6.9	5.3	113.9
Egypt	-	74.9	166.3	-	-	1,729.5
Equatorial Guinea	-	-	-	-	-	67.2
Eritrea	2.3	19.9	-	0.4	18.6	78.8
Ethiopia	4.1	185.8	21.0	102.4	62.0	1,419.5
Gabon	-	-	0.4	-	76.3	673.4
Gambia	12.9	9.6	11.9	0.4	5.0	215.1
Ghana	40.8	76.6	69.7	81.4	12.8	868.6
Guinea	22.9	36.0	24.5	-	-	540.5
Guinea-Bissau	0.4	12.9	-	7.2	-	177.7
Kenya	28.6	20.0	-	57.8	51.3	682.7
Lesotho	11.7	-	11.7	10.5	0.8	300.6
Liberia	-	-	-	0.3	-	154.0
Libya	-	-	-	-	-	-
Madagascar	22.9	14.9	10.3	25.0	45.2	520.3
Malawi	11.7	25.0	10.0	21.8	12.0	590.6
Mali	20.8	36.6	53.7	28.1	33.9	584.5
Mauritania	1.8	46.9	7.6	24.6	7.0	351.1
Mauritius	14.6	96.9	8.0	-	-	271.5
Morocco	79.9	133.8	245.3	177.0	369.3	3,715.4
Mozambique	118.6	40.7	24.9	55.2	30.0	905.6
Namibia	-	26.8	19.7	-	59.1	167.8
Niger	-	34.9	10.1	43.2	3.0	301.7
Nigeria	43.4	18.0	160.6	35.0	1.7	2,198.1
Rwanda	19.9	10.9	-	49.8	51.9	411.2
São Tomé & Principe	-	1.8	4.0	-	-	99.6
Senegal	30.0	34.1	13.4	65.3	9.6	586.3
Seychelles	-	-	-	-	-	89.5
Sierra Leone	0.4	21.0	16.0	30.5	3.6	239.5
Somalia	0.4	-	-	-	-	150.8
South Africa	75.8	-	15.1	106.3	117.1	511.0
Sudan	0.4	-	-	0.3	-	350.9
Swaziland	-	29.6	14.6	50.0	-	294.3
Tanzania	7.7	118.8	16.9	31.3	114.7	924.7
Togo	-	-	-	14.6	-	185.2
Tunisia	115.3	362.5	86.2	196.3	140.2	3,320.1
Uganda	83.0	43.4	97.0	0.2	74.2	855.9
Zambia	31.7	17.7	-	22.0	13.7	657.6
Zimbabwe	0.4	-	-	-	-	726.5
Multinational	63.6	16.1	22.1	287.2	219.2	1,066.1
TOTAL APPROVALS	**1,070.0**	**1,751.0**	**1,586.9**	**1,764.5**	**1,733.1**	**34,948.2**

Source : ADB Statistics Division
- Magnitude zero

ANNEX II–8

ADB LOAN AND GRANT APPROVALS BY COUNTRY, 1967-2004

(UA millions)

Country	2000	2001	2002	2003	2004	1967-2004
Algeria	89.2	-	148.9	0.4	-	1,886.4
Angola	-	-	-	-	-	204.6
Benin	-	-	-	-	-	24.4
Botswana	-	-	-	-	34.3	264.2
Burkina Faso	-	-	-	-	-	31.0
Burundi	0.4	-	-	-	-	49.0
Cameroon	-	-	34.3	-	-	484.0
Cape Verde	-	-	-	0.3	-	12.4
Central African Rep.	-	-	-	-	-	15.2
Chad	-	-	-	-	-	2.7
Comoros	-	-	-	-	-	10.0
Congo	-	-	-	0.4	-	267.4
Congo, Dem. Rep.	-	0.4	0.4	-	-	625.3
Cote d'Ivoire	-	-	-	-	-	871.8
Djibouti	0.4	-	-	6.9	0.3	7.7
Egypt	-	74.9	166.3	-	-	1,512.9
Equatorial Guinea	-	-	-	-	-	7.2
Eritrea	0.4	-	-	0.4	-	0.7
Ethiopia	0.4	-	-	0.4	-	240.9
Gabon	-	-	0.4	-	76.3	670.2
Gambia	0.4	-	-	0.4	-	22.1
Ghana	-	-	9.1	-	-	263.3
Guinea	-	-	-	-	-	224.3
Guinea-Bissau	0.4	-	-	-	-	11.4
Kenya	0.4	-	-	5.3	10.1	218.0
Lesotho	-	-	-	-	-	63.7
Liberia	-	-	-	0.3	-	116.8
Libya	-	-	-	-	-	-
Madagascar	0.4	-	-	-	0.3	68.2
Malawi	-	0.4	0.4	-	-	85.1
Mali	-	-	-	-	-	19.9
Mauritania	-	23.6	7.6	-	-	104.5
Mauritius	14.6	91.8	8.0	-	-	256.4
Morocco	79.9	133.8	245.3	177.0	369.3	3,651.0
Mozambique	0.4	0.4	-	28.9	-	128.5
Namibia	-	26.8	14.7	-	59.1	135.9
Niger	-	-	9.5	-	-	37.2
Nigeria	23.4	14.0	113.3	-	-	1,912.7
Rwanda	0.4	-	-	-	-	16.9
São Tomé & Principe	-	-	-	-	-	-
Senegal	-	-	-	-	-	189.2
Seychelles	-	-	-	-	-	66.7
Sierra Leone	0.4	-	-	-	-	14.3
Somalia	0.4	-	-	-	-	7.9
South Africa	75.8	-	15.1	106.3	117.1	511.0
Sudan	0.4	-	-	0.3	-	105.1
Swaziland	-	29.6	9.7	50.0	-	234.8
Tanzania	0.4	-	-	-	-	60.0
Togo	-	-	-	14.6	-	33.0
Tunisia	115.3	362.5	86.2	196.3	140.2	3,320.1
Uganda	-	43.4	8.0	-	-	195.3
Zambia	3.8	-	-	-	-	292.9
Zimbabwe	0.4	-	-	-	-	644.6
Multinational	-	-	3.0	157.7	1.5	414.6
TOTAL	**407.6**	**801.7**	**880.1**	**745.8**	**808.6**	**20,613.4**

Source : ADB Statistics Division
- Magnitude zero

ANNEX II–9
ADF LOAN AND GRANT APPROVALS BY COUNTRY, 1974-2004
(UA millions)

Country	2000	2001	2002	2003	2004	1974-2004
Algeria	-	-	-	-	-	2.7
Angola	-	9.6	13.5	4.6	-	117.3
Benin	27.3	33.1	19.3	47.7	21.2	386.4
Botswana	-	-	-	-	-	84.8
Burkina Faso	11.0	60.7	28.3	79.0	39.6	492.4
Burundi	-	-	-	-	20.2	234.2
Cameroon	26.5	53.1	0.4	46.5	12.1	266.3
Cape Verde	5.7	-	8.5	-	3.5	140.3
Central African Rep.	-	-	-	-	-	124.2
Chad	12.0	22.6	24.3	2.3	2.4	354.5
Comoros	-	-	-	-	-	54.7
Congo	-	-	-	0.5	7.0	18.6
Congo, Dem. Rep.	-	2.0	78.5	47.5	55.2	494.9
Cote d'Ivoire	28.7	-	83.3	-	-	268.8
Djibouti	0.4	3.4	6.4	-	5.0	102.2
Egypt	-	-	-	-	-	216.5
Equatorial Guinea	-	-	-	-	-	60.0
Eritrea	1.9	19.9	-	-	18.6	78.1
Ethiopia	3.7	185.8	21.0	102.0	62.0	1,167.6
Gabon	-	-	-	-	-	3.2
Gambia	9.6	9.6	11.9	-	-	178.7
Ghana	40.8	76.6	60.6	78.4	12.8	600.0
Guinea	17.9	36.0	24.5	-	-	299.9
Guinea-Bissau	-	12.9	-	3.7	-	160.2
Kenya	28.3	20.0	-	52.6	41.2	464.7
Lesotho	11.7	-	11.7	10.5	0.8	222.3
Liberia	-	-	-	-	-	33.6
Libya	-	-	-	-	-	-
Madagascar	22.5	14.9	10.3	25.0	44.9	439.5
Malawi	11.7	24.6	9.6	21.8	12.0	505.5
Mali	20.8	36.6	53.7	28.1	33.9	559.7
Mauritania	1.8	23.3	-	18.6	2.7	236.3
Mauritius	-	-	-	-	-	4.7
Morocco	-	-	-	-	-	64.4
Mozambique	118.2	40.3	24.9	26.3	30.0	770.2
Namibia	-	-	-	-	-	23.1
Niger	-	34.9	0.6	43.2	3.0	259.3
Nigeria	20.0	4.0	47.3	35.0	1.7	285.3
Rwanda	19.5	10.9	-	43.8	51.9	379.8
São Tomé & Principe	-	1.8	4.0	-	-	94.6
Senegal	30.0	34.1	13.4	65.3	9.6	386.1
Seychelles	-	-	-	-	-	10.8
Sierra Leone	-	21.0	16.0	30.5	3.6	219.2
Somalia	-	-	-	-	-	136.9
South Africa	-	-	-	-	-	-
Sudan	-	-	-	-	-	245.8
Swaziland	-	-	-	-	-	49.5
Tanzania	7.3	118.8	16.9	31.3	114.7	851.0
Togo	-	-	-	-	-	141.7
Tunisia	-	-	-	-	-	-
Uganda	83.0	-	89.0	0.2	74.2	655.6
Zambia	27.9	17.7	-	22.0	13.7	364.8
Zimbabwe	-	-	-	-	-	81.9
Multinational	63.6	16.1	19.0	129.4	217.7	637.5
TOTAL	**651.7**	**944.2**	**696.9**	**996.1**	**915.2**	**14,030.3**

Source : ADB Statistics Division
- Magnitude zero

ANNEX II – 10

NTF LOAN AND GRANT APPROVALS BY COUNTRY, 1976-2004

(UA millions)

Country	2000	2001	2002	2003	2004	1976-2004
Algeria	-	-	-	-	-	-
Angola	-	-	-	-	-	-
Benin	-	-	-	4.0	-	19.4
Botswana	2.8	-	-	-	-	13.0
Burkina Faso	-	-	-	-	-	
Burundi	-	-	-	-	-	13.4
Cameroon	-	-	-	-	-	-
Cape Verde	-	-	-	-	-	13.6
Central African Rep.	-	-	-	-	-	-
Chad	-	-	-	-	-	-
Comoros	-	-	-	-	-	-
Congo	-	-	-	-	-	-
Congo, Dem. Rep.	-	-	-	-	-	-
Côte d'Ivoire	-	-	-	-	-	2.9
Djibouti	-	-	-	-	-	4.0
Egypt	-	-	-	-	-	-
Equatorial Guinea	-	-	-	-	-	-
Eritrea	-	-	-	-	-	-
Ethiopia	-	-	-	-	-	11.0
Gabon	-	-	-	-	-	-
Gambia	2.9	-	-	-	5.0	14.4
Ghana	-	-	-	3.0	-	5.3
Guinea	5.0	-	-	-	-	16.3
Guinea-Bissau	-	-	-	3.5	-	6.1
Kenya	-	-	-	-	-	-
Lesotho	-	-	-	-	-	14.6
Liberia	-	-	-	-	-	3.6
Libya	-	-	-	-	-	-
Madagascar	-	-	-	-	-	12.7
Malawi	-	-	-	-	-	-
Mali	-	-	-	-	-	5.0
Mauritania	-	-	-	6.0	4.3	10.3
Mauritius	-	5.1	-	-	-	10.4
Morocco	-	-	-	-	-	
Mozambique	-	-	-	-	-	6.9
Namibia	-	-	5.0	-	-	8.9
Niger	-	-	-	-	-	5.2
Nigeria	-	-	-	-	-	-
Rwanda	-	-	-	6.0	-	14.6
São Tomé & Principe	-	-	-	-	-	5.0
Senegal	-	-	-	-	-	11.0
Seychelles	-	-	-	-	-	12.0
Sierra Leone	-	-	-	-	-	6.0
Somalia	-	-	-	-	-	6.0
South Africa	-	-	-	-	-	-
Sudan	-	-	-	-	-	-
Swaziland	-	-	5.0	-	-	10.0
Tanzania	-	-	-	-	-	13.6
Togo	-	-	-	-	-	10.5
Tunisia	-	-	-	-	-	-
Uganda	-	-	-	-	-	5.0
Zambia	-	-	-	-	-	-
Zimbabwe	-	-	-	-	-	-
Multinational	-	-	-	-	-	14.1
TOTAL	**10.7**	**5.1**	**10.0**	**22.5**	**9.3**	**304.6**

Source : ADB Statistics Division
- Magnitude zero

ANNEX II – 11
BANK GROUP LOAN AND GRANT APPROVALS BY SECTOR, 1967-2004
(UA millions)

	2000	2001	2002	2003	2004	1967-2004
Agriculture and Rural Dev.	175.2	268.5	207.0	235.9	274.5	6,406.2
Social	224.3	198.2	284.2	333.0	157.1	4,059.2
Education	*109.4*	*62.6*	*82.0*	*158.7*	*39.8*	*2,235.0*
Health	*72.1*	*55.8*	*156.5*	*37.1*	*102.0*	*1,319.2*
Other	*42.9*	*79.8*	*45.7*	*137.3*	*15.4*	*505.0*
Water Supply & Sanitation	100.1	69.9	67.4	290.2	120.4	2,620.1
Power Supply	38.5	94.1	185.9	147.9	56.0	3,190.2
Communication	-	79.3	90.4	-	-	911.3
Transportation	156.1	330.2	130.1	292.7	499.3	5,824.2
Finance	192.3	263.7	335.1	301.3	174.0	4,676.5
Multisector	174.6	410.8	271.3	131.6	450.0	5,311.9
Industry, Mining and Quarrying	4.6	26.9	15.5	28.9	-	1,927.7
Urban Development	1.9	-	-	-	-	1.9
Environment	2.3	9.6	-	3.0	1.7	19.0
TOTAL	**1,070.0**	**1,751.0**	**1,586.9**	**1,764.5**	**1,733.1**	**34,948.2**

Source : ADB Statistics Division
- Magnitude zero

ANNEX II – 12
ADB LOAN AND GRANT APPROVALS BY SECTOR, 1967-2004
(UA millions)

	2000	2001	2002	2003	2004	1967-2004
Agriculture and Rural Dev.	31.7	39.5	17.0	10.0	22.9	2,572.7
Social	81.8	23.5	87.1	3.6	1.3	1,046.5
Water Supply & Sanitation	67.4	-	8.0	176.6	56.5	1,528.3
Power Supply	-	43.4	169.7	118.9	-	2,451.6
Communication	-	79.3	90.4	-	-	764.7
Transportation	36.5	175.9	72.8	108.1	372.8	3,313.9
Finance	182.7	263.7	316.6	299.7	174.0	4,313.7
Multisector	3.7	152.8	103.1	-	181.1	2,905.6
Industry, Mining and Quarrying	3.8	23.6	15.5	28.9	-	1,716.4
Urban Development	-	-	-	-	-	-
Environment	-	-	-	-	-	-
TOTAL	**407.6**	**801.7**	**880.1**	**745.8**	**808.6**	**20,613.4**

A N N E X I I – 13

ADF LOAN AND GRANT APPROVALS BY SECTOR, 1974-2004

(UA millions)

	2000	2001	2002	2003	2004	1974-2004
Agriculture and Rural Dev.	132.8	229.0	185.0	226.0	242.4	3,776.2
Social	142.6	169.6	192.1	325.9	155.8	2,957.1
Education	*29.6*	*51.8*	*76.6*	*155.2*	*39.8*	*1,398.8*
Health	*70.2*	*38.4*	*73.3*	*36.4*	*102.0*	*1,067.8*
Other	*42.9*	*79.4*	*42.3*	*134.4*	*14.1*	*490.5*
Water Supply & Sanitation	32.7	69.9	59.4	107.5	63.9	1,074.6
Power Supply	38.5	50.7	16.2	28.9	56.0	725.1
Communication	-	-	-	-	-	118.4
Transportation	119.6	154.3	57.3	171.6	126.5	2,411.4
Finance	9.6	-	18.5	1.6	-	345.2
Multisector	170.9	258.0	168.2	131.6	268.9	2,406.3
Industry, Mining and Quarrying	0.8	3.3	-	-	-	195.0
Urban Development	1.9	-	-	-	-	1.9
Environment	2.3	9.6	-	3.0	1.7	19.0
TOTAL	**651.7**	**944.2**	**696.9**	**996.1**	**915.2**	**14,030.3**

Source : ADB Statistics Division
- Magnitude zero

A N N E X I I – 14

NTF LOAN AND GRANT APPROVALS BY SECTOR, 1976-2004

(UA millions)

	2000	2001	2002	2003	2004	1976-2004
Agriculture and Rural Dev.	10.7	-	5.0	-	9.3	57.3
Social	-	5.1	5.0	3.5	-	55.6
Water Supply & Sanitation	-	-	-	6.0	-	17.2
Power Supply	-	-	-	-	-	13.6
Communication	-	-	-	-	-	28.1
Transportation	-	-	-	13.0	-	98.9
Finance	-	-	-	-	-	17.6
Multisector	-	-	-	-	-	-
Industry, Mining and Quarrying	-	-	-	-	-	16.3
Urban Development	-	-	-	-	-	-
Environment	-	-	-	-	-	-
TOTAL	**10.7**	**5.1**	**10.0**	**22.5**	**9.3**	**304.6**

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