AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

BOARDS OF GOVERNORS

ADB	ADF
Forty-First	Thirty-Second
Annual Meeting	Annual Meeting

Ouagadougou, Burkina Faso

May 17-18, 2006

REPORT

by the
Boards of Directors
of the
African Development Bank
and the
African Development Fund
Covering the period
January 1 to December 31, 2005

ADB-ADF/BG/AR/2005

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Acronyms and Abbreviations

ADB	African Development Bank
ADF	African Development Fund
ADF-IX	Ninth General Replenishment of the ADF
ADF-X	Tenth General Replenishment of the African Development Fund
AFRITAC	African Regional Technical Assistance Center
AIC	African Infrastructure Consortium
ALM	Asset-Liability Management
AMCOW	African Ministerial Council on Water
APRM	African Peer Review Mechanism
AU	African Union
AUDT	Internal Audit Department (now OAG) (ADB)
AWF	African Water Facility
BADEA	Arab Bank for Economic Development in Africa
BSC	Balanced Scorecard
COMESA	Common Market of East and Southern African States
COMPAS	Common Performance Assessment Framework
CSP	Country Strategy Paper
DARMS	Documents and Records Management System
DFID	Department for International Development
DRC	Democratic Republic of the Congo
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EFIP	European Federation of Inland Ports
EIB	European Investment Bank
EPSA	Enhanced Private Sector Assistance for Africa
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
FINESSE	Financing Energy Services for Small-scale Users in Africa
GCC	Governors' Consultative Committee
GCI-IV	Fourth General Capital Increase
GCI-V	Fifth General Capital Increase
GDP	Gross Domestic Product
GEF	Global Environment Facility
GTZ	German Technical Cooperation Agency
HAM FR	Harmonization, Alignment, and Managing for Results
HIPC	Heavily Indebted Poor Countries
IAS	International Accounting Standards
ICEX	Spanish Foreign Trade Institute
ICP	International Comparison Program for Africa
ICT	Information Communications Technology
IDA	International Development Association
IDEA	International Institute for Democracy and Electoral Assistance
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPPF	Infrastructure Project Preparation Facility
IsDB	Islamic Development Bank
JAI	Joint Africa Institute
JBIC	Japan Bank for International Cooperation
JIBAR	Johannesburg Interbank Agreed Rate
JICA	Japan International Cooperation Agency
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LOC	Line of Credit
MCA	Multilateral Development Bank
MCAPP	Multi-country Agricultural Productivity Program
MCGP	Multisectoral Country Gender Profile
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MEDEF	French Business Confederation
M&E	Monitoring and Evaluation
MFDR	Management for Development Results
MFI	Multilateral Finance Institution
MIC	Middle Income Country
MLTSF	Medium to Long-Term Strategic Framework
MMR	Maternal Mortality Rate
MOU	Memorandum of Understanding
NEEDS	National Economic Empowerment and Development Strategy
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NPV	Net Present Value
NSDS	National Strategies for the Development of Statistics
NTCF	Nigerian Technical Cooperation Fund
NTF	Nigeria Trust Fund
OAG	Office of the Auditor General (ADB)
OAU	Organization of African Unity (now African Union)
OCCF	Oversight Committee on Corruption and Fraud (ADB)

ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
ONE	National Electricity Authority of Egypt
OPEC	Organization for Petroleum Exporting Countries
OPEV	Operations Evaluation Department (ADB)
PALOPS	Portuguese Speaking African Countries
PBA	Performance-Based Allocation
PCC	Post-Conflict Country
PCCF	Post-Conflict Country Facility
PHRDG	Policy and Human Resources Development Grant
PIC	Public Information Center
PPF	Project Preparation Facility
PRSP	Poverty Reduction Strategy Paper
PSCP	Private Sector Country Profile
PSD	Private Sector Development
PSIA	Poverty and Social Impact Analysis
RASP	Regional Assistance Strategy Paper
RBCSP	Results-based Country Strategy Paper
RBM	Results-based Management
RMC	Regional Member Country
RMF	Results Measurement Framework
RWSSI	Rural Water Supply and Sanitation Initiative
SADC	Southern African Development Community
SAP	Structural Adjustment Program
SDR	Standard Drawing Right
SMEs	Small and Medium-Sized Enterprises
SPA	Strategic Partnership for Africa
SRF	Special Relief Fund
SRFID	Strategic Resource Framework for Institutional Development
STAP	Short-Term Action Plan
SWAP	Sector-Wide Approach
TRA	Temporary Relocation Agency
TSR	Transport Sector Review
UA	Unit of Account
UEMOA	West African Economic and Monetary Union
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
WAEMU	West African Economic and Monetary Union
WB	World Bank
WPP	Water Partnership Program

The 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 promote sustainable economic and social development and reduce poverty in its regional member countries
Authorized Capital at December 31, 2005	UA 21.87 billion
Subscribed Capital at December 31, 2005	UA 21.64 billion
Paid-up Capital at December 31, 2005	UA 2.27 billion
Approved Operations, 2005	102 operations totaling UA 2.29 billion, financed as follows: ADB: UA 868.7 million ADF: UA 1.42 billion NTF: UA 3.2 million
Of which:	
Loans	UA 1.32 billion (39 operations)
Grants	UA 420.3 million (51 operations)
HIPC	UA 508.7 million (10 operations)
Equity Participation	UA 35.1 million (1 operation)
Guarantee	UA 6.9 million (1 operation)
Sector Approvals, 2005	Infrastructure: UA 687.1 million (39.4 percent of total approvals) Multisector: UA 264.4 million (15.2 percent of total approvals) Agriculture and Rural Development: UA 231.1 million (13.3 percent of total approvals) Social Sector: UA 233.7 million (13.4 percent of total approvals) Finance: UA 218.6 million (12.5 percent of total approvals) Environment: UA 74.1 million (4.3 percent of total approvals) Industry, Mining, and Quarrying: UA 34.0 million (2.0 percent of total approvals)
Total Cumulative Approvals, 1967-2005	2,988 loans and grants totaling UA 36.69 billion, of which UA 1.62 billion was in grants

The African Development Bank Group

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

The African Development Bank Group is a regional multilateral development finance institution dedicated to reducing poverty in its regional member countries by promoting their sustainable economic and social development.
It achieves this objective by mobilizing external and domestic resources to promote investment in its RMCs and by providing them with technical assistance as well as policy advice.

The African Development Bank

The ADB is a multilateral development bank whose shareholders are 53 African countries (regional member countries—RMCs) and 24 non-African countries from the Americas, Asia, and Europe (non-regional member countries—non-RMCs). It was established in 1964, with its headquarters in Abidjan, Côte d'Ivoire, and officially began operations in 1967. However, due to political instability in Côte d'Ivoire, the Governors' Consultative Committee (GCC), at a meeting in February 2003 in Accra, Ghana, decided to move the Bank to its current temporary location in Tunis, Tunisia. The Bank has been operating from this Temporary Relocation Agency since February 2003.

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

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

The Boards of Governors elect the President of the Bank Group for a five-year term, renewable for one term. The President, who must be from a RMC, chairs the Boards of Directors, appoints Vice-Presidents—in consultation with the Boards, and manages the Bank's daily operations.

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

- Repayment period of up to 20 years, including a grace period not exceeding five years for public sector loans;
- Repayment period of up to fourteen years, including a grace period not exceeding four years for publicly guaranteed lines of credit; and
- Repayment period of five to 15 years, including a grace period of one to three years for private sector loans.

The African Development Fund

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

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

The Fund's resources consist of contributions and periodic replenishments by participants, usually on a three-year basis. For ADF-X, which covers the 2005-2007 period, ADF Deputies agreed on a replenishment level of UA 3.7 billion.

No interest is charged on ADF loans; however, the loans carry a service charge of 0.75 percent per annum on outstanding balances, and a commitment fee of 0.50 percent per annum on undisbursed commitments. Project loans have a 50-year repayment period, including a 10-year grace period. Lines of credit have a 20-year repayment period with a five-year grace period.

The Nigeria Trust Fund

The NTF is a special ADB fund created in 1976 by agreement between the Bank Group and the Government of the Federal Republic of Nigeria. Its objective is to assist the development efforts of low-income RMCs whose economic and social conditions and prospects require concessional financing. The NTF became operational in April 1976 following approval of the Agreement Establishing the Nigeria Trust Fund by the Board of Governors. Its initial capital of US$80 million was replenished in 1981 with US$71million.

In April 2003, the ADB Board of Governors considered and approved a number of proposals aimed at enhancing the effectiveness of the NTF. These proposals included (i) adjusting the interest rate for NTF loans from 4 percent to a 2-4 percent range, to increase concessionality; (ii) allocating 10 percent of NTF annual net income as contribution to the HIPC Trust Fund; (iii) appropriating NTF corpus resources to finance activities under the Technical Cooperation Agreement with the Bank Group to support programs benefiting its RMCs; and (iv) introducing more flexibility in the investment of NTF resources, pending their use in financing projects.

The African Development Bank Group

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PRESIDENT

Date: March 31, 2006

The Chairman
Boards of Governors
African Development Bank
African Development Fund

Dear Mr. Chairman:

In accordance with Article 32 of the Agreement Establishing the African Development Bank and Articles 8, 11, and 12 of the General Regulations made thereunder, and pursuant to Article 26 of the Agreement Establishing the African Development Fund and Articles 8, 11, and 12 of the General Regulations made thereunder, I have the honor, on behalf of the Boards of Directors of the Bank and the Fund, to submit the audited financial statements of the two institutions for the financial year ended December 31, 2005, and the administrative budgets for the period commencing January 1, 2006, and ending December 31, 2006.

The joint report also reviews developments in the African economy and in the operational activities of the Bank Group during 2005.

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

Donald Kaberuka
President
African Development Bank
African Development Fund
and
Chairman
Boards of Directors

The President and the Board of Executive Directors

[TO COME]

The Boards of Directors
December 31, 2005

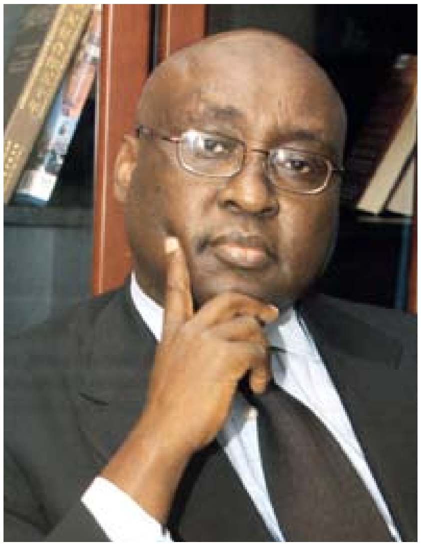
The Board of Directors of the African Development Bank
Chairman: Donald KABERUKA

Executive Directors	Alternate Executive Directors
H.J.C. ANDZE-OLINGA (Cameroon)	M.J. MOUTOU-KANGO (Congo)
F. ARSENAULT (Canada)	Y.G. AL-BADER (Kuwait)
O. BOUGARA (Algeria)	G.A.F. GOMES (Guinea Bissau)
P.H. DACOURY-TABLEY (Côte d'Ivoire)	D.J. MBA OWONO (Equatorial Guinea)
R. DEWDNEY (United Kingdom)	L.M. TALAPESSY (Netherlands)
A. FONTES (Cape Verde)	O. SYLLA (Senegal)
P. E. GININDZA (Swaziland)	A.C. GOMANI (Malawi)
B.R. R. KUKURI (Namibia)	A.N. BVUMBE (Zimbabwe)
F.B. L. MANSARAY (Sierra Leone)	T.N. DOE (Liberia)
C.S. PERRY (United States of America)	-
F. PITTORE (Italy)	E. CARRERE (France)
F. SAMIR (Morocco)	M. BOUALLAGUI (Tunisia)
M.L. SANI (Nigeria)	M. DE SOUSA (Sao Tome & Principe)
F. A. SHAKWEER (Egypt)	A.H. BAHDON (Djibouti)
A.T. TABIB (Libya)	Vacant
A.M. WIIG (Norway)	P.E. TRULSSON (Sweden)
Y. YONEYAMA (Japan)	C.B. BOLANO (Argentina)
G.J. ZIRIMWABAGABO (Rwanda)	P.A.G. SINON (Seychelles)

The Board of Directors of the African Development Fund
Chairman: Donald KABERUKA

Executive Directors	Alternate Executive Directors
F. ARSENAULT (Canada)	J.M. FRESNILLO (Spain)
O. BOUGARA (ADB)	G.A.F. GOMES (ADB)
P.H. DACOURY-TABLEY (ADB)	D.J. MBA OWONO (ADB)
R. DEWDNEY (United Kingdom)	L.M. TALAPESSY (Netherlands)
C.S. PERRY (United States of America)	A. KIFAYAT (United States of America)
F. PITTORE (Italy)	E. CARRERE (France)
F. SAMIR (ADB)	M. BOUALLAGUI (ADB)
F.A. SHAKWEER (ADB)	A.H. BAHDON (ADB)
A.T. TABIB (ADB)	Vacant
A.M. WIIG (Norway)	P.E. TRULSSON (Sweden)
Y. YONEYAMA (Japan)	I. ALSUGAIR (Saudi Arabia)
G. J. ZIRIMWABAGABO (ADB)	P.A. G. SINON (ADB)

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



Donald Kaberuka
President of African Development Bank Group

The year 2005 was a momentous one for the Bank and for Africa. I was honored to be elected the 7th President of the Bank Group to succeed Omar Kabbaj, who left the Bank after 10 years of meritorious service. I salute our Governors and our staff for ensuring a smooth transition.

The year 2005 was also the "Year of Africa", during which the international community launched several initiatives to support Africa's development. It marked the beginning of the utilization of the resources mobilized under ADF-X Replenishment, a total of UA 3.7 billion (about US$ 5.4 billion) for the ADF-X period (2005-2007). In July 2005, the G8 Summit at Gleneagles agreed to provide 100 percent irrevocable debt stock cancellation for 39 countries, 33 of which are in Africa. Key initiatives were also taken with respect to ODA, trade, infrastructure, and governance. With a view to ensuring follow-up, the African Ministers of Finance convened in November 2005 in Tunis to analyze the implications of these initiatives and to build support for them.

During the year, the Bank deepened its partnership with the African Union, NEPAD, and the ECA, and also held several high level consultations with a number of key partners to strengthen collaboration at the country level.

During 2005 as well, the Bank continued to strengthen its professional staff—in line with its strategic orientations—and to accelerate its decentralization strategy to establish a network of 25 field offices. Indeed, all the existing nine Regional and Country offices were operational in 2005, and four additional offices were opened in Madagascar, Mali, Rwanda, and Morocco.

On the resource mobilization front, the Bank Group mobilized external resources amounting to UA 3.19 billion through cofinancing operations, thereby raising the total amount of resources mobilized in 2005 to UA 5.48 billion. It prepared four key policy documents to guide its activities: (i) ADF-X Financing Policy Guidelines; (ii) ADF-X Country Resource Allocations for 2005; (iii) The Enhanced Performance-based Allocation Framework for ADF-X; and (iv) the Multilateral Debt Relief Initiative.

The Bank Group continued to participate in the enhanced HIPC Initiative. At end-2005, 24 of the 33 RMCs classified as HIPCs were benefiting from debt relief under the enhanced HIPC Initiative. By December 2005, a total of US$ 2.26 billion had been mobilized to finance interim and completion point debt relief for these eligible countries and a total of US$ 1.68 billion had been delivered.

The total amount of loans and grants, including HIPC debt relief, approved during the year was UA 2.29 billion, compared with UA 2.79 billion in 2004. Of this amount, UA 868.7 million (37.9 percent of total approvals) was from the ADB window (with UA 180.1 million for the private sector); UA 1.42 billion (62 percent total approvals) from the ADF; and UA 3.2 million (0.1 percent of total approvals) from the NTF. The slight decline in overall Bank Group approvals was due to the significant reduction in HIPC debt relief. This notwithstanding, grant approvals increased significantly to UA 420.3 million, a 94 percent increase over 2004 levels, in line with ADF-X guidelines, while lending approvals rose to UA 1.32 billion, a 16.9 percent rise over 2004 levels.

I am pleased to report that the increase in Bank operations in 2005 was accompanied by further steps to increase the quality of Bank operations and to enhance development effectiveness. The Bank's efforts in this regard were underpinned by four basic principles: (i) ensuring country ownership; (ii) achieving greater selectivity; (iii) participatory approaches; and (iv) working closely with development partners. I note, in particular, the adoption of the *Annotated Format of the Results-Based Country Strategy Paper* (RBCSP) and the Bank Group Action Plan on Harmonization, Alignment and Managing for Results (HA&MfR), which focuses on maintaining the core tasks of the internal review process, launching the first quality-at-entry assessment, preparing the quality-of-supervision assessment, and implementing the managing for results agenda. These will further improve the effectiveness of Bank operations.

In 2005, the Bank launched and consolidated a number of initiatives, including the

Harmonization, Alignment and Managing for Results Initiative; the Africa Infrastructure Consortium; the African Water Facility; the Enhanced Private Sector Assistance for Africa; the Middle Income Countries Initiative; and the FINESSE Program. The Bank also continued to allocate a significant proportion of its resources to the Rural Water Supply and Sanitation Initiative; and to deepen its support for NEPAD.

On the financial front, the Bank Group continued to strengthen its financial position. The combined net income for the Bank Group was UA 251.8 million in 2005, compared with UA 151.1 million in 2004. The overall financial standing of the Bank continued to strengthen, with the four main financial rating agencies reaffirming their AAA and AA+ rating of the Bank's senior and subordinate debt, respectively, with a stable outlook. This reflects the Bank's strong membership support, its preferred creditor status, sound capital adequacy, and prudent financial management and policies.

Overall, despite the rise in oil prices and the severe drought in parts of the continent, the activities of the Bank Group in 2005 took place against a backdrop of buoyant economic performance, driven essentially by oil and commodities. As well, despite the sustained increases in oil prices in 2005, Africa's average inflation rate remained in the single digits and other macroeconomic indicators registered positive trends.

While the improvement in the growth performance of the African economy in 2005 is fairly impressive, it falls short of the 7-8 percent real GDP growth rate required for achieving many of the MDGs. Thus, it is urgent that African countries scale up investments and growth in the context of macroeconomic stability, improved governance and institutions, human capital development, regional integration, and peace and stability.

The Bank Group has a major role to play in this historic effort to boost and sustain the continent's shared economic growth. This in turn requires that the Bank put in place a strategy to enhance its development effectiveness.

To this end, the Task Force put in place in November 2005 has delivered its recommendations to improve our operational effectiveness, our knowledge capability, a forward-looking human resource strategy, and our business process.

With the support of our shareholders, we embark on 2006 determined to consolidate the achievements of the Bank as a first class financial institution able to support our shared development aspirations.

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

Executive Summary

The year 2005 ushered in a new era for the African Development Bank Group (the Bank Group, the Bank). Indeed, the year was marked by the departure of Omar Kabbaj, the 6th President of the Bank Group, after 10 years of service, and the arrival of Donald Kaberuka, the 7th President. This changing of the guard, coupled with the institutional reform process launched in November 2005, set the stage for far-reaching changes in Bank Group operations, which should enhance the institution's effectiveness in pursuing its mission within the current economic environment in Africa.

Africa's economic performance remained buoyant despite the slowdown in economic growth

Africa's Economic Performance in 2005

Overall, Africa's economic performance remained buoyant despite the slowdown in economic growth caused by relatively weak demand for imports in industrialized countries, deterioration in the terms of trade of some oil-importing countries, poor crop harvests due to locust invasions in the Sahel region, and droughts in the eastern and southern regions of the continent.

The slowdown translated into a marginal decline in the real gross domestic product (GDP) growth rate (which fell from 5.3 percent in 2004 to 4.9 percent in 2005) and in the real per capita GDP growth rate (from 3.0 percent in 2004 to 2.8 percent in 2005). However, the 4.9 percent average growth in real GDP masks considerable variations across countries, as there was a modest increase in the number of countries (both oil-exporting and oil-importing) that recorded higher growth rates in 2005—the third consecutive year in which Africa's real GDP growth rate exceeded 4.0 percent. Still, this growth falls short of the 7-8 percent required by many countries, in particular, sub-Saharan African countries to achieve the Millennium Development Goals by 2015.

Some African countries, in particular non-oil exporters, experienced a worsening of their terms of trade due to high oil prices, however, overall average terms of trade growth for the continent accelerated to 13.0 percent in 2005, from 3.9 percent in 2004. This favorable terms of trade development is partially attributable to the higher world prices of some non-oil commodities, which helped offset the terms of trade impact of oil price increases in oil-importing countries. This development also helped improve Africa's external position in 2005.

Bank Group Operations

The Bank's new strategic orientations and priorities continued to guide its operations and promoting sustainable economic growth to reduce poverty in RMCs remained its overarching objective. To achieve this objective, the Bank continued to mobilize external and domestic resources for investment in RMCs and to provide technical assistance and policy advice to RMCs.

Policy Approvals

During the year, the Boards of Directors approved a number of policies and guidelines aimed at enhancing the effectiveness of Bank Group operations. In total, 20 country strategy papers (CSPs) were issued—most of them for the 2005-2009 timeframe; and 29 policy and program-related documents, one country dialogue paper, four HIPC approval documents, and 17 emergency support cases were approved.

Operational Activities

The Bank continued to finance development projects and programs—many of them in collaboration with other multinational institutions or bilateral donors—to promote sustainable economic growth and poverty reduction. To this end, the Boards approved loans, grants, public guarantees for sovereign loans, equity participation, and HIPC debt relief amounting to UA 2.29 billion for 102 operations in 34 countries. In approving funds for projects and programs, the Boards also took into account regional economic cooperation and integration activities, in line with the Bank's Action Plan for Infrastructure Development in RMCs and with its commitment to promote regional infrastructure under the NEPAD initiative.

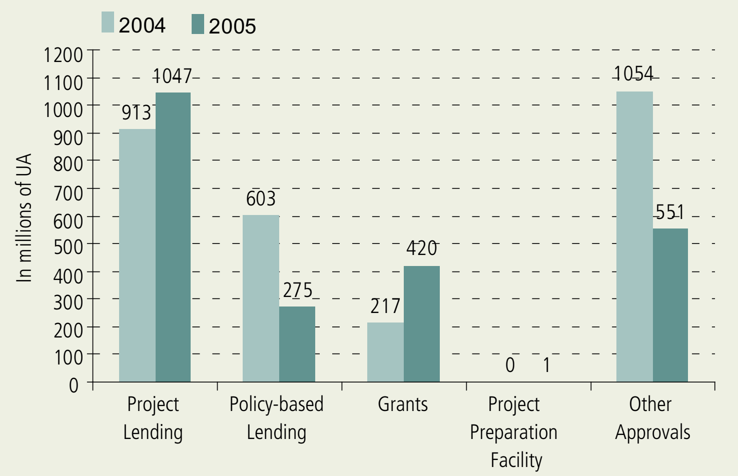
The share of ADB window operations in 2005 was UA 868.7 million (37.9 percent of total Bank Group approvals), down 44.8 percent from UA 1.52 billion in 2004, but still 16.5 percent above the UA 745.8 million approved in 2003. The private sector window's share rose from UA 164.4 million in 2004 to UA 180.1 million in 2005, but remained lower than its peak of UA 205.8 million reached in 2003. The ADB Special Relief Fund (SRF) allocated emergency support grants totaling UA 5.7

million to 16 countries affected by natural disasters in 2005, much higher than the UA 2.8 million approved in 2004. Total **ADF window** approvals rose from UA 1.26 billion in 2004 to UA 1.42 billion in 2005, representing 62 percent of all Bank Group approvals. **Grant approvals** also increased substantially to UA 420.3 million in 2005, compared with UA 216.7 million in 2004 and UA 174.5 million in 2003. The share of grants in relation to total approvals increased from 7.8 percent in 2004 to 18.3 percent in 2005. In contrast, **Nigeria Trust Fund** (NTF) operations declined significantly, from UA 22.5 million in 2003 to UA 9.3 million in 2004 and UA 3.2 million in 2005.

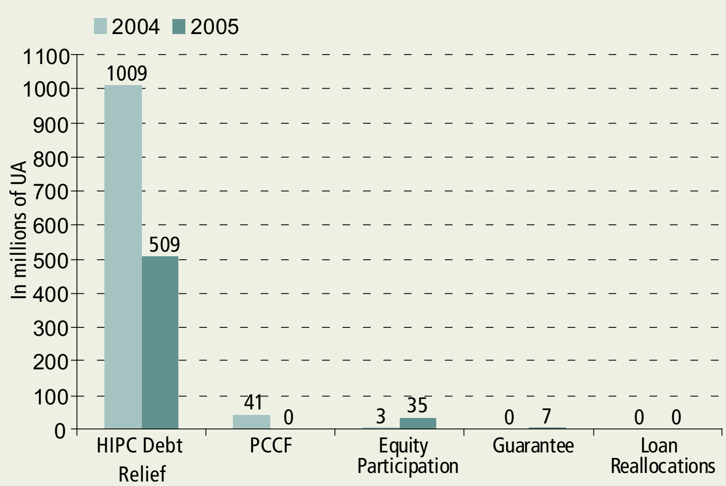
Overall, the main financing instrument during 2005 was project lending, which accounted for 45.6 percent of total approvals; this was followed by HIPC debt relief, 22.2 percent; policy-based lending, 12.0 percent; and grants, 18.3 percent. Guarantees and equity financing accounted for the remaining 1.8 percent.

In quantitative terms, HIPC debt relief approvals declined significantly, from UA 1.01 billion in 2004 to UA 508.7 million in 2005. In contrast, as a result of the new policy framework for ADF operations, grant approvals surged from UA 216.7 million to UA 420.3 million—a 94 percent increase over 2004 levels. Project lending also rose by over 14.6 percent. Total loan and grant approvals increased marginally, from UA 1.73 billion in 2004 to UA 1.74 billion in 2005.

Bank Group Approvals by Financing Instrument, 2004 and 2005



Bank Group Other approvals by Financing Instrument, 2004 and 2005



Lending Operations by Sector

In its 2005 lending operations, the Bank Group prioritized infrastructure development, regional economic cooperation and integration, agriculture and rural development, and the social sector. It also emphasized crosscutting issues such as gender, good governance, environmental sustainability, and the fight against communicable diseases, including HIV/AIDS.

Infrastructure project lending amounted to UA 483.4 million for 10 operations, representing 36.6 percent of total loan approvals

Infrastructure project lending amounted to UA 483.4 million for 10 operations, representing 36.6 percent of total loan approvals. This was lower than 2004 approvals, which stood at UA 633.1 million (41.8 percent of approvals) for 15 operations. **Multisector** activity was the second largest recipient of loan approvals, with UA 224.8 million (17.0 percent of total approvals) for five projects, compared with UA 402.5 million (26.5 percent of approvals) for 12 operations in 2004. These operations were mostly policy-based lending (sector and structural adjustment loans), institutional support for capacity building, and good governance. **Finance sector** approvals rose to UA 211.8 million (16.0 percent of total lending) for three operations, compared with UA 174 million (11.5 percent of the total) for 5 operations in 2004. Approvals for five **social sector**

projects increased to UA 152.0 million (11.5 percent of total lending approvals) from UA 77.9 million (5.1 percent of the total) for seven operations in 2004.

Lending approvals for **agriculture and rural development** declined to UA 145.6 million (11 percent of total loans) for 13 operations, compared with UA 228.9 million (15 percent) for 13 operations in 2004.

Grant Approvals by Sector

Grant approvals increased substantially from UA 216.7 million for 60 operations in 2004 to UA 420.3 million for 51 operations in 2005. Grant operations continued to focus on infrastructure development, agriculture and rural development, and the social sector, which, together, accounted for 88.3 percent of total grant approvals.

Overall, **infrastructure development** received the largest share of grant approvals—UA 203.7 million (48.5 percent of total grant approvals)—for 13 operations. Of this amount, water supply and sanitation received the largest share, UA 122.7 million for five operations, compared with UA 27.9 million for six operations in 2004; transportation received UA 75.9 million for six operations, compared with UA 6.8 million for four operations in 2004; and power supply, UA 5.1 million for two operations, compared with UA 8.0 million in 2004. The **agriculture and rural development sector** was the second largest recipient, with UA 85.5 million (20.3 percent of total grant allocations) for eight operations, compared with UA 45.6 million (21 percent of grant approvals) for 13 operations in 2004. The **social sector** was the third largest recipient of grant approvals, with UA 81.8 million (19.5 percent of grant approvals) for 22 operations, compared with UA 79.2 million (36.6 percent) for 22 operations in 2004. **Multisector** activities received UA 39.7 million (9.4 percent of grant approvals) for six operations, compared with UA 47.5 million (21.9 percent of grant approvals) in 2004; finance, UA 6.8 million (1.6 percent of the total) for one operation, compared with zero financing in 2004; and the **environment**, UA 2.9 million (0.7 percent of grant approvals), compared with UA 8.0 million (3.7 percent of grant approvals) in 2004.

Since the introduction of the **Project Preparation Facility** (PPF) in 2002, eight operations totaling UA 2.8 million have been approved under the facility. In 2005, three PPF operations amounting to UA 1.1 million were approved, compared with none in 2004.

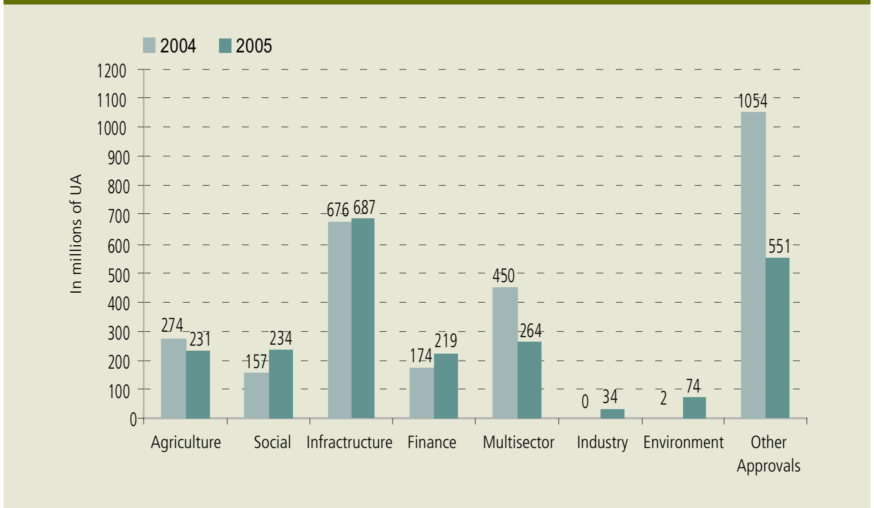
Bank Group Co-financing Operations

During the year, the Bank pursued its efforts to mobilize external resources for its RMCs through co-financing. To this end, 19 operations were co-financed for a total of UA 3.19 billion, compared with UA 2.85 billion for 31 operations in 2004 and UA 3.91 billion for 28 operations in 2003. The **Bank** contributed UA 577.6 million, compared with UA 850.9 million in 2004 and UA 734.1 million in 2003. The Bank's **development partners** contributed UA 1.89 billion in 2005, compared with UA 1.96 billion in 2004 and UA 2.51 billion in 2003. **Beneficiary RMCs** contributed UA 723.5 million in 2005, compared with UA 42.6 million in 2004 and UA 70.4 million in 2003. The following sectors benefited from co-financing resources: multisector (47.7 percent); environment (18.6 percent); social sector (15.7 percent); energy (6.7 percent); transportation (9.6 percent); agriculture and rural development (1.2 percent), and finance (0.5 percent).

Capacity Building and Training Activities in RMCs

Through its African Development Institute (ADI), the Bank prepared and delivered 13 national project implementation workshops in RMCs. These workshops focused on building the project management skills and knowledge of RMC officials and experts on Bank procurement, disbursement, and audit procedures, to ensure effective resource management. Through ADI as well, the Bank implemented the Japan Fellowship Program, awarding 12 scholarships to young Africans to pursue master's degrees in fields related to economic and social development.

Bank Group Total Approvals by Sector, 2004 and 2005



The Bank continued to support implementation of the Agricultural Management Training for Africa program, which seeks to improve the implementation of agriculture projects financed by the Bank and the International Fund for Agricultural Development (IFAD). Nine sub-Saharan and three North African RMCs participated in the program.

As its contribution to the activities of the Joint Africa Institute (JAI), the Bank Group prepared and implemented five key courses in 2005, each attended by an average of 30 participants from RMCs. As well, in collaboration with its development partners, the Bank Group organized several training activities to strengthen the effectiveness of its operational support to RMCs. It also continued to support the activities of the African Capacity Building Foundation by providing financial support and participating in the deliberations of its Executive Board and Board of Governors.

Operational and Development Effectiveness

During the year, the Bank Group launched its quality-at-entry assessment (QEA) and quality-of-supervision assessment (QSA) programs, signaling the importance it attaches to quality assurance (QA). It also prepared frameworks for conducting QEA/QSA and QA workshops, taking into account lessons learned from the experiences of partner institutions. These quality assessments will complement the Bank's internal review processes and should help strengthen portfolio performance and enhance the development effectiveness of operations.

During 2005, a major study was conducted to assess the independence of the Bank's Operations Evaluation Department. The study, approved by the Committee on Development Effectiveness, was conducted by external reviewers who assessed the Bank's independent evaluation process against the four requisite dimensions in the Evaluation Cooperation Groups' template: organizational independence, behavioral independence, avoidance of conflicts of interest, and protection from external influence. The report prepared by the reviewers and a subsequent paper highlighted the major evaluation gaps within the Bank Group and recommended actions to close them.

> During the year, the Bank Group launched its quality-at-entry assessment and quality-of-supervision assessment programs, signaling the importance it attaches to quality assurance

Finally, to help the Bank build on its achievements, reposition itself to better fulfill its mandate and meet its strategic objectives, the President set up a Task Force on Institutional Reforms (TFIR) in November 2005. The TFIR was tasked with finding ways to improve the Bank's efficiency and development effectiveness.

Mobilization of Financial Resources

To achieve its strategic objectives, the Bank continued to mobilize external and domestic resources for investment in RMCs. Key activities in this regard included the preparation of four documents: (i) *ADF-X Financing Policy Guidelines,* (ii) *ADF-X Country Resource Allocations for 2005,* (iii) *The Enhanced Performance-based Allocation Framework for ADF-X,* and (iv) *the Multilateral Debt Relief Initiative (MDRI).* These documents present the policies and guidelines which govern the Bank's resource mobilization activities.

Corporate Management

At December 31, 2005, the Bank's total regular staff complement was 1,020 (excluding 52 elected officers and staff attached to the Boards), compared with 1,012 (excluding 31 elected officers) in 2004 and 987 in 2003. Staff comprised one Vice-President, 22 Directors, 69 Managers (including 12 Resident Representatives), 583 Professional Level and 345 General Services employees. Eighty percent of professional and management staff was from RMCs and 20 percent from non-RMCs. Total Professional Level staff was 79 percent male and 21 percent female.

During the year, recruitment for field offices was completed for Senegal, Madagascar, Mali, and Mozambique, and a financial management officer was selected for the Sierra Leone Program Office. In addition, interviews were concluded to fill vacancies in existing offices in Nigeria, Uganda, Tanzania, Egypt, and Gabon. Efforts are underway to recruit staff for other field offices in Burkina Faso, the Democratic Republic of Congo (DRC), Ghana, Morocco, and Rwanda.

The Bank focused on planning and implementing efficiency improvements in benefits administration through process and information technology changes, slated to continue in 2006. The improvements are aimed at achieving cost reductions, increasing employee productivity, and improving insights for better strategic planning. In addition, in 2005 the Boards of Directors approved management's proposal for a salary increase to take effect in January 2006. This adjustment will ensure that the Bank's salary structure remains internationally competitive to attract and retain high-caliber staff.

The Bank strengthened management and administration of its Medical Plan during the year; staff members and their dependents can now use the healthcare system and the network of direct billing providers established in Tunis. In total, the Medical Plan now comprises over 4,500 insured members and the Bank will continue to implement cost reduction strategies for the Plan.

In January 2005, the Bank also started implementing its Staff Retirement Plan (SRP) reforms adopted in November 2004. It adopted a new investment policy for its SRP fund and rebalanced its portfolio. In addition, it completed negotiations with the external fund manager and signed a new investment management agreement. Benefits of the new agreement include reduced management fees and a flat fee for the currency-hedging program, which became effective on January 1, 2005. The implementation of the new guidelines became effective on September 1, 2005.

Strategic Planning and Budgeting

During 2005, the main strategic planning and budgeting activities undertaken by the Bank included preparing the *Strategic Plan (2003-2007)* implementation progress report, the 2006 Administrative and Capital Budgets, and the *2005 Annual Report of the Bank Group;* consulting with development partners on a Common Performance Assessment Framework for MDBs (COMPAS); implementing the Management for Development Results (MfDR) and the Results Agenda, and coordinating the Bank's participation in the enhanced HIPC initiative. Other related activities included enhanced development and management of cooperation and strategic partnership arrangements with key multilateral, bilateral, and regional agencies; in-depth analysis of the impact of the proposed Multilateral Debt Relief Initiative (MDRI) on the ADF; implementation of a pilot corporate Balanced Scorecard—which is now available to all potential users, including senior management and Executive Directors.

Information Technology Management and Communications

During the year, the Bank pursued major improvements under its Information Technology and Telecommunications Modernization Program. Key activities included capitalizing on the substantial investment in information technology facilities undertaken in recent years, upgrading satellite communications systems to provide online access to HQ systems and video-conferencing capabilities in the network of field offices, and upgrading the Bank's knowledge management capabilities.

Financial Management

The Bank's General Authority on Asset and Liability Management (ALM) was revised in 2005 to consolidate standalone policy documents on market risks and to bring related policies up to date with recent market and institutional developments. The revised framework document is expected to strengthen Board oversight by facilitating an integrated approach to ALM throughout the Bank. Following the approval of the revised ALM Authority, ALM guidelines for the ADB and the NTF were updated, in line with the Authority.

The Bank continued to adjust its credit risk management activities to the growing emphasis on non-sovereign projects in the Bank's lending operations. It submitted credit opinions on new commercial projects with innovative structuring features to the Board. The Bank also continued to focus on improving project quality-at-entry through the development and implementation of the Showcase Projects Initiative—aimed at providing staff with the necessary tools to perform state-of-the-art project appraisals—including pertinent risk and stakeholder analysis. It sought to focus it's treasury risk management function on strengthening straight-through processing of treasury transactions and building decision support tools for performance analysis, risk analysis, and control of treasury activities.

Internal Audit

In compliance with International Standards for the Professional Practice of Internal Auditing, the Bank, through its Internal Audit Department (AUDT), continued to provide independent and objective assurance, including advisory and consulting services, on various Bank Group activities. Operational audits focused on forming an overall opinion on the adequacy of the control system instituted by the Bank, borrowers, executing agencies, and project implementation units, including field verification of projects. In this regard, during 2005, AUDT undertook 11 audits in selected RMCs as well as 12 assignments and 2 specially requested audits for the Corporate Management and Finance Complexes. In view of the

Bank's strategic orientation of opening new field offices and endowing them with increased authority, AUDT sought to provide reasonable assurance that adequate control mechanisms would be established and would function effectively as expected. In this light, AUDT audited two field offices in 2005. During the year, the Internal Audit Department was renamed the Office of the Auditor General, effective November 2005.

Budgets for the Year 2006

In December 2005, the Boards approved an administrative expenses budget of UA 179.0 million, a capital expenditure budget of UA 7.5 million, and a contingency budget of UA 1.8 million for 2006. The ADF Board approved an indicative administrative budget of UA 132.4 million for the Fund for the financial year ending December 31, 2006. The 2006 Budget was based on a number of decisions taken by the Boards of Governors and Directors, in line with the new strategic orientations and priorities of the Bank. It focused on strengthening the operational program, enhancing portfolio management, and accelerating the decentralization agenda, as stipulated in SRFID.

Conclusion

During the year, the Bank consolidated its internal organization and lending activities to take into account new operational modalities. It mobilized funds through successful conclusion of the ADF-X Replenishment for 2005-2007 and active participation in the enhanced HIPC Initiative. Total approvals from the ADF window increased from UA 1.26 billion in 2004 to UA 1.42 billion in 2005. Grant approvals increased by 94 percent, compared with 2004 levels; the trend was similar in project lending, which increased by over 14 percent in the same period. Approvals from the ADB window increased marginally, while HIPC debt relief operations decreased significantly.

In summary, 2005 was marked by the election of a new president and the establishment of the Task Force on Institutional Reform (TFIR). The TFIR is expected to complete its assignment by March 31, 2006. The implementation of its recommendations, in line with the Bank's new strategic orientations and priorities, is expected to shape the structure of the institution and the way it does business.

Table 0.1: Summary of Bank Group Operations, Resources, and Finance, 1996-2005

(In millions of U.S. dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Cumulative Total
Operations											
Bank Group Approvals b/											
Number	33	112	133	93	144	134	118	145	124	102	3,111
Amount	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	3,278.23	55,162.45
of which HIPC	-	-	30.60	125.92	844.46	768.14	613.85	2.74	1,567.20	727.04	4,679.95
Disbursements	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	1,843.48	33,338.21
ADB Approvals b/											
Number	11	21	18	23	38	26	31	28	23	34	991
Amount	508.18	798.50	940.52	1,088.94	1,098.67	1,239.97	1,452.05	1,108.30	2,359.86	1,241.65	31,519.18
of which HIPC	-	-	30.60	28.48	226.59	219.85	255.56	-	1,099.17	108.61	1,968.86
Disbursements	1,007.94	927.23	618.96	700.62	535.42	609.20	679.45	969.27	978.76	850.92	20,185.84
ADF Approvals b/											
Number	21	91	115	70	103	107	84	112	99	65	2,045
Amount	306.14	1,081.55	810.49	681.93	1,472.42	1,734.92	1,306.14	1,482.93	1,953.55	2,032.02	23,236.52
of which HIPC	-	-	-	97.45	617.87	548.29	358.02	2.74	468.03	613.86	2,706.26
Disbursements	626.45	646.07	623.88	504.94	352.99	466.43	740.97	546.94	1,056.82	987.72	12,892.32
NTF Approvals											
Number	1	-	-	-	3	1	3	5	2	3	7
Amount	8.63	-	-	-	13.92	6.41	13.79	33.45	14.37	4.56	406.76
of which HIPC	-	-	-	-	-		0.26	-	-	4.56	4.83
Disbursements	7.18	4.86	6.73	10.27	8.28	3.76	4.56	3.63	7.47	4.85	260.05
Resources and Finance (at year's end)											
ADB											
Authorized Capital	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	31,258.13	
Subscribed Capital	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	30,923.77	
Paid-up Portion	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	3,243.10	
Callable Portion	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	27,680.67	
Borrowing (gross)	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	9,376.17	
Outstanding Debt c/	8,358.20	7,342.38	7,533.99	7,123.40	7,014.94	6,549.17	6,056.72	8,586.51	8,757.25	8,490.43	
Cumulative Exchange Adjustment on Subscriptions d/	(160.24)	(162.52)	(166.75)	(167.16)	(165.26)	(162.89)	(193.04)	(215.96)	(228.60)	(216.90)	
Reserves e/	1,597.58	1,650.08	1,871.61	1,969.73	1,999.38	2,155.78	1,991.22	2,240.10	2,308.45	3,239.28	
Cumulative Currency Translation Adjustment	(576.09)	(501.28)	(577.40)	(576.60)	(548.22)	(564.44)	(618.36)	(671.23)	(726.76)	-	
Gross Income	888.48	824.17	756.10	727.38	687.53	715.25	664.57	631.87	693.69	685.49	
Net Income f/	149.01	157.80	158.09	169.35	152.16	157.53	256.75	265.00	222.90	316.33	
ADF											
Subscriptions	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	21,365.50	
Other Resources g/	(534.37)	(645.62)	(671.74)	(853.01)	(845.61)	(975.21)	(839.48)	(803.27)	(887.30)	(680.36)	
NTF											
Resources (gross) e/	431.75	450.21	468.88	486.03	514.90	534.16	543.51	557.92	569.84	584.69	

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

Notes :

a/ The cumulative figures go back to the initial operations of the three institutions (1967 for ADB, 1974 for ADF and 1976 for NTF).

b/ Approvals include loans and grants, private and public equity investments, emergency operations, HIPC debt relief, loan reallocations and guarantee, Post confilct Country Facility.

c/ Outstanding debt for 2004 was restated for fair value option.

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

e/ Reserves for 2004 were restated following the application of the IFRS.

f/ From 2001 to 2003, operating income (i.e. net income less the IAS 39 adjustment) has been used, to present the 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:

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
2000 1 UA = 1.30291 US dollars 2005 1 UA = 1.42927 US dollars

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

Table 0.2: Summary of Bank Group Approvals, 2005
(In millions of U.S. dollars)

Bank Group Approvals by Sector, 2005

Sector	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Agriculture and Rural Development	2	33.03	19	297.28	-	-	21	330.31
Social	18	79.63	9	254.41	-	-	27	334.04
Education	1	71.42	3	9.72	-	-	4	124.01
Health	5	2.36	5	91.47	-	-	10	115.77
Other	12	5.85	1	35.73	-	-	13	41.59
Water Supply and Sanitation	-	-	8	284.55	-	-	8	284.55
Power Supply	3	387.04	2	7.32	-	-	5	394.36
Communication	-	-	-	-	-	-	-	-
Transport	-	-	10	303.09	-	-	10	303.09
Finance	3	302.67	1	9.72	-	-	4	312.38
Multisector	1	139.73	10	238.23	-	-	11	377.96
Industry, mining and quarrying	1	48.54	-	-	-	-	1	48.54
Urban Development	-	-	-	-	-	-	-	-
Environment	1	82.37	2	23.55	-	-	3	105.92
Total Loans and Grants	**29**	**1,073.00**	**61**	**1,418.15**	**-**	**-**	**90**	**2,491.15**
Other Approvals	**5**	**168.65**	**4**	**613.86**	**3**	**4.56**	**12**	**787.08**
HIPC Debt Relief	3	108.61	4	613.86	3	4.56	10	727.04
Post Conflict Country Facility	-	-	-	-	-	-	-	-
Equity Participation	1	50.18	-	-	-	-	1	50.18
Guarantees	1	9.86	-	-	-	-	1	9.86
Loan Reallocation	-	-	-	-	-	-	-	-
Total Approvals	**34**	**1,241.65**	**65**	**2,032.02**	**3**	**4.56**	**102**	**3,278.23**

Bank Group Approvals by Financing Instruments, 2005

Financing Instrument	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Project Lending	**10**	**853.64**	**20**	**642.54**	**-**	**-**	**30**	**1,496.18**
Public and Publicly -Guaranteed:	*6*	*656.26*	*20*	*642.54*	-	-	*26*	*1,298.80*
Project Loans	5	459.05	20	642.54	-	-	25	1,101.59
Sector Investment and Rehabilitation	-	-	-	-	-	-	-	-
Lines of Credit	1	197.21	-	-	-	-	1	197.21
Private Non-Publicly Guaranteed:	*4*	*197.38*	-	-	-	-	*4*	*197.38*
Project Loans	2	91.93	-	-	-	-	2	91.93
Lines of Credit	2	105.45	-	-	-	-	2	105.45
Policy-Based Lending	**3**	**211.15**	**4**	**181.52**	**-**	**-**	**6**	**392.66**
Sector Adjustment	1	71.42	-	-	-	-	1	71.42
Structural Adjustment	1	139.73	4	181.52	-	-	5	321.25
Grants	**17**	**8,21**	**34**	**592.48**		**-**	**51**	**600.69**
Project Grant	-	-	*19*	*545.65*	-	-	*19*	*545.65*
Technical Assistance	-	-	*15*	*46.82*	-	-	*15*	*46.82*
Project Cycle Activities	-	-	4	11.16	-	-	4	11.16
Institutional Support	-	-	11	35.67	-	-	11	35.67
of which Private Sector	-	-	-	-	-	-	-	-
Special Relief Fund	*17*	*8.21*	-	-	-	-	*17*	*8.21*
Emergency Assistance	17	8.21	-	-	-	-	17	8.21
Emergency Postconflict	-	-	-	-	-	-	-	
Project Preparation Facility	**-**	**-**	**3**	**1.62**	**-**	**-**	**3**	**1.62**
Debt and Debt Service Reduction	**3**	**108.61**	**4**	**613.86**	**3**	**4.56**	**10**	**727.04**
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	3	108.61	4	613.86	3	4.56	10	727.04
Post Conflict Country Facility		-	-			-	-	
Equity Participation	**1**	**50.18**	**-**	**-**	**-**	**-**	**1**	**50.18**
Public Equity	-	-	-	-	-	-	-	-
Private Equity	1	50.18	-	-	-	-	1	50.18
Guarantee	**1**	**9.86**	**-**	**-**	**-**	**-**	**1**	**9.86**
Public Guarantees	-	-	-	-	-	-		-
Private Guarantees	1	9.86	-	-	-	-	1	9.86
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Approvals	**34**	**1,241.65**	**65**	**2,032.02**	**3**	**4.56**	**102**	**3,278.23**

Note: The conversion rate used is that for 31 December 2005: 1UA = US$ 1.42927

Source: ADB Statistics Division

Figure 0.1: Bank Group Loan and Grant Approvals and Disbursements, 1996-2005 (In millions of US $)

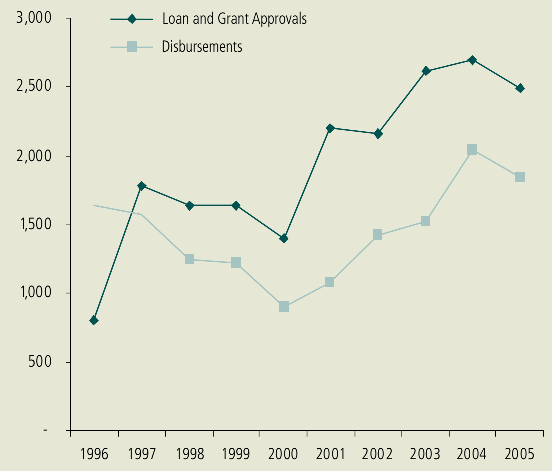


Figure 0.2: Cumulative Bank Group Loan and Grant Approvals by Institution, 1967-2005

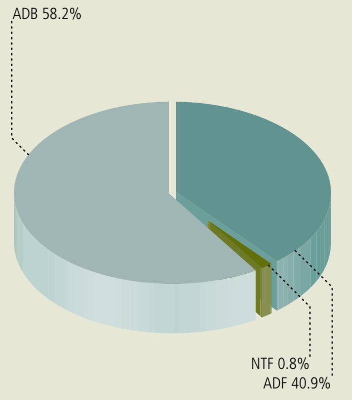


Figure 0.3: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2005

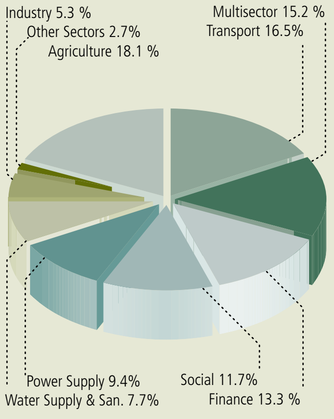
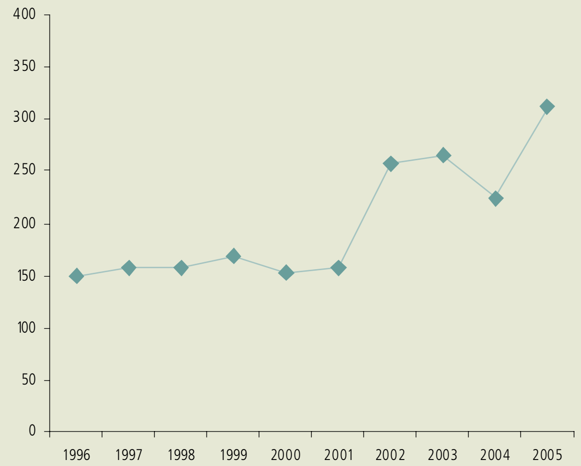


Figure 0.4: ADB Net Income, 1996-2005 (In millions of US $)



Bank Group Sector Definitions

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

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

Bank Group Activities

Activities of the Boards

Bank Group Operations

Corporate and Financial Management

001

Chapter One

Activities of the Boards

Boards of Governors

- The Annual Meetings
- The Election and Swearing-in of the New President
- Distributed Statements of the Governors

Boards of Directors

- Policies and Strategies for Bank Group Operations
- Approvals
- Other Activities of the Boards of Directors

The Boards of Governors and Directors of the Bank Group continued to provide policy direction in the operational, financial, and corporate activities of the institution. This Chapter reviews the activities, decisions, and resolutions of the Boards during 2005.

Boards of Governors

The 2005 Annual Meetings of the Boards of Governors of the African Development Bank Group were held in Abuja, Nigeria, on May 18 and 19, 2004. During their meetings, the Boards of Governors approved the Bank Group Annual Report and audited financial statements for the financial year ended December 31, 2004, and held elections for a new president for the Bank Group. As in previous years, the meetings were preceded by the Annual Meetings Symposium.

Annual Meetings, Abuja, Nigeria, May 18-19, 2005

The Annual Meetings Symposium

The joint African Development Bank/Economic Commission for Africa (ADB/ECA) Symposium was held on May 17, 2005, at the Sheraton Hotel in Abuja, Nigeria, on the theme "Capacity Development for Achieving the Millennium Development Goals (MDGs) in Africa". The Symposium was chaired by the Honorable Trevor A. Manuel, Governor for South Africa. It was attended by more than 500 participants, comprising Bank Group Governors and their delegations, representatives of international finance institutions, civil society leaders, the private sector, and other development practitioners (see Box 1.1).

The 2005 Annual Meetings

The 40th Annual Meeting of the African Development Bank and the 31st Annual Meeting of the African Development Fund were jointly held in Abuja, Nigeria, on May 18 and 19, 2005. The meetings were presided over by the Honorable Ngozi Okonjo-Iweala, Governor for Nigeria and Chairperson of the Boards of Governors. The formal opening ceremony of the Meetings was held at the Abuja International Conference Center on May 18, 2005, under the chairmanship of His Excellency Olusegun Obasanjo, President of the Federal Republic of Nigeria. Some 1,810 participants, comprising Governors, Alternate Governors, Executive Directors, delegates, Bank Group staff, observers, and local participants, attended the Meetings.

In her welcome address, the Honorable Mrs. Okonjo-Iweala thanked the ADB for according Nigeria the privilege and honor of hosting the 2005 Annual Meetings for the third time. She stressed Nigeria's commitment to, and unique relationship with, the ADB, exemplified by the establishment of the NTF for the benefit of the most vulnerable countries in Africa. She briefly outlined Nigeria's ongoing socio-economic reforms and efforts, aimed at meeting future challenges such as rebuilding good governance as well as capacity building, and retention. At the continental level, she stressed the need for Africa to identify its own problems and to develop strategies to address them. She noted that Africa was unlikely to grow out of poverty if it failed to take into account the regional dimensions of poverty reduction and the MDGs. In conclusion, she called on all African countries, as well as on the Bank and its development partners to seize the opportunity offered by the emergence of new leadership across Africa to strengthen the Bank and chart a new road for Africa's socio-economic development. She wished all

Box 1.1: The Joint ADB/ECA Annual Meetings Symposium

His Excellency Alhaji Atiku Abubakar, Vice President of the Federal Republic of Nigeria, formally opened the Symposium. In his opening remarks, he described the MDGs as laudable goals that every responsible government ought to pursue and emphasized the need to mobilize resources, including for capacity building, to achieve the Goals. Drawing on Nigeria's experience with its homegrown development strategy—the National Economic Empowerment and Development Strategy (NEEDS)—he observed that the types of capacities developed by a country largely depended on the country's ownership of its development agenda, and that building new human capacities was much easier than retraining and retaining existing resources. In this regard, he also noted that, to achieve some of the MDGs, particularly universal basic education, Nigeria was expanding access to basic education to children from all social classes, improving and rebuilding/rehabilitating its higher education system, while striving to retain its existing capacities and also attract back talent from the Diaspora.

In his welcome address, the President of the Bank Group, Omar Kabbaj, focused on the capacity constraints faced by African countries in achieving the MDGs and on the need to address them. He attributed the limited progress of African countries (particularly those in sub-Saharan Africa) towards the MDGs to factors such as domestic conflicts and civil wars, inadequate economic policies, governance problems, the HIV/AIDS pandemic, and the lack of resources to finance investments in key sectors. Mr. Kabbaj concluded his address by underscoring the role and efforts of the ADB in supporting the development efforts of African countries.

In his address, the out-going Executive Secretary of the ECA, Mr. K.Y. Amoako, observed that the Symposium had provided another valuable opportunity for fruitful dialogue that could inform Africa's quest for actions needed to achieve the MDGs. He identified several reasons for the slow progress of African countries towards the MDGs: internal conflict, poor governance, poor economic policies, a heavy debt burden, unfair terms of trade, the devastating impact of the HIV/AIDS pandemic, and lack of human capital and institutional capacity. Mr. Amoako concluded his remarks by calling for the development of a well-funded action plan to directly address Africa's huge capacity deficits.

The keynote address of the Symposium was delivered by the Managing Director of the International Monetary Fund (IMF), Rodrigo de Rato, who focused on the role of the IMF in Africa and on capacity building as an integral part of the IMF's work in Africa. He outlined the key challenges facing the IMF in developing capacities in Africa and highlighted the IMF's long experience in the areas of policy advice, financial assistance, and capacity building. Mr. De Rato underscored the IMF's belief that capable and effective institutions are prerequisites for economic and social development, effective public policy making, and true domestic ownership of economic policies.

The plenary session of the Symposium was chaired by the Honorable Ngozi Okonjo-Iweala, Minister of Finance and Governor for Nigeria. In her opening remarks, she described capacity development and capacity gaps in African countries as critical constraints on the achievement of the MDGs and called on all development stakeholders to include capacity development in their agendas.

Following the keynote address and the plenary session, the Symposium broke up into four panels to examine related themes and ways to facilitate the formulation and implementation of capacity building strategies for achieving the MDGs. The deliberations reached the following conclusions:

- Building government capacities is critical for achieving all the eight MDGs.
- Countries must develop their legislative, judiciary, and executive capacities.
- Leadership and governance remain central to a functioning state and to the attainment of the MDGs; however, they must be underpinned by honesty, legitimacy, respect for citizens, and individual freedom.
- The development of capacities to attain sectoral MDGs must reach beyond the goals themselves. Africans must claim ownership and leadership of capacity building initiatives to enhance, harmonize, and advance partnership towards comprehensive and effective capacity building for Africa, by Africans.

Launching of Bank Group Publications

The *2005 African Economic Outlook* was launched during the Symposium. Now in its fifth year, this collaborative work, jointly published by the Bank Group and the OECD Development Center, presents surveys and analyses of the recent socioeconomic performance of selected African economies and provides information on socioeconomic progress and short- to medium-term prospects, on a country-by-country basis. The 2004-2005 issue published a detailed review of socioeconomic trends in 29 countries and a thematic analysis on "Financing Small and Medium-Sized Enterprises (SMEs) in Africa".

participants success in their deliberations.
In his statement, Omar Kabbaj, the out-going President of the Bank Group, thanked His Excellency President Obasanjo and the Government and people of Nigeria for hosting the Bank Group's 2005 Annual Meetings. He expressed gratitude to President Obasanjo for his personal support and for the key role Nigeria had played in the development of the Bank.

On the economic front, Mr. Kabbaj described 2004 as an exceptional year for Africa because of its overall performance and favorable developments such as the restoration of peace and the abating of conflicts in several countries. He underscored, that despite these gains, the entire continent was still facing challenges in creating a more favorable environment for private sector development, improving infrastructure under the New Partnership for Africa's Development (NEPAD), promoting higher economic growth rates necessary to achieve the MDGs, and combating the HIV/AIDS pandemic. In view of these challenges, he called on Africa's development partners to significantly scale up their official development assistance (ODA), provide deeper and larger debt relief, and improve market access for African exports.

On Bank Group operations and activities in 2004, Mr. Kabbaj highlighted four important initiatives launched by the Bank: the Rural Water Supply and Sanitation Initiative (RWSSI), the Post-Conflict Countries Facility (PCCF), a new policy to govern support for middle-income countries, and the Bank Group's Private Sector Development Strategy. He also described the Action Plan and the Accelerated Decentralization Program adopted by the Bank to improve the quality of its operations and expand its presence in its RMCs, as well as the Bank Group's full engagement in the harmonization and alignment agenda.

On financial operations, Mr. Kabbaj reported that the Bank Group's financial approvals in 2004 were close to US$4.4 billion. Of this amount, US$2.4 billion was committed by the ADB, while the balance, US$2.0 billion, was committed by the ADF and the NTF. In addition, the Bank had mobilized US$3.0 billion through its co-financing operations, bringing the total amount of resources generated for its RMCs to US$7.4 billion. With respect to ADF-X Replenishment, the out-going President noted with pleasure that, during 2004, the Bank mobilized new concessionary resources, through ADF State Participants, amounting to about US$5.4 billion for the 2005-2007 ADF-X period, a 43-percent increase over ADF-IX resources.

Mr. Kabbaj also informed the assembly that his second term would end in a few months and thanked all Governors and government representatives present for having had the opportunity to work with them. He also expressed the hope that propitious conditions would soon be restored in Côte d'Ivoire for the Bank to return to its headquarters. In conclusion, he thanked the Government of Tunisia for facilitating the temporary relocation of the Bank to Tunis.

In his opening statement, His Excellency President Olusegun Obasanjo welcomed the delegates to Nigeria and expressed the hope that they would have fruitful discussions and a memorable stay in Abuja. He gave a brief historical perspective of Africa's evolution to date and called for the formulation of appropriate policies to address the development challenges facing the continent, particularly in the areas of intra-African trade, capacity building, service delivery, and infrastructure. On behalf of the African Union and of the Heads of State Implementation Committee of NEPAD, he thanked Mr. Kabbaj for a job well done and wished him success in his future endeavors.

Resolutions of the Boards of Governors
During the Annual Meetings, the Boards of Governors considered and adopted a number of resolutions on the ADB and the ADF (Appendixes A and D). The Boards endorsed the report prepared by the Joint Steering Committee and approved the Committee's recommendations, including Resolution B/BG/2005/02 and F/BG/2005/03)—*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; and Resolution B/BG/2005/03 – Amendments to the Terms of Reference of the Steering Committee for the Election of the President of the Bank.* The latter was based on the Steering Committee's *Report on the Candidates for the 2005 Election for the Office of the President of the Bank* and on the Board of Directors' Memorandum contained in Document B/BG/2005/01: *Procedure for Internal Candidatures for the Office of the President of the African Development Bank,* and on the recommendations contained therein.

The Governors also adopted the resolutions on the Annual Report and audited financial statements for the financial year ended December 31, 2004, for the ADB, the ADF, the NTF, and the Special and Trust Funds. They noted with satisfaction the independent auditors' unqualified opinion on the audited financial statements and congratulated the Boards of Directors, management, and staff for the encouraging results achieved during the year past. In addition, the Governors approved the designation of Members of Bureau and the Joint Steering Committee from end-2005 Annual Meetings to end-2006 Annual Meetings. The Bureau would comprise Burkina Faso as Chair, with Kuwait and Ethiopia as first and second Vice-Chairs, respectively. Over the same period, the Joint Steering Committee would comprise Angola, Burundi, Côte d'Ivoire, Finland, France, Germany, Guinea Bissau, Libya, and Uganda.

Finally, the Boards of Governors approved the relevant resolution for allocations from the Bank's 2004 net income of UA 107.4 million or operating income of UA 219.9 million (without IAS 39 Adjustments) as follows: (i) UA 46.3 million for ADF-X; (ii) UA 36.7 million for the Democratic Republic of Congo (DRC) Special Account; (iii) UA 11.0 million for the HIPC Initiative; (iv) UA 15.0 million for the Bank's Middle Income Country Technical Assistance Fund; (v) UA 30.0 million for the PCCF, as the second installment of the Bank's contribution to the Facility; and (vi) UA 5.0 million for the Special Relief Fund for Emergency and Humanitarian Assistance. They also decided to transfer UA 75.9 million from the operating income to reserves.

The Election and Swearing-in of the New President of the African Development Bank Group

The Meeting of the Steering Committee of the Boards of Governors
On February 11, 2005, the Steering Committee of the Board of Governors met at the Temporary Relocation Agency (TRA) in Tunis to verify the list of duly registered candidatures for the post of President of the African Development Bank. The meeting was presided over by Nigeria, Chair of the Board of Governors, with Korea as First Vice-Chair. During the meeting, the Secretary General of the Bank informed the Committee that nominations and sponsorships had been received for seven candidates and that all the candidates had duly registered by the Monday, January 31, 2005, deadline.
The Committee noted that the candidates' curriculum vitaes all satisfied the eligibility criteria set forth in Article 36 of the Agreement Establishing the Bank. Consequently, it recommended that the candidatures be forwarded to the Boards of Governors in view of the election to be held during the Annual Meeting in Abuja, Nigeria, on May 18 and 19, 2005. The Committee also discussed ways to strengthen and amend the process of electing future Bank Group presidents.

The Election of the President of the Bank Group
Six candidates were duly nominated for the position of president and elections were conducted in accordance with Article 8(3) of the Rules of Procedures Governing the Election of the President, which provide that further ballots shall be conducted until one of the candidates obtains the requisite double majority of 50.1 percent from regional and non-regional mem-

Table 1.1: Summary of Loan Arrears as at December 31, 2005
(In millions of UA)

Country	ADB	ADF	NTF	Total
Central African Republic	-	-	-	-
Comoros	12.71	7.47	-	20.17
Côte D'Ivoire	221.87	5.27	-	227.13
Djibouti	-	0.74	0.15	0.89
Liberia	124.74	4.28	27.75	156.77
Seychelles	22.14	1.70	4.39	28.23
Somalia	9.72	29.31	1.26	40.29
Sudan	66.62	39.54	-	106.17
Togo	-	7.82	0.47	8.29
Zimbabwe	199.30	2.08	-	201.39
Others*	-	-	-	-
Sub Total	**661.25**	**119.58**	**34.26**	**815.09**
Congo**	4.36	0.44	-	4.81
TOTAL	**665.62**	**120.02**	**34.26**	**819.90**

Source ADB Financial Control Department
* Includes arrears of multinational projects, arrears less than UA 25,000 in some countries, and arrears payments in the process of being regularized.
** 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 2006

ber countries; and that the candidate who receives the lowest number of votes from member states shall be ineligible for further participation in the election. Accordingly, voting (in Abuja, Nigeria, on May 18 and 19, 2005) was postponed when, after five rounds of voting, neither of the 2 remaining candidates obtained the required double majority from member states. A new date (July 21-22, 2005), was set for an extraordinary meeting of the Boards of Governors at the Temporary Relocation Agency in Tunis, purposely to elect a new President for the Bank.

During the meeting held in Tunis on July 21, 2005, Donald Kaberuka, who served as Rwanda's Minister of Finance and Economic Planning from 1997 to 2005, was elected the new President of the Bank, with an overall majority of 78.8 percent, for a 5-year term, effective September 1, 2005. Since the establishment of the Bank, Mr. Kaberuka is the first President of the Bank Group ever elected with such a majority.

The Inauguration of the President-Elect of the Bank Group

The swearing-in ceremony and inauguration of the president-elect of the Bank Group took place on Thursday, September 1, 2005, at the Temporary Relocation Agency in Tunis, Tunisia. The current Chair of the Board of Governors of the Bank Group, His Excellency Mr. Seydou Bouda, Minister of Economy and Development of Burkina Faso, presided over the ceremony, which was attended by all members of the Boards of Directors. Also present were the Honorable Governors from Tunisia, Côte d'Ivoire, Rwanda, and Morocco, as well as Mr. Kabbaj, the out-going President of the Bank.

In his address, Mr. Kabbaj congratulated Mr. Kaberuka on his election as the new President, highlighting some of Mr. Kaberuka's achievements during his tenure as Rwanda's Minister of Finance and Economic Planning. He expressed satisfaction at leaving behind an organization that had emerged as Africa's premier development finance institution and cited some of the Bank's achievements during his tenure: at the continental level, Africa was going through one of its most promising periods in recent history; and an increasing number of countries were achieving and sustaining higher economic growth rates and making efforts to reduce abject poverty. In concluding his address, Mr. Kabbaj expressed deep gratitude to all the Heads of State and Governments of Bank Group member countries, the Boards of Governors, Boards of Directors, and Bank staff for their cooperation during his term of office.

In his statement, His Excellency Seydou Bouda, Chairman of the Boards of Governors, thanked the Government and people of Tunisia for hosting the temporary relocation of the Bank and the swearing-in ceremony of the president. He also paid tribute to Mr. Kabbaj for his invaluable service to the continent during his tenure; stressed the need to eliminate poverty, the major challenge facing Africa—which was lagging far behind the rest of the world with respect to almost all key development indicators and the MDGs; and noted that because Mr. Kaberuka was assuming the Presidency of the Bank within this context of multiple challenges, the Bank's stakeholders and staff would be watching with great expectations for him to take the Bank to greater heights.

Mr. Kaberuka took the oath of office as the 7th President of the African Development Bank Group on September 1, 2005, and officially assumed office on that date. In his acceptance speech, he paid tribute to His Excellency President Zine Al-Abidine Ben Ali and to the Government and people of Tunisia for the warm welcome and hospitality extended to the Bank. He also thanked His Excellency President Paul Kagame, the Government and people of Rwanda for the honor and confidence bestowed on him by giving him the opportunity to serve as Minister of Finance and Economic planing for eight years. He went on to express profound gratitude to the Boards of Governors for the confidence vested in him by entrusting him with the management of the Bank; and paid glowing tribute to the out-going President, Mr. Kabbaj, for his leadership and for bringing the Bank to the forefront as a solid and credible institution.

In view of the analyses indicating that, based on their current efforts many African countries may not attain most of the MDGs by 2015, Mr. Kaberuka urged RMCs and their external partners to strive to achieve the MDGs. To this end, he promised that, under his leadership, the Bank and its partners would spare no effort to translate into reality the international community's pledge to support Africa, as stated in the Blair Commission report and in the decisions of the G-8 Summit.

> Mr. Kaberuka applauded the Bank's strategy of positioning itself as a results-based organization, getting closer to its client, and building its capacity to better understand national and African economic conditions. He vowed to accelerate the transformation of the ADB into a first-class knowledge institution on African economic development issues.

Mr. Kaberuka also refered to the Bank's 40th anniversary celebrations in 2004 and to the Bank's proud achievements, underscoring the need for the Bank to pause and reflect with a view to learning from its mistakes, omissions, or commissions, and charting its future. He reiterated that the way forward called for a method to implement the action plans put in place under Mr. Kabbaj's leadership to enhance the Bank's effectiveness. Mr. Kaberuka applauded the Bank's strategy of positioning itself as a results-based organization, getting closer to its client, and building its capacity to better understand national and African economic conditions. He vowed to accelerate the transformation of the ADB into a first-class knowledge institution on African economic development issues.

Mr. Kaberuka went on to call on the Bank and on Africa's development partners to support efforts underway in several African countries to create enabling environments to ensure the success of development efforts. In this regard, he indicated that the Bank would find the best way to respond to the needs and priorities of middle-income countries still faced with large-scale pockets of poverty. The Bank would also intensify its working relationship with the African Union and with the Economic Commission for Africa by participating in post conflict reconstruction and providing resources and expertise to help fragile states kick-start their economies. In concluding his remarks, Mr. Kaberuka paid tribute to his six predecessors, wished Mr. Kabbaj well in his future endeavors, and thanked the Board of Directors and Bank staff for their hard work.

Distributed Statements of the Governors

In their respective distributed statements, the Governors thanked the Government and the people of Nigeria for hosting the Annual Meetings and for the hospitality extended to them and to their respective delegations; they acknowledged with appreciation the continuing partnership between the Bank Group and the ECA; and paid special tribute to Mr. Kabbaj for his leadership and diligent service to the Bank during his tenure.

On the economic front, the Governors welcomed the substantial economic progress achieved in Africa in 2004—reflected in the 5.3 percent real average GDP growth rate—and the increased macroeconomic stability in several RMCs, noting that sound economic policies, the cessation of conflicts, political stability, and good governance were key factors for economic growth. However, the Governors underscored the need for African countries, particularly those in the sub-Saharan region, to increase their growth rates to an average of 7-8 percent per year over the next decade in order to achieve the MDGs by 2015. They also stressed the need to address the persistent high incidence of poverty in the region; and welcomed the emerging global partnership for development under the NEPAD framework, as well as the Bank's involvement in, and commitment to, NEPAD activities.

The Governors acknowledged the Bank's continued impressive financial performance over the past 5 years, which had established the Bank as a strong regional development finance institution.

The Governors expressed support for the initiatives launched by the Bank Group and urged the Bank to accelerate its decentralization program with proper delegation of authority to country and regional offices so as to ensure efficient project implementation, development effectiveness, and policy dialogue between the Bank Group and RMCs. They expressed satisfaction at the Bank's continued focus on regional initiatives such as the NEPAD and the African Water Facility (AWF), noting the Bank's 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); and applauded the Bank's commitment to pursue harmonization efforts and better align its Results-Based CSPs with country-owned development strategies and PRSPs. They reiterated that, as the premier development finance institution in Africa, the Bank had to play an important role in addressing the critical socioeconomic and development challenges facing the continent.

The Governors acknowledged the Bank's continued impressive financial performance over the past five years, which had established the Bank as a strong regional development finance institution. They urged the Bank to pursue its prudent financial and risk management policies in order to safeguard its current strong financial position. On resource mobilization, the Governors noted with deep satisfaction the successful conclusion of the Tenth Replenishment of the African Development Fund (ADF-X), and thanked ADF-X Deputies for approving US$5.4 billion for 2005-2007, to meet the resource requirements of ADF countries. They urged the donor community to fulfill its pledges to Africa—as promised at the Monterrey Conference of March 2002; help reduce the debt of developing countries; and lift trade barriers.

Finally, the Governors commended the outgoing President, the Boards of Directors, management, and staff for their hard work and dedication and for the Banks substantial achievements in 2004.

Boards of Directors

During the year, the ADB/ADF Boards of Directors held 37 formal meetings, 36 informal meetings, and 26 committee meetings. In considering policies, strategies, and guidelines aimed at enhancing the Bank's operational effectiveness, the Boards of Directors continued to be guided by the Bank's new strategic orientations and priorities. Thus, in line with the attendant financing principles and with *ADF-X Financing Guidelines,* the Boards approved loans, grants, public guarantees for sovereign loans, and HIPC debt relief amounting to UA 2.29 billion. Of this amount, UA 868.7 million was committed

Box 1.2: Temporary Relocation of the Bank Group

During 2005, the Boards of Directors discussed and approved proposals on the context of the Extended Mission Regime of the Bank's Temporary Relocation in Tunis, including supplementary budgets to cover related operational costs.

In line with the Boards of Governors' Resolution B/BG/2003/04, which requires the Boards of Directors to review the situation in the Bank's Host Country and submit six-monthly reports to the Boards of Governors, the Board of Directors submitted the following recommendations, which were approved by the Boards of Governors during the 2005 Annual Meetings:

(i) The Headquarters of the Bank shall remain in Abidjan, Côte d'Ivoire;

(ii) The situation in the host country of the Headquarters is not yet conducive to the return of the operations of the Bank to Headquarters;

(iii) [The Bank] shall extend the timeframe of the Temporary Relocation Period by twelve (12) months from 3 June 2005;

(iv) The next substantive review of the Temporary Relocation Period shall be conducted by the Board during the 2006 Annual Meetings;

(v) [The Bank] shall maintain the one (1) year notice period for the return of the operations of the Bank to its Headquarters, to allow for an orderly and planned return;

(vi) The Board of Directors shall continue to conduct six-monthly comprehensive reviews of the situation in the host country to assess whether it is conducive to the return of the Bank's operations to its Headquarters and, if necessary, convene a meeting of the GCC; and

(vii) The Board of Directors and the President shall take such administrative measures as may be necessary or expedient for the implementation of the above Resolution, having regard to the functions and powers of the Board of Directors and the President, as set out in the Agreement Establishing the Bank, the General Regulations, and other subsidiary instruments of the Bank.

by the ADB; UA 1.42 billion by the ADF; and UA 3.2 million by the NTF. The approvals covered 102 operations, comprising 25 project loans and one line of credit, all to the public sector; two project loans and two lines of credit to the private sector; six policy-based operations (one sector adjustment loan and five structural adjustment loans); one private guarantee and one private equity participation; 51 grants, comprising 19 national project grants, 15 technical assistance grants and 17 approvals for emergency assistance (from the Special Relief Fund); and three project preparation facility. In addition, 10 grants were approved for HIPC debt relief operations in four countries.

An indicative financing program target of UA 3.06 billion for 2006 will be considered by the Boards in early 2006. This target is much higher than the UA 2.23 billion target approved for 2005 because of increased resource mobilization through ADF-X Replenishment.

Operational Activities

During 2005, the Boards consider several matters, including the temporary relocation of the Bank (see Box 1.2), and approved policies, guidelines, strategies, and initiatives aimed at strengthening the effectiveness of Bank Group operations. Table 1.1 summarizes the key operational policies approved during the year. A brief overview of finance-related and non- finance related policies and guidelines follows.

Finance-Related Policies and Guidelines

ADF-X Financing Policy Guidelines

In June 2005, the ADF Board approved the *ADF-X Financing Policy Guidelines,* designed to supplement and implement the ADF's general operational guidelines during the 2005-2007 ADF-X period. The objectives of Fund operations under ADF-X are to reduce poverty, improve living standards, and promote sustainable and equitable economic growth to achieve the MDGs. These objectives will govern all project/program loans and grants, policy-based lending operations, technical assistance operations, new resources, and other ADF activities during 2005-2007. The Board agreed that ADF-X resources should be allocated as follows:

(i) One percent of total ADF-X resources be set aside as a contingency to cover the Fund's exchange rate risk.

(ii) UA 100 million to be allocated immediately to the Post-Conflict Countries Facility (PCCF), and UA 150 million to be made available for the PCCF when necessary.

(iii) The balance of the resources to be allocated on the following basis: At least 85 percent for specific project investments and technical assistance operations, including policy-based loans and grants and support to sector-wide programs—the vast majority of these resources would be allocated to Category A (ADF) countries and up to a maximum of five percent to Category B (Blend) countries; up to 15 percent would be allocated for multinational projects; and no more than 25 percent of the aggregate country allocation would be extended through policy-based loans.

Table 1.2: Key Policy and Program-related Documents Approved by the Boards of Directors,2005

Results-Based Country Strategy Papers	Policy and Program-Related Documents
Country Strategy Papers 1. Angola: 2005 - 2007 2. Benin: 2005 – 2009 3. Burkina Faso: 2005 – 2009 4. Burundi: 2005 - 2009 5. Cameroon: 2005 - 2009 6. Chad: 2005 - 2009 7. Democratic Republic of Congo (RBCSP): 2005 - 2007 8. Ghana: 2005 – 2009 9. Guinea: 2005 – 2009 10. Kenya: 2005 - 2009 11. Madagascar: 2005 - 2009 12. Malawi: 2005 - 2009 13. Mali: 2005 - 2009 14. Niger: 2005 – 2009 15. Nigeria: 2005 – 2009 16. Rwanda: 2005 - 2007 17. Sao Tome & Principe: 2005 - 2009 18. Senegal: 2005 – 2009 19. Sierra Leone: 2005 – 2009 20. Uganda: Joint Assistance Strategy Paper **Country Dialogue Paper:** 1. Liberia: 2005 **HIPC Approval Documents** 1. Burundi: Decision Point under the enhanced HIPC Initiative 2. Madagascar: Completion Point under the enhanced HIPC Initiative 3. Rwanda: Completion Point under the enhanced HIPC Initiative 4. Zambia: Completion Point under the enhanced HIPC Initiative **Humanitarian Emergency Assistance** 1. Angola: Control of Hemorrhagic Fever Epidemic in Marburg 2. Burundi: Victims of Drought in Kirundo and Muyinga Provinces 3. Djibouti: Victims of 2004 Drought 4. Egypt: Control of 2004 Locust Invasion 5. Malawi: Victims of the 2005 Drought-Affected Communities. 6. Mauritania: Victims of Natural Disaster 7. Mozambique: Victims of the 2005 Drought-Affected Communities 8. Multinational: Eradication of Poliomyelitis in Burkina Faso, Chad, Niger and Nigeria. 9. Niger: Victims of Drought and Locust Invasion 10. Seychelles: Restoration of Infrastructure Damaged by Asian Tsunami Disaster 11. Somalia: Victims of the December 2004 Asian Tsunami and Damages in East Africa. 12. Swaziland: Victims of 2005 Drought-Affected Communities. 13. Zambia: Victims of the 2005 Drought–Affected Communities 14. Zimbabwe: Victims of 2005 Drought-Affected Communities.	1. The Year 2005 Indicative Operational Program 2. ADB – Financial Statements for the Year Ended December 31, 2004 3. ADF – Special Purpose Financial Statements for the Year Ended December 31, 2004 4. NTF – Financial Statements for the Year Ended December 31, 2004 5. Allocation of Net Income of the ADB for the Financial Year ended December 31,2004 6. Special and Trust Funds – Financial Statements for the Year Ended December 31, 2004 7. Proposal to Build the Bank's Research Capacity and Extend its Research Program 8. Establishment of a NEPAD Infrastructure Project Preparation Facility Special Fund. 9. Managing the Currency Risks in the Bank Group's Administrative Budget 10. Enhancing the Bank's Support to Middle Income Countries (MICs). 11. Establishment of an Anti-Corruption and Fraud Investigation Function 12. Proposal to offer Choice of Currency to ADF Borrowers. 13. Guidelines on User Fees in Health & Education 14. ADF-X Financing Policy Guidelines 15. Annotated Format for Bank Group Results-Based Country Strategy Papers (RBCSPs) 16. Revised Guidelines for the Administration and Utilization of TA Funds for Middle Income Countries 17. Corporate Governance Strategy 18. Bank Group Direct Access Arrangements to Global Environment Facility (GEF) Resources 19. Action Plan on Harmonization, Alignment, and Managing for Results 20. Bank Group Policy on Disclosure of Information 21. African Water Facility-Operational Procedures 22. African Water Facility - Indicative Financing Program and Budget for 2006. 23. Proposal for the Establishment of the Fund for African Private Sector Assistance 24. Proposal for Revising the Bank's General Authority on Asset and Liability Management. 25. Proposal for the Establishment of a NEPAD Support Unit 26. Advance Commitment Authority Scheme 27. Annual Portfolio Performance Review 2002-2003 28. Staff Retirement Plan Reform: Final Amendments of the Plan Rules. 29. The 2006 Administrative Expenses and Capital Expenditure Budget

Resources available for RMCs, amounting to UA 3.01 billion, would be allocated to 40 ADF-eligible countries through the Fund's Performance-Based Allocation (PBA) system for national project loans and grants, including policy-based loans. Because of the application of the new Debt Sustainability Analysis, 21 countries would be eligible to receive their allocations in the form of grants only, five countries would be eligible for a combination of loans and grants, and 14 countries (including the two blend countries) for loans only.

Currency Choice to ADF Borrowers
In March 2005, the ADF Board approved the Proposal to offer Currency Choice to ADF Borrowers. This policy seeks to improve ADF management of currency risks and to provide borrowers with a broader selection of currencies in order to meet their individual debt service needs and capacities. The policy was endorsed with the caveat that it will be subject to a currency non-availability/substitution clause and will not modify the applicable ADF policies on procurement, the environment, project implementation and supervision.

In cases where the selection of a currency for disbursement by borrowers would either decrease or increase the ADF imbalance for the SDR currency composition, the currency mismatch will be managed on a quarterly basis by the purchase of the currency in which the Fund has a shortage and the sale of the currency that the Fund has in excess. The Board's approval granted borrowers the benefit of selecting one disbursement currency from the pool of SDR currencies (U.S. dollar, euro, Japanese yen, and pound sterling) per loan. The policy will be applicable to new ADF loans negotiated after its date of effectiveness and will be effective three (3) months from the date of approval.

Managing the Currency Risks in the Bank Group's Administrative Budget
In April 2005, the ADB Board approved the *Managing the Currency Risks in the Bank Group's Administrative Budget* policy as part of a periodic review of the market value of currencies in which it operates. The approved scheme will help mitigate adverse currency translation effects on the value of the currencies held by the Bank and the Fund in the exchange rate-setting mechanism for the Bank Group's administrative and capital budgets. The exchange rates between national currencies and the Units of Account used in the Bank Group's budget will be the closing rates published by the IMF on a specified day during the budget planning and approval exercise to reflect prevailing market rates. This rate-setting mechanism will minimize the variance between the budgeted and the actual expenditure caused by the use of budget exchange rates that differ from the prevailing exchange rates.

Advance Commitment Authority Scheme
In April 2005, the ADF Board approved the Advance Commitment Authority (ACA) Scheme of the African Development Fund as the basis for determining commitment capacity from generated resources. The ACA scheme is a more efficient way of using available resources, with little risk of over-commitment. It has the advantage of (i) increasing the volume of resources available for immediate commitment through more efficient use of predictable ADF reflows; (ii) aligning the Fund's practices with those of the International Development Association (IDA) and the Asian Development Fund (AsDF); and (iii) providing the ADF with another liquidity management tool. The ACA scheme is based on future cash flows and includes adequate mitigating mechanisms to protect against market risk. The generated resources for the ADF-X Replenishment period, amounting to UA 1.2 billion, were immediately available for ADF operations.

The 2006 Administrative Expenses and Capital Expenditure Budget
In December 2005, the Boards approved an administrative expenses budget of UA 179.0 million for 2006, a capital expenditure budget of UA 7.5 million, and a contingency budget of UA 1.8 million. The ADF Board approved an indicative administrative budget of UA 132.4 million for the Fund for the financial year ending December 31, 2006.

The preparation of the 2006 Budget was predicated on the need to reform the budgetary process to ensure that it is resource-based, transparent, 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 in line with the Bank's new strategic orientations and priorities. Hence, the focus was on implementing the Extended Mission Regime, strengthening the operational program, enhancing portfolio management, and accelerating the decentralization program, as stipulated in the Strategic Resources Framework for Institutional Development (SRFID) Initiative.

Non-Finance Related Policies and Guidelines

Strengthening the Bank's Research Capacity and Expanding its Research Program
In April 2005, the Boards approved the Proposal to Build the Bank's Research Capacity and Extend its Research Program. To achieve its mandate and provide financial resources for the needs of its RMCs, the Bank launched an expanded program of applied research with clear guiding principles and objectives. The research program consists of five 'research clusters': (1) Poverty Reduction and the MDGs, (2) Macroeconomic Dynamics and Growth, (3) Governance, Institutions, and Public Sector Management, (4) Investment Climate and

Competitiveness of African Economies, and (5) Regional Integration and Trade. During the year, the Bank also intensified its knowledge dissemination activities within the Bank and among its RMCs. The Office of the Chief Economist will monitor progress in implementing these actions, and the results of the research work will be reported regularly in the Balanced Score Card (BSC).

Anti-Corruption and Fraud Investigation
Good governance fosters accountability and transparency and helps fight corruption and fraud in RMCs. To ensure effective investigation of corruption and fraud within its internal and external operations, in November 2005 the Board approved the Establishment of an Anti-Corruption and Fraud Investigation function. This function was established within the Internal Audit Department, which was renamed the Office of the Auditor General (OAG) and restructured into one Directorate and two Divisions: the Anti-Corruption and Fraud Investigation Division and the Internal Audit Division, effective January 1, 2006.

The new Anti-Corruption and Fraud Investigation Division will play a key role in (i) undertaking, directing, and controlling investigations into allegations of fraud, corruption, and other misconduct; (ii) maintaining the highest standard of professional efficiency and integrity; (iii) managing and operating the procedures and mechanisms for ensuring confidentiality to protect whistleblowers and anonymous reporting; (iv) reporting regularly to the Auditor General on allegations received, screened, and their investigation status; and (v) recommending to the Oversight Committee on Corruption and Fraud (OCCF) debarment and imposition of sanctions against individuals, firms and companies found to have engaged in corrupt practices. The OAG will be overseen by the OCCF, which will be presided over by a Vice-President appointed by the President. Its membership shall consist of two other senior staff of the rank of Vice President or Director. The General Counsel and the Auditor General are ex-officio members of the OCCF.

Corporate Governance Strategy
In December 2005, the Boards approved the Bank's Corporate Governance Strategy, which recognizes that good governance plays an essential role in promoting economic efficiency and equity and in sustaining economic growth in RMCs. The strategy addresses three key issues: Board and corporate management; financial market management; and corporate social responsibility. It embraces a variety of processes, structures, and codes that govern the behavior of a corporation.

The overall goal of the governance strategy is to contribute to economic development by promoting good corporate governance in public and private sector corporations and ensuring that the corporations create financial, social, and environmental value for shareholders. To effectively promote the strategy, the Bank must help RMCs (i) establish appropriate frameworks conducive to good governance and coherent legislative and policy framework; (ii) introduce basic standards of corporate social responsibility into corporate governance legislature and regulation; (iii) increase awareness of the importance of good corporate governance among corporate stakeholders; (iv) promote corporate governance standards within state-owned enterprises; and (v) broaden understanding, within financial and banking sectors, of good corporate governance standards among target clients.

The Bank's corporate strategy consists of three main components: standards and norms development; institutional and human capacity building; and financial support. At the country level, the development of standards and norms will take into account existing international guidelines. At the corporate level, the Bank will use its resources to support financial institutions and individual firms, including banks, to promote their standards of corporate governance.

The implementation of the strategy will be governed by a set of principles based on (i) complementarities—strategic partnerships with other key regional players; (ii) selectivity—focus on countries and institutions that can demonstrate a strong commitment to the reform process and (iii) flexibility—encouraging countries to adapt corporate governance principles to their specific context; and corporate entities to adopt and follow them.

The Bank's efforts to improve corporate governance will target three key players: government organizations and regional institutions; financial intermediaries; and corporations, in particular, state-owned enterprises and SMEs.

Other Activities of the Boards of Directors
In addition to matters examined during formal sessions, the Boards of Directors also considered a number of issues within the framework of the Committees of the Boards and the Committee of the Whole. The latter is chaired by the President of the Bank Group and comprises all Executive Directors; its mandate is to review the Bank Group's annual budget proposals and other matters referred to it on an ad hoc basis by the Boards.

In 2005, the Committees of the Boards held 26 meetings, during which they considered policy documents, portfolio reviews, portfolio performance reports, project performance and audit reports, as well as general administrative matters. Highlights of the Committees' deliberations during 2005 follow.

Committee on Administrative Matters Concerning the Boards of Directors

This Committee met three times during the year to consider and submit recommendations to the Boards on the following proposals: the Selection of a Vice-Dean of the Board of Directors; the Study Tour of Executive Directors; Travel Conditions of Executive Directors; and Revised Terms of Reference of the Ethics Committee of the Board of Directors and Clarifications Regarding the Code of Conduct for Executive Directors. In March 2005, seven Executive Directors undertook a study tour to Madagascar, Malawi, and Mozambique.

Audit and Finance Committee

This Committee held seven meetings in 2005, during which it considered several documents, including the proposal on the establishment of an anti-corruption and fraud investigation function in the Bank; the *2004 Annual Activity Report of the Internal Audit Department;* the External Auditors' Engagement Letter for the Year-Ending 31 December 2004; the request of Deloitte & Touche for an increase in the Fees of the Bank Group's External Auditors; and the Engagement Letter of Deloitte & Touche for the 2005 External Audit of the Bank Group.

Committee on Administrative Affairs and Human Resource Policy Issues

This Committee held two meetings in 2005 to consider the "Staff Performance Evaluation Process", a presentation by management, and to examine a proposal to extend the mandatory staff retirement age at the Bank Group.

Committee on Operations and Development Effectiveness

During 2005, this committee held 13 meetings, during which it considered several policy documents, including the *Annotated Format for Bank Group Results-Based Country Strategy Papers* (RBCSP); the *Bank Group Action Plan on Harmonization, Alignment and Managing for Results (HA&MfR); the African Development Bank Group Policy on Disclosure of Information; Operational Guidelines on User Fees in Health and Education;* and Technical Cooperation Fund Reform at the African Development Bank. The Committee also examined the Retrospective Study of the Evaluation Function in the Bank and the *Three-Year Rolling Work Program Proposal for the Operations Evaluation Unit* (OPEV); the *Semestrial Report on Project Audits,* particularly the major observations and recommendations; portfolio review reports on Cameroon, Benin, Senegal, Guinea Bissau and Mauritania; and Bank Group country assistance evaluation reports for Mali and Mauritania. The Committee on Operations and Development Effectiveness and the Audit and Finance Committee also held a joint meeting on April 11, 2005, to consider a policy document on enhancing the Bank's support to middle income countries.

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Chapter two

Bank Group Operations

The Bank Group's Operational Strategic Thrust

Operational Activities in 2005

Capacity Building and Training Activities

Mobilization of Financial Resources

Debt Relief Under the Enhanced HIPC Initiative

Partnership and Cooperation Activities

This chapter focuses on the Bank's main financing operations in the context of its strategic objectives. It reviews cofinancing operations, capacity building and training activities, mobilization of financial resources, support for debt relief under the enhanced HIPC Initiative, including the Multilateral Debt Relief Initiative, and partnership and cooperation activities.

The Bank Group's Operational Strategic Thrust

The Bank's new strategic orientations and priorities continued to guide the strategic thrust of its operations. To achieve its objectives of promoting sustainable economic growth and reducing poverty in its RMCs, the Bank continued to provide them with technical assistance and policy advice; it also continued to mobilize external and domestic resources for investment in the RMCs. In allocating resources thus mobilized, the Bank continued to prioritize agriculture and rural development, the social sector (education, health, and social protection), infrastructure development, and regional economic integration; it approved substantial amounts for rural water supply and sanitation, in support of the Africa Water Vision and the attainment of the MDGs; and also gave due attention to crosscutting issues such as gender, good governance, environmental sustainability, and the fight against HIV/AIDS and other communicable diseases.

BOX 2.1: Lake Chad Basin Initiative to Reduce Vulnerability to, and Risks of, STI/HIV/AIDS

In September 2005, the Bank approved a UA 10.0 million grant to finance the *Lake Chad Basin Initiative to Reduce Vulnerability to, and the Risks of, STI/HIV/AIDS.* This multinational project covers Chad, Cameroon, Niger, Nigeria, and the Central African Republic. It is co-financed by the Lake Chad Basin Commission in the amount of UA 1.1 million.

Background: In January 1999, the international community passed a resolution to establish the International Partnership Against AIDS in Africa to curb the spread of HIV/AIDS on the continent. The Lake Chad Basin Initiative evolved from this resolution. In line with its Vision, and aware of the need to support multinational initiatives to combat HIV/AIDS, the Bank made provision for the financing of the Initiative from ADF-X resources.

Objectives: The specific objective of the project is to reduce the vulnerability and risks related to STI/HIV/AIDS of the communities living around the Lake Chad Basin.

Impact and Outputs: The expected outputs from the project include (i) 55 operational health facilities for voluntary counseling and testing (VCT), CAS for sexually transmitted infections (STIs) and prevention of opportunistic infections by 2010; (ii) 1100 health workers trained and in place by 2010; (iii) 125 retail outlets for condoms opened and operational by 2010; (iv) at least 125 NGOs and CBOs trained and well-versed in monitoring and evaluation by 2010; (v) procurement of educational materials (posters, brochures, picture boxes) and supply of IEC materials and equipment; (vi) at least one weekly program broadcast by 2007; and (vii) three national seminars and a sub-regional seminar conducted each year, beginning in 2007, with at least 20 local leaders trained per session.

It is expected that these measures will help reduce the HIV prevalence rate among under-24-year olds from 6.7 percent to less than 5 percent by 2010; increase the number of people screened for VCT from 30 percent to 50 percent by 2010; and increase the number of under-25-year olds using condoms by at least 80 percent by 2010.

Task Force on Institutional Reforms

In November 2005, the President of the Bank Group set up a Task Force on Institutional Reforms (TFIR) to find ways to help the Bank build on its achievements and reposition itself for greater effectiveness and efficiency in the delivery of its mandate. Five working groups were set up to examine specific areas of the Bank's mandate: (i) human resource management, (ii) structure and focus of operations, (iii) lending and non-lending business processes, (iv) branding and positioning, and (v) knowledge management practices. The TFIR met with, and received submissions from, Bank staff and held a retreat with the working groups to discuss preliminary findings. At end-December 2005, it submitted an initial set of proposals to the President of the Bank Group; it is expected to submit its final recommendations by the end of March 2006.

Operational Activities in 2005

Total loans and grants, including HIPC debt relief, approved during the year decreased from UA 2.79 billion in 2004 to UA 2.29 billion in 2005. This 18 percent decline was caused by a significant decrease in the number of countries that reached decision and completion points under the enhanced HIPC initative; indeed HIPC debt relief, fell from a record high of UA 1.01 billion in 2004 to UA 508.7 million in 2005. In contrast, as a result of the entry into effectiveness of the new ADF-X resources, grant approvals surged to UA 420.3 million, a 94 percent increase over 2004 levels, because of an increase in ADF-X resources and in the number of ADF countries eligible for grants only. Lending approvals over the same period rose to UA 1.32 billion, a 16.9 percent rise over 2004 levels. Total loan and grant approvals remained more or less the same at UA 1.74 billion (see Table 2.1).

The main financing instruments in 2005 were project lending, which accounted for 45.6 percent of total approvals—comprising 25 project loans (all to the public sector), two private sector project loans; three lines of credit (two private sector and one public sector), and 10 HIPC operations, representing 22.2 percent of total approvals. The share of policy-based lending was 12 percent of approvals, comprising five structural adjustment loans and one sectoral adjustment loan; while 51 grants—15 technical assistance grants, 19 project grants, and 17 special relief fund grants—accounted for 18.3 percent of approvals.

The share of **ADB window operations** in 2005 represented 37.9 percent of Bank Group approvals, down 44.8 percent from UA 1.52 billion in 2004 to UA 868.7 million in 2005, but still 16.5 percent above the UA 745.8 million approved in 2003. The **private sector** window's share rose from UA 164.4 million in 2004 to UA 180.1 million in 2005, but remained lower than its peak of UA 205.8 million reached in 2003. **Private sector project lending** approvals represented six percent of total Bank approvals for the year, down from UA 161.2 million in 2004 to UA 138.1 million in 2005. The approvals comprised two lines of credit (LOCs) to strengthen the capacity of financial institutions to provide loans to SMEs and corporate clients; and two private sector project loans amounting to UA 64.3 million. In addition, one equity participation in the amount of UA 35.1 million, and one private guarantee for UA 6.9 million were approved for the private sector. The **ADB Special Relief Fund** (SRF) provided emergency support grants totaling UA 5.8 million to 16 countries affected by natural disasters in 2005. This is much higher than the UA 2.8 million approved in 2004 (see Table 2.1).

Total **ADF window approvals** rose from UA 1.26 billion in 2004 to UA 1.42 billion in 2005, representing 62 percent of all Bank Group approvals. **Grant approvals** also increased substantially to UA 420.3 million in 2005, compared with UA 216.7 million in 2004 and UA 174.5 million in 2003, in line with the new policy framework for ADF operations. The share of grants in relation to total ADF approvals rose from 7.8 percent in 2004 to 18.3 percent in 2005. In contrast, approvals under the **Nigeria Trust Fund** (NTF) declined from UA 22.5 million in 2003 to UA 9.3 million in 2004 and UA 3.2 million in 2005 (see Table 2.1). In addition, three operations totaling UA 1.1 million were approved under the **Project Preparation Facility** (PPF), compared with none in 2004. Since the introduction of the facility in 2002, a total of eight operations amounting to UA 2.8 million have been approved.

In all, the Bank Group financed programs and projects in 34 countries, many of them in collaboration with other multinational institutions and bilateral donors. Also, in line with its Action Plan for Infrastructure Development in RMCs and with its commitment to promote regional infrastructure under the NEPAD initiative, it made available funds for regional economic cooperation and integration activities. Loan and grant approvals for **multinational operations** declined to UA 85.8 million (4.9 percent of total approvals) in 2005, compared with UA 219.2 million in 2004 and UA 287.2 million in 2003.

Loan Approvals by Sector

Infrastructure project lending decreased to UA 483.4 million (36.6 percent of total loan approvals) for 10 operations, from UA 633.1 million (41.8 percent of approvals) for 15 operations in 2004. The loans were for four transportation, three water supply and sanitation, and three power supply projects. **Agriculture and rural development** lending approvals also declined to UA 145.6 million (11 percent of total loans) for 13 operations, from UA 228.9 million (15.1 percent of total loans) for 13 operations in 2004. Loan approvals for five **social sector** projects rose to UA 152.0 million (11.5 percent of total lending approvals), from UA 77.9 million (5.1 percent of approvals) for seven operations in 2004. The approvals were for two education, two health, and one other social sector operation. **Finance sector** approvals amounted to UA 211.8 million (16.0 percent of total lending) for three operations, compared with UA 174 million (11.5 percent) for five operations in 2004. Approvals for five **multi-sector** projects decreased to UA 224.8 million (17.0 percent of the total), compared with UA 402.5 million (26.5 percent) for 12 operations in 2004 (see Figure 2.1). These operations were mostly policy-based lending (sector and structural adjustment loans), institutional support for capacity building, and good governance (see Table 2.2).

Grant Approvals by Sector

Grant approvals increased to UA 420.3 million for 51 operations in 2005, compared with UA 216.7 million for 60 operations in 2004. Grant operations continued to focus

Table 2.1: Bank Group Approvals by Financing Instrument, 2003-2005

(In millions of UA)

Financing Instrument		2003			2004			2005		
		Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending		**61**	**1,184.73**	**67.1**	**39**	**913.42**	**32.8**	**30**	**1,046.81**	**45.6**
Public and Publicly -Guaranteed		*53*	*978.89*	*55.4*	*35*	*752.25*	*27.0*	*26*	*908.71*	*39.6*
Project Loans		49	793.63	44.9	33	703.44	25.2	25	770.73	33.6
Sector Investment and Rehabilitation		-	-	-	1	36.00	1.3	-	-	-
Lines of Credit		4	185.27	10.5	112.8	1	0.5	1	137.98	6.0
Private Non-Publicly Guaranteed		*8*	*205.84*	*11.7*	*4*	*161.17*	*5.8*	*4*	*138.10*	*6.0*
Project Loans		3	91.40	5.2	-	-	-	2	64.32	2.8
Lines of Credit		5	114.44	6.5	4	161.17	5.8	2	73.78	3.2
Policy-Based Lending		**10**	**404.59**	**22.9**	**13**	**602.96**	**21.6**	**6**	**274.73**	**12.0**
Sector Adjustment		5	2 80.76	15.9	2	210.25	7.5	1	49.97	2.2
Structural Adjustment		5	123.83	7.01	1	392.71	14.1	5	224.76	9.8
Grants		**70**	**174.53**	**9.9**	**60**	**216.68**	**7.8**	**51**	**420.28**	**18.3**
Technical Assistance		*20*	*25.84*	*1.5*	*33*	*99.96*	*3.6*	*15*	*32.76*	*1.4*
Project Cycle Activities		10	13.76	0.8	10	22.22	0.8	4	7.81	0.3
Institutional Support		10	12.08	0.7	23	77.74	2.8	11	24.96	1.1
of which Private Sector		-	-	-	1	1.60	0.1	-	-	-
Project Grants		*39*	*145.11*	*8.2*	*21*	*113.91*	*4.1*	*19*	*381.77*	*16.6*
Special Relief Fund		*11*	*3.58*	*0.2*	*6*	*2.82*	*0.1*	*17*	*5.75*	*0.3*
Emergency Assistance		11	3.58	0.2	6	2.82	0.1	17	5.75	0.3
Emergency Post Conflict		-	-	-	-	-	-	-	-	-
Project Preparation Facility		**2**	**0.61**	**0.0**	**-**	**-**	**-**	**3**	**1.13**	**0.0**
SFM Debt Alleviation		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and Grants Sub-Total		**143**	**1,764.46**	**99.9**	**112**	**1,733.06**	**62.2**	**90**	**1,742.95**	**76.0**
of which	ADB	28	745.84	42.3	18	808.57	46.7	29	750.73	43.1
	ADF	110	996.11	56.5	92	915.25	52.8	61	992.22	56.9
	NTF	5	22.51	1.3	2	9.25	0.5	-	-	-
Other Approvals:										
HIPC Debt Relief		**2**	**1.85**	**0.1**	**9**	**1,009.13**	**36.2**	**10**	**508.68**	**22.2**
Post Conflict Country Facility		**-**	**-**	**-**	**2**	**41.30**	**1.5**	**-**	**-**	**-**
Equity Participation		**-**	**-**	**-**	**1**	**3.21**	**0.1**	**1**	**35.11**	**1.5**
Public Equity		-	-	-	-	-	-	-	-	-
Private Equity		-	-	-	1	3.21	0.1	1	35.11	1.5
Guarantee		**-**	**-**	**-**	**-**	**-**	**-**	**1**	**6.90**	**0.3**
Public Guarantees		-	-	-	-	-	-	-	-	-
Private Guarantees		-	-	-	-	-	-	1	6.90	0.3
Loan Reallocations		-	-	-	-	-	-	-	-	-
TOTAL APPROVALS		**145**	**1,766.31**	**100.0**	**124**	**2,786.70**	**100.0**	**102**	**2,293.63**	**100.0**
of which	ADB	28	745.84	42.2	23	1,519.54	54.5	34	868.73	37.9
	ADF	112	997.96	56.5	99	1,257.91	45.1	65	1,421.71	62.0
	NTF	5	22.51	1.3	2	9.25	0.3	3	3.19	0.1

Source : ADB Statistics Division

- Magnitude zero

0.0 Magnitude less than 5 percent of the unit employed on infrastructure development, agriculture and rural development, and the social sector, which, together, accounted for 88.3 percent of total grant approvals. In line with the Bank's new strategic orientations and priorities, **infrastructure** received the largest share of grant approvals, UA 203.7 million (48.5 percent of total grant approvals) for 13 operations, compared with UA 42.7 million for 12 operations (19 percent) in 2004 (see Table 2.2). This significant increase reflects the importance the Bank places on infrastructure development in RMCs; this should help improve productivity and reduce poverty. Of the infrastructure grant approvals, water supply and sanitation received the largest share—UA 122.7 million for five operations, compared with UA 27.9 million for six operations in 2004. This was followed by transportation with UA 75.9 million for six operations, compared with UA 6.8 million for four operations in 2004; and power supply with UA 5.1 million compared with UA 8.0 million (3.7 percent of total grants) in 2004 (see Figure 2.2).

In line with the Bank's new strategic orientations and priorities, infrastructure received the largest share of grant approvals, UA 203.7 million (48.5 percent of total grant approvals) for 13 operations, compared with UA 42.7 million for 12 operations (19 percent) in 2004

The Agriculture and rural development sector received the second largest share of grant allocations in the amount of UA 85.5 million (20.3 percent of total grant allocations) for eight operations, compared with UA 45.6 million (21 percent of the total) for 13 operations in 2004. The **social sector** (comprising education, health, and other operations) received the third largest amount in grant approvals, UA 81.8 million (19.5 percent of total grant approvals) for 22 operations, compared with UA 79.2 million (36.6 percent of total grants) for 22 operations in 2004. **Multi-sector** activities received UA 39.7 million (9.4 percent of total grants) for six operations, compared with UA 47.5 million (21.9 percent of total grants) in 2004. The

Table 2.2: Bank Group Approvals by Sector, 2005
(In millions of UA)

Sector	Loans			Grants			Loans and Grants		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	13	145.64	11.0	8	85.46	20.3	21	231.10	13.3
Social	5	151.97	11.5	22	81.75	19.5	27	233.71	13.4
Education	2	79.97	6.0	2	34.00	8.1	4	113.97	6.5
Health	2	47.00	3.6	8	43.65	10.4	10	90.65	5.2
Other	1	25.00	1.9	12	4.10	1.0	13	29.10	1.7
Water Supply and Sanitation	3	76.39	5.8	5	122.70	29.2	8	199.09	11.4
Power Supply	3	270.80	20.5	2	5.12	1.2	5	275.92	15.8
Communication	-	-	-	-	-	-	-	-	-
Transport	4	136.17	10.3	6	75.89	18.1	10	212.06	12.2
Finance	3	211.76	16.0	1	6.80	1.6	4	218.56	12.5
Multisector	5	224.76	17.0	6	39.68	9.4	11	264.44	15.2
Industry, mining and quarrying	1	33.96	2.6	-	-	-	1	33.96	1.95
Urban Development	-	-	-	-	-	-	-	-	-
Environment	2	71.22	5.38	1	2.89	0.7	3	74.11	4.3
Total Loans and Grants	**39**	**1,322.67**	**100.0**	**51**	**420.28**	**100.0**	**90**	**1,742.95**	**100.0**
Other Approvals	**12**	**550.68**	**n.a.**	**-**	**-**	**n.a.**	**12**	**550.68**	**n.a.**
HIPC Debt Relief	10	508.68	n.a.	-	-	n.a.	10	508.68	n.a.
Equity Participation	1	35.11	n.a.	-	-	n.a.	1	35.11	n.a.
Guarantee	1	6.90	n.a.	-	-	n.a.	1	6.90	n.a.
Total Approvals	**51**	**1,873.35**	**n.a.**	**51**	**420.28**	**n.a.**	**102**	**2,293.63**	**n.a.**

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

Figure 2.1: Bank Group Loan Approvals by Sector, 2005

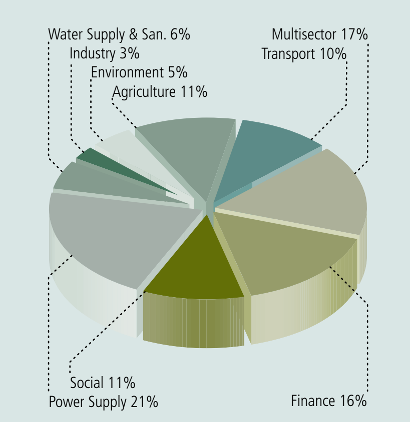


Figure 2.2: Bank Group Grant Approvals by Sector, 2005

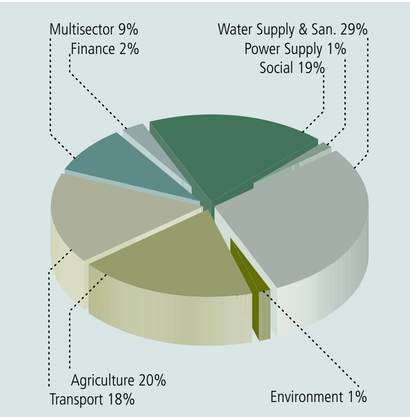
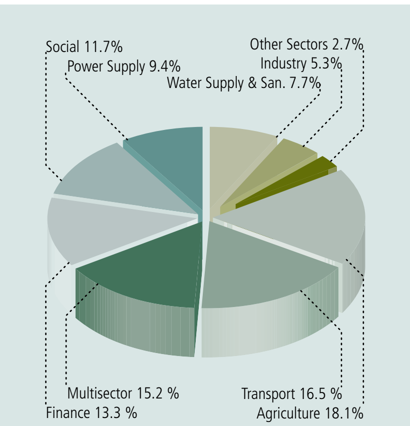


Figure 2.3: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2005



finance sector was allocated UA 6.8 million (1.6 percent of the total) for one operation compared with zero allocation in 2004. The **environment** sector, UA 2.9 million (0.7 percent of total grants), compared with UA 1.7 million (0.8 percent of total grants) for this sector in 2004.

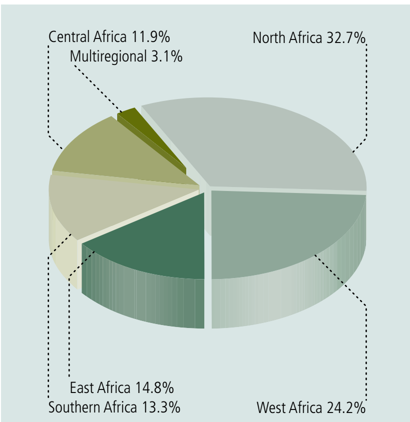
Cumulative Loan and Grant Approvals by Sector and by Region

From 1967 to 2005, the Bank Group cumulatively approved 2,988 loans and grants amounting to UA 36.69 billion, of which UA 1.61 billion was in grants. The ADB window financed 58.2 percent of operations; the ADF window, 40.9 percent; and NTF, 0.8 percent. The resources were used to fund projects and programs in 53 RMCs and in multinational institutions. Figure 2.3 presents the distribution of cumulative approvals by sector, while Figure 2.4 presents the regional distribution of cumulative Bank Group approvals during 1967-2005.

Capacity Building and Training Activities

The Bank Group supports capacity building in RMCs and within the Bank through training activities, assistance to national institutions, and knowledge dissemination. During 2005, the Bank's African Development Institute (ADI) and the Joint Africa Institute (JAI) implemented workshops, seminars, and symposia, all aimed at building capacity in RMCs.

Figure 2.4: Cumulative Bank Group Loan and Grant Approvals by Region, 1967-2005



Capacity Building and Training Activities in RMCs

Project-Related Training

Through the ADI, the Bank prepared and delivered 13 national project implementation workshops in RMCs. These workshops aimed to build the project management skills and knowledge of RMC officials and experts on Bank procurement, disbursement, and audit procedures in order to ensure effective resource management. The workshops, which were attended by more than 500 participants, also provided useful feedback on Bank Group operations in RMCs.

The Bank continued to support the implementation of the Agricultural Management Training for Africa program, which aims to improve the implementation of agriculture projects financed by the Bank and the IFAD. Nine sub-Saharan African and three North African RMCs participated in the program. A number of agriculture projects approved by the Boards in 2005—to be implemented in the next few years—included agricultural management training activities.

Development Management Training

In cooperation with other development agencies, the Bank continued to organize workshops, seminars, and conferences on development management. These included the Annual Meetings Symposium and the roundtable discussion, "Scaling up Poverty Reduction", which preceded the symposium. These activities attracted 500 and 120 participants, respectively.

To contribute to the activities of the JAI, the Bank designed and delivered the

Table 2.3: Other Co-organized Training Activities

Co-organizer	Activity
World Bank	Seminar: *"Development Evaluation"* Learning event: *"Shanghai Follow-up"* Round table: *"Table Ronde du Maghreb"* Seminar: *"Debt Sustainability Framework and Country Allocation"*
OECD	High Level Forum: *"Fifth International Forum on African Perspectives on Financing SMEs in Africa"*
FAO	Workshop: *"Use of Agricultural Statistical Data as a Support to Policies"*
World Bank, ECA, NPAD and AERC	Workshop: *"Accelerating and Diversifying Export Growth"*
WTO	Course: *"Fourth Trade Policy Course"*
World Bank, AFD, DfID and GTZ	Workshop: *"Operationalizing Pro-Poor Growth and Poverty and Social Impact Analysis (PSIA)"*
World Bank, UNDP and OECD/DAC	Workshop: *"Paris Declaration: Implications and Implementation"*
RECTAS	Workshop: *"Geospatial Data Infrastructure for Strategic Decision Making in Africa"*

following courses: Decentralization and Local Governance; Promoting Women Entrepreneurship; Franchising; Improving Africa's Trade Position; and Treasury and Risk Management Tools. On average, 30 participants from RMCs attended each course.

Table 2.3 presents other development management training activities co-organized with partners.

Conferences, Workshops, and Seminars
An overview of the main conferences and workshops organized in 2005, in partnership with other donors, follows.

The Paris High-Level Forum on Aid Effectiveness. In February/March 2005, the Bank, in collaboration with bilateral and multilateral partners, organized the Second High-Level Forum (HLF-2) on *Joint Progress Towards Enhanced Aid Effectiveness* in Paris, France. The Ministerial Forum held during HLF-2 took stock of implementation progress and subsequent challenges to the commitments made in the Monterrey, Rome, and Marrakech Declarations. The Forum also identified ways to accelerate and scale up best practices and sustain political support. With the formal adoption of the Paris Declaration on Aid Effectiveness, the Ministerial Forum committed itself to the partnership commitments, actions, targets, and indicators to monitor progress.

Workshop on Local Government and Decentralization. In June 2005, the Bank collaborated with three development partners—the German Development Bank (KfW), the World Bank, and International Democracy Election Assistance (IDEA)—to organize a workshop on local government and decentralization. The target group comprised the 16 African countries implementing programs for decentralized governance. About 70 local governance practitioners from these RMCs and specialists from partner agencies participated in this workshop, which was held in Tunis.

Aid Effectiveness Workshop, Entebbe. In collaboration with the World Bank, the United Nations Development Program (UNDP), and the OECD's Development Assistance Committee, the Bank organized a workshop on aid effectiveness in November 2005 in Entebbe, Uganda. The workshop brought together over 120 participants from 16 eastern and southern African countries and donor institutions. It gave participants an opportunity to examine the Paris Declaration, specifically: approaches to its implementation, and implications for individual partner countries.

Ad-Hoc Meeting of African Ministers of Finance. In November 2005, the Bank organized an ad-hoc consultative meeting of African Ministers of Finance.

Representatives from the ECA, the AU Commission, the NEPAD Secretariat, some regional integration organizations, the World Bank, the IMF, and the UNDP attended the meeting, which was held in Tunis. The objective of the meeting was to analyze the implications of the Multilateral Debt Relief Initiative proposed at the G8 summit in Gleneagles, Scotland, in July 2005, and to build support for increased external assistance for RMCs.

Other Capacity Building Activities
In 2005, the Bank continued to support the activities of the African Capacity Building Foundation by providing financial support and participating in the deliberations of its Executive Board and Board of Governors. Through ADI, the Bank implemented the Japan Fellowship Program, awarding 12 scholarships to young Africans to pursue master's degrees in fields related to economic and social development.

Training and Capacity Building Activities Within the Bank

Training and Staff Development
Staff development and training activities undertaken in 2005 focused on building capacity to support the Bank's strategic orientations and priorities. New policies and procedures to facilitate staff learning, and programs to enhance staff performance and retention were assiduously implemented during the year. These included enhancing management development programs with new modules designed to ensure better leadership and management; revamping the new staff orientation program—to foster a positive organizational culture and effectively integrate new staff into the Bank; strengthening operational skills, with particular emphasis on project design, implementation, monitoring, and evaluation; and sensitizing staff on ways of mainstreaming key crosscutting themes, particularly gender, environment, microfinance, governance, and poverty.

Internal Capacity Building Activities
Over 50 courses were organized during the year, and more than 760 staff received training in various functionary areas. Courses included Budget Preparation; Results-Based CSPs; Exotic Options and Structured Financial Products; COSTAB; SAP; ORACLE; Procurement of Goods, Works, and Contracts; QEA; Credit Management; Coaching for Improved Performance; special courses for administrative assistants; Negotiation Techniques; Writing for the Web; Recruitment and Selection Techniques; and E-booking. Specific training programs were also designed and implemented to support ADF-X implementation and decentralization.

Internal Mobility. The Presidential Directive on Mobility aims to enhance the career prospects of staff by offering them external training opportunities to develop new skills to facilitate mobility within the organization. Over 40 staff members took advantage of this Directive in 2005, compared with 20 in 2004. In addition, 15 staff members were transferred to field offices, 61 sent abroad for training, and four seconded to the IMF and the World Bank for three-month periods. The first five awardees under the new Staff Scholarship Program started their studies during the year. Language training for staff was revamped with the introduction of Portuguese and Arabic language courses, in addition to English and French courses. A program to certify staff for increased professional efficiency was introduced, and a pilot program on certification in procurement and contracting implemented, with assistance from the International Labor Organization (ILO) Training Center.

Results-Based Management Training Workshops. The Bank organized two workshops on the application of the Results-Based Logical Framework. Over 40 staff attended the workshops, which aimed to strengthen the Bank's capacity to develop and implement results-oriented country operations. During the year, three training workshops on the preparation of the new Results-Based CSPs were also organized for Operations Complex staff.

Workshop on Girls' Education. In September 2005, the Bank organized a workshop to sensitize Bank Staff to gender issues and educate them on the MDGs. The objective was to help staff integrate gender equity concerns into Bank operations and to strengthen their capacity to propose more relevant and more pertinent interventions geared to achieving gender-related MDGs in RMCs. The workshop led to the completion of a Girls' Education Checklist. In addition, a Bank publication detailing the proceedings and recommendations of the workshop was prepared for wider dissemination.

Mobilization and Allocation of Financial Resources

Activities aimed at mobilizing and allocating external resources in support of Bank Group operations during 2005 included the preparation of four policy documents: (i) *ADF-X Financing Policy Guidelines;* (ii) *ADF-X Country Resource Allocations for 2005; (iii) Enhanced Performance-based Allocation Framework for ADF-X; and* (iv) *ADF Implementation Modalities for the Multilateral Debt Relief Initiative (MDRI).* The Bank also continued to mobilize external resources by cofinancing operations in RMCs. In addition, at the fourth and final ADF-X Replenishment consultative meeting, held in December 2004 in Copenhagen, Denmark, State Participants, along with representatives of ADF-eligible countries, agreed to a total replenishment of UA 3.7 billion (about US$5.4 billion) over the ADF-X period (2005-2007).

ADF-X Country Resource Allocation Guidelines
Under the ADF-X Policy Guidelines presented in Chapter 1, only 38 Category A (ADF-

only) and two Category B (Blend) countries are eligible to benefit from the resources of the ADF-X Replenishment. For the 40 ADF-eligible RMCs, the Performance-Based Allocation system is used to determine the volume of resources that each country can access. After determining each country's allocation, the Debt Sustainability Framework, which indicates a country's risk of debt distress, is used to determine the form in which the resources will be available. Under the Framework, countries are classified according to their policies and institutions and the degree of debt distress in relation to their capacity to manage debt and reduce their vulnerability to exogenous shocks. In line with Debt Sustainability Framework principles, some 21 countries with a high degree of debt distress receive their ADF allocations as grants; five countries with a moderate risk of debt distress receive their allocations in 50/50 or other loan/grant proportions; while 14 countries with a low risk of debt distress receive all their allocations as loans.

Borrowings

The Bank strives to raise funds on capital markets at the lowest possible cost to support its lending activities; its AAA credit rating allows it to issue securities at low interest rates. In December 2004, the ADB Board of Directors approved a borrowing program of up to UA 550 million for 2005. The Bank raised UA 544.5 million at a weighted average cost of 6-month U.S. dollar LIBOR minus 25.2 basis points.

The Bank's borrowing portfolio stood at UA 5,940.4 billion at December 31, 2005. The Bank is well within its debt policy limits. The key debt ratios are as follows:

> The Bank strives to raise funds on capital markets at the lowest possible cost to support its lending activities, and its AAA credit rating allows it to issue securities at low interest rates.

- Total borrowings/total callable capital (max 80 percent): 30.67 percent
- Senior debt/non-borrowing members' callable capital (max 80 percent): 61.13 percent

The execution of the 2005 funding program confirmed that the Bank's strategy of increasing its visibility in capital markets through global bond issues and investor meetings is leading to convergence between the Bank's funding levels and those of its peers in all market segments. The Bank concluded a ZAR 900 million, five-year maturity Uridashi transaction in May 2005—the largest transaction executed in ZAR by any supranational since 1998, and the first ZAR borrowing by the Bank since March 1999. Taking advantage of favorable market conditions, the Bank priced a 3-year US$500 million global benchmark in international capital markets at an after-swap level on an all-in-cost basis of U.S. dollar 6-month LIBOR minus 20 basis points. This transaction attracted top-notch investors, and its placement in the United States was one of the highest supranational transactions in 2005. The Bank continued to raise funds through small-sized structured transactions, executed with an attached swap, to take advantage of attractive funding opportunities in the Japanese private placement market.

The Bank made further progress on the groundwork done in 2004 on local currency bond issues in Africa. 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.

In December 2005, the Bank launched its first Botswana Pula transaction in the Euro-Pula market, following the receipt of necessary approvals from the Government of Botswana. Thanks to the Bank's efforts, the Botswana Pula received a settlement currency status from international clearinghouses, making the transaction the first true Eurobond in Pula. Botswana Pula is the second African currency, after the South African Rand, to achieve settlement status. Consistent with its strategy of developing African capital markets, the Bank has tentatively identified borrowing opportunities in several African currencies. Discussions with potential investors and local banks, and partnerships with governments and regulatory bodies will drive the pace of progress in this strategic activity.

Debt Relief under the Enhanced HIPC Initiative

> At end-2005, 24 of the 33 RMCs classified as HIPCs were receiving debt relief from the Bank under the enhanced HIPC Initiative.

Decision Point Operations

The Bank Group continued to participate in the enhanced HIPC Initiative. At end-2005, 24 of the 33 RMCs classified as HIPCs were receiving debt relief from the Bank under the enhanced HIPC Initiative. In addition, the Bank Group approved debt relief at decision point for Burundi in November 2005, bringing the number of countries between decision and completion points to 10. Table 2.4 provides a detailed list of these RMCs, whose HIPC debt relief cost is estimated at US$1.43 billion in decision point net present value (NPV) terms, equivalent to US$2.64 billion in nominal terms.

Completion Point Operations

During 2005, Madagascar, Rwanda, and Zambia reached the HIPC completion point, bringing to 14 the number of RMCs that have qualified for irrevocable relief of all

Table 2.4: Status of Enhanced HIPC Debt Relief Implementation as at end-December 2005

(In millions of U.S. dollars)

Country	IMF/WB APPROVAL DATE		CUT-OFF DATE	DEBT RELIEF COMMITTED		LAST DATE OF DEBT RELIEF	RELIEF DELIVERED		RELIEF DELIVERED/ TOTAL COMMITTED		40 PERCENT CEILING INTERIM LIMIT DATE[4]
	DEC POINT	COMPL. POINT		COST NPV TERMS	COST NOM. TERMS		NPV TERMS	NOM. TERMS	NPV TERMS (%)	NOM. TERMS (%)	
Completion point cases											
Benin	Jul-00	Mar-03	Dec-98	37.57	46.50	Apr-09	24.61	28.15	65.5	60.5	Irrevocable
Burkina Faso	Jun-00	Apr-02	Dec-99	86.70	125.74	Oct-20	24.90	37.32	28.7	29.7	Irrevocable
Ethiopia	Nov-01	Apr-04	Jun-01	339.46	461.39	Sep-21	112.27	123.45	33.1	26.8	Irrevocable
Ghana	Feb-02	Jul-04	Dec-00	130.93	160.15	Jan-13	73.70	80.39	56.3	50.2	Irrevocable
Madagascar	Dec-00	Oct-04	Dec-99	60.06	80.40	Mar-13	28.92	31.83	48.1	39.6	Irrevocable
Mali	Sep-00	Mar-03	Dec-98	69.72	86.42	Jul-10	40.55	45.65	58.2	52.8	Irrevocable
Mauritania	Feb-00	Jun-02	Dec-98	72.80	90.69	Apr-11	45.63	51.55	62.7	56.8	Irrevocable
Mozambique	Apr-00	Sep-01	Dec-98	22.25	29.27	Sep-10	12.17	14.07	54.7	48.1	Irrevocable
Niger	Dec-00	Apr-04	Dec-99	50.01	86.26	Jul-24	10.80	12.30	21.6	14.3	Irrevocable
Senegal	Jun-00	Apr-04	Dec-98	56.80	65.42	May-06	51.91	57.01	91.4	87.2	Irrevocable
Rwanda	Dec-00	Apr-05	Dec-99	116.10	222.29	Oct-31	23.41	26.82	20.2	12.1	Irrevocable
Tanzania	Apr-00	Nov-01	Jun-99	124.90	190.75	Jul-17	47.79	55.44	38.3	29.1	Irrevocable
Uganda	Feb-00	May-00	Jun-99	59.30	78.65	Mar-12	31.53	36.53	53.2	46.5	Irrevocable
Zambia	Nov-00	Apr-05	Dec-99	146.10	214.50	Jul-25	73.34	78.93	50.2	36.8	Irrevocable
Subtotal (A)				**1,372.7**	**1,938.4**	**…**	**601.5**	**679.5**			
Interim period cases*											
Burundi*	Aug-05	2007-S1	Dec-04	124.22	226.01	Feb-43	…	…	…	…	Apr-08
Cameroon1	Oct-00	2006-S2	Jun-99	78.60	90.11	Mar-06	31.44	33.34	40.0	37.0	Sep-03
Chad	May-01	2006-S2	Dec-00	36.90	49.38	Apr-12	14.63	16.48	39.7	33.4	Mar-06
DRC2	Jul-03	2007-S1	Dec-02	905.09	1,804.87	Sep-24	229.59	241.67	26.7	13.4	Jul-07
Gambia1	Dec-00	2007-S1	Dec-99	15.80	19.57	Jan-09	6.31	6.77	40.0	34.6	Jul-03
Guinea1	Dec-00	2007-S1	Dec-99	75.30	89.07	Apr-07	30.12	32.27	40.0	36.2	Oct-03
Guinea Bissau2	Dec-00	2008-S1	Dec-99	50.84	84.98	Jan-24	18.00	20.38	35.4	24.0	Jan-07
Malawi1	Dec-00	2006-S2	Dec-99	70.90	98.22	Jan-14	26.45	29.09	37.3	29.6	Dec-04
Sao Tome & Pr.	Dec-00	2006-S2	Dec-99	34.20	78.93	Oct-38	6.60	7.57	19.3	9.6	Oct-06
Sierra Leone	Mar-02	2006-S2	Dec-00	42.81	98.62	Jan-36	9.34	10.61	21.8	10.8	Jan-07
Subtotal (B)	**…**	**…**	**…**	**1,434.66**	**2,639.77**	**…**	**372.50**	**398.19**	**…**	**…**	**…**
Subtotal =(A)+(B)				**2,807.4**	**4,578.2**	**…**	**974.0**	**1,077.6**	**…**	**…**	**…**
Pre-decision point RMCs**											
Central Afri. Rep.2	TBD	Floating	…	37.14	45.15	…	…	…	…	…	…
Comoros3	TBD	Floating	…	18.80	25.20	…	…	…	…	…	…
Congo***	Feb-06	Floating	…	41.80	41.80	…	…	…	…	…	…
Cote d'Ivoire2	TBD	Floating	…	300.00	360.18	…	…	…	…	…	…
Liberia2	TBD	Floating	…	123.10	145.38	…	…	…	…	…	…
Somalia2	TBD	Floating	…	53.10	63.02	…	…	…	…	…	…
Sudan2	TBD	Floating	…	159.50	210.53	…	…	…	…	…	…
Togo3	TBD	Floating	…	13.50	20.43	…	…	…	…	…	…
Subtotal	**…**	**…**	**…**	**746.99**	**11.7**	**…**	**…**	**…**	**…**	**…**	**…**
TOTAL	…	…	…	3,554.3	5,489.9	…	974.0	1,077.6	…	…	…

* Dates for completion points are tentative
** Total debt relief are only estimates
**** Congo reached the decision point in February 2006 as approved by the Boards of the IMF/World Bank. The Boards of the Bank Group will consider Congo's decision point document for approval in April 2006.
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 COMPLETION POINT CASES
2. Post conflict regional member countries PRE-DECISION POINT RMCs
3. Comoros and Togo Source: World Bank and Bank Group estimates
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 estimates

debt committed under the enhanced HIPC Initiative. The debt relief cost for these 14 RMCs is estimated at US$1.37 billion in decision point NPV terms, equivalent to US$1.94 billion in nominal terms. Details of the HIPC debt relief cost for these RMCs are provided in Table 2.4.

In total, US$2.26 billion in nominal terms was mobilized for the Bank Group's share of HIPC debt relief (see Table 2.5). Of this amount, the Bank Group contributed US$311.8 million from its internal resources by end-2005; of which US$284.9 million has already been used to finance approved HIPC grants. The Bank had initially pledged US$370 million from its internal resources for this purpose. By end-2005 as well, other donors had also contributed US$1.95 billion, of which, US$1.68 billion had already been utilized for the grants.

The Multilateral Debt Relief Initiative

During the G8 Summit at Gleneagles in July 2005, the Heads of State and Government proposed that the ADF, the IDA, and the IMF provide 100 percent irrevocable debt stock cancellation for countries that reach the completion point under the enhanced HIPC Initiative. This Multilateral Debt Relief Initiative (MDRI) was the major debt relief initiative in 2005 and aims to complete the HIPC debt relief process by providing more resources to help 39 countries worldwide—including 33 in Africa—to progress towards the MDGs, while safeguarding the long-term financing capacity of the ADF and the IDA. The Initiative also seeks to encourage the best use of new donor resources for development. All countries receiving the relief must be current with their repayment obligations to international financial institutions and must demonstrate commitment to good governance. The MDRI implementation modalities were discussed during the ADF Deputies' meeting in Washington, D.C. in December 2005 (see Box 2.2).

Post-Conflict Countries and the PCCF

In 2004, the Boards of Directors approved a Post-Conflict Country Facility (PCCF) to help clear the arrears of seven countries to make them eligible for debt relief at the decision point under the enhanced HIPC Initiative. These countries (the Central African Republic, Congo, Cote d'Ivoire, Somalia, Liberia, Sudan, and Burundi) are post-conflict countries (PCCs). With the exception of Burundi, which reached its

Table 2.5: HIPC Trust Resources Mobilized for the Bank Group HIPC Debt Relief, as at end-December 2005
(In millions of U.S. dollars)

Source of Funds	Grants Funded	Resources Available	Total Contribution
I- Bank Internal Resources	**284.92**	**26.83**	**311.75**
II- Resources through the HIPC Trust Fund	**1,676.57**	**274.67**	**1,951.24**
European Community	632.29	158.81	791.10
United States	351.68	115.86	467.53
United Kingdom	256.23		256.23
Italy	36.53		36.53
Germany	26.34		26.34
Canada	40.15		40.15
Belgium	11.39		11.39
Denmark	27.10		27.10
Japan	116.51		116.51
Nertherlands	85.08		85.08
Swithzerland	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	3.90		3.90
Luxembourg	0.24		0.24
Investment Income	14.47		14.47
TOTAL	**1,961.49**	**301.49**	**2,262.99**

Source: HIPC Trust Fund and Bank Group

BOX 2.2: Proposed MDRI Implementation Modalities

At the ADF Deputies' meeting in Washington, D. C., in December 2005, Deputies concluded negotiations on implementation modalities for the MDRI.

For the ADF and IDA, debt stock cancellation will be a three-phase process:

1. Post-completion-point HIPCs will be relieved of their repayment obligations and their gross assistance flows adjusted downward by the same amount.

2. Donors will make new contributions to ADF and IDA to match, "dollar-for-dollar", foregone principal and service charge payments based on an agreed burden sharing.

3. Additional funds will be allocated to all ADF-only and IDA-only recipients on the basis of existing performance-based allocation (PBA) mechanisms.

Additional funds to cover the full cost of obligations due during the ADF-X and IDA14 period will be made available immediately. Similarly, donors will be committed to making additional contributions to the subsequent regular ADF and IDA replenishments to cover the full cost of obligations until all obligations under the cancelled loans have been met.

During the meeting, the Deputies underscored that providing firm and unqualified commitments over a rolling 10-year period would allow ADF to commit pledged resources in advance over the regular disbursement horizon of each ADF Replenishment. To this end, donors pledged to fully finance the costs to ADF over the 50-year time span of the Initiative. They agreed that the level of ADF-X donor contributions, measured in real terms, would serve as the baseline on which new donor financing for the Initiative will be assessed over time.

Regarding the scope of the Initiative, Deputies supported the following proposals from management: an implementation date of January 1, 2006; a definition of credit coverage as debt outstanding and disbursed; December 2004 as the cut-off date; the eligibility of 33 RMCs for debt cancellation; and the use of the ADF-X normalized burden shares as the basis for the increase in resources for the Initiative.

Based on debt outstanding and disbursed at December 31, 2004, as the cut-off date, and January 1, 2006, as the implementation date, the cost of canceling the ADF debt of the 33 potential beneficiaries, after HIPC relief, is estimated at UA 5.84 billion (US$9.06 billion) in nominal terms. This is disaggregated into UA 3.91 billion (US$6.07 billion) as debt relief to the 14 post-completion point HIPCs; UA 1.28 billion (US$1.99 billion) for the 10 interim period HIPCs; UA 0.60 billion (US$0.93 billion) for the eight pre-decision point HIPCs; and UA 0.046 billion (US$0.071) for sunset clause-possible HIPC countries.

The ADF Deputies unanimously supported the following criteria for confirming immediate eligibility for the 14 post-completion point HIPCs under the Initiative: (i) satisfactory macroeconomic performance; (ii) satisfactory PRSP implementation; and (iii) satisfactory governance and public expenditure management systems. They endorsed the proposal to prepare a common list of countries eligible for debt relief based on the one-time assessment that will be prepared jointly with the IDA and the IMF. The ADF will participate in these assessments. The Deputies also agreed that, for other HIPCs, reaching completion point would be sufficient to establish eligibility for the debt relief initiative. The Deputies' Report on the MDRI implementation modalities will be finalized in early 2006.

Under the indicative timetable for the implementation of the adopted MDRI, revised country allocations of ADF resources for 2006 are to be finalized in the third quater of 2006, with retroactive adjustment to January 1, 2006, as the effective starting date for beneficiaries.

decision point in November 2005, the remaining six countries have not yet reached the decision point because they still face various forms of socio-political crisis and owe substantial accumulated arrears to various creditors. Under the approved framework, the beneficiary country, donors, and the PCCF share the cost of clearing the arrears. At end-December 2005, the Boards had approved PCCF grants for two (Burundi and Congo Republic) of the seven eligible PCCs.

Under ADF-IX, an initial tranche of UA 100 million was approved for the PCCF, and under ADF-X, an additional UA 150 million is to be made available under the facility to finance the clearing of arrears of post-conflict countries, if deemed necessary.

Partnership and Cooperation Activities

The Bank's partnership and cooperation efforts can be grouped under cofinancing operations, bilateral technical cooperation, multilateral technical cooperation, and collaboration with regional economic communities.

Cofinancing Lending Operations

The Bank pursued its efforts to mobilize external resources for RMCs through cofinancing (see Table 2.6). During the year, 19 operations were cofinanced for UA 3.19 billion, compared with UA 2.85 billion for 31 operations in 2004 and UA 3.91 billion for 28 operations in 2003. Of the total amount, **the Bank** contributed UA 577.6 million, compared with UA 850.9 million in 2004 and UA 734.1 million in 2003. **Beneficiary RMCs** contributed UA 723.5 million in 2005, compared with UA 42.6 million in 2004 and UA 70.4 million in 2003. The Bank's **external development partners** contributed UA 1.89 billion in 2005, compared with UA 1.96 billion in 2004 and UA 2.51 billion in 2003. With regard to external contribu-

BOX 2.3: Support for the Health Sector in Malawi

In November 2005, the Bank approved a UA 15.00 million grant to finance the *Support to the Health Sector Program in Malawi.* The project is co-financed by IDA (US$15.00 million), DFID (US$182.00 million), NORAD (US$60.00 million), the OPEC Fund (US$8.00), UNFPA (US$0.10 million), other development partners (US$238.05), and the Government of Malawi (US$210.00 million).

Background: Achieving health-related MDGs remains a major challenge for Malawi, given its poor macroeconomic environment, the increasing levels of poverty, the HIV/AIDS epidemic and the shortage of human resources in the health sector. In its National Health Plan (1999-2004), the Malawi Ministry of Health (MOH) expressed its intention to adopt and develop a Sector-Wide Approach (SWAP) to improve health conditions in Malawi. The MOH and its development partners believed that the SWAP arrangement would improve the efficiency and equity of available resources by reducing the fragmentation and duplication resulting from a multitude of separate externally financed projects. The ADF intervention aims to support this effort.

Objectives: The objective of the program is to establish, through a SWAP arrangement, an effective and efficient health care delivery system that is responsive to the needs of the people of Malawi, especially vulnerable groups, women and children, and the poor.

Impact and Outputs: The support will help Malawi (i) achieve the health-related MDGS: reduce child mortality by two-thirds of its 1990 level by 2015, reduce maternal mortality by three-fourths of its 1990 level by 2015, begin to reverse the spread of HIV/AIDS by 2015, and begin to reverse the incidence of malaria by 2015; (ii) increase the number of deliveries attended to by skilled health workers from 56 percent to 75 percent by 2010; (iii) reduce the fertility rate from 6.3 to 5.0; (iv) increase the proportion of facilities capable of providing basic emergency obstetric care from 3 percent to 25 percent; and (v) increase the level of awareness on birth preparedness to not less than 60 percent.

tions, the World Bank and the IMF provided 31.6 percent; the European Union, 17.0 percent; and bilateral agencies, 51.4 percent (see Table 2.7). Among bilateral cofinanciers, the main contributors were the UK (7.5 percent), France (3.2 percent), and the Netherlands (1.8 percent). Others included Switzerland, Kuwait, Germany, Saudi Arabia, Japan, Sweden, Canada, Denmark, Belgium, and Norway.

The following sectors benefited from co-financing activities in 2005: multi-sector, UA 1.52 billion (47.7 percent); environment, UA 591.9 million (18.6 percent); social, UA 501.9 million (15.7 percent); transportation, UA 304.0 million (9.5 percent); energy, UA 213.9 million (6.7 percent); agriculture and rural development, UA 37.7 million (1.2 percent) and finance, UA 17.9 million (0.6 percent).

From 1967 to 2005, the Bank approved 852 co-financing operations amounting to UA 84.24 billion. It contributed UA 15.08

Table 2.6: Cofinancing Operations by Source and Sector, 2005
(In millions of UA)

	Source of Cofinancing									Total Cost of Co-financed Projects	Multi-plier Coef-ficient
	Bank Group Contribution				External Sources				Local**		
	ADB	ADF	NTF	Total (4)='(1)+(2)+'(3)	Bilateral	Multilateral	Other *	Total (8)='(5)+(6)+'(7)		(10)='(4)+(8)+'(9)	(11)=(8)/'(4)
Sector	(1)	(2)	(3)		(5)	(6)	(7)		(9)		
Agriculture and Rural Development	7.74	6.27	-	14.01	-	17.64	-	17.64	6.05	37.70	1.26
Social	-	15.00	-	15.00	83.00	258.68	-	341.68	145.25	501.93	22.78
Water Supply & Sanitation	-	-	-	-	-	-	-	-	-	-	-
Power	124.76	-	-	124.76	10.03	48.94	-	58.97	30.20	213.94	0.47
Communications	-	-	-	-	-	-	-	-	-	-	-
Transport	-	100.91	-	100.91	46.31	129.78	0.15	176.24	26.80	303.95	1.75
Finance	-	6.80	-	6.80	9.65	0.69	-	10.34	0.77	17.91	1.52
Multisector	97.76	160.70	-	258.46	260.91	847.90	151.89	1,260.70	0.54	1,519.71	4.88
Industry, Mining and Quarrying	-	-		-	-	-	-	-	-	-	- -
Environment	57.63	-	-	57.63	20.34	-	-	20.34	513.92	591.88	0.35
Total	**287.90**	**289.68**	**-**	**577.58**	**430.24**	**1,303.63**	**152.04**	**1,885.91**	**723.53**	**3,187.01**	**3.27**

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

Table 2.7: Co-Financiers in 2005

(In millions of UA)

	Beneficiaries																			
	Benin	Burkina Faso	Chad 1	Chad 2	Ghana	Guinea	Malawi	Mali	Mauritius	Mozambique	Morocco 1	Morocco 2	Niger 1	Niger 2	Senegal	Sierra Leone	Tunisia	Multinational 1	Multinational 2	TOTAL	% Distrib
Co-financiers																					
World Bank		90.5		25	86.15		10.37	51.66		0.69	32.64		26.6	9.06	16.3	30.2	102.75			481.92	25.55
IMF		6.75		25.2	53.76			7.98					6.58			13.7				113.97	6.04
EU		79.4		50.33	21.14			32.92					29.2			42.9	65.17			321.06	17.02
ABEDA			7.94			7.89			3.6											19.43	1.03
IsDB			6.1																	6.1	0.32
OPEC Fund						3.29														3.29	0.17
WHO							6.92													6.92	0.37
BOAD																			15.3	15.3	0.81
ECOWAS																		0.8		0.8	0.04
CEMAC																		0.8		0.8	0.04
WAEMU (UEMOA)																		1.46		1.46	0.08
COOP*																		4.76		4.76	0.25
NORAD							41.5													41.5	2.20
UK					44.38		41.5			0.34						56.07				142.29	7.54
France					5.98	7.72						20.34	15.33		10.03					59.4	3.15
Canada					9.15					6.8										15.95	0.85
Germany		4.2			5.87					2.5										12.57	0.67
Netherlands		25			8.81															33.81	1.79
Sweden		9.2																		9.2	0.49
Switzerland		8.6			5.44															14.04	0.74
Denmark	0.53	6.7			1.19								0.3							8.72	0.46
Kuwait Fund						13.15														13.15	0.70
Saudi Fund						9.87														9.87	0.52
Belgium													6.98							6.98	0.37
Norway/Netherlands													2.74							2.74	0.15
EU/KFW/IsBD																			85.74	85.74	4.55
JBIC																			5.89	5.89	0.31
Japan																			9.68	9.68	0.51
Others (External)							241.39	44.44										0.68		286.51	15.19
SUB-TOTAL EXTERNAL	**0.53**	**230.35**	**14.04**	**100.53**	**241.87**	**41.92**	**341.68**	**137**	**3.6**		**32.64**	**20.34**	**87.73**	**9.06**	**26.33**	**142.87**	**167.92**	**8.5**	**116.61**	**1,733.85**	**91.94**
Other Sources		50.9						100.99											0.15	152.04	8.06
TOTAL EXTERNAL																				**1,885.89**	**100.00**
ADB	2.5	30	6.27	20.5	44	8.25	15	35	7.74	6.8	118.08	57.63	18	22	6.69	10.7	97.76	4.6	66.06	577.58	
Local																				723.53	
GRAND TOTAL																				**3,187.00**	

Note :
* Comprises France, EU and IFFAS

billion (18 percent) from its own resources, while multilateral, bilateral, and private cofinanciers contributed UA 49.49 billion (58.7 percent). Governments and local co-financiers in RMCs contributed UA 19.72 billion (23.4 percent).

Bilateral Technical Cooperation

The focus of bilateral technical cooperation is the mobilization, management, and administration of grant resources – entrusted to the Bank Group by some of its members—to support institutional capacity building and project-cycle activities in RMCs. In 2005, UA 7.2 million was committed from bilateral grant resources to finance 87 operations, compared with UA 8.8 million for 93 operations in 2004. Activities financed included capacity building and knowledge transfer, regional integration and economic cooperation, agriculture and rural development, private sector development, governance, human resources development, and gender. The focus under these activities was on pre-investment studies, training, the provision of long-term experts, and workshops and seminars.

During 2005, the Bank concluded discussions on establishing multi-donor trust funds to support thematic areas such as water, NEPAD, renewable energy, and the private sector. The majority of the Bank Group's traditional donors also made or pledged financial or in-kind contributions to the African Water Facility (AWF), which was launched during 2005. A brief description of bilateral cooperation activities follows.

Austria

In April 2005, the Bank Group and Austria signed a technical co-operation agreement to facilitate project co-financing. Under this agreement, a €1 million grant was made available to support Bank Group operations in the water and sanitation, environmental protection, renewable energy, and transportation sectors. In total, €89,000 from this grant was approved to finance the *Study on the Maintenance of Railway Infrastructure* in Tunisia.

In April 2005 as well, an Austrian delegation, comprising government and business community representatives and led by the Director General of the Ministry of Finance, visited the Bank. The visit provided an opportunity for bilateral consultations between the Austrian authorities and the Bank and allowed the business community to learn about the Bank's programs and operations. In the same month, the Bank and the Austrian Ministry of Finance organized a recruitment seminar in Vienna and held workshops in Austrian universities.

In October 2005, the Bank and Österreichische Kontrollbank AG (OeKB) of Austria signed a Letter of Agreement to facilitate project-funding opportunities between the Bank and OeKB. In the same month, the Government of Austria and the Bank organized a business opportunities seminar, which was attended by representatives of about 70 Austrian companies. As well, Austria contributed €100,000 to the AWF Fund and seconded two experts to support the facility. Austria is also financing an expert to support the Bank's efforts to establish a trade facilitation program similar to the programs in other MDBs.

Belgium

Belgium provided UA 50,167.2 to finance two technical assistants to the Bank. In September 2005, the Walloon Region of Belgium and the Bank Group started arrangements for high-level meetings in 2006 to determine the future of the Private Sector Trust fund and identify potential areas of collaboration in the water sector.

Canada

Canada approved CAN$222,355 during the year to finance the following five institutional and operational activities: (i) the Ghana Urban Poverty Reduction Study; (ii) the participation of three African officials in a conference in Toronto; (iii) development evaluation training for Bank Group staff; (iv) preparation of the annual report on gender and review of the procedures; and (v) the Learning Activity on Girls' Education.

In principle, Canada also agreed to replenish its trust fund after the conclusion of a new technical cooperation agreement with the Bank; it approved CAN$5 million to support the Bank's Water Partnership Program (WPP), created to support the promotion of integrated water resource management practices (IWRM) and the implementation of the Bank's IWRM policy in RMCs. A multi-donor agreement is being prepared to this effect.

As a member and first contributor to the African Water Facility (CAN$20 million), Canada was represented at the Governing Council of the AWF in November 2005. It was also represented at the Oversight Committee for the NEPAD-IPPF activities. During the fall of 2005, the Canada Fund for Africa organized a training workshop on results-based management (RBM) for Bank staff and management involved in the NEPAD-IPPF, the AWF, and the WPP. The workshop helped improve understanding of RBM among staff involved in the three Canada-funded programs; it also enhanced the ability of the staff to apply this understanding in the development of their respective RBM frameworks.

China

In August 2005, the People's Bank of China organized a business opportunities seminar (BOS) in Beijing for members of the Chinese business community and African regional and sub-regional development banks, including the ADB, the PTA Bank and the West Africa Development Bank (BOAD). During the seminar, the Bank Group delegation presented an overview of Bank operations, focusing on procurement opportunities and policies, and on infrastructure operations. The seminar succeeded in raising awareness about business opportunities in Africa, in particular, opportunities related to the Bank's operations in Africa. China also contributed UA 18,600 to the Learning Activity on Girl's Education, co-financed by Canada.

Denmark

Denmark approved DKK 0.8 million to fund a multi-sector gender profile for Kenya and a country governance profile for The Gambia. It also funded the position of a coordinator for the Nordic Funds in the Bank and pledged to contribute DKK 300 million to the Bank Group's three water initiatives during 2005-2009.

Finland

In November 2005, a Finnish delegation visited the Bank to discuss various issues, including Finland's possible support for Bank Group water initiatives. Finland confirmed its intention to provide funding for two technical assistants in water supply and sanitation for an initial 2-year period.

France

In 2005, France approved UA €1.3 million for five activities/programs relating to governance, the water sector, NEPAD infrastructure, and capacity building; it confirmed a €12 million contribution to the AWF and committed to providing a long-term technical assistant to the Facility. France and the Bank Group co-hosted the April 2005 RWSSI Donors' Meeting in Paris. In addition, France pledged an initial contribution of €40 million for the planned multi-donor grant arrangement set up for the RWSSI.

In November 2005, the Bank Group held high-level meetings in Paris with officials from the French Ministry of Economy, Finance and Industry and with civil society. The Bank Group also maintained contact with *UBIFRANCE* (Agency for the Promotion of French Technology and Trade), *CIAM* (the International Admission Center for Management Studies), and MEDEF International as part of its efforts to encourage private-sector participation in operations financed by France and in other public-private partnership activities in Africa. The Bank also embarked on a strategic partnership with the French Development Agency *(Agence française de développement)* in the areas of water, infrastructure, and private sector development.

Germany

Three German experts (strategic planning, budget, and water) assumed duty in the Bank during the year. A fourth expert was sent to operations under a Special Framework Agreement on the German Environmental Initiative (amounting to 3 million), with a mandate to oversee environmental issues arising from Bank Group operations in Morocco, Algeria, and Tunisia. Germany also co-organized two workshops in Tunis, Tunisia: (1) *Local Governance and Poverty Reduction* — Lessons of Experience (ADB, JAI, KfW) in June 2005, and (2) *Capacity Building for Pro-Poor Growth/Poverty and Social Impact Analysis (PSIAs),* (ADB, DFID, GTZ) in November 2005. Germany also confirmed its commitment to the G8 Finance Ministers' decision on debt cancellation, undertaken at Gleneagles, Scotland.

India

India approved UA 629,690 to finance six activities: (i) the identification/formulation of the *Multinational Project for the Promotion of Female Farmers in Agro Processing and Marketing Development;* (ii) the consultancy services of a network engineer and webmaster, and an information technology training session for the Bank Group; (iii) the second phase of the *ADB Service Level Agreement Study;* (iv) a study on outsourcing; (v) a Document and Records Management System (DARMS) expert; and (vi) a web developer. In March 2005, an *India-Africa Project Partnership 2005* conclave was held in New Delhi, India. Participants included Bank Group officials, banking and financial institutions from RMCs, and the Indian Government. The program focused on development perspectives in Africa and on medium-term lending opportunities for the Bank Group. The conclave was mutually beneficial as it paved the way for greater involvement of the Indian business community in Bank-financed projects and provided a forum for the Bank to interact with Indian promoters of SMEs.

Italy

During 2005, Italy and the Bank Group held in-depth consultations on how to re-orient their collaboration towards areas such as post-conflict country support and institutional human resources. The objective was to amend their 1986 Technical Assistance Agreement and extensively revise their existing partnership and cooperation.

Japan

During 2005, Japan approved UA 948,861 to finance the 2005/2006 ADB/Japan Fellowship Program—the only scholarship program available to the Bank; the *Agriculture Sector Review in Uganda;* statistical capacity building under the International Comparison Program (ICP); and an external audit of the Japan Policy and Human Resources Development Grant (PHRDG). Japan also proposed a major initiative to collaborate with the Bank Group to promote private sector development in Africa. As discussed in Chapter 4, this Enhanced Private Sector Assistance for Africa (EPSA-Africa) Initiative, which has a loan component of US$1.0 billion and a grant component of US$200 million, aims to improve the investment climate in RMCs and to provide long-term concessional resources for co-financed operations with the Bank's sovereign guaranteed lending.

Korea

Korea approved UA 426,486 to finance (i) the Study and Preparation of the *Malawi Commercial Fish Farming Project,* and (ii) the identification and preparation of *COMESA Leather Value Addition, Marketing Promotion, and Regional Integration Project.* In addition, Korea Eximbank seconded an infrastructure investment expert to the Bank for a 2-year period and another expert is to be seconded from the Korean Ministry of Finance and Economy in 2006. In November 2005, the Bank and Korea Eximbank signed a memorandum of understanding (MOU), which provides a legal framework for the two institutions to undertake cooperative activities such as cofinancing and exchange of information and personnel.

The Netherlands

During the year, UA 2.0 million was disbursed from the three existing Dutch thematic trust funds. The Water Partnership Program is being transformed into a multi-donor thematic fund with the expected participation of Canada and Denmark. The Netherlands also helped set up the AWF. Under the Financing Energy Services for Small-scale Energy Users (FINESSE) program, staff participated in workshops on renewable energy, and regional and sub-regional meetings were held on issues such as wind and solar energy. Training of staff in the economics of poverty continued under the PRSP Trust Fund. A number of Dutch delegations, including the Prince of Orange, visited the Bank to discuss wide-ranging issues of mutual interest, such as poverty reduction, harmonization, corporate decentralization, results-based management, water, and energy.

Nigeria

The funding commitments of the Nigerian Technical Cooperation Fund (NTCF) included the *NEPAD Medium- and Long-Term Strategic Framework Study* (US$1.4 million); a Regional Workshop on Geospatial Data Infrastructure (US$80,000); a Diplomatic Academy for training foreign service staff in the DRC (US$424,500); a study on the establishment of a free trade zone in the Community of Sahel-Saharan States (US$50,000); the Review of the Bank's Governance Activities (US$36,325); and the *Study on the Extension of the Nigeria Trust Fund* (US$309,303). As well, the Bank Group and the Nigerian authorities held high-level meetings to discuss the extension of the 30-year life of the NTF. In this regard, the Nigerian authorities requested an evaluation of the NTF, which will be undertaken in 2006.

Norway

Norway approved NOK 1.7 million in 2005 to finance a country governance profile for Nigeria, a project performance evaluation of two agriculture projects in Ethiopia, and the preparation of the *Horticulture Development Project in Eritrea* Project Completion Report. Norway also pledged to support the AWF with NOK 30 million over a three-year period and to finance the services of a Norwegian water resources management technical assistant in 2006 for an initial two-year period. The Norwegian Agency for Development Cooperation participated in the AWF Governing Council Meeting in October 2005 and in the review of Bank Group activities in the environment, rural energy, private sector development, and petroleum sectors.

Portugal

In 2005, Portugal pledged to intensify its partnership with the Bank, especially its assistance to the five Lusophone member countries (the PALOPS–*Países Africanos de Língua Oficial Portuguesa)*: Angola, Cape Verde, Guinea Bissau, Mozambique, and Sao Tome and Principe. Two delegations visited the Bank: the Portuguese Deputy Secretary of State for Public Works and Communications; and a mission of eight consulting companies with interests in the PALOPS and in Northern Africa. In addition, the Executive Secretary of the Community of Portuguese Language Countries, based in Lisbon, also visited the Bank.

During the year, Portugal approved UA 516,000 to finance Transport Sector Review (TSR) Studies in four of the Lusophone RMCs (UA 420,000); a Diagnostic Study of Public Administration in Guinea Bissau (UA 48,000); and the first ever Portuguese Language training program for Bank staff (UA 48,000). It also finalized a new agreement with the Bank to be signed in 2006. The new agreement integrates the Bank Group's commitment to pursue the MDB harmonization agenda for standardization, simplification, and alignment, and proposes fundamental changes to the 1987 agreement. For the second consecutive year, the Bank also benefited from a Portuguese-funded young professional, who was assigned for nine months to the operations department responsible for four Lusophone countries.

Spain

Spain approved UA 191,763.3 to finance a forestry sector review in Angola. Negotiations were held in 2005 for a special human resources program of UA 20,000 through ICEX's training program. The program will include the secondment of a Spanish intern to the Bank for a year. As well, a Spanish Government delegation visited the Bank in 2005 to re-affirm the country's interest in assisting RMCs.

Sweden

Sweden approved SEK 1.1 million to finance a short-term Swedish technical assistant to the Bank; and the SADC-Financial and Capital Markets Development Study. Furthermore, it agreed to support the AWF with SEK 45 million over a three-year period. In June 2005, Sweden and the Bank Group signed an Aide-Mémoire, which provides a framework for exploring ways to enhance collaboration between the two parties.

United Kingdom/Department for International Development (UK/DFID)

In March 2005, the Bank Group and the UK/DFID signed an MOU, which provides a legal framework to enhance coordination of the activities of the two parties. The two institutions agreed that country-level collaboration between 2005 and early 2006 would focus on, but not be limited to, Ghana, Ethiopia, Uganda, and Mozambique. DFID, in consultation with the Bank, carried out a baseline study that established current levels of collaboration, along with success criteria and indicators of enhanced engagement. The Bank and DFID also co-organized two workshops: *Capacity Building on Pro-Poor Growth/Poverty and Social Impact Analysis* (PSIAs), which took place in Tunisia in November 2005; and began preparatory work on *the global Transportation Knowledge Partnership* (gTKP) to be held in 2006.

Under the UK Government's twin presidencies of the EU and the G8 in 2005, the Bank was identified as a credible channel for ODA resources to the continent. This led to the Bank Group's deep involvement in the preparation of the *Commission for Africa Report*; the Africa Infrastructure Consortium, with its secretariat at the Bank; the Africa Partnership Forum; and the Multilateral Debt Relief Initiative. As well, the Lord Mayor of London visited the Bank in early 2005, and it was agreed that the Bank would hold a promotional seminar in London on the Bank Group's operations in its RMCs.

Multilateral Technical Cooperation

This section briefly describes Bank Group technical cooperation activities with various multilateral institutions such as the Bretton Woods Institutions, the European Union, the United Nations and its specialized agencies, and regional and sub-regional organizations.

Arab Coordination Group

In 2005, the Bank Group and the Arab Coordination Group held several reciprocal meetings during which they discussed ways to improve future collaboration; exchanged views and operational experiences; and envisaged greater harmonization of policies and procedures.

European Investment Bank

The Bank Group participated in the Euro-Mediterranean Fund for Investment and Partnership (EFIP) Steering Committee and Ministerial meetings during 2005. The EFIP is critical to Bank Group operations in North Africa because, through the EFIP, the European Investment Bank (EIB) plans to increase its interventions in private sector development in the region by 50 percent. The EIB recognizes the Bank Group's comparative advantage in SME operations and in the finance and water sectors. Thus, the two institutions can collaborate by combining EIB resources with the ADB's experience, to conduct feasibility studies on projects that can be co-financed in these sectors. In July 2005, the ADB, the European Commission, and the EIB signed a tripartite Strategic Partnership MOU. The three institutions plan to hold a technical consultation meeting to agree on the modalities for operationalizing the MOU.

International Monetary Fund (IMF)

The Bank Group is one of the key contributors to the IMF's Africa Regional Technical Assistance Centers (AFRITACs). In April 2005, the Bank reviewed AFRITAC East and West evaluation reports, which noted that all beneficiary countries appreciated the AFRITACs, which were effective delivery vehicles for capacity building. The centers have largely achieved their objectives, although considerable work remains to be done in planning capacity building for each member country. Indeed, through a demand-driven approach, the two pilot centers have enhanced the quality of technical assistance delivered to RMCs. The evaluation reports recommended the continuation of AFRITACs with some changes in the structure and responsibilities of the Steering Committees. The work program for 2006–2009 was based on the recommendations of the evaluation report.

At a meeting in Tunis, the IMF Middle-East and Central Asia Department and the Bank Group agreed to exchange relevant information on their operations in North Africa. The two institutions also agreed to work closely with governments and with other institutions and donors in the following key areas: capacity building, financial sector reform, second-generation reforms, and regional integration. In particular, the two institutions agreed to systematically coordinate their annual work programs and missions to Egypt, Libya, and Algeria.

World Bank

At the beginning of the year, Bank Group/World Bank technical level meetings reviewed their validated 2004/2005 Action Plans and agreed on specific monitorable actions to move their partnership forward. Thus, since the post-Tunis 2004 consolidation phase, the two institutions have moved away from financing isolated investment projects in the same sector and country toward collaboration under coherent economic or sector programs in areas such as capacity building, information exchange, and policy and strategy development. During the year, the two institutions also co-organized a series of workshops and training sessions aimed at scaling up aid effectiveness to help RMCs accelerate progress towards the MDGs (see Table 2.3). The two institutions held consultative meetings on issues raised during the workshops and on possible collaboration in implementing the *Commission for*

Africa Report, the way forward after the Oslo Conference on Sudan (April 11 – 12, 2005), the G8 Debt Cancellation Proposal, and enhancing the World Bank's participation in the Joint Africa Institute.

The United Nations and its Specialized Agencies

Food and Agriculture Organization

The Bank and the Food and Agriculture Organization (FAO) completed their 2005 work program, under which the FAO identified and prepared four projects in Kenya, Senegal, and Sierra Leone. The two institutions co-organized a series of workshops, including two thematic events, on water resource management, biotechnology, fisheries and aquaculture, and the Avian Flu. They held high-level technical meetings to review progress achieved in the implementation of on-going joint activities such as the *Cotton Development Project for Central and West Africa, and the SADC Regional Program on Water Management for Food Security.* They also discussed their draft work program for 2006 and exchanged views on sectoral issues of common interest such as the Avian Flu, water resources management, forestry, fisheries, and aquaculture.

International Fund for Agricultural Development

Under the existing collaboration with the IFAD, the Bank will administer an IFAD Rehabilitation and Community-based Poverty Reduction Project (RCPRP) in Sierra Leone in the amount of US$10.8 million. The two institutions agreed to increase joint operations programs in 2006.

International Labor Organization

During 2005, the Bank Group and The International Labor Organization (ILO) launched joint country assessments of the *Growth-Oriented Women Entrepreneurs Projects* in Ethiopia, Kenya, Tanzania, and Uganda. The two institutions plan to invite other development partners that may be interested in supporting women in SMEs. The ILO and International Finance Corporation PEP/Africa are the key multilateral partners in the Bank's *Women Entrepreneurs Partial Guarantee Program* in Kenya.

United Nations Children's Fund (UNICEF)

The Bank Group and UNICEF signed an MOU during the International Conference on the Attainment of the MDG for Rural Water Supply and Sanitation in France in April 2005. The MOU, a second amendment to the 1988 Cooperation Agreement, aimed to strengthen future collaboration between the two institutions in the areas of education, health, including HIV/AIDs, gender, child protection and water—all of which are central to the common development agendas of the two institutions in Africa. The two institutions agreed to maintain continuous contact in order to identify concrete activities in humanitarian crisis and post-conflict situations, advocacy initiatives, capacity building, research and analysis, focusing on the areas mentioned above.

United Nations Development Program

The UNDP and the Bank held high-level consultations and meetings in Tunis and in New York to discuss the status of implementation of the MOU signed in New York in 2001. Discussions centered on country-level collaboration, particularly with post-conflict and middle-income countries, and with specific countries that submitted requests for project implementation support, poverty reduction, private sector development, and governance. A number of countries were earmarked for closer collaboration between the two institutions in areas such as the preparation of country governance profiles, poverty reduction strategy papers (PRSPs), and country strategy papers (CSPs). The UNDP also attended the RWSSI donors' conference in Paris in April 2005.

The UNDP is expected to sign a delegated works management agency agreement with The Economic Community of West African States in relation to the ADB *Peace and Development Support Project*. This will allow the UNDP Country Offices to participate in project management in the 15 ECOWAS member states. The Bank and the UNDP are collaborating in the Support to the Mano River Union Countries and Côte d'Ivoire HIV/AIDS Programs.

United Nations Educational, Scientific and Cultural Organization (UNESCO)

At the 50th ADB/UNESCO consultation, held in Tunis in June 2005, both organizations reiterated their common interest in collaborating on world heritage sites as tools for poverty eradication.

United Nations Fund for Population Activities (UNFPA)

The Bank and UNFPA developed training modules and conducted training sessions on the integration of population variables into the Bank's projects. Two training sessions where held for the Bank staff in Tunis in 2005.

The ADB and the UNFPA held technical-level meetings in New York in March 2005 to review ongoing activities, and to agree on a work program for 2005-2006 and on the financial/resource implications of newly identified joint activities. Other collaborative activities included the Bank's participation in the High-Level Roundtable on Reducing Poverty and Achieving the MDGs–Investing in Reproductive Health and Rights, in Sweden. The Bank also participated in discussions that culminated in the preparation of the Call for Investing in Reproductive Health and Rights as a Development Priority. This fed into major global discussions, including the UN Summit to review progress in the implementation of the Millennium Declaration in September 2005.

World Food Program

Cooperation between the ADB and the World Food Program gained momentum given the number of emergencies in Africa and the Bank Group's efforts to relax procedures for access to its emergency funds. As a result, in 2005 the Bank Group approved 17 Emergency Relief Assistance grants, as indicated in Table 1.1. The two institutions continued to jointly identify and develop synergies outside emergency operations. This formed the basis for the meetings between the two parties in Rome in November 2005.

Regional and Sub-regional Economic Organizations

African Union

In April 2005, the Bank Group hosted an African Union (AU) delegation led by its President, Alpha Oumar Konaré. The two institutions reviewed the prevailing economic situation in the continent, the status of their cooperation activities, and ways to team up to better fulfill their respective mandates of economic integration of various sub regions. They considered the slow pace of setting up AU institutions such as the African Central Bank and the African Court of Justice, and the legal framework for the implementation of NEPAD. They also reviewed and adopted a list of projects, programs, and joint actions; agreed to help strengthen the Joint ADB-AU-ECA Secretariat and amend the existing ADB-OAU Cooperation Agreement to better reflect new development priorities and responsibilities.

Economic Commission for Africa

The ADB and ECA continued to collaborate in areas such as poverty reduction, good governance, economic reforms, the fight against HIV/AIDS, and equitable international trade. The two institutions also agreed to renew the ADB-AU-ECA Joint Secretariat and Chief Executives Consultative Meetings.

Economic Community of West African States

The Bank Group continued to help the West Africa sub-region by promoting consultations to fine-tune the ECOWAS and UEMOA harmonization exercise, particularly on macro-economic issues, trade reforms, and financial sector issues in view of the establishment of an ECOWAS customs union. The Bank also provided assistance to the ECOWAS Secretariat to accelerate the implementation of a number of important regional projects and programs, including the West African Gas Pipeline Project, the West African Power Pool, the ECOMARINE, ICT programs, and agriculture and rural development programs. In November 2005, the Bank launched a UA 10 million (US$14.5 million) grant for the ECOWAS Peace and Development Fund, aimed at financing the capacity of ECOWAS to promote peace in the sub region. The Bank also finalized its strategy document on the best intervention strategies in the sub-region.

Southern African Development Community (SADC)

In October 2005, the Bank launched the implementation of its Regional Assistance Strategy Paper (RASP) for Southern Africa. The paper was prepared in close collaboration with the SADC Secretariat and was underpinned by the Regional Indicative Strategic Development Plan (RISDP) prepared by SADC. The Bank also collaborated with the SADC to ensure that the RASP and the RISDP would lead to deeper integration, increased trade and growth, and reduced poverty within the sub-region.

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Chapter Three

Corporate and Financial Management

Strategic Planning and Budgeting

Development Research, Statistical Services, Training, and Knowledge Dissemination

Operational Policy Development and Review

Evaluation of Operations

Internal Audit

Human Resources Management

Financial Management

General Counsel and Legal Services

Information Technology Management and Telecommunications

Administrative Services

Procurement Policy Monitoring Services

Corporate Communications

This Chapter reviews major activities undertaken by the Bank's organizational units, focusing on reforms implemented to enhance efficiency in order to achieve better development effectiveness and results.

Strategic Planning and Budgeting

During 2005, the Bank pursued the implementation of its new strategic orientations and priorities. Through its budgeting process, it continued to deploy its human, financial, and operational resources in line with its strategic goals and priorities. It made progress in the design and implementation of a Balanced Scorecard (BSC), conducted an in-depth analysis of the impact of the proposed Multilateral Debt Relief Initiative (MDRI) on the ADF—focusing on the cost, financial, operational, and legal implications—and collaborated with sister institutions and stakeholders in preparatory activities for implementation of the MDRI.

The main activities undertaken during the year included (i) drafting a progress report on the implementation of the Strategic Plan (2003- 2007); (ii) preparing the 2006 Administrative and Capital Budgets; (iii) preparing the 2005 *Annual Report of the Bank Group;* (iv) consulting with development partners on a Common Performance Assessment Framework for Multilateral Development Banks, Management for Development Results (MfDR), and the Results Agenda; (v) coordinating the Bank Group's participation in the enhanced HIPC Initiative; and (vi) developing and managing cooperation and strategic partnership arrangements with key multilateral, bilateral, and regional agencies.

Alignment of Budgetary Resource Allocations to the Strategic Plan

The budget constitutes part of the ongoing dialogue between management and the Boards of Directors on the implementation of the Bank's strategic orientations and priorities, action plans, and financial outlook. During the year, the Bank sought to enhance its budgetary process by (i) preparing a new budget structure to better respond to the concerns of Board Members; (ii) decentralizing the budget management system; (iii) enhancing communication with cost centers—to improve predictability of resources and allow smooth implementation of work programs; (iv) highlighting previous and current year budget execution, and (v) engaging in budget process capacity building at the institutional level.

The *2006 Administrative Expenses and Capital Budgets,* presented in Chapters 1 and 7 provide the necessary resources for the implementation of the Bank's 2006 work program, which is based on the Bank's *Strategic Priority Objectives* (SPOs). These Budgets reflect the Bank's strategic budgeting approach and were prepared within the framework of the *2005-2007 Strategic Resource Framework for Institutional Development* (SFRID), and the ADF Action Plan to Improve Bank Group Operations.

Budget preparation during 2005 was driven by a number of decisions taken by the Boards of Governors and Directors and by complementary action plans embedded in the SRFID. The Boards took note of the SFRID, which is expected to have a cumulative impact of UA 51.1 million on the Bank's budget during 2005-2007. As part of the budgetary exercise, the Boards will decide on the precise level of allocation once a year. The first tranche, UA 16.1 million, was approved in the 2005 Budget (14.1 million in the 2005 revised budget). The second tranche, UA 10.7 million, was approved in the 2006 Budget.

Budgetary resource allocation during 2005 was based on principles underpinned by country focus and capacity building, increasing the effectiveness of Bank Group operations, and operational oversight and support. Resource allocations within the 2005 budgeting framework indicate that resource appropriations were directed towards corporate priorities, thus allowing the Bank to implement its strategic goals. The bulk of budgetary resources (69 percent) were allocated to the frontline themes of strategic positioning (27 percent), development effectiveness (24 percent), and portfolio alignment (18 percent) because these relate to operational activities and support for operations. Resource allocation within the programming and budgeting framework was therefore aligned with the Bank's major priorities and with its commitment to scale up operations to achieve the Millennium Development Goals.

This alignment is the result of continued efforts and progress toward linking the Bank's strategic planning and budgeting functions, implemented through the enhanced Strategic Objective-based Budgeting vehicle developed in 2004. This 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 2006 Budget is assured by anchoring each departmental business plan and cost center work program to the 21 SPOs, which are articulated around six major strategic themes or perspectives, and spell out how the Bank intends to pursue its goals in its priority areas; primarily through (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

The long-term goal of the Balanced Scorecard (BSC) is to integrate its use with the resource allocation process by aligning the Bank's strategic planning and budgeting activities with results-based management (RBM) processes and activities. During 2005, the Bank rolled out its Corporate Balanced Scorecard on a pilot basis. It is now available to all potential users, including senior management and Executive Directors. During the pilot phase, training on the use of the BSC was offered to several management staff and Executive Directors. In the medium-term, development of the BSC will continue with its integration into the Corporate Data Warehouse.

The Multilateral Development Banks' Common Performance Assessment System

This system provides a common source of information for evaluating the contribution of MDBs to development for results, and for improving this contribution over time. It is a joint system that provides MDBs with a forum for exchanging information and lessons learned and for responding to international commitments on performance and accountability. It builds on synergies within the group, and uses the MDBs as a unit of analysis rather than as a unit of comparison.

The main principles guiding the development of the Multilateral Development Banks' (MDBs) Common Performance Assessment System (COMPAS) include strong ownership by all the MDBs, a common framework for gathering and presenting information, a focus on collective performance by the MDBs as a group, joint responsibility for the COMPAS Report, limited transaction costs in the preparation of the Report, and transparency (full disclosure in the Report). The basic framework for the COMPAS builds on the existing framework of the MDBs and on managing for results action plans. The framework focuses on a limited number of indicators, which were selected on the basis of criteria such as relevance of results, coverage, comparability, and availability of data.

The Bank is represented in the MDBs' COMPAS Task Force and actively participated in developing the draft framework and the initial choice of indicators. The proposed framework was submitted during the Roundtable Meeting on Harmonization, Alignment, and Managing for Results, and at the MDB Heads' meeting in Washington, D. C., in September 2005 for approval in principle. The Bank has submitted its completed COMPAS Matrix to the coordinator for final compilation and the output will be published as the *COMPAS Report* in early 2006. The outputs will also feed into the *Global Monitoring Report (GMR) and into the Update on Cooperation among MDBs.*

Decentralization Strategy

The Bank Group's Decentralization Strategy, approved by the Boards in September 2004, included strengthening the existing field offices network (in Batches 1 and 2) and opening 16 new offices in 2005 and 2006 (Batches 3 and 4). The plan was to establish and progressively operationalize the 25 country and regional offices over a two-year period, as follows: Batch 1 (Egypt, Ethiopia, Gabon, Nigeria in 2000); Batch 2 (Mozambique, Senegal, Tanzania, Uganda (Tunisia was superseded by the relocation of the Bank in 2003) in 2004-2005); Batch 3 (Algeria, the Democratic Republic of Congo, Ghana, Kenya, Madagascar, Mali, Morocco, and Rwanda in 2005), and; Batch 4 (Angola, Burkina Faso, Cameroon, Chad, Malawi, Sierra Leone, Sudan, and Zambia in 2006). These offices are expected to strengthen in-country activity and knowledge; conduct policy and strategy dialogue with countries; participate in donor consultations; and constitute a focal point for key project implementation aspects.

By end 2005, all offices in Batches 1 and 2 were operational. Under the accelerated decentralization program, offices were opened in Madagascar, Mali, Rwanda, and Morocco in 2005. Of the 25 countries approved for the Decentralization Strategy, six have yet to conclude and sign host country agreements. These are Angola, Cameroon, Sierra Leone, Sudan, Algeria and Kenya.

During the year, the operational country offices participated in a number of identification, preparation, and appraisal missions. These offices were also active in coordinating Bank activities related to poverty work, policy and country dialogue, and capacity building in their respective countries or regions. They also coordinated the *Country Strategy Papers* (CSPs) for Madagascar and Malawi, and economic and sector work in Uganda (the Uganda Joint Assistance Strategy).

Development Research, Statistical Services, Training, and Knowledge Dissemination

Development Research

The Bank's Development Research unit continued to generate and disseminate knowledge on African development issues, providing guidance to operational units and informing policy makers in RMCs. To further strengthen and re-orient the Bank's research function, it increased the number of research staff from two to six.

During the year, the bank continued to produce a number of publications, including the following, which can be found on the Bank's website (http://www.afdb.org):

- The *African Development Report 2005* focused on public sector management in Africa, a critical policy issue.
- The *African Economic Outlook 2004/2005* reviewed recent economic developments in Africa and made projections for key macroeconomic variables until 2007. Its thematic topic for 2004/2005 was the financing of small and medium-sized enterprises (SMEs). The number of country studies was increased from 22 to 29.
- The *African Development Review* covered a broad spectrum of policy development topics that are critical for Africa's economic development. The number of issues increased from two to three per year.
- The *Economic Research Working Paper Series* was re-launched in spring 2005, with the addition of nine working papers to the series.

Statistical Services

In 2005, the Bank provided technical support for data collection to RMCs participating in the International Comparison Program for Africa (ICP-Africa). This support aimed to help eligible countries conduct pre-survey work such as logistics, survey framework development, and training of price collectors. Under the supervision of the Bank, between January and June 2005, 48 RMCs started monthly data collection, providing the Bank with the monthly price data of available goods and services for the 853 products on the ICP-Africa list. The Bank set up data quality network and data validation processes for intra- and inter-country validation procedures. It developed two in-house Excel-based tools (MergeCountryDataMacro and the SEMPER) for intra-country data validation and another tool (ELFA) for inter-country validation. It also organized 12 seminars and workshops to assist RMCs with data validation. The first seminar brought together officials from 51 countries to discuss the development of a general framework for quality control and quality assurance guidelines. Subsequent seminars were held at the sub-regional level. The seminars provided an opportunity for countries to share data quality control experiences and strengthen partnerships. A regional workshop on national accounts was also organized to launch national accounts activities and agree on relevant methodologies.

In 2005, the Bank signed Protocols of Agreement with four sub-regional organizations: AFRISTAT, COMESA, ECOWAS, and SADC. In turn, these organizations signed related Protocols of Agreement with their respective countries. The first disbursements for implementing ICP activities were paid to countries through their sub-regional organizations. Countries not belonging to these organizations – Morocco and Tunisia—signed directly with the Bank, while Algeria and Libya are in negotiations. During 2005, the Bank also developed a partnership with ONS-UK (Office for National Statistics) and INSEE-France (National Institute for Statistics and Economic Studies) in connection with supervision and data collection activities in RMCs, the quality of data collected, and methodology development.

The Bank is leading an international effort to develop a *Strategic Framework for Statistical Development in Africa,* which will serve as the basis for coordinating all statistical support activities in Africa. This effort, a joint collaboration with the World Bank, Paris21, and ECA is geared towards helping all RMCs develop National Strategies for the Development of Statistics (NSDSs) by end-2006, in line with the Action Plan on Managing for Development Results prepared during the Second International Roundtable on Managing for Development Results (held in Marrakech). This will help RMCs develop effective statistical systems to address data deficiencies in their countries. The NSDSs will be aligned with the PRSP process to ensure the development of integrated data systems that can effectively support poverty reduction strategies and the results measurement agenda.

In collaboration with the UNDP, the Bank supported RMC's efforts to develop databases to facilitate the monitoring of MDG indicators and improve statistical literacy among policy makers, researchers, civil society, and other stakeholders. During the year, the Bank launched a biannual, the African Statistical Journal, aimed at promoting understanding of statistical developments in RMCs. The journal will also serve as a research outlet and information-sharing publication for academic and practicing statisticians and economists.

The Bank continued to focus on developing and managing the statistical systems needed to support its operational work and development research activities. This involved developing and maintaining (i) socioeconomic databases covering the major development indicators used to monitor economic and social progress in RMCs, and (ii) databases on Bank Group operations to provide information on the Bank's financial contribution to development efforts in RMCs.

Library Services

In 2005, the Bank's Library installed and successfully tested an integrated web-based information management system, which will be fully operational in early 2006. The system comprises an information portal (an aggregate Web service that captures information via multiple Internet channels and search engines) that will cater to those who want immediate access to a broad range of online resources in defined subject areas.

In addition, the Bank's Library continued to maintain resource sharing and cooperation arrangements with the libraries, research centers, and information institutions of the Bank's development partners, establishing a networked consortium to achieve economies of scale in the acquisition and smooth flow of information.

Operational Policy Development and Review

Policy and review activities continued to provide critical anchorage for strengthening the development effectiveness of the Bank Group's operational support for RMCs. During 2005, these activities focused on four priority areas: preparation and review of operational policies and guidelines, operations quality review, promotion of good governance, and microfinance.

Operational Policies and Guidelines

During the year, the Boards approved five operational strategies, policies, and guidelines, as outlined in Chapter 1. At the end of the year, preparation was at an advanced stage on a number of operational policies and guidelines that will be finalized in 2006. Other activities include the revision of supervision report formats—to re-orient staff to manage Bank operations for the achievement of results while maintaining a balanced approach to solving procurement, disbursement, and related issues; the development of indicators—to measure the performance of field offices in improving Bank operations related to procurement, disbursement, supervision, and harmonization and alignment; and the development of a comprehensive review checklist for appraisal reports—a quality-enhancement tool.

During the last quarter of 2005, the Bank launched a consultative process involving internal and external stakeholders—to identify the Bank Group's areas of comparative advantage. It prepared a concept paper for participants, highlighting the main issues that needed to be examined. The exercise is expected to be completed in early 2006, in time for the ADF-X Mid-Term Review. The Bank Group also examined the problems and unique difficulties confronting RMCs in prolonged conflict, post-conflict, or governance crisis situations, and those prone to external shocks. It started elaborating a comprehensive and more effective development assistance strategy—to be presented to the Boards in early 2006—to better address the unique characteristics and circumstances of these countries.

Operations Quality Review

In June 2005, the Bank launched its quality-at-entry assessment (QEA) and quality-of-supervision assessment (QSA), signaling the importance it attaches to quality assurance (QA). It also prepared frameworks for conducting the QEA/QSA and QA workshops, taking into account lessons learned from the experiences of partner institutions, in particular, the World Bank. These quality assessments will complement the Bank's internal review processes and are expected to help strengthen portfolio performance and raise the development effectiveness of Bank Group operations.

> In June 2005, the Bank launched its quality-at-entry assessment and quality-of-supervision, assessment, signaling the importance it attaches to quality assurance.

Over 100 professionals participated in the first QEA exercise, which identified areas in the project preparation and appraisal stages that need to be improved. The appraisal reports of a structured sample of 27 operations were examined for "readiness for implementation" of the programs and projects concerned. The majority of the were deemed satisfactory. The following areas were identified as needing improvements: risk analysis; assessment of existing monitoring and evaluation systems and institutional capacity; better use of lessons learned; and improving the skills mix of appraisal teams.

Promotion of Good Governance

During 2005, the Bank started developing a strategy and guidelines to combat money laundering and terrorism as part of its policy on good governance. To this end, the Bank created a Bank-wide Anti-Money Laundering Group, which prepared a concept paper on issues related to anti-money laundering and combating the financing of terrorism and launched the process of hiring consultants to prepare the Bank Group's strategy, with related staff guidelines and an action plan. The strategy is expected to be ready in mid-2006. In addition, following agreements reached during the 2005 meetings of the G8 in Gleneagles, the ADB and the OECD are collaborating in the Partnership Against Corruption in Africa to address corruption challenges facing RMCs, particularly those receiving debt write-off. The initiative is designed to assist RMCs address the supply and demand sides of corruption, while focusing on strengthening institutions of integrity and specialized anti-corruption agencies.

Microfinance

During the year past, the Bank continued implementing its *Business Plan: Mainstreaming Microfinance into Bank Group Operations,* which was approved in 2003. Specific activities included cleaning up the microfinance portfolio; developing a Microfinance Policy and Strategy for the Bank Group, in line with Internationally Accepted Microfinance Standards and Principles; recruiting qualified microfinance specialists; and consolidating external partnerships with key bilateral and multilateral microfinance institutions, especially as 2005 was designated the "International Year of Mircrocredit" by the United Nations.

An updated database of 75 on-going projects, representing a total value at approval of UA 989 million of ADF resources, of which UA 189 million was for credit components, provided the basis for the Bank to take action to align these projects with microfinance principles and best practice standards. Action plans for 50 projects were developed and are being implemented; among them, mid-term reviews, project restructuring, and reprogramming of funds to support capacity building in the microfinance institutions of the RMCs concerned. External partnerships in microfinance were cemented through participation in the activities of the Consultative Group to Assist the Poor (CGAP), notably, in meetings to develop and approve activities of the funding agency consortium, and in the finalization of the *Donor Guidelines on Microfinance.* Bank staff also participated in important microfinance conferences and seminars on key areas such as the management of remittance flows and the building of inclusive financial systems in RMCs.

Evaluation of Operations

A major study was conducted in 2005 to assess the independence of the Bank's operations evaluation function. The study was sanctioned by the Committee on Development Effectiveness and was conducted by external reviewers, who assessed independent evaluation at the Bank against the four requisite dimensions in the Evaluation Cooperation Group's template: organizational independence, behavioral independence, avoidance of conflict of interest, and protection from external influence. The reviewers' report and a subsequent paper identified the major evaluation gaps within the Bank Group and recommended actions to close them.

The Bank's monitoring and evaluation capacity building efforts were enhanced by a Regional Development Evaluation Seminar, held in Tunis in April 2005. The weeklong seminar was organized by the Bank, in collaboration with the Joint Africa Institute (JAI), the World Bank, and the South African Public Service Commission. Its primary objective was to introduce key development evaluation concepts, approaches, and methodologies to decision-makers engaged in PRSP activities in Africa. Survey responses indicated a high level of satisfaction with the seminar. The Bank's strategic partnerships with other development partners, with respect to evaluation, were further enhanced during the year by the secondment of an adviser from the World Bank and the sharing of experiences with the Inter-American Development Bank.

In 2005, the Bank started working on its Knowledge Management and Dissemination Strategy. The rationale for the strategy is the need for more accessible, relevant, and timely evaluation findings, lessons, and recommendations to better influence the design and implementation of Bank operations. To this end, for the first time, a dedicated quarterly publication *'Sharing'* was published to facilitate the dissemination of evaluation findings, lessons, and recommendations. The strategy's action plan also aims to identify other types of activities that can strengthen dissemination, feedback, monitoring and evaluation, and capacity building in the Bank's independent evaluation function over the next three years.

Internal Audit

The Bank Group's internal audit function continued to provide independent and objective assurance on various Bank Group activities, including advisory and consulting services, in compliance with International Standards for the Professional Practice of Internal Auditing. It systematically evaluated risk management, control and governance processes, adding value and improving Bank operations. Thus, the 2005 annual work program was prepared with a view to providing management with reasonable assurance of the effectiveness of the Bank's auditing systems and internal controls. To this end, audit activities during the year focused on Operations Complex audits, planned Corporate and Finance Complex audits, and specially requested audits.

The Operations Complex audits focused on good governance, management, and accountability in projects and programs funded by the Bank, within the Bank, and in RMCs. The operational audits focused on forming an overall opinion on the adequacy of the controls systems instituted by the Bank, Borrowers, executing agencies, and project implementation units, including field verification of projects.

During 2005, AUDT conducted 11 audits in selected RMCs, 12 Corporate and Finance Complex audits, and two specially requested audits.

Futhermore, the Bank's strategic orientation of opening new field offices and endowing them with increased authority required that AUDT provide reasonable assurances that adequate control mechanisms would be established and would function effectively as expected. In this light, AUDT audited two field offices in 2005. Effective November 1, 2005, the Banks' Internal Audit Department was renamed the Office of the Auditor General; its functions are discussed in Chapter 1.

Human Resources Management

The Bank's total regular staffing complement at end-December 2005 was 1,020 (excluding 52 elected officers and staff attached to the Boards), compared with 1,012 (excluding 31 elected officers) in 2004 and 987 in 2003 (see Table 3.1). Staff comprised one Vice President, 22 Directors, 69 Managers (including 12 Resident Representatives), 583 professional, and 345 GS staff members. Of the professional and management (PL) staff at post, 80 percent were from RMCs and 20 percent from non-RMCs; while 20 percent of management staff was from non-RMCs. In total, 79 percent of PL staff at post was male and 21 percent female. During 2005, the Bank contracted 70 short-term staff, 31 of whom are deployed at the Bank's headquarters in Abidjan, and 39 at the Tunis TRA offices, under special service contract. In addition, 136 staff was engaged locally, through temporary recruitment agencies, for deployment at the Bank's TRA.

Staff Planning and Recruitment

The Bank pursued its efforts to align human resources management with corporate priorities. Indeed, it sought to align business strategies with human resource priorities through a number of measures, including (i) bringing on board 100 new professional staff by the end of the year— taking into account diversity in terms of gender, age, and geographical representation; (ii) providing new field offices and existing offices with adequate staff; (iii) managing the Program for Senior Analysts; and (iv) managing and improving the Technical Assistance, Secondment and Internship programs.

The Bank's recruitment campaign, relaunched in 2003, continued at an increased pace during 2005. The campaign focused on recruiting for priority operational areas and on diversity of panel members to ensure geographical and gender representation. By end-December 2005, 75 new staff, including three direct appointments, had assumed duty; six new staff members are expected to come on board during the first quarter of 2006. Under the internal mobility program, 45 professional staff members were promoted through competitive processes. However, the recruitment campaign was put on hold pending completion of the work of the TFIR, which was established by the new President in November 2005.

To ensure better representation of member countries among staff, Bank recruitment missions visited Austria and Switzerland in 2005, continuing the recruitment drive to RMCs and non-RMCs launched in 2004. The Bank also pursued efforts to ensure diversity in gender and age among staff. Indeed, 15.2 percent of staff members recruited in 2005 were women; 9.2 percent of managerial positions were occupied by women; and the average age of new staff was 42.5 years.

During the year, recruitment for field offices was completed for Senegal, Madagascar, Mali, and Mozambique, and a financial management officer selected for the Sierra Leone Program Office. Interviews were concluded to fill vacancies in existing offices in Nigeria, Uganda, Tanzania, Egypt, and Gabon, and efforts are underway to recruit staff in other field offices in Rwanda, Morocco, Ghana, Burkina Faso, and the Democratic Republic of Congo (DRC).

During the year as well, the Program for Senior Analysts (PSA), created in 2002, reached an important milestone with the absorption of its first 4 graduates into the regular staff complement by end-2005. Eight PSA participants were recruited in 2005, bringing the total number of PSA recruits in the Bank to 36, of whom 77 percent were male and 23 percent female, while 55 percent were from RMCs and 45 percent from non-RMCs. The Bank will continue with this scheme in 2006, with a target of 15 intakes per year.

The conditions and procedures of the internship program were reviewed to enhance its effectiveness. In 2005, 92 students completed internships with the Bank; of this number, 45 percent were female and 55 percent male, while 70 percent were from RMCs and 30 percent from non-RMCs.

Futhermore, two technical assistants joined the Bank in 2005, bringing to 14 the total number of technical assistants in the Bank. Eight professional staff also joined the Bank on secondment, bringing the total number of staff on secondment to 12.

Compensation and Benefits

During 2005, the Bank sought to enhance efficiency in benefits administration through process and information technology changes, slated to continue in 2006. The impetus for these changes was the Bank's manual administrative processes, and payments and benefits, which account for the bulk of the Bank's total expenses. The improvements aimed at (i) achieving cost reductions through automation and employee self-service, (ii) increasing employee productivity and commitment, and (iii) improving insights for better strategic planning. A number of business process initiatives were incorporated into the

Table 3.1: Staffing and Employment Ratio to Country Share Percentages for Management and Professional Staff, as at December 31, 2005

CENTRAL REGION	Management and professional staff at post						Country's percentage of	Other staff		Offers made (regular professionals only) 1st January to 31st December 2005			
COUNTRIES	Vice-Presidents	Directors	Managers	Other Professionals	Total	Percentage of staff (%)	of shares (%)	Advisors and Assistants	General services	Management	Other professionals	Offers declined	Net total
Burundi		1	1	6	8	1.19	0.24	1	2				0
Cameroon		1	4	29	34	5.04	1.04		9		1		1
Central African Republic			1	3	4	0.59	0.05						0
Chad		1	1	6	8	1.19	0.08		5				0
Congo				8	8	1.19	0.47		3				0
DR Congo			2	2	4	0.59	1.05	1	2				0
Equatorial Guinea					0	0.00	0.16						0
Gabon				4	4	0.59	1.26	1			1		1
Rwanda		1		8	9	1.33	0.14				2		2
Sao Tome and Principe					0	0.00	0.07						0
TOTAL	0	4	9	66	79	11.70	4.54	3	21	0	4	0	4

NORTHERN REGION	Management and professional staff at post						Country's percentage of	Other staff		Offers made (regular professionals only) 1st January to 31st December 2005			
COUNTRIES	Vice-Presidents	Directors	Managers	Other Professionals	Total	Percentage of staff (%)	of shares (%)	Advisors and Assistants	General services	Management	Other professionals	Offers declined	Net total
Algeria			3	7	10	1.48	3.83	1	2		1		1
Egypt			2	6	8	1.19	5.16	2			2		2
Libya				1	1	0.15	3.68	2					0
Mauritania			3	14	17	2.52	0.20		3		2		2
Morocco		1	2	8	11	1.63	3.34	1	3		3	1	2
Sudan		1	1	5	7	1.04	0.41	1					0
Tunisia		1	1	17	19	2.81	1.41		1		3		3
TOTAL	0	3	12	58	73	10.81	18.03	7	9	0	11	1	10

EASTERN REGION	Management and professional staff at post						Country's percentage of	Other staff		Offers made (regular professionals only) 1st January to 31st December 2005			
COUNTRIES	Vice-Presidents	Directors	Managers	Other Professionals	Total	Percentage of staff (%)	of shares (%)	Advisors and Assistants	General services	Management	Other professionals	Offers declined	Net total
Comoros				1	1	0.15	0.02		1				0
Djibouti			1	2	3	0.44	0.06						0
Eritrea				2	2	0.30	0.12		1				0
Ethiopia				9	9	1.33	1.60	1	5				0
Kenya		1	1	18	20	2.96	1.46		3		3		3
Madagascar		1		5	6	0.89	0.65		1				0
Mauritius			1	6	7	1.04	0.65		1		2		2
Seychelles				1	1	0.15	0.06	1					0
Somalia			1	4	5	0.74	0.09						0
Tanzania				7	7	1.04	0.84		2		1		1
Uganda			2	12	14	2.07	0.52		5		2		2
TOTAL	0	2	6	67	75	11.11	6.07	2	19	0	8	0	8

Table 3.1 (Continued)

SOUTHERN REGION	Management and professional staff at post						Country's percentageof of shares (%)	Other staff		Offers made (regular professionals only) 1st January to 31st December 2005			
COUNTRIES	Vice-Presidents	Directors	Managers	Other Professionals	Total	Percentage of staff (%)		Advisors and Assistants	General services	Management	Other professionals	Offers declined	Net total
Angola					0	0.00	1.17	1					0
Botswana				2	2	0.30	2.15				1		1
Lesotho				2	2	0.30	0.15	1					0
Malawi				9	9	1.33	0.30	1	1		1		1
Mozambique					0	0.00	0.64	1					0
Namibia					0	0.00	0.34						0
South Africa			1	5	6	0.89	4.09				3	1	2
Swaziland				2	2	0.30	0.33						0
Zambia			1	9	10	1.48	1.24						0
Zimbabwe			1	10	11	1.63	2.18		1				0
TOTAL	**0**	**0**	**3**	**39**	**42**	**6.22**	**12.59**	**4**	**2**	**0**	**5**	**1**	**4**

WESTERN REGION	Management and professional staff at post						Country's percentageof of shares (%)	Other staff		Offers made (regular professionals only) 1st January to 31st December 2005			
COUNTRIES	Vice-Presidents	Directors	Managers	Other Professionals	Total	Percentage of staff (%)		Advisors and Assistants	General services	Management	Other professionals	Offers declined	Net total
Benin				22	22	3.26	0.20		22		1		1
Burkina Faso			2	15	17	2.52	0.44		20				0
Cape Verde				1	1	0.15	0.08		3				0
Côte d'Ivoire		1	7	49	57	8.44	3.75	1	132		3		3
Gambia			1	13	14	2.07	0.16						0
Ghana		1	3	23	27	4.00	2.28	1	34		3		3
Guinea			1	9	10	1.48	0.43	1	10		1		1
Guinea Bissau				0	0	0.00	0.03						0
Liberia				4	4	0.59	0.20		7				0
Mali		1	3	20	24	3.56	0.44		8		2		2
Niger				6	6	0.89	0.26	1	3				0
Nigeria		1	9	35	45	6.67	9.12	2	18		2		2
Senegal		1	2	32	35	5.19	1.05		12		1		1
Sierra Leone		1	1	5	7	1.04	0.25		10		1		1
Togo				3	3	0.44	0.16		4				0
TOTAL	**0**	**6**	**29**	**237**	**272**	**40.30**	**18.82**	**6**	**283**	**0**	**14**	**0**	**14**

NON-REGIONALS	Management and professional staff at post						Country's percentageof of shares (%)	Other staff		Offer made (regular professionals only) 1st January to 31st December 2005			
COUNTRIES	Vice-Presidents	Directors	Managers	Other Professionals	Total	Percentage of staff (%)		Advisors and Assistants	General services	Management	Other professionals	Offers declined	Net total
Argentina					0	0.00	0.27						0
Austria				1	1	0.15	0.45	1			1	1	0
Belgium			1	7	8	1.19	0.64	1		1	2		3
Brazil					0	0.00	0.44	1			1		1
Canada				15	15	2.22	3.76				3		3
China				3	3	0.44	1.12	1					0
Denmark				1	1	0.15	1.16	1					0
Finland				1	1	0.15	0.49						0
France	1	1	2	40	44	6.52	3.75		9		6	1	5
Germany				6	6	0.89	4.12	1			1		1
India				7	7	1.04	0.22		1				0
Italy		1		3	4	0.59	2.42			1	1	1	1
Japan				1	1	0.15	5.49						0
Korea (the Republic)					0	0.00	0.45						0
Kuwait					0	0.00	0.45						0
Netherlands				2	2	0.30	0.77				1		1
Norway				1	1	0.15	1.16			1			1
Portugal				1	1	0.15	0.23	1					0
Saudi Arabia					0	0.00	0.19						0
Spain					0	0.00	1.06	1					0
Sweden				2	2	0.30	1.54	1					0
Switzerland			1		1	0.15	1.47						0
United Kingdom		2	1	7	10	1.48	1.68				1		1
United States of America		3	5	18	26	3.85	6.62	2	1	1	3		4
TOTAL	1	7	10	116	134	19.85	39.95	11	11	4	20	3	21
GRAND TOTAL	1	22	69	583	675	100.00	100.00	33	345	4	62	5	61
Number of Female Staff		3	6	134	143			6	191	0	6	1	5
Female Staff Percentage (%)		13.64	8.70	22.98	21.19			18.18	55.36	0.00	9.68	20.00	8.20

institutional reforms framework during the latter part of the year and are expected to increase transparency in processes and release staff time for more strategic tasks.

Annual Salary Review for Professional Level (PL) Staff

On December 21, 2005, the Boards of Directors approved management's proposal for a merit-based salary increase for staff. Salary reviews continue to reflect the Boards commitment to ensure competitive remuneration for all staff categories and to recognize and reward performance. In response to an in-house review of the competitiveness of the Bank's salaries in relation to the comparator market, the Boards of Directors approved management's proposal for average salary and structural increases, to take effect from January 2006. The Boards also directed management to undertake a comprehensive review of the compensation (salary and benefits) and classification systems in 2006. This review will form the basis of the next compensation policy (2008-2013) and will ensure that the compensation philosophy is relevant and provides an integrated and coherent framework for mobilizing staff members to fulfill the Bank's mandate.

Health and Welfare

The Bank's Medical Center continued to treat minor illnesses and to play an active role in supporting and providing preventive medicine and advice on country-specific health requirements and risk exposure of traveling staff members. In addition, the Bank strengthened management and administration of its Medical Plan, and staff members and their dependents can now use the healthcare system and network of direct billing providers established in Tunis. The Medical Plan now has over 4,500 insured members and the Bank will continue to implement cost reduction strategies for the Plan in the coming years.

Staff Retirement Plan

In Januuary 2005, the Bank started implementation of the Staff Retirement Plan (SRP) reforms adopted in November 2004. The report on the *2005 Asset - Liability Management Study (ALM)* was presented to the Plan's investment committee by the scheme's advising actuary, and implementation of the report findings is expected to start in 2006. Under the new investment policy, the assets of the Plan are invested with the objective of tracking the returns of the MSCI-World Index (for the equity portion of the invested assets) and the Citigroup World Government Bond Index (for the fixed-income part of the invested assets). The underlying currency exposures are hedged back to their weights and composition in the unit of account. As a result of the adoption of this new policy, the portfolio of the SRP Fund had to be rebalanced. Negotiations with the external fund manager were completed and a new investment management agreement signed. The benefits of the new agreement include reduced management fees and a flat fee for the currency-hedging program. This new fee structure became effective on January 1, 2005, and the new guidelines on September 1, 2005.

In April 2005, Retiree Identity Cards were distributed to new and existing retirees. These cards will help SRP administrators verify the existence of beneficiaries; the cards will also provide retirees with a document recognizing them as members of the ADB Retirement Plan. During the first half of 2005, the SRP processed pension benefits for 487 retirees and beneficiaries, for a total of UA 5.7 million. Pension payroll was automated and successfully launched in May 2005, eliminating many of the manual procedures that cause delays in the processing of benefits payments. The actuarial valuation of the Plan for 2005 was finalized, and the report adopted by the investment committee. For the first time, this report contains recommendations on the Bank's contribution to the pension, following the reform of the Plan.

Financial Management

The financial management function targets two areas: the formulation of financial and risk management policies, guidelines, and procedures; and the monitoring and reporting on compliance thereof. Financial Complex operations fall under three thematic groups: (i) asset and liability management, (ii) credit risk management, and (iii) treasury risk management.

Asset and Liability Management

The Bank's General Authority on ALM was revised in 2005 to consolidate stand-alone policy documents on market risks and to bring related policies up to date with recent market and institutional developments. The revised framework document is expected to strengthen Board oversight by facilitating an integrated approach to ALM throughout the Bank. Following the approval of the revised ALM Authority, the ALM guidelines for the ADB and the NTF were updated to conform to the Authority and to continue enhancing the document.

Credit Risk Management

The Bank continued to adjust its credit risk management activities to the growing emphasis on non-sovereign projects in the Bank's lending operations. Through its credit risk management team, it submitted credit opinions on new commercial projects with innovative structuring features to the Board. The Bank also continued to focus on improving project quality-at-entry through the development and implementation of the Showcase Projects Initiative (SPI) – aimed at providing staff with the necessary tools to perform state-of-the-art project appraisals, including pertinent risk and stakeholder analysis. The SPI was implemented through hands-on training, which culminated in the development of relevant pedagogical materials.

Treasury Risk Management
During 2005, the Bank's treasury risk management function focused on strengthening straight-through processing of treasury transactions and on building decision support tools for performance analysis, risk analysis, and control of treasury activities. It also improved the reconciliation process for reporting treasury transactions in the general ledger. Following the adoption of the fair-value option, it implemented a methodology for the valuation of the borrowing portfolio, to ensure compliance with International Financial Reporting Standards.

General Counsel and Legal Services

The Bank continued to use the law as a tool to promote socio-economic development in Africa, and to further the compliance and effectiveness of internal rules and regulations essential for smooth institutional, operational, administrative and financial affairs. Consistent with this objective, the Bank's legal function ensured that major activities, including the election of the new president, were in consonance with provisions of the Agreement Establishing the Bank and with subordinate internal rules and regulations; and it facilitated a smooth transition of authority under the oversight of the Board of Governors and of the Steering Committee of the Board of Governors on the Election of a President.

Other legal activities undertaken by the Bank's legal function during the year included designing and developing an appropriate legal framework for the new features of the ADF-X, and for the proposed debt forgiveness and compensatory financing scheme under the MDRI, further advancing resource mobilization for RMC development through the establishment of new special funds and trust funds; notably, the NEPAD-IPPF and the Enhanced Private Sector Initiative for Africa (EPSA); and accelerating the implementation of the Bank's decentralization program with the conclusion of several negotiations with host countries for the establishment of field offices.

During the year as well, the Bank made progress on the implementation of the harmonization agenda, with its legal function providing clear guidance on the Bank Group's capacity to engage in Budget Support Loans and Sector Wide Approaches (SWAps) in the context of specific Charter provisions about the origin of goods and services.

Other legal activities included providing support to the Finance Complex in implementing the 2005 borrowing program, advising on the establishment of an anti-corruption and fraud investigation function in the Bank's newly established Office of the Auditor-General, seeking resolution of staff-related disputes before the Administrative Tribunal; and conducting (with the NEPAD Secretariat) country reviews under the African Peer Review Mechanism, continuing to focus on improved competitiveness in Middle Income Countries (MICs) and on debt management by RMCs, and providing training for lawyers in RMCs under the African School of International Financial Law program.

Information Technology Management and Telecommunications

During the year, the Bank pursued its efforts and made progress, under its Information Technology and Telecommunications Modernization Program, in implementing, consolidating, and maintaining its information technology and telecommunications infrastructure. The related major activities and achievements during the year included the following.

(i) Capitalizing on the substantial investment in information technology facilities undertaken in recent years by ensuring that staff continue to have access to, and are fully trained in the use of, appropriate applications, software, and equipment, and that the potential benefits of business process reengineering were fully realized. Specific achievements in this regard included:

- Implementing integrated enterprise resource planning (SAP) applications to enable single data capturing and sharing across the Bank Group's business areas, and an Internet transaction server, with secured access, to allow staff to access SAP anytime from anywhere; and training staff in the Uganda and Egypt Country Offices to use the SAP system.

- Upgrading SUMMIT, a fully integrated treasury system, to incorporate enhanced features such as improved SUMMIT/NUMERIX integration, implementation of a Web Access Module, real time risk analysis, and effective implementation of a pilot Collateral Management Module (to be rolled out in 2006).

- Operationalizing the Bank's Business Continuity Plan (BCP). This involved renewing the Bank's contract with SunGARD, the service provider, for five years, with amendments. The new contract covers all changes that have occurred in the Bank's information systems architecture since 2003 and includes provision for a solution (VytalVault) that backs up the Bank's data electronically to SunGARD. However, the full implementation of this solution will depend on the successful completion of the system tests in progress. Under the contract, the

Bank will undertake regular readiness testing at SunGARD's premises. These investments helped improve efficiency in daily operations and will ensure business continuity in case of interruption of service at Headquarters.

- Installing a new operational information technology infrastructure at the TRA in Tunis and continuing to upgrade core applications (SAP, DARMS, and SUMMIT) that have an impact on business continuity processes.

(ii) Upgrading satellite communications systems to provide online access to HQ systems and video-conferencing capabilities in the network of field offices. In this regard, field office systems in Tanzania, Uganda, Ethiopia, Senegal, Madagascar, and Mali became fully operational in 2005. At end-2005, negotiations were underway with the respective regulators and governments in connection with commitments to the grant telecommunications licenses and permits for the remaining field offices.

(iii) Upgrading the Bank's knowledge management capabilities. During the year, the Bank implemented the following knowledge management projects:

- DARMS: All Board documents (totaling 48,000) were captured and imported into the system.

- Corporate Data Warehouse Project: A phased development approach was adopted: Phase 1 comprised all data on projects, loans, missions and travel, and accounting; Phase two, all data related to institutional procurement, staff retirement plans, budget, human resources part 1 (staff records, benefits, and payroll), financial assets mobilization and investments.
- The intranet and extranet platforms were enhanced to provide capability for searching internal data repositories and databases. The system will be integrated with in-house applications, and will have the capability to grant external partners and staff from sister institutions restricted access to internal resources through the extranet.

Administrative Services

Through negotiations with service providers, most maintenance contracts at Headquarters were renewed at the same cost level as during the previous two years. Despite the suspension of the Bank's investment program, some technical equipment at Headquarters was replaced to avoid compromising their operation in the long term. Installations at the TRA were also upgraded to comply with fire security regulations, and an advanced fire agency was established on one of the sites occupied by the Bank. The Bank continued to fit out and equip office space at the TRA in Tunis to meet the increasing need generated by the implementation of the staff recruitment program. Under its new procurement strategy, the Bank signed long-term contracts with international suppliers in order to obtain preferential competitive rates because of the variety and volume of its acquisitions.

Procurement Policy and Monitoring Services

The Bank continued to execute its procurement policy and monitoring functions, reviewing procurement rules, developing guidelines, and reviewing procurement documents for operations units throughout the project cycle. It also continued to review complex tender documents and borrowers' evaluation reports, participated in 20 project-cycle missions covering several projects in RMCs, and helped operations units resolve close to 240 complex procurement issues—a 30-percent increase over the previous year.

During the year, the Bank's procurement function completed the *Annual Procurement Post Review Report for 2004.* It conducted procurement post-review missions for six on-going projects identified in the Annual Portfolio Performance Review as high-risk projects (with procurement problems and disbursement rates that were about 50 percent). In addition, it prepared 12 monthly briefs summarizing sensitive procurement cases officially received by the Bank for review by management.

To support procurement capacity building in RMCs, the Bank organized a number of procurement-related workshops and seminars, including 14 national project implementation workshops. It also organized three procurement training seminars for Bank staff; 10 seminars on business opportunities in RMCs—to pursue dialogue, communication, and interaction with clients and partners; and five other seminars in Tunis for RMC delegations—to disseminate information on procurement opportunities created under the Bank's projects.

The Bank's procurement unit also pursued efforts to harmonize, enhance, and improve the Bank's procurement policies, procedures, and relations with partner institutions by participating in several activities, including a Meeting of the Heads of Procurement to agree on, and finalize amendments to, the Master Procurement Documents for Works, and for Plant Design, Supply, Install; and seven international fora on procurement harmonization.

The Bank continued to work closely with the World Bank to prepare Country Performance Assessment Reports for three RMCs (Burkina Faso, Senegal and Gabon). Finally, the Bank began revising its procurement policies, rules, and procedures. This exercise involves streamlining and harmonization with other MDBs, and facilitating the use of country systems; it is expected to be completed in 2006.

Corporate Communications

Using the full range of communications platforms, the Bank's communications function expanded institutional outreach to external audiences—to improve knowledge and visibility of the Bank within RMCs and non-RMCs. It also undertook measures to improve internal communications, including the introduction of the *Bank in Action* – a daily, English/French electronic news bulletin presenting a snapshot of the activities of Bank staff at the TRA in Tunis, in field offices, and in different parts of the world. A compendium of *Bank in Action* bulletins will be published at the beginning of 2006.

The election of a new president (during the Annual Meetings in May 2005 and the Extraordinary Annual Meetings in Tunis in July 2005) generated intense media interest about the Bank, both within and outside Africa. In response to the heightened demand for information about the Bank Group and about the new President, the Bank's Communications Division prepared and distributed a series of backgrounders in hard and in digital copy (CD-ROMs); it also launched the publication of an ADB Annual Meetings newspaper during the Meetings. The inauguration of the new President on September 1, 2005, also engendered great interest in the Bank, resulting in wider and more robust interactions with major international media. As a result several news organizations interviewed the President and key management staff, leading to unprecedented positive media coverage for the Bank.

During 2005, the Bank took the following concrete measures to implement the *Information Disclosure Policy* adopted by the Boards in 2004.

- It revamped its website to integrate a more powerful search engine, and incorporate design features to make the site more user-friendly.

- It produced an *Information Disclosure Policy Guide* that will be used to train project managers and other senior staff, as of 2006.

- It opened a Public Information Center (PIC) in its TRA in Tunis to improve the dissemination of Bank information and provide documentation on the Bank's activities to visitors on mission to the TRA. The Bank also initiated discussions with the government of Tanzania and with the World Bank, to explore the possibility of opening a joint pilot Development Information Center in Dar es-Salaam. If successful, this effort will be replicated in other interested countries.

Institutionalizing development communications in the Bank will ensure that the most important aspects of the Bank's work benefit from quality stakeholder awareness and participation that can only be obtained through strategic outreach. To this end, the Bank's communications staff reached out to project managers, providing communications support during project development and implementation, among other activities. As well, to foster communications and cooperation with other partner organizations, the Bank participated in external events such as the World Bank/IMF Annual Meetings in Washington D.C.; the African Journalist of the Year Award, co-organized by the Global Media Organization, Cable News Network (CNN) and MULTICHOICE, held in Nairobi, Kenya; and the Annual General Assembly of the Southern African Broadcasters Association, held in Arusha, Tanzania.

A Bank Group Corporate Communications Strategy was also developed and will be presented to the Boards in 2006. The strategy will provide statutory and material tools to expand communications on projects and disseminate knowledge.





Part II

Operational Priorities and Regional Perspectives

Operational Priorities and Development Effectiveness: Current Status of Bank Initiatives

Economic and Social Trends in RMCs and Bank Group Operations

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Chapter Four

Operational Priorities and Development Effectiveness: Current Status of Bank Initiatives

The Bank Group's Strategic Approach

Bank Group Focus on Poverty Reduction

Development Effectiveness of Bank Group Operations

Bank Group Initiatives

Sectoral and Crosscutting Activities

- Agriculture and Rural Development
- Infrastructure
- Social Development
- Economic Co-operation and Regional Integration
- Private Sector Development
- Gender Mainstreaming Activities
- Environmental Management
- Good Governance

During 2005, the Bank pursued its efforts to translate its policies, guidelines, and operational priorities into projects and programs aimed at promoting sustainable economic growth and reducing poverty in its regional member countries. This Chapter presents the Bank's activities in this regard and examines the current status of Bank Group initiatives.

The Bank Group's Strategic Approach

In line with its new strategic orientations and priorities and with its operational guiding principles (discussed in Chapter 2), the Bank continued to focus on the following priority areas of intervention at the country and regional levels to achieve its twin objectives of stimulating economic growth and reducing poverty in RMCs.

- Country level: agriculture and rural development; infrastructure, comprising transport, power supply, communications, water supply and sanitation; education; health; private sector development; and good governance.

- Regional level: economic cooperation and integration through continued support for the New Partnership for Africa's Development (NEPAD), the African Peer Review Mechanism, and water initiatives.

- Crosscutting issues: promoting sustainable environmental management and gender equity.

The Bank also continued to support structural reforms and debt relief in RMCs through the enhanced HIPC Initiative and the Multilateral Debt Relief Initiative launched by the G8 countries in July 2005.

Bank Group Focus on Poverty Reduction

The Bank's response to the persistent and widespread poverty in Africa is multi-dimensional. It includes implementing its new Poverty Reduction Policy; continuing to support RMCs in their poverty reduction strategy paper (PRSP) processes; strengthening Bank staff capacity in poverty analysis; and providing technical assistance, advisory services, and Economic and Sector Work (ESW) to RMCs. This response is particularly important in light of the global consensus to harmonize poverty reduction policies, programs, and procedures, and of the need to accelerate efforts to achieve the MDGs.

Implementation of the Poverty Reduction Policy

In line with management's declaration of 2005 as "the year of implementation", the Bank undertook several activities to expedite the implementation of its new *Poverty Reduction Policy.* These activities included disseminating various elements of the policy among staff; training staff in the "economics of poverty"; and holding a workshop on pro-poor growth and poverty and social impact analysis (PSIA) and their articulation in PRSPs. The Bank also took further steps to deepen the poverty reduction dimensions of specific themes such as agricultural development and pro-poor growth, the promotion of gender equity, and the allocation of more resources to the education, health, and water and sanitation sectors.

With the approval, in July 2005, of the new *Annotated Format for Results-Based Country Strategy Papers* (RBCSPs), the Bank also strengthened the poverty focus of CSPs. Taking into account the funding principles of the Bank's Strategic Plan, the new format strengthens the linkage between Bank operations and the priorities set out in the PRSPs of RMCs. The format emphasizes the importance of managing for results and favorable outcomes. It also highlights the significance of developing viable, poverty-relevant monitoring and evaluation (M&E) systems in the Bank and in its RMCs. This will increase the Bank's contributions to policy harmonization, poverty reduction, and development effectiveness at the country level.

The progress report on lending and non-lending poverty reduction activities in 2001-2002 is being finalized, and the report for 2003 has begun. The main objective of these reports is to examine the extent to which the Bank's *Poverty Reduction Policy* is being used to inform the institution's lending and non-lending operations.

Collaboration with Development Partners

As a result of the emerging consensus on harmonization, alignment, and managing for results, the Bank continued to strengthen its collaborative arrangements with all major multilateral and bilateral agencies (World Bank, IMF, ECA, UNDP, UNFPA, DFID, GTZ, and the SPA) on the shared objective of poverty reduction. Areas of collaboration included capacity and institution building; co-financing of programs and projects, especially those related to PRSPs and Poverty Reduction Support Credits (PRSCs); and harmonization of intervention mechanisms. As part of this effort, the ADB, the World Bank, and the UNDP organized a policy harmonization workshop in 2005 to facilitate the implementation of PRSPs. Joint support for PRSP implementation also featured prominently in discussions at the SPA meeting in Johannesburg in January 2005.

Stakeholder Participation

The Bank maintained its emphasis on a participatory approach and on stakeholder consultation in preparing and implementing policies and operations, and in executing non-financing activities. This was in line with its focus on poverty reduction and its support for the enhancement of development effectiveness. In December 2005, the Bank organized a workshop for 24 participants from 19 RMCs, comprising practitioners and central bank and government officials, to critically review its new *Microfinance Policy and Strategic Orientations.* By increasing its presence in RMCs through more field offices, the Bank will intensify its consultations with key stakeholders and with development partners.

During 2005, the Bank continued to guide and nurture its growing interaction with civil society organizations (CSOs). It disseminated its policy on cooperation with CSOs to Bank staff, RMCs, and other development partners. The policy provides a framework for improved collaboration with civil society. It underscores the Bank's commitment to stakeholder participation as a key strategy for achieving its overarching objectives of poverty reduction and good governance, while contributing to project quality and sustainability. The Bank is also disseminating the *Handbook on Stakeholder Consultation and Participation in ADB Operations*. Furthermore, in consultations with the World Bank, the UNDP and the ECA, the Bank updated its database on NGOs and CSOs in 2005. The new directory will be posted on the Bank's website in early 2006.

Development Effectiveness of Bank Group Operations

Portfolio Quality

Quality at Entry and During Implementation

Consistent with the funding principles of its strategic orientations and priorities, the Bank pursued its efforts to improve the development effectiveness of its operations. In 2005, it adopted the *Annotated Format of the Results-Based Country Strategy Paper* (RBCSP) and the Bank Group Action Plan on Harmonization, Alignment and Managing for Results (HA&MfR). It continued to focus on quality assurance (QA) activities to improve the implementation performance of its operations. This included maintaining the core tasks of the internal review process; preparing the *Annual Portfolio Performance Review for 2004;* preparing the first QA workshop; launching the first quality-at-entry assessment (QEA); preparing the quality-of-supervision assessment (QSA); and revising selected operational procedures, and designing new ones.

> In line with the Action Plan to Improve the Implementation of ADF Operations, in 2005 the Bank introduced a more formal and rigorous QEA of Bank operations to improve the quality of country operations.

The *Annual Portfolio Performance Review for 2004*, which was endorsed by the Boards of Directors in 2005, noted that there were improvements in some aspects of the Bank's portfolio; the number of ageing operations had declined from 209 in 1996 to 107 in 2003; and the number of problem projects had decreased substantially, from 238 operations in 1995 to 32 operations in 2003 (proportionately from 35 percent in 1995 to 10 percent in 2003). In contrast, the ratio of projects-at-risk rose from 33 percent in 2001 to 48 percent in 2003/2003; while commitments-at-risk increased from 34 percent in 2001 to 46 percent in 2005. The review also highlighted continuing problems with procurement, poor adherence to implementation schedules, and low disbursement rates. Nevertheless, the Bank's efforts to reduce the number of problem projects have paid off as the number of such projects stabilized at about 10-12 percent over the past five years.

In 2005, the Bank organized a workshop on quality assurance, aimed at strengthening staff capacity to mainstream quality into all phases of the Bank's operational processes. The workshop was part of an ongoing process to strengthen the skills and aptitudes needed to maintain high quality standards in the design and implementation of operations.

In line with the Action Plan to Improve the Implementation of ADF Operations, in 2005 the Bank introduced a more formal and rigorous QEA of Bank operations to improve the quality of country operations. This first QEA was successfully implemented in 27 projects and programs approved by the Boards during 2004. More than 100 Bank Staff participated in the assessment exercise, which highlighted some aspects of the quality of Bank operations that management should focus on. The launching of the QEA process provided the Bank with a diagnostic tool for analyzing the quality dimensions of projects and programs. The process identified operational weaknesses in project implementation that should be addressed by staff and management. It also provided important benchmark data for evaluating quality improvements in Bank operations. Furthermore, the findings will facilitate Bank Group efforts to fine-tune the sequencing of quality improvement interventions articulated in the ADF-X Action Plan and in the Bank Group's overall work program.

During the year, the Bank adopted a framework for assessing the effectiveness of results-based project supervision. This process will be conducted through a QSA exercise to be launched in 2006. It is expected that the QSA will complement the Annual Portfolio Performance Review by enhancing accountability and institutional learning. The QSA process will directly contribute to the overall development effectiveness of Bank operations.

Results-Based Management

Since the Second High Level Forum on Harmonization, Alignment, and Managing for Results, held in Paris in 2005, the Bank Group has been working on implementing the managing for results agenda. Indeed, the Bank Group's approach to results-based management (RBM) is anchored to the following core principles: focusing dialogue on results at all phases of the development process; aligning programming, monitoring and evaluation activities with the agreed expected results (aligning the Bank's country strategies to the PRSPs or the National Development Plans of RMCs); and using results information to improve management's learning and decision-making, as well as reporting and accountability.

During 2005, the Bank Group introduced an enhanced Results-Based LogFrame tool to be used by staff during the preparation, appraisal, supervision, and evaluation of Bank operations, with a view to achieving targeted results. It organized three training sessions, which were attended by more than 100 professionals from the Operations Complexes and support units. To complement the results-based operational toolkit, management prepared a QSA format that will enable Operations Complexes to focus on results during the operations supervision process. As part of the process of transforming the Bank into a full-fledged RBM institution, the Bank prepared Results-Based CSPs for ADF-eligible countries (RB-CSPs). All the 19 CSPs approved by the Boards in 2005 for ADF countries incorporated managing for results principles, with emphasis on better alignment with the countries' PRSPs. The new CSPs include a monitorable results-based matrix that will be evaluated at the end of the cycle.

The Bank also prepared the ADF-X Results Measurement Framework (RMF), which will be considered by the Boards in 2006. Prepared in close collaboration with the IDA, the RMF proposes a set of MDG-related indicators to be used in monitoring poverty reduction outcomes and the contribution of the ADF to these outcomes in eligible countries. The RMF is supported by a five-level action plan: (i) Developing the capacity of RMCs to formulate comprehensive and consistent development strategies and strengthening their knowledge base by supporting their PRSPs and building their national statistical capacity; (ii) Aligning the Bank's tools with country needs and improving project monitoring and evaluation; (iii) Reporting on development effectiveness at the corporate level; (iv) Realigning staff motivation and providing them with RBM training; and (v) Enhancing management buy-in and staff awareness of the RBM process.

Bank Group Initiatives

In line with its new strategic orientations and priorities, the Bank launched several initiatives to help RMCs pursue their development efforts and make progress towards achieving the MDGs. These initiatives include the Harmonization, Alignment and Managing for Results (HA&MfR) Initiative; the Africa Infrastructure Consortium; a number of water initiatives (in particular, the African Water Facility (AWF) and the Rural Water Supply and Sanitation Initiative (RWSSI)); the Enhanced Private Sector Assistance for Africa (EPSA) Initiative; the Middle Income Countries (MICs) Initiative; and the FINESSE Program. The Bank also continued to deepen its support for the NEPAD Initiative.

The Harmonization, Alignment, and Management for Results Initiative

Harmonization, alignment, and management for results is an important aspect of the Bank's efforts to improve development effectiveness. In line with this, management adopted an Action Plan for Harmonization, Alignment and Managing for Results (HA&MfR), which is based on five core principles: country ownership, harmonization, alignment, mutual accountability, and managing for results. Specifically, HA&MfR will improve development effectiveness by (i) strengthening country ownership and government leadership of the development agenda; (ii) aligning development assistance with the development priorities and the results-oriented strategies of the partner country; (iii) aligning donor policies, procedures, and practices with country processes and systems rather than creating parallel systems; and (iv) strengthening the capacities of national systems and procedures. These core principles translate into the following operational directives: dialogue should focus on results at all phases of the development process; donors' strategies should be aligned with PRSPs or development plans; actual programming, monitoring and evaluation activities should be aligned with the agreed expected results; the results reporting system should be kept simple, cost effective, and user-friendly; management should be for, not by, results; and results information should be used for management learning and decision-making and for reporting and accountability.

During 2005, the Bank developed a comprehensive strategy for becoming a results-based management (RBM) institution. The Bank's approach is based on a three-tiered conceptual framework that will allow the institution to intervene at the corporate, country, and project levels, in order to mainstream results-based management. An information technology blueprint—aimed at providing the institution with the technical ability to implement the conceptual framework—and an implementation plan were also developed. Implementation of these RBM activities will continue using resources earmarked under the *Strategic Resources Framework for Institutional Development* (SRFID).

The Bank is determined to implement commitments and agreements made at various international and regional fora on HA&MfR, and sees partnerships as key to promoting the HA&MfR agenda. As a result, it is involved in various partnerships established to operationalize HA&MfR at RMC and institutional levels. In this context, the Bank, together with the World Bank and other partners, is shifting progressively from institutional-level harmonization activities to country-level activities and program focus. To this end, in 2005 the Bank launched a system to document important institutional and country-level HA&MfR activities. To expedite the country-level implementation of the Paris commitments and agreements and provide an opportunity for exchange of experiences and best practices, the Bank co-organized, with the World Bank, the UNDP, and the OECD's Development Assistance Committee, a sub-regional workshop on the Paris Declaration for 14 eastern and southern African countries and their development partners, in Entebbe, Uganda, in November 2005. A similar workshop for Central, West, and North African countries is planned for 2006 in Bamako, Mali.

The African Infrastructure Consortium

Recognizing the pivotal role of economic infrastructure in improving Africa's competitiveness, in exploiting its trade opportunities, in facilitating its integration into the global economy, and in alleviating poverty, G8 leaders, at their summit in Gleneagles in July 2005, recommended the setting up of an African Infrastructure Consortium (AIC). The Consortium would be jointly implemented by the African Union, NEPAD, the World Bank, and the ADB—with NEPAD as the lead infrastructure agency—to facilitate infrastructure investment in Africa.

Following the G8 Summit, an AIC meeting was held in London to consider the proposal, tabled by the UK, for the establishment of the Consortium. The meeting brought together participants from the AU, the NEPAD Secretariat, ECOWAS, the European Union, the World Bank, and the ADB. Participants unanimously agreed to the UK proposal. After a series of follow-up activities undertaken by the UK and the Bank Group, the AIC was formally launched in October 2005 in London; the ADB was selected to host the AIC Secretariat because of its leadership role in infrastructure development under NEPAD.

The Consortium is a tripartite relationship among bilateral donors, multi-lateral agencies, and African institutions, including sub-regional development banks in the continent. The African institutions are led by the ADB, and membership in the Consortium is open to donors who make significant financial contribution to infrastructure development in Africa. The AU Commission, NEPAD secretariat, and regional economic communities participate as observers in meetings of the Consortium.

The primary objective of the Consortium is to build a strategic partnership among donors and stakeholders to facilitate the development of infrastructure in Africa, as prioritized by the AU/NEPAD and national governments, in support of economic growth and poverty reduction. The Consortium is a co-operative mechanism aimed at removing bottlenecks to progress in infrastructure development in Africa, and an advocate for more funding for infrastructure.

With respect to its activities, it will address national and regional constraints to infra-

structure development through advocacy, co-ordination of interventions, sharing of best practices, targeted strengthening of capacity at regional and continental levels, collective leverage on commitments and delivery of infrastructure programs, collection of data for monitoring and evaluation, support for project preparation activities, and support for targeted analytical work in support of infrastructure development. The emphasis will be on regional infrastructure due to the peculiar challenges at the regional level. The sectors to be covered are transport, energy, water supply and sanitation, information and communications technology.

Water Initiatives

More than any other sector, water and sanitation cut across all major aspects of the development agenda — poverty alleviation, environmental sustainability, private sector-led growth, education, participatory development, and good governance. Investment in water resource development is therefore a major strategy for promoting economic growth and achieving poverty reduction. Yet, water resource development and utilization in Africa is abysmally low. Only three percent of total renewable water resources are tapped for domestic, agricultural, and industrial consumption each year. In fact, some 300 million people in Africa have no access to safe water and about 313 million have no access to sanitation. To correct this situation so as to ensure sustainable economic growth and improve the living standards of people in RMCs, the Bank focuses on water resource development and management as one of its core areas of intervention. To this end, it has undertaken various water initiatives with the support of regional and international stakeholders. These initiatives include the Rural Water and Sanitation Initiative (RWSSI), the African Water Facility (AWF), spearheaded by the African Ministerial Council on Water (AMCOW), and the NEPAD Water and Sanitation Program within the NEPAD Infrastructure Program.

The Rural Water Supply and Sanitation Initiative

The RWSSI is the Bank's most significant water initiative. It was designed as the institution's medium for attaining the main goals of the African Water Vision and the MDGs on water and sanitation for rural areas. The primary objective of the RWSSI is to mobilize African governments and international donors to accelerate investments in rural water supply and sanitation in order to improve access to water and sanitation for rural populations. The strategic plan underscores that the main target of the RWSSI is to extend safe water and basic sanitation coverage to 80 percent of rural dwellers by 2015, from a base level of about 47 percent for water supply and 44 percent for sanitation in 2000. The cost of total resource requirements for achieving 80 percent access to water and sanitation by 2015 is estimated at US$14.2 billion.

The RWSSI is based on partnerships with other donors and stakeholders. It encourages stakeholders to implement, manage, and operate community-based country programs. This approach fosters country ownership and operational consistency, and reduces duplication of efforts by harmonizing external assistance.

With regard to partnership with other donors, the World Bank and the African Development Bank held a joint retreat in Tunis on October 3 and 4, 2005, to share experiences and develop joint investment programs in RMCs. They reached a tentative agreement to set up a joint technical assistance unit for water and sanitation projects in the ADB in January 2006.

African Development Fund Deputies endorsed the RWSSI and increased

BOX 4.1: Sanitation Project in Cameroon

In November 2005, the Bank approved a UA 25.6 million grant to finance the *Yaoundé Sanitation Project* in Cameroon. The project is co-financed by the Government in the amount of UA 2.89 million.

Background: The main rainwater drainage system in Yaoundé is regularly blocked by solid waste, leading to flooding in some areas in the city. This disrupts the city's socio-economic activities, increases the spread of water-borne diseases, pollutes the water treatment station, and causes environmental damage. To address the problem, the government prepared a Yaoundé City Sanitation Master Plan, with financing from the Bank Group. The plan, which was completed in 1996 and its engineering design updated in 2002, is the basis for the preparation of the *Yaounde City Rainwater Drainage Project,* and, ultimately, the *Yaoundé Sanitation Project.*

Objectives: The specific objectives of the project are to (i) improve rainwater drainage in Yaoundé; (ii) improve the living conditions of the city's population; and (iii) build the capacity of the sector's stakeholders.

Outputs: The expected outputs from the project include (i) construction of a canal that is 4.32 kilometers long; (ii) protection and cleaning of three underground collectors that are about 2.35 kilometers long; (iii) development of two maintenance roads on either side of the canal and construction of access ramps; (iv) construction of two footbridges, a rail bridge, and a road bridge; (v) building of four disposal structures at the level of the forks which empty into the canal; (vi) construction of 50 containers and installation of 50 garbage bins along the canal; (vii) development of the areas around the canal (paving of four kilometers of footpaths, planting of trees and gardens, installation of 54 public benches and public lighting, building of two parking areas, each 400 square meters, and of two shelters; (viii) provision of short term sanitation training abroad for some staff members from the Yaoundé District Communes, the Directorate of Technical Services, the Yaoundé Urban Observatory and some associations and NGOs; and (ix) establishment of a project monitoring and evaluation system.

BOX 4.2: Rural Water Supply and Sanitation in Ethiopia

In December 2005, the Bank approved a UA 43.6 million grant to finance the *Rural Water Supply and Sanitation Program* in Ethiopia. The program is co-financed by other donors (UA 80.36 million); the Government (UA 46.22 million); and communities (UA 10.17 million).

Background: Since 1999, the Government of Ethiopia has formulated several water supply and sanitation policies, strategies, and programs. Nevertheless, rural water supply and sanitation coverage remains low at 24 percent and eight percent, respectively. Using a demand-driven approach to services delivery, the Government intends to raise national rural water supply and sanitation coverage to 62 percent and 54 percent, respectively. Ethiopia is among the five countries selected for the initial implementation of the Bank Group's Rural Water Supply and Sanitation Initiative, aimed at assisting RMCs achieve the MDGs and the African Water Vision targets for water supply and sanitation in rural areas.

Objectives: The main objective of the program is to improve access to rural water supply and sanitation services in Ethiopia, thereby contributing to the achievement of water-related MDGs.

Impact and Outputs: The expected outputs from the project include (i) construction of 24,500 water points, 10,000 demonstration latrines, and 6,500 communal latrines in schools, clinics, and rural growth centers by 2008; (ii) rehabilitation of 1,550 water points by mid-2008; (iii) construction of up to 1.45 million improved traditional pit latrines by communities—with own financing—by mid-2008; (iv) training in the implementation of the RWSS program for 15 staff from the Ministry of Water Resources and the Ministry of Health, 108 staff from Regional Water Bureaus and Regional Health Bureaus, 5,500 staff from Woreda Water Desks and Woreda Health Desks, 800 artisans as local service providers, 600 community facilitation teams, and 52 Woreda Support Groups; (v) training in water services management for 96,000 community representatives, comprising 30 percent women, from 12,300 water communities; (vi) provision of hygiene education for over 100,000 community representatives; (vii) quality testing of field water in 550 Woredas by mid-2008; (viii) installation of computer hardware and software for databases and management information systems at various ministries and institutions and training of staff to use them; and (ix) availability of spare parts at the community level.

With these measures, the rural water supply and rural sanitation coverage are expected to reach 62 percent and 54 percent, respectively, by 2015.

resource allocations under the ADF–X Replenishment to enable the Bank to finance up to 30 percent of first phase requirements. At the first RWSSI international donors' conference, held in Paris on April 1, 2005, all major international donors and African Governments were successfully mobilized to adopt the RWSSI as the common framework for resource mobilization and investment in water supply and sanitation services in rural Africa. France and Denmark pledged to contribute new funds amounting to €40 million and DKK230 million, respectively, for RWSSI and AWF financing, to be managed by the Bank. At end-2005, the Bank approved eight RWSSI programs in Rwanda, Mali, Ghana, Benin, Senegal, Uganda, Ethiopia, and Madagascar, and two RWSSI studies in Sierra Leone and Burkina Faso.

The African Water Facility

The AWF, an initiative led by the African Ministerial Council on Water (AMCOW), aims to mobilize resources for water infrastructure development in Africa. Its objective is to raise about US$615.7 million to finance facilitation and capital investment activities. The Facility's resource mobilization efforts are spearheaded by AMCOW and the AWF Governing Council, with support from the Bank. By end-2005, the European Commission, Canada, France, Norway, Austria, Sweden and Denmark had pledged to provide financial support—amounting to €9.6 million at end-2005—for the Facility. The Bank has also committed to contribute about €1.8 million over 3 years to cover permanent staff, management and other administrative costs, including office space.

Other significant achievements under this initiative in 2005 include the appointment of the AWF Director and two senior professional staff; the first inaugural meeting of the AWF Governing Council; the approval of AWF Operational Procedures by the Board and the adoption of the Five-Year 2005-2009 Operational Program and of the Budget for 2006.

The Enhanced Private Sector Assistance for Africa Initiative

The Bank's Strategic Plan underscores that a vibrant and robust private sector is essential to achieve the Bank's objectives of sustainable economic growth and poverty reduction in RMCs. Nevertheless, developing a vibrant private sector remains a daunting challenge for Africa because of low savings, capital flight, and inadequate foreign direct investment.

In 2005, the Government of Japan expressed interest in collaborating with the ADB to develop the private sector through a special initiative called the "Enhanced Private Sector Assistance for Africa" (EPSA). This initiative is in line with the Bank's Private Sector Development Strategy (PSD Strategy). It comprises two components: a grant component available for public and private sector operations, and a loan component of US$1 billion for sovereign and non-sovereign guaranteed lending operations. This integrated approach provides strong support for the PSD Strategy, which mainstreams private sector development into all aspects of the Bank's operational activities. Under EPSA, donors will be invited to co-finance government-sponsored programs and activities for private sector development in African countries. However, due consideration will be given to the debt sustainability of each recipient, and to the ongoing discussions among the international financial institutions on a forward-looking debt sustainability analysis framework.

Through the Japan Bank for International Cooperation (JBIC), Japan will provide concessional loans to regional member countries from its ODA resources; and the Bank will undertake project cycle activities such as project preparation for the JBIC. Where appropriate, loans will be combined with technical assistance grants to enhance the overall resource package for borrowers. In addition to sovereign guaranteed loans to finance government-sponsored programs for private sector development, EPSA will facilitate direct lending to private enterprises, commercially operated public enterprises, and sub-sovereign entities without a sovereign guarantee, to provide the required infrastructure for industrial and commercial development.

The Fund for African Private Sector Assistance

The grant component of EPSA will be financed with Fund for African Private Sector Assistance (FAPA) resources. The donor community and Japan are expected to contribute US$200 million to establish this Fund. Indeed, Japan has pledged to provide an initial contribution of US$20 million, which could be increased by up to 20 percent of the targeted donor contribution over the next five years. FAPA resources will be used to provide untied grants for studies, technical assistance, and capacity building to governments, regional economic communities and similar intergovernmental organizations, research institutions, commercial enterprises, and so on. The grants will enhance the Bank's ability to be more active in the upstream phase of the project preparation cycle, thereby strengthening the quality of its pipeline of bankable projects. The resources will also serve to promote innovative programs that specifically support SMEs.

The Middle Income Countries Initiative

Middle-income countries (MICs) in Africa are countries that have achieved significant progress in raising their living standards, but still face a number of development challenges, including (i) persistent pockets of poverty and inequality; (ii) vulnerability to shocks; (iii) pressures from globalization and economic integration; and (iv) private sector development. As a result of these challenges, several MICs are not on track to meet the MDGs and need financial assistance to do so. Some MICs, such as Morocco and Tunisia, have often turned to the Bank for financial assistance for their development programs; others, such as Algeria, Egypt, Mauritius, Nigeria, and South Africa have left their borrowing allocations largely untouched, opting for other financing options.

The Middle-Income Countries Initiative seeks to address the needs of RMCs, as well as those of low-income countries that graduate to MIC status. It recommends changes in Bank policies, procedures, and products to help these RMCs achieve the MDGs and improve the competitiveness of Bank Group operations.

- Technical Assistance: The amount of the MIC Trust Fund should be increased by UA 15 million from the ADB's net income, and annual increases should be provided as needed. The technical assistance ceiling per project should also be raised from UA 100,000 to UA600,000.

- Competitive Pricing: The commitment fee for all new sovereign-guarantee loans should be eliminated, and the range of commitment fees for non-sovereign guaranteed operations expanded from (0.5 percent - 1 percent) to (0 percent - 1 percent). The lending spread should be decreased from 0.5 percent to 0.4 percent, and the funding margin for new sovereign loans eliminated. Finally, the market risk premium should be eliminated for all new fixed-rate sovereign and non-sovereign loans.

- Environmental Impact Assessments: The publication of Environmental Impact Assessments for private sector projects in all countries should be reduced from 120 days to 60 days for Category 1 projects, to facilitate loan-processing procedures.

- Enhanced Quality and Development Effectiveness: A committee should be established to ensure implementation, monitoring, and reporting of recommended activities, and management's undertakings in the Initiative. The committee should prepare periodic reports for consideration by the Board.

Financing Energy Services for Small-Scale Energy Users Program

Since 1994, the development community has consistently and increasingly singled out energy as central to poverty reduction. Indeed, to effectively tackle poverty in Africa, the Bank must address the evolving challenges of the energy sector in its interventions. In line with this, the Bank's renewable energy and energy efficiency program encourages African countries to mainstream renewable energy and energy efficiency projects and programs with support from the Bank. This is done through the FINESSE programs financed by the Dutch Government to the tune of US$5.3 million. The program seeks to promote the efficient use of the continent's vast renewable energy resources.

During 2005, the Bank consulted various stakeholders, with a view to refining and guiding its interventions in the energy sector, particularly in the sustainable energy sub-sector. This process culminated in a regional consultative workshop in February 2005, which was attended by over 80 participants, including representatives from more than 30 African countries. The Bank also organized several sensitization and awareness-raising seminars to enhance the capacity of Bank staff to manage sustainable energy investment projects. Furthermore, to mainstream sustainable energy projects into its operations, the Bank stressed the inclusion of sustainable energy in the preparation of CSPs. It also identified specific sustainable energy projects and programs for inclusion in its portfolio; and launched a process to identify and develop, in its operations, project components that can benefit from GEF grant resources. It also established strategic partnerships with various bilateral and multilateral development organizations with a view to collaborating in the area of renewable and sustainable energy.

The FINESSE program will increase the capacity of Bank staff and of RMCs to handle sustainable energy investments, design a policy framework to guide Bank operations, and develop an extensive portfolio of sustainable energy investment projects. In so doing, the Bank is positioning itself to effectively help African countries fulfill their development aspirations through increased access to energy. These activities will also enable the Bank's regional member countries to meet the objectives of global environmental conventions such as the United Nations Convention on Biological Diversity, the United Nations Convention to Combat Desertification, and the United Nations Framework Convention on Climate Change.

The NEPAD Initiative

The NEPAD Initiative is a holistic approach to the development of the continent. Since its inception, it has advocated a development paradigm based on collective responsibility, ownership, development of new partnerships, and mobilization of local capacities and resources.

The NEPAD Heads of State and Government Implementation Committee mandated the Bank Group to be the lead agency for infrastructure development and to guide African countries in developing banking and financial standards. It also designated the Bank as a strategic partner of the African Peer Review Mechanism (APRM).

The NEPAD Strategy for Infrastructure Development includes a short- term action plan (STAP) complemented by a medium- to long-term strategic framework (MLTSF). For the most part, STAP projects under NEPAD are financed by multiple partners. The Bank's contribution for 2002-2005 consisted of US$532.6 million to finance 33 projects/initiatives, and US$1.6 billion in co-financing.

The MLTSF is being financed at a total cost of US$3.9 million, of which US$1.4 million will be provided by the Nigeria Technical Cooperation Fund (NTCF). The procurement process for hiring a consulting firm to conduct the study was launched and a consulting firm should be recruited in early 2006. The MLTSF will provide a coherent and strategic framework for defining, implementing, and monitoring infrastructure development in the continent. Furthermore, the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), established within the Bank in 2004 with CAN$10 million in seed funding from Canada, was converted into a multi-donor facility in 2005. The Danish Government has already contributed US$500,000 to the facility and more donors are expected to participate. To date, the IPPF has supported the preparation of five physical projects.

The NEPAD provides the overall framework for directing water resources development efforts to achieve the strategic goal of ensuring water security for Africa. The Bank assisted NEPAD in implementing its water and sanitation infrastructure development program to enhance regional integration. The NEPAD STAP includes the development of national integrated water resource management policies, projects to mitigate floods and droughts and to meet basic needs, and trans-boundary water resource management projects. The implementation of this aspect of STAP focused on seven river basins: 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. NEPAD's medium- to long- term strategic framework also comprises a water and sanitation infrastructure program.

With respect to the APRM, the Bank's activities in 2005 were directed at providing further assistance on country assessments to the APRM Secretariat and Panel of Eminent Persons. In this context, the Bank took part in all the nine support missions conducted in 2004 and 2005 to launch national self-assessments in Ghana, Kenya, Mauritius, Rwanda, Uganda, Nigeria, Algeria, Benin, and South Africa. In 2005, the Bank also participated in three APRM country review missions to Ghana, Rwanda, and Kenya to validate the findings of the country self-assessment reports and finalize the country action plans. It provided assistance to the APRM Secretariat and to the APRM Panel for the preparation of the country review reports.

During the year as well, the Bank also collaborated with the United Nations Economic Commission for Africa to address economic governance issues in RMCs, especially on country assessments. It supported the Association of

African Development Finance Institutions in developing prudent financial standards in 2005.

Sectoral and Crosscutting Activities

This section presents the Bank's interventions at the country and regional levels, focusing on the key sectors defined in its Strategic Plan and in the Action Plan to improve ADF operations. Specific projects and programs approved in each sector during the year are described in the Project Profiles in Chapter 6.

Agriculture and Rural Development

Poverty in Africa is predominantly a rural phenomenon, with the majority of the poor engaged in agriculture-related economic activities. Within this context, and consistent with the Bank's new strategic orientations and priorities, and with its efforts to help African countries meet the MDG of halving the incidence of poverty by 2015, the Bank continued to focus its operations on agriculture and rural development. Its poverty reduction strategies include measures to improve productivity, raise economic growth rates, and enhance the development effectiveness of Bank Group operations. In line with this, it supports RMCs efforts to develop comprehensive and pragmatic plans for agricultural modernization and rural development. The plans focus on agricultural policy, institutional and technological changes, the development of small- and medium-scale agriculture-based enterprises, microfinance, commercialization of agricultural products, food security, community-based programs, resource management, and the development of rural infrastructure such as feeder roads, rural electrification, irrigation schemes, and crop storage facilities. The Bank Group also supports RMCs in preparing Country Economic and Sector Work (ESW) in agriculture and rural development, and in undertaking appropriate measures to address their low institutional capacities, which hamper their development efforts.

During 2005, the Bank Group approved loans and grants for 21 projects in the agriculture and rural development sector. Total approvals for the sector amounted to UA 231.1 million, or 13.3 percent of total Bank Group approvals for 2005, compared with UA 274.5 million, or 15.8 percent of Bank Group approvals in 2004. Thus, compared with 2004 approvals, Bank Group approvals for the sector decreased by 15.8 percent, due to a strategic shift to infrastructure and to the social sector, with particular emphasis on water and sanitation and rural electrification. Concessional and non-concessional window approvals stood at UA 208 million and UA 23.1 million, respectively, representing 90 percent and 10 percent of total assistance to the sector, respectively. This compares well with 2004 when concessional and non-concessional window approvals were UA 242.4 million and UA 31.1 million, respectively, and represented 88.3 percent and 11.7 percent of total assistance to the sector, respectively.

From 1967 to 2005 cumulative loan and grant approvals for the agriculture and rual development sector amounted to UA 6.64 billion (for 755 projects), representing 18.1 percent of total Bank Group cumulative lending.

Projects approved in 2005 were at the national and multinational levels, and focused on far-reaching poverty reduction operations, food security, fisheries, environmental protection, and the upgrading of rural and feeder road infrastructure. The 10 key beneficiary countries were Angola, Chad, The Gambia, Guinea, Madagascar, Mali, Nigeria, Senegal, Sierra Leone, and the Democratic Republic of Congo. The specific projects financed are outlined in the Project Profiles in Chapter 6.

Infrastructure

Consistent with its strategic classification of projects, infrastructure in this context comprises power supply, water and sanita-

BOX 4.3: Rural Development in Senegal

In October 2005, the Bank approved a UA 20.0 million loan to finance the Casamance Rural Development Project in Senegal (PADERCA), with the aim of increasing the agricultural output in the region on a sustainable basis. The project is co-financed by the Government of Senegal and project beneficiaries in the amount of UA 4.5 million.

Background: At the beginning of the 1980s, the Casamance, a region endowed with considerable agricultural potential, was paralyzed by a separatist insurrection, which had a negative impact on the local economy and hampered development efforts. After the signing of a peace agreement and the creation of the National Agency for the Revival of Socioeconomic Activities in Casamance (ANRAC) in 2004, the Bank expressed its willingness to provide support for the reconstruction of the region. This led to the creation of PADERCA.

Objectives: The primary objective of the project is to support rural development through the conservation and development of water, soil, and forest resources. The specific objectives include (i) safeguarding agricultural production, (ii) protecting the natural environment, and (iii) increasing the income of farmers. This intervention will complement the Bank's ongoing and future activities in Casamance under the *Road Maintenance Program and Water Initiative*, making the Bank one of the major players in the region.

Impact and Outputs: The project will generate numerous jobs for skilled and unskilled people (including displaced or demobilized populations), improve agricultural productivity (raise cereal production by 42,000 tons), and improve access to basic services (potable water, education, health, and transport). In addition, the project will have a positive impact on the environment through natural environment regeneration measures (nearly 15,000 ha of rehabilitated lands). The incomes of farmers will also increase by over 35 percent. These measures will significantly improve the living conditions of rural communities.

tion, transport, and communications. The Bank's Strategic Plan underscores that infrastructure development is critical for the achievement of the Bank's overarching objectives of sustainable economic growth and poverty reduction in RMCs. Developing energy resources enhances the delivery of affordable energy services to economic and social sectors. Developing water supply and sanitation facilities contributes to food security by making available water for irrigation; it also contributes to good health by providing safe drinking water and sanitation. Improved transportation infrastructure removes barriers to the movement of goods and people and increases economic activity. Therefore, consistent with the Bank's Vision and with the guiding principles of its Strategic Plan, infrastructure development is one of the priority areas for Bank Group assistance.

During 2005, the Bank Group supported 23 infrastructure projects with UA 687.1 million, representing 39.4 percent of total Bank Group approvals. Compared with 2004, Bank Group approvals to the sector rose by 1.7 percent, from UA 675.7 million to UA 687.1 million. The bulk of approvals in 2005 were for power supply projects (40.1 percent); transportation (30.9 percent); and water and sanitation (29 percent). Relative to 2004, Bank Group approvals for water and sanitation increased by 65.4 percent, from UA 120.4 million to UA 199.1 million; approvals for power increased by 392.7 percent (from UA 56 million to UA 275.9 million), while approvals for transport decreased by 57.5 percent (from UA 499.3 million to UA 212.1 million). Concessional window allocations increased by 68.9 percent (from UA 246.4 million to UA 416.3 million), while non-concessional window lending decreased by 36.9 percent (from UA 429.3 million to UA 270.8 million). Cumulatively, since 1967 the infrastructure sector has received UA 13.2 billion, or 36 percent of loans and grants approved by the Bank Group.

BOX 4.4: Road Rehabilitation Project in the Democratic Republic of Congo (DRC)

In December 2005, the Bank approved a grant of UA 52.5 to finance the Nsele-Lufimi and Kwango-Kenge Roads Rehabilitation Project in the Democratic Republic of Congo (DRC). The project is also co-financed by the DRC Government in the amount of UA 5.8 million.

Background: The reopening of major roads is a top priority for the DRC Government under its Minimum Partnership Program for Transition and Recovery, 2004-2007. This includes the rehabilitation of the Nsele–Lufimi and Kwango–Kenge roads, situated on National Highway 1. These roads link the capital Kinshasa to the provinces of Bandundu, West Kasai, and East Kasai, which are among the country's major breadbaskets.

Objective: The objective of the project is to re-establish access to major urban centers, densely populated areas, major economic activity centers and the other countries of the sub-region, to foster economic growth. This comprises about 10,200 kilometers of national roads.

Outputs: As a result of the project (i) 94.6 kilometers of road, between Nsele and Lufimi, and 72.8 kilometers of road, from Kwango to Kenge, will be rehabilitated; (ii) 140 kilometers of feeder roads will be improved; (iii) seven drinking water supply points and seven rural markets will be developed; (iii) fences for six schools built; (iv) about thirty stalls and warehouses reconstructed; (v) about 15,000 people sensitized to problems related to road security, environmental protection, the fight against water-borne diseases such as diarrhea and malaria, and sexually transmissible diseases such as HIV/AIDS; (vi) 90 senior officials will be trained in procurement, contracts, project site supervision techniques, environmental management, transport project accounting, and road investment; (vii) computer and office automation equipment will be acquired; (viii) complete survey reports and bidding documents for the Loange-Mbuji Mayi road (601 kilometers) improvement works will be produced; and (vii) an audit of project accounts will be set-up.

In 2005, the Bank's operations in the water and sanitation sub-sector focused on the provision of rural water supply and sanitation. The Bank's activities in the energy sub-sector focused on (i) rural electrification—to stimulate rural development, and (ii) interconnection of energy systems at the regional level—to allow energy transfers from regions with readily available energy to areas of scarcity. In the transport sector, the emphasis was on road improvement, affordable transportation costs, and better living conditions for people. The eight RMCs that benefited during the year were Guinea, Nigeria, Senegal, Uganda, Madagascar, Chad, Ethiopia and Burundi. The specific projects funded are discussed under Project Profiles in Chapter 6.

Social Development

The challenge of meeting the MDGs is becoming increasingly urgent as the 2015 target date approaches. During 2005, the social sector continued to gain prominence in Bank Group support to RMCs for the achievement of the MDGs, consistent with the priorities outlined in the Bank's Strategic Plan. The Bank continued to provide assistance for (i) control of HIV/AIDS and other communicable diseases, (ii) access to quality primary health care, (ii) basic and vocational education, (iv) post-conflict reconstruction, and (iv) other targeted poverty reduction interventions. During 2005, the Bank Group approved loans and grants for 27 social sector operations, amounting to UA 233.7 million, or 13.4 percent of total lending for the year. Compared with 2004, approvals to the social sector increased by 48.8 percent (from UA 157.1 million to UA 233.7 million). Cumulatively, UA 4.3 billion or 11.7 percent of loans and grants approved by the Bank Group since 1967 have been to the social sector.

Education

The Bank continued to take action to deepen its assistance to regional member countries, with a view to helping them achieve

BOX 4.5: Post-Primary Education and Training in Uganda

In November 2005, the Bank Group approved a UA 20.00 million grant to finance the *Support for Post-Primary Education and Training Project* (Education III Project) in Uganda. The project is co-financed by the Government of Uganda in the amount of UA 2.23 million.

Background: The universal primary education program in Uganda has been remarkably successful: After ten years, primary school enrolments have increased from 2.2 million in 1993 to 7.6 million, an annual rate of increase of 13.2 percent. This achievement is putting pressure on the post-primary system, which lacks the capacity to absorb the primary school graduates. The transition rate from the primary to the secondary level is about 40 percent, and the Government plans to raise it to 80 percent by 2015, to ensure that an increasing number of children acquire full basic education (primary education and at least four years of secondary education). To this end, the dual strategy is first to strengthen lower secondary education (S1-S4) for it to adequately serve the purpose of being a substantive upper end of the basic education cycle, a basis for further education and training, and preparation for direct employment. Second, to offer S4 graduates an alternative option by improving the quality and relevance of Business, Technical, and Vocational Education and Training (BTVET) in relation to the employment opportunities in the economy.

Objectives: The specific objectives of the project are (i) to improve access to, and the quality of, secondary education to underserved communities, and (ii) to contribute to the development of a more relevant and effective training system for business/technical/vocational skills.

Impact and Outputs: The expected outputs of the project include (i) construction of 24 new seed secondary schools in rural communities, equipped with laboratories, and with teaching and learning materials to support the teaching of science and mathematics; (ii) completion of six existing seed schools, with the addition of more buildings and equipment; (iii) rehabilitation of six existing grant-aided public secondary schools, including the addition of laboratories and libraries; (iv) the provision of 11 of the target seed schools with dormitory facilities for girls; (v) revision of lower secondary (S1-S4) Mathematics and Science curriculum; (vi) training of 1,400 teachers in HIV/AIDS prevention, guidance and counseling; (vii) rehabilitation of two technical institutes and re-equipment with upgraded equipment; (viii) rehabilitation, re-equipment and strengthening of the Vocational Training Institute in Jinja to deliver instructor training in BTVET; (ix) annual training of 150 BETVET teachers; and (x) development of a more effective project coordination and management experience for the staff of the Ministry of Education Planning Department and Departments of Secondary Education and BTVET .

These measures will increase access to secondary education; improve science education; support business, technical and vocational education and training; and enhance project coordination and management.

BOX 4.6: Skills Training and Vocational Education in Nigeria

In June 2005, the Bank Group approved a UA 30.0 million loan to finance the *Skills Training and Vocational Education Project* in Nigeria. The project is co-financed by the Government of Nigeria in the amount of UA 3.71 million.

Background: The Nigerian economy is undergoing economic reforms in its quest for economic development. A prerequisite for economic development is a productive, competent, and flexible workforce. The demand for skilled workers and technicians in Nigeria is already acute and will become more intense as the industrial sector becomes the dominant provider of employment. Yet, vocational and technical education (VTE) is unable to respond to changing labor market requirements. Its curricula, instructional equipment, teaching methods, and evaluation techniques are outdated, and the Technology and Science Department lacks the management capacity to improve the low-performing vocational and technical schools. The proposed project will help develop a VTE policy, train staff, revise/develop curricula, and enhance equipment to improve efficiency. It will monitor labor market requirements and involve the private sector in training program development, accreditation, testing and certification to improve system-wide efficiency.

Objectives: The overall objective of the project is to improve access to quality vocational and technical education in formal and non-formal training institutions in Nigeria. Specifically, it will (i) improve access to skills training and vocational education; (ii) enhance the quality and efficiency of skills training and vocational education, (iii) strengthen public-private partnerships; and (iv) improve project management.

Impact and Outputs: The expected outputs of the project include (i) 10 VTE institutions to be rehabilitated and fully equipped with training equipment and teaching and learning materials by 2010; (ii) 500 in-service, 4,000 pre-service teachers/instructors, 14 TSD officials, 10 Assessors, 10 test item writers, 26 VTE institution managers/administrators, 10 career counselors, two labor market analysts, and 50 maintenance unit staff to be trained by 2010; (iii) teachers, VTE managers, key partners, and counselors to be trained in gender and education by 2010; and (iv) LMIS fully operational by 2010.

These measures will increase enrollments in beneficiary VTE institutions by 15 percent, improve the ratio of females in the beneficiary population by 20 percent, increase the number of qualified vocational teachers by 30 percent, and increase availability of appropriate teaching/learning materials.

education-related MDGs. In 2005, the Bank Group approved four operations totaling UA 114.0 million, representing 48.8 percent of total approvals in the social sector. This was a 186 percent increase over 2004 levels (UA 39.8 millions). The operations were aimed at improving access to, and quality of, primary and secondary level education for underserved communities, and at developing business/ technical/ vocational skills. Rwanda, Guinea, Nigeria, Tunisia, and Uganda are some of the RMCs that benefited from the education projects, which are discussed under Project Profiles in Chapter 6.

Health Care

During 2005, the Bank Group approved 10 operations in the health sub-sector, amounting to UA 90.7 million, representing 38.8 percent of total approvals to the social sector. This 11 percent decline (from UA 102 million in 2004 to UA 90.7 million) was due to the late approval of the RB-CSPs in some RMCs. But this trend is expected to reverse in 2006 because 12 of the 20 CSPs were approved during the second semester of 2005. The operations approved in 2005 were in support of RMCs' efforts to improve access to primary health care, in particular, strengthening health care systems, rehabilitating health facilities, capacity building, reducing maternal and mortality rates, and controlling communicable diseases, including HIV/AIDS. Beneficiary countries in 2005 included Benin, Burkina Faso, Malawi, Sierra Leone, and Angola. The projects are profiled in Chapter 6.

The Bank Group also financed some core projects in the social sector, including regional projects and humanitarian emergency assistance in the amount of UA 29.1 million, or 12.4 percent of total approvals to the social sector. Approvals for other social sector projects increased by 89 percent, compared with 2004 (from UA 15.4 million to UA 29.1 million). Chad, Burkina Faso, Niger, and Nigeria are some of the RMCs that benefited from the other projects in the social sector. The different projects are profiled in Chapter 6.

BOX 4.7: Health Care Development in Burkina Faso

In May 2005, the Bank Group approved a UA 25.0 million loan to finance the *Health Care Development Support Project* in Burkina Faso. The project is co-financed by the Government in the amount of UA 3.0 million.

Background: The health situation in Burkina Faso is marked by high morbidity and mortality rates and low access to basic health care. Only 35.2 percent of the population has access to basic health care. Malaria, one of the leading causes of morbidity, with an average of 600,000 cases per year, is endemic, along with acute respiratory and diarrhoeal diseases. High maternal and infant mortality rates and the AIDS pandemic remain critical problems. The health situation is exacerbated by the lack of health personnel and the prevalence of communicable and non-communicable diseases. The incidence of poverty is very high with about 46.4 percent of the population living below the poverty line.

Faced with these challenges, the Government of Burkina Faso prepared its Poverty Reduction Strategy Paper (PRSP) in 2000 and revised its National Health Policy. This led to the development of a National Health Development Plan (PNDS) in 2001. To reduce the morbidity and mortality rates, the revised policy focused on strengthening primary health care and on giving priority to the decentralization of the health system. To implement the PNDS, the Government approached all its development partners for financial assistance, and, in 2004, submitted a request for the Bank to finance the strengthening of the two health regions of the Centre-East and North.

Objectives: The project's ultimate objective is to help improve the health status and well-being of the Burkinabe population. The specific objectives are to (i) improve access to, and the quality of, health services in the North and Centre-East health regions; (ii) control diseases in the project area; and (iii) strengthen management of the health system through the Ministry of Health.

Impact and Outputs: The expected outputs of the project include (i) two Regional Hospitals (CHR), two Medical Centers, with Surgical Units (CMA), and 31 Health and Social Welfare Centers (CSPS) to be built and/or rehabilitated, normalized, and equipped by 2009; (ii) supply of 35 health units and nine district distribution depots with essential and generic drugs by 2008; (iii) creation and equipment of four HIV screening centers by 2009; (iv) training of 100 counsellors, a third of them female, in HIV/AIDS management, and 18 physicians in ARVT by 2010; (v) sensitization and patient management in nine health districts by 2008; (vi) training of medical and paramedical personnel and health workers in the project area; (vii) building of the Center-East SIEM and rehabilitation of the North SIEM, and both equipped by 2009; and (viii) training of 600 traditional doctors, a third of them women, in the production of traditional medicine in an appropriate setting by 2009.

These measures will help reduce the mortality rate by 50 percent, infant mortality rate by 50 percent, HIV prevalence rate from 2.7 percent in 2004 to about 1.5 percent in 2010, and malaria-related morbidity by 16 percent and malaria-related mortality by 25 percent.

Economic Co-operation and Regional Integration

Improved productivity and sustainable economic growth in Africa are critical for the fulfillment of the Bank's objective of reducing poverty in RMCs. Given the small size of many African economies and the lack of economies of scale at the country level, regional integration and economic co-operation would create larger markets, improve infrastructure and linkages between producers and consumers, and promote economies of scale and scope. Regional economic blocks would also enhance the integration of regional markets into the international trading arena. This would help Africa become more competitive in the global market by improving productivity and laying the foundations for sustainable economic growth. The Bank continues to support regional integration and economic cooperation in Africa through its multinational projects and programs and through the NEPAD Initiative.

BOX 4.8: Road Improvement and Transportation Facilitation on the Southbound Bamako-Dakar Corridor

In December 2005, the Bank Group approved UA 66.1 million (a UA 58.2 million loan and a UA 7.9 million grant) to finance the Road Improvement and Transport Facilitation Program on the Southbound Bamako-Dakar Corridor (Kati-Kita-Saraya-Kedougou-Dakar). This is a multinational project covering WAEMU/Mali and Senegal. The project is co-financed by WADB (UA 15.30 million); JBIC (UA 5.89 million); WAEMU (UA 0.74 million); IB, EU, KFW, and JAPAN (UA 95.41 million); Governments (UA 17.24 million) and private transport sector operators (UA 0.15 million).

Background: During the sectoral meeting of the Public Works Ministers from WAEMU States in Dakar, from August 27 to 31, 2001, the construction of the Kati-Kita-Saraya highway was identified as necessary for the preservation and improvement of land trade among trans-boundary populations. WAEMU drew up a community Infrastructure and Road Action Program, which was approved by the Ministerial Council of the Union and development partners in 2002. Senegal and Mali conducted economic feasibility studies and prepared preliminary engineering designs on the Kati-Kita-Saraya road stretch, with a subsidy from the Islamic Development Bank. The study was updated in 2005, with financial assistance from the ADF. Cognizant of the beneficial socio-economic impact of the project, the Governments of the Republic of Mali and the Republic of Senegal joined efforts to implement the project and submitted requests for financing to donors, including to the ADF.

Objectives: The specific objectives of the project are to (i) establish a permanent good service-level highway link through the South, between Mali and Senegal, and remove constraints on movement in order to reduce overall transport costs and foster economic exchanges between the two countries; (ii) improve the sustainability of investments by controlling axle loads; (iii) and improve the living conditions of project area dwellers. This will strengthen economic integration and sub-regional cooperation between WAEMU and ECOWAS member countries.

Outputs: The expected outputs from the project include (i) 421 kilometers of road improvement between Kati and Faleme in Mali; (ii) 112 kilometers of road improvement between Faleme and Kedougou in Senegal; (iii) the building of two bridges in Mali and a bridge at the border between the two countries; (iv) 235 kilometers of road rehabilitation between Tambacounda and Birkilane in Senegal; (v) connection of 100 kilometers of rural roads to the major highway in the two countries, (vi) the drilling of 10 boreholes in Mali and eight boreholes in Senegal; (vii) the supply of 1500 desks to Kita schools in Mali; (viii) five health posts to be built and equipped in each country; (ix) the training of 20 matrons and 10 community health workers; (x) the building of two distressing areas and one quarantine area for cattle; (xi) one equipped control post to be built at the border between the two countries; and (xii) eight corridor monitoring and evaluation surveys to be conducted.

In 2005, the Bank Group approved loans and grants amounting to UA 85.8 million (a decline from UA 219.2 million in 2004) for six multinational operations, in support of regional integration and economic integration in Africa. The operations financed were in infrastructure, the social sector, and humanitarian emergency relief. The specific projects are discussed in detail under Project Profiles in Chapter 6.

Private Sector Development

Cognizant of the essential role that the private sector plays in stimulating economic growth and reducing poverty, the Bank is mainstreaming private sector development activities into all aspects of its operations, as outlined in the Bank's Private Sector Development (PSD) Strategy. The PSD Strategy, which is in line with the Bank's new strategic orientations and priorities, is built on three pillars: (i) country ownership of the private sector development process; (ii) partnership with development partners and other economic operators; and (iii) selectivity of intervention sectors, as defined in the Bank's country strategy papers.

In 2005, the Bank approved six private sector operations, amounting to UA 180.1 million—up from UA 166.0 million in 2004—an 8.5 percent increase. Two project loans totaling UA 64.3 million, two lines of credit (LOC) amounting to UA 73.8 million, one equity investment in the amount of UA 35.1 million, and a credit guarantee in the amount of UA 6.9 million were approved. The project loans were for Senegal and Morocco, and the LOC for a bank in Nigeria. The projects are profiled in Chapter 6.

During the year, the Bank Group continued to develop specific programs to ease conditions for SME access to financing. The first franchising program was launched in South Africa in 2005 to promote franchising as a business strategy aimed at helping previously disadvantaged individuals develop SMEs.

The Bank plans to promote franchising programs in Morocco and in Egypt in 2006. Plans are underway to expand the program to other countries. In 2005, the Bank approved the Growth-Oriented Women Entrepreneurs' Development Project in Kenya (see Box 4.3). In 2006, the Bank intends to roll out a similar program in Cameroon and launch a capacity building initiative for women entrepreneurs in 7-10 pilot countries.

BOX 4.9: Kenyan Women in Business

All entrepreneurs are vulnerable to political instability, poor infrastructure, high production costs, and non-conducive business environments. However, women-owned enterprises are further handicapped by their small size, lack of access to key resources (including land and credit), limited training and mentoring, and social and business barriers. Furthermore, training for women entrepreneurs is generally of poor quality, inaccessible in rural areas, inadequately followed-up with regard to its practical application, and lacking in emphasis on entrepreneurship, marketing, and business matters.

Background: In October 2005, the Bank approved a US$10 million loan as a partial guarantee facility under the *Growth-Oriented Women Entrepreneurs Development Project* in Kenya. Under this project, partial guarantees will be extended to selected local banks to provide comfort in extending loans to women-owned SMEs which lack collateral. Such loans will be guaranteed, up to 50 percent, by the Bank facility, excluding interest. With the partial guarantee line, the Bank will fill an existing gap and increase access to financing, through well-established private banks, for at least 400 women entrepreneurs who have shown progress in their business. Over 500 new jobs will be created by the project.

Objective: This private sector project seeks to enhance the economic empowerment of women entrepreneurs and to help successful SMEs grow their businesses. It includes a technical assistance facility to train and mentor project clients in order to promote growth and better business management. It will support capacity building for financial institutions, business development providers, and women entrepreneurs' associations.

Outputs: The project will also support long-term development and management of adequate SME financial services by local financial institutions. The capacities of business development service providers will also be strengthened to provide relevant and adequate business services. The project is consistent with the Bank's private sector strategy to support SMEs in Africa, with its Gender Plan of Action, and with its intervention strategy in Kenya.

Non-Lending Activities

The Bank prepared three Private Sector Country Profiles for Algeria, Mali, and Egypt in 2005, as part of its efforts to support an enabling environment for private sector development in RMCs. The profiles provided an in-depth analysis of the private sector; the political, economic and legal environment, opportunities and constraints; and a strategy for the future. The Bank also studied the development impact of LOCs in 2005. Its interventions in relation to LOCs will be tailored to incorporate the recommendations of this study.

During 2005, the Bank set up a task force, comprising its private and public sectors, to identify infrastructure projects that can be developed under a private-public partnership format. To this end, a private-public partnership workshop was held in Tunis to build awareness within the Bank and to brainstorm on possible areas for partnership. The Bank also started developing a financial and incentive system to encourage the use of workers' remittances as a development tool and to link it to the private sector. In 2006, the Bank will work with development partners to conduct a remittances study aimed at developing a concrete action plan for designing sustainable programs to enhance the use of remittance flows to finance development in Africa.

During the Annual Meetings in Abuja, the Bank organized a seminar to identify actions and strategies to increase the participation of key private sector stakeholders in infrastructure development in Africa, especially in the implementation of NEPAD's Short Term Action Plan (STAP).

The Bank was also involved in meetings of the governing bodies of the African Management Services Company (AMSCO)/ African Training & Management Services (ATMS); and in its hosting of a SME-facility experts meeting involving the Commonwealth Secretariat, the NEPAD Secretariat, and the European Investment Bank, which sought to develop mechanisms to help lower the financial threshold on SMEs in Africa.

Gender Mainstreaming Activities

Women constitute the majority of the poor in Africa, particularly the rural poor. However, although they play a major role in agriculture, they have less economic and political power than men. This hampers their efforts to improve their own and their families' lives. Because empowering women and promoting gender equality foster economic growth and enhance poverty reduction, gender mainstreaming is one of the important crosscutting issues in the Bank Group's Strategic Plan. Indeed, the Bank incorporates gender concerns into its project cycle through its policies on education, health, governance, water resources, agriculture and rural development.

A number of the projects and programs approved in 2005 incorporated gender issues in their design, as outlined under Project Profiles in Chapter 6. In keeping with the Bank's results-based focus, these projects were designed to promote gender equality outcomes through the inclusion of specific targets and indicators. Through training and the development of country gender profiles, the Bank also sought to strengthen the capacity of Bank staff to design and implement gender-sensitive projects. Beneficiaries of gender-related financed projects include the Democratic Republic of Congo, Burkina Faso, Mali, Ghana, Ethiopia, Uganda, Kenya, Tunisia, and Guinea. The Bank also addressed gender concerns in its interventions in the health sub-sector in RMCs such as Malawi and Benin, and prepared Country Gender Profiles for Namibia, Lesotho, Tanzania, and Malawi.

With respect to gender mainstreaming and networking on gender issues, the Bank, in collaboration with the World Bank and the FAO, conducted a gender-training workshop for Bank staff, to enhance their gender-related analytical skills and techniques, strengthen their capacity to identify gender gaps, and promote the application of gender analysis throughout the project cycle. The Bank also participated in the ten-year review of the Beijing Platform for Action, which took place in New York in March 2005 and in the Regional Conference for Empowering Women through Education and Training. It played an active role in the NEPAD Gender Taskforce workshop organized by the NEPAD Secretariat in Pretoria in July 2005.

Environmental Management

The mainstreaming of environmental sustainability concerns into Bank Group activities continued in 2005 with the development of the Environmental Implementation Action Plan for 2005-2007. This led to the revision of the format and contents of the environmental guidelines in the Results-Based CSP. The new guidelines, which include a better crosscutting skills-mix, were used in preparing new Country Strategy Papers for Angola, Madagascar, Cape Verde, Mozambique, and Congo.

During the year, the Bank Group approved three environmental management projects amounting to UA 74.1 million. This was a significant increase, compared with the US 1.7 million approved for 2004. Cumulatively, from 1967 to 2005, loan and grant approvals for environmental management amounted to UA 93.1 million, representing 0.25 percent of total Bank approvals. The beneficiary countries for the approved projects are Morocco and Kenya. The approved projects are profiled in Chapter 6.

In 2005, the Bank developed *Strategic Environmental Assessment Guidelines* to upstream environmental assessments from the project level to the policy, program, and plan levels, The tool was used to screen the Bank's policy-based lending, structural adjustment lending, sectoral adjustment lending, and projects of a regional nature. The main benefit of the tool is that it allows far-ranging and cumulative environmental impact assessments, compared with the traditional project-specific environmental impact assessment. Furthermore, a strategic environmental assessment can help facilitate consultations with the public by identifying issues, initiating baseline data collection, and developing action programs.

In 2005, the Bank experienced more rigorous compliance with environmental and social policies in the implementation of its projects through its strengthened review process. Category I and many Category II projects developed by the Bank in 2005 included significant environmental components, including an involuntary resettlement component, where appropriate. **Category I** projects are projects that are likely to induce irreversible adverse environmental and social impacts or significantly affect environmental and social components considered sensitive by the Bank or the borrowing country. **Category II** projects are projects that are likely to have detrimental or side-specific environmental and social impacts that are less adverse than Category I projects and can be minimized by the application of mitigating measures or the incorporation of internationally recognized design criteria and standards.

During 2005, the Bank executed an MOU with the Global Environment Facility (GEF) to gain direct access to GEF resources in helping RMCs prepare and implement projects pertaining to global environmental issues such as biodiversity, climate change, land degradation/desertification, and international waters. Other activities undertaken in 2005 included (i) training on strategic environmental assessment, to provide Bank staff with the necessary experience to help RMCs build related capacities; (ii) a three-day refresher training course for

BOX 4.10: Kenya - Ewaso Ngiro North Natural Resources Conservation Project

Objectives: In April 2005, the ADF approved UA 16.5 million (a UA 13.6 million loan and a UA 2.9 million grant) for the above project, which aims to improve water resources management, agricultural land use, and forest resource conservation in the Ewaso Ng'iro North River catchment area. The project focuses on three main areas of intervention: water resource development and management; participatory catchment conservation; and capacity building and strengthening of the Ewaso Ng'iro North Development Authority (ENNDA) and districts for successful project implementation.

Impact and Outcomes: It is estimated that over 70,000 households, almost 20 percent of the project area's population, will benefit directly from project activities, while indirect benefits will be more widespread. Women are expected to constitute about 20 percent of beneficiaries. Users of water points, mainly the large population of nomadic pastoralists in the ASAL areas, will benefit from the greater availability of water. On average, about 160 livestock units will be saved per year per water point developed. The water points will have a clear impact on reducing women's labor in meeting their water requirements/needs. Eventually, the ASAL areas may experience less water scarcity as regenerated forest areas and fairer regulation of water flow increase the water discharge to downstream areas. Inhabitants of the more densely populated humid areas will also benefit from the greater availability of fuel wood through community plantations and agro-forestry activities under the project.

BOX 4.11: Nigeria's National Economic Empowerment and Development Strategy

Nigeria's National Economic Empowerment and Development Strategy (NEEDS), finalized in May 2004, is a homegrown strategy for growth and poverty reduction for 2004-2007. It includes a detailed action plan to fight corruption and to improve transparency and accountability. The Government recently implemented a range of measures in this regard. Accountability has been enhanced by the introduction in the 2005 budget of an MTEF and by the harmonization of budget classification with a new chart of accounts, including the cleaning-up of capital and recurrent budgets, in line with the new codes; the requirement for all tiers of Government to prepare a fiscal strategy paper during budget formulation, specifying priorities and indicative capital budget ceilings for ministries/agencies, and; the strengthening of capacities in the Accountant General's Office.

Current initiatives to enhance accountability include the Fiscal Responsibility Bill and the Public Procurement Bill, which will provide a legal underpinning to the 'Due Process' introduced at end-2003 in all line ministries, requiring capital projects to be consistent with national development priorities and standard procurement procedures. The Government has also established a Budget Monitoring and Price Intelligence Unit (BMPIU) responsible for oversight of public sector contracting and procurement. Reform measures that have enhanced transparency include the publication of budgets and federal revenue allocations to all three tiers of Government, and the preparation of quarterly reports on budget implementation and outcomes. The Auditor General's report will also be published.

Nigeria's participation in the G8 Transparency Initiative and in the Extractive Industries Transparency Initiative (EITI), under which full audits of the annual oil accounts of relevant agencies (including the Central Bank and NNPC) will be conducted and published, is expected to increase transparency in the petroleum sector. As part of the Government's campaign to combat corruption, the Anti-Money Laundering (AML) Act was reviewed and a revised version was submitted to the National Assembly for consideration. The Government has also established various anti-corruption agencies such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC).

Actions taken by the Government in 2005 to discipline or dismiss high-ranking civil servants on grounds of corruption have confirmed the Government's firm commitment to fight corruption. With regard to *stakeholder participation,* the political interests of Nigerian citizens are represented through deputies in the National Assembly. The preparation of NEEDS involved a broad public consultation phase with the participation of civil society and other stakeholders.. With regard to the *legal and judicial framework*, in 2005 the Government completed a draft strategy for legal and judicial reform, to strengthen the rule of law and speed-up court cases, and developed an Implementation Plan.

Bank staff, to strengthen compliance with environmental and social policies in Bank Group operations; (iii) the participation of the Bank as a member of the Steering Committee in the development of sub-regional NEPAD Environment Action Plans, and; (iv) a national training workshop on environmental management and integrated crosscutting issues conducted by the Bank in Maputo, Mozambique, for representatives of key ministries, civil society and international and bilateral partners.

In April 2005, the Bank hosted the meeting of the MFI Working Group on the Environment in Tunis. The meeting was attended by more than 25 multilateral and bilateral institutions, to discuss the implementation of the Paris Second High Level Forum Declaration on Harmonization & Alignment. The Bank also joined the Executive Committee of the TerrAfrica Program, a multi-partner platform, to provide an enabling framework for action to scale up the mainstreaming and financing of country-driven sustainable land management approaches. This has led to the inclusion of a *Sustainable Land Management Project* ($20 million) for Ethiopia in the Bank Group's 2006 Indicative Operational Program.

Good Governance

The Bank Group's governance policy and its implementation guidelines provide the basis for addressing governance issues facing RMCs. Also, good governance remains a key criterion in the performance based-allocation of ADF resources, with more resources going to countries with high governance ratings. In 2005, the Bank completed two Country Governance Profiles in Swaziland and Gabon, and the profiles for Egypt and Lesotho will be finalized in 2006. Country governance profiles provide detailed assessments of major governance issues in the concerned countries. They analyze the governance situation in the political, social, economic and corporate governance areas. They also review existing policies, institutional frameworks and related capacity issues. Finally, they highlight governance challenges, and propose measures and recommendations to move the governance agenda forward.

The Bank Group's support for good governance and anti-corruption programs is classified under the multi-sector, along with projects in public sector management, industrial import facilitation, export promotion, and institutional support. The Bank Group approved projects totaling UA 264.4 million for the multi-sector in 2005. The late approval of RB-CSPs translated into a 41.2 percent decline in support for the multi-sector, compared with 2004. From 1967 to 2005, the Bank Group approved projects totaling UA 5.6 billion for the sector, representing 15.2 percent of total Bank approvals. The beneficiary countries for the approved projects include Benin, Chad, Mozambique, Guinea Bissau, and Senegal. The specific projects are profiled in Chapter 6.

In August 2005, the Bank undertook a mission to Liberia to prepare an institutional support project, aimed at enhancing governance and economic management, and to discuss with Liberian authorities the country's arrears situation and the repayment of its obligations to the Bank Group.

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Chapter five

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

Economic and Social Trends in Africa

Regional Socioeconomic Trends and Bank Group Operations

This chapter examines recent socioeconomic developments and Bank Group operations in regional member countries against the backdrop of the global economic environment in 2005. It rewiews the major dimensions of macroeconomic performance in each of the Bank Group's five operational regions. The conclusion highlights challenges and prospects for the continent.

Economic and Social Trends in Africa

Macroeconomic Performance

Africa's economic performance in 2005 remained buoyant despite a slowdown in economic growth caused by relatively weak demand for imports in industrialized countries, deterioration in the terms of trade of some oil-importing countries, poor crop harvests due to locust invasions in the Sahel region, and droughts in the eastern and southern regions of the continent.

Africa's real GDP growth rate declined marginally from 5.3 percent in 2004 to 4.9 percent in 2005; its real per capita GDP growth rate also declined slightly from 3.0 percent in 2004 to 2.8 percent in 2005. Nevertheless, the continent's GDP per capita increased from US$901 in 2004 to US$1032 in 2005, a 14.5 percent rise caused by the sustained increases in oil prices (see Annex II-2 for individual country macro-economic indicators). The 4.9 percent average growth rate in real GDP masks considerable variations across countries, as there was a modest increase in the number of countries with higher growth rates in 2005, including oil-exporting and oil-importing countries. While economic growth in oil-exporting countries was largely driven by high oil price increases, growth in oil-importing African countries was largely on account of the continuation of sound and prudent macroeconomic policies. The year 2005 was the third consecutive year in which the continent's recorded real GDP growth rates exceeded four percent per year. Nevertheless, this growth rate falls short of the 7-8 percent required by many countries, particularly in sub-Saharan Africa, to achieve the Millennium Development Goals (MDG) by 2015.

In spite of the relatively slow economic growth and the sustained increases in oil prices in 2005, Africa's average inflation rate rose marginally from 9.0 percent in 2004 to 10.0 percent in 2005 (see Table 5.1). The average fiscal balance for the continent registered a surplus of 2.1 percent of GDP in 2005, up from a negative of 0.5 percent of GDP in 2004. This improvement is attributable to fiscal discipline and to a tighter monetary policy that helped curb inflationary pressures. Although some African countries, in particular non-oil exporters, experienced a worsening of their terms of trade as a result of high oil prices, overall average terms of trade growth for the continent accelerated to 13.0 percent in 2005, compared with 3.9 percent in 2004. This favorable terms of trade development is partially attributable to the higher world prices of some non-oil commodities, which helped offset the terms of trade impact of oil price increases. This development also helped improve Africa's external position in 2005.

Africa's average current account balance registered a surplus of 1.8 percent of GDP in 2005, up from a very small surplus of 0.5 percent of GDP in 2004. This improved export performance and debt relief measures under the enhanced HIPC Initiative have contributed to a continuing decline in the continent's debt-service ratio, which reached 10.6 percent in 2005, from 20.5 percent in 1999. Similarly, Africa's total debt in relation to its GDP continued to decline, from nearly 60 percent in 1999 to 35.7 percent in 2005.

Africa's share of global foreign direct investment (FDI) inflows, 2.7 percent, was relatively low, compared with inflows to other developing countries. However, a number of factors contributed to the recent recovery noted in FDI inflows to Africa: the continued liberalization of FDI policies, improved macroeconomic management in several countries, and increased investments in oil production and other natural resources. FDI inflows to Africa have been heavily concentrated in natural resource exploitation, particularly in oil and gas projects in Angola, Algeria, Gabon, Nigeria, and Sudan; and mining in South Africa and Tanzania.

Social Indicators

African countries continue to lag behind other developing countries in areas such as life expectancy, school enrollment, and access to basic services: life expectancy at birth (51 years) is well below the average for developing countries (63 years)—this figure has declined further in several countries due to the HIV/AIDS pandemic;

Table 5.1: Africa: Macroeconomic Indicators, 1990- 2005

Indicators	1990	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rate (%)	2.3	3.1	3.5	4.0	3.5	4.7	5.3	4.9
GDP Per Capita (US $)	746	705	718	689	666	778	901	1,032
Inflation (%)	16.4	11.7	13.5	10.3	9.1	10.4	9.0	10.0
Fiscal Balance (% of GDP)	-4.2	-3.0	-0.2	-2.4	-2.5	-1.9	-0.5	2.1
Gross Domestic Investment (% of GDP)	21.7	20.8	18.9	19.2	20.1	20.2	20.8	20.9
Gross National Savings (% of GDP)	18.8	16.8	19.2	18.6	18.5	19.8	20.9	22.1
Real Export Growth (%)	16.1	2.7	10.0	1.2	0.8	7.9	7.1	4.7
Trade Balance (% GDP)	1.6	-1.0	4.3	1.8	1.2	2.3	1.1	0.6
Current Account (% GDP)	-1.5	-3.1	1.0	0.1	-1.3	-0.2	0.5	1.8
Terms of Trade (%)	3.1	7.5	13.5	-3.2	-1.2	2.9	3.9	13.0
Total External Debt (% GDP)	58.5	59.5	55.1	53.3	52.9	48.3	42.4	35.7
Debt Service (% of Exports)	28.5	20.5	17.2	17.8	14.9	13.8	12.0	10.6

Source: ADB Statistics Division and IMF.

only 67 percent of the population has access to health services—reflected in the high infant and maternal mortality rates; infant mortality, estimated at 84 per 1,000 live births, is lower than the average for developing countries, estimated at 94 per 1,000 live births, while the maternal mortality rate, estimated at 623 per 100,000 live births is far higher than the rate for developing countries, estimated at 440 per 100,000 live births.

Total school enrollment rates in Africa, estimated at 97 percent for primary education and 43 percent for secondary education, are below the average for developing countries, estimated at 101 percent and 57 percent, respectively. Only 64 percent and 42 percent of the population has access to potable water and sanitation, compared with 79 percent and 49 percent, respectively, in all developing countries.

On average, Africa's population grew by 2.2 percent in 2005, continuing the downward trend from 2.7 percent in 1990. However, this average masks considerable differences among countries and among regions. For example, the fertility and mortality rates in North African countries, including in Mauritius and in the Seychelles, decreased and these countries recorded population growth rates of less than 2.0 percent. In contrast, countries heavily affected by the HIV/AIDS pandemic, mainly in Southern Africa, saw their death rates increase significantly and their population growth rates decline to an estimated 1.3 percent. Population growth estimates for the remaining regions range from 2.4 percent for West Africa to 2.5 percent for East Africa and 2.6 percent for Central Africa.

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, Chad, Congo, the Democratic Republic of Congo (DRC), Equatorial Guinea, Gabon, Rwanda, and São Tomé & Principe. The region's population stood at 110.3 million in 2005, representing 12.2 percent of the continent's total. The region's contribution to the continental GDP, 5.8 percent, was the lowest of all the five regions.

Economic growth in Central Africa, measured by the real GDP growth rate, decelerated to 4.8 percent in 2005, from 10.5 percent in 2004. Nevertheless, the GDP per capita rose from US$434 in 2004 to US$491 in 2005. Inflation in this region almost doubled; rising from 4.3 percent in 2004 to 8.5 percent in 2005 (see Table 5.2), but remained below the continental average of 10.0 percent. The rise in inflation was caused by oil price increases, which led to expansionary fiscal and monetary policies in the four oil-producing countries of the region, and to the weakening of the CFA franc relative to the U.S. dollar in the five CFA countries.

Table 5.2: Central Africa: Macroeconomic Indicators, 1990- 2005

Indicators	1990	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rate (%)	-3.8	1.1	1.4	6.8	4.9	6.3	10.5	4.8
GDP Per Capita (US $)	496	296	298	292	311	360	434	491
Inflation (%)	11.4	15.6	26.6	14.5	4.4	4.0	4.3	8.5
Fiscal Balance (% of GDP)	-7.3	-2.3	0.5	0.8	0.3	0.8	1.7	6.0
Gross Domestic Investment (% of GDP)	21.1	19.9	13.5	19.6	25.0	23.3	19.7	18.1
Gross National Savings (% of GDP)	13.3	14.4	12.6	13.1	14.9	17.1	19.1	23.6
Real Export Growth (%)	9.8	-4.5	9.3	-8.9	1.0	-0.4	21.4	7.8
Trade Balance (% GDP)	9.2	10.7	19.7	15.2	7.5	11.9	19.1	24.1
Current Account (% GDP)	-3.0	-5.7	1.1	-5.3	-11.5	-6.7	-2.8	1.1
Terms of Trade (%)	-3.1	4.7	21.3	-4.2	0.0	14.2	8.2	8.8
Total External Debt (% GDP)	66.9	127.4	115.2	117.1	97.1	90.4	73.5	60.2
Debt Service (% of Exports)	11.4	12.1	16.6	18.5	9.8	11.8	6.4	6.2

Source: ADB Statistics Division and IMF.

The region's fiscal balance improved from 1.7 percent of GDP in 2004 to 6.0 percent of GDP in 2005. Similarly, its current account balance improved to a reasonable surplus of 1.1 percent of GDP in 2005—after four years of continuous deficits; but still remained below the continental average of 1.8 percent of GDP. The improvement in the current account situation resulted from positive developments in the terms of trade, which was 8.8 percent, and from the dividends of post-conflict initiatives. The region also benefited from the enhanced HIPC Initiative, reflected in the reduction of its external debt burden from 90.4 percent in 2003 to 60.2 percent in 2005, and of its debt service-ratio from 11.8 percent to 6.2 percent over the same period. The region's debt burden will be significantly reduced when the 100 percent debt cancellation initiative approved by the G8 countries takes effect. Table 5.2 summarizes the other macroeconomic indicators for the region.

Social Indicators

Average life expectancy at birth in the region is 45 years, lower than the continental average of 51 years. Only 64 percent of the population has access to health services in the region; which is below the continental average of 67 percent. This limited access to health services and sanitation has serious implications for quality of life in the region: the infant mortality rate (IMR) is high at 107 deaths per 1,000 live births, compared with the continental average of 84 deaths per 1,000 live births; the maternal mortality rate (MMR) averages 1010 deaths per 100,000 live births, compared with the African average of 623 per 100,000 live births. Indeed, only four out of 10 countries in the region registered MMRs below the continental average (see Table 5.3).

In contrast, 73 percent of the population has access to water; this is higher than the average for Africa, which is 64 percent. However, only 37 percent of the population has access to sanitation, compared with the continental average of 42 percent.

The gross primary school enrollment rate for males and females is 103 percent and 87 percent, respectively. This is an improvement over the male/female enrollment level of 94 and 69 percent, respectively, recorded a decade ago. At the secondary school level, the regional average enrollment rate for male students is 25 percent, while that for female students is 24 percent. Both rates are below the average continental levels of 46 percent and 35 percent for male and female students, respectively. No country in this region has achieved a secondary male/female enrollment ratio above the continental average. The low school enrollment rate, particularly for females, poses serious policy challenges for education and development in the region.

Bank Group Operations

In Central Africa, only Gabon and Equatorial Guinea have access to ADB resources; the other countries in the region are only ADF-eligible, with limited access to ADB resources for private sector

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 capital	Primary School Enrollment (%)		Adult illiteracy Rates (%)	
								Fermale	Male	Female	Male
Developed Countries	**0.911**	**75.6**	**9.6**	**13.0**	**100.0**	**100.0**	**3,314**	**100.6**	**100.7**	**1.6**	**1.0**
Developing Countries	**0.694**	**63.4**	**94.1**	**440.0**	**79.0**	**49.0**	**2,666**	**96.1**	**104.7**	**30.5**	**16.8**
African Average	**0.495**	**51.4**	**83.6**	**622.9**	**64.4**	**42.4**	**2,439**	**89.3**	**104.7**	**42.9**	**26.9**
Central Africa Average	**0.412**	**45.0**	**107.1**	**1,009.6**	**73.3**	**36.8**	**1,846**	**87.1**	**103.2**	**40.6**	**23.9**
Burundi	0.378	45.1	101.7	479.0	79.0	36.0	1,647	69.0	86.0	51.8	40.0
Cameroon	0.497	46.2	92.1	430.0	63.0	48.0	2,286	99.0	116.0	29.2	16.8
Central Africa	0.355	39.5	95.2	1,100.0	75.0	27.0	1,932	53.0	78.0	56.8	34.4
Chad	0.341	44.2	113.3	827.0	34.0	8.0	2,147	60.0	92.0	57.2	41.2
Congo	0.512	53.2	69.7	1,100.0	46.0	9.0	2,183	77.0	83.0	19.2	8.8
Congo, Dem. Rep.	0.385	44.4	114.9	1,289.0	84.0	40.0	1,606	…	…	41.7	21.8
Equatorial Guinea	0.655	41.9	97.5	880.0	44.0	53.0	…	…	…	19.5	5.9
Gabon	0.635	53.6	53.8	519.0	87.0	36.0	2,671	132.0	133.0	…	…
Rwanda	0.450	44.4	113.6	1,071.0	73.0	41.0	2,071	122.0	122.0	32.3	22.1
Sao Tomé & Principe	0.604	63.8	79.8	120.3	79.0	24.0	2,468	…	…	…	…

Sources: ABD Statistics Division; Unesco Database 2005, UN Population Division, the 2004 Revision

Notes: column (1), (7) data refer to 2003; columns (5), (6) data refer to 2002; Columns (8 & 9) data refer to 2002/03; columns (2), (3), (10, 11), data refer to 2005; column (4) data refer to latest year 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).

(…) : data not available

and enclave projects. In 2005, the region received UA 178.2 million in Bank Group loan and grant approvals (see Table 5.4). This was distributed among five countries: the Democratic Republic of Congo (49.1 percent), Chad (21 percent), Cameroon (14.4 percent), Gabon (8.6 percent), and Burundi (6.9 percent). Approvals by sector were as follows: agriculture and rural development, UA 66.6 million (37.4 percent); transportation, UA 52.5 million (29.4 percent); water supply and sanitation, UA 38 million (21.3 percent); multi-sector, UA 20.5 million (11.5 percent), and social, UA 0.7 million (0.4 percent).

Table 5.4: Central Africa: Bank Group Loan and Grant Approvals by Country
(In millions of UA)

Country	2003	2004	2005	1967-2005
Burundi	-	20.16	12.34	308.83
Cameroon	46.50	12.13	25.60	775.86
Central African Rep.	-	-	-	139.39
Chad	2.32	2.40	37.49	394.70
Congo	0.86	7.00	-	286.04
Congo, Dem. Rep.	47.50	55.23	87.45	1,207.64
Equatorial Guinea	-	-		67.19
Gabon	-	76.25	15.36	688.81
Rwanda	49.77	51.86		411.22
Sao Tome & Principe	-	-		99.62
Total Approvals	**146.95**	**225.03**	**178.24**	**4,379.31**

Source : ADB Statistics Division

- Magnitude zero

Between 1967 and 2005, the Central Africa region received UA 4.4 billion, or 11.9 percent of cumulative Bank Group loan and grant approvals. The DRC received the highest cumulative approvals (27.6 percent), followed by Cameroon (17.7 percent), Gabon (15.7 percent), Rwanda (9.4 percent), Chad (9.0 percent), Burundi (7.1 percent), Congo (6.5 percent), Central African Republic (3.2 percent), Sao Tome & Principe (2.3 percent), and Equatorial Guinea (1.5 percent).

The sectoral distribution of cumulative Bank Group loan and grant approvals to the region is presented in Figure 5.1.

East Africa

Recent Macroeconomic Trends

The East Africa region comprises 11 countries (two ADB countries and nine ADF countries): Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Seychelles, Somalia, Tanzania, and Uganda. Its population in 2005 was 213.0 million, representing about 23.5 percent of the continent's population. The region accounted for 7.0 percent of the continent's GDP in 2005, the second lowest contribution, after Central Africa.

East Africa recorded the best regional economic growth performance in Africa in 2005, with a real GDP growth rate of 5.6 percent. Although this is lower than its real GDP growth rate of 7.0 percent in 2004, it is well above the continental average of 4.9 percent in 2005. The region's GDP per capita rose from US$286 in 2004 to US$315 in 2005, but it was still the lowest among the regions. The average inflation rate in the region also rose from 7.5 percent in 2004 to 8.4 percent in 2005 (see Table 5.5). This inflationary growth would have been higher than observed, but for the continued pursuit of relatively sound inflation targeting policies in the region, especially in Tanzania and in Uganda.

The region's average fiscal deficit deteriorated to 3.4 percent of GDP in 2005, from 2.7 percent of GDP in 2004. It's fiscal deficit of 3.4 percent is relatively high compared with the continental average surplus of 2.1 percent of its GDP. East Africa's terms of trade also deteriorated from 5.6 percent in 2004 to 8.2 percent in 2005 partly due to the persistent increase in oil prices during the year. As a result, the region's external position worsened, with the current account balance turning to a deficit of 4.9 percent of GDP in 2005, up from 3.8 percent in 2004. This contrasts sharply with the average current account surplus of 1.8 percent of GDP recorded by the continent. The region's external debt burden continued to decline in 2005 due to the cautious borrowing policies of many governments and to debt relief under the enhanced HIPC Initiative. In fact, 4 of

Figure 5.1: Central Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2005

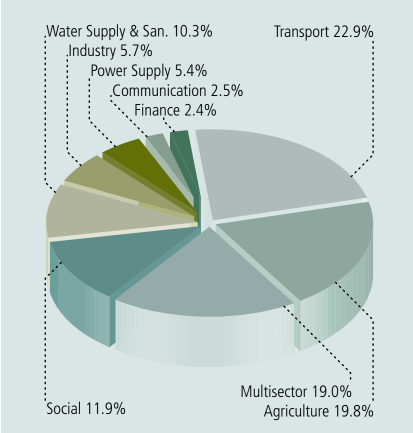


Table 5.5: East Africa: Macroeconomic Indicators, 1990-2005

Indicators	1990	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rate (%)	4.5	5.1	4.2	5.8	1.6	2.7	7.0	5.6
GDP Per Capita (US $)	237	259	256	253	246	269	286	315
Inflation (%)	20.6	6.6	6.9	3.5	5.4	5.6	7.5	8.4
Fiscal Balance (% of GDP)	-5.0	-3.3	-4.0	-2.2	-4.4	-3.9	-2.7	-3.4
Gross Domestic Investment (% of GDP)	19.4	16.3	17.5	18.0	17.2	17.9	20.4	21.8
Gross National Savings (% of GDP)	13.4	11.1	14.1	15.5	16.1	16.8	16.3	16.2
Real Export Growth (%)	5.6	4.3	8.2	21.5	4.9	8.6	12.4	6.0
Trade Balance (% GDP)	-10.9	-10.9	-10.9	-9.9	-8.7	-9.6	-11.9	-12.7
Current Account (% GDP)	-4.5	-6.2	-4.4	-2.9	-1.9	-2.1	-3.8	-4.9
Terms of Trade (%)	-31.6	-1.8	-6.5	-1.0	-1.0	-6.3	-5.6	-8.2
Total External Debt (% GDP)	77.8	68.4	66.7	61.5	59.6	56.4	53.4	48.3
Debt Service (% of Exports)	26.3	16.9	17.2	28.0	14.4	12.2	10.2	7.5

Source: ADB Statistics Division and IMF.

the 11 countries in the region (Ethiopia, Madagascar, Tanzania, and Uganda) have reached completion point and qualified for the MDRI. The region's debt service-ratio also declined from 10.2 percent in 2004 to 7.5 percent in 2005. This will decrease further when the debts of six countries in the region are totally written-off because of the debt relief initiatives of the G8 countries.

Social Indicators

Average life expectancy in the region is 49 years, marginally below the continental average of 51 years (see Table 5.6). A high incidence of poverty and the HIV/AIDS pandemic largely account for the low life expectancy in the region. These factors pose serious challenges to development.

On average, 54 percent of the population in the region has access to health services, compared with the continental average of 67 percent. The infant mortality rate (IMR) is high with an average of 87 deaths per 1,000 live births, compared with the continental average of 84 per 1,000 live births. The region's maternal mortality rate (MMR) is also very high, with a regional average of 882 per 100,000 live births, compared with 623 per 100,000 live births for Africa. Forty-two percent of the population has access to potable water, compared with a continental average of 64 percent. With respect to access to sanitation, only three out of the 11 countries in the region have rates above the continental average of 42 percent.

Gross primary school enrollment in the region was 95/84 percent (male/female),

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 capital	Primary School Enrollment (%)		Adult illiteracy Rates (%)	
								Fermale	Male	Female	Male
Developed Countries	**0.911**	**75.6**	**9.6**	**13.0**	**100.0**	**100**	**3,314.2**	**100.6**	**100.7**	**1.6**	**1.0**
Developing Countries	**0.694**	**63.4**	**94.1**	**440.0**	**79.0**	**49**	**2,666.0**	**96.1**	**104.7**	**30.5**	**16.8**
African Average	**0.495**	**51.4**	**83.6**	**622.9**	**64.4**	**42**	**2,438.5**	**89.3**	**104.7**	**42.9**	**26.9**
East Africa Average	**0.432**	**49.6**	**87.0**	**882.0**	**42.3**	**27**	**2,015.7**	**84.1**	**94.8**	**41.3**	**27.5**
Comoros	0.547	64.7	52.1	517.0	94.0	23	1,760.4	81.0	98.0	50.3	36.1
Djibouti	0.495	53.7	87.5	546.0	80.0	50	2,238.6	35.0	46.0	38.6	20.1
Eritrea	0.444	55.5	60.0	630.0	57.0	9	1,519.5	57.0	70.0	50.3	28.5
Ethiopia	0.367	48.3	94.3	850.0	22.0	6	1,858.4	55.0	76.0	62.0	47.7
Kenya	0.474	49.6	64.8	500.0	62.0	48	2,154.8	90.0	95.0	17.9	8.3
Madagascar	0.499	56.0	74.3	488.0	45.0	33	2,056.1	117.0	122.0	35.5	23.3
Mauritius	0.791	72.8	14.3	20.0	100.0	99	2,970.1	104.0	103.0	16.2	11.0
Seychelles	0.821	71.9	9.8	...	87.0	94	2,484.3	114.0	115.0	....	....
Somalia	-	48.3	118.3	1,100.0	29.0	25	...	....	....	....	
Tanzania	0.418	46.5	104.2	1,500.0	51.0	34	1,959.3	83.0	86.0	26.7	12.9
Uganda	0.508	51.1	78.4	880.0	56.0	41	2,360.4	139.0	142.0	37.3	19.4

Sources: ABD Statistics Division; Unesco Database 2005, UN Population Division, the 2004 Revision

Notes: column (1), (7) data refer to 2003; columns (5), (6) data refer to 2002; Columns (8 & 9) data refer to 2002/03; columns (2), (3), (10, 11), data refer to 2005; column (4) data refer to latest year available

(…) : data not available

Table 5.7: East Africa: Bank Group Loan and Grant Approvals by Country
(In millions of UA)

Country	2003	2004	2005	1967-2005
Comoros	-	-	-	64.74
Djibouti	6.95	5.34	0.34	114.21
Eritrea	0.36	18.63	-	78.79
Ethiopia	102.41	61.98	43.61	1,463.13
Kenya	57.85	51.33	41.52	724.22
Madagascar	25.00	45.24	57.33	577.64
Mauritius	-	-	7.74	279.28
Seychelles	-	-	0.32	89.81
Somalia	-	-	0.32	151.10
Tanzania	31.33	114.73	-	924.66
Uganda	0.22	74.18	88.50	944.38
Total Approvals	**224.11**	**371.43**	**239.68**	**5,411.96**

Source : ADB Statistics Division
- Magnitude zero

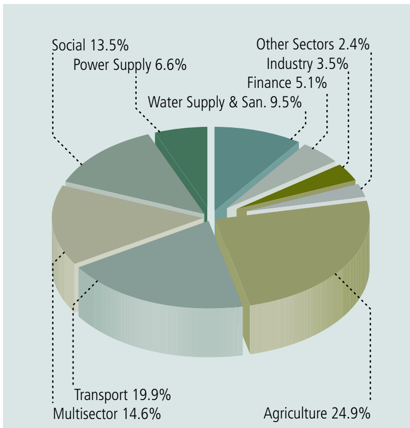
compared with the continental average of 105/89 percent. Four countries in this region registered high and fairly gender-balanced ratios. In general, East Africa's enrollment ratio for secondary education has improved significantly over the past five years; however, it remains low at 28/29 percent (male/female), compared with the continental average of 46/35 percent (male/female). Raising the percentage of the population with access to health services, water and sanitation as well as the male/female enrollment ratios to at least the continental level remains a development challenge for the region.

Bank Group Operations

Only 2 out of 11 countries in East Africa —Mauritius and Seychelles—have access to ADB-window resources, while the remaining nine are ADF-eligible with limited access to ADB resources for private sector and enclave projects. In 2005, the region received Bank Group loan and grant approvals in the amount of UA 239.7 million (see Table 5.7). This was distributed among eight countries, with the highest allocation going to Uganda (36.9 percent), followed by Madagascar (23.9 percent), Ethiopia (18.2 percent), Kenya (17.3 percent), Mauritius (3.2 percent), Djibouti (0.5 percent), and Seychelles and Somalia (0.1 percent each). The sectors that benefited were: water supply and sanitation, UA 134.6 million (56.2 percent); agriculture and rural development, UA 39.1 million (16.3 percent); transportation, UA 28.5 million (11.9 percent); social sector, UA 21 million (8.8 percent); and environment, UA 16.5 million (6.9 percent).

Between 1967 and 2005, the region received UA 5.41 billion, or 14.8 percent of cumulative Bank Group loan and grant approvals. Ethiopia had the highest cumulative approvals (27.0 percent), followed by Uganda (17.4 percent), Tanzania (17.1 percent), Kenya (13.4 percent), and Madagascar (10.7 percent). (See Table 5.7). Figure 5.2 presents the sectoral distribution of cumulative Bank Group loan and grant approvals to the region.

Figure 5.2: East Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2005



North Africa

Recent Macroeconomic Trends

The North Africa region comprises seven countries: Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, and Tunisia. It is the largest contributor to the continent's wealth, and accounted for 36.9 percent of the continent's GDP in 2005. The region's population in 2005 was 193.6 million, representing 21.4 percent of the continent's population. North Africa contributed 37 percent to the continent's GDP in 2005, the highest contribution among the five regions.

North Africa's economic performance was the third strongest in Africa in 2005, with an average real GDP growth rate of 4.8

percent. Its GDP per capita rose from US$1,535 in 2004 to US$1,780 in 2005. In addition, North Africa's economy experienced a marginal improvement compared with 2004 (see Table 5.8). Indeed, the robust export performance in the region's oil-producing countries was partly offset by the adverse terms of trade suffered by non-oil producing countries. Inflation in the region rose to 6.1 percent in 2005, from 5.0 percent in 2004. This is much lower than the continent's average inflation of 10.0 percent. Oil price increases and increased government spending associated with oil windfalls in the oil-exporting countries in the region were the contributory factors to inflation.

North Africa's fiscal position improved significantly, as it turned from a deficit of 0.9 percent of GDP in 2004 to a sizeable surplus of 3.2 percent of GDP in 2005—a very healthy fiscal position, compared with the rest of Africa. The region's external position also strengthened in 2005 as a result of rising oil prices and improved external competitiveness. Indeed, its terms of trade grew from 2.3 percent in 2004 to 17.9 percent in 2005; and its current account surplus increased to 10.3 percent of GDP in 2005, up from 6.9 percent in 2004. Overall, North Africa has the second lowest debt burden in the continent, after Southern Africa. In addition, its total debt stock declined from 40.4 percent of GDP in 2004 to 33.2 percent of GDP in 2005, and its debt-service ratio, which has been declining steadily, stood at 8.8 percent in 2005, compared with 13.1 percent in 2004 (see Table 5.8).

Social Indicators

The North Africa region has the lowest incidence of poverty on the continent. In addition, its average life expectancy is 68 years, well above the continental average of 51 years; while the infant mortality average is 40 per 1,000 live births, the lowest in the continent. The maternal mortality rate in North Africa is also the lowest in the continent, at 164 deaths per 100,000 live births, compared with the continental average of 623 deaths (see Table 5.9). On average, 88 percent of the population in the region has access to health services, compared with 67 percent for the continent. With respect to access to potable water and sanitation, the region registered 85 percent and 64 percent, respectively. These rates are fairly high, compared with the continent's average of 64 percent and 42 percent, respectively.

The gross primary school enrollment ratio in the region is 98/91 percent (male/ female). The male enrollment rate is below the average continental ratio of 105 percent, but the female enrollment rate surpasses the 89 percent ratio for the continent. Secondary school level enrollment records are also quite impressive, with a regional ratio of 70/76 percent (males/females). Five of the 7 countries in the region surpassed the continental ratio of 46/35 percent (males/ females). Except for Mauritania and Sudan, most of the social indicator averages for the countries in this region are superior to the averages for continental and developing countries (see Table 5.9).

Bank Group Operations

Four North African countries (Algeria, Egypt, Morocco, and Tunisia) are ADB-window eligible, while Libya is not a borrowing RMC.

Table 5.8: North Africa: Macroeconomic Indicators, 1990-2005

Indicators	1990	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rate (%)	3.1	3.9	3.9	4.2	3.7	5.3	4.7	4.8
GDP Per Capita (US $)	1,270	1,359	1,434	1,378	1,289	1,393	1,535	1,780
Inflation (%)	16.8	4.7	2.1	1.2	1.8	3.2	5.0	6.1
Fiscal Balance (% of GDP)	-6.1	-2.6	1.5	-2.5	-2.3	-1.0	-0.9	3.2
Gross Domestic Investment (% of GDP)	24.9	21.1	19.7	19.7	21.2	20.8	22.5	22.4
Gross National Savings (% of GDP)	21.9	21.0	25.4	24.3	23.6	26.6	29.8	32.7
Real Export Growth (%)	34.7	10.9	7.2	1.0	1.8	8.8	6.7	4.4
Trade Balance (% GDP)	-4.3	-4.9	-0.5	-0.7	-0.9	1.1	1.5	4.9
Current Account (% GDP)	-1.2	-0.8	4.9	3.7	1.8	5.3	6.9	10.3
Terms of Trade (%)	6.2	3.2	24.1	-2.1	-4.3	5.1	2.3	17.9
Total External Debt (% GDP)	54.0	50.1	43.2	42.3	47.2	45.5	40.4	33.2
Debt Service (% of Exports)	40.2	20.7	16.2	15.1	16.1	14.3	13.1	8.8

Source: ADB Statistics Division and IMF..

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)	Accessto Water (% of pop.)	Access to Sanitation (% of pop.)	Daily Calories supply per capital	Primary School Enrollment (%)		Adult illiteracy Rates (%)	
								Female	Male	Female	Male
Developed Countries	**0.911**	**75.6**	**9.6**	**13.0**	**100.0**	**100**	**3,314.2**	**100.6**	**100.7**	**1.6**	**1.0**
Developing Countries	**0.694**	**63.4**	**94.1**	**440.0**	**79.0**	**49**	**2,666.0**	**96.1**	**104.7**	**30.5**	**16.8**
African Average	**0.495**	**51.4**	**83.6**	**622.9**	**64.4**	**42**	**2,438.5**	**89.3**	**104.7**	**42.9**	**26.9**
North Africa Average	**0.646**	**68.4**	**39.5**	**164.3**	**85.2**	**64**	**3,043.2**	**90.9**	**98.0**	**47.7**	**27.3**
Algeria	0.722	72.0	33.5	37.0	87.0	92	3,055.4	104.0	113.0	36.6	19.4
Egypt	0.659	70.9	32.7	75.0	98.0	68	3,356.0	95.0	100.0	51.1	30.6
Libya	0.799	74.3	17.7	97.0	72.0	97	3,336.6	114.0	114.0	25.8	6.6
Mauritania	0.477	54.1	91.5	747.0	56.0	42	2,786.3	87.0	89.0	67.0	47.5
Morocco	0.631	70.7	34.0	160.0	80.0	61	3,098.4	104.0	115.0	58.5	34.5
Sudan	0.512	56.8	67.8	509.0	69.0	34	2,260.4	56.0	64.0	46.8	26.8
Tunisia	0.753	73.9	20.3	50.0	73.0	46	3,247.2	109.0	113.0	33.3	14.4

Sources: ABD Statistics Division; Unesco Database 2005, UN Population Division, the 2004 Revision
Notes: column (1), (7) data refer to 2003; columns (5), (6) data refer to 2002; Columns (8 & 9) data refer to 2002/03; columns (2), (3), (10, 11), data refer to 2005; column (4) data refer to latest year available

Mauritania is ADF eligible and Sudan has been under sanctions since 1995 because it defaulted on the payment of its arrears.
In 2005, loan and grant approvals to the region totaled UA 642.1 million, up from UA 516.5 million in 2004 (see Table 5.10). Four countries benefited from the 2005 loan and grant approvals: Egypt (44.3 percent), Tunisia (28.3 percent), Morocco (27.4 percent), and Mauritania (0.05 percent). Distribution of approvals by sector was as follows: power supply, UA 264.1 million (41.1 percent); finance, UA 138 million (21.5 percent); multi-sector, UA 97.8 million (15.2 percent); environment, UA 57.6 million (9.0 percent); social, UA 50.6 million (7.9 percent); and industry, mining, and quarrying, UA 34 million (5.3 percent).

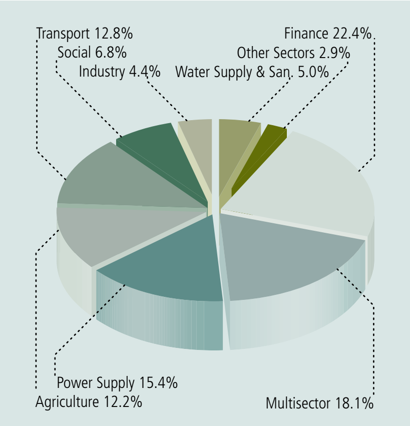
Although the Bank started operations in North Africa in 1968, a year later than in other regions, the region received the largest amount of cumulative loan and grant approvals, UA 12.0 billion, or 32.7 percent of Bank Group approvals, between 1967 and 2005 (see Table 5.10). Morocco and Tunisia have consistently been the main beneficiaries, receiving 32.4 percent and 29.2 percent, respectively, of the region's 1967-2005 cumulative approvals, followed by Egypt (16.8 percent), Algeria (15.7 percent), Mauritania (2.9 percent), and Sudan (2.9 percent).

Table 5.10: North Africa: Bank Group Loan and Grant Approvals by Country
(In millions of UA)

Country	2003	2004	2005	1967-2005
Algeria	0.35	-	-	1,889.15
Egypt	-	-	284.34	2,013.82
Mauritania	24.62	6.97	0.34	351.46
Morocco	177.01	369.34	175.71	3,891.10
Sudan	0.35	-	-	350.87
Tunisia	196.33	140.22	181.69	3,501.79
Total Approvals	**398.67**	**516.53**	**642.08**	**11,998.19**

Source : ADB Statistics Division
- Magnitude zero

Figure 5.3: North Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2005



In contrast with the other regions, nearly all of the Bank Group's allocations to North Africa were in support of financial sector reforms and private sector development. Figure 5.3 presents the key beneficiary sectors.

Southern Africa

Recent Macroeconomic Trends

The Southern Africa region comprises 10 countries: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. The region was home to 127.4 million people in 2005, or 14.1 percent of the continent's population. Southern Africa accounted for 33.1 percent of the continent's GDP in 2005, the second highest after North Africa. The region's real GDP growth rate increased from 4.6 percent in 2004 to 5.0 percent in 2005 (see Table 5.11), marginally above the continental average real GDP growth rate for 2005.

The GDP per capita income rose to US$2,436 in 2005, up from US$2,146 in 2004. The increased growth in the region was largely due to improved manufacturing performance in South Africa and to strong growth in Angola and Mozambique.

The Southern Africa region succeeded in bringing down its inflation rate from 25.5 percent in 2004 to 17.2 percent in 2005; however, this is still much higher than the continental average of 10.0 percent.

Table 5.11: Southern Africa: Macroeconomic Indicators, 1990-2005

Indicators	1990	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rate (%)	0.6	2.2	3.3	2.8	3.9	2.7	4.6	5.0
GDP Per Capita (US $)	1,548	1,430	1,430	1,326	1,305	1,714	2,146	2,436
Inflation (%)	21.5	30.8	33.3	26.3	29.8	36.7	25.5	17.2
Fiscal Balance (% of GDP)	-3.8	-3.5	-2.9	-2.0	-2.3	-2.8	-1.8	-0.8
Gross Domestic Investment (% of GDP)	17.9	17.9	16.4	15.3	12.4	16.2	17.4	17.2
Gross National Savings (% of GDP)	18.2	15.9	16.5	14.1	14.3	14.7	14.9	15.0
Real Export Growth (%)	0.6	-2.3	11.3	2.7	3.8	0.6	5.8	8.0
Trade Balance (% GDP)	5.4	3.0	5.3	5.2	4.6	2.8	2.0	2.9
Current Account (% GDP)	0.5	-1.9	0.0	-1.4	-0.7	-2.1	-2.5	-2.5
Terms of Trade (%)	-2.8	5.8	-1.3	-1.5	0.5	-1.2	1.8	1.2
Total External Debt (% GDP)	33.6	41.0	39.3	37.3	34.9	30.6	26.8	24.7
Debt Service (% of Exports)	14.8	20.3	17.4	17.6	13.8	13.4	13.0	8.1

Source: ADB Statistics Division and IMF.

The average inflation rate for the region masks considerable variation in inflation rates across countries. In the Southern Africa Customs Union (SACU) subregion, for example, the inflation rate is 5.1 percent, due to a prudent macroeconomic management and monetary policy regime that is based on inflation targeting while in Zimbabwe the inflation rate is 190 percent.

Overall, improved economic growth performance, coupled with prudent macroeconomic management in many of the countries in Southern Africa, improved the overall fiscal position of the region. In fact, the region's fiscal deficit improved to 0.8 percent of GDP in 2005, down from 1.8 percent of GDP in 2004. In contrast, its terms of trade deteriorated from 1.8 percent in 2004 to 1.2 percent in 2005. This notwithstanding, merchandise trade balance increased from a surplus of 2.0 percent of GDP in 2004 to a surplus of 2.9 percent in 2005, while its current account deficit remained virtually unchanged at 2.5 percent of GDP. The region is the least indebted in the continent, with only three countries classified as HIPCs. Its total external debt averaged 24.7 percent in 2005, down from 26.8 percent in 2004; its debt-service ratio also declined from 13 percent in 2004 to 8.1 percent in 2005. Its external debt burden is expected to decrease significantly when the HIPC countries in the region begin to benefit from the recent Multilateral Debt Relief Initiative.

Social Indicators

Life expectancy in Southern Africa is 42 years; the lowest in the entire continent and lower than the continental average of 51 years (see Table 5.12). The low and declining life expectancy rate is attributed to the worsening HIV/AIDS pandemic. Available statistics reveal that an average of 48 percent of the population had access to health services in the region, compared with 67 percent for the continent. In contrast, 70 percent and 50 percent of the population have access to potable water and sanitation, respectively. These rates are far higher than the continental averages of 64 percent and 42 percent for water and sanitation, respectively. Infant mortality is low in the region, averaging 74 deaths per 1,000 live births, compared with the continental average of 84 deaths per 1000 live births. Furthermore, Southern Africa has the second lowest average maternal mortality rate (605 deaths per 100,000 live births), after North Africa.

The region recorded the highest primary school enrollment ratio (male/female) in the continent, averaging 109 percent for males and 102 percent for females. It registered near balanced secondary school enrollment ratios of about 56/55 percent for males and females, even though there are considerable differences among the countries. The enrollment rates at the primary and secondary school levels exceeded the continental averages.

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 capital	Primary School Enrollment (%)		Adult illiteracy Rates (%)	
								Female	Male	Female	Male
Developed Countries	**0.911**	**75.6**	**9.6**	**13.0**	**100.0**	**100**	**3,314.2**	**100.6**	**100.7**	**1.6**	**1.0**
Developing Countries	**0.694**	**63.4**	**94.1**	**440.0**	**79.0**	**49**	**2,666.0**	**96.1**	**104.7**	**30.5**	**16.8**
African Average	**0.495**	**51.4**	**83.6**	**622.9**	**64.4**	**42**	**2,438.5**	**89.3**	**104.7**	**42.9**	**26.9**
Southern Africa Average	**0.523**	**41.9**	**74.4**	**604.8**	**70.0**	**50**	**2,417.1**	**102.0**	**109.2**	**27.4**	**16.9**
Angola	0.445	41.7	133.5	1,850.0	50.0	30	2,088.8	...	...	...	...
Botswana	0.565	34.4	45.9	...	95.0	41	2,196.1	103.0	103.0	15.9	21.4
Lesotho	0.497	34.8	61.8	550.0	76.0	37	2,626.0	127.0	125.0	4.9	24.1
Malawi	0.404	40.8	105.9	1,120.0	67.0	46	2,125.2	137.0	143.0	48.1	22.9
Mozambique	0.379	41.8	94.8	175.0	42.0	27	2,082.0	93.0	114.0	64.4	34.3
Namibia	0.627	46.4	39.5	268.0	80.0	30	2,290.1	106.0	105.0	14.7	14.5
South Africa	0.658	45.0	40.4	230.0	87.0	67	2,962.2	104.0	108.0	13.5	12.3
Swaziland	0.498	30.5	67.5	220.0	52.0	52	2,342.5	94.0	102.0	17.9	16.3
Zambia	0.394	38.8	91.0	729.0	55.0	45	1,974.9	79.0	85.0	23.1	12.2
Zimbabwe	0.505	37.3	60.2	1,100.0	83.0	57	2,004.0	93.0	95.0	11.3	4.8

Sources: ABD Statistics Division; Unesco Database 2005, UN Population Division, the 2004 Revision

Notes: column (1), (7) data refer to 2003; columns (5), (6) data refer to 2002; Columns (8 & 9) data refer to 2002/03; columns (2), (3), (10, 11), data refer to 2005; column (4) data refer to latest year available

(…) : data not available

Table 5.13: Southern Africa: Bank Group Loan and Grant Approvals by Country
(In millions of UA)

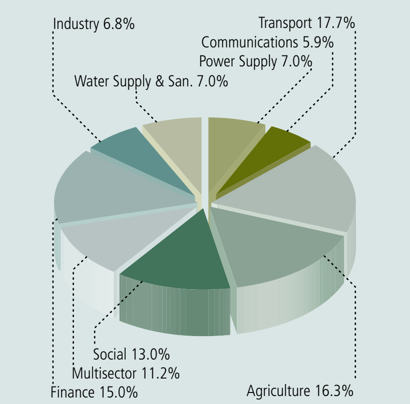
Country	2003	2004	2005	1967-2005
Angola	4.63	-	17.54	339.44
Botswana	-	34.34	-	362.05
Lesotho	10.53	0.79	-	300.60
Malawi	21.83	12.00	15.35	605.98
Mozambique	55.25	30.00	9.53	915.12
Namibia	-	59.10	-	167.77
South Africa	106.31	117.07	-	510.99
Swaziland	49.96	-	0.35	294.61
Zambia	22.03	13.66	0.35	657.97
Zimbabwe	-	-	0.35	726.88
Total Approvals	270.54	266.96	43.48	4,881.41

Source : ADB Statistics Division
- Magnitude zero

Bank Group Operations
The Bank Group started its operations in the region in 1969. Four countries in the region (Botswana, Namibia, South Africa, and Swaziland) are ADB-window eligible, while the remaining five (Angola, Lesotho, Malawi, Mozambique, and Zambia) are ADF-eligible. Zimbabwe is a blend country, eligible for funding from the ADB and ADF windows.

In 2005, Bank Group loan and grant approvals to the region stood at UA 43.5 million, substantially lower than the UA 267.0 million approved in 2004 (see Table 5.13). In fact, only six countries received loan and grant allocations. These were Angola (40.4 percent); Malawi (35.3 percent); Mozambique (21.9 percent), Swaziland (0.8 percent), and Zambia and Zimbabwe (both got 0.8 percent). Approvals according to sector were as follows: agriculture and rural development, UA 17.4 million (40.1 percent); social, UA 17.1 million (39.3 percent; finance, UA 6.8 million (15.6 percent); and multi-sector, UA 2.1 million (4.9 percent)

Figure 5.4: Southern Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2005



Between 1969 and 2005, the Bank Group's cumulative loan and grant approvals to the region was UA 4.9 billion (see Table 5.13). This represents 13.3 percent of the cumulative loan and grant approvals to all countries in Africa. Mozambique received the highest approvals (18.7 percent), followed by Zimbabwe (14.9 percent), Zambia (13.5 percent), Malawi (12.4 percent), South Africa (10.5 percent), Botswana (7.4 percent), Angola (7.0 percent), Lesotho (6.2 percent), Swaziland (6.0 percent), and Namibia (3.4 percent).

The cumulative approvals for the region by sector are presented in Figure 5.4.

West Africa

Recent Macroeconomic Trends
The West Africa region comprises 15 countries. It is the largest (geographically and demographically) of all the regions in Africa. Of the 15 countries, eight of them (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo) belong to the CFA Zone, while the other seven (Cape Verde, Ghana, Guinea, The Gambia, Liberia, Nigeria, and Sierra Leone) have their own currencies. Except for Nigeria, all countries in the region are net oil importers. In 2005, the region's GDP constituted 17.1 percent of the continent's total, a higher contribution than that of Central and East Africa combined.

In 2005, West Africa's population totaled 260.6 million, or 28.8 percent of the continental total. Its average GDP growth rate declined from 7.4 percent in 2003 to 4.9 percent in 2004 and to 4.4 percent in 2005, largely as a result of the persistent instability of the socio-political situation in Côte d'Ivoire (see Table 5.14). Although the region's GDP per capita grew from US$510 in 2004 to US$605 in 2005, it

Table 5.14: West Africa: Macroeconomic Indicators, 1990-2005

Indicators	1990	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rate (%)	6.6	2.8	3.4	3.9	2.6	7.4	4.9	4.4
GDP Per Capita (US $)	404	356	354	360	363	438	510	605
Inflation (%)	13.6	4.8	3.9	7.2	4.9	5.6	5.1	9.5
Fiscal Balance (% of GDP)	-1.7	-3.5	2.0	-4.0	-3.6	-1.9	3.1	6.6
Gross Domestic Investment (% of GDP)	18.7	21.9	19.0	21.3	21.1	20.8	20.6	21.1
Gross National Savings (% of GDP)	18.8	14.6	22.7	21.6	14.0	17.7	21.1	25.2
Real Export Growth (%)	11.6	-1.1	13.7	-2.4	-6.7	21.1	4.8	-0.7
Trade Balance (% GDP)	8.1	2.6	16.0	9.6	5.2	8.7	12.6	12.7
Current Account (% GDP)	-4.1	-9.8	-5.8	-4.1	-7.2	-6.4	-4.6	-5.5
Terms of Trade (%)	6.4	7.8	15.0	-5.4	3.7	0.1	9.3	23.8
Total External Debt (% GDP)	92.9	81.1	80.3	77.2	78.8	66.5	58.4	43.2
Debt Service (% of Exports)	22.1	17.6	12.3	14.2	11.6	10.5	7.2	14.8

Source: ADB Statistics Division and IMF.

still ranked far behind the North and Southern regions with regard to living standards, but fared marginally better than the Central and East regions.

Inflation in the region increased from 5.1 percent in 2004 to 9.5 percent in 2005 because of expansionary monetary and fiscal policies. Even so, the inflation rate in West Africa was marginally lower than the continental average of 10.0 percent in 2005. Overall, the fiscal position of West Africa improved considerably in 2005 due to price increases of oil and key non-oil commodities. For two consecutive years, the region recorded increasing levels of fiscal surplus, at 3.1 percent and 6.6 percent of GDP in 2004 and 2005, respectively. The region's external position also improved in 2005, with its terms of trade rising to 23.8 percent, from 9.3 percent in 2004. Despite these favorable conditions, West Africa's current account deficit increased by about a percentage point, from 4.6 percent of GDP in 2004 to 5.5 percent in 2005.

The external debt burden of the region declined from 58.4 percent of GDP in 2004 to 43.2 percent of GDP in 2005. However, the debt service grew from 7.2 percent of exports in 2004 to 14.8 percent of exports in 2005, much higher than the continental average of 10.6 percent in 2005. The debt burden of the region is expected to reduce significantly as many of the 13 HIPC countries in this region reach their completion point and qualify for the Multilateral Debt Relief Initiative.

Social Indicators

Average life expectancy in West Africa is 48 years, slightly below the continental average of 51 years (Table 5.15). If it is not checked, the spread of the HIV/ AIDS pandemic in the region is likely to further reduce the life expectancy rate. Access to health services in the region averaged 66 percent, which is fairly close to the continental average of 67 percent. With respect to water and sanitation, 60 percent and 37 percent of the population have access to potable water and sanitation, respectively, compared with 64 percent and 42 percent, respectively, for the continent. Infant

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 capital	Primary School Enrollment (%)		Adult illiteracy Rates (%)	
								Fermale	Male	Female	Male
Developed Countries	**0.911**	**75.6**	**9.6**	**13.0**	**100.0**	**100**	**3,314.2**	**100.6**	**100.7**	**1.6**	**1.0**
Developing Countries	**0.694**	**63.4**	**94.1**	**440.0**	**79.0**	**49**	**2,666.0**	**96.1**	**104.7**	**30.5**	**16.8**
African Average	**0.495**	**51.4**	**83.6**	**622.9**	**64.4**	**42**	**2,438.5**	**89.3**	**104.7**	**42.9**	**26.9**
West Africa Average	**0.433**	**47.6**	**108.3**	**660.5**	**59.8**	**37**	**2,573.9**	**87.6**	**107.7**	**48.4**	**31.9**
Benin	0.431	55.5	100.6	498.0	68.0	32	2,573.6	92.0	127.0	71.6	41.2
Burkina Faso	0.317	48.9	118.0	484.0	51.0	12	2,515.7	39.0	53.0	81.7	61.2
Cape Verde	0.721	71.4	26.7	7.6	80.0	42	3,215.5	118.0	124.0	29.2	13.4
Cote d'Ivoire	0.420	46.2	115.6	597.0	46.0	29	2,644.4	69.0	86.0	56.8	36.3
Gambia, The	0.470	57.3	71.6	730.0	82.0	53	2,288.1	84.0	86.0	64.6	50.1
Ghana	0.520	57.8	58.3	740.0	79.0	58	2,679.7	77.0	81.0	30.0	15.8
Guinea	0.466	54.2	100.3	390.0	51.0	13	2,446.8	71.0	92.0	...	...
Guinea-Bissau	0.348	45.3	114.5	822.0	59.0	34	2,051.0	...	...	69.8	40.0
Liberia	...	42.5	136.0	760.0	62.0	26	1,929.6	...	...	57.3	24.8
Mali	0.333	49.0	128.9	582.0	48.0	45	2,236.5	50.0	66.0	80.6	60.0
Niger	0.281	45.2	148.3	700.0	46.0	12	2,170.0	36.0	51.0	89.3	72.9
Nigeria	0.453	44.0	110.6	704.0	60.0	38	2,713.8	107.0	132.0	35.8	22.4
Senegal	0.458	56.8	79.7	690.0	72.0	52	2,374.2	77.0	83.0	67.2	48.3
Sierra Leone	0.298	41.6	161.9	...	57.0	39	1,943.2	...	...	...	...
Togo	0.512	55.5	89.5	570.0	82.0	80	2,357.7	110.0	132.0	50.1	22.6

Sources: ABD Statistics Division; Unesco Database 2005, UN Population Division, the 2004 Revision
Notes: column (1), (7) data refer to 2003; columns (5), (6) data refer to 2002; Columns (8 & 9) data refer to 2002/03; columns (2), (3), (10, 11), data refer to 2005; column (4) data refer to latest year available
(…) : data not available

Table 5.16: West Africa: Bank Group Loan and Grant Approvals by Country
(In millions of UA)

Country	2003	2004	2005	1967-2005
Benin	51.72	21.24	59.50	489.76
Burkina Faso	79.00	39.61	56.81	580.21
Cape Verde	0.35	3.50	-	166.27
Cote d'Ivoire	-	-	-	1,143.49
Gambia	0.36	4.95	5.50	220.64
Ghana	81.38	12.80	86.00	954.64
Guinea	-	-	22.74	563.21
Guinea-Bissau	7.16	-	1.35	179.09
Liberia	0.35	-	-	153.97
Mali	28.13	33.92	49.92	634.47
Niger	43.20	3.00	40.67	342.40
Nigeria	35.00	1.70	108.31	2,306.38
Senegal	65.29	9.58	83.19	669.46
Sierra Leone	30.54	3.64	39.70	279.19
Togo	14.56	-	-	185.24
Total Approvals	437.04	133.94	553.69	8,868.42

Source : ADB Statistics Division
- Magnitude zero

mortality in the region is high at 108 per 1,000 live births. The maternal mortality rate (MMR) of 661 per 100,000 live births is also higher than the continental average of 623 per 100,000 live births.

The primary school enrollment rate in the region for males, 108 percent, is above the continental rate of 105 percent for males. However, the region's primary school enrollment rate for females, 88 percent, is marginally below the continental average of 89 percent. At the secondary school level, the enrollment rates of 35 and 13 percent for males and females, respectively, are far below the continental averages of 46 and 35 percent for males and females, respectively. This clearly indicates that with respect to education, this region is disadvantaged, compared with the rest of the entire continent.

Bank Group Operations

Nigeria is the only country in the West Africa region that can borrow from the ADB and the ADF windows. The other 14 countries are only ADF-eligible, and 13 of them are HIPC countries. In 2005, Bank Group approvals to the region stood at UA 553.7 million, compared with UA 133.9 million approved in 2004 (see 5.16). Among the 11 countries that benefited from approvals in 2005, Nigeria was the largest recipient (19.6 percent), followed by Ghana (15.5 percent), Senegal (15.0 percent), Benin (10.7 percent), Burkina Faso (10.3 percent), Mali (9.0 percent), Niger (7.3 percent), Sierra Leone (7.2 percent), Guinea (4.1 percent), Gambia (1.0 percent), and Guinea Bissau (0.2 percent). The following sectors benefited from loan and grant approvals: multi-sector, UA 144 million (26.0 percent); social, UA 134.3 million (24.3 percent); agriculture and rural development, UA 107.9 million (19.5 percent); finance, UA 73.8 million (13.3 percent); transportation, UA 60.4 million (10.9 percent); water supply and sanitation, UA 26.5 million (4.8 percent), and; power supply, UA 6.7 million (1.2 percent).

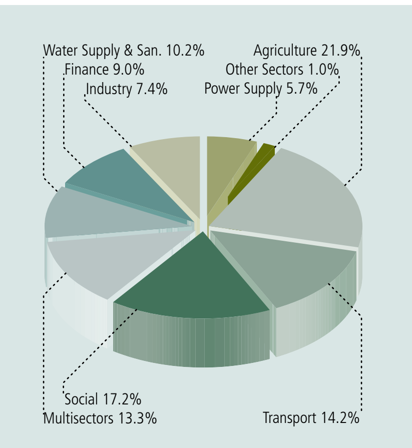
Between 1967 and 2005, cumulative Bank Group loan and grant approvals for the region reached UA 8.9 billion, or 24.2 percent of total cumulative allocations to all African countries (Table 5.16). The region was the second highest recipient of loan and grant approvals after North Africa. Within the region, Nigeria received the highest cumulative approvals (26.0 percent), followed by Côte d'Ivoire (12.9 percent), Ghana (10.8 percent), Senegal (7.5 percent), Mali (7.2 percent), Burkina Faso (6.5 percent), Guinea (6.4 percent), and Benin (5.5 percent). Loan and grant approvals for the other countries were as follows: Niger (3.9 percent), Sierra Leone (3.1 percent), The Gambia (2.5 percent), Togo (2.1 percent), Guinea Bissau (2.0 percent), Cape Verde (1.9 percent) and Liberia (1.7 percent).

Figure 5.5 presents loan and grant approvals by sector.

Conclusion

For the third consecutive year, Africa's average real GDP grew by more than 4.5 percent. The growth performance in 2005 occurred against a backdrop of weak global demand in the industrialized world, high oil prices, and poor harvests due to drought and locust invasions in some parts of the continent. Several non-oil producing countries achieved average growth rates of above 4 percent. This suggests that much of the gains in economic performance are attributable to the sound and

Figure 5.5: West Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2005



prudent macroeconomic policies pursued by a number of African countries.

Nonetheless, this impressive growth performance falls short of the 7-8 percent real GDP growth rate required to progress towards achieving many of the MDGs. The daunting development challenges still facing Africa include (i) accelerating the pace of economic growth while ensuring that such growth is pro-poor and reduces poverty, contributes to a more equitable income distribution, and is environmentally sustainable; (ii) consolidating macroeconomic stability, strengthening good economic and political governance, promoting the private sector, and establishing the necessary basic social services and development infrastructure for the poor; (iii) mobilizing new domestic and external financial resources to meet the development financing gap; and (iv) meeting the special challenge posed by the relentless surge of the HIV/AIDS pandemic and other communicable diseases such as Malaria and Tuberculosis.

In 2006, it is expected that strong oil revenues will buoy domestic demand among oil exporters and partially offset capacity constraints undermining productivity in Africa. Looking forward, high oil prices are expected to continue feeding demand in oil-producing African countries, whose economies are expected to grow at about 5.4 percent. In Africa, the balance of payments and economic consequences of higher oil prices are expected to intensify over 2006 as other commodity prices—which have reduced the terms-of-trade impact of high oil prices—ease. Despite high oil prices, inflation in Africa is expected to remain in the single digits because of lower food prices and prudent monetary policies. Recent economic reforms, and increased donor support will also help support real GDP growth, which is projected to be at or above 4.5 percent in 2006 and 2007.

Thus, there is an urgent need to scale up investments to achieve a much higher real GDP growth rate and improve income distribution in Africa in order to reach the MDGs. Equally important is the need to maintain macroeconomic stability, broaden the policy environment, improve governance and institutions, accelerate human capital development, strengthen regional integration, and maintain peace and stability. In 2006, the implementation of the Multilateral Debt Relief Initiative in 14 RMCs, coupled with the enhanced HIPC Initiative, should contribute significantly to the achievement of these objectives.

Part III

ADB, ADF, and NTF Operations and Finance

The African Development Bank

The African Development Fund

The Nigeria Trust Fund

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Chapter six

ADB, ADF, and NTF Operations

African Development Bank

- Operations
- Profiles of ADB-Approved Projects and Programs in 2005

The African Development Fund

- Operations
- Project and Program Lending
- Grant-Financed Operations
- Profiles of ADF-Approved Projects and Programs in 2005

The Nigeria Trust Fund

- Operations
- Profiles of NTF-Approved Projects and Programs in 2005

This Chapter presents operational activities undertaken by the Bank Group—the African Development Bank, the African Development Fund, and the Nigerian Trust Fund—during the year. It examines the global and sectoral composition of Bank Group operations and profiles projects approved during the year.

The African Development Bank

Operations

The Bank provides non-concessional loans—to support development activities in creditworthy RMCs and in blend countries that are also eligible for concessional financing—through its ADB window. It mobilizes financial resources from international capital markets to finance (i) key operations in eligible RMCs—to make their economies more competitive, and (ii) financially viable private sector operations in all RMCs. Through its Special Relief Fund (SRF), the Bank also provides emergency assistance to RMCs emerging from situations of conflict and to RMCs affected by natural disasters.

Total ADB approvals declined during the year, from UA 1.52 billion in 2004 to UA 868.7 million, because of substantial reductions in HIPC debt relief and in policy-based lending. Approvals during the year were as follows: 10 project lending operations (UA 597.3 million); 2 policy-based loans (UA 147.7 million); 17 emergency assistance grants under the Special Relief Fund (UA 5.8 million); three debt relief operations under the enhanced HIPC Initiative (UA 76.0 million); one private equity participation (UA 35.1 million), and; one private guarantee (UA 6.9 million). (See Table 6.1).

The distribution of ADB approvals by sector was as follows: power supply accounted for the largest share of total loans and grants (36.1 percent), followed by finance (28.2 percent), the multi-sector (13 percent), the environment (7.7 percent), the social sector (7.4 percent), industry, mining, and quarrying (4.5 percent), and agriculture and rural development (3.1 percent). (See Table 6.2).

Public Sector Operations

In total, 28 projects and programs totaling UA 688.6 million (79.3 percent of total ADB operations) were approved for project loans, policy-based operations, Special Relief Fund, and debt relief operations. These operations are presented below.

Project loans were the main financing instrument for public sector operations and were allocated to promote the development of the physical and social infrastructure necessary for sustainable development and poverty reduction. Project lending in 2005 stood at UA 459.2 million, comprising five project loans for UA 321.1 million, and one line of credit for UA 138.0 million. The five project loans were for (i) the *Fisheries and Aquaculture Sector Support Project* in Gabon, (ii) the *Northern Plains Irrigation Project* in Mauritius, (iii) the *Gafsa Phosphates Company Capacity Building in Environmental Protection and Phosphate Mining* in Tunisia, (iv) the Ain Beni Mathar Solar Thermal Power Station Project in Morocco, and (v) the El Kureimat Combined Cycle Power Plant Project in Egypt. The line of credit approved was the Second Line of Credit to the National Bank of Egypt to finance the SMEs Support Project (see Profiles of ADB-Approved Projects and Programs below).

Two **policy-based operations** (UA 147.7 million) were approved for Tunisia. They comprised one sectoral adjustment loan (UA 50.0 million) for the *Secondary Education Support Project*, and one structural adjustment loan (UA 97.8 million) to support the implementation of government economic policies and orientations for private sector development.

In total, 17 grants (amounting to UA 5.8 million) were allocated from the **Special Relief Fund for Emergency Operations** (SRF) for operations in 16 countries. The relief funds for Djibouti, Burundi, Niger, Malawi, Mozambique, Swaziland, Zambia, and Zimbabwe were intended to help reduce the suffering of the victims of drought in these countries. Humanitarian and emergency assistance was provided to Burkina Faso, Chad, Niger, and Nigeria, to help eradicate poliomyelitis, and to Egypt, to control the 2004 locust invasion. Somalia and Seychelles received emergency assistance for victims of the December 2004 Asian Tsunami.

Three **debt relief operations** (UA 76.0 million) were approved for Madagascar,

TABLE 6.1: ADB Approvals by Financing Instrument, 2003-2005
(In millions of UA)

Financing Instrument	2003			2004			2005		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	**16**	**565.61**	**75.8**	**9**	**417.01**	**27.4**	**10**	**597.25**	**68.8**
Public and Publicly -Guaranteed	8	359.78	48.2	5	255.84	16.8	6	459.16	52.9
Project Loans	4	174.51	23.4	4	243.03	16.0	5	321.18	37.0
Sector Investment and Rehabilitation	-	-	-	-	-	-	-	-	-
Lines of Credit	4	185.27	24.8	1	12.81	0.8	1	137.98	15.9
Private Non-Publicly Guaranteed	8	205.84	27.6	4	161.17	10.6	4	138.10	15.9
Project Loans	3	91.40	12.3	-	-	-	2	64.32	7.4
Lines of Credit	5	114.44	15.3	4	161.17	10.6	2	73.78	8.5
Policy-Based Lending	**1**	**176.65**	**23.7**	**3**	**388.74**	**25.6**	**2**	**147.73**	**17.0**
Sector Adjustment	1	176.65	23.7	1	207.75	13.7	1	49.97	5.8
Structural Adjustment	-	-	-	2	180.99	11.9	1	97.76	11.3
Special Relief Fund	**11**	**3.58**	**0.5**	**6**	**2.82**	**0.2**	**17**	**5.75**	**0.7**
Emergency Assistance	11	3.58	0.5	6	2.82	0.2	17	5.75	0.7
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
Debt and Debt Service Reduction	**-**	**-**	**-**	**4**	**707.77**	**46.6**	**3**	**75.99**	**8.7**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
HIPC Debt Relief	-	-	-	4	707.77	46.6	3	75.99	8.7
Equity Participation	**-**	**-**	**-**	**1**	**3.21**	**0.2**	**1**	**35.11**	**4.0**
Public Equity	-	-	-	-	-	-	-	-	-
Private Equity	-	-	-	1	3.21	0.2	1	35.11	4.0
Guarantee	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**6.90**	**0.8**
Public Guarantees	-	-	-	-	-	-	-	-	-
Private Guarantees	-	-	-	-	-	-	1	6.90	0.8
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Approvals	**28**	**745.84**	**100.0**	**23**	**1,519.54**	**100.0**	**34**	**868.73**	**100.0**

Source : ADB Statistics Division
- Magnitude zero
0.0 Magnitude less than 5 percent of the unit employed

Rwanda and Zambia (see HIPC Debt Relief in Chapter 2).

Figure 6.1 presents ADB public sector approvals by country.

Private Sector Operations

During 2005, the Bank Group continued to increase support for private sector activities, with emphasis on finance and infrastructure. It continued to encourage the development of small- and medium-scale enterprises (SMEs) to facilitate broad-based economic growth that will lead to poverty reduction in RMCs. To this end, the Bank approved four private sector loans totaling UA 138.1 million, or 15.9 percent of total ADB approvals, one equity participation for UA 35.1 million, and one guarantee for UA 6.9 million (see Table 6.1 and Figure 6.2). Total private sector approvals in 2005 amounted to UA 180.1 million, representing 20.7 percent of total ADB approvals. This was 9.6 percent higher than the UA 164.4 million approved in 2004.

The focus of private-sector lending operations was support for the financial sector through loans and lines of credit. In this regard, two loans were approved for

TABLE 6.2: ADB Approvals by Sector, 2003-2005
(In millions of UA)

Sector	2003			2004			2005		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	1	9.96	1.3	2	22.87	2.8	2	23.11	3.1
Social	11	3.58	0.5	4	1.35	0.2	18	55.71	7.4
Water Supply and Sanitation	1	176.65	23.7	1	56.51	7.0	-	-	-
Power Supply	2	118.94	15.9	-	-	-	3	270.80	36.1
Communication	-	-	-	-	-	-	-	-	-
Transport	3	108.10	14.5	3	372.76	46.1	-	-	-
Finance	9	299.71	40.2	5	173.98	21.5	3	211.76	28.2
Multisector	-	-	-	3	181.09	22.4	1	97.76	13.0
Industry, mining and quarrying	1	28.90	3.9	-	-	-	1	33.96	4.5
Urban Development	-	-	-	-	-	-	-	-	-
Environment	-	-	-	-	-	-	1	57.63	7.7
Total Loans and Grants	**28**	**745.84**	**100.0**	**18**	**808.57**	**100.0**	**29**	**750.73**	**100.0**
Other Approvals	**-**	**-**	**n.a.**	**5**	**710.97**	**n.a.**	**5**	**118.00**	**n.a.**
HIPC Debt Relief	-	-	n.a.	4	707.77	n.a.	3	75.99	n.a.
Equity Participation	-	-	n.a.	1	3.21	n.a.	1	35.11	n.a.
Guarantee	-	-	n.a.	-	-	n.a.	1	6.90	n.a
Total Approvals	**28**	**745.84**	**n.a.**	**23**	**1,519.54**	**n.a.**	**34**	**868.73**	**n.a.**

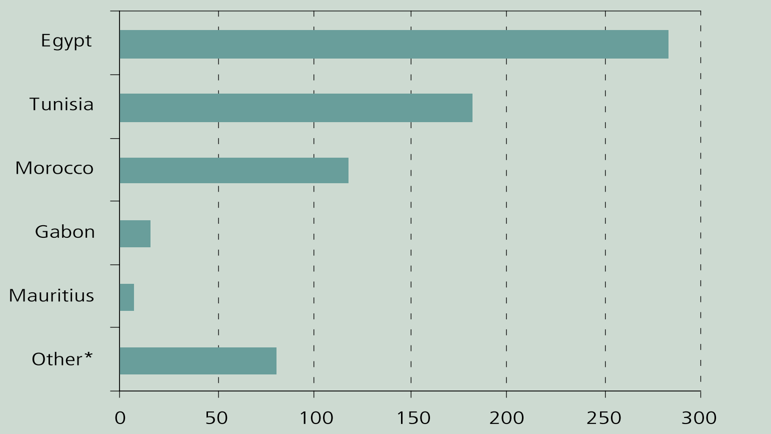
Source : ADB Statistics Division
- Magnitude zero

the *Kounoune Thermal Power Project* and environmental upgrading projects in Senegal and in Morocco, respectively. Two lines of credit were also approved for two Nigerian Banks—Zenith Bank PLC and Guarantee Trust Bank PLC—to help develop financial intermediation and capital markets, and to promote the private sector and SMEs. The Bank also provided credit guarantee to the *Kenya Growth-Oriented Enterprise Program* and made an equity investment in a multinational project – the *Employment Africa Fund II, LLC.*

Cumulative ADB Loan and Grant Approvals by Sector and by Region

Since the start of ADB operations in 1967, a total of 931 loans and grants, amounting to UA 21.36 billion, have been approved through the ADB window. These include 71 non-publicly guaranteed private sector operations for a total amount of UA 1.17 billion.

Figure 6.1: ADB Public Sector Approvals, 2005
(In millions of UA)



*For Emergency Relief operations in Angola, Burkina Faso, Burundi, Chad, Djibouti, Malawi, Mauritania, Mozambique, Niger, Nigeria, Seychelles, Somalia, Swaziland, Zambia, Zimbabwe and HIPC Debt Relief in Madagascar, Rwanda and Zambia

BOX 6.1: Solar Thermal Power Station in Morocco

In March 2005, the Board approved a UA 118.1 million loan to finance the construction of the *Ain Beni Mathar Integrated Solar Thermal Power Station* in Morocco. The Global Environment Fund and the National Electricity Authority are co-financing the project in the amounts of UA 36.5 million and UA 28.1 million, respectively

Background: The project was initiated in 1994 when a group of consultants was commissioned to conduct a pre-feasibility study for a solar thermal power station in the regions of Ouarzazate and Taroudant, in the southern-central part of Morocco. The region has enough sunshine to justify the construction of such a power station. In 1996, the scope of the study was broadened to include the regions of Jerada, Ain Beni Mathar, and Guercif, to take advantage of the proximity to the Maghreb-Europe Gas Pipeline, the availability of sufficient water-flow to cool the power station and clean the solar mirrors, and the proximity to a high voltage grid to facilitate evacuation of power generated at the plant. On the basis of the study, the Ain Beni Mathar region was chosen for the construction of the power station.

Objectives: The objectives of the project are to (i) consolidate and modernize major infrastructure networks; (ii) support Moroccan companies to modernize production processes and tools; and (iii) prepare Moroccan companies for competitive conditions. These are in line with the Government's action plan and with the Bank's strategy for the Kingdom of Morocco.

Impact and Outputs: The project will diversify energy sources and ensure the steady supply of electricity to the country in response to growing demand. It will help raise the National Electricity Authority's production capacity from 200 to 250 MW and supply the interconnected system with close to 1590 GWh per year, of which 55 GWh is of solar origin. It will also help increase the proportion of renewable energy in the country's energy balance.

BOX 6.2: Bank Group Response to the Avian Influenza

In the face of growing global public health concerns about the continuing outbreaks of the Avian Influenza in the second half of 2005, the Bank Group constituted a working group of human and animal health experts to review potential actions and propose a way of dealing with the potential public health crisis. In the event of a pandemic, RMCs would need significant financial and technical support to strengthen their capacity to prevent an outbreak and to control the spread of the disease.

The working group consulted with the World Bank, other multilateral development banks, and UN agencies, in particular, the UN World Organization for Animal Health (OIE) and the AU-Inter African Bureau for Animal Resources (AU-IBAR) on an action plan, and on the co-ordination of international response to the disease.

The Bank Group participated in a number of global meetings aimed at examining a development assistance framework to control the Highly Pathogenic Avian Influenza (HPAI). The first meeting, organized by the FAO, the WHO, and the OIE in Geneva in November 2005, focused on reaching a common understanding of the requirements for preventing and controlling HPAI transmissions. A second meeting, a pledging conference to review global and regional financing needs and gaps, was convened by the Government of China, the European Commission, and the World Bank in Beijing. The conference raised US$1.9 billion in financial pledges.

In December 2005, a series of regional meetings on avian influenza were organized to raise the state of preparedness of RMCs. The FAO organized the sub-regional meetings for East, Central, North, and West Africa, with the help of regional communities such as UEMOA. The SADC group of countries also worked with OIE to assess the state of the countries' preparedness. These resulted in country action plans to strengthen existing national plans.

By the end of 2005, the Bank Group was considering an action plan in response to the potential Bird Flu crisis with the following possibilities:

(i) Participating in consultations designed to foster greater understanding of the threat posed by the Avian Influenza and to search for strategies aimed at preventing and containing the spread of the disease in the Africa region;
(ii) Reviewing the Bank Group's funding mechanisms in order to provide short-term assistance and medium to longer-term support to its RMCs to strengthen the quality of their veterinary services, improve access to such services by farmers, and improve the surveillance capacity of farmers;
(iii) Providing emergency support through the Bank Group's Special Relief Fund (SFR) to eligible RMCs that may need urgent support to strengthen their state of preparedness for an Avian Influenza emergency;
(iv) Working with other development partners to set up a Special Avian Influenza Relief Fund, to the tune of UA 50 million, to assist RMCs that are at risk and to prevent the outbreak or spread of the disease. The Bank Group contribution is under review but could take the form of multinational operations;
(v) Undertaking Economic and Sector Work (ESW) on the cost-effective compensation/incentive structures for affected farmers and providing appropriate advice to RMCs;
(vi) Continuing to provide support for regional and economic integration activities aimed at detecting, monitoring, and surveillance of the Avian Influenza; and
(vii) Consulting with the World Bank on how to access the funds pledged during the Beijing conference for HPAI.

Figure 6.3 presents cumulative ADB loan and grant approvals by sector: finance received the largest share, followed by transport, the multi-sector, power supply, agriculture and rural development, industry, mining, and quarrying, water supply and sanitation, the social sector (including education, health and poverty reduction operations), and other sectors.

Figure 6.4 presents the regional distribution of cumulative approvals: North Africa received the largest share, followed by West Africa, Southern Africa, Central Africa, East Africa, and multi-regional loan approvals (aimed at supporting regional integration activities).

Figure 6.2: ADB Private Sector Approvals, 2001-2005
(In millions of UA)

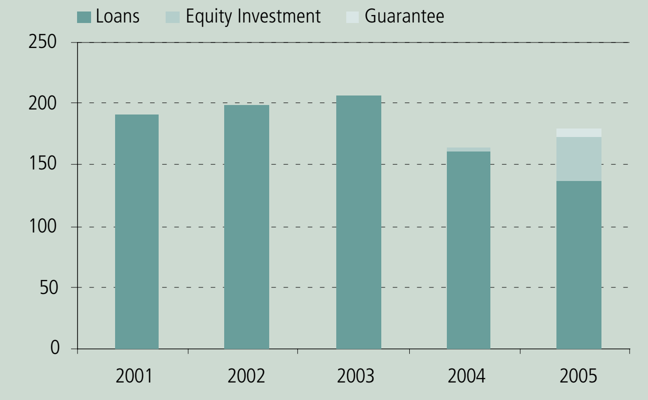


Figure 6.3: Cumulative ADB Loan and Grant Approvals by Sector, 1967-2005

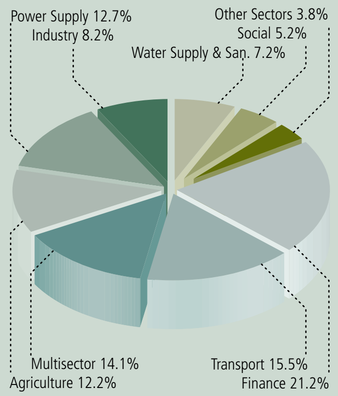
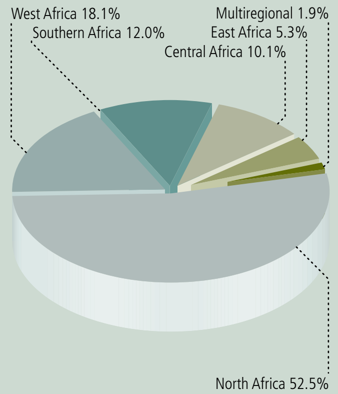


Figure 6.4: Cumulative ADB Loan and Grant Approvals by Region, 1967-2005



Profiles of ADB-Approved Projects and Programs in 2005
(In millions of UA)

Country	Project	Total Cost	Loan	Grant
AGRICULTURE & RURAL DEVELOPMENT				
Gabon	*Fisheries and Aquaculture Sector Support Project* **Objective and description.** Build capacity in fisheries and aquaculture administration, promote traditional fishing techniques and aquaculture, and put in place basic infrastructure. The project focuses on construction and on rehabilitation of landing sites, equipment of aquaculture centers and stations, and of other associated structures such as fishery inspectorates and infrastructure. **Expected outcomes:** The project will help diversify the economy by fostering sustainable management of forests, fish, and environmental resources; improve fish production conditions in order to increase output and incomes; and increase marketing of fish products. Some 21,000 people, 55.3 percent of them women, will benefit from the project. **Co-financiers:** The Government (11.26 percent); beneficiaries (0.24 percent).	16.16	15.36	
Mauritius	*Northern Plains Irrigation Project* **Objective and description:** Help reduce income disparity within the farming community and increase the productivity of agricultural lands in the Northern Plains. The project will provide irrigation water for small planters' farms and derock agricultural lands in the Northern Plains. **Expected outcomes:** Over 1,377 ha of small planters' land will be irrigated through the construction of water conveyance systems and irrigation infrastructure. About 2,400 small sugar cane planters and their families—who exploit plots of less than 4.2 ha—will benefit from the project. Women will be empowered and their participation skills improved. **Co-Financiers:** BADEA (23.62 percent); Government of Mauritius (25.59 percent).	15.24	7.74	
ENVIRONMENT				
Morocco	*Environmental Upgrading Project** **Objective and description:** Enable SAMIR to (i) increase production efficiency and meet growing demand for semi-distilled products, and (ii) manufacture products that comply with future environmental standards in Morocco and in Europe. The project involves fitting new units into the Mohemmedia refinery, which is owned by SAMIR, so that the refinery can be upgraded from mere hydroskimming to the more sophisticated process of hydrocraking. **Expected outcomes:** The project will have a very positive public health impact, as it is expected to reduce the incidence of respiratory diseases	591.88	57.63	

*Private sector operation

Country	Project	Total Cost	Loan	Grant
	linked with poor air quality during 2008-2015, leading to average annual health savings of US$30 million. It will also generate higher tax yields for the Government and higher dividends for shareholders. **Co-financiers:** SAMIR (36 percent), local and international banks; Export Credit Loan (54.2 percent).			
FINANCE				
Egypt	*Second Line of Credit to NBE to finance the SMEs Support Project* **Objective and description:** Promote economic growth and poverty alleviation in Egypt through the development of SMEs. The LOC to the National Bank of Egypt (NBE) will provide (i) financial resources for SME development in Egypt, and (ii) parallel technical assistance to improve NBE's capacity to finance SMEs. **Expected outcomes:** Under the project, more than 200 new and expanded SMEs will have access to the financial markets; over 2,000 jobs will be created, and about 500 NBE staff will receive training in financing SMEs. **Co-financiers:** None	N.A.	137.98	0.30
Nigeria	*Line of Credit to Zenith Bank Plc** **Objective and description:** Help Zenith Bank develop financial intermediation capacity; and promote private sector and SME development. **Expected outcomes:** The LOC to Zenith Bank will allow it to provide loans to investment projects in support of expansion of enterprises and rehabilitation of projects with strong foreign currency income streams. It will specifically provide long-term credit to 8-12 projects, ensure training of Zenith staff, and allow the creation and retention of 1,500-2,000 jobs by 2010. The project is expected to bring about generation/savings of foreign exchange estimated at US$100 million. **Co-financiers:** None	N.A.	45.69	
Nigeria	*Line of Credit to Guarantee Trust Bank PLC** **Objective and description:** Help develop Nigeria's financial and capital markets; reduce mismatches in tenure, as the availability of long term funding will match the life of long-term projects; and support the development of investment projects by SMEs. **Expected outcomes:** The LOC to Guarantee Trust Bank will improve the supply of long-term foreign exchange currency lending to corporate and SME clients in Nigeria, primarily in the infrastructure sector. About 8-12 projects will benefit from access to long-term funding; 1,500-2,500 direct and indirect jobs will be created and maintained by 2010, resulting in generation/savings of foreign exchange estimated at US$70 million. **Co-financiers:** None	N.A.	28.09	

*Private sector operation

Country	Project	Total Cost	Loan	Grant
INDUSTRY				
Tunisia	*CPG Capacity Building in Environmental Protection and Phosphate Mining* **Objective and description:** Provide better environmental protection for the natural landscape of the Gafsa mining area; improve the Gafsa Phosphates Company productivity and the competitiveness of Tunisian phosphate at the international level. It involves the construction of modern environmental protection facilities such as sludge spreading and storage ponds. **Expected outcomes:** The project will help maintain the jobs of some 10,000 employees; help achieve the export growth targets of the industrial sector, and enhance the Government's efforts to integrate the activities of the phosphate sub-sector into the country's economic development. **Co-financier:** Gafsa Phosphates Company (13.7 percent).	39.33	33.96	
MULTISECTOR				
Tunisia	*The Competitiveness Support Program III* **Objective and description:** Maintain a stable macroeconomic framework, improve the quality of private investments and strengthen the financial sector's capacity to contribute to economic growth. The program covers the implementation and orientation of the government's policy for achieving the above objectives. **Expected outcomes:** The program will help the Tunisian Government to attain its target GDP growth rate of 5.2 percent during 2005-2006. It will also reduce the inflation rate and budget deficit, improve fiscal revenue collection, and increase foreign direct investment flows. **Co-financers:** WB (UA 102.7 million) and EU (UA 65.1 million).	N.A.	97.76	
POWER SUPPLY				
Egypt	*El Kureimat Combined Cycle Power Plant Project* **Objective and description:** Increase the generation capacity of the plant to help meet electricity demand in the United Power System (UPS) in the short- to medium- term. The project involves the construction of a 750 MW combined cycle power plant to increase power supply to the UPS by 2009. **Expected outcomes:** A 750 MW combined cycle gas-fired turbine-generator with auxiliaries will be installed, a 500 kV Switchyard erected and capacity to monitor environmental impacts enhanced. The project will help make available increased/sufficient and reliable power to all new and potential customers, including households, agriculture, businesses and industries. **Co-financier:** UEEOC/Egypt Electricity Production Company (28.1 percent)	203.22	146.03	
Morocco	*Ain Beni Mathar Thermo Power Station Project* **Objective and description.** Help raise the National Electricity Authority's	178.83	118.08	

Country	Project	Total Cost	Loan	Grant
	(ONE)'s production capacity from 200 to 250 MW and supply the interconnected system with close to 1590 GWh per year, of which 55 GWh will be of solar origin. The project involves the construction of an integrated solar thermal combined cycle power station. **Expected outcomes:** The project will enable ONE to save on the cost of fuel used to generate electricity and increase the production of renewable energy in the country. It will help ensure a steady supply of electricity in response to growing demand, help maintain electricity access rates in urban areas at 100 percent, and increase the access rate in rural areas to 100 percent by 2007. **Co-financiers:** GEF (20.56 percent) and ONE (15.82 percent)			
Senegal	*Kounoune Thermal Power Project** **Objective and description:** Increase electricity supply at a competitive cost in order to meet Senegal's growing demand for electricity. The project involves the construction and operation of a 65.5 MW thermal power plant based on Build, Own and Operate, and a pipeline and substation at Kounoune. **Expected outcomes:** Positive impact on the socioeconomic development of the region. In particular, the project will accelerate the total electrification of the area, attract new industrial units, create employment, improve home comfort, and create a healthier environment. **Co-financiers:** Matelec (20 percent); MEE (10 percent); International Finance Corporation(25 percent); Proparco (20 percent); West African Development Bank (7.5 percent); local Banks (2.5 percent).	50.16	6.69	
SOCIAL				
Angola	*Emergency Humanitarian Assistance to fight the Marburg Hemorrhagic Fever Epidemic* The Bank's assistance will be used to (i) finance care for hospitalized patients under medical control; and (ii) strengthen social mobilization and sensitizing activities. The population of five provinces and Luanda will benefit from the aid.	N.A.		0.34
Burkina Faso	*Emergency Humanitarian Assistance for Poliomyelitis Eradication* The Bank's assistance will help eliminate Poliomyelitis by supporting vaccination activities and strengthening technical and material vaccination capacity.	N.A		0.33
Burundi	*Emergency Humanitarian Assistance for Victims of Drought in the Provinces of Kirundo and Muyinga* The Bank's assistance is intended to complement the actions of the Government and other partners by helping finance the procurement of seeds, fruit trees, manure, and other equipment to help some 70,000 families affected by drought. It will also provide food assistance to vulnerable families with the primary objective of saving lives and preserving livelihoods.	N.A		0.34

*Private sector operation

Country	Project	Total Cost	Loan	Grant
Chad	*Emergency Humanitarian Assistance for Eradication of Poliomyelitis* The Bank's assistance will help eliminate Poliomyelitis by supporting vaccination activities and strengthening technical and material vaccination capacity.	N.A		0.33
Djibouti	*Emergency Humanitarian Assistance for the Victims of Drought* The Bank's assistance is intended to complement the actions of the Government and other partners by helping finance the procurement of food and nutritional items for the rehabilitation of victims affected by drought. Specifically, it will provide food assistance to targeted 50,000 vulnerable families with the primary objective of saving lives and preserving livelihoods.	N.A		0.34
Egypt	*Emergency Assistance for the Control of Locust Invasion in 2004* The Bank's assistance will contribute to the locust monitoring and control program by supporting the procurement of pesticides, equipment, and logistics to help contain the multiplication and migration of locusts in Egypt and in neighboring countries. It is expected to reduce damage to crops and vegetation by at least 50 percent.	N.A		0.33
Malawi	*Humanitarian Emergency Assistance for Drought-Affected Communities* The Bank's assistance will help alleviate the suffering of the 2005 drought-affected communities in Malawi. It is intended to provide food assistance to targeted vulnerable individuals and households, to save lives and preserve livelihoods.	N.A		0.35
Mauritania	*Emergency Food Aid to the Victims of Natural Calamities (Floods, Droughts and Locust Invasions)* The Bank's aid will help finance the procurement of food and nutritional items for the rehabilitation of victims of natural calamities. It will provide food assistance to targeted vulnerable individuals and households, to save lives and preserve livelihoods.	N.A		0.34
Mozambique	*Humanitarian Emergency Assistance to the 2005 Drought-Affected Communities* The aim of the Bank's assistance is to help alleviate the suffering of the 2005 drought-affected communities by providing food assistance to targeted vulnerable individuals and households, to save lives and preserve livelihoods, in particular, women and children.	N.A		0.35
Niger	*Humanitarian Emergency Assistance for Eradication of Poliomyelitis* The Bank's assistance will help eliminate Poliomyelitis by supporting vaccination activities and strengthening technical and material vaccination capacity.	N.A		0.33

Country	Project	Total Cost	Loan	Grant
Niger	*Emergency Food Aid to Drought-Affected Victims and Locust Invasion* The Bank's assistance will help alleviate the suffering of the 2005 drought-affected communities. It will provide food to targeted vulnerable individuals and households, with the primary objective of saving lives and preserving livelihoods, especially women and children.	N.A		0.34
Nigeria	*Humanitarian Emergency Assistance for the Eradication of Poliomyelitis* The Bank's assistance will help eliminate Poliomyelitis by supporting vaccination activities and strengthening technical and material vaccination capacity.	N.A		0.33
Seychelles	*Emergency Assistance for the Restoration of Damages caused by December 2004 Asian Tsunami Damages* The Bank's assistance will help alleviate the suffering of victims of the December 2004 Tsunami in the Seychelles. It will contribute to the repair of road infrastructure and schools, and to the purchase of replacement fishing equipment for victims.	N.A.		0.32
Somalia	*Emergency Humanitarian Assistance for December 2004 Asian Tsunami Victims and Disaster in North-eastern Somalia* The Bank's assistance will help alleviate the suffering of the victims of the December 2004 Tsunami in Somalia. It will provide food assistance to targeted vulnerable individuals and households with the primary objective of saving lives and preserving livelihoods. It will help alleviate human suffering, especially for women and children.	N.A		0.32
Swaziland	*Emergency Food Assistance to Populations Affected by the 2005 Drought* The Bank's assistance will help alleviate the suffering of the 2005 drought-affected populations in Swaziland. It will provide food assistance to targeted vulnerable individuals and households, with the primary objective of saving lives and preserving livelihoods.	N.A		0.35
Tunisia	*Secondary Education Support Project Phase II* **Objective and description:** Help increase the intake capacity, relevance, and quality of basic and secondary education. The project involves building and equipping 50 new junior secondary schools and 20 high schools, and rehabilitating other schools. **Expected outcomes:** Over 58,000 more pupils will be enrolled in the second cycle of basic education and secondary education. The project will provide information technology equipment for multimedia laboratories in schools. At least 150 pedagogical instructors-inspectors, teacher trainers and 4000 teachers in different areas of secondary education will be trained. **Co-financier:** Government of Tunisia (50 percent).	100.00	49.97	

Country	Project	Total Cost	Loan	Grant
Zambia	*Humanitarian Emergency Assistance to 2005 Drought-Affected Communities* The Bank's assistance will help alleviate the suffering of the 2005 drought-affected communities in Zambia. It will provide food assistance to targeted vulnerable individuals and households, with the primary objective of saving lives and preserving livelihoods.	N.A		0.35
Zimbabwe	*Emergency Food Assistance to Populations Affected by the 2005 Drought* The Bank's assistance will help alleviate the suffering of the 2005 drought-affected victims in Zimbabwe. It will provide food assistance to targeted vulnerable individuals and households, with the primary objective of saving lives and preserving livelihoods.	N.A		0.35
OTHER APPROVALS				
Kenya	*Growth-Oriented Women Entrepreneurs Development Project** **Objective and description:** Enhance the economic empowerment of women entrepreneurs by helping successful women entrepreneurs to improve their SMEs. Also, fill the existing SME financing gap and support long-term development and management of adequate financial services by local financial institutions. The project has two inter-linked components: A PGF, which will guarantee up to 50 percent of loans provided by selected local banks to women entrepreneurs; and an ADF grant-financed TAF. **Expected outcomes:** Financial services and technical assistance will be provided for two categories of growth-oriented women SMEs: small enterprises employing 5-10 employees and those with more than 10 workers. At least 400 SMEs, which are expected to create more than 500 new jobs, will be financed. There will also be training and mentoring for project clients and capacity building for financial institutions. **Cofinanciers:** None	6.90		
Madagascar	*HIPC Debt Relief* Help reduce Madagascar's external debt to sustainable levels and encourage the use of savings made under debt alleviation for poverty reduction activities.	9.35		
Rwanda	*HIPC Debt Relief* Help reduce Rwanda's external debt to sustainable levels and encourage the use of savings made under debt alleviation for poverty reduction activities.	0.11		

*Private sector operation

Country	Project	Total Cost	Loan	Grant
Zambia	*HIPC Debt Relief* Help reduce Zambia's external debt to sustainable levels and encourage the use of the savings made under debt alleviation for poverty reduction activities.	66.53		
Multinational	*Equity Investment in EMP Africa Fund II LLC** **Objective and description:** Support private sector development in Africa by improving access to capital markets. The equity investment will provide grant equity and quasi-equity capital to enterprises that are legally constituted in Africa, operate in Africa, and comply with corporate governance and social and environmental standards. **Expected outcomes:** Development of financial markets, a minimum of five sales of investments by listing on the stock markets, about US$1 billion investments made by enterprises created, 15 enterprises financed and 32,000 jobs created by 2010. **Major Shareholders include:** European Investment Bank; International Finance Corporation; EIIC.	35.11		

The African Development Fund

Operations

The African Development Fund (ADF) window provides highly concessional loans and grants to 38 low-income RMCs that are unable to borrow at market rates under the ADB window. The two blend countries (Nigeria and Zimbabwe) are also entitled to concessional borrowing from the ADF. These funds are geared for investment in basic economic and human development projects and are allocated on the basis of country creditworthiness, per capita GNP, and country performance. Based on established rules, the allocation of resources for planned operations in ADF-borrowing countries must reflect each country's policy and institutional performance, and its project implementation record. The ADF resources are intended to promote accelerated, broad-based, equitable, sustainable economic growth and social development, with poverty reduction as the main goal.

In 2005, ADF approvals amounted to UA 1.42 billion for 65 operations in 24 countries and six multinational projects, compared with UA 1.26 billion for 99 operations in 27 countries and 18 multinational projects in 2004. The 13.0 percent increase in 2005 approvals over 2004 approvals was due to

TABLE 6.3: ADF Approvals by Financing Instrument, 2003-2005
(In millions of UA)

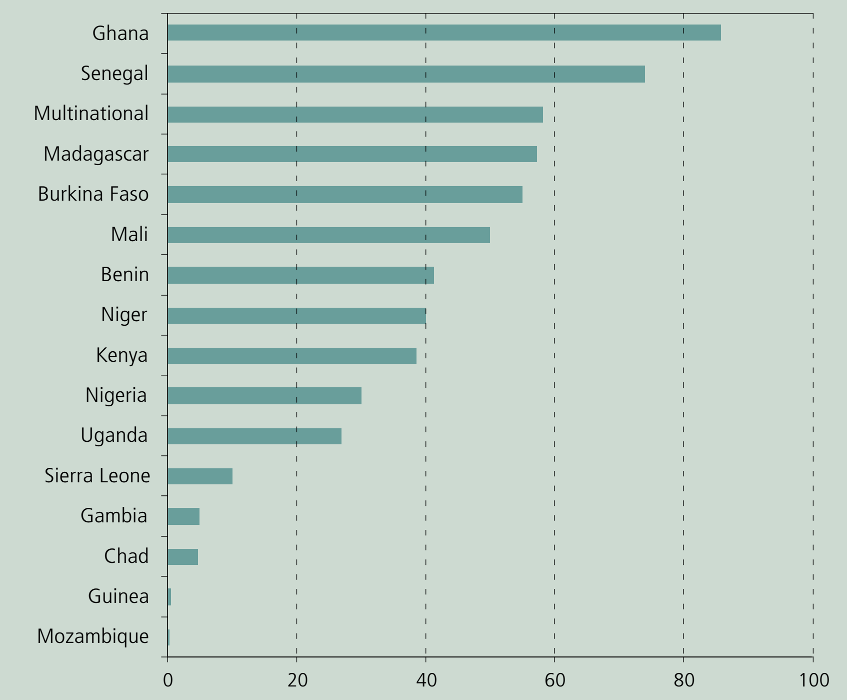
Financing Instrument	2003			2004			2005		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	**40**	**596.61**	**59.8**	**28**	**487.16**	**38.7**	**20**	**449.56**	**31.6**
Public and Publicly -Guaranteed	40	596.61	59.8	28	487.16	38.7	20	449.56	31.6
Project Loans	40	596.61	59.8	27	451.16	35.9	20	449.56	31.6
Sector Investment and Rehabilitation	-	-	-	1	36.00	2.9	-	-	-
Lines of Credit	-	-	-	-	-	-	-	-	-
Private Non-Publicly Guaranteed	-	-	-	-	-	-	-	-	-
Project Loans	-	-	-	-	-	-	-	-	-
Lines of Credit	-	-	-	-	-	-	-	-	-
Policy-Based Lending	**9**	**227.94**	**22.8**	**10**	**214.22**	**17.0**	**4**	**127.00**	**8.9**
Sector Adjustment	4	104.11	10.4	1	2.50	0.2	-	-	-
Structural Adjustment	5	123.83	12.4	9	211.72	16.8	4	127.00	8.9
Grants	**59**	**170.95**	**17.1**	**54**	**213.87**	**17.1**	**34**	**414.53**	**29.2**
Technical Assistance	20	25.84	2.6	33	99.96	8.1	15	32.76	2.3
Project Cycle Activities	10	13.76	1.4	10	22.22	1.8	4	7.81	0.5
Institutional Support	10	12.08	1.2	23	77.74	6.2	11	24.96	1.8
of which Private Sector	-	-	-	1	1.60	0.1	-	-	-
Project Grants	39	145.11	14.5	21	113.91	9.1	19	381.77	26.9
Project Preparation Facility	**2**	**0.61**	**0.1**	**-**	**-**	**-**	**3**	**1.13**	**0.1**
Debt and Debt Service Reduction	**2**	**1.85**	**0.2**	**7**	**342.67**	**27.2**	**4**	**429.49**	**30.2**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
HIPC Debt Relief	2	1.85	0.2	5	301.37	24.0	4	429.49	30.2
Post Conflict Country Facility	-	-	-	2	41.30	3.3	-	-	-
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL APPROVALS	**112**	**997.96**	**100.0**	**99**	**1,257.91**	**100.0**	**65**	**1,421.71**	**100.0**

Source : ADB Statistics Division
- Magnitude zero

an increase in resourses mobilized under ADF-X replenishment (see Table 6.3).

With respect to ADF resources, the main lending instrument during the year was project loans, which amounted to UA 449.6 million for 20 operations, and represented 31.6 percent of total approvals. Grants constituted the second largest approvals, with UA 414.5 million for 34 operations (29.2 percent of total approvals), of which 15 were for technical assistance (UA 32.8 million) and 19 were in the form of project grants (UA 381.8 million). Four policy-based lending operations totaling UA 127 million (8.9 percent of total approvals) were approved to finance four structural adjustment loans. As well, four HIPC debt assistance cases totaling UA 429.5 million, and three project preparation facilities amounting to UA 1.1 million were approved. Figure 6.5 presents the 15 countries that benefited from ADF loan approvals in 2005.

Figure 6.5: ADF Loan Approvals by Country
(In millions of UA)



Project and Program Lending

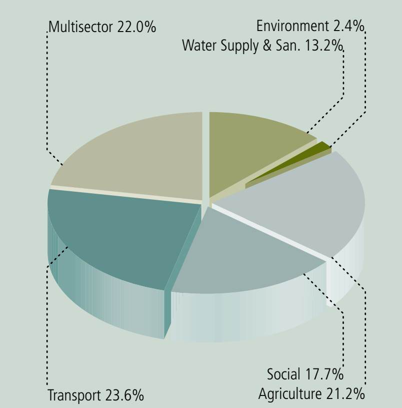
Loan-Financed Projects

In line with the Bank's strategic orientations and with ADF X financing directives, the ADF lending program continued to prioritize agriculture and rural development, transport, the social sector, and multi-sector activities—which all have a significant impact on economic growth and contribute to poverty reduction in low-income RMCs. These four sectors accounted for 84.5 percent of total ADF loans in 2005 (see Table 6.4 and Figure 6.6). The social sector (education, health and poverty reduction projects) received UA 102 million (17.7 percent of total approvals) for four projects. The agriculture and rural development sector was allocated UA 122.5 million (21.2 percent of total loans) for 11 operations. The Bank Group's continuous focus on these sectors reflects the importance it places on them in the drive to improve output growth, raise living standards, and reduce poverty and social alienation in RMCs.

Multi-sector operations support activities that promote public sector management, private sector development, good governance, and institutional support necessary for consolidating institutional and economic reforms in RMCs. The goal is to ensure that growth is broad-based and equitably distributed in eligible RMCs to sustain economic and social development. During 2005, the ADF allocated UA 127 million (representing 22 percent of total loan approvals) to support four multisector operations. This is lower than the UA 221.5 million (31.6 percent of loan approvals) for 10 operations in 2004.

Infrastructure development (comprising the transportation, water supply and sanitation sectors), received UA 212.6 million, or 36.8 percent of approvals, during 2005. Of this amount, transportation received the largest share, with UA 136.2 million (23.6 percent of the total) for four projects. Development of transportation infrastructure is an important aspect of the Bank's interventions,

Figure 6.6: ADF Loan Approvals by Sector, 2005



BOX 6.3: Smallholder Agricultural Development in Angola

In December 2005, the Bank approved a UA 17.2 million grant to finance the *Bom Jesus-Calenga Smallholder Agricultural Development Project* in Angola. The project is co-financed by the Government of Angola and beneficiaries in the amounts of UA 1.9 million and UA 0.7 million, respectively.

Background: After three decades of civil conflict, Angola was transformed from an exporter to a net importer of agricultural commodities because many formerly productive farmers became dependent on food aid. Following the adoption of a peace agreement in 2002, the Government identified the agriculture sector as one of the priority sectors through which it would tackle problems related to unemployment, food shortages, and poor living standards. In this light, the Government focused on the rural sector, particularly on smallholder farmers, with a view to increasing food production, multiplying improved seed varieties, and organizing and training rural farmers. In 2005, the Government submitted to the Bank Group a request to finance a smallholder agricultural development project.

Objectives: The objectives of the project are (i) agricultural development, (ii) capacity building, (iii) project management, and (iv) rural infrastructure development, consisting of irrigation, roads, water and health infrastructure.

Impact and Outputs: The project will lead to an annual increment in crop production, estimated at 2.5 tons per ha for beans, 3.0 tons per ha for maize, 20.0 tons per ha for tomatoes, 20.0 tons per ha for onions, 15.0 tons per ha for cucumber, and 25.0 tons per ha for cabbage. This will increase food security and agricultural incomes. In addition, the Bom Jesus site beneficiaries will obtain legal rights to irrigated land through provision of land titles by the Government; the human and logistics capacities of the Ministry of Agriculture and Rural Development will be strengthened; structural plans, land surveys, and land titling in the Bom Jesus site will be drawn; improved seed varieties will be propagated and developed for farmers; and improved farming methods and practices introduced to farmers.

because it provides the rural poor with access to farms and to industrial production areas, promotes strong linkages to poverty reduction activities, and supports regional integration operations under the NEPAD framework. Three water supply and sanitation operations received UA 76.4 million (13.2 percent of total loan approvals).

Policy-Based Lending

During the year, the ADF approved 4 policy-based loans totaling UA 127 million, compared with 10 loans amounting to UA 214.2 million in 2004. The 4 PBLs approved in 2005 represented 8.9 percent of total loans and grants and were allocated to support the structural adjustment programs.

Grant-Financed Operations

As part of its efforts to address the particular challenges facing low-income ADF countries, the Bank increased grant financing considerably, especially under ADF-IX and ADF X. In 2005, the ADF approved UA 414.5 million (41.8 percent of total loans and grants) in grants for 34 operations, compared with UA 213.9 million for 54 operations in 2004. Grant resources are normally used to fund technical assistance and capacity-building initiatives and projects. They are also used to support priority activities such as HIV/AIDS interventions, post-conflict reconstruction and natural disaster prevention, education and health, water and sanitation, and environmental protection.

During 2005, 18 countries benefited from grant financing (see Figure 6.7), and UA 27.6 million (6.7 percent of total grants) was approved for multinational projects and programs to support regional economic cooperation and integration activities, private sector development, good governance, and institutional support.

Grant Financing by Sector

In line with the Bank Group's goal of reducing poverty and promoting broad-based growth and sustainable socio-economic development, grant operations in 2005 focused on water and sanitation, agriculture and rural development, the social sector, and transportation.

Water and sanitation received the largest share of grant approvals—UA 122.7 million (29.6 percent of the total) for five operations; agriculture and rural development, the second largest share—UA 85.5 million (20.6 percent of the total) for eight operations; and the social sector, the third largest share—UA 76 million (18.3 percent of the total) for five operations. Another UA 75.9 million (18.3 percent of total) was allocated for six operations in the transport sector for road construction, upgrading and maintenance. The multi-sector received UA 39.7 million (9.6 percent) for six operations. Two grants were allocated to power supply (UA 5.1 million), and one grant each to finance (UA 6.8 million) and the environment (UA 2.9 million) (see Table 6.4 and Figure 6.8).

Grant Financing for Technical Assistance

Technical assistance grants provided by the ADF are intended to (i) enhance the capacities of RMCs in designing, developing, and implementing development projects and programs, and (ii) strengthen national institutions and regional agencies. In 2005, 15 grants, amounting to UA 32.8 million, were approved for this category. Of the 15 grants, four grants totaling UA 7.8 million were allocated to fund project cycle activities, and 11 grants, amounting to UA 25.0 million, were approved for institutional support, including private sector development.

Project Preparation Facility

The Project Preparation Facility (PPF) provides resources to RMCs on a reimbursable basis, to help ensure the quality of the Bank Group's pipeline of projects and programs at entry. The PPF is designed as a complementary facility to the grant-financing mechanism with a distinct role

Figure 6.7: ADF Grant Approvals by Country, 2005
(In millions of UA)

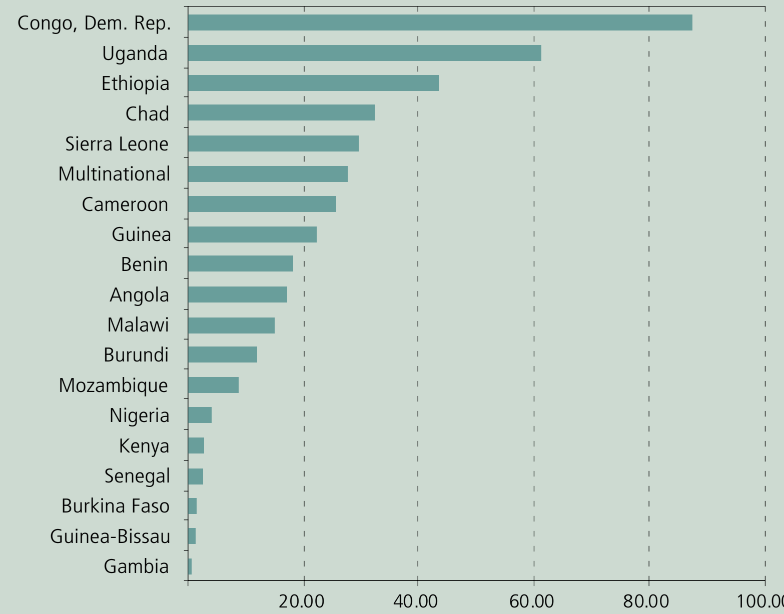


Table 6.4: ADF Approvals by Sector, 2005
(In millions of UA)

Sector	Loans			Grants			Loans and Grants		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	11	122.54	21.2	8	85.46	20.6	19	208.00	21.0
Social	4	102.00	17.7	5	76.00	18.3	9	178.00	17.9
Education	1	30.00	5.2	2	34.00	8.2	3	64.00	6.5
Health	2	47.00	8.1	3	42.00	10.1	5	89.00	9.0
Other	1	25.00	4.3	-	-	-	1	25.00	2.5
Water Supply and Sanitation	3	76.39	13.2	5	122.70	29.6	8	199.09	20.1
Power Supply	-	-	-	2	5.12	1.2	2	5.12	0.5
Communication	-	-	-	-	-	-	-	-	-
Transport	4	136.17	23.6	6	75.89	18.3	10	212.06	21.4
Finance	-	-	-	1	6.80	1.6	1	6.80	0.7
Multisector	4	127.00	22.0	6	39.68	9.6	10	166.68	16.8
Industry, mining and quarrying	-	-	-	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-	-	-	-
Environment	1	13.59	2.4	1	2.89	0.7	2	16.48	1.7
Total Loans and Grants	**27**	**577.69**	**100.0**	**34**	**414.53**	**100.0**	**61**	**992.22**	**100.0**
Other Approvals	**4**	**429.49**	**n.a.**	**-**	**-**	**n.a.**	**4**	**429.49**	**n.a.**
HIPC Debt Relief	4	429.49	n.a.	-	-	n.a.	4	429.49	n.a.
Post Conflict Country Facility	-	-	n.a.	-	-	n.a.	-	-	n.a.
Loan Reallocation	-	-	n.a.	-	-	n.a.	-	-	n.a.
Total Approvals	**31**	**1,007.18**	**n.a.**	**34**	**414.53**	**n.a.**	**65**	**1,421.71**	**n.a.**

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

Figure 6.8: ADF Grant Approvals by Sector, 2005

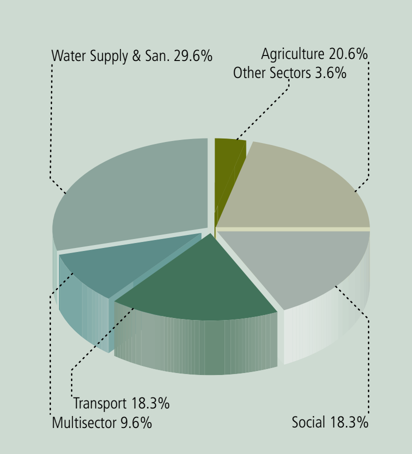


Figure 6.9: Cumulative ADF Loan and Grant Approvals by Sector, 1974-2005

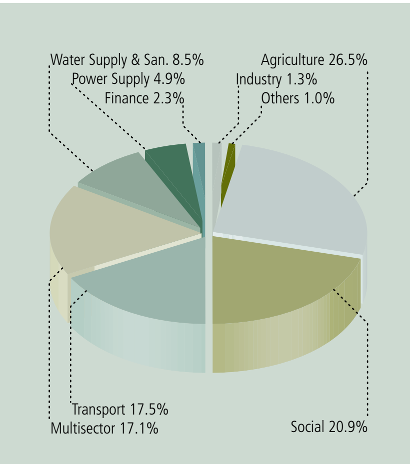
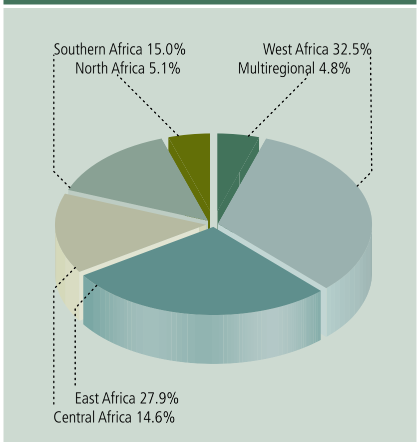


Figure 6.10: Cumulative ADF Loan and Grant Approvals by Region, 1974-2005



in financing project preparatory activities. These activities include feasibility studies, updating economic studies, baseline data surveys, final project designs, revision of tender documents, environmental impact assessment, and studies on crosscutting issues. In 2005, the Fund approved three PPFs for a total amount of UA 1.1 million.

Project Grant Financing

Project grant financing is one of the new instruments the Bank uses to support some of its activities in priority areas such as HIV/AIDS interventions, post-conflict reconstruction, investments in water and sanitation, the social sector and emergency/natural disaster assistance. During 2005, 19 project grants, amounting to UA 381.8 million, were approved.

HIPC Debt Relief

The HIPC Initiative is intended to reduce countries' indebtedness to sustainable levels and encourage the use of direct debt service savings for poverty reduction activities. Resources made available under HIPC are earmarked for financing key pro-poor growth programs listed in the recipient countries' PRSP or development plans. In 2005, four operations amounting to UA 429.5 million were approved under this initiative, compared with UA 301.4 million in 2004. This represents a 42.5 percent increase over 2004 support for the HIPC Initiative.

Cumulative ADF Loan and Grant Approvals by Sector and Region, 1974-2005

Since its inception in 1974, the ADF has approved a cumulative total of 1,310 loans and 676 grants, amounting to UA 13.43 billion and UA 1.60 billion, respectively. In terms of sectoral allocation, of all loan and grant approvals, agriculture and rural development received the largest share (26.5 percent) of these resources. This was followed by the social sector (20.9 percent); transport (17.5 percent); and the multi-sector (17.1 percent). (See Figure 6.9). Cumulative distribution among the remaining sectors was as follows: water and sanitation (8.5 percent); power supply (4.9 percent); finance (2.3 percent); industry (1.3 percent); and other sectors (1.0 percent).

The distribution of ADF cumulative loan and grant approvals by region (see Figure 6.10) was as follows: West Africa (32.5 percent); East Africa (27.9 percent); Southern Africa (15.0 percent); Central Africa (14.6 percent); and North Africa (5.1 percent). Multi-regional projects and programs were allocated the remaining 4.8 percent.

Profiles of ADF-Approved Projects and Programs in 2005
(In millions of UA)

Country	Project	Total Cost	Loan	Grant
AGRICULTURE & RURAL DEVELOPMENT				
Angola	*Bom Jesus-Calenga Smallholder Agricultural Development Project* **Objective and description:** Enhance food security, increase incomes of smallholder farmers, and help reduce rural poverty in the region by increasing agricultural production. The project focuses on (i) rural infrastructure development (irrigation, roads, water and health infrastructure); (ii) agriculture development; (iii) capacity building; and (iv) project management. **Expected Outcomes:** The project will bring 27,150 hectares of land under irrigation, benefiting 11,000 farmers in the region, 50 percent of whom are women; and create 75,000 seasonal jobs. It will also improve water supply, health services, and road networks for 55,000 people in the region. **Co-financiers:** Government (UA 1.904 million); Beneficiaries (UA 0.672 million).	19.77		17.20
Benin	*Communal Forest Management Support Project (PAGEFCOM)* **Objective and description:** Contribute to poverty reduction through sustainable management of forest resources and improvement in incomes and living standards. The project includes management of 150,000 hectares of natural forests, the planting of 6,900 hectares of teak and fuel-wood, and the preparation and implementation of a literacy plan that will benefit 20,000 people. **Expected outcomes:** The project will lead to a decline in the average human poverty index from 45.5 to 22.15 by 2015; a 26 percent and 30 percent increase in food production and farm incomes, respectively; improved access to basic services in 200 villages; and rational management of teak and fuel-wood plantations. About 650,000 people will benefit directly from the project. **Co-financiers:** Government and Beneficiaries (UA 8.67million)	43.70	19.24	15.76
Chad	*Natural Resource Management and Development in the Sudan Region* **Objective and description:** Increase productivity of natural resources in the Sudanese Zone and improve food security. The project focuses on the protection and development of natural resources and on institutional capacity building. **Expected Outcomes:** By the 6th year of the project, the GDP of the primary sector project is expected to increase by 20 percent; 4,500 farmers, 50 percent of them women, will be trained in natural resource management techniques. The project will also lead to the training of	20.82	4.27	2.00

Country	Project	Total Cost	Loan	Grant
	150 artisans, equipment of 53 savings and credit co-operators, recruitment of four technical assistants; reforestation of 500 hectares of community land; reservation of 2,000 hectares of no-grazing land; and development of 1,000 village fruit trees and forest nurseries. **Co-financiers:** BADEA (UA 5.91 million); IsDB (UA 6.10 million); Government (UA 2.25 million); Beneficiaries (UA 0.29 million).			
Chad	*The Fisheries Development Project* **Objective and description:** Increase the average income and living conditions of operators in the fisheries sector to help reduce poverty. The project focuses on (i) strengthening institutional capacity; (ii) developing and managing resources in Chad's rivers and lakes; (iii) sustainable production; (iii) diversification; (iv) improving infrastructure; and (iv) improving living conditions. **Expected outcomes:** The project is expected to increase the annual output of fish by 39,000 tons; raise the income of the target population by 84 percent, particularly the income of women; create 22,600 jobs, 9,600 of them for women; protect 100 kilometers of banks; and establish 500 hectares of community forests. **Co-financiers:** BADEA (UA 4.43 million), Government and Beneficiaries (UA 2.65 million).	17.08		10.00
Dem. Republic of Congo	*Agriculture and Rural Sector Rehabilitation Project in Kasai-Oriental and Kasai-Occidental Provinces (PRESAR)* **Objective and description:** Strengthen food security in the region by using appropriate technology, rehabilitating rural infrastructure, and building capacity for agricultural production services. **Expected outcomes:** The project will increase agricultural production by 3.1 million tons by 2011; train 400 Ministry of Rural Development employees, 25 percent of them women; rehabilitate 966 kilometers of roads; build eight markets and eight communal warehouses by 2009; build 45 holding pens and 450 water points by 2010. **Co-financiers:** Government (UA 14.4 million).	39.40		35.00
Gambia	*Farmer Managed Rice Irrigation Project* **Objective and description:** Enhance food security and reduce poverty by increasing rice production and farm net income. The project focuses on land development, capacity building, rural credit, and project management. **Expected outcomes:** The project will increase domestic milled-rice production by 7,000 tons per year, contributing US$2.0 million towards foreign exchange savings, and increasing farmers' incomes by 285 percent per hectare. The project will directly benefit 2,300 households; create 4,500 seasonal jobs, and train 2,300 farmers. **Co-financiers:** Gov't (UA 0.70 million); Beneficiaries (UA 0.22 million).	6.42	5.00	0.50

Country	Project	Total Cost	Loan	Grant
Ghana	*The Export Marketing and Quality Awareness Project* **Objective and description:** Increase the production and income of horticultural crop farmers and cassava producers and contribute to higher export earnings for non-traditional agricultural products. The project focuses on enhancing production and productivity, export market promotion, infrastructure development, capacity building, and project co-ordination and management. **Expected outcomes:** By 2010, the yield of horticultural crops will increase by 150 percent and of cassava by 80 percent; export earnings of non-traditional agricultural products will increase by 70 percent; 4-pack houses will be constructed; 557 kilometers of feeder roads upgraded; 80,000 farmers mobilized into groups; and 112,380 farmers trained in horticultural techniques, 42 percent of them women. **Co-financier:** Government (UA 1.84 million).	18.84	17.00	
Guinea	*Study of the RDSP for the North-West Fouta Djallon Area (PPF)* **Objective and description:** Determine the technical and economic feasibility of a rural development project aimed at improving and sustaining agricultural production, and increasing the incomes of the people in the North-West Fouta Djallon area. The study consists of a diagnostic review of development potential and constraints, and a feasibility study on project activities and their implementation. **Expected Outcomes:** On-the-job training for national counterparts who will monitor and supervise the implementation of the project after the departure of the international experts. **Co-financier:** Government (UA 0.35 million).	0.52	0.49	
Kenya	*Green Zones Development Support Project* **Objective and description:** Contribute to poverty reduction through forest regeneration and conservation and improve rural incomes and livelihoods. The project focuses on natural forest conservation, buffer belt watershed management, support for forest communities, and project co-ordination and management. **Expected outcomes:** Reforestation of 16,200 hectares of forest; community management of 48,000 hectares of forest; creation of 5,000 hectares fuel wood plantations. Incomes of forest adjacent communities will increase by 224 percent, reducing the incidence of poverty in the area from 56 percent to 26 percent in 2010. 300,000 households, 80,000 of them female-headed, will benefit directly from the project. **Co-financiers:** Government (UA 4.52 million); Beneficiaries (UA 1.95 million).	31.51	25.04	
Madagascar	*Tuléar Fishing Communities Support Project* **Objective and description:** Promote sustainable development of traditional maritime fishing by consolidating the organization and government services, managing fishery resources and providing adequate equipment to fishermen.	7.08	6.33	

Country	Project	Total Cost	Loan	Grant
	Expected outcomes: Annual yield of octopus will increase by 800 tons, fish by 3,000 tons; 2,000 women will be trained in the processing of fishery products; 3,000 women given access to micro-credits, and 30,000 people, 50 percent of them women, will benefit from HIV/AIDS prevention. **Co-financiers:** Government (UA 0.71 million); Beneficiaries (UA 0.04 million).			
Mali	*Baguineda Irrigation Scheme Intensification Project* **Objective and description:** Enhance food security, increase agricultural production and incomes, and help reduce rural poverty. The project focuses on rural and social infrastructure development. **Expected Outcomes:** Production of an additional 7.4 tons of paddy rice, 11.2 tons of tomatoes, 8.0 tons of onions, and 1.2 tons of tomatoes every year. 5,500 people, including 2,500 women, will receive literacy and training courses in production, management, and marketing. The project will improve the living conditions of the 28,000 inhabitants of the Baguineda community. **Co-financiers:** Government (UA 1.88 million); Beneficiaries (UA 0.28 million).	17.08	14.92	
Nigeria	*Agriculture and Rural Institutions Support Project* **Objective and description:** Improve the capacity of agriculture and rural institutions for service delivery to farmers to enhance food security and reduce poverty. The project comprises: institutional support and rationalization; capacity building; and project management. **Expected Outcomes:** 25 staff will be trained in information technology, monitoring and evaluation, planning, financial management, and budgeting; and 350 staff will received training in specific fields by attachment to similar institutions. **Co-financier:** Federal Government (UA 0.2 million).	3.22		3.00
Senegal	*Casamance Rural Development Support Projet (PADERCA)* **Objective and description:** Increase agricultural output and incomes, revive rural activities and contribute to poverty reduction in Casamance. The project focuses on conservation and development of natural resources, social infrastructure development, capacity building, and project management. **Expected outcomes:** The project will increase cereal and vegetable production in Casamance by 42,000 tons and 3,300 tons, respectively, by 2010, increasing the incomes of at least 14, 0000 farmers by more than 35 percent by 2010, and ensuring cereal self-sufficiency for nearly 10,000 households. Close to 15,000 hectares of farmland will be developed and protected; 180 new classrooms, 54 wells, and 68 sanitary blocks built and delivered; and 16 health centers built/rehabilitated and commissioned. **Co-financiers:** Government and Beneficiaries (UA 4.47 million).	24.47	20.00	

Country	Project	Total Cost	Loan	Grant
Sierra Leone	*Agriculture Sector Rehabilitation Project* **Objective and description:** Increase agricultural production, improve farmers' incomes, reduce poverty, and enhance food security. The project focuses on agricultural production, capacity building, and project management and co-ordination. **Expected Outcomes:** The project will increase the output of maize, rice, vegetables and groundnut by an average of 138 percent by 2010; and rehabilitate 20,000 hectares of oil palm farms, 2,500 hectares of coffee farms, and 3,500 hectares of cocoa farms. Various agricultural planting material stations will also be rehabilitated. 20,000 families will benefit directly from the project. **Co-financiers:** Government (UA 1.6 million); Beneficiaries (UA 0.50 million in-kind).	14.13	10.00	2.00
ENVIRONMENT				
Kenya	*Ewaso Ng'iro North Natural Resources Conservation Project* **Objective and description:** Contribute to poverty reduction through sustainable natural resources conservation and management. The project focuses on improving water resources management, agricultural land use, and forest resource conservation. **Expected Outcomes:** The project will increase the annual production of gums by 20 percent in 2007 and resins by 18 percent in 2010. Average annual incomes will increase by 160 percent by 2010, reducing poverty in the region from 60 percent in 2005 to 55 percent in 2010. By 2010, water deficit will be reduced from 50 percent to 30 percent; tree cover will increase by 14,830 hectares; and 263 water pans, 101 boreholes, 73 roof catchments, five springs and four small storage reservoirs will be rehabilitated or built. About 20 percent of the population in the project area will benefit directly from the project. **Co-financiers:** Kenya government (UA 2.93 million); Beneficiaries (UA1.33 million).	20.74	13.59	2.89
FINANCE				
Mozambique	*Financial Technical Assistance Program* **Objective and description:** Improve the soundness, efficiency, reach, and depth of the financial system to enhance its contribution to economic growth and poverty reduction. The project will (i) strengthen regulatory and supervisory frameworks for banks and non-bank financial institutions; (ii) develop a more robust payments system; (iii) improve the legal and judicial environment for lending operations; (iv) introduce sound debt management; and (v) expand financial services, particularly to rural areas. **Expected Outcomes:** By 2007, the public debt unit of the Ministry of Finance will be restructured into three separate departments; new prudential regulations and a supervisory framework for insurance will	17.91		6.8

Country	Project	Total Cost	Loan	Grant
	be passed; new pension funds legislations will be approved; and BSD and IGS staff will be trained. By 2010, the deposit/loan transformation rate of banks will increase to 30 percent, interest rate spreads will be reduced from 20-22 percent to not more than 18 percent; and insurance premiums, as a percentage of GDP, will increase from 1.8 percent to three percent. **Co-financiers:** IDA/DfID/SIDA (UA 7.8 million); GTZ/KfW (UA 2.51 million); and Government (UA 0.77 million).			
MULTISECTOR				
Benin	*Control Institutions Support Project* **Objective and description:** Contribute to poverty reduction by improving public expenditure management. The project focuses on strengthening, rationalizing, and improving the efficacy of internal and external controls, and on enhancing the technical capacity of parliament to control government management. **Expected outcomes:** The project will provide computer equipment and application software for organization and management activities. It will also rationalize and simplify the audit system and the coordination of interventions. The project will have positive economic and social impacts and foster good governance in the country. **Co-financiers:** Denmark (UA 0.53 million); Government (UA 0.19 million).	3.22		2.50
Burkina Faso	*Third Poverty Reduction Strategy Support Program (PRSSP III)* **Objective and description:** Pursue and intensify reforms initiated in 2001 under the implementation of the PRSP. The project focuses on improving the competitiveness of the production sector, developing the private sector, improving access to basic social services, strengthening the fiduciary framework, and establishing a monitoring and evaluation system for the strategy. **Expected outcomes:** The project will improve various social and economic indicators and their compilation. 200,000 farmers will benefit from the stability of the cost of inputs in the cotton sub-sector. **Co-Financiers:** IDA (UA 90.5 million); IMF (UA 6.75 million); EU (UA 79.4 million); Netherlands (UA 25.0 million); Switzerland (UA 8.6million); Sweden (UA 9.2million); Germany (UA 4.2million); and Denmark (UA 6.7million).	N.A.	30.00	
Chad	*Governance Reform Support Program (PARG I)* **Objective and Description:** Enhance effective and good governance, transparent public procurement procedures and the rule of law. The project focuses on improving efficiency in the civil service, improving procurement management, strengthening the capacity for rule of law, transparency, and participation.	N.A.		20.50

Country	Project	Total Cost	Loan	Grant
	Expected Outcomes: 12 procurement services will be created in the target ministries; technical assistance and equipment will be provided to the Auditor General's office and to the implementation units for Government reforms. Also, 195 people will be trained in the harmonization of Business Law in Africa. **Co-financiers:** IDA (UA 14.8 million); IMF (UA 25.2 million); EU (UA 41.8 million); and Government (UA 0.3 million).			
Ghana	*Second Poverty Reduction Support Loan (PRSL-II)* **Objective and description:** Support the Government's economic reform measures, which are designed to (i) continue implementation of reforms to improve macroeconomic stability; (ii) improve the investment climate, (iii) support pro-poor, pro-gender-equity policies; and (iv) strengthen governance and public sector management. **Expected outcomes:** The PRSL will help achieve economic growth and average per capita growth of seven percent and 2.4 percent, respectively, by 2007; reduce inflation to below seven percent; increase revenue mobilization by over 23 percent of GDP and; involve the private sector in infrastructure development. **Co-financiers:** Canada (UA 8.3 million); Denmark (UA 1.2 million); EU (UA 20.8 million); France (UA 5.9 million); Germany (UA 5.8 million); IDA (UA 84.7 million); IMF (UA 52.9 million); Netherlands (UA 8.7 million); Switzerland (UA 5.4 million); and U.K. (UA 43.7 million)	N.A.	44.00	
Guinea Bissau	*Economic Management Capacity Building Project* **Objective and description:** Improve capacity for economic and financial administration by (i) improving methods, techniques, planning and training in investment programming and project aid co-ordination; (ii) strengthening the national statistics system; and (iii) supporting the economic integration efforts of the West African Economic and Monetary Union (WAEMU). **Expected Outcomes:** By 2007, per capita growth will increase from -5.99 percent to 1.6 percent; incidence of poverty will decrease from 64.7 percent in 2002 to 63.7 percent; infant and child mortality will decrease from 215 per 1000 to 205 per 1000. Workers and staff will be trained and software for monitoring programs and projects will be in full operation. **Co-financier:** Government (UA 0.07million).	1.42		1.35
Mali	*Structural Adjustment Program IV (SAP-IV)* **Objective and description:** Reduce poverty by improving the economic environment for economic growth, job creation, and income generation. The project focuses on (i) strengthening the basis for growth and competitiveness of the economy, particularly in the agricultural sector, with emphasis on the cotton and rice sectors; (ii) improving the	N.A.	35.00	

Country	Project	Total Cost	Loan	Grant
	efficacy and effectiveness of basic services; (iii) improving governance; and (iv) ensuring effective transfer of competence and resources to the grassroots. **Expected Outcomes:** By 2007, private sector development constraints will be reduced by 30 percent; private sector investments will increase to 20 percent of GDP; exports will increase by 10 percent per annum; non-cotton production will increase by 10 percent; the share of health, education, water, roads, and agriculture expenditures in the state budget will increase from 30 percent to 65 percent; and the incidence of poverty will reduce from 63.8 percent in 2000 to 47.5 percent. **Co-financiers:** IDA (UA 14.8 million); IMF (UA 25.2 million); EU (UA 41.8 million); and Government (UA 0.3 million).			
Mozambique	*Institutional Support for Public Sector Reform* **Objective and Description:** Contribute to capacity building in the public sector and implement the PRSP objectives. The project focuses on: (i) improving service delivery through decentralization forums; and (ii) enhancing professionalism within the public sector. **Expected Outcomes:** Six one-stop shops will be operational, equipped and stuffed; 650 high level public servants will be certified with CSAP degree; four seminars on ISAP Internet site will be run and the regular issuance of the ISAP newsletter organized. **Co-financier:** Government (UA 0.2 million).	2.37		2.13
Niger	*Fifth Structural Adjustment Program (SAP-V)* **Objective and Description:** Reduce poverty by improving public finance management, promoting good governance, strengthening the monitoring/evaluation of programs, and adopting a pro-poor economic growth strategy. **Expected Outcomes:** GDP growth and inflation will reach 4.3 percent and three percent, respectively, in 2007. By 2007, gross school enrolment rates will increase to 59 percent; the BCG vaccination rate will reach 95 percent; the measles vaccination rate, 75 percent; and the DTCP3 vaccination rate, 59 percent. **Cofinanciers:** IDA (UA 26.6 million); IMF (UA 6.5 million); EU (UA 29.2 million); France (UA 10.3 million); Belgium (UA 6.9 million); Denmark (UA 0.3 million); Norway/Netherlands (UA 2.7 million); and Agence Française de Développement (UA 5.0 million).	N.A.	18.00	
Senegal	*The Cadastral Survey Modernization Support Project* **Objective and description:** Contribute to good governance by improving the business environment and the mobilization of domestic resources for pro-poor sustainable growth. The project focuses on strengthening the capacity of the Cadastral Survey Office with respect	2.91		2.50

Country	Project	Total Cost	Loan	Grant
	to tax system verification, administration, coordination and project management. **Expected outcomes:** The cadastral survey will be digitized to improve access to ownership and fiscal revenue. Statistics on economic and social indicators will improve. The direct beneficiaries of the project are the inhabitants of the 40 urban localities covered by the project, representing 70 percent of Senegal's population. **Co-financier:** Government (UA 0.41million).			
Sierra Leone	*Third Economic Rehabilitation* **Objective and description:** Improve the management of public finances and promote good governance, with a view to reducing poverty. The project focuses on (i) promoting accountability and transparency in public financial management; and (ii) promoting decentralization of economic management and local government reforms. **Expected outcomes:** The project will improve the monitoring and evaluation of public finances; reduce wastage resulting from poor procurement in the public sector; reduce the arrears on annual Budget Accounting Reports by the Audit Services Department; and improve the budgeting system of the 10 local councils. **Co-financiers:** DfID (US$84.7 million); EU (US $64.8 million); IDA (US$45.0 million); and others, including IMF (US$63.0 million).	N.A.		10.70
POWER SUPPLY				
Multinational	*Medium to Long-Term Strategic Framework (MLTSF) Study* **Objective and description:** Provide a framework for the development of infrastructure on the continent to enhance economic growth and contribute to regional and continental integration. The project will define project selection criteria under the NEPAD infrastructure program in STAP and facilitate private sector involvement in infrastructure projects. **Expected outcomes:** By June 2007, the strategic options and goals will be defined; the quantitative targets and roads maps for 2015-2020 established; the monitoring network to track gaps and progress defined, set up and running; criteria for the prioritization of projects and programs defined and adopted; and measures, policies, and framework to attract the private sector recommended. **Co-financier:** NTCF (UA 0.934 million).	2.60		1.67
Multinational	*Study on Interconnection of Power Network in OMVG Member Countries* **Objective and description:** Strengthen regional cooperation and integration of OMVG member countries in the energy sector, particularly in the electricity sub-sector. The project has four components: (i)) preparation of detailed sketches and bidding documents; (ii) environmental and	3.66		3.45

Country	Project	Total Cost	Loan	Grant
	social impact assessment, (iii) sensitization and validation of results; and (iv) support for the conduct and management of studies. **Expected Outcomes:** The project will promote electric power trade, reliability of supply, reduction in production costs and prices, the opportunity for pooling energy resources; and contribute to the socio-economic development of the OMVG countries. **Co-financier:** OMVG (UA 0.214 million).			
SOCIAL				
Benin	*Health System Development Support Project* **Objective and Description:** Improve the supply and quality of health services in the regions of Borgou, Donga and Zou, and increase the use of health services in the Donga and Zou regions. **Expected Outcomes:** An operational referral and counter-referral system in the Zou and Donga regions; quality health services provided to the people by community health workers; and the skills of the health and management staff upgraded. The 1.7 million inhabitants in the regions will benefit directly from the project. **Co-financier:** Government (UA 2.47 million).	24.47	22.00	
Burkina Faso	*The Health Care Development Support Project* **Objective and description:** The objectives are to improve access and quality utilization of health services in the North and Center-East health regions, control diseases in the project area, and strengthen health systems management through the Ministry of Health. The project focuses on (i) constructing, rehabilitating, equipping, and providing supplies to health centers, (ii) providing screening centers, (iii) training medical personnel, (iv) strengthening the maintenance of facilities and equipment, and (iv) implementing a risk-sharing system in nine health districts in the project area. **Expected Outcomes:** The beneficiaries of the project are the 2.2 million inhabitants of the North and Center-East regions of Burkina Faso. **Co-financier:** Government (UA 3.0 million).	28.00	25.00	
Ghana	*Urban Poverty Reduction Project (Poverty II)* **Objective and Description:** The project is aimed at (i) creating an enabling environment for private sector development, to harness growth, (ii) improving service delivery for human development, and (iii) strengthening the public fiduciary framework to ensure effective use of resources for poverty reduction. **Expected Outcomes:** Jobs will be created, public/private partnerships and governance at local level improved, and access to basic quality services, socioeconomic infrastructure and income generating activities increased. The socio-economic conditions and the livelihoods of the urban poor will improve. Some 1.1 million poor urban dwellers in	27.78	25.00	

Country	Project	Total Cost	Loan	Grant
	twelve urban areas will benefit from the project, particularly, women and youth. **Co-financiers:** Government (UA 1.0 million); Metropolitan, Municipalities and District Assemblies (UA 1.6 million); and Beneficiaries (UA 0.06 million).			
Guinea	*Basic Education Development Support Project* **Objective and description:** Increase equity, access to, and quality of basic education and strengthen the capacity of the whole Guinean education system. **Expected outcomes:** The project will increase school capacity by 2,700 pupils, reduce distance to school through the construction of new ones, equip 5,000 girls with school kits, provide teaching manuals for 1,700 schools, and train 12,000 existing and 1,500 new teachers. **Co-financier:** Government (UA 1.60 million).	15.60		14.00
Malawi	*Support to the Health the Health Sector Program* **Objective and description:** Establish an effective and efficient health care delivery system that is responsive to the needs of the people, especially vulnerable groups, the poor, women, and children. The program focuses on (i) human resource development; (ii) provision of pharmaceutical and medical supplies; (iii) provision of essential basic equipment (iv) routine operations at service delivery level; (v) facilities development; and (vi) the establishment of central operations, policy and systems development program. **Expected outcomes:** The program will provide a minimum package for maternal and newborn health, adequate pharmaceuticals, and medical and laboratory supplies at service delivery points. It will ensure an efficient health delivery system and increase the percentage of client satisfaction from 66 percent to 75 percent; reduce the total fertility rate from 6.3 percent to five percent, and increase the percentage of women delivering at health facilities from 55 percent to 75 percent. **Co-financiers:** Government (UA 144.17 million); DFID (UA 124.95 million); French Development Agency (UA 15 million); OPEC Fund (UA 5.49 million); UN Population Fund (UA 0.7 million); and Others (UA 214.91 million).	504.60		15.00
Multinational	*Project in Support of the Lake Chad Initiative to Reduce Vulnerability and the Risks of STI/HIV/AIDS* **Objective and description:** Reduce vulnerability and risks related to STIs/HIV/AIDS among communities living around Lake Chad. The project focuses on (i) building capacity for the management of STIs/HIV/AIDS; (ii) reducing risky sexual behavior among migrants and among populations interacting with them in the Lake Chad Basin; and (iii) building the capacities of target communities for participation in STIs/HIV/AIDS prevention, care, and support.	11.11		10.00

Country	Project	Total Cost	Loan	Grant
	Expected Outcomes: The 28 million inhabitants of the project area, particularly the mobile populations, migrant traders, sex workers, and seasonal fishermen, will benefit from the project. About 1,000 people will receive relevant training. **Co-financier:** Lake Chad Basin Commission (UA 1.11 million).			
Nigeria	*Skills Training and Vocational Education Project* **Objective and description:** Reduce poverty by improving access to quality vocational technical education (VTE) in formal and non-formal training institutions in Nigeria. The project focuses on rehabilitating and the equipping VTE institutions and training more than 4,500 teachers. **Expected Outcomes:** The project will increase female participation rates in VTE from the current 19 percent to 30 percent. The beneficiaries of the project are young women and men in all the regions of Nigeria, **Co-financier:** Government (UA 3.71 million).	33.71	30.00	
Sierra Leone	*Project to Strengthen District Health Services (Health II)* **Objective and Description:** Increase access to quality essential health services in five under-served districts. The project will revitalize and strengthen the health systems in the five districts and the maternal and child health program. It will improve the institutional capacity of the Ministry of Health and Sanitation in planning and management. **Expected Outcomes:** The beneficiaries of the project are the 2.1 million habitants of the five districts, and primary healthcare workers, who will receive training and thus acquire skills to improve the quality of healthcare and improve management and planning. **Co-financier:** Government (UA 1.9 million).	18.90		17.00
Uganda	*Support to Post-Primary Education and Training (Education III) Project* **Objective and description:** Improve access and quality of secondary education in currently under-served communities and contribute to the development of a relevant and effective training system for business, technical, and vocational skills in Uganda. **Expected outcomes:** 25 schools will either be constructed, equipped, upgraded, or rehabilitated. Laboratory equipment, furniture, reference books, pupils' textbooks, and teachers' guides will be provided to schools. Teachers will be equipped with essential knowledge and skills in HIV/AIDS prevention, guidance, and counseling, A curriculum review will also be performed for mathematics and science. Co-financier: Government (UA 2.23 million).	22.30		20.00

Country	Project	Total Cost	Loan	Grant
TRANSPORTATION				
Democratic Republic of Congo	*Nsele-Lufimi and Kwango-Kenge Roads Rehabilitation Project* Objective and Description: Open up access to Bandundu, West Kasaï, East Kasaï and the City-Province of Kinshasa and improve the living conditions of the populations through road rehabilitation. Expected Outcomes: The technical and operational capacities of the organizations in charge of the road sub-sector will be improved, and the optimal solution for the improvement of the Loang-Mbuji Mayi road determined. The main beneficiaries of the project will be the inhabitants of the project area. Co-financier: Government (UA 5.83 million).	58.28		52.45
Guinea	*Tombo-Gbessia Road Improvement Project* Objective and description: (i) improve traffic fluidity, reduce transportation costs and travel time on the Tombo-Gbessia road; (ii) improve the living conditions of the residents of Conakry; and (iii) build the technical and operational capacity of the National Road Investments Department and the National Department of Debt and Public Investments. Expected Outcomes: The project will open up access to disadvantaged areas, raise the GDP, and reduce transportation expenses for households in Conakry by about 10 percent. Co-financiers: Kuwaiti Development Fund (UA 13.1 million); Saudi Development Fund (UA 9.8 million); Arab Bank for Economic Development in Africa (UA 7.8 million); French Development Agency (UA 7.7 million); Government (UA 5.7 million); and OPEC (UA 3.2 million).	55.91		8.25
Multinational	*Program for Road Improvement and Transport Facilitation* Objective and description: (i) create a permanent, good service road link between Senegal and Mali, and (ii) remove the constraints on movement in order to reduce general transport costs and promote economic exchange between the two countries. Expected Outcomes: The missing road links in the corridor would be completed and the corridor maintained, check points would be reduced to two per country, the time spent on border crossing formalities would be reduced by half, axle load limits and technical road norms would be harmonized and applied, and socio-economic infrastructure constructed and/or rehabilitated. Co-financiers: Government (UA 17.24 million), West African Development Bank (UA 15.30 million), Japanese Bank for International Cooperation (UA 5.89 million), West African Economic and Monetary Union (UA 0.74 million), Private Sources (UA 0.15 million), and Other Donors (UA 95.41 million).	200.8	58.16	7.90

Country	Project	Total Cost	Loan	Grant
Multinational	*Capacity Building Program for the Supervision of Aviation Safety in West and Central Africa* **Objective and description:** (i) build air safety supervision capacity in West and Central Africa; (ii) establish uniform economic and technical regulations consistent with International Civil Aviation Organization standards; and (iii) recommend practices to improve air transport safety and efficiency. Studies will be conducted on technical regulations for the supervision of air security and statutes, and the organization and running of regional agencies. **Expected Outcomes:** The capacity of regional organizations to monitor projects and programs will be strengthened. **Co-financiers:** Governments (UA 0.8 million); Economic Community for West African States (UA 0.8 million); West African Economic and Monetary Union (UA 0.7 million); and Others (UA 6.2 million).	13.21		4.60
Niger	*Tibiri-Dakoro and Madaoua-Bouza-Tahoua Roads Rehabilitation Project* **Objective and description:** (i) build good quality access roads to the regions of Dakoro, Madaoue, Bouza, and Kéita, to ensure the transportation of goods and persons at affordable cost and facilitate access to basic social services; and (ii) build the technical and operational capacity of the Directorate General for Public Works (DGPW) in Niger. **Expected Outcomes:** A double-layer paving of the Tibiri-Dakaro stretch of National Highway No. 30 and the fitting out of a records room in the DGPW. A modern earth road for the Mdaoua-Bouza-Tahoua stretch of National Highway No. 16 will be constructed and technical assistance provided to the DGPW and project audit. **Co-financiers:** West African Development Bank (UA 9.06 million) and Government (UA 2.97 million).	34.03	22.00	
Nigeria	*Olokola Deep-Seaport and Free Trade Zone Development Study* **Objective and description:** Determine the technical feasibility, economic and financial viabilities and the Environmental and Socio-Economic Impact Assessment of the proposed project, which is aimed at providing a deep seaport and free-trade zone complex on the border of Ogun and Ondo States. **Co-financer:** Government (0.34 million)	1.54		1.20
Senegal	*Road Maintenance Project* **Objective and description:** Support economic growth and poverty reduction by improving the general operation of the transportation system. **Expected Outcomes:** The remaining paved roads and earth roads from Transport Sector Project No. 2 will be rehabilitated, the Oussouye-Mlong-Elinkine road reinforced, and the Emile Badiane Bridge reha-	32.23	29.00	

Country	Project	Total Cost	Loan	Grant
	bilitated. The employees of the Public Works Department and the Road Works Authority will be trained, and communities in the project area sensitized to road safety, environmental protection, and HIV/AIDS. Road service will improve, transport costs on the roads reduced, and access to basic social services improved. The people in the project area will be the main beneficiaries of the project. **Co-financier:** Government (UA 3.22 million)			
Uganda	*Road Sector Support Project* **Objective and description:** Contribute to poverty reduction by improving road access to all rural and urban areas in the country. The project will reduce transportation costs and travel time between the Kabale and Kisoro districts, promote regional integration between DRC and Rwanda, and enhance accessibility in the southwestern region of Uganda. A two-lane asphalt concrete road from Kabale to Bunagana will be constructed; and feasibility and detailed engineering design, reports, and reviews prepared. Traders, farmers and road users will be the primary beneficiaries of the project, which will also help increase agricultural production in the farm holdings within the road's zone of influence. **Expected Outcomes:** Expected outcomes: The project will reduce transportation costs and travel time between the Kabale and Kisoro districts, promote regional integration between DRC and Rwanda, and enhance accessibility in the southwestern region of Uganda. A two-lane asphalt concrete road from Kabale to Bunagana will be constructed; and feasibility and detailed engineering design, reports, and reviews prepared. Traders, farmers and road users will be the primary beneficiaries of the project, which will also help increase agricultural production in the farm holdings within the road's zone of influence. **Co-financier:** Government (UA 4.97 million)	33.47	27.01	1.49
WATER SUPPLY & SANITATION				
Burkina Faso	*National Inventory of Hydraulic Structures and Study for the Preparation of a National Drinking Water Supply and Sanitation Program for 2015* **Objective and description:** The objectives are to (i) prepare an inventory that will be used to design the National Drinking Water and Sanitation (DWSS) Program and the National Water Information System (SNIEau); (ii) prepare the DWSS Program for 2015; and (iii) obtain commitment from all donors in the sector to finance scheduled activities. The components include: preparing the national inventory, (ii) preparing the DWSS Program and (iii) coordinating the study. **Expected Outcomes:** The final project will help with poverty reduction by reducing water-borne diseases and medical expenses. **Co-financier:** Government (UA 0.093 million).	1.58		1.48

Country	Project	Total Cost	Loan	Grant
Burundi	*Rural Water Infrastructure Rehabilitation and Extension Project* **Objective and description:** The objectives are to (i) improve access to rural drinking water supply and sanitation in 34 communes in the Kayanza, Muramvya, Bururi, and Gitega provinces, and on the outskirts of Bujumbura; and (ii) strengthen national capacity for the management and monitoring of the rural drinking water supply and sanitation sector. **Expected outcomes:** The water infrastructure will be rehabilitated, institutional support provided, and the water infrastructure management improved with the inhabitants of the 34 communes in the Kayanza, Muramvya, Bururi, and Gitega provinces, and on the outskirts of Bujumbura, the main beneficiaries. **Co-financier:** Government (UA 1.34 million).	13.34		12.00
Cameroon	*Yaounde Sanitation Project (PADY)* **Objective and description:** Help reduce poverty in urban areas by (i) building a rainwater drainage system in Yaoundé City, (ii) improving the living conditions of the city's population, and (iii) building the capacity of sector stakeholders. The components include (i) developing sanitation infrastructure; (ii) capacity-building; and (ii) project management. Expected Outcomes: The project will construct a rainwater drainage canal and related structures/landscaping, train social sector actors, NGOs, and SMEs in labor-intensive techniques and business management, educate and sensitize the population to changes, and sign waste disposal contracts. Co-financier: Government (UA 2.89 million).	28.49		25.60
Chad	*Studies of Drinking Water, Sanitation and Electrification Program (PPF)* **Objective and description:** Prepare (i) feasibility studies and detailed engineering plans for a Drinking Water Supply, Sanitation and Electrification (DWSSE) Program for 20 secondary centers; (ii) an integrated DWSSE project to be financed by the Bank and (iii) a National Rural Drinking Water Supply and Sanitation (NRDWSS) Program. **Expected Outcomes:** This will help ascertain the technical and environmental viability of the DWSSE and NRDWSS Programs, and enable the Chadian government to formulate the drinking water supply, sanitation and electrification program in 20 secondary centers, and the national rural drinking water supply and sanitation program. **Co-financier:** Government (UA 0.03 million).	0.42		0.39
Ethiopia	*Rural Drinking Water Supply and Sanitation Program* **Objective and description:** The project will (i) provide new water supply services and rehabilitate old ones; (ii) provide toilets to schools, health centers, communities, and conduct hygiene and medical education campaigns, (iii) build capacities in training and launch a public awareness campaign on the provision of water and on cleansing, exploitation,	180.37		43.61

Country	Project	Total Cost	Loan	Grant
	maintenance, and development of water capacities, and (iv) support public agencies at the federal, regional and community levels with equipment and office furniture, transportation, creation of a database and audits. **Expected Outcomes:** Improved access to rural water supply and sanitation services in Ethiopia, thereby contributing to the achievement of water-related MDGs. **Co-financiers:** Other Donors (UA 80.36 million); Government (UA 46.22 million); Communities (UA 10.17 m)			
Madagascar	*Rural Drinking Water Supply and Sanitation Program* **Objective and description:** Help reduce poverty and improve the living conditions of the population by providing drinking water and sanitation services to the rural communities of Madagascar (14.6 million inhabitants). DWSS facilities will be equipped with hand pumps, wind-operated water systems, boreholes, wells, pipelines, latrines, and sanitary facilities. **Expected outcomes:** Rural drinking water access will increase from 14 percent in 2004 to 52 percent in 2015; and the rate of sanitation access from 7.5 percent in 2004 to 54 percent in 2015. The poverty rate will decrease from 74.1 percent in 2004 to 37.05 percent in 2015. Under-5 mortality will be reduced by 75 percent in 2015. **Co-financiers:** Government (UA 8.4 million); and Beneficiaries (UA 0.6 million).	60.00	51.00	
Senegal	*Sub-Program for the Launching of the Rural Water Supply and Sanitation Initiative* **Objective and description:** Improve the living conditions and health of the people by (i) improving water supply to rural communities; (ii) providing adequate sanitation to rural communities; and (iii) helping improve the performance of the rural water supply and sanitation sector. **Expected outcomes:** A modern water point will be provided for every 250 rural dwellers, all rural localities will have at least one modern water point, an efficient system of sanitation will be provided in all rural localities, and structures for managing water and sanitation systems will exist in all localities. The main beneficiaries will be the populations in project area. **Co-financiers:** Government (UA 3.12 million); Beneficiaries (UA 0.88 million).	29.00	25.00	
Uganda	*Rural Water Supply and Sanitation Program* **Objective and description:** Provide sustainable safe water supply and sanitation facilities to 65 percent of the rural population by 2009. The program involves (i) the provision of new and rehabilitation of exist-	156.40		40.00

Country	Project	Total Cost	Loan	Grant
	ing water supply services to communities; (ii) the provision of new sanitation facilities in public places, schools, and health centers; (iii) an environmental assessment, mitigation and monitoring of community development; (iv) capacity building; and (v) institutional support. **Expected outcomes:** About 3.9 million people will be served with adequate water supply; 4.4 million people and 1.4 million pupils will have adequate sanitation; 30 percent of households will use hand-washing facilities, and; the functionality of rural W&S will increase to 89 percent in 2009. **Co-financiers:** Government (UA 77.1 million); Development Partners (UA 33.7 million); NGOs (UA 2.9 million); and Communities (UA 2.7 million).			
OTHER APPROVALS				
Burundi	HIPC Debt Relief **Project objective:** Reduce Burundi's external debt to a sustainable level and encourage utilization of the savings made under debt alleviation for poverty reduction activities	156.04		
Madagascar	HIPC Debt Relief **Project objective:** Reduce Madagascar's external debt to a sustainable level and encourage utilization of the savings made under debt alleviation for poverty reduction activities	42.84		
Rwanda	HIPC Debt Relief **Project Objective:** Reduce Rwanda's external debt to a sustainable level and encourage utilization of the savings made under debt alleviation for poverty reduction activities	149.89		
Zambia	HIPC Debt Relief **Project Objective:** Reduce Zambia's external debt to a sustainable level and encourage utilization of the savings made under debt alleviation for poverty reduction activities	80.72		

The Nigeria Trust Fund Operations

The Nigeria Trust Fund (NTF) provides financing at below market rates to assist development efforts in RMCs, particularly in low-income countries. Article XIII of the Agreement Establishing the Nigeria Trust Fund (the NTF Agreement), signed by the Bank and Nigeria on February 26, 1976, provides that the NTF shall be in effect for a period of thirty (30) years. This may be extended by mutual agreement between Nigeria and the Bank. According to Article XIII, Section 1 of the NTF Agreement, unless its duration is extended beyond April 25, 2006, (the "Termination Date") by mutual agreement, on that date, the NTF shall legally cease all activities, except those related to orderly winding down of prior commitments. In this regard, during 2005 the Bank held two high-level meetings with the Nigerian authorities in Abuja and in Tunis to discuss the extension of the Agreement Establishing the NTF for another 30 years.

The Nigerian Government has, in principle, agreed to extend the duration of the NTF. In this light, it has requested a Comprehensive Evaluation Study of the NTF. The terms of reference for the study were prepared in 2005 and the study will be undertaken in early 2006 by an independent evaluation team. The study will assess the performance of NTF operations and existing management procedures and governance structures for NTF operations. It will also provide recommendations on the future strategic direction and focus of the NTF beyond April 25, 2006. The study will serve as a key input to the successful completion of negotiations on the extension of the NTF duration.

No loans or grants were approved under the NTF in 2005. However, three operations, amounting to UA 3.1 million, were approved through this window, under the HIPC Initiative.

Cumulative Loan and Grant Approvals, 1976-2005

During 1976-2005, the NTF approved UA 304.6 million for 71 projects in 30 RMCs. Of this amount, UA 14.1 million was allocated to multinational projects.

The sectoral distribution of NTF cumulative loan approvals, shown in Figure 6.11, indicates that transportation accounted for 32.5 percent of approvals, followed by agriculture and rural development at 18.8 percent, and the social sector at 18.2 percent. Distribution for the other sectors was as follows: communications, 9.2 percent; finance, 5.8 percent; water supply and sanitation, 5.7 percent; industry, mining and quarrying, 5.4 percent; and power supply, 4.5 percent.

The regional distribution (Figure 6.12) shows that West Africa received 39.2 percent of NTF cumulative loan approvals, followed by East Africa, 24.5 percent; Southern Africa, 17.5 percent; Central Africa, 10.8 percent; North Africa, 3.4 percent; and multi-regional, 4.6 percent.

Figure 6.11: Cumulative NTF Approvals by Sector, 1976-2005

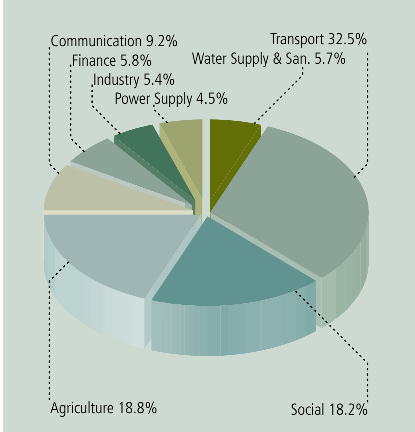
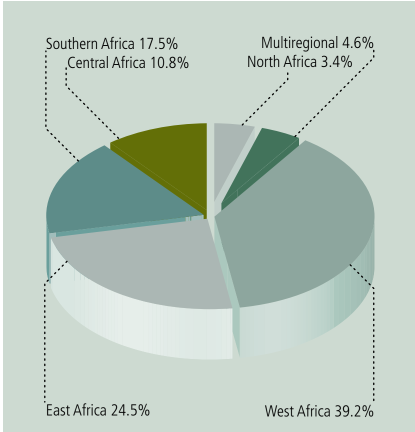


Figure 6.12: Cumulative NTF Approvals by Region, 1976-2005



Profiles of ADB-Approved Projects and Programs in 2005

(In millions of UA)

Country	Project	Total Cost	Loan	Grant
OTHER APPROVALS				
Burundi	*HIPC Debt Relief* Help reduce Burundi's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities	0.29		
Madagascar	*HIPC Debt Relief* Help reduce Madagascar's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities	0.30		
Rwanda	*HIPC Debt Relief* Help reduce Rwanda's external debt to sustainable levels and encourage utilization of the savings made under debt alleviation for poverty reduction activities	2.61		

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Chapter Seven

ADB, ADF, and NTF Financial Management and Financial Statements

African Development Bank

- Financial Management
- Financial Results
- Financial Statements and Report of Independent Auditors
- Administrative Budget for Financial Year 2006

African Development Fund

- Financial Management
- Financial Results
- Special Purpose Financial Statements and Report of Independent Auditors
- Administrative Budget for Financial Year 2006

Nigeria Trust Fund

- Financial Management
- Financial Results
- Financial Statements and Report of Independent Auditors

This Chapter discusses the management of the financial resources of the Bank Group's windows—the African Development Bank (ADB), the African Development Fund (ADF), and the Nigeria Trust Fund (NTF)—during the year. It also presents the Audited Financial Statements for 2005 for the three windows, and the ADB and ADF Administrative Budgets for the financial year 2006

The African Development Bank

Financial Management

Subscriptions

The authorized capital stock of the Bank stood at UA 21.87 billion (2,187,000 shares) at December 31, 2005. 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) was approved by the Board of Governors in 1998 and became effective in 1999. A member country's payment of the first GCI-V installment triggers the subscription to the entire callable capital portion of shares allocated to it; however, shares representing the paid-up portion of subscriptions are only issued when the Bank receives actual payments for such shares.

Cumulative subscriptions stood at UA 21.64 billion (98.95 percent of the authorized capital) at December 31, 2005, compared with UA 21.60 billion (98.77 percent) in 2004. The increase in the level of subscriptions is attributable to (1) shares subscribed on payment of installments under GCI-IV and GCI-V, and (2) shares subscribed because of new allocations under the Share Transfer Rules. At end-2005, the total callable capital stood at UA 19.37 billion. Unsubscribed shares totalled 19,510 and comprised shares to be issued upon payment of future cash installments (8,161 shares) and shares made available for reallocation (11,349 shares). Shares held by the former Social Republic of Yugoslavia have been transferred to the Bank and considered as Treasury shares.

In 2005, the cumulative paid-in amount on subscriptions before cumulative exchange adjustment on subscription was UA 2.26 billion, compared with UA 2.21 billion in 2004.

In accordance with the terms of the GCI-V Resolution and the Share Transfer Rules, shares for which payment have become due but 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 paid-up share to seven callable shares under GCI-IV; and one paid-up share to fifteen two-thirds (15.67) callable shares, in accordance with Sub-paragraph 2.2 of the GCI-V Resolution.

The position of capital subscriptions at December 31, 2005, is shown in the Statement of Subscriptions to the Capital Stock and Voting Powers, which forms part of the Financial Statements of this Report.

Bank Rating

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

Capital Markets Operations

The Bank strives to raise funds on capital markets at the lowest possible cost to support its lending activities; its AAA credit rating allows it to issue securities at low interest rates. In December 2004, the ADB Board of Directors approved a borrowing program of up to UA 550 million for 2005. The Bank raised UA 544.5 million at a weighted average cost of 6-month U.S. dollar LIBOR minus 25.2 basis points.

The Bank's borrowing portfolio stood at UA 5,940.4 billion at December 31, 2005. The Bank is well within its debt policy limits. The key debt ratios are as follows:

- Total borrowings/total callable capital (max 80 percent): 30.67 percent.
- Senior debt/non-borrowing members' callable capital (max 80 percent): 61.13 percent.

The execution of the 2005 funding program confirmed that the Bank's strategy of increasing its visibility in capital markets through global bond issues and inves-

Figure 7.1: Loans Outstanding, December 31, 2005

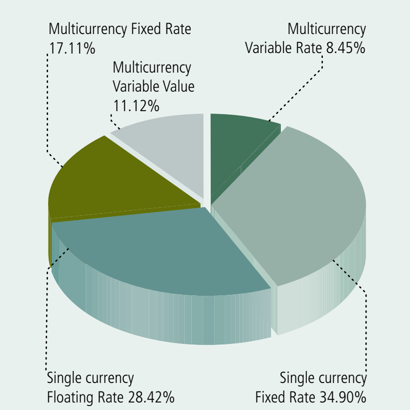
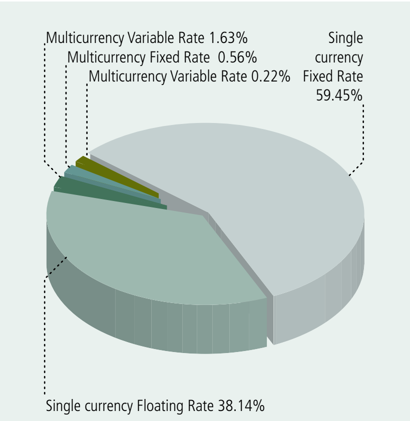


Figure 7.2: Undisbursed Balances, December 31, 2005



tor meetings is leading to convergence between the Bank's funding levels and those of its peers in all market segments.
The Bank concluded a ZAR 900 million, five-year maturity Uridashi transaction in May 2005—the largest transaction executed in ZAR by any supranational since 1998, and the first ZAR borrowing by the Bank since March 1999. Taking advantage of favorable market conditions, the Bank priced a 3-year US$500 million global benchmark in international capital markets at an after-swap level on an all-in-cost basis of U.S. dollar 6-month LIBOR minus 20 basis points. This transaction attracted top-notch investors, and its placement in the United States was one of the highest supranational transactions in 2005. The Bank continued to raise funds through small-sized structured transactions, executed with an attached swap, to take advantage of attractive funding opportunities in the Japanese private placement market.

The Bank made further progress on the groundwork done in 2004 on local currency bond issues in Africa. 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.

In December 2005, the Bank launched its first Botswana Pula transaction in the Euro-Pula market, following the receipt of necessary approvals from the Government of Botswana. Thanks to the Bank's efforts, the Botswana Pula received a settlement currency status from international clearinghouses, making the transaction the first true Eurobond in Pula. Botswana Pula is the second African currency, after the South African Rand, to achieve settlement status. Consistent with its strategy of developing African capital markets, the Bank has tentatively identified borrowing opportunities in several African currencies. Discussions with potential investors and local banks, and partnerships with governments and regulatory bodies will drive the pace of progress in this strategic activity.

Investments

The Bank's cash and treasury investments (net of repos and swaps) as of December 31, 2005 totaled UA 4.75 billion, compared to UA 4.45 billion at the end of 2004. Investment income for 2005 amounted to UA 155.4 million, or a return of 3.36 percent on an average liquidity of UA 4.63 billion, compared to UA 123.6 million in 2004, or a return of 2.93 percent, on an average liquidity of UA 4.22 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 marked-to-market 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, 2005 amounted to UA 17.40 billion. Total outstanding loans, as at December 31, 2005 was UA 5.51 billion, compared to UA 5.64 billion as at the end of 2004. Undisbursed balances at December 31, 2005 totaled UA 1.86 billion, an increase of UA 332.6 million from December 31, 2004. The number of active signed loans stood at 313 for a total amount of UA 5.51 billion. Also, at December 31, 2005, 479 loans amounting to UA 6.75 billion had been fully repaid. A breakdown of the loan portfolio by product type is presented in Figures 7.1 and 7.2.

Disbursements on Bank loans decreased by 5.5 percent from UA 630.2 million in 2004 to UA 595.4 million. At December 31, 2005, cumulative disbursements (including private sector loans) amounted to UA 15.41 billion. At December 31, 2005, 709 loans were fully disbursed for a total amount of UA 14.03 billion, representing 91.1 percent of cumulative disbursements.

Financial Products

Loans. The Bank offers three loan products: variable, floating, and fixed interest rate loans with a selection of loan currencies, currently, U.S. Dollars, Euro, Japanese Yen, 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 five years.

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, Euro Interbank Offered Rate, 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 three loan products is the same. The applicable rate of interest is the sum of the chosen base rate plus a lending spread. In line with the recommendations of the Middle Income Country Task Force, new loans to sovereign and sovereign-guaranteed borrowers enjoy a lending spread of 40 basis points above the 6-month market reference rate. For non-sovereign guaranteed borrowers in the private and public sectors, the lending spread is computed based on the Bank's risk-based pricing framework.

The distribution of loans by interest rate basis and currency is shown in Figures 7.1 and 7.2.

Agency Lines. Loans to private sector enterprises can be extended directly or through private financial institutions. With agency lines (ALs), the credit risk of the borrower is borne by the Bank. The private financial institution acts as an agent for the Bank, implementing activities, including, but not limited to, identifying projects within certain parameters; appraising such projects on behalf of the Bank; undertaking administrative steps related to disbursements for approved projects (billing, collection of Bank's funds, filing of security); supervising projects, monitoring the performance of the borrower, and submitting related reports; and transmitting amounts related to the repayment of the loan to the Bank.

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

INTERNAL CREDIT RISK RATING SCALE

Risk Rating	Range of Expected Losses (%)	Risk Class [1]	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		

1. Under the revised IFRS, exposure to a borrower in default includes the charges receivable but is net of the loan loss provisions.

RISK PROFILE OF THE OUTSTANDING SOVEREIGN GUARANTEED LOAN PORTFOLIO*

	Very Low Risk (%)	Low Risk (%)	Moderate Risk (%)	High Risk (%)	Very High Risk (%)
2005	26	26	18	17	13
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

* Includes impaired charges receivable, net of impairment allowances.

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 help 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 during the life of the loan.

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 cannot be a majority shareholder in a company, it can participate in a project by acquiring ordinary stocks, redeemable preferred stocks, or debentures.

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

Risk Management Policies and Processes

As a development finance institution, the Bank Group 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 three principal sources of credit risk: 1) sovereign credit risk on its public sector portfolio; 2) non-sovereign credit risk on its portfolio of private sector, non-sovereign and enclave projects; and 3) counterparty credit risk on its portfolio of treasury investments and derivative instruments.

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 2005, while the overall risk profile of the Bank's sovereign guaranteed portfolio remained largely unchanged, the portfolio's weighted-average risk rating weakened from 2.97 at the end of 2004 to 3.15 at the end of 2005, primarily due to the revised accounting norms changing the measurement basis of exposures[1]. The distribution of the sovereign portfolio across the Bank's five credit risk classes is shown in the table above.

To ensure adequate diversification, the Bank maintains a prudent distribution of

RISK PROFILE OF THE OUTSTANDING NON-SOVEREIGN LOAN AND EQUITY PORTFOLIO

	Very Low Risk (%)	Low Risk (%)	Moderate Risk (%)	High Risk (%)	Very High Risk (%)
2005	14	20	56	7	3
2004	15	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

its sovereign guaranteed portfolio through its exposure management policies. For each eligible public sector borrower, the Bank applies an 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[2]. 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. With the adoption of the revised International Financial Reporting Standards (IFRS) from 2005, the Bank no longer makes general provisions for performing loans. In line with the IFRS norms, the Bank makes a provision for the impairment[3] in its sovereign portfolio commensurate with the assessment of the incurred loss in the portfolio. The Bank's impairment allowance of UA 376.4 million is consistent with the estimated incurred loss associated with impaired loans at the end of 2005.

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[4]. At the end of 2005, the Bank's public sector portfolio required as backing, 45 percent of the Bank's total on-balance sheet risk capital[5]. This compares with 47 percent at the end of 2004 and reflects the changes in both the composition of the sovereign portfolio and the sources of risk capital as a result of the application of the revised IFRS.

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 collectibil-

2. 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.
3. A loan is considered to be impaired when the borrower is observed to experience difficulties in servicing the debt in a timely manner.
4. 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%.
5. The Bank defines risk capital as the sum of paid-in capital plus accumulated reserves 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.

CREDIT RISK PROFILE OF THE INVESTMENT AND DERIVATIVE PORTFOLIOS

	AAA (%)	AA (%)	A (%)	Other (%)
2005	56	36	8	0
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

ity 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 2005, the non-sovereign loan and equity portfolios continued to grow. By year-end, the weighted-average risk rating improved slightly from 3.40 in 2004 to 3.12 in 2005. The distribution of the non-sovereign portfolio across the Bank's five credit risk classes is shown in the table on page 135.

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.

In compliance with the revised IFRS, the Bank no longer makes general provisions to cover the expected losses in the performing non-sovereign portfolio. For the non-performing portfolio, the Bank makes a specific provision based on an assessment of the credit impairment, or incurred loss, on each loan. At the end of 2005, the impairment allowance to cover the incurred loss on impaired loans in the non-sovereign portfolio was UA 16.1 million.

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 2005, the average provisioning rate for equity investments in private sector was equivalent to 2.7% 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 2005, the Bank's non-sovereign portfolio required as backing approximately 4.1 percent of the Bank's total on-balance sheet risk capital, largely unchanged from the level at the end of 2004. This was still well below the limit of 20% 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[6].

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 eight 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

6. In 2006, the Bank may enable derivative counterparties with a rating of below AA-, but only when any material transaction exposure is collateralized.

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 continues to be predominantly AA or higher.

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 2005, the Bank's counterparty credit portfolio including all investments and derivative instruments required as backing just over 1.9 percent of the Bank's total on-balance sheet risk capital. This is a minor change from 1.7 percent in 2004.

Liquidity Risk

As a 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 2005, 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.[7]

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 2005 the Bank's currency alignment was adjusted within a tight band of the risk-neutral position in each of the currencies making up the SDR composition. Towards the end of 2005, the International Monetary Fund (IMF) carried out its 5-yearly review of the SDR basket; consequent to the review, the revised SDR basket took effect from January 1, 2006. In keeping with the Bank's currency risk management policy, currency transactions were carried out in early 2006 to realign the net assets to the revised SDR basket. During 2005, 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 2005, the Bank's strategy of purchasing currencies in the forward market to cover the estimated currency composition of expenses during the year mitigated the unfavorable impact of the currency movements during the year.

Interest Rate Risk

The Bank's exposure to interest rate risk can be traced to two principal sources: 1) 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 2) 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.[8] 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

7. 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.
8. A net interest margin that is not overly sensitive to sharp changes in market interest rates yet adequately responsive to general market trends.

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 with those of the corresponding liabilities.

In 1990, the Bank began offering "variable rate loans" whose interest rate resets semi-annually based on the average cost of a dedicated pool of the Bank's borrowings. These pools are funded with a mix of fixed rate and floating rate borrowings to provide borrowers with broadly stable interest rates that gradually track changes in market interest rates. The cost of funds pass-through formulation incorporated in the lending rates charged on the Bank's pool-based loans has traditionally helped to minimize the interest rate sensitivity of the net interest margin on this part of its loan portfolio. In view of declining demand for this product in favor of market-based loans, the Bank is carefully managing the gradual winding down of the designated funding pools.

The Bank also offers fixed and floating rate loans whose 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 (six-month LIBOR floating rate). The Bank may also provide borrowers with risk management products such as swaps to modify the currency and interest rate terms of its market-based loan products. Although it 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 two tranches to reflect the different business purposes and underlying funding. The core part of the investment portfolio is held to comply with the Bank's liquidity policy and uses a six-month LIBOR floating rate benchmark. The operational liquidity portfolio is managed to meet projected operational cash flow needs and uses a one-month LIBOR floating rate benchmark.

The Bank diversifies the sources of its funding by issuing debt in a variety of markets and instruments. Unless fixed rate funding is required for one of its pool-based loan products, the Bank protects its net interest margin by simultaneously swapping all new borrowings into floating rate in one of the Bank's active currencies on a standard six-month LIBOR rate reference. Where the Bank issues debt with embedded options, the Bank simultaneously enters into a swap with matching terms to synthetically create the desired six-month LIBOR-based floating rate funding. For risk management purposes, callable funding is considered as one alternative to issuing short-term debt such as Euro Commercial Paper. The Bank manages refinancing risk by limiting the amount of debt that will mature or is potentially callable within one year to 25 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 re-pricing profile of the assets funded by the Bank's equity resources (fixed rate loans and investments) to match a re-pricing profile benchmark. The Bank's re-pricing profile benchmark is a 10-year ladder whereby a uniform 10 percent of the Bank's assets funded by equity re-price in each year. Using this benchmark, the Bank's net interest margin on assets funded by equity tends to track a ten-year moving average of 10-year maturity SDR interest rates. At the end of 2005, the Bank's overall re-pricing profile was closely aligned to the benchmark in almost all annual buckets. For net assets re-pricing within one year, the Bank had a manageable gap relative to the benchmark.

In addition to these two 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 and 2004, however, driven by low market interest rates, contracting credit spreads for emerging market borrowers and enhanced debt management by several sovereign borrowers, total loan prepayments increased sharply to UA 471 million and UA 542 million respectively. In 2005, with the reversal in the market interest rates, prepayments of pre-1997 loans declined sharply to UA 70 million. For all market-based loans issued since 1997, the Bank protects itself from prepayment risk by linking the prepayment penalty to the cost of redeploying the funds at current market rates. In 2005, prepayments of market-based floating rate loans amounted to UA 192 million.

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 2005, internal control improvements focused on completing 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 accounting standards. In addition, the Bank made significant progress in 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 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/incurred loss estimates. ALCO is supported by seven 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 appropriate business units.

Financial Results

In 2005, the Bank adopted all relevant new or revised accounting standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The application of these new or revised standards and interpretations resulted in certain changes to the Bank's accounting policies. Several of the changes required retrospective application, resulting in the restatement of previously published financial statements

The accounting changes with the most significant financial statement effects related to the adoption of the fair value option for qualifying borrowings and related derivatives; the determination of the provision for loan losses based on the incurred rather than expected losses; the discontinuation of the non-accrual policy; the election by the Bank to immediately recognize actuarial gains and losses against equity; and the recognition of an investment in an associate and related impairment. These accounting changes are described in more detail in Note C of the audited financial statements. The effects on the previously published 2004 financial statements of all the accounting changes implemented in 2005 could be summarized as follows: net income for 2004 was restated from UA 107.4 million to UA 143.5 million; the reserves at December 31, 2004 increased from UA 1 486.4 million to UA 2 186.6 million; total assets increased from UA 10 043.9 million to UA 10 792.2 million.

The highlights of the Bank's performance in 2005 include the following:

- Net income increased by 54.22 percent from the restated amount of UA 143.5 million in 2004 to UA 221.3 million for 2005. The increase is primarily attributable to a change of UA 67.7 million in the provision for loan losses, from the restated provision of UA 53.9 million for 2004 to a net write-back of UA 13.9 million in 2005. Loan and investment income increased by UA 1.1 million and UA 31.8 million respectively. The increase in investment income, which was due to overall higher yields in 2005, was partially offset by a UA 20 million increase in interest expense. In addition, other income increased by

UA 8.3 million from UA 7.4 million in 2004 to UA 15.7 million in 2005 due to cash received in respect of capital gains on equity investments.

- The Bank continues to maintain a stable risk bearing capacity. In compliance with the interpretation guidelines of the new and revised accounting standards applicable to the Bank, that became effective on January 1 2005, the prior years' effects of the application of such standards were taken to reserves. Also, as result of the application of the revision to IAS 21 on functional currency, cumulative currency translation adjustment at the end of 2004 of UA 468 million was equally transferred to retained earnings in 2005. Consequently, reserves including cumulative currency translation in 2004 increased from the restated amount of UA 2.19 billion at December 31, 2004 to UA 2.27 billion at the end of 2005. Total reserves (i.e. including accumulated provisions on outstanding loan principal) at December 31, 2005 amounted to UA 2.66 billion or 48.23% of loans outstanding at the end of the year.

- Administrative expenses, net of reimbursement by ADF and NTF for their share of such expenses, increased by UA 4.1 million from UA 37.6 million in 2004 to UA 41.7 million in 2005. This was the result of the overall increase in the administrative expenses of the Bank group in 2005, compared to 2004. 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 and distribution 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 not only the further strengthening of the Bank's reserves position, but also contribute on behalf of its shareholders to other development initiatives for Africa. In 2005, the Board of Governors approved the distribution of UA 144 million to various development initiatives in the continent. The distribution comprised of UA 5 million to the Special Relief Fund for African Countries Affected by Drought, UA 11 million to the Heavily Indebted Poor Countries (HIPC) initiative, UA 15 million to a fund for technical assistance to ADB-eligible countries, UA 30 million to the Post Conflict Countries Facility (PCCF) and UA 36.7 million to the special fund for post conflict assistance to the Democratic Republic of Congo and UA 46.3 million to the ADF.

As mentioned above, the Bank adopted in 2005, the Fair Value Option which allowed the mark-to-market of borrowings with underlying derivatives to eliminate or reduce the accounting mismatch which necessitated in prior years, the separation on the income statement of the unrealised net gain or loss resulting from marking to market only the derivatives and not the borrowings to which they relate. As a result of this adoption, management's decisions are now based on the net income adjusted for the unrealised gains or losses resulting from the mark-to-market of the residual derivatives which are not directly attached to specific borrowings and therefore did not qualify for the fair value option election.

African Development Bank

Financial Statements and Report of the Independent Auditors for the Years ended December 31, 2005 and 2004

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BALANCE SHEET
AS AT DECEMBER 31, 2005 AND 2004

(UA thousands - Note B)

ASSETS	2005	Restated (Note C) 2004
CASH	70,340	43,800
DEMAND OBLIGATIONS	3,801	3,909
INVESTMENTS (Note D)	5,155,053	4,435,417
DERIVATIVE ASSETS (Note E)	285,927	274,790
NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL (Note F)	25,897	31,180
ACCOUNTS RECEIVABLE		
Accrued income and charges receivable on loans	431,468	406,107
Less: Accumulated provision for impairment	(197,764)	(188,076)
	233,704	218,031
Other accounts receivable	322,676	179,453
	556,380	397,484
LOANS (Note G)		
Disbursed and outstanding loans	5,512,442	5,640,427
Less : Accumulated provision for impairment	(194,613)	(213,593)
	5,317,829	5,426,834
EQUITY PARTICIPATIONS (Note H)		
Investment in associate - ADF	97,364	97,166
Other equity investments	71,333	63,437
	168,697	160,603
OTHER ASSETS		
Property, equipment and intangible assets (Note I)	16,350	17,605
Miscellaneous	628	533
	16,978	18,138
TOTAL ASSETS	**11,600,902**	**10,792,155**

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

LIABILITIES & EQUITY	2005	Restated (Note C) 2004
ACCOUNTS PAYABLE		
Accrued financial charges	250,404	182,812
Other accounts payable	247,819	194,356
	498,223	377,168
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND PAYABLE FOR CASH COLLATERAL RECEIVED (Note D)	466,961	9,295
DERIVATIVE LIABILITIES (Note E)	317,245	513,892
BORROWINGS (Note J)		
Borrowings at fair value	4,604,700	3,923,123
Borrowings at amortized cost	1,335,698	1,715,766
	5,940,398	5,638,889
EQUITY (Note K)		
Capital		
Subscriptions paid	2,263,446	2,213,505
Cumulative Exchange Adjustment on Subscriptions	(151,759)	(147,203)
	2,111,687	2,066,302
Retained earnings	2,257,678	2,652,116
Fair value gains on available-for-sale equity investments	8,710	2,467
Cumulative Currency Translation Adjustment	-	(467,974)
Total reserves	2,266,388	2,186,609
Total equity	4,378,075	4,252,911
TOTAL LIABILITIES & EQUITY	**11,600,902**	**10,792,155**

STATEMENT OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(UA thousands - Note B)

	2005	Restated (Note C) 2004
OPERATIONAL INCOME & EXPENSES		
Income from loans (Note L)	324,230	323,105
Income from investments and related derivatives (Note L)	155,375	123,567
Total income from loans and investments	479,605	446,672
Borrowing expenses (Note M)		
Interest and amortized issuance costs	(218,516)	(230,749)
Net interest on borrowing derivatives	1,399	33,671
Unrealized loss on fair-valued borrowings and related derivatives	(30,773)	(7,697)
Unrealized gain/(loss) on derivatives and non fair-valued borrowings	7,219	(10,353)
Provision for impairment (Note G)		
Loan principal	21,169	(51,384)
Loan charges	(7,317)	(2,479)
Provision for impairment on equity investments	750	3,309
Translation gains	1,577	-
Other income	15,725	7,402
Net operational income	270,838	188,392
OTHER EXPENSES		
Administrative expenses (Note N)	(41,675)	(37,611)
Depreciation - Property, equipment and intangible assets (Note I)	(7,101)	(6,417)
Sundry expenses	(741)	(836)
Total other expenses	(49,517)	(44,864)
NET INCOME	**221,321**	**143,528**

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

STATEMENT OF RECOGNIZED INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(UA thousands - Note B)

	2005	2004
Gain on available-for-sale investments taken to equity	6,243	2,467
Actuarial losses on defined benefit plans	(3,785)	(31,374)
Net income recognized directly in equity	2,458	(28,907)
Net income for the year	221,321	143,528
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE YEAR	**223,779**	**114,621**

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

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(UA thousands - Note B)

	2005	Restated (Note C) 2004
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	221,321	143,528
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,101	6,417
Provision for impairment on loan principal and charges	(13,852)	53,863
Unrealized losses/(gains) on investments and related derivatives	7,653	(4,421)
Amortization of discount or premium on held-to-maturity investments	6,027	10,289
Amortization of borrowing issuance costs	(2,687)	1,517
Provision for impairment on equity investments	(750)	(3,309)
Profit on disposal of equity investments	-	(2,641)
Translation gains	(1,577)	-
Share of profits in associate	(198)	(10)
Derivative asset movement	23,554	18,050
Changes in accrued income on loans	(22,319)	19,108
Changes in accrued financial charges	68,679	87,872
Changes in other receivables and payables	(91,477)	(33,940)
Net cash provided by operating activities	201,475	296,323
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(595,350)	(630,235)
Repayments of loans	713,994	1,012,537
Investments maturing after 3 months of acquisition:		
Held-to-maturity portfolio	(63,070)	(265,890)
Trading portfolio	(134,305)	(234,384)
Payment of Board of Governors-approved distributions	(144,000)	(114,640)
Changes in other assets	(5,940)	(3,255)
Equity participations movement	2,013	(7,836)
Net cash used in investing, lending and development activities	(226,658)	(243,703)
FINANCING ACTIVITIES:		
New issues on borrowings	544,479	432,550
Repayments on borrowings	(541,209)	(579,728)
Net cash from currency swaps	27,229	(60,778)
Net cash from capital subscriptions	52,220	54,920
Net cash provided by financing activities	82,719	(153,036)
Effect of exchange rate changes on:		
Cash and investments	2,817	(5,035)
Decrease in cash and cash equivalents	60,353	(105,451)
Cash and cash equivalents at the beginning of the year	531,662	637,113
Cash and cash equivalents at the end of the year	**592,015**	**531,662**
Composed of:		
Investments maturing within 3 months of acquisition:		
Held-to-maturity portfolio	34,931	441,587
Trading portfolio	953,705	55,570
Securities sold under agreements to repurchase and payable for cash collateral received	(466,961)	(9,295)
Cash	70,340	43,800
Cash and cash equivalents at the end of the year	**592,015**	**531,662**
Supplementary disclosure:		
Movement resulting from exchange rate fluctuations		
Loans	18,626	6,889
Borrowings	186,281	(96,831)
Currency swaps	(134,818)	98,286

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In terms of prior years, accounting policies are consistent in all respects, except as noted in note C.

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

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

Income from investments includes realized and unrealized gains and losses on trading financial instruments and the amortization of premiums and discounts calculated on the effective interest method for held-to-maturity financial instruments.

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

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

Currency translation
Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated into UA at rates prevailing at the balance sheet date. Non-monetary assets and liabilities are carried in UA. Translation differences are included in the determination of net income. Capital subscriptions are recorded in UA at the rates prevailing at the time of receipt.

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 the 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.

Member Countries´ Subscriptions

Although the Agreement establishing the ADB allows for a member country to withdraw from the Bank, no member has ever withdrawn its membership voluntarily, nor has any indicated to the Bank that it intends to do so. Moreover, there is a significant financial disincentive to withdrawing membership. The stability in the membership reflects the fact that the members are independent African and Non-African countries, and that the purpose of the Bank is to contribute to the sustainable economic development and social progress of its regional member countries individually and jointly.

In the unlikely event of a withdrawal by a member, the Bank shall arrange for the repurchase of the former member's shares. The Bank may offset its obligation to make payments for the shares against the member's liabilities on loans and guarantees due to the Bank. The repurchase price of the shares is the value shown by the books of the Bank on the date the country ceases to be a member, hereafter referred to as "the termination date". The former member would remain liable for direct obligations and contingent liabilities to the Bank for so long as any parts of the loans or guarantees contracted before the termination date are outstanding.

Were a member to withdraw, the Bank may set the dates in respect of payments for shares repurchased. If, for example, paying a former member would have adverse consequences for the Bank's financial position, the Bank could defer payment until the risk had passed, and indefinitely if appropriate. Further, shares that become unsubscribed for any reason may be offered by the Bank for purchase by eligible member countries, based on the share transfer rules approved by the Board of Governors. In any event, no payments shall be made until six months after the termination date. If the Bank were to terminate its operations within six months of the termination date, all liabilities of the Bank shall first be settled out of the assets of the Bank and then, if necessary, out of members' callable capital, before any distribution can be made to any member country, including the withdrawing member.

If at a date subsequent to the termination date, it becomes evident that losses may not have been sufficiently taken into account when the repurchase price was determined, the former member may be required to pay, on demand, the amount by which the repurchase price of the shares would have been reduced had the losses been taken into account when the repurchase price was determined. In addition, the former member remains liable on any call, subsequent to the termination date, for unpaid subscriptions, to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

Employee benefits

1) Pension obligations

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

2) Post-employment medical benefits

The Bank operates a contributory defined Medical Benefit Plan (MBP) which provides post-employment healthcare benefits to eligible former staff, including retirees. Membership of the Plan includes both staff and retirees of the Bank. The entitlement to the post-retirement healthcare benefit is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits derive from contributions from plan members as well as the Bank and are accrued over the period of employment and during retirement. Contributions by the Bank to the MBP are charged to expenses and included in the statement of income and expenses. The Medical Benefit Plan Board, which is an independent Board created by the Bank determines the adequacy of the contributions and is authorized to recommend changes to the contribution rates of both the Bank and plan members. The obligations to the Plan are valued every three years by independent qualified actuaries.

Financial instruments

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

1) Financial assets

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

i) *Financial assets at fair value through profit or loss*

All trading assets are carried at fair value through the income statement. The investment trading portfolio is acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held-for-trading.

ii) *Loans and receivables*

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

iii) *Held-to-maturity investments*

The Bank has classified its investments in certain debt securities as held-to-maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are reported at amortized cost.

iv) *Available-for-sale financial assets*

The Bank has classified equity investments for which it does not have control or significant influence as available-for-sale. Available-for-sale investments are those intended to be held for an indefinite period of time, and may or may not be sold in the future.

v) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

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

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest on available-for-sale instruments is calculated using the effective interest method and recognized in the income statement. Accrued interest on financial assets is disclosed in other accounts receivable.

2) Financial liabilities

i) Borrowings

In the ordinary course of its business, the Bank borrows funds in the major capital markets for lending and liquidity purposes. The Bank issues debt instruments denominated in various currencies, with differing maturities at fixed or variable interest rates. The Bank's borrowing strategy is driven by three major factors, namely: timeliness in meeting cash flow requirements, optimizing asset and liability management with the objective of mitigating exposure to financial risks, and providing cost-effective funding. In addition to long and medium-term borrowings, the Bank also undertakes short-term borrowing for cash and liquidity management purposes only. 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. Certain borrowings, some of which also contain embedded derivatives, are designated at fair value through profit or loss. Borrowings not so designated are carried on the balance sheet at amortized cost with interest expense determined using the effective interest method. 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 using the effective interest method. Certain of the Bank's borrowings have been obtained from the governments of some member countries of the Bank and are interest free. In accordance with IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance", the benefit of borrowing at subsidized rates from member countries' Governments has not been recognized through the imputation of interest expense in the financial statements.

ii) Financial liabilities at fair value through profit or loss

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

iii) Other liabilities

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

Derivatives

The Bank uses derivative instruments in its portfolios for asset/liability management, cost reduction, risk management and hedging purposes. These instruments include currency swaps and interest rate swaps. The derivatives on borrowings 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.

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. The Bank has elected not to designate any qualifying hedging relationships, but rather classifies all derivatives as held-for-trading at fair value, with all changes in fair value recognized in the income statement.

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

Impairment of financial assets

1) Assets carried at amortized cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired and makes provision for such impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank.

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

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

Upon the adoption of the amendments to IAS 39 on January 1, 2005, the Bank discontinued the practice of placing loans in non-accrual status. Interest and charges are accrued on all loans, including those in arrears.

2) Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is reclassified from equity to profit or loss in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

Offsetting financial instruments

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

Fair value disclosure

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

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

Cash: The carrying amount is the fair value.

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

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.

Borrowings: The fair values of the Bank's borrowings are based on market quotations when possible or valuation techniques based on discounted cash flow models using LIBOR market-determined discount curves adjusted by the Bank's credit spread. Credit spreads are obtained from market data as well as indicative quotations received from certain counterparties for the Bank's new public bond issues. The Bank also uses systems based on industry standard pricing models and valuation techniques to value borrowings and their associated derivatives. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. Valuation models are subject to internal and periodic external reviews.

Equity investments: The underlying assets of the Bank's equity investments carried at fair value are periodically fair valued both by fund managers and independent valuation experts using market practices. The fair value of investments in listed enterprises is based on the latest available quoted bid prices. The fair value of investments in unlisted entities is assessed using appropriate methods, for example, discounted cash flows. The fair value of the Bank's 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 valuation techniques that use market estimates of cash flows and discount rates. The Bank also uses tools based on industry standard pricing models and valuation techniques to value derivative financial instruments. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. All financial models used for valuing the Bank's financial instruments are subject to both internal and periodic external reviews.

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

Day one profit and loss

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

Investment in associate

Under IAS 28, "Investments in Associates", the ADF is considered an associate of the Bank. An associate is an entity over which the Bank has significant influence, but not control, over financial and operating policy decisions. The relationship between the Bank and the ADF is described in more detail in Note H. IAS 28 requires that the equity method be used to account for investments in associates. Under the equity method an investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's income statement. The subscriptions by the Bank to the capital of the ADF occurred between 1974 and 1990. At December 31, 2005, such subscriptions cumulatively represented approximately 1% of the Bank's economic interest in the capital of the ADF. Although ADF is a not-for-profit entity and has never distributed any dividend to its subscribers since its creation in 1972, the revisions to IAS 28 require that the equity method be used to account for the Bank's investment in ADF. Further, in accordance with IAS 36, the net investment in ADF is assessed for impairment.

Retained earnings
Retained earnings of the bank consist of amounts allocated to reserves from prior year's income and unallocated current year net income. Upon recommendation by the Board of Directors, the Board of Governors approves allocations or distributions of unallocated net income to various specified development causes consistent with the Agreement Establishing the Bank.

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

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

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

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

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

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

Critical accounting judgments and key sources of estimation uncertainty
The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the

circumstances. The most significant judgments and estimates are summarized below:

1) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at each financial reporting date. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2) Fair values of financial instruments

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

3) Impairment of available-for-sale equity investments

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

4) Held-to-maturity investments

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

NOTE C – ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on, or after January 1, 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Bank's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- the fair value option (IAS 39)
- incurred loss provisioning (IAS 39)
- employee benefits (IAS 19)
- investment in associate (IAS 28)
- determination of the Bank's functional currency (IAS 21)

The impact of these changes in accounting policies is as follows:

The fair value option (IAS 39)

In June 2005, the International Accounting Standards Board issued an amendment to IAS 39 entitled "Financial Instruments: Recognition and Measurement: The Fair Value Option". Although this amendment is effective for financial years beginning on or after January 1, 2006, early adoption under specific guidelines is permitted and encouraged. The Fair Value Option (FVO) allows an entity like the Bank to make a voluntary election to account for financial assets or liabilities at fair value under certain prescribed conditions including situations where there are accounting mismatches for example, where economic hedging relationships have not been designated for hedge accounting purposes. The Bank has elected to early-adopt the FVO in 2005. With the adoption of the FVO, Management has fair-valued all borrowings with embedded derivatives that meet the condition in the standard, and reported the fair value movement in the income and expenses account.

The transitional guidance of the revised IAS 39 on Fair Value Option requires that prior years' comparative figures be restated for all financial instruments that are designated as at fair value through profit or loss. The fair value of previously outstanding borrowings designated at fair value under the transition was UA 4,604.70 million at December 31, 2005 (2004: UA 3,923.12 million). The carrying amount of these same borrowings together with the related embedded derivatives in the previous financial statements at December 31, 2004 was UA 3,946.93 million.

Incurred loss provisioning (IAS 39)

Prior to January 1, 2005, the Bank placed 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 were overdue by six months or more. Upon the adoption of the revised IAS 39 on January 1, 2005, the Bank no longer placed loans in non-accrual status. Interest and charges are accrued on all loans including those in arrears. The revised standard requires that both principal and charges receivable on loans be assessed for impairment using the incurred loss model. In accordance with consequential changes to IAS 30, cumulative amounts that had previously been non-accrued as a result of the former non-accrual policy amounting to UA 526.13 million (net of provision) were transferred to reserves on January 1, 2005.

The change from an expected loss to incurred loss provisioning methodology under the revised IAS 39 also requires the restatement of prior years' comparative figures. The provision calculated under the revised methodology was UA 194.61 million at December 31, 2005 (2004: UA 213.59 million). The provision in the previous financial statements at December 31, 2004 was UA 450.08 million.

Employee benefits (IAS 19)

In accordance with the provisions of the standard, which permits early adoption, the Bank has early adopted in 2005 the amendments to IAS 19 – "Employee Benefits" issued in December 2004 which becomes effective on January 1, 2006. Under the amended standard the Bank has elected to recognize actuarial gains and losses immediately in retained earnings in the year that they occur. Before the adoption of the amended standard, the policy of the Bank had been to recognize actuarial gains and losses that exceeded 10 percent of the greater of the present value of the defined staff retirement obligation and the fair value of the plan assets through the income statement.

The change in accounting policy has resulted in the restatement of prior year comparative figures. The actuarial loss previously not recognized that was charged to retained earnings was UA 65.67 million.

Investment in associate (IAS 28)

The Bank also adopted the revised IAS 28 on "Investments in Associates" to account for its investment in ADF. Under IAS 28, the ADF is considered an associate of the Bank. An associate is an entity over which the Bank has significant influence, but not control, over financial and operating policy decisions. IAS 28 requires that the equity method of accounting be used to account for investments in associate. Under the equity method, an investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. In addition, in accordance with IAS 36, the net investment in ADF is assessed for impairment. The impairment amount relating to prior years was also included in the total amount transferred to reserves on January 1, 2004. As a result of the application of IAS 28, the share of ADF surplus reported in the Bank's statement of income and expenses amounted to UA 0.20 million in 2005 (2004: UA 0.01 million).

Determination of the Bank's functional currency (IAS 21)

Prior to 2005, the Bank considered the currencies of all its member countries as its functional currencies. With the application of IAS 21 revised, "The Effects of Changes in Foreign Exchange Rates", the Bank prospectively changed its functional currency from the currencies of all its member countries to the Unit of Account (UA), effective January 1, 2005. The UA is also the currency in which the financial statements are presented. As a result of the application of IAS 21, translation gains of UA 1.58 million were recognized in the statement of income and expenses in 2005.

Other

At the date of authorization of these financial statements, a number of International Financial Reporting Standards and Interpretations had been promulgated, but were effective for periods after December 31, 2005. Of these, IFRS 7 – "Financial Instrument Disclosures" is expected to be the most relevant for the Bank. Management is currently assessing the effect on the financial statement disclosures of the Bank.

NOTE D – 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 a AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than one year and a minimum credit rating of A. Over-the-counter (OTC) options on government securities and interest rate products are purchased only if the life of the option contract does not exceed 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.

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, 2005, UA 42.20 million (2004: UA 177.45 million) of investments were under external management.

Securities sold under repurchase agreements with a market value of UA 466.96 million were outstanding at December 31, 2005 (2004: UA 9.30 million). The securities pledged as collateral have a carrying value of UA 422.68 million at December 31, 2005 (2004: UA 9.14 million). These securities include trading and held-to-maturity instruments, which have been included in the respective balance sheet captions.

The composition of investments as at December 31, 2005 and 2004 was as follows:

(UA thousands)	**2005**	2004
Trading	2,954,053	2,299,010
Held-to-maturity	2,201,000	2,136,407
Total	**5,155,053**	**4,435,417**

A summary of the Bank's trading investments at December 31, 2005 and 2004 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Time deposits	446.31	211.75	47.87	85.05	37.94	2.49	170.02	77.41	702.14	376.70
Asset-backed securities	469.54	455.01	224.38	174.47	-	-	-	-	693.92	629.48
Government and agency obligations	255.62	56.26	75.00	36.66	-	-	0.53	4.59	331.15	97.51
Corporate bonds and commercial paper	594.19	466.58	538.21	646.18	44.50	-	49.94	82.56	1,226.84	1,195.32
Total trading investments	**1,765.66**	**1,189.60**	**885.46**	**942.36**	**82.44**	**2.49**	**220.49**	**164.56**	**2,954.05**	**2,299.01**
Repos	(317.48)	-	(74.12)	(9.30)	(75.36)	-	-	-	**(466.96)**	**(9.30)**

The maturity structure of trading investments as at December 31, 2005 and 2004 was as follows:

(UA millions)	**2005**	2004
One year or less	1,104.97	713.47
More than one year but less than two years	351.37	416.72
More than two years but less than three years	377.40	424.21
More than three years but less than four years	182.57	64.24
More than four years but less than five years	57.98	15.45
More than five years	879.76	664.92
Total	**2,954.05**	**2,299.01**

The maturity structure of repos as at December 31, 2005 and 2004 was as follows:

(UA millions)	**2005**	2004
One year or less	**(466.96)**	**(9.30)**

A summary of the Bank's investments held-to-maturity at December 31, 2005 and 2004 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Time deposits	6.40	5.71	9.18	49.86	19.36	-	-	-	34.94	55.57
Asset-backed securities	13.98	24.89	60.11	30.28	7.92	-	-	-	82.01	55.17
Government and agency obligations	551.86	491.46	169.69	236.53	285.53	252.20	164.26	99.59	1,171.34	1,079.78
Corporate bonds and other	351.69	296.36	295.21	374.56	193.11	149.27	72.70	125.70	912.71	945.89
Total held-to-maturity investments	**923.93**	**818.42**	**534.19**	**691.23**	**505.92**	**401.47**	**236.96**	**225.29**	**2,201.00**	**2,136.41**

The maturity structure of held-to-maturity investments as at December 31, 2005 and 2004 was as follows:

(UA millions)	**2005**	2004
One year or less	222.22	212.27
More than one year but less than two years	223.52	179.43
More than two years but less than three years	228.78	204.09
More than three years but less than four years	307.45	217.57
More than four years but less than five years	355.98	279.80
More than five years	863.05	1,043.25
Total	**2,201.00**	**2,136.41**

The fair value of held-to-maturity investments at December 31, 2005 was UA 2,220.56 million (2004: UA 2,134.61 million).

NOTE E – DERIVATIVE ASSETS AND LIABILITIES

The fair values of derivative financial assets and financial liabilities at December 31, 2005 and 2004 were as follows:

(UA thousands)	2005		Restated (Note C) 2004	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Borrowings:				
Cross-currency swaps	195,019	210,125	173,462	406,607
Interest rate swaps	78,883	71,829	91,669	60,807
Loan swaps	10,681	25,948	8,433	28,220
Embedded derivatives	284	1,536	-	650
	284,867	309,438	273,564	496,284
Investments:				
Asset swaps	1,060	2,472	226	16,650
Macro-hedge swaps	-	5,335	1,000	958
	1,060	7,807	1,226	17,608
Total	**285,927**	**317,245**	**274,790**	**513,892**

The notional amounts of derivative financial assets and financial liabilities at December 31, 2005 and 2004 were as follows:

(UA thousands)	2005	Restated (Note C) 2004
Borrowings:		
Cross-currency swaps	3,672,511	3,661,197
Interest rate swaps	3,837,001	3,494,010
Loan swaps	822,718	565,922
Embedded derivatives	33,213	34,748
Investments:		
Asset swaps	219,486	310,379
Macro hedge swaps	261,322	246,018
Total	**8,846,251**	**8,312,274**

Loan hedges

In addition to the swaps on borrowings, the Bank has entered into interest rate swaps which transform fixed rate income on loans in certain currencies into variable rate income.

Administrative expenses hedge

To insulate the Bank from possible significant increases in administrative expenses that could arise from an appreciation of the principal currencies of administrative expenditure i.e. EUR, GBP and USD vis-à-vis the UA, the Bank executed forward exchange transactions to hedge its administrative expenses. The nominal value of the forward transactions as at December 31, 2005 amounted to UA 64.12 million with an unfavorable market value of UA 0.65 million.

NOTE F – NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL

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:

1) Five (5) equal annual installments, of which at least 50 percent is payable in convertible currency and the remainder in the local currency; or

2) Five (5) equal annual installments, of which 20 percent is payable in convertible currency and 80 percent in non-negotiable, non-interest bearing notes. Such notes are redeemable by the Bank solely in convertible currency in installments commencing on the fifth anniversary of the first subscription payment date.

Non-regional members were required to make their payments solely in convertible currencies.

The paid-up portion of subscriptions, authorized in accordance with Board of Governors' Resolution B/BG/87/11 relating to the fourth General Capital Increase (GCI-IV), is to be paid as follows:

1) **Regional members** – 50 percent in five (5) equal annual installments in cash in freely convertible currency or freely convertible currencies selected by the member state, and 50 percent by the deposit of five non-negotiable, non-interest bearing notes of equal value denominated in Units of Account. Such notes are redeemable by the Bank solely in convertible currency in five (5) equal annual installments commencing on the fifth anniversary of the first subscription payment date.

2) **Non-regional members** – five (5) equal annual installments in their national currencies, where such currencies are freely convertible or in notes denominated in freely convertible currencies encashable on demand.

Under the Fifth General Capital Increase (GCI-V), there is no distinction in payment arrangements between regional and non-regional members. Each member is required to pay for the paid-up portion of its subscribed shares in eight (8) equal and consecutive annual installments. The First installments shall be paid in cash and in a freely convertible currency. The Second to the Eighth installments shall be paid in cash or notes encashable on demand in a freely convertible currency.

At December 31, 2005 and 2004, the non-negotiable notes balance was as follows:

(UA thousands)	**2005**	2004
Balance at January 1	31,180	41,809
Net movement for the year	(5,283)	(10,629)
Balance at December 31	**25,897**	**31,180**

NOTE G – LOANS

The Bank's loan portfolio comprises loans granted to, or guaranteed by borrowing member countries as well as certain other non-sovereign guaranteed loans. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programs and are not intended for sale. Further, management does not believe that there is a comparable secondary market for the type of loans made by the Bank. The types of loans currently held by the Bank and the rates charged are described below:

Multi-Currency Fixed Rate Loans: For all loans negotiated prior to July 1, 1990, the Bank charges interest at fixed rates.

Multi-Currency Variable Rate Loans: Between July 1, 1990 and September 30, 1997, the Bank offered variable rate loans to its borrowers. The variable interest 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.

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.

Effective October 1, 1997, the Bank provides several alternative interest rate mechanisms. In all cases the applicable rate of interest is the sum of two components, namely, the chosen base rate plus a lending margin.

Single Currency Variable Rate Loans: The Bank introduced single currency variable rate loans on October 1, 1997. The variable base rate is the average cost of funding a designated pool of borrowings in each currency and is adjusted semi-annually on January 1 and July 1.

Single Currency Floating Rate Loans: The Bank introduced LIBOR-based single currency floating rate loans with effect from October 1, 1997. The floating base rate is determined for each currency and reset frequency is based on the Bank's selected reference interest rate in each market. The Bank's standard floating base rate is the six (6) month reference rate (USD LIBOR, JPY LIBOR, EURIBOR and JIBAR) which is reset semi-annually on February 1 and August 1 and is applicable for the six-month period following the reset date.

Single Currency Fixed Rate Loans: Fixed rate loans were reintroduced with effect from October 1997 in the form of single currency fixed rate loans. The fixed rate is computed as the inter-bank swap market rate corresponding to the principal amortization schedule.

Lending Margin: The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin determined by the Bank is independent of the base rate chosen, and remains unchanged throughout the life of the loan. The lending margin for sovereign guaranteed loans is fixed at 40 to 50 basis points. For non-sovereign guaranteed loans, the lending margin is based on the Bank's assessment of the risks inherent in each project.

Maturity and currency composition of outstanding loans

The maturity distribution of loans as at December 31, 2005 and 2004 was as follows:

(UA millions) Restated (Note C)

Periods	2005 Fixed Rate	2005 Floating Rate	2005 Variable Rate	2005 Total	2004 Total
One year or less	392.74	148.25	354.05	895.04	843.05
More than one year but less than two years	203.65	148.29	181.57	533.51	529.76
More than two years but less than three years	198.01	154.52	176.22	528.75	540.56
More than three years but less than four years	163.02	156.91	174.43	494.36	535.03
More than four years but less than five years	131.71	141.07	169.17	441.95	496.74
More than five years	1,447.85	817.50	353.48	2,618.83	2,695.29
Total	**2,536.98**	**1,566.54**	**1,408.92**	**5,512.44**	**5,640.43**

The currency composition and type of loans as at December 31, 2005 and 2004 were as follows:

Restated (Note C)

(Amounts in UA millions)			2005 Amount	2005 %	2004 Amount	2004 %
Fixed Rate:	Multi-Currency	Euro	118.28		147.65	
		Japanese Yen	195.60		251.12	
		Pound Sterling	1.07		1.19	
		Swiss Franc	40.34		48.56	
		US Dollar	248.14		267.19	
		Others	9.83		11.36	
			613.26	11.13	727.07	12.89
	Single Currency	Euro	1,073.72		787.38	
		Japanese Yen	335.63		336.11	
		Pound Sterling	2.36		2.43	
		South African Rand	43.89		23.67	
		Swiss Franc	129.08		139.59	
		US Dollar	338.75		323.19	
		Others	0.30		0.33	
			1,923.73	34.90	1,612.70	28.59
Floating Rate:	Single Currency	Euro	458.31		597.36	
		Japanese Yen	6.32		-	
		South African Rand	179.08		162.05	
		US Dollar	922.83		894.81	
		Others	-		2.36	
			1,566.54	28.42	1,656.58	29.37
Variable Rate:	Multi-Currency	Euro	203.33		235.71	
		Japanese Yen	53.33		64.72	
		Swiss Franc	1.35		1.68	
		US Dollar	207.12		205.34	
		Others	0.34		0.49	
			465.47	8.44	507.94	9.01
	Single Currency	Euro	367.54		482.17	
		Japanese Yen	190.08		239.52	
		Swiss Franc	17.51		19.77	
		US Dollar	368.26		394.62	
		Others	0.05		0.06	
			943.44	17.11	1,136.14	20.14
Total			**5,512.44**	**100.00**	**5,640.43**	**100.00**

The summary of the currency composition of loans as at December 31, 2005 and 2004 was as follows:

(Amounts in UA millions)	2005		Restated (Note C) 2004	
	Amount	**%**	**Amount**	**%**
Euro	2,221.18	40.29	2,250.29	39.90
Japanese Yen	780.97	14.17	893.81	15.85
Swiss Franc	188.27	3.42	209.60	3.71
Pound Sterling	3.42	0.06	3.62	0.06
US Dollar	2,085.10	37.83	2,085.15	36.97
South African Rand	222.97	4.04	185.72	3.29
Others	10.53	0.19	12.24	0.22
Total	**5,512.44**	**100.00**	**5,640.43**	**100.00**

Fair value of loans

At December 31, 2005 and 2004, the carrying and estimated fair values of loans were as follows:

(UA thousands)	2005		Restated (Note C) 2004	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Fixed rate loans	2,536,990	2,979,681	2,339,770	2,731,386
Floating rate loans	1,566 542	1,531,636	1,656,577	1,361,645
Variable rate loans	1,408,910	1,286,671	1,644,080	1,494,333
	5,512,442	5,797,988	5,640,427	5,587,364
Accumulated provision for impairment	(194,613)	-	(213,593)	-
Net loans	**5,317,829**	**5,797,988**	**5,426,834**	**5,587,364**

Loans are expressed in Units of Account but repaid in the currencies disbursed.

Provision for impairment on loan principal and charges receivable

At December 31, 2005, loans made to or guaranteed by certain member countries with an aggregate principal balance of UA 702.49 million, of which UA 377.92 million was overdue, were considered to be impaired. The gross amounts of loans and charges receivables that were impaired and the cumulative impairment on them at December 31, 2005 and 2004 were as follows:

(UA thousands)	2005	Restated (Note C) 2004
Outstanding balance on impaired loans	702,489	699,586
Less: accumulated provision for impairment	(194,613)	(213,593)
Net balance on impaired loans	**507,876**	**485,993**
Charges receivable and accrued income on impaired loans	306,915	284,882
Less: accumulated provision for impairment	(197,764)	(188,076)
Net charges receivable and accrued income on impaired loans	**109,151**	**96,806**

The movements in the accumulated provision for impairment on outstanding loan principal for the years ended December 31, 2005 and 2004 were as follows:

(UA thousands)	2005	Restated (Note C) 2004
Balance at January 1	213,593	164,642
Provision for impairment on loan principal for the year	(21,169)	51,384
Translation effects	2,189	(2,433)
Balance at December 31	**194,613**	**213,593**

During the year ended December 31, 2005, provisions on private sector loans of UA 4.80 million (2004: UA 0.87 million) were made. The accumulated provisions on private sector loans at December 31, 2005 amounted to UA 16.11 million (2004: UA 10.50 million).

The movements in the accumulated provision for impairment on loan interests and charges receivable for the years ended December 31, 2005 and 2004 were as follows:

(UA thousands)	2005	Restated (Note C) 2004
Balance at January 1	188,076	185,714
Provision for impairment on loan charges for the year	7,317	2,479
Translation effects	2,371	(117)
Balance at December 31	**197,764**	**188,076**

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, 2005, the Bank had no outstanding irrevocable reimbursement guarantees issued to commercial banks on undisbursed loans (2004: UA 14.94 million).

Also, the Bank may provide 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. Guarantees represent potential risk to the Bank if the payments guaranteed for an entity are not made. At December 31, 2005 the Bank had no outstanding guarantee to any entity (2004: UA 15.38 million).

NOTE H – EQUITY PARTICIPATIONS

Investment in Associate: 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 African countries, to promote co-operation and increased international trade particularly among the African countries, and to provide financing on highly concessional terms for such purposes. The Fund's original subscriptions were provided by the Bank and the original State Participants to the ADF Agreement, and State Participants acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of Special General 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 President of the Bank is the ex-officio President of the Fund.

To carry out its functions, the Fund utilizes the offices, staff, organization, services and facilities of the Bank, for which it pays a share of the administrative expenses. The share of administrative expenses paid by the Fund to the Bank is calculated annually on the basis of a cost-sharing formula, approved by the Board of Directors, which is driven in large part by the number of programs and projects executed during the year. Based on the cost-sharing formula, the share of administrative expenses incurred by ADF for the year ended December 31, 2005 amounted to UA 111.86 million (2004: UA 103.06 million), representing 68.76 percent (2004: 69.64 percent) of the shareable administrative expenses incurred by the Bank. The accounts of the ADF are kept separate and distinct from those of the Bank.

Although the ADB by agreement exercises fifty percent (50%) of the voting powers in the ADF, the Agreement establishing the ADF also provides that in the event of termination of the ADF's operations, the assets of the Fund shall be distributed pro-rata to its participants in proportion to the amounts paid-in by them on account of their subscriptions, after settlement of any outstanding claims against the participants. At December 31, 2005, the Bank's pro-rata or economic share in ADF was 1.01 % (2004: 1.11%).

The ADB's investment in the ADF was tested for impairment and an impairment loss of UA 0.15 million was retrospectively recognized in the income statement in 2004.

Other Equity Participations

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 privatized or regional and sub-regional institutions. The Bank's objective in such equity investments is to promote the economic development of its regional member countries and in particular the development of their private sectors. The Bank's equity participation is also intended to promote efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders and mobilizing the flow of domestic and external resources to financially viable projects which also have significant economic merit.

Although the Bank is allowed to take equity positions of up to twenty five percent (25%) the Bank currently holds less than 20% of the total equity capital of each institution in which it participates. The Bank therefore does not seek a controlling interest in the companies in which it invests, but closely monitors its equity investments through Board representation. In accordance with the Board of Governors' Resolution B/BG/2001/09 of May 29, 2001, total equity investment by the Bank shall not at any time exceed ten percent (10%) of the aggregate amount of the Bank's paid-up capital and reserves and surplus included in its ordinary capital resources.

Equity investments for which fair value cannot be reliably measured are reported at cost less provision for losses for estimated permanent and lasting decline in value. The investments for which fair value cannot be reliably measured typically relate to sub-regional and national development institutions. Investments in these institutions are made with a long-term development objective, including capacity building. The shares of such institutions are not listed and also not available for sale to the general public. Only member states or institutions owned by member states are allowed to subscribe to the shares of these institutions. Provisions for losses on impaired equity investments are included in the income statement.

The Bank's equity interests in the African Development Fund and in other regional or sub-regional development institutions are summarized below:

(Amounts in UA thousands) Restated (Note C)

Institutions	Year Established	% Shareholding	Callable Capital	Carrying Value 2005	Carrying Value 2004
African Development Fund	1972	1.01	-	111,741	111,741
Accumulated share of profit/(loss) & impairment on January 1				(14,575)	(14,437)
Share of profit for the year				198	10
Impairment for the year				-	(148)
				97,364	97,166
Regional Development Banks (Carried at Cost)					
BDEAC	1975	5.24	2,265	1,510	1,604
East African Development Bank	1967	11.30	-	5,000	5,000
PTA Bank	1985	5.83	10,000	5,000	5,000
Afreximbank	1993	6.70	10,000	6,997	6,439
BOAD	1973	0.60	1,887	629	669
BDEGL	1980		-	1,946	1,946
			24,152	21,082	20,658
Other Development Institutions (Carried at Cost)					
K-REP Bank Limited	1997	15.14	-	714	607
Zimbabwe Development Bank	1984	-	-	-	1
Africa - Re	1977	13.95	-	6,095	5,609
Shelter Afrique	1982		-	3,498	3,220
National Development Bank of Sierra Leone *			-	-	-
			-	10,307	9,437
Investment Funds (Carried at Fair value)					
AIG Africa Infrastructure Fund	1999	12.30	4,519	32,235	22,724
South Africa Infrastructure Fund	1996	14.03	1,344	9,955	12,883
Acacia Fund Limited	1996	10.40	-	720	684
Zambia Venture Capital Fund	1996	16.11	-	399	588
Indian Ocean Regional Fund Limited	1999	16.83	-	131	710
			5,863	43,440	37,589
Total			30,015	172,193	164,850
Less: Accumulated provision for impairment			-	(3,496)	(4,247)
Net			**30,015**	**168,697**	**160,603**

* Amounts fully disbursed, but the value is less than UA 100, at the applicable exchange rates.

The cost of equity investments carried at fair value at December 31, 2005 amounted to UA 35.14 million.

An analysis of the movement in accumulated provision for impairment on equity participation was as follows:

(UA thousands)	2005	2004
Balance at January 1	4,247	17,878
Provision for the year	(750)	(3,457)
Reversal of provision for the year	-	(10,316)
Translation adjustment	(1)	142
Balance at December 31	**3,496**	**4,247**

NOTE I – PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(UA thousands)

2004	Property and Equipment					Intangible Assets	Grand Total
	Land	Building and Improvements	Furniture, Fixtures & Fittings	Equipment & Motor Vehicles	Total Property & Equipment	Computer Software	Property, Equipment & Intangible Assets
Cost:							
Balance at January 1	141	22,751	5,897	32,726	**61,515**	14,563	**76,078**
Additions during the year	-	6	337	2,510	**2,853**	440	**3,293**
Disposals during the year	-	(5)	(37)	(1,507)	**(1,549)**	-	**(1,549)**
Transfers	-	-	-	(46)	**(46)**	46	-
Balance at December 31	**141**	**22,752**	**6,197**	**33,683**	**62,773**	**15,049**	**77,822**
Accumulated Depreciation:							
Balance at January 1	-	20,979	3,088	21,731	**45,798**	9,507	**55,305**
Depreciation during the year	-	101	736	3,080	**3,917**	2,500	**6,417**
Disposals during the year	-	-	(15)	(1,490)	**(1,505)**	-	**(1,505)**
Balance at December 31	-	21,080	3,809	23,321	**48,210**	12,007	**60,217**
Net Book Values: December 31, 2004	**141**	**1,672**	**2,388**	**10,362**	**14,563**	**3,042**	**17,605**

(UA thousands)

2005	Property and Equipment					Intangible Assets	Grand Total
	Land	Building and Improvements	Furniture, Fixtures & Fittings	Equipment & Motor Vehicles	Total Property & Equipment	Computer Software	Property, Equipment & Intangible Assets
Cost:							
Balance at January 1	141	22,752	6,197	33,683	**62,773**	15,049	**77,822**
Additions during the year	-	-	1,153	3,751	**4,904**	1,233	**6,137**
Disposals during the year	-	-	(13)	(497)	**(510)**	-	**(510)**
Transfers	-	-	-	(234)	**(234)**	234	-
Balance at December 31	**141**	**22,752**	**7,337**	**36,703**	**66,933**	**16,516**	**83,449**
Accumulated Depreciation:							
Balance at January 1	-	21,080	3,809	23,321	**48,210**	12,007	**60,217**
Depreciation year the year	-	102	882	3,464	**4,448**	2,653	**7,101**
Disposals during the year	-	-	(13)	(206)	**(219)**	-	**(219)**
Balance at December 31	-	21,182	4,678	26,579	**52,439**	14,660	**67,099**
Net Book Values: December 31, 2005	**141**	**1,570**	**2,659**	**10,124**	**14,494**	**1,856**	**16,350**

Under the Headquarters' Agreement with the host country, the Bank's owned buildings in the host country are intended to be used for the purposes of the business of the Bank Group only. The rights on the lands and buildings therefore cannot be transferred to a third party. If the Bank decides to give up on the use of the lands and buildings, the properties would have to be surrendered to the host country.

NOTE J – BORROWINGS

It is the Bank's policy to limit senior borrowing and guarantees chargeable to the Bank's ordinary capital resources to 80 percent of the callable capital of its non-borrowing members and also to limit the total borrowing represented by both senior and subordinated debt to 80 percent of the total callable capital of all its member countries. At December 31, 2005, total borrowings amounted to UA 5,940.40 million comprising senior debt and subordinated debt amounting to UA 5,210.66 million and UA 729.74 million, respectively. As of the same date, the ratio of senior debt to the non-borrowing members' callable capital of UA 8,523.93 million was 61.13 percent. Also at December 31, 2005, the ratio of total outstanding borrowings to the total callable capital of UA 19,367.00 million was 30.67 percent.

At December 31, 2005, borrowings with embedded callable options amounted to UA 466.60 million (2004: UA 533.96 million). These options can be exercised annually on interest payment dates from the time the bond is first callable until its maturity date.

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost-savings opportunities and to lower its funding costs.

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.

A summary of the Bank's borrowings portfolio at December 31, 2005 and 2004 was as follows.

Borrowings and Swaps at December 31, 2005:
(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements (a)			Interest Rate Swaps		
Currency	Rate Type	Carried at Fair Value	Carried at Amortized Cost	Wgtd. Avg. Cost (%) (b)	Wgtd. Average Maturity (Years)	Amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)	Notional amount payable (receivable)	Wgtd. Avg. Cost (%) (b)	Average Maturity (Years)
Euro	Fixed	-	251.66	6.50	0.7	140.85	8.71	13.7	193.41	5.16	2.4
		-	-	-	-	-	-	-	(251.66)	6.50	0.7
	Adjustable	62.68	-	3.07	1.3	1,789.05	2.03	6.5	314.58	3.29	0.9
		-	-	-	-	(172.04)	1.66	6.6	(256.32)	2.21	2.1
Sterling	Fixed	78.41	-	11.13	4.0	-	-	-	-	-	-
		-	-	-	-	-	-	-	(60.24)	11.13	4.0
	Adjustable	-	-	-	-	-	-	-	60.24	10.45	4.0
		-	-	-	-	(60.24)	6.9	4.0	-	-	-
Japanese Yen	Fixed	811.04	377.50	3.21	5.3	-	-	-	237.23	4.64	2.3
		-	-	-	-	(301.29)	2.55	7.3	(762.46)	2.20	3.3
	Adjustable	695.39	33.21	3.78	6.6	91.86	(0.10)	1.2	828.29	(0.05)	3.5
		-	-	-	-	(1,166.56)	2.33	5.2	(303.07)	0.05	3.3
US Dollar	Fixed	1,986.16	636.69	4.47	7.3	-	-	-	-	-	-
		-	-	-	-	(314.85)	7.57	12.7	(1,902.02)	3.33	4.9
	Adjustable	41.62	-	4.83	0.7	1,178.05	2.45	5.6	1,806.87	3.18	4.6
		-	-	-	-	(745.37)	2.85	4.7	(41.98)	4.83	0.7
Others	Fixed	929.40	42.02	2.16	6.7	12.34	3.76	6.1	-	-	-
		-	-	-	-	(912.16)	1.73	7.6	(259.26)	0.26	3.5
	Adjustable	-	-	-	-	238.19	7.11	7.1	259.26	2.10	3.1
Total	Fixed	3,805.01	1,307.87	3.77	6.6	153.19	8.31	13.1	430.64	4.87	2.3
		-	-	-	-	(1,528.30)	3.09	8.6	(3,235.64)	3.21	4.1
	Adjustable	799.69	33.21	3.78	5.9	3,297.15	2.49	6.1	3,269.24	2.42	3.8
		-	-	-	-	(2,144.21)	2.59	5.1	(601.37)	1.30	2.6
Principal at face value		-	1,341.08	3.78	6.5	(222.17)	-	-	(137.13)	-	-
Net unamortized premium/(discount)		-	(5.38)	-	-	227.61	-	-	106.64	-	-
		-	1,335.70	-	-	5.44	-	-	(30.49)	-	-
Fair valuation adjustment		-	-	-	-	9.67 (c)	-	-	39.95 (c)	-	-
Total		**4,604.70**	**1,335.70**	**3.78**	**6.5**	**15.11**	**-**	**-**	**9.46**	**-**	**-**

Supplementary disclosure (direct borrowings):

The estimated fair value of all borrowings at December 31, 2005 was UA 6,185.16 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, 2005.
c. These amounts are included in derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

Borrowings and Swaps at December 31, 2004 (Restated - Note C):
(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements (a)			Interest Rate Swaps		
Currency	**Rate Type**	**Carried at Fair Value**	**Carried at Amortized Cost**	**Wgtd. Avg. Cost (%)**	**Wgtd. Average Maturity (Years) (b)**	**Amount payable (receivable)**	**Wgtd. Avg. Cost (%)**	**Average Maturity (Years) (b)**	**Notional amount payable (receivable)**	**Wgtd. Avg. Cost (%)**	**Average Maturity (Years) (b)**
Euro	Fixed	-	267.42	6.50	1.7	149.67	8.71	14.7	205.52	5.16	3.4
		-	-	-	-	-	-	-	(267.42)	6.50	1.7
	Adjustable	67.50	-	4.40	2.3	2,006.49	2.20	6.0	334.27	5.60	1.9
		-	-	-	-	(182.82)	1.43	7.6	(272.37)	2.74	3.1
Sterling	Fixed	83.35	-	11.13	5.0	-	-	-	-	-	-
		-	-	-	-	-	-	-	(62.18)	11.13	5.0
	Adjustable	-	-	-	-	-	-	-	62.18	10.67	5.0
		-	-	-	-	(62.18)	10.67	5.0	-	-	-
Japanese Yen	Fixed	851.92	394.94	2.73	6.3	-	-	-	248.20	4.64	3.3
		-	-	-	-	(315.21)	2.55	8.3	(797.70)	2.54	4.3
	Adjustable	663.13	37.85	3.12	9.4	-	-	-	866.57	(0.07)	4.5
		-	-	-	-	(1,226.06)	2.12	5.6	(317.07)	0.60	4.3
US Dollar	Fixed	1,423.35	1,007.75	3.19	7.8	-	-	-	-	-	-
		-	-	-	-	(354.15)	5.66	6.5	(1,606.56)	2.55	5.8
	Adjustable	-	12.88	2.74	0.7	1,125.30	1.56	6.7	1,487.35	1.54	5.5
		-	-	-	-	(598.02)	1.98	6.2	(12.88)	2.70	0.7
Others	Fixed	833.87	1.05	1.33	8.2	13.19	1.89	7.1	-	-	-
		-	-	-	-	(922.75)	1.31	9.1	-	-	-
	Adjustable	-	-	-	-	246.27	7.75	8.1	170.71	0.70	3.3
		-	-	-	-	-	-	-	(170.71)	1.50	3.3
Total	Fixed	3,192.49	1,671.16	2.79	7.4	162.86	8.16	14.1	453.72	4.88	3.3
		-	-	-	-	(1,592.11)	2.52	8.3	(2,733.86)	3.13	5.0
	Adjustable	730.63	50.73	3.24	8.7	3,378.06	2.39	6.4	2,921.08	1.67	4.6
		-	-	-	-	(2,069.08)	2.28	5.9	(773.03)	1.59	3.6
Principal at face value		-	1,721.89	2.87	7.7	(120.27)	-	-	(132.09)	-	-
Net unamortized premium/(discount)		-	(6.12)	-	-	260.33	-	-	113.60	-	-
		-	1,715.77	-	-	140.06	-	-	(18.49)	-	-
Fair valuation adjustment		-	-	-	-	93.08 (c)	-	-	8.07 (c)	-	-
Total		**3,923.12**	**1,715.77**	**2.87**	**7.7**	**233.14**	**-**	**-**	**(10.42)**	**-**	**-**

Supplementary disclosure (direct borrowings):

The estimated fair value of all borrowings at December 31, 2004 was UA 5,949.86 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 derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

The maturity structure of outstanding borrowings as at December 31, 2005 and 2004 was as follows:

1) Maturity structure of outstanding borrowings at December 31, 2005:

i) Borrowings carried at fair value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	-	356.22	356.22
More than one year but less than two years	216.17	12.93	229.10
More than two years but less than three years	1,079.02	4.93	1,083.95
More than three years but less than four years	420.13	-	420.13
More than four years but less than five years	956.78	-	956.78
More than five years	1,558.52	-	1,558.52
Total	**4,230.62**	**374.08**	**4,604.70**

ii) Borrowings carried at amortized cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	251.66	92.52	344.18
More than one year but less than two years	119.07	-	119.07
More than two years but less than three years	-	-	-
More than three years but less than four years	-	-	-
More than four years but less than five years	-	-	-
More than five years	877.83	-	877.83
Sub-total	**1,248.56**	**92.52**	**1,341.08**
Net unamortized premium and discount	(5.38)	-	(5.38)
Total	**1,243.18**	**92.52**	**1,335.70**

2) Maturity structure of outstanding borrowings at December 31, 2004 (Restated - Note C):

i) Borrowings carried at fair value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	-	233.39	233.39
More than one year but less than two years	-	66.61	66.61
More than two years but less than three years	230.81	6.34	237.15
More than three years but less than four years	1,049.97	-	1,049.97
More than four years but less than five years	68.84	-	68.84
More than five years	2,259.13	8.03	2,267.16
Total	**3,608.75**	**314.37**	**3,923.12**

ii) Borrowings carried at amortized cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	325.06	47.63	372.69
More than one year but less than two years	267.42	62.05	329.47
More than two years but less than three years	84.70	-	84.70
More than three years but less than four years	-	-	-
More than four years but less than five years	-	-	-
More than five years	935.03	-	935.03
Sub-total	**1,612.21**	**109.68**	**1,721.89**
Net unamortized premium and discount	(6.12)	-	(6.12)
Total	**1,606.09**	**109.68**	**1,715.77**

The fair value of borrowings carried at fair value through profit and loss was UA 4,604.70 million at December 31, 2005 (2004: UA 3,923.12 million). For these borrowings, the amount the Bank will be contractually required to pay at maturity at December 31, 2005 was UA 4,553.43 million (2004: UA 3,946.93 million).

There was a net loss of UA 30.72 million on financial assets and liabilities carried as at fair value through profit or loss for the year ended December 31, 2005 (2004: loss of UA 7.70 million). This included a loss of UA 10.18 million which was attributable to changes in the Bank's credit risk during the year ended December 31, 2005 (2004: UA 10.31 million). The fair value changes attributable to changes in the Bank's credit risk are determined by comparing the discounted cash flows for the borrowings at fair value through profit or loss using the Bank's credit spread versus LIBOR both at the beginning and end of the relevant period.

The valuation of some borrowings and derivatives are based on valuation techniques and the effect for 2005 amounted to a loss of UA 51.27 million (2004: UA 18.86 million - gain).

NOTE K – EQUITY

Equity is composed of capital, retained earnings and fair value gains on available-for-sale equity investments . These are further detailed as follows:

Capital

Subscriptions paid in

Subscriptions to the capital stock of the Bank is made up of the subscription to the initial capital, a voluntary capital increase and five general capital increases. The Fifth General Capital Increase (GCI-V) was approved by the Board of Governors of the Bank on May 29, 1998 and became effective on September 30, 1999 upon ratification by member states and entry into force of the related amendments to the Agreements establishing the Bank. The GCI-V increased the authorized capital of the Bank by 35 percent from 1.62 million shares to 2.187 million shares with a par value of UA 10,000 per share. The GCI-V shares, a total of 567,000 shares, are divided into paid-up and callable shares in proportion of six percent (6 %) paid-up and ninety-four percent (94%) callable. The GCI-V shares were allocated to the regional and non-regional members such that, when fully subscribed, the regional members shall hold 60 percent of the total stock of the Bank and non-regional members shall hold the balance of 40 percent.

Prior to the GCI-V, subscribed capital was divided into paid-up capital and callable capital in the proportion of 1 to 7. With the GCI-V, the authorized capital stock of the Bank consists of 10.81 percent paid-up shares and 89.19 percent callable shares.

The Bank's capital as at December 31, 2005 and 2004 was as follows:

(UA thousands)	**2005**	2004
Capital Authorized (in shares of UA 10,000 each)	21,870,000	21,870,000
Less: Unsubscribed capital	(233,939)	(272,106)
Subscribed capital	21,636,061	21,597,894
Less: Callable capital	(19,366,999)	(19,374,628)
Paid-up capital	2,269,062	2,223,266
Add: Amounts paid in advance	286	338
	2,269,348	2,223,604
Less: Amounts in arrears	(5,902)	(10,099)
Capital as at December 31	**2,263,446**	**2,213,505**

Total unsubscribed shares at December 31, 2005 amounted to UA 233.94 million, comprising UA 81.61 million for shares to be issued upon payment of future cash installments, UA 113.50 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.

Subscriptions by member countries and their voting power at December 31, 2005 were made up as follows:

(Amounts in UA thousands)

	MEMBER STATES	Total shares	% of Total	Amount paid	Callable Capital	Number of Votes	Voting power
1	ALGERIA	82,942	3.834	91,831	737,600	83,568	3.790
2	ANGOLA	25,337	1.171	28,162	225,212	25,963	1.178
3	BENIN	4,245	0.196	4,817	37,633	4,871	0.221
4	BOTSWANA	46,509	2.150	51,688	413,405	47,134	2.138
5	BURKINA FASO	9,501	0.439	10,788	84,231	10,128	0.459
6	BURUNDI	5,172	0.239	6,465	45,256	5,797	0.263
7	CAMEROON	22,567	1.043	25,320	200,371	23,194	1.052
8	CAPE VERDE	1,672	0.077	2,090	14,630	2,297	0.104
9	CENTRAL AFRICAN REPUBLIC	973	0.045	1,217	8,512	1,598	0.072
10	CHAD	1,641	0.076	2,052	14,360	2,265	0.103
11	COMOROS	481	0.022	566	4,250	1,091	0.049
12	CONGO	10,066	0.465	11,310	89,363	10,472	0.475
13	COTE D'IVOIRE	81,008	3.744	97,310	708,820	78,473	3.559
14	DEMOCRATIC REPUBLIC OF CONGO	22,740	1.051	28,426	198,975	23,365	1.060
15	DJIBOUTI	1,213	0.056	1,517	10,618	1,838	0.083
16	EGYPT	111,531	5.155	123,953	991,370	112,158	5.087
17	EQUATORIAL GUINEA	3,464	0.160	3,930	30,713	4,089	0.185
18	ERITREA	2,576	0.119	2,506	22,534	2,628	0.119
19	ETHIOPIA	34,686	1.603	38,548	308,310	35,311	1.602
20	GABON	27,229	1.259	34,045	238,255	27,854	1.263
21	GAMBIA	3,392	0.157	3,813	30,130	3,995	0.181
22	GHANA	49,379	2.282	52,044	441,751	50,005	2.268
23	GUINEA	9,270	0.428	10,525	82,182	9,688	0.439
24	GUINEA BISSAU	600	0.028	750	5,250	1,225	0.056
25	KENYA	31,623	1.462	35,148	281,080	32,248	1.463
26	LESOTHO	3,314	0.153	3,685	29,470	3,941	0.179
27	LIBERIA	4,231	0.196	5,287	37,017	4,855	0.220
28	LIBYA	79,650	3.681	88,523	707,978	80,275	3.641
29	MADAGASCAR	14,124	0.653	15,695	125,550	14,750	0.669
30	MALAWI	6,472	0.299	8,090	56,630	7,097	0.322
31	MALI	9,509	0.439	10,677	84,411	10,135	0.460
32	MAURITANIA	4,202	0.194	4,015	36,768	3,838	0.174
33	MAURITIUS	14,056	0.650	15,625	124,940	14,682	0.666
34	MOROCCO	72,268	3.340	82,020	640,660	72,894	3.306
35	MOZAMBIQUE	13,730	0.635	15,271	122,038	14,355	0.651
36	NAMIBIA	7,377	0.341	8,203	65,570	8,003	0.363
37	NIGER	5,526	0.255	6,908	48,353	6,151	0.279
38	NIGERIA	197,236	9.116	218,280	1,754,094	197,860	8.974
39	RWANDA	2,960	0.137	3,293	26,310	3,585	0.163
40	SAO TOME & PRINCIPE	1,488	0.069	1,864	13,024	2,113	0.096
41	SENEGAL	22,778	1.053	24,957	202,793	22,934	1.040
42	SEYCHELLES	1,224	0.057	1,501	10,739	1,849	0.084
43	SIERRA LEONE	5,298	0.245	6,624	46,361	5,924	0.269
44	SOMALIA	1,941	0.090	2,427	16,986	2,566	0.116
45	SOUTH AFRICA	88,497	4.090	66,921	818,060	89,124	4.042
46	SUDAN	8,829	0.408	11,036	77,257	9,454	0.429
47	SWAZILAND	7,222	0.334	7,941	64,280	7,696	0.349
48	TANZANIA	18,224	0.842	20,438	161,805	18,850	0.855
49	TOGO	3,451	0.159	4,314	30,201	4,077	0.185
50	TUNISIA	30,411	1.406	33,800	270,310	31,037	1.408
51	UGANDA	11,193	0.517	13,066	98,863	11,610	0.527
52	ZAMBIA	26,909	1.244	30,549	238,553	27,535	1.249
53	ZIMBABWE	47,064	2.175	53,423	417,221	46,638	2.115
Total Regionals		**1,299,002**	**60.039**	**1,433,253**	**11,551,050**	**1,325,080**	**60.102**

(Amounts in UA thousands)

MEMBER STATES	Total shares	% of Total	Amount paid	Callable Capital	Number of Votes	Voting power
Total Regionals	**1,299,002**	**60.039**	**1,433,253**	**11,551,050**	**1,325,080**	**60.102**
54 ARGENTINA	5,810	0.269	5,735	52,364	6,436	0.292
55 AUSTRIA	9,651	0.446	9,163	87,350	10,277	0.466
56 BELGIUM	13,878	0.641	13,178	125,600	14,503	0.658
57 BRAZIL	9,618	0.445	9,142	87,036	10,243	0.465
58 CANADA	81,414	3.763	79,406	734,730	82,040	3.721
59 CHINA	24,160	1.117	22,935	218,670	24,786	1.124
60 DENMARK	25,096	1.160	24,478	226,480	25,722	1.167
61 FINLAND	10,596	0.490	10,335	95,630	11,222	0.509
62 FRANCE	81,413	3.763	79,406	734,730	82,040	3.721
63 GERMANY	89,374	4.131	87,168	806,570	90,000	4.082
64 INDIA	4,831	0.223	4,590	43,730	5,457	0.248
65 ITALY	52,342	2.419	49,688	473,730	52,967	2.402
66 JAPAN	118,715	5.487	112,695	1,074,450	119,340	5.413
67 KOREA	9,651	0.446	9,163	87,350	10,277	0.466
68 KUWAIT	9,707	0.449	9,720	87,350	10,333	0.469
69 NETHERLANDS	16,576	0.766	16,600	149,160	17,202	0.780
70 NORWAY	25,095	1.160	24,478	226,480	25,722	1.167
71 PORTUGAL	4,872	0.225	4,628	44,090	5,497	0.249
72 SAUDI ARABIA	4,187	0.194	3,978	37,900	4,813	0.218
73 SPAIN	22,962	1.061	21,150	208,470	23,589	1.070
74 SWEDEN	33,398	1.544	31,703	302,290	34,025	1.543
75 SWITZERLAND	31,698	1.465	30,090	286,900	32,325	1.466
76 UNITED KINGDOM	36,344	1.680	34,503	328,940	36,970	1.677
77 UNITED STATES OF AMERICA	143,221	6.620	136,265	1,295,949	143,846	6.525
Total Non-Regionals	**864,605**	**39.961**	**830,193**	**7,815,949**	**879,630**	**39.898**
Grand Total	**2,163,607**	**100.000**	**2,263,446**	**19,366,999**	**2,204,710**	**100.000**

Slight differences may occur in totals due to rounding.

Cumulative Exchange Adjustment on Subscriptions (CEAS)

Prior to the fourth General Capital Increase (GCI-IV), payments on the share capital subscribed by the non-regional member countries were fixed in terms of their national currencies. Under GCI-IV, payments by regional and non-regional members in US$ 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, 2005 and 2004, the Cumulative Exchange Adjustment on Subscriptions was as follows:

(UA thousands)	**2005**	2004
Balance at January 1	147,203	145,330
Net conversion losses on new subscriptions	4,556	1,873
Balance at December 31	**151,759**	**147,203**

Retained Earnings

Retained earnings as at December 31, 2005 and 2004 were as follows :

(UA thousands)	
Balance at January 1, 2004	1,959,207
Effect of changes in accounting policy	695,395
Restated balance	2,654,602
Distribution of income approved by the Board of Governors in 2004:	
Post Conflict Assistance Fund	(45,000)
Post Conflict Assistance - DRC	(53,640)
African Development Fund (ADF)	(10,000)
Highly Indebted Poor Countries	(6,000)
Net income for the year	143,528
Balance	2,683,490
Effect of changes in accounting policy recognized directly in equity	(31,374)
Restated balance at December 31, 2004	**2,652,116**
Cumulative Currency Translation Adjustment balance	(467,974)
Net expenses recognized directly in equity	(3,785)
Distribution of income approved by the Board of Governors in 2005:	
Middle Income Country Technical Assistance Fund	(15,000)
Post Conflict Countries - DRC	(36,700)
African Development Fund (ADF)	(46,300)
Highly Indebted Poor Countries	(11,000)
Special Relief Fund	(5,000)
Post Conflict Countries Fund	(30,000)
Net income for the current year	221,321
Balance at December 31, 2005	**2,257,678**

Fair value gains on available-for-sale equity investments

At December 31, 2005 and 2004, the fair value gains on available-for-sale equity investment was as follows:

(UA thousands)	**2005**	2004
Balance at January 1	2,467	-
Net gains for the year	6,243	2,467
Balance at December 31	**8,710**	**2,467**

NOTE L – INCOME FROM LOANS AND INVESTMENTS AND RELATED DERIVATIVES

Income on loans

Income from loans for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Interest income on loans not impaired	279,009	271,904
Interest income on impaired loans	37,891	41,334
Commitment charges	5,226	6,923
Statutory commission	2,104	2,944
Total	**324,230**	**323,105**

Income from investments and related derivatives

Income from investments for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	2004
Interest income	165,293	142,398
Realized and unrealized fair value losses and amortization of discount/premium	(9,918)	(18,831)
Total	**155,375**	**123,567**

NOTE M – BORROWING EXPENSES

Interest and amortized issuance costs

Interest and amortized issuance costs on borrowings for the years ended December 31, 2005 and 2004 were as follows:

(UA thousands)	2005	Restated (Note C) 2004
Charges to bond issuers	221,203	229,232
Amortization of issuance costs	(2,687)	1,517
Total	**218,516**	**230,749**

Net interest on borrowing derivatives

Net interest on borrowing derivatives for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Interest on derivatives receivable	209,140	206,705
Interest on derivatives payable	(207,741)	(173,034)
Total	**1,399**	**33,671**

Unrealized loss on fair valued borrowings and related derivatives

Unrealized loss on fair valued borrowings and related derivatives for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Interest rate swaps on borrowings	116,175	35,868
Cross currency swaps on borrowings	(115,164)	(17,930)
Bonds	29,762	(10,241)
Total	**30,773**	**7,697**

Unrealized gain/(loss) on non-fair valued borrowings and related derivatives

Unrealized net gain/(loss) on derivatives on non-fair valued borrowings for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Interest rate swaps on borrowings	658	2 ,057
Cross currency swaps on borrowings	2,643	(14,955)
Macro hedge swaps	(1,810)	7 288
Loan interest rate swaps	6,331	(4,322)
Embedded derivatives	(603)	(421)
Total	**7,219**	**(10,353)**

NOTE N – 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.

Administrative expenses comprised the following:

(UA thousands)	2005	Restated (Note C) 2004
Personnel expenses	124,517	116,109
Other general expenses	31,174	26,092
Total	**155,691**	**142,201**
Reimbursable by ADF	(111,859)	(103,060)
Reimbursable by NTF	(2,157)	(1,530)
Net	**41,675**	**37,611**

Included in general administrative expenses is an amount of UA 3.87 million (2004: UA 3.18 million) incurred under operating lease agreements for offices in Tunisia and in certain other regional member countries.

At the balance sheet date, the Bank had outstanding commitments under operating leases, which fall due as follows:

(UA thousands)	**2005**	2004
Within one year	3,419	1,778
In the second to fifth years inclusive	4,528	192
Total	**7,947**	**1,970**

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. The leases may be extended for periods that are no longer than the original term of the leases.

NOTE O – EMPLOYEE BENEFITS

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 2004. Most participants have switched to the revised plan. Staff joining the Bank after January 1, 2005 can benefit only from the revised Plan. Under the revised Plan, employees contribute at a rate of 9 percent of regular salary. A 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, 2005, 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.

Staff Medical Benefit Plan: The staff medical benefit plan (MBP) was created under the Board of Directors' resolution B/BD/2002/17 and F/BD/2002/18 of July 17, 2002 and became effective on January 1, 2003. Under the Medical Benefit Plan, staff members or retirees contribute a percentage of their salary or pension while the Bank also contributes twice the total staff contribution towards the financing of the 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 plan. The contributions from the Bank, staff and retirees are deposited in a trust account.

In accordance with IAS 19, and based on actuarial valuations, the pension and medical benefit expenses for 2005 and 2004 for the Bank, the African Development Fund and the Nigeria Trust Fund combined (the Bank Group) comprised the following:

	Staff Retirement Plan	Restated (Note C)	Staff Medical Benefit Plan	Restated (Note C)
(UA millions)	**2005**	2004	**2005**	2004
Current service cost – gross	15.42	14.02	3.87	3.79
Less: estimated employee contributions	(4.77)	(4.47)	(0.95)	(0.87)
Net current service cost	**10.65**	**9.55**	**2.92**	**2.92**
Interest cost	8.78	8.23	1.82	1.62
Expected return on plan assets	(8.87)	(7.61)	(0.19)	(0.12)
Past service cost	-	1.64	-	-
Expense for the year	**10.56**	**11.81**	**4.55**	**4.42**

At December 31, 2005, the Bank Group's liability to the Staff Retirement and Medical Benefit Plan amounted to UA 33.81 million and UA 39.32 million respectively (2004: UA 36.94 million and UA 34.10 million respectively). At December 31, 2005, the determination of these liabilities, which are included in "Other accounts payable" on the Balance Sheet, is set out below:

	Staff Retirement Plan	Restated (Note C)	Staff Medical Benefit Plan	Restated (Note C)
(UA millions)	**2005**	2004	**2005**	2004
Fair value of plan assets:				
Market value of plan assets at beginning of year	140.89	119.81	3.07	1.69
Actual return on assets	11.84	9.17	(0.07)	0.05
Employer's contribution	14.91	12.10	1.89	1.73
Plan participants' contribution	4.77	4.47	0.95	0.87
Benefits paid	(5.65)	(4.66)	(1.08)	(1.27)
Market value of plan assets at end of year	**166.76**	**140.89**	**4.76**	**3.07**
Present value of defined benefits obligation:				
Benefits obligation at beginning of year	177.83	156.74	37.17	33.03
Current service cost	10.64	9.88	2.92	2.92
Past service cost	-	1.64	-	-
Employee contributions	4.77	4.47	0.95	0.87
Interest cost	8.78	8.23	1.82	1.62
Actuarial loss	4.20	1.53	2.30	-
Benefits paid	(5.65)	(4.66)	(1.08)	(1.27)
Benefits obligation at end of year	**200.57**	**177.83**	**44.08**	**37.17**
Funded status:				
Plan assets less than benefit obligation and liability at year end	**(33.81)**	**(36.94)**	**(39.32)**	**(34.10)**

There were no unrecognized past service costs at December 31, 2005. The amount of actuarial gains and losses recognized in the statement of recognized income and expenses in 2005 for the Staff Retirement Plan were UA 1.23 million and UA 2.55 million respectively (2004: SRP – UA 0.03 million; MBP – UA 0.06 million).

The following summarizes the funding status of the Staff Retirement Plan at the end of the last five fiscal years:

(UA millions)	**2005**	2004	2003	2002	2001
Staff Retirement Plan					
Fair value of plan assets	166.76	140.89	119.81	99.51	96.43
Present value of defined benefit obligation	(200.57)	(177.83)	(156.74)	(145.76)	(125.36)
Plan deficit	(33.81)	(36.94)	(36.93)	(46.25)	(28.93)
Experience adjustments on plan assets	4.20	1.53	(5.37)	4.15	(8.48)
Experience adjustments on plan liabilities	(2.97)	(1.56)	(1.26)	(16.15)	(18.87)

The funding status of the Staff Medical Benefit Plan at the end of 2005 and 2004 was as follows:

(UA millions)	**2005**	2004
Medical Benefit Plan		
Fair value of plan assets	4.76	3.07
Present value of defined benefit obligation	(44.08)	(37.17)
Plan deficit	**(39.32)**	**(34.10)**
Experience adjustments on plan assets	(2.55)	(0.06)
Experience adjustments on plan liabilities	-	-

Assumptions used in the latest available actuarial valuations at December 31, 2005 and 2004 were as follows:

	Staff Retirement Plan		**Staff Medical Benefit Plan**	
(percentages)	**2005**	2004	**2005**	2004
Discount rate	4.75	5.00	4.75	5.00
Expected return on plan assets	6.00	6.00	4.75	5.00
Rate of salary increase	3.00	3.00	3.00	3.00
Future pension increase	2.25	2.25		
Health care cost growth rate				
- at end of fiscal year			9.00	10.00
- ultimate health care cost growth rate			5.00	5.00
Year ultimate health cost growth rate reached			2009	2009

The expected return on plan assets is an average of the expected long-term (10 years or more) returns for debt securities and equity securities, weighted by the portfolio allocation. Asset class returns are developed based on historical returns as well as forward-looking expectations. Equity return expectations are generally based upon the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond return expectations are based upon the sum of expected inflation, real bond yield, and risk premium. The discount rate used in determining the benefit obligation is selected by reference to the long-term year-end rates on AAA corporate bonds.

For measurement purposes, the annual growth rate in the per capita cost of covered health care benefits is assumed to decrease ratably between the current period and 2009, with the growth rate assumed to remain at that level thereafter.

The following table presents the weighted-average asset allocation at December 31 for the Staff Retirement Plan:

(UA thousands)	**2005**	2004
Debt securities	64,328	71,029
Equity securities	91,843	51,441
Total	**156,171**	**122,470**

At December 31, 2005 and 2004, all the assets of the Medical Benefit Plan were invested primarily in time deposits.

In the year ended December 31, 2006, the Bank's estimate of contributions it expects to make to the Staff Retirement Plan and the Staff Medical Benefit Plan are UA 10.74 million and UA 5.10 million, respectively.

The health care cost growth rate can significantly affect the reported post-retirement benefit income or costs and benefit obligations for the Staff Medical Benefit Plan. The following table shows the effects of a one-percentage-point change in the assumed health care cost growth rate:

	1% Increase		**1% Decrease**	
(UA millions)	**2005**	2004	**2005**	2004
Effect on total service and interest cost	1.014	0.950	(0.859)	(0.804)

NOTE P – RISK MANAGEMENT

In the normal course of its development banking business, the Bank may be exposed to the following types of financial risks:

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.

The individual country exposure to the Bank on outstanding loans as at December 31, 2005 was made up as follows:

(Amounts in UA thousands)

Country	No of Loans*	Total Loans*	Unsigned Loans Amount	Undisbursed Balance	Outstanding Balance	% of Total Outstanding Loans
Algeria	7	273,928	-	111,639	162,289	2.94
Angola	4	2,497	-	-	2,497	0.05
Botswana	7	23,913	-	-	23,913	0.43
Cameroon	8	95,751	-	25,774	69,977	1.27
Central African Republic**	1	2,387	-	-	2,387	0.04
Comoros**	1	6,228	-	-	6,228	0.11
Congo	5	59,211	-	-	59,211	1.07
Côte D'Ivoire**	14	360,161	-	4,089	356,071	6.46
Democratic Republic of Congo	10	742,618	-	-	742,618	13.47
Egypt	9	484,359	-	286,341	198,017	3.59
Ethiopia	7	51,355	-	-	51,355	0.93
Gabon	18	260,156	-	62,125	198,031	3.59
Ghana	5	26,107	-	-	26,107	0.47
Guinea	5	23,147	-	-	23,147	0.42
Kenya	4	19,179	-	-	19,179	0.35
Lesotho	1	1,994	-	-	1,994	0.04
Liberia**	17	40,444	-	-	40,444	0.73
Malawi	1	7,355	-	-	7,355	0.13
Mauritania	2	37,567	-	-	37,567	0.68
Mauritius	9	37,032	7,823	25,431	3,779	0.07
Morocco	19	1,490,632	-	637,217	853,416	15.48
Namibia	8	130,600	-	71,553	59,048	1.07
Nigeria	13	367,874	-	12,528	355,346	6.45
Senegal	4	44,851	-	-	44,851	0.81
Seychelles**	9	20,015	-	-	20,015	0.36
Somalia**	3	3,689	-	-	3,689	0.07
South Africa	4	213,634	-	34,983	178,651	3.24
Sudan**	5	53,779	-	-	53,779	0.98
Swaziland	10	116,781	-	33,906	82,874	1.50
Tanzania	1	4,393	-	-	4,393	0.08
Tunisia	42	1,765,795	136,189	440,643	1,188,963	21.57
Uganda	1	2,210	-	-	2,210	0.04
Zambia	7	27,647	-	-	27,647	0.50
Zimbabwe**	12	200,021	-	-	200,021	3.63
Multinational	5	72,209	32	28,944	43,233	0.78
Total Public Sector	**278**	**7,069,519**	**144,044**	**1,775,173**	**5,150,302**	**93.43**
Total Private Sector	**35**	**607,994**	**164,027**	**81,827**	**362,140**	**6.57**
Total	**313**	**7,677,513**	**308,071**	**1,857,000**	**5,512,442**	**100.00**

* Excludes fully repaid loans and cancelled loans.
** Country in arrears as at December 31, 2005.

Slight differences may occur in totals due to rounding.

The distribution of outstanding loans at December 31, 2005 and 2004 by sector was as follows:

	2005		Restated (Note C) 2004	
(UA millions)	**Amount**	**%**	**Amount**	**%**
Finance	1,181.19	21.43	1,157.68	20.52
Multi-Sector	1,641.50	29.78	1,632.25	28.94
Communications	162.09	2.94	178.31	3.16
Power	402.27	7.30	404.73	7.18
Social	196.53	3.57	167.66	2.97
Transport	792.32	14.37	689.76	12.23
Agriculture and Rural Development	441.34	8.01	667.07	11.83
Urban Development	0.04	-	0.05	-
Industry, Mining and Quarrying	361.11	6.55	384.87	6.82
Water Supply and Sanitation	334.05	6.05	358.05	6.34
Total	**5,512.44**	**100.00**	**5,640.43**	**100.00**

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 non-performance by counterparties under the terms of the contracts. Additionally, the nature of the instruments involves 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.

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.

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).

Net currency position at December 31, 2005 and 2004 was as follows:

Net currency position at December 31, 2005

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Sterling	Other	Sub-total	Units of Account	Total
Assets								
Cash	11,635	13,000	40,181	1,566	3,958	70,340	-	70,340
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments - Trading (net of repos) (a)	811,346	1,443,382	-	7,085	218,532	2,480,345	-	2,480,345
Investments - Held-to-maturity	534,185	923,935	236,966	505,914	-	2,201,000	-	2,201,000
Non-negotiable instruments on account of capital	1,401	18,725	-	-	-	20,126	5,771	25,897
Accounts receivable	118,369	269,013	66,092	18,486	72,721	544,681	11,699	556,380
Loans	2,164,673	1,989,951	750,359	3,226	409,612	5,317,821	8	5,317,829
Equity participations	2,139	50,075	-	-	10,668	62,882	105,815	168,697
Other assets	1,447	186	-	228	792	2,653	14,325	16,978
	3,645,195	4,708,267	1,093,598	536,505	720,084	10,703,649	137,618	10,841,267
Liabilities								
Accounts payable	(129,264)	(146,022)	(32,134)	(1,207)	(99,266)	(407,893)	(90,330)	(498,223)
Borrowings and embedded derivatives	(314,366)	(2,641,645)	(1,919,909)	(60,237)	(952,975)	(5,889,132)	(51,266)	(5,940,398)
	(443,630)	(2,787,667)	(1,952,043)	(61,444)	(1,052,241)	(6,297,025)	(141,596)	(6,438,621)
Currency swaps on borrowings and related derivatives (b)	(1,757,860)	(92,667)	1,375,977	60,236	439,362	25,048	(49,619)	(24,571)
Currency position of equity as at December 31, 2005	**1,443,705**	**1,827,933**	**517,532**	**535,297**	**107,205**	**4,431,672**	**(53,597)**	**4,378,075**
% of sub-total	32.58	41.25	11.68	12.08	2.42	100.00	-	-
SDR Composition as at December 31, 2005	**35.22**	**40.43**	**12.47**	**11.88**	**-**	**100.00**	**-**	**-**

(a) Investments held for trading is made up as follows:

Investments held-for-trading net of repos	2,487,092
Derivative asset	1,060
Derivative liability	(7,807)
Amount per statement of net currency position	2,480,345

(b) Currency swaps on borrowings is made up as follows:

Derivative asset	284,867
Derivative liability	(309,438)
Net swaps on borrowings per statement of net currency position	(24,571)

Net currency position at December 31, 2004 (Restated - Note C)

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Sterling	Other	Sub-total	Units of Account	Total
Assets								
Cash	(800)	12,682	24,235	1,697	5,986	43,800	-	43,800
Demand obligations	-	109	-	-	3,800	3,909	-	3,909
Investments - Trading (net of repos) (a)	907,067	1,207,902	27,523	2,492	128,349	2,273,333	-	2,273,333
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	158,268	229,458	97,568	16,600	55,803	557,697	(160,213)	397,484
Loans	2,250,290	2,085,150	893,810	3,226	407,951	5,640,427	-	5,640,427
Accumulated provision for impairment	-	-	-	-	-	-	(213,593)	(213,593)
Equity participations	2,273	39,974	-	-	13,490	55,737	104,866	160,603
Other assets	1,430	183	-	32	707	2,352	15,786	18,138
	4,011,743	4,413,581	1,268,416	425,524	616,086	10,735,350	(243,662)	10,491,688
Liabilities								
Accounts payable	(79,840)	(141,137)	(35,391)	(6,965)	(27,250)	(290,583)	(86,585)	(377,168)
Borrowings and embedded derivatives	(334,417)	(2,436,542)	(1,946,417)	(83,347)	(838,166)	(5,638,889)	-	(5,638,889)
	(414,257)	(2,577,679)	(1,981,808)	(90,312)	(865,416)	(5,929,472)	(86,585)	(6,016,057)
Currency swaps on borrowings and related derivatives (b)	(1,973,344)	(156,942)	1,541,269	62,182	405,442	(121,393)	(101,327)	(222,720)
Currency position of equity as at December 31, 2004	**1,624,142**	**1,678,960**	**827,877**	**397,394**	**156,112**	**4,684,485**	**(431,574)**	**4,252,911**
% of sub-total	34.67	35.84	17.67	8.48	3.33	100.00	-	-
SDR Composition as at December 31. 2004	**35.22**	**40.43**	**12.47**	**11.88**	**-**	**100.00**	**-**	**-**

(a) Investments held for trading is made up as follows:

Amount per balance sheet :Investments held for trading net of repos	2,299,010
Derivative asset	1,226
Derivative liability	(17,608)
Repos	(9,295)
Amount per statement of net currency position	2,273,333

(b) Currency Swaps on borrowings is made up as follows:

Amount per balance sheet :	
Derivative asset	273,564
Derivative liability	(496,284)
Net Swaps on borrowings per statement of net currency position	(222,720)

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 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, 2005 and 2004 was as follows:

Liquidity position at December 31, 2005

(UA thousands)

	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years	Maturity undefined	Total
Assets								
Cash	70,340	-	-	-	-	-	-	70,340
Demand obligations	3,801	-	-	-	-	-	-	3,801
Derivative assets	136,366	14,504	49,449	6,959	33,488	45,161		285,927
Investments - Trading (net of repos)	2,487,092	-	-	-	-	-	-	2,487,092
Investments - Held-to-maturity	222,220	223,520	228,780	307,450	355,980	830,548	32,502	2,201,000
Non-negotiable instruments on account of capital	6,615	4,428	4,090	3,918	4,004	2,842	-	25,897
Accounts receivable	754,144	-	-	-	-	-	(197,764)	556,380
Loans - Disbursed and outstanding	895,040	533,510	528,750	494,360	441,950	2,618,832	-	5,512,442
Accumulated provision for impairment	-	-	-	-	-	-	(194,613)	(194,613)
Equity participations	-	-	-	-	-	-	168,697	168,697
Other assets	-	-	-	-	-	-	16,978	16,978
Total assets	**4,575,618**	**775,962**	**811,069**	**812,687**	**835,422**	**3,497,383**	**(174,200)**	**11,133,941**
Liabilities and Equity								
Accounts payable	(498,223)	-	-	-	-	-	-	(498,223)
Derivative liabilities	(63,136)	(20,359)	(62,658)	(7,093)	(40,370)	(123,629)	-	(317,245)
Borrowings and embedded derivatives	(700,400)	(348,170)	(1,083,950)	(420,130)	(956,780)	(2,436,348)	5,380	(5,940,398)
Equity		-	-	-	-	-	(4,378,075)	(4,378,075)
Total liabilities and equity	**(1,261,759)**	**(368,529)**	**(1,146,608)**	**(427,223)**	**(997,150)**	**(2,559,977)**	**(4,372,695)**	**(11,133,941)**
Liquidity position as at December 31, 2005	**3,313,859**	**407,433**	**(335,539)**	**385,464**	**(161,728)**	**937,406**	**(4,546,895)**	**-**

Supplementary information:

Loans in chronic arrears (more than 2 years) included in loan balance above.	433,335	66,181	55,374	42,577	36,018	54,690	-	688,175

Liquidity position at December 31, 2004 (Restated - Note C)

(UA thousands)

	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years	Maturity undefined	Total
Assets								
Due from Bank	43,800	-	-	-	-	-	-	43,800
Demand obligations	3,909	-	-	-	-	-	-	3,909
Derivative asset	5,687	23,348	19,816	60,847	-	165,092	-	274,790
Investments - Trading (net of repos)	2,289,715	-	-	-	-	-	-	2,289,715
Investments - Held-to-maturity	212,273	179,429	204,094	217,567	279,801	1,043,243	-	2,136,407
Non negotiable instruments on account of capital	4,766	6,163	4,773	4,218	4,502	6,758	-	31,180
Accounts receivable	584,222	1,338	-	-	-	-	-	585,560
Provison for loan charges	-	-	-	-	-	-	(188,076)	(188,076)
Loans	843,050	529,760	540,560	535,030	496,740	2,695,287	-	5,640,427
Accumulated provision for impairment	-	-	-	-	-	-	(213,593)	(213,593)
Equity participations	-	-	-	-	-	160,603	-	160,603
Other assets	533	-	-	-	-	17,605	-	18,138
Total assets	**3,987,955**	**740,038**	**769,243**	**817,662**	**781,043**	**4,088,588**	**(401,669)**	**10,782,860**
Liabilities and Equity								
Accounts payable	(377,168)	-	-	-	-	-		(377,168)
Derivative liability	(121,628)	(12,314)	(16,638)	(111,483)	(14,326)	(237,503)	-	(513,892)
Borrowings and embedded derivatives	(606,072)	(396,082)	(321,841)	(1,049,966)	(68,854)	(3,202,194)	6,120	(5,638,889)
Equity	-	-	-	-	-	-	(4,252,911)	(4,252,911)
Total liabilities and equity	**(1,104,868)**	**(408,396)**	**(338,479)**	**(1,161,449)**	**(83,180)**	**(3,439,697)**	**(4,246,791)**	**(10,782,860)**
Liquidity position as at December 31, 2004	**2,883,087**	**331,642**	**430,764**	**(343,787)**	**697,863**	**648,891**	**(4,648,460)**	**-**

Supplementary information:

Loans in chronic arrears (more than 2 years) included in loan balance above	270,610	108,350	78,170	6,060	-	-	-	463,190

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 "one year or less" category.

Interest rate risk position as at December 31, 2005 and 2004 was as follows:

Interest rate risk position as at December 31, 2005

(UA thousands)

	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years	Non interest bearing funds	Total
Assets								
Cash	70,340	-	-	-	-	-	-	70,340
Demand obligations	3,801	-	-	-	-	-	-	3,801
Investments (a)	2,796,958	226,915	302,019	343,721	357,724	654,008	-	4,681,345
Non negotiable instruments on account of capital	6,399	4,418	4,039	3,835	4,138	3,068	-	25,897
Accounts receivable	750,993	-	-	-	-	-	(194,613)	556,380
Loans - Disbursed and outstanding	1,852,608	605,843	276,974	219,773	169,836	2,387,408	-	5,512,442
Accumulated provision for impairment	-	-	-	-	-	-	(194,613)	(194,613)
Equity participations	-	-	-	-	-	-	168,697	168,697
Other assets	-	-	-	-	-	-	16,978	16,978
	5,481,099	837,176	583,032	567,329	531,698	3,044,484	(203,551)	10,841,267
Liabilities								
Accounts payable	(498,223)	-	-	-	-	-	-	(498,223)
Borrowings (b)	(4,136,033)	(554,768)	(86,558)	(53,766)	(8,405)	(1,217,599)	92,160	(5,964,969)
Macro hedge swaps	(238,583)	9,795	23,788	-	-	205,000	-	-
	(4,872,839)	(544,973)	(62,770)	(53,766)	(8,405)	(1,012,599)	92,160	(6,463,192)
Position of interest rate risk as at December 31, 2005*	**608,260**	**292,203**	**520,262**	**513,563**	**523,293**	**2,031,885**	**(111,391)**	**4,378,075**

* Position of interest rate risk represents equity.

(a) Investments comprise the following:

Amount per balance sheet:	
Investments	5,155,053
Derivative assets - investments	1,060
Derivative liabilities - investments	(7,807)
Securities sold under agreements to repurchase	(466,961)
Amount per statement of interest rate risk	4,681,345

(b) Borrowings comprise the following:

Amount per balance sheet:	
Borrowings	5,940,398
Derivative assets - borrowings	309,438
Derivative liabilities - borrowings	(284,867)
Net borrowings per statement of interest rate risk	5,964,969

Interest rate risk position as at December 31, 2004 (Restated - Note C)

(UA thousands)

	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years	Non interest bearing funds	Total
Assets								
Due from Bank	43,800	-	-	-	-	-	-	43,800
Demand obligations	-	-	-	-	-	-	3,909	3,909
Investments - Trading (a)	2,273,333	-	-	-	-	-	-	2,273,333
Investments - Held-to-Maturity	196,913	176,888	197,210	215,180	274,431	1,026,394	49,391	2,136,407
Non negotiable Instruments on account of capital	-	-	-	-	-	-	31,180	31,180
Accounts receivable	585,560	-	-	-	-	-	(188,076)	397,484
Loans	2,619,573	198,137	341,660	246,131	157,942	2,076,984	-	5,640,427
Accumulated provision for impairment	-	-	-	-	-	-	(213,593)	(213,593)
Equity participations	-	-	-	-	-	-	160,603	160,603
Other assets	-	-	-	-	-	-	18,138	18,138
	5,719,179	375,025	538,870	461,311	432,373	3,103,378	(138,448)	10,491,688
Liabilities								
Accounts payable	(377,168)	-	-	-	-		-	(377,168)
Borrowings (b)	(4,537,539)	(222)	(176,669)	(57,125)	(222)	(1,018,442)	(71,390)	(5,861,609)
Macro hedge swaps	(201,450)	57,480	22,120	9,530	9,530	102,790	-	-
	(5,116,157)	57,258	(154,549)	(47,595)	9,308	(915,652)	(71,390)	(6,238,777)
Position of interest rate risk as at December 31, 2004*	**603,022**	**432,283**	**384,321**	**413,716**	**441,681**	**2,187,726**	**(209,838)**	**4,252,911**

* Position of interest rate represents equity.

(a) Investments held-for-trading is made up as follows:

Amount per balance sheet:	
Investments trading	2,299,010
Derivative asset	1,226
Derivative liability	(17,608)
Securities sold under agreements to repurchase	(9,295)
Amount per statement of interest rate risk	2,273,333

(b) Borrowings is made up as follows:

Amount per balance sheet:	
Borrowings	5,638,889
Derivative asset	(273,564)
Derivative liability	496,284
Net borrowings per statement of interest rate risk	5,861,609

NOTE Q – RELATED PARTIES

The following related parties have been identified:

The Bank makes or guarantees loans to some of its members who are also its shareholders, and borrows funds from the capital markets in the territories of some of its shareholders. As a multilateral development institution with membership comprising 53 African states and 24 non-African states (the "regional members" and "non-regional members" respectively), subscriptions to the Capital of the Bank are made by all its members. All the powers of the Bank are vested in the Board of Governors, which consists of the 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 Note K. 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 P. Outstanding borrowings of the Bank are disclosed in Note J.

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 H. In addition to the amount reported as Equity Participation, the Bank periodically makes net income allocation to the Fund, to further its objectives. Net income allocations are reported as Other Resources in the books of the Fund. Net income allocation to the Fund in 2005 amounted to UA 46.30 million (2004: UA 10.00 million).

The NTF is a special fund administered by the Bank with resources contributed by Nigeria. The ADB Board of Directors conducts the general operations of NTF on the basis of the terms of the NTF Agreement and, in this connection the Bank consults with the Government of Nigeria. The NTF also utilizes the offices, staff, organization, services and facilities of the Bank for which it reimburses to the Bank, its share of administrative expenses for such utilization. The share of administrative expenses reimbursed to the Bank by both the ADF and NTF are disclosed in Note N.

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 T-5.

The Bank also administers the Staff Retirement and Medical Benefit Plan. The activities of the Staff Retirement and Medical Benefit Plans are disclosed in Note O.

Management personnel compensation

Compensation paid to the Bank's management personnel and executive directors during the year ended December 31, 2005 and 2004 was made up as follows:

(UA thousands)	**2005**	2004
Salaries	14,839	14,896
Termination benefits	332	328
Contribution to retirement and medical plan	2,699	2,324
Other benefits	4,035	5,390
Total	**21,905**	**22,938**

The Bank may also provide personal loans and advances to its staff, including those in management. Such loans and advances, guaranteed by the terminal benefits payable at the time of departure from the Bank, are granted in accordance with the Bank's rules and regulations. At December 31, 2005 outstanding balances on loans and advances to management staff amounted to UA 3.29 million (2004: UA 3.82 million). No expense was recognized during the year in respect of impairment on debts due from related parties.

NOTE R – EVENTS AFTER THE BALANCE SHEET DATE

Multilateral Debt Relief Initiative: At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the African Development Fund (ADF), the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC Initiative. Through the Development Committee Communiqué of September 25, 2005, the donor community expressed its support for this Multilateral Debt Relief Initiative (MDRI), and urged the institutions referred to above to proceed with the necessary steps to ensure implementation.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 32 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation would be delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors would make additional contributions to ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

For the ADF, based on debt disbursed and outstanding at December 31, 2004 (cut-off date) and an effective implementation date of January 1 2006, a total of approximately UA 6.1 billion in loans outstanding to eligible HIPC countries is expected to be either cancelled under the MDRI or repaid from HIPC resources. Of this amount, UA 4.0 billion related to countries that were already at HIPC completion point as of December 31 2005.

As of March 29, 2006, when these financial statements were authorized by the Board of Directors for transmission to the Board of Governors for approval, the MDRI, which is expected to become effective during 2006, had not become effective. Once it becomes effective, it would result in the immediate reduction in total ADF loans outstanding by the amount of loans actually cancelled, and therefore a corresponding decrease in the net assets of the ADF. Such decrease is expected to be offset over time with the compensation received from the donors. Although the full effects of the MDRI on future financial statements of the Fund will only be known after final agreement by the donors on the key terms, the reduction in total ADF outstanding loans as stated above will impact the net assets of the Fund and consequently the ADB's share of such assets for the purposes of the determination of the value of the Bank's investment in ADF. The MDRI has no effect on the financial statements for the year ended December 31, 2005.

NOTE S – APPROVAL OF FINANCIAL STATEMENTS

On March 29, 2006, the Board of Directors of the Bank authorized these financial statements for issue to the Board of Governors. The financial statements will be approved by the Board of Governors at its annual meeting in May 2006.

NOTE T – SUPPLEMENTARY DISCLOSURES

NOTE T-1: EXCHANGE RATES

The rates used for translating currencies into Units of Account at December 31, 2005, and 2004 were as follows:

		2005	2004
1 UA = SDR =	Algerian Dinar	106.172000	112.168000
	Angolan Kwanza	115.024000	133.138000
	Botswana Pula	7.870420	6.631700
	Brazilian Real	3.344340	4.121060
	Canadian Dollar	1.664180	1.869200
	Chinese Yuan	11.534500	12.810700
	CFA Franc	794.725000	747.896000
	Danish kroner	9.038810	8.462960
	Egyptian Pound	8.315660	9.342050
	Ethiopian Birr	12.359500	12.959700
	Euro	1.211550	1.140160
	Gambian Dalasi	40.771100	39.053800
	Ghanaian Cedi	12,958.800000	13,563.000000
	Guinean Franc	5,532.230000	2,941.760000
	Indian Rupee	64.416800	67.680100
	Japanese Yen	168.610000	161.161000
	Kenyan Shilling	106.078000	124.780000
	Korean Won	1,458.260000	1,608.290000
	Kuwaiti Dinar	0.418938	0.456488
	Libyan Dinar	1.932370	1.932370
	Mauritian Rupee	43.830800	43.852300
	Moroccan Dirham	13.199900	12.896000
	Nigerian Naira	187.274000	203.307000
	Norwegian Krone	9.674270	9.377960
	Pound Sterling	0.830055	0.804085
	Sao Tomé Dobra	14,533.100000	14,360.100000
	Saudi Arabian Riyal	5.359750	5.823770
	South African Rand	9.040120	8.743400
	Swedish Krona	11.336300	10.235100
	Swiss Franc	1.878480	1.757380
	Tunisian Dinar	1.945380	1.864890
	Ugandan Shilling	2,603.460000	2,682.560000
	United States Dollar	1.429270	1.553010
	Zimbabwean Dollar	37,598.000000	8,250.410000

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 T-2: ARREARS CLEARANCE OPERATIONS

(i) The Democratic Republic of Congo (DRC)

In connection with an internationally co-ordinated 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.

(ii) 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). The Board of Governors also, by its resolution B/BG/2005/05 of May 18, 2005 approved an additional allocation of UA 30 million from the 2004 net income as the second installment of the Bank's contribution to the facility. 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.

(iii) 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, 2005, the Board of Directors had approved relief for 17 ADB borrowing countries, of which 14 had reached the completion point. During the year ended December 31, 2005, debt relief of UA 106.05 million (2004: UA 129.48 million) was received on behalf of the ADB borrowing countries.

NOTE T-3: SPECIAL FUNDS

Under Article 8 of the Agreement Establishing the Bank, the Bank may establish or be entrusted with the administration of special funds. At December 31, 2005 and 2004, the following funds were held separately from those of the ordinary capital resources of the Bank:

(i) 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 the Agreement became effective 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. Although the terms of the current agreement would terminate on April 25, 2006, negotiations are at an advanced stage between the Bank and the Nigerian Authorities for the renewal of the agreement and extension of the life of the Fund. To enable the Fund to continue to operate pending the conclusion of the negotiations, the two parties have agreed to a one-year extension of the life of the Fund under the same terms and conditions as the current agreement. 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, 2005 and 2004 are summarized below:

(UA thousands)	2005	Restated 2004
Contribution received	128,586	128,586
Funds generated (net)	374,183	364,056
Adjustment for translation of currencies	(93,693)	(125,719)
	409,076	**366 923**
Represented by:		
Due from banks	1,916	856
Investments	321,736	308,231
Accrued income and charges receivables on loans	10,770	8,108
Accrued interest on investments	4,970	4,375
Other amounts receivable	10	287
Loans outstanding	70,908	65,408
	410,310	387,265
Less: Current accounts payable	(1,234)	(20,342)
	409,076	**366,923**

(ii). The Special Relief Fund (for African countries affected by drought) was established by Board of Governors' Resolution 20-74 to assist African countries affected by unpredictable disasters. The purpose of this fund was subsequently expanded in 1991 to include the provision of assistance, on a grant basis, to research institutions whose research objectives in specified fields are likely to facilitate the Bank's objective of meeting the needs of regional member countries in those fields. The resources of 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, 2005 and 2004 follows:

(UA thousands)	**2005**	2004
Fund balance	47,448	42,448
Funds generated	3,083	2,599
Funds allocated to SDA	1	1
Less: Relief disbursed	(40,133)	(38,081)
	10,399	**6,967**
Represented by:		
Due from banks	102	285
Investments	10,635	6,844
Interest receivable	9	8
	10,746	7,137
Less: Account payable	(347)	(170)
	10,399	**6,967**

At December 31, 2005, a total of UA 5.25 million (2004: UA 1.77 million) had been committed but not yet disbursed under the Special Relief Fund.

NOTE T-4: TRUST FUNDS

The Bank has been entrusted, under Resolutions 11-70, 19-74 and 10-85 of the Board of Governors, with the administration of the Mamoun Beheiry Fund, the Arab Oil Fund, and the Special Emergency Assistance Fund for Drought and Famine in Africa. These funds, held separately from those of the ordinary resources of the Bank, are maintained and accounted for in specific currencies, which are translated into Units of Account at exchange rates prevailing at the end of the year.

(i) The Mamoun Beheiry Fund was established under Board of Governors' Resolution 11-70 of October 31, 1970, whereby Mr. Mamoun Beheiry, former President of the Bank, agreed to set up a fund which could be used by the Bank to reward staff members who had demonstrated outstanding performance in fostering the objectives of the Bank.

(ii) The Arab Oil Fund (contribution of Algeria) was established following Board of Governors' Resolution 19-74 of July 4, 1974. Under a protocol agreement dated November 15, 1974, the Bank received the sum of US$ 20 million from the Government of Algeria to be kept as a Trust Fund from which loans could be granted to member countries affected by high oil prices. On August 11, 1975, an amount of US$ 5.55 million was refunded to Algeria upon request, leaving a balance of US$ 14.45 million, from which loans refundable directly to Algeria have been made. At December 31, 2005, a total of US$ 13.45 million (2004: US$ 13.45 million) had been so repaid.

(iii) The Special Emergency Assistance Fund for Drought and Famine in Africa (SEAF) was established by the 20th Meeting of Heads of State and Government of member countries of the African Union formerly Organization of African Unity (OAU) held in Addis Ababa, Ethiopia, from November 12 to 15, 1984, under Resolution AHG/Res. 133 (XX), with the objective of giving assistance to African member countries affected by drought and famine.

The financial highlights of these Trust Funds at December 31, 2005 and 2004 are summarized below:

(UA thousands)	**2005**	2004
i) Mamoun Beheiry Fund		
Contribution	152	152
Income from investments	197	195
	349	347
Less: Prize awarded	(30)	(13)
Gift	(25)	(25)
	294	309
Represented by:		
Short-term deposits	277	293
Due from banks	15	14
Accrued interest	2	2
	294	309
ii) Arab Oil Fund (contribution of Algeria)		
Net contribution	700	644
Represented by:		
Loans disbursed net of repayments	700	644
iii) Special Emergency Assistance Fund for Drought and Famine in Africa		
Contributions	22,027	20,271
Funds generated	5,395	4,841
	27,422	25,112
Relief granted	(23,012)	(21,178)
	4,410	3,934
Represented by:		
Due from banks	207	183
Investments	4,200	3,741
Accrued interest	3	10
	4,410	3,934
Total Resources & Assets of Trust Funds	**5,404**	**4,887**

NOTE T-5: GRANTS

The Bank administers grants on behalf of donors, including member countries, agencies and other entities. Grant resources are restricted for specific uses, which include the co-financing of the Bank's lending projects, debt reduction operations, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the assets of the Bank. In accordance with Article 11 of the Agreement establishing the Bank, the accounts of these grants are kept separate from those of the Bank.

The undisbursed balances of the grant resources at December 31, 2005 and 2004 were as follows:

(UA thousands)	**2005**	2004
AMINA	1,455	1,310
AMTA/NAMTA	141	21
Belgium	2,314	2,681
Canada	372	190
China	55	51
Denmark	1,585	1,886
Finland	727	514
France	3,120	3,266
ICP - Africa	434	419
India	1,169	1,303
Italy	7,714	18,150
Korea	1,484	1,403
NEPAD	2,387	-
Nigeria	17,763	-
Nordic	1,611	1,633
The Netherlands	3,681	3,487
Norway	1,274	1,326
Spain	375	534
Sweden	1,250	2,077
Switzerland	269	287
Others	172	60
Total	**49,352**	**40,598**

INDEPENDENT AUDITOR'S 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 2005 which comprise the balance sheet, the statement of income and expenses, the statement of recognised income and expense, statement of cash flows and the related notes A to T. 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 members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of management and auditor

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates and judgments made by the Bank's management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Disagreement on reclassification of the Bank's capital from equity to liabilities

As set out under the Member Countries' Subscription accounting policy in Note B to the financial statements, the Agreement Establishing the Bank provides that a member country (or "State") may withdraw from the Bank at any time (defined as the "termination date"). Exercising such right of withdrawal requires the Bank to arrange for the repurchase of such member country's shares as part of the settlement of accounts with that State. In our view, although the Bank is able to withhold any amount due to the member country for its shares so long as the State remains liable as borrower or guarantor to the Bank, and notwithstanding the fact that the member country remains liable for its direct and contingent liabilities to the Bank as long as any part of the loans or guarantees contracted before the termination date is outstanding, the Bank does not have the unconditional right to avoid settling its contractual obligations at termination date to the member country. Therefore, in accordance with International Financial Reporting Standard IAS 32, member countries' capital stock should be reclassified in the Bank's financial statements as financial liabilities instead of equity.

The impact of this accounting treatment would be to reclassify credit balances of UA 2,263,445,736 and UA 2,213,505,210 of capital stock and to reclassify debit balances of UA 151,758,878 and UA 147,203,564 of cumulative exchange adjustment on subscriptions from equity to liabilities in the balance sheet of the Bank for the years ended 31 December 2005 and 31 December 2004 respectively. A further impact would be to reduce the Bank's net income by UA 144,000,000 and UA 114,640,000 which relates to the expensing of the Board of Governors' approved distributions of income in the years ended 31 December 2005 and 31 December 2004 respectively. The total reserves of the Bank remain unchanged as a result of this reduction in net income relating to the Board of Governors' approved distributions of income.

Qualified opinion arising from disagreement on reclassification of the Bank's capital from equity to liabilities

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding two paragraphs, the financial statements present fairly, in all material respects the financial position of the Bank as of 31 December 2005, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Deloitte & Touche LLP
London
United Kingdom
13 April 2006

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2006

(UA Thousands)

Description	
Personnel Expenses	
Salaries	74,914
Benefits	45,235
Other Employee Expenses	5,264
Short Term and Technical Assistance Staff	1,626
Consultants	8,572
Staff Training	1,866
	137,477
General Expenses	
Official Missions	11,919
Accomodation	8,141
Equipment Rental, Repairs and Maintenance	4,886
Communications Expenses	5,452
Printing, Publishing and Reproduction	1,027
Office Supplies and Stationery	570
Library	674
Other Institutional Expenses	8,809
	41,478
Total Administrative Budget	178,955
Depreciation	8,570
Total	187,525
Less: Management Fees	(132,390)
Net Administrative Budget	**55,135**

African Development Fund

Financial Management

Subscriptions

African Development Fund resources mainly consist of Bank and State Participants' subscriptions, and other resources received by the Fund. The cumulative subscription to ADF as at December 31, 2005, was UA 14.95 billion, compared with UA 12.82 billion in 2004.

The replenishment level for the Tenth General Replenishment of the resources of the Fund (ADF-X) was set at UA 3.40 billion, and covers the 3-year operational period starting in 2005 and ending in 2007. ADF-X became effective in September 2005, and, as of December 31, 2005, State Participants had subscribed to UA 2.02 billion, representing 59 percent of the ADF-X target replenishment level.

Subscriptions to the Fund are usually paid in three equal annual installments, in either cash or promissory notes. Payments received for ADF-X in 2005 amounted to UA 503.9 million. The encashment schedule of the promissory notes is directly linked to specific replenishments and usually covers a standard 10-year period based on disbursement projections. In 2005, the Fund encashed promissory notes for a total amount of UA 749.7 million, compared with UA 805.5 million in 2004.

Investment

ADF cash and investments amounted to UA 1.96 billion at December 31, 2005, compared to UA 1.54 billion in 2004. Investment income for the year amounted to UA 68.8 million, a return of 3.98 percent, on an average liquidity level of UA 1.73 billion compared with an income of UA 48.2 million in 2004 for a return of 3.14 percent on an average liquidity of UA 1.53 billion.

Loan Portfolio

Cumulative loans and grants signed, net of cancellations, at December 31, 2005, amounted to UA 13.17 billion compared with UA 12.16 billion at the end of 2004. At the end of 2005, there were 1,933 active signed loans and grants amounting to UA 7.79 billion. Also at December 31, 2005, a total of 47 loans amounting to UA 217.4 million had been fully repaid.

Disbursements

Disbursements of loans and grants increased slightly from UA 680.5 million in 2004 to UA 691.1 million. As at December 31, 2005, cumulative disbursements on loans and grants amounted to UA 9.28 billion. A total of 1,258 loans and grants were fully disbursed for an amount of UA 7.52 billion, representing 81 percent of cumulative disbursements.

Financial Results

The ADF reported a surplus of UA 19.7 million for 2005, compared to UA 0.9 million for 2004. Income from loans and investments amounted to UA 134.5 million in 2005 compared to UA 112.3 million in 2004. Income from investments increased by UA 20.6 million or 42.71 percent from UA 48.2 million in 2004 to UA 68.8 million in 2005, due mainly to an increase the Fund's liquidity. The Fund implemented a new investment policy which included investments in higher yielding held-to-maturity securities in 2004. Income from loans increased marginally from UA 64.1 million in 2004 to UA 65.8 million in 2005. Administrative expenses, which represents the Fund's share of the total shareable expenses of the ADB Group, increased by UA 8.8 million, from UA 103.1 million in 2004 to UA 111.9 million in 2005. The Fund's share 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 borrowers are excluded from loan income if principal repayment and service charges are in arrears for 6 months or more. As a result of this policy, an amount of UA 4.7 million representing the non-accrued loan income for the year was excluded from 2005 income compared to an amount of UA 0.4 million in 2004.

African Development Fund

Special Purpose Financial Statements and Report of the Independent Auditors for the Years ended December 31, 2005 and 2004

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STATEMENT OF NET DEVELOPMENT RESOURCES AS AT DECEMBER 31, 2005 AND 2004

(UA thousands - Note B)

		2005	2004
DEVELOPMENT RESOURCES			
DUE FROM BANKS		41,074	32,039
INVESTMENTS (Notes C & H)			
Trading	973,370		623,148
Held-to-maturity	946,999		882,210
Total investments		1,920,369	1,505,358
DEMAND OBLIGATIONS (Note D)		2,229,831	2,568,563
RECEIVABLES			
Accrued income on loans and investments	46,068		37,534
Other receivables	26,880		28,697
		72,948	66,231
LIABILITIES		(56,988)	(68,226)
NET DEVELOPMENT RESOURCES		**4,207,234**	**4,103,965**
FUNDING OF DEVELOPMENT RESOURCES			
SUBSCRIPTIONS (Notes F & O)			
Total subscribed, including accelerated encashment of subscriptions	14,948,543		12,824,786
Less: Portion of accelerated encashment not yet effected	(86,306)		(8,325)
	14,862,237		12,816,461
Less: Installments not yet payable	(1,501,170)		(155,006)
	13,361,067		12,661,455
Less: Installments due	(99,307)		(7,018)
	13,261,760		12,654,437
Less: Unamortized discounts on subscriptions (Note B)	(18,418)		(21,049)
	13,243,342		12,633,388
Cumulative exchange adjustment on subscriptions (Note B)	(304,900)		(302,733)
Total subscribed, including accelerated encashment of subscription		12,938,442	12,330,655
HIPC DEBT RELIEF (Note E)		(71,079)	(71,079)
OTHER RESOURCES (Note G)		136,270	89,970
RESERVES (Note I)		96,237	76,528
CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT (Note B)		(332,548)	(364,028)
		12,767,322	12,062,046
ALLOCATION OF DEVELOPMENT RESOURCES			
TECHNICAL ASSISTANCE GRANTS DISBURSED (Note E)		(586,675)	(539,131)
HIPC GRANTS DISBURSED		(184,000)	(184,000)
LOANS (Notes E, M & N)			
Disbursed and outstanding		(7,789,413)	(7,234,950)
NET DEVELOPMENT RESOURCES		**4,207,234**	**4,103,965**

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, 2005 AND 2004

(UA thousands - Note B)

	2005	2004
INCOME AND EXPENSES		
Service charges on loans	51,294	51,724
Commitment charges on loans	14,473	12,425
Income on investments	68,750	48,176
Administrative expenses (Note K)	(111,859)	(103,060)
Discount on accelerated encashment of participants' demand obligations	(2,631)	(7,884)
Direct expenses	(71)	(304)
Financial charges	(150)	(187)
(Loss)/Gain on exchange	(97)	50
Surplus	19,709	940
CHANGE IN DEVELOPMENT RESOURCES FUNDING		
Increase in paid-up subscriptions	607,323	665,297
Increase in other resources	46,300	10,000
Change in accumulated exchange adjustment on subscriptions	(2,167)	13,408
Change in unamortized discounts on subscriptions	2,631	(21,049)
Change in accumulated translation adjustment	31,480	(55,122)
	685,567	612,534
CHANGE IN DEVELOPMENT RESOURCES ALLOCATION		
Disbursement of Technical Assistance Grants	(48,985)	(93,079)
Refund of overdisbursed HIPC Grants	-	25,500
Disbursement of loans	(642,080)	(587,416)
Repayment of loans	94,547	88,463
Translation adjustment on Loans and Technical Assistance Grants	(5,489)	64,198
	(602,007)	(502,334)
Change in Net Development Resources	103,269	111,140
Net Development Resources at beginning of the year	4,103,965	3,992,825
NET DEVELOPMENT RESOURCES AT THE END OF THE YEAR	**4,207,234**	**4,103,965**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(UA thousands - Note B)

	2005	2004
SURPLUS	19,709	940
OTHER COMPREHENSIVE INCOME/(LOSS):		
Changes in accumulated translation adjustment	31,480	(55,122)
COMPREHENSIVE INCOME/(LOSS)	**51,189**	**(54,182)**

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(UA thousands - Note B)

	2005	2004
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Surplus	19,709	940
Adjustments to reconcile surplus to net cash provided by operating activities:		
Discount on accelerated encashment of participants' demand obligations	2,631	5,222
Amortization of premium and discount on held-to-maturity investments	7,405	5,609
Changes in accrued income on loans and investments	(8,534)	(13,234)
Changes in net current assets	(7,447)	(57,905)
Net cash provided/(used) in operating activities	13,764	(59,368)
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements of Technical Assistance Grants	(48,985)	(93,079)
Disbursements of loans	(642,080)	(587,416)
Repayments of loans	94,547	88,463
Refund of over disbursed HIPC Grants	-	25,500
Investments maturing after 3 months of acquisition:		
Held-to-maturity portfolio	(30,884)	(747,801)
Trading portfolio	(304,589)	139,105
Net cash used in investment, lending and development activities	(931,991)	(1,175,228)
FINANCING ACTIVITIES:		
Subscriptions received in cash	126,323	11,024
Participants' demand obligations encashed	749,674	805,497
Increase in other resources	46,300	10,000
Net cash provided by financing activities	922,297	826,521
Effect of exchange rate changes on cash and liquid investments	3,346	3,417
Net increase/(decrease) in cash and liquid investments	7,416	(404,658)
Cash and cash equivalents at beginning of the year	91,969	496,627
Cash and cash equivalents at end of the year	**99,385**	**91,969**
Composed of:		
Cash	41,074	32,039
Investments maturing within 3 months of acquisition :		
Held-to-maturity	-	3,652
Trading	58,311	56,278
Cash and cash equivalents at end of the year	**99,385**	**91,969**
Supplementary disclosure:		
Movements resulting from exchange rate fluctuations on:		
Loans and grants	5,489	(64,198)
Subscriptions	(2,167)	13,408

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, 2005 AND 2004

NOTE A - PURPOSE, ORGANISATION AND RESOURCES

Purpose and Organisation
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 twelve-member (12) 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 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 (UA). 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 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, 2005 and 2004 were as follows:

	2005	2004
1 Unit of Account equals:		
Argentinian Peso	4.301570	4.595360
Brazilian Real	3.344340	4.121060
Canadian Dollar	1.664180	1.869200
Danish Krone	9.038810	8.462960
Euro	1.211550	1.140160
Indian Rupee	64.416800	67.680100
Japanese Yen	168.610000	161.161000
Korean Won	1,458.260000	1,608.290000
Kuwaiti Dinar	0.418938	0.456488
Norwegian Krone	9.674270	9.377960
Pound Sterling	0.830055	0.804085
South African Rand	9.040120	8.743400
Swedish Krona	11.336300	10.235100
Swiss Franc	1.878480	1.757380
United States Dollar	1.429270	1.553010

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 and X replenishments, 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, 2002-09 and 2005-01 which all stipulated that Article 13 shall not apply to the Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and Tenth 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 going to 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 a maturity period of less than a year, issued or unconditionally guaranteed by banks and other financial institutions with a minimum credit rating of A.

Income from investments includes realized and unrealized gains and losses and interest earned.

Due to the nature of investments held by the Fund and its policies governing the use of such investments, the Fund classifies its held-to-maturity and trading investments maturing within 3 months from the date of purchase as 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.

Loans

The Fund provides concessional funding for development purposes to the least developed countries in Africa. Outstanding loans are not included in Net Development Resources. Accordingly, no provision for possible loan losses is required. The Fund places all loans to a borrower country in non-accrual status if the principal installments or service charges on any of the loans to such member country are overdue by 6 months or more, unless the Fund's management determines that the overdue amount will be collected in the immediate future. Further, management may place a loan in non-accrual status even if it is not yet overdue by 6 months, if the specific facts and circumstances, including consideration of events occurring subsequent to the balance sheet date warrant such action. On the date a borrower's loans are placed in non-accrual status, 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, the implementation mechanism comprises partial payments 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 year's presentation.

NOTE C - INVESTMENTS

Investments held-for-trading at December 31, 2005 and 2004 were made up as follows:

(UA thousands)	2005	2004
Time deposits	55,095	56,278
Asset backed securities	282,830	235,130
Government and agency obligations	56,700	-
Corporate bonds	578,745	331,740
Total	**973,370**	**623,148**

The maturity structure of held-for-trading investments at December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	2004
One year or less	124,321	115,367
More than one year but less than two years	138,020	122,401
More than two years but less than three years	195,251	165,978
More than three years but less than four years	141,321	3,252
More than four years but less than five years	32,400	4,351
More than five years	342,057	211,799
Total	**973,370**	**623,148**

Investments held-to-maturity at December 31, 2005 and 2004 were made up as follows:

(UA thousands)	2005	2004
Time deposits	-	3,652
Government and agency obligations	536,090	458,850
Corporate bonds	410,909	419,708
Total	**946,999**	**882,210**

The maturity structure of held-to-maturity investments at December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	2004
One year or less	107,991	3,650
More than one year but less than two years	106,612	101,040
More than two years but less than three years	106,572	99,710
More than three years but less than four years	105,501	99,260
More than four years but less than five years	101,682	98,440
More than five years	418,641	480,110
Total	**946,999**	**882,210**

The currency composition of total investments at December 31, 2005 and 2004 was as follows:

(UA thousands)

	2005			2004
	Trading	**Held-to-maturity**	**Total**	Total
Euro	195,216	-	195,216	45,561
Pounds Sterling	334,682	-	334,682	281,860
United States Dollar	443,472	946,999	1 390,471	1 177,937
Total	**973,370**	**946,999**	**1 920,369**	**1 505,358**

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 ten-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, 2005, outstanding irrevocable reimbursement guarantees to commercial banks amounted to UA 3.18 million (2004: UA 2.41 million).

As at December 31, 2005, loans made to or guaranteed by certain borrowers with an aggregate principal balance outstanding of UA 687.69 million (2004: UA 843.01 million) of which UA 78.36 million (2004: UA 67.04 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, 2005, would have been higher by UA 5.39 million (2004: UA 5.33 million). At December 31, 2005, the cumulative charges not recognized on the non-accrual loans amounted to UA 43.19 million, compared to UA 38.86 million at December 31, 2004.

Lines of credit to national development banks and similar national finance institutions are generally granted for a maximum of 20 years, including a five-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 and 34.29 percent under the Tenth 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 for, 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 Debt Relief Initiative

Under the original framework of the Heavily Indebted Poor Countries (HIPC) initiative, selected loans to beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the net present value of the loans as calculated using the methodology agreed under the initiative. Following the signature of a HIPC debt relief agreement, loans identified to be paid off were written down to their estimated net present value. The amount of the write-down, representing the difference between the book value and net present value of the loans, was shown as a reduction in Sources of Development Resources. The amount of UA 71.08 million in the statement of Net Development Resources represents the write-down relating to the debt relief granted to Mozambique in 1999 under the original HIPC framework. The outstanding balance and net present value of the loans owed by Mozambique and sold to the HIPC Trust Fund in 1999 were UA 132.04 million and UA 60.96 million, respectively.

In 1999, the HIPC initiative was enhanced to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 32 African countries are currently eligible, debt relief is delivered through annual debt service reductions which allow the release of up to 80 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, 2005, the debt service obligation of ADF eligible beneficiary countries paid by the HIPC Trust Fund to ADF amounted to UA 79.74 million.

Multilateral Debt Relief Initiative

At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the African Development Fund (ADF), the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC Initiative. Through the Development Committee Communiqué of September 25, 2005, the donor community expressed its support for this Multilateral Debt Relief Initiative (MDRI), and urged the institutions referred to above to proceed with the necessary steps to ensure implementation.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 32 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation would be delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors would make additional contributions to ADF to match "dollar-for-dollar" the foregone principal and service charge payments. For the ADF, based on debt disbursed and outstanding at December 31, 2004 (cut-off date) and an effective implementation date of January 1, 2006, a total of approximately UA 6.1 billion in loans outstanding to eligible HIPC countries is expected to be either cancelled under the MDRI or repaid from HIPC resources. Of this amount, UA 4.0 billion related to countries that were already at HIPC completion point as of December 31, 2005.

As of March 29, 2006, when these financial statements were authorized by the Board of Directors for transmission to the Board of Governors for approval, the MDRI, which is expected to become effective during 2006, had not become effective. Once it becomes effective, it would result in the immediate reduction in total ADF loans outstanding by the amount of loans actually cancelled, and therefore a corresponding decrease in the net assets of the ADF. Such decrease is expected to be offset over time with the compensation received from the donors. The effects of the MDRI on future financial statements of the Fund will be known after final agreement by the donors on the key terms and will be reflected in the financial statements of the ADF once it becomes effective. The MDRI has no effect on the financial statements for the year ended December 31, 2005.

Special Arrears Clearance Mechanism

In connection with an internationally co-ordinated 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 Tenth General Replenishment, approved by the Board of Governors resolution F/BG/2005/01 adopted on May 4, 2005 came into effect on September 06, 2005, when State Participants deposited with the Fund, instruments of subscription representing an aggregate amount of 30.98 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 123.33 million representing the contributions by the Bank of UA 121.33 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 held-for-trading investments at market value, the carrying amount represents the fair value of the portfolio. Fair values are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: All loans of the Fund are intended to provide concessional assistance to low income regional member countries of the Bank. While the principal amount is fully repayable, no interest is charged to the borrowers. However, a service fee of 0.75 percent of the disbursed and outstanding balance, and a commitment charge of 0.5 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)	**2005**	2004
Balance at January 1	76,528	75,588
Surplus for the year	19,709	940
Balance at December 31	**96,237**	**76,528**

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, 2005 the undisbursed balance of trust fund resources amounted to UA 4.06 million (2004: UA 3.85 million) representing the balance on a 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 estimated 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 111.86 million (2004: UA 103.06 million).

NOTE L – RELATED PARTIES

The general operation of the Fund is conducted by a 12-member Board of Directors of which 6 members are selected by the Bank. The bank exercises 50 percent of the voting power in ADF and the President of the Bank is the ex-officio President of the Fund. In accordance with the Agreement establishing the ADF, the Fund utilizes the officers, staff, organization, services and facilities of the ADB (the Bank) to carry out its functions, for which it reimburses the Bank based on an agreed cost-sharing formula driven in large part by the number of programs and projects executed. In this regard, the Bank administers the resources of the Fund. Share of administrative expenses reimbursed to the Bank is disclosed in Note K. The Fund also administers trust funds entrusted to it by some of its State Participants.

NOTE M - SUMMARY OF LOANS AS AT DECEMBER 31, 2005
(UA thousands)

Country	No. of loans*	Total loans*	Unsigned loan amounts	Undisbursed balances	Outstanding balances	% of Outstanding loans
Algeria	1	284	-	-	284	0.00
Angola	9	41,629	-	20,736	20,892	0.27
Benin	48	388,517	-	145,068	243,449	3.13
Botswana	12	61,163	-	-	61,163	0.79
Burkina Faso	45	506,550	30,000	190,390	286,161	3.67
Burundi	32	159,997	-	18,454	141,543	1.82
Cameroon	29	233,585	-	86,693	146,892	1.89
Cape Verde	23	83,481	-	9,506	73,975	0.95
Central African Republic**	19	100,312	-	-	100,312	1.29
Chad	39	282,460	391	54,415	227,654	2.92
Comoros **	8	28,686	-	-	28,686	0.37
Congo **	3	14,284	-	31	14,254	0.18
Côte D'Ivoire **	14	214,219	-	50,378	163,841	2.10
Democratic Republic of Congo	29	236,251	-	70,962	165,289	2.12
Djibouti	17	92,797	-	31,635	61,162	0.79
Egypt	17	160,199	-	16,023	144,176	1.85
Equatorial Guinea	11	32,326	-	3,484	28,842	0.37
Eritrea	6	68,996	-	21,835	47,161	0.61
Ethiopia	53	948,995	-	262,915	686,080	8.81
Gabon	3	2,005	-	-	2,005	0.03
Gambia	30	139,357	-	25,683	113,673	1.46
Ghana	43	620,993	1	264,012	356,981	4.58
Guinea	35	262,351	490	61,500	200,361	2.57
Guinea-Bissau	27	119,267	-	27,483	91,784	1.18
Kenya	32	395,060	-	175,513	219,547	2.82
Lesotho	30	143,778	-	21,656	122,122	1.57
Liberia **	3	16,446	-	-	16,446	0.21
Madagascar	44	409,531	57,327	89,382	262,822	3.37
Malawi	49	388,097	-	95,163	292,934	3.76
Mali	69	585,397	14,920	181,817	388,660	4.99
Mauritania	40	204,111	-	36,313	167,798	2.15
Mauritius	3	2,733	-	-	2,733	0.04
Morocco	6	38,870	-	3,548	35,322	0.45
Mozambique	35	545,773	-	165,201	380,572	4.89
Namibia	2	12,110	-	-	12,110	0.16
Niger	34	254,409	22,000	67,805	164,604	2.11
Nigeria	16	249,900	30,001	105,876	114,023	1.46
Rwanda	45	303,792	-	101,010	202,781	2.60
Sao Tome & Principe	20	74,134	-	4,312	69,822	0.90
Senegal	44	429,839	49,000	130,333	250,506	3.22
Seychelles **	3	9,095	-	-	9,095	0.12
Sierra Leone	21	191,496	-	43,926	147,570	1.89
Somalia **	17	64,855	-	-	64,855	0.83
Sudan **	15	174,116	-	-	174,116	2.24
Swaziland	8	37,319	-	-	37,319	0.48
Tanzania	52	716,506	-	188,949	527,556	6.77
Togo **	12	90,965	-	9,365	81,599	1.05
Uganda	43	546,858	1,934	172,737	372,187	4.78
Zambia	34	284,036	9,770	57,249	217,017	2.79
Zimbabwe **	10	34,488	1	-	34,487	0.44
Multinational	14	152,876	58,160	80,525	14,191	0.18
Total	**1,254**	**11,155,292**	**273,994**	**3,091,884**	**7,789,413**	**100.00**

** Excludes fully repaid loans and cancelled loans.* *** Countries in non-accrual status as at December 31, 2005.*

Slight differences may occur in totals due to rounding.

NOTE N - MATURITY AND CURRENCY COMPOSITION OF OUTSTANDING LOANS AS AT DECEMBER 31, 2005 AND 2004

The maturity distribution of outstanding loans as at December 31, 2005 and 2004 was as follows:

(Amounts in UA millions)

Period	2005		2004	
	Amount	%	Amount	%
One year or less	183.56	2.36	172.74	2.39
More than one year but less than two years	111.54	1.43	103.31	1.43
More than two years but less than three years	121.89	1.56	110.88	1.53
More than three years but less than four years	133.67	1.72	120.73	1.67
More than four years but less than five years	144.41	1.85	132.16	1.83
More than five years	7,094.34	91.08	6,595.13	91.15
Total	**7,789.41**	**100.00**	**7,234.95**	**100.00**

The currency composition of outstanding loans as at December 31, 2005 and 2004 was as follows:

(Amounts in UA millions)

Currency	2005		2004	
	Amount	%	Amount	%
Canadian Dollar	52.79	0.68	47.88	0.66
Danish Kroner	55.27	0.71	60.23	0.83
Euro	2,350.45	30.17	2,295.48	31.73
Japanese Yen	1,609.79	20.67	1,565.25	21.64
Norwegian Krone	117.04	1.50	123.22	1.70
Pound Sterling	50.67	0.65	53.76	0.74
Swedish Krona	58.49	0.75	66.06	0.91
Swiss Franc	244.14	3.13	265.33	3.67
United States Dollar	3,247.97	41.70	2,749.51	38.00
Others	2.80	0.04	8.23	0.12
Total	**7,789.41**	**100.00**	**7,234.95**	**100,00**

NOTE O - STATEMENT OF SUBSCRIPTIONS AND VOTING POWER AS AT DECEMBER 31, 2005

(Amounts in UA thousands)

		Subcription							Payment Position			Voting Power	
					10th General Replenishment								
	Participants	Initial	Special Increase	1st to 9th General Replenishment [1]	Normal Subscription [12]	Suppl. Contributions through accelerated encashments [4]	Total	Total Subscribed including contributions through accelerated encashments	Installments paid [9]	Installments due [6]	Installments not yet payable	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	-	0.141	0.007
3	AUSTRIA	13,816	-	140,901	53,494	2,672	56,166	210,883	172,548	-	35,663	13.203	0,660
4	BELGIUM	2,763	-	228,557	47,968	4,794	52,762	284,082	245,412	-	33,876	18.778	0.939
5	BRAZIL [7]	1,842	921	124,700	-	-	-	127,463	119,142	-	7,912	9.116	0.456
6	CANADA[3]	13,816	6,908	1,014,979	136,523	16,657	153,180	1,188,883	1,081,210	-	91,015	82.731	4.137
7	CHINA	13,816	-	202,208	50,521	5,373	55,894	271,918	232,865	-	33,681	17.818	0.891
8	DENMARK	4,605	1,842	415,654	33,439	3,591	37,030	459,131	433,248	-	22,293	33.151	1.658
9	FINLAND	1,842	-	198,803	50,102	958	51,060	251,705	250,747	-	-	19.186	0.959
10	FRANCE	8,809	-	1,198,543	284,049	29,120	313,169	1,520,521	1,302,035	-	189,366	99.628	4.981
11	GERMANY	6,860	6,956	1,252,300	225,000	-	225,000	1,491,116	1,266,116	-	225,000	96.880	4.844
12	INDIA	5,526	-	51,986	5,386	537	5,923	63,435	59,308	-	3,591	4.538	0.227
13	ITALY	9,211	-	953,312	-	-	-	962,523	860,613	92,289	-	63.033	3.152
14	JAPAN	13,816	-	1,694,501	227,452	-	227,452	1,935,769	1,784,134	-	151,634	136.507	6.826
15	KOREA	9,211	-	91,681	21,649	-	21,649	122,541	108,108	-	14,433	8.272	0.414
16	KUWAIT [5]	4,974	-	147,143	-	-	-	152,117	152,117	-	-	11.640	0.582
17	NETHERLANDS	3,684	1,842	404,121	112,046	287	112,333	521,980	446,996	-	74,697	33.287	1.664
18	NORWAY	4,605	2,303	521,177	132,450	-	132,450	660,535	572,234	-	88,300	42.607	2.130
19	PORTUGAL	7,368	-	87,766	-	-	-	95,134	95,135	-	-	7.279	0.364
20	SAUDI ARABIA	8,289	-	206,022	-	-	-	214,311	213,379	-	-	16.327	0.816
21	SOUTH AFRICA	1,794	-	7,909	-	-	-	9,703	9,703	-	-	0.000	0.000
22	SPAIN [10]	1,842	921	249,414	70,517	4,371	74,888	327,065	237,400	-	78,310	18.165	0.908
23	SWEDEN	4,605	3,684	632,005	136,160	-	136,160	776,454	684,854	-	91,601	52.403	2.620
24	SWITZERLAND	2,763	2,938	509,962	87,389	-	87,389	603,052	544,793	-	58,259	41.686	2.084
25	U.A.E.[11]	4,145	-	4,145	-	-	-	8,290	8,290	-	-	0.634	0.032
26	UNITED KINGDOM	4,800	3,073	624,972	-	-	-	632,845	632,845	-	-	47.876	2.394
27	U.S.A.[8]	12,434	8,289	1,637,660	278,101	-	278,101	1,936,485	1,634,945	-	301,539	125.101	6.255
	TOTAL	**173,684**	**41,060**	**12,713,193**	**1,952,246**	**68,360**	**2,020,606**	**14,948,543**	**13,261,760**	**99,307**	**1,501,170**	**2,000.000**	**100.000**
	Supplementary information: Supplementary Contributions through Accelerated encashment to reduce the Gap	-	-	38,565	-	-	-	38,565	26,458	-	-	-	-

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 These supplementary contributions and the attached voting power rights will be credited at the end of each country's specific accelerated encashment period.
5 Kuwait subscribed to ADF-IX an amount of USD 5 million equivalent to UA 3,956,234 less than the amount pledged (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 's subscription to ADF is qualified as follows: ADF-VIII: UA 162,337 ; ADF-IX: UA 23,276,286 ; ADF-X: UA 185,377,773.
9 Including supplementary contributions through accelerated encashment to maintain burden share.
10 Spain chose an acceleration of 14.74% to increase its ADF-IX burden share from 2.000% to 2.295%. Its subscription to ADF-IX is qualified for UA 20,226,632.
11 State Participant has not subscribed to ADF-IX.
12 Norway made a voluntary contribution of UA 11.9 million. Voluntary contributions do not carry voting power.

Slight differences may occur in totals due to rounding.

NOTE P - APPROVAL OF FINANCIAL STATEMENTS

On March 29, 2006, the Board of Directors of the Bank authorized these financial statements for issue to the Board of Governors. The financial statements will be approved by the Board of Governors at its annual meeting in May 2006.

INDEPENDENT AUDITOR'S 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 2005 which comprise the statement of net development resources, statement of income and expenses and changes in development resources, statement of comprehensive income and the statement of cash flows and the related notes A to P. These special purpose financial statements have been prepared under the accounting policies set out therein, for the purpose of submitting approved and audited special purpose 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 auditor

These special purpose financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

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 special purpose financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting policies used and significant estimates and judgments made by the Fund's management, as well as evaluating the overall special purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the special purpose financial statements present fairly, in all material respects, the net development resources of the African Development Fund as at 31 December 2005 and the income and expenses and changes in development resources, comprehensive income and its cash flows for the year then ended and have been prepared in accordance with the basis of the accounting policies set out in Note B.

Deloitte & Touche LLP

Deloitte & Touche LLP
London
United Kingdom
13 April 2006

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2006

(UA Thousands)

Description	
Management Fees*	132,250
Direct Expenses	140
Total	**132,390**

** The amount represents the African Development Fund's share of the fair value of the Bank's expenses in respect of officers, staff, organization, services, and facilities based on a formula approved by the Fund's Board.*

Nigeria Trust Fund

Financial Management

Investments

NTF cash and investments, which are solely denominated in US Dollars, amounted to UA 323.7 million at December 31, 2005, compared to UA 309.1 million in 2004. Investment income for 2005 amounted to UA 7.6 million, representing a return of 2.35 percent, on an average liquidity level of UA 323.1 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 Management

Loan Portfolio

Loans signed, net of cancellations, as at December, 31 2005, amounted to UA 248.4 million compared with UA 242.1 million at end of 2004, an increase of 2.6 percent. As at December 31, 2005, there were 61 active signed loans amounting to UA 74.4 million. There were 24 fully repaid loans for a total amount of UA 58.7 million.

Disbursements

Disbursements for 2005 amounted to UA 3.4 million compared to UA 4.8 million for 2004. As at December 31, 2005, cumulative disbursements amounted to UA 183 million. A total of 55 loans were fully disbursed for a total amount of UA 176.7 million, representing 96.5 percent of cumulative disbursements.

Financial Results

Net income for the NTF increased from a restated amount of UA 6.6 million in 2004 to UA 10.7 million in 2005, due to an increase in investment income and a write-back of excess provision for loan losses. Investment income increased from UA 5.6 million in 2004 to UA 7.6 million in 2005 due to the change in the investment strategy of the Fund. Administrative expenses which is made up mainly of the Funds share of the total shareable expenses of the ADB group increased by UA 0.6 million, from UA 1.5 million in 2004 to UA 2.1 million in 2005. The Fund's reserves net of cumulative currency translation adjustments increased from UA 238.3 million in 2004 to UA 280.5 million in 2005.

Nigeria Trust Fund

Financial Statements and Report of the Independent Auditors for the Years ended December 31, 2005 and 2004

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BALANCE SHEET
AS AT DECEMBER 31, 2005 AND 2004
(UA thousands - Note B)

ASSETS	2005	Restated (Note C) 2004
DUE FROM BANKS	1,916	856
INVESTMENTS (Note D)	321,736	308,231
ACCOUNTS RECEIVABLE		
Accrued income and receivables on loans	10,770	8,108
Accrued income on investments	4,970	4,375
Other receivables	10	287
	15,750	12,770
LOANS (Note E)		
Disbursed and outstanding	74,360	70,020
Less: Accumulated provision for impairment	(3,452)	(4,612)
	70,908	65,408
TOTAL ASSETS	**410,310**	**387,265**

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

LIABILITIES & EQUITY	**2005**	Restated (Note C) 2004
ACCOUNTS PAYABLE	1,234	20,342
EQUITY (Note F)		
Fund capital	128,586	128,586
Reserves		
Retained earnings	374,183	364,056
Cumulative Currency Translation Adjustment (Note B)	(93,693)	(125,719)
Total reserves	280,490	238,337
Total equity	409,076	366,923
TOTAL LIABILITIES & EQUITY	**410,310**	**387,265**

STATEMENT OF INCOME AND EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(UA thousands - Note B)

	2005	Restated (Note C) 2004
INCOME (Note G)		
Interest and charges on loans	3,233	3,116
Income from investments	7,551	5,589
Total Income	10,784	8,705
EXPENSES		
Share of administrative expenses paid to the African Development Bank (Note H)	2,157	1,530
Bank charges	196	86
Total expenses	2,353	1,616
Provision for impairment on loans (Note E)	(1,528)	(27)
Provision for impairment on loan interest and charges (Note E)	(772)	529
Total expenses and provision for impairment	53	2,118
NET INCOME	**10,731**	**6,587**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(UA thousands - Note B)

	Fund Capital	Retained Earnings	Cumulative Currency Translation Adjustment - CCTA	Total Equity
Balance at January 1, 2004	128,586	356,345	(109,475)	375,456
Effect of changes in accounting policy	-	19,334	-	19,334
Restated balance	128,586	375,679	(109,475)	394,790
Distribution of income approved by the Board of Governors in 2004:				
Highly Indebted Poor Countries	-	(1,159)	-	(1,159)
Transfer to technical cooperation fund	-	(17,051)	-	(17,051)
Currency translation adjustment	-	-	(16,244)	(16,244)
Net income for the year	-	6,587	-	6,587
Balance at December 31, 2004 and January 1, 2005	**128,586**	**364,056**	**(125,719)**	**366,923**
Distribution of income approved by the Board of Governors in 2005:				
Highly Indebted Poor Countries	-	(604)	-	(604)
Currency translation adjustment	-	-	32,026	32,026
Net income for the current year	-	10,731	-	10,731
Balance at December 31, 2005	**128,586**	**374,183**	**(93,693)**	**409,076**

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(UA thousands - Note B)

	2005	Restated (Note C) 2004
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	10,731	6,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of held-to-maturity investments	4,501	3,020
Provision for impairment on loan principals and charges	(2,300)	502
Unrealized losses on investments	29	72
Changes in accrued income and receivables on loans	(1,263)	(5,154)
Changes in net current assets	(2,137)	3,014
Net cash provided by operating activities	9,561	8,041
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(3,392)	(4,812)
Repayments of loans	5,043	5,464
Investments maturing after 3 months of acquisition:		
Held-to-maturity portfolio	5,737	(227,282)
Trading portfolio	(3,122)	110,698
Payment of allocations and distributions from net income	(17,520)	(1,159)
Net cash used in investing, lending and development activities	(13,254)	(117,091)
Effect of exchange rate changes on:		
Cash and liquid investments	(969)	(2,932)
Net decrease in cash and liquid investments	(4,662)	(111,982)
Cash and cash equivalents at the beginning of the year	7,529	119,511
Cash and cash equivalents at the end of the year	**2,867**	**7,529**
Composed of:		
Investments maturing within 3 months of acquisition:		
Trading portfolio	951	6,074
Held-to-maturity	-	599
Cash	1,916	856
Cash and cash equivalents at the end of the year	**2,867**	**7,529**
Supplementary disclosure:		
Movements resulting from exchange rate movement on loans	(5,862)	2,900

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE A – NATURE OF OPERATIONS

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 the Agreement became effective 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. Although the terms of the current agreement would terminate on April 25, 2006, negotiations are at an advanced stage between the Bank and the Nigerian Authorities for the renewal of the agreement and extension of the life of the Fund. To enable the Fund to continue to operate pending the conclusion of the negotiations, the two parties have agreed, in principle, to a one-year extension of the life of the Fund under the same terms and conditions as the current agreement.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention except for certain financial assets that are carried at fair value. In terms of the prior year, accounting policies are consistent in all respects, except as noted in note C. The significant accounting policies of the Fund are summarized below.

Revenue recognition

Interest income is accrued on a time basis and recognized based on the effective interest rate for the time such instrument is outstanding and held by the Fund. The effective interest 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 effective interest rate basis for the held-to-maturity financial instruments.

Functional and presentation currencies

The Fund conducts its operations in United States Dollars. The Fund has determined that its functional currency is the US dollar. 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 Unit of Account is defined in Article 5.1 (b) of the Agreement Establishing the African Development Bank as equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF) or any unit adopted for the same purpose by the IMF.

Currency translation

Income and expenses are translated to the UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated from the United States Dollars into the UA at rates prevailing at the balance sheet date. Translation differences are included in reserves under Cumulative Currency Translation Adjustment (CCTA). Changes in CCTA are reported in the "Statement of Changes in Equity". Capital replenishments are recorded in UA at the rates prevailing at the time of receipt. Translation gains and losses on conversion of currencies into other currencies are included in the determination of net income.

Financial instruments

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

1. Financial assets

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

(i) Financial assets at fair value through profit or loss

All trading assets are carried at fair value through the income statement. The investment trading portfolio is acquired principally for the purpose of selling in the short term.

(ii) Loans and receivables

Loans include outstanding balances receivable from borrowers in respect of amounts disbursed. The Fund has also classified accrued income and receivables from loans and investments and other sundry amounts as receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a borrower with no intention of trading the receivable.

(iii) Held-to-maturity investments

The Fund has classified its investments in certain debt securities as held-to-maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Purchases and sales of financial assets at fair value through profit or loss and held-to-maturity are recognized on a trade-date basis, which is the date on which the Fund commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

Loans receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

2. Financial liabilities

Financial liabilities include accounts payable and are reported at amortized cost.

Impairment of financial assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Fund.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Following the adoption of revised IAS 39 on January 1, 2005, the Fund discontinued placing loans in non-accrual status. Interest and charges are accrued on all loans including those in arrears.

Offsetting financial instruments

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

Fair value disclosure

The fair values of quoted investments in active markets are based on current bid prices. For financial assets with inactive markets or unlisted securities, the Fund establishes fair value by using valuation techniques that incorporate the maximum use of market data inputs. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Financial instruments for which market quotations are not readily available have been valued using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not readily determinable. Management believes that these methodologies and assumptions are reasonable; however, the values actually realized in a sale might be different from the fair values disclosed.

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

(i) Cash and cash equivalents

The carrying amount is the fair value.

(ii) 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.

(iii) Loans

The Fund does not sell its loans, nor does it believe there is a comparable market for its loans. The fair value of loans reported in these financial statements represents management's best estimates of the present value of the expected cash flows of these loans. Fair values are estimated using a discounted cash flow model based on the year-end variable lending rate in that currency, adjusted for impairment.

Retained earnings

Retained earnings of the Fund consist of amounts allocated to reserves from prior years income and unallocated current year net income. Unallocated net income consists of current year earnings. Upon recommendation by the Board of Directors, the Board of Governors approve allocations or distributions of unallocated net income to various specified development causes consistent with the Agreement establishing the Fund.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarized below:

(i) Impairment losses on loans and advances

The Fund reviews its loan portfolios to assess impairment at each financial reporting date. In determining whether an impairment loss should be recorded in the income statement, the Fund makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Fair values of financial instruments

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

(iii) Held-to-maturity investments

The Fund follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Fund evaluates its intention and ability to hold such investments to maturity.

NOTE C – ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on, or after January 1, 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Fund's accounting policies. The following area and amounts have been affected for the current or prior years:

Incurred loss provisioning (IAS 39)

Prior to January 1, 2005, the Fund placed 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 were overdue by six months or more. Upon the adoption of the revised IAS 39 on January 1, 2005, the Fund no longer placed loans in non-accrual status. Interest and charges are accrued on all loans including those in arrears. The revised standard requires that both principal and charges receivable on loans be assessed for impairment using the incurred loss model. In accordance with consequential changes to IAS 30, cumulative interest charges that had previously been non-accrued as a result of the former non-accrual policy, amounting to UA 14.81 million less impairment provision of UA 7.97 million, has been transferred to reserves on January 1, 2005.

The change from expected loss to incurred loss provisioning methodology, under IAS 39 (revised), also requires the restatement of prior year comparative figures. The provision calculated under the revised methodology was UA 3.45 million as at December 31, 2005 (2004: UA 4.61million). The provision in the previous financial statements as at December 31, 2004 was UA 16.81 million.

Other

At the date of authorization of these financial statements, a number of Standards and Interpretations were in issue but not yet effective. Of these, IFRS 7 – "Financial Instrument Disclosures" will impact the Fund, and its effect is currently being assessed.

NOTE D – INVESTMENTS

As part of the overall portfolio management strategy, the Fund invests in government and agency obligations, time deposits, and asset-backed securities.

For government and agency obligations with final maturity longer than one year, the Fund may only invest in obligations with counterparties having a minimum credit rating of AA- issued or unconditionally guaranteed by governments of member countries or other official entities. For asset-backed securities, the Fund may only invest in securities with an AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than one year and a minimum credit rating of A.

The composition of investments as at December 31, 2005 and 2004 was as follows:

(UA thousands)	**2005**	2004
Trading	97,091	91,215
Held-to-maturity	224,645	217,016
Total	**321,736**	**308,231**

Investments held-for-trading

Investments held-for-trading as at December 31, 2005 and 2004 are summarized below:

(UA thousands)	2005	2004
Time deposits	951	6,071
Asset-backed securities	33,950	85,144
Government and agency obligations	27,140	-
Corporate bonds	35,050	-
Total	**97,091**	**91,215**

The maturity structure of held-for-trading investments as at December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	2004
One year or less	951	12,513
More than one year but less than two years	2,802	21,283
More than two years but less than three years	15,396	20,616
More than three years but less than four years	16,812	12,946
More than four years but less than five years	-	3,013
More than five years	61,130	20,843
Total	**97,091**	**91,215**

Investments held-to-maturity

Investments held-to-maturity as at December 31, 2005 and 2004 are summarized below:

(UA thousands)	2005	2004
Government and agency obligations	146,250	-
Corporate bonds	78,395	216,417
Time deposits	-	599
Total	**224,645**	**217,016**

The maturity structure of held-to-maturity investments as at December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	2004
One year or less	224,645	5,889
More than one year but less than two years	-	211,127
Total	**224,645**	**217,016**

The fair value of held-to-maturity investments at December 31, 2005 was UA 223.68 million.

NOTE E – LOANS

Loans originated prior to September 22, 2003, carry an interest rate of four per cent (4%) on the outstanding balance. With effect from September 22, 2003, pursuant to the Board of Governors' resolution B/BG/2003/11 of June 3, 2003 and the protocol agreement between the Government of Nigeria and the Bank, dated September 22, 2003, interest rate on loans was changed from a flat four per cent (4%) per annum to a range of 2% to 4% (inclusive) per annum on the outstanding balance. Further, a 0.75% commission is payable on undisbursed balances commencing 120 days after the effective date of the loan. Loans are granted for a maximum period of twenty-five years including grace periods of up to five years.

The Fund's loan regulations require that loans be expressed in UA and repaid in the currency disbursed. At December 31, 2005 the loans disbursed are repayable in US dollars.

The maturity structure of outstanding loans as at December 31, 2005 and 2004 are as follows:

(Amounts in UA millions) Restated (Note C)

Periods	**2005**		2004	
	Amount	%	Amount	%
One year or less	24.38	32.79	20.98	29.96
More than one year but less than two years	6.49	8.73	6.08	8.68
More than two years but less than three years	5.75	7.73	5.79	8.27
More than three years but less than four years	5.42	7.29	5.18	7.40
More than four years but less than five years	5.10	6.86	4.82	6.89
More than five years	27.22	36.60	27.17	38.80
Total	**74.36**	**100.00**	**70.02**	**100.00**

Provision for impairment on loan principal and charges receivable

At December 31, 2005, loans made to or guaranteed by certain borrowing countries with an aggregate principal balance of UA 34.02 million, of which UA 17.57 million was overdue, were considered to be impaired. The gross amounts of loans and charges receivable that were impaired and the cumulative impairment on them at December 31, 2005 and 2004 were as follows:

(UA thousands)	**2005**	Restated (Note C) 2004
Outstanding balance on impaired loans	34,019	30,729
Less: Accumulated provision for impairment	(3,452)	(4,612)
Net balance on impaired loans	**30,567**	**26,117**
Charges receivable and accrued income on impaired loans	17,445	14,814
Less: Accumulated provision for impairment	(7,865)	(7,970)
Net charges receivable and accrued income on impaired loans	**9,580**	**6,844**

The movement in the accumulated provision for impairment on loans for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Balance as at January 1	4,612	4,846
Provision for impairment on loans for the year	(1,528)	(27)
Translation adjustment	368	(207)
Balance as at December 31	**3,452**	**4,612**

The movement in the accumulated provision for impairment on interest and charges receivable for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Balance as at January 1	7,970	7,800
Provision for impairment on loan charges	(772)	529
Translation effect	667	(359)
Balance as at December 31	**7,865**	**7,970**

Fair value of loans

At December 31, 2005 and 2004, the estimated fair values of loans were as follows:

(UA thousands)	2005		Restated (Note C) 2004	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Loan balance at December 31	74,360	84,074	70,020	76,075
Accumulated provision for impairment on loans	(3,452)	-	(4,612)	-
Net balance	**70,908**	**84,074**	**65,408**	**76,075**

NOTE F – EQUITY

Equity is composed of Fund capital, retained earnings, and cumulative currency translation adjustment. These are further detailed as follows:

Fund capital

The initial capital of the Fund was Naira 50 million which was payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment equivalent to US$ 39.9 million was received by the Bank on July 14, 1976, and the second installment equivalent to US$ 39.61 million was received on February 1, 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the Fund with Naira 50 million. The first installment of Naira 35 million equivalent to US$ 52.29 million was received on October 7, 1981. The second installment of Naira 8 million equivalent to US$ 10.87 million was received on May 4, 1984. The payment of the third installment of Naira 7 million equivalent to US$ 7.38 million was received on September 13, 1985.

Retained earnings

Retained earnings as at December 31, 2005 and 2004 were as follows:

(UA thousands)

Balance at January 1, 2004	356,345
Effect of changes in accounting policy	19,334
Balance at January 1, 2004 (as restated)	375,679
Board of Governors-approved allocations to HIPC	(1,159)
Allocation to technical co-operation agreement grant	(17,051)
Net income for the year	6,587
Balance at December 2004 and January 1, 2005	**364,056**
Board of Governors-approved allocations to HIPC	(604)
Net income for the current year	10,731
Balance at December 31, 2005	**374,183**

NOTE G – INCOME FROM LOANS AND INVESTMENTS

Income on Loans
Income on loans for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Interest income on loans not impaired	1,660	1,745
Interest income on impaired loans	1,225	1,054
Commitment charges	348	317
Total income on loans	**3,233**	**3,116**

Income from Investments
Income from investments for the years ended December 31, 2005 and 2004 was as follows:

(UA thousands)	2005	Restated (Note C) 2004
Interest income	12,308	9,141
Realized and unrealized fair value losses and amortization of premium/discount	(4,757)	(3,552)
Investment income for the year	**7,551**	**5,589**

NOTE H – SHARE OF ADMINISTRATIVE EXPENSES PAID TO THE AFRICAN DEVELOPMENT BANK

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 incurred by 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 2.16 million charged for the year (2004: UA 1.53 million) represents the expenses reimbursed by the Fund.

NOTE I – RISK MANAGEMENT

In the course of 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 willingness to service its obligations to the Fund. The Fund manages country credit risk through financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessments. These include the assessment of the country's macroeconomic performance as well as its socio-political conditions and future growth prospects. Any occurring losses from country credit risk are considered in the determination of the accumulated provision for loan losses.

The individual country exposure to the Fund on outstanding loans as at December 31, 2005 was made up as follows:

(Amounts in UA thousands)

Country	No of Loans*	Total Loans	Unsigned Loans	Undisbursed Balance	Outstanding Balance	% of Total Outstanding Loans
Benin	4	12,168	-	5,322	6,846	9.21
Botswana	2	662	-	-	662	0.89
Burundi	3	208	-	-	208	0.28
Cape Verde	2	4,084	-	1,027	3,057	4.11
Djibouti**	1	3,291	-	110	3,181	4.28
Gambia	4	8,272	-	7,516	756	1.02
Ghana	3	3,000	-	3,000	-	-
Guinea	3	7,499	-	2,319	5,180	6.97
Guinea-Bissau	2	3,510	-	3,510	-	-
Lesotho	4	1,931	-	-	1,931	2.60
Liberia**	4	23,617	-	-	23,617	31.76
Madagascar	2	5,868	-	3,406	2,462	3.31
Mali	3	1,193	-	-	1,193	1.60
Mauritania	3	10,568	-	9,058	1,510	2.03
Mauritius	2	5,100	-	5,100	-	-
Namibia	1	2,151	-	-	2,151	2.89
Rwanda	3	8,188	-	6,000	2,188	2.94
Senegal	3	4,985	-	-	4,985	6.70
Seychelles**	4	6,009	-	-	6,009	8.08
Somalia**	1	814	-	-	814	1.09
Swaziland	2	5,212	-	4,950	262	0.35
Tanzania	3	4,050	-	-	4,050	5.45
Togo**	1	398	-	-	398	0.54
Uganda	1	2,900	-	-	2,900	3.90
Total	**61**	**125,678**	**-**	**51,318**	**74,360**	**100.00**

**Excludes fully repaid loans and cancelled loans.*
*** Country with overdue amounts as at December 31, 2005.*
Slight differences may occur in totals due to rounding.

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 at a 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 J - RELATED PARTIES

The Nigeria Trust Fund is administered by the African Development Bank. The ADB conducts the general operations of the NTF on the basis of the terms of the 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 H) comprise primarily such reimbursements made to the Bank during the year.

NOTE K - APPROVAL OF FINANCIAL STATEMENTS

On March 29, 2006, the Board of Directors of the Bank authorized these financial statements for issue to the Board of Governors. The financial statements will be approved by the Board of Governors at its annual meeting in May 2006.

INDEPENDENT AUDITOR'S 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 2005 which comprise the balance sheet, the statement of income and expenses, the statement of changes in equity, the statement of cash flows and the related notes A to K. 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 auditor

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates and judgments made by the Fund's management, as well as evaluating the overall financial statement presentation. We believe 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 Fund as at 31 December 2005 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to Note A to the financial statements, which indicates that the Fund was established under an agreement signed on 26 February 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 the Agreement became effective and that the resources of the Fund shall be transferred to Nigeria upon termination. The terms of the current agreement would terminate on 25 April 2006. Negotiations are still in progress between the African Development Bank and the Nigerian Authorities for the renewal of the Agreement and extension of the life of the Fund. To enable the Fund to continue to operate pending the conclusion of the negotiations, the two parties have agreed in principle to an interim one year extension of the life of the Fund under the same terms and conditions as the current agreement. These conditions indicate the existence of an uncertainty which may cast significant doubt about the Fund's ability to continue as a going concern.

Deloitte & Touche LLP

Deloitte & Touche LLP
London
United Kingdom
13 April 2006

Appendixes

Appendix I Organizational Chart on December 31

Principal Officers of the Bank on December 31

Appendix II **African Development Bank**

II -1 Resolutions Adopted by the Board of Governors in 2005 for the Bank

II -2 Board of Governors and Voting Powers of Member Countries on December 31, 2005

II -3 Board of Directors' Voting Powers and Countries Represented on December 31, 2005

Appendix III **African Development Fund**

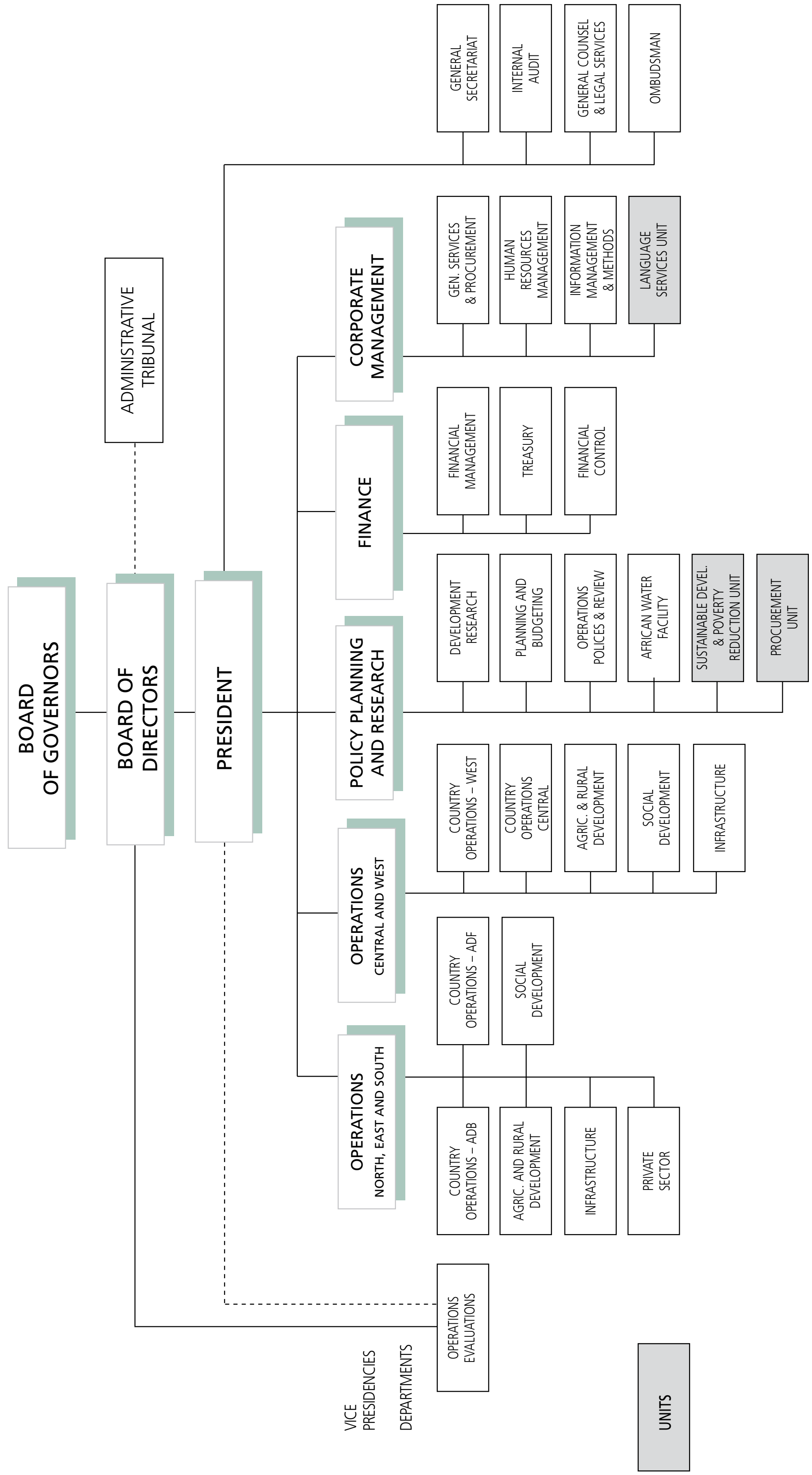
III -1 Resolutions Adopted by the Board of Governors in 2005 for the Fund

III -2 Board of Governors and Voting Powers of State Participants and the ADB on December 31, 2005

III -3 ADF Board of Directors' Voting Powers and the Countries Represented on December 31, 2005

III -4 Subscription of State Participants and the ADB on December 31, 2005

Appendix I: Bank Group Organizational Chart on December 31, 2005



Principal Officers of the Bank Group on December 31, 2005

	PRESIDENCY
D. Kaberuka	President
H. Kifle	Director of Cabinet
Vacant	Chief Economist
A. Akin-Olugbade	General Counsel
G. Giorgis	Director, Operations Evaluation Department
E. R. Ouko	Director, Office of Auditor General
V. Jogoo	Acting Secretary General
J. R. Nabina	Ombudsman
	CORPORATE MANAGEMENT
I. N'Diaye	Officer-in-Charge, Vice-Presidency, Corporate Management
I. N'Diaye	Director, Information Management and Methods Department
J. P. Ehounou	Director, General Services and Procurement Department
G. Terracol	Director, Human Resources Management Department
V. N. Mbarga	Head, Language Services Unit
M. Sangbe	Official Representative of the Abidjan Head Office
	FINANCE
T. De Longuemar	Vice-President
C. Boamah	Director, Financial Control Department
A. Oteh	Director, Treasury Department
T. I. Vusi	Acting Director, Financial Management Department
	POLICY, PLANNING AND RESEARCH
P. Afrika	Officer-in-Charge, Vice-Presidency, Policy, Planning and Research
P. Afrika	Director, Operations Policies and Review Department
K. Bedoumra	Director, African Water Facility Department
J. K. Litse	Director, Planning and Budgeting Department
C. Lufumpa	Officer-in-Charge, Development Research Department
J. Mensah-Quainoo	Head, Procurement Unit
Y. Vyas	Head, Sustainable Development and Poverty Reduction Unit
	OPERATIONS, CENTRAL AND WEST
J. M. Gharbi	Officer-in-Charge, Vice-Presidency, Operations, Central and West
J. M. Gharbi	Director, Country Operations – West Department
L. Chakroun	Director, Country Operations – Central Department
Z. El Bakri	Director, Social Development Department
G. Mbesherubusa	Director, Infrastructure Department
C. D. Spencer	Director, Agriculture and Rural Development Department
	OPERATIONS, NORTH, EAST AND SOUTH
B. B. Sidibe	Officer-in-Charge, Vice-Presidency, Operations, North, East and South
B. B. Sidibe	Director, Agriculture and Rural Development Department
F. N. Black	Director, Country Operations – ADF Department
L. Borin	Director, Private Sector Department
A. Hamer	Director, Social Development Department
A. R. Rakotobe	Director, Infrastructure Department
S. Olanrewaju	Officer-in-Charge, Country Operations – ADB Department

Appendix II-1
Resolutions Adopted by the Board of Governors in 2005 for the Bank

B/BG/2005/01:	By-election of Executive Directors of the African Development Bank
B/BG/2005/02:	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/2005/03:	Amendments to the Terms of Reference of the Steering Committee for the Election of the President of the Bank
B/BG/2005/04:	ADB Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2004
B/BG/2005/05:	Allocation of the Net Income of the African Development Bank for the Financial Year Ended 31 December 2004
B/BG/2005/06:	Allocation of the Net Income of the Nigeria Trust Fund for the Financial Year Ended 31 December 2004
B/BG/2005/07:	Dates and Venue of the Forty-First Annual Meeting of the Board of Governors of the Bank and the Thirty-Second Annual Meeting of the Board of Governors of the Fund (2006).
B/BG/2005/08:	Vote of Thanks of the Boards of Governors to His Excellency President Olusegun Obasanjo, President of the Federal Republic of Nigeria
B/BG/2005/09:	Vote of Thanks of the Boards of Governors to the Outgoing Chairperson, the Bureau and the Joint Steering Committee
B/BG/2005/10:	Vote of Thanks of the Boards of Governors to the Boards of Directors, Management and Staff
B/BG/2005/11:	Vote of Thanks of the Boards of Governors to the National Organizing Committee of the 2005 Annual Meetings
B/BG/EXTRA/2005/01:	Election of the President of the African Development Bank
B/BG/EXTRA/2005/02:	Vote of Thanks of the Board of Governors to His Excellency Zine El Abidine Ben Ali, President of the Republic of Tunisia
B/BG/EXTRA/2005/03:	Vote of Thanks of the Board of Governors to OMAR KABBAJ, Outgoing President, for the services rendered to the Bank Group

Appendix II-2
Board of Governors and Voting Powers of Member Countries on December 31, 2005

Country	Governor	Alternate	Total votes	Voting power %
Algeria	Mourad Medelci	Abdelkrim Lakehal	83,568	3.790
Angola	José Pedro De Morais	Amadeu Mauricio	25,963	1.178
Benin	Cosme Sehlin	Semiou Bakary	4,871	0.221
Botswana	Duncan Mlazie	Taufila Nyamadzabo	47,134	2.138
Burkina Faso	Seydou Bouda	Lene Segbo	10,128	0.459
Burundi	Dieudonne Ngowembona	Ntisezerana Gabriel	5,797	0.263
Cameroon	Abah Abah Polycarpe	Essomba Ngoula Blaise	23,194	1.052
Cape Verde	João Pinto Serra	Victor Fidalgo	2,297	0.104
Central Afr. Rep.	Sylvain Maliko	Theodore Dabanga	1,598	0.072
Chad	Mahamat Ali Hassan	Abbas Mahamat Tolli	2,265	0.103
Comoros	Oubeidi Mze Chei	Said Abdilahi	1,091	0.049
Congo	Pacifique Issoibeka	Pierre Moussa	10,472	0.475
Côte d'Ivoire	Paul Bohoun Bouabre	Britto Boniface	78,473	3.559
Dem. Rep. Congo	Marco Banguli	Jean Claude Masangu Mulongo	23,365	1.060
Djibouti	Ali Farah Assoweh	Djama Mahamoud Haid	1,838	0.083
Egypt	Farouk El–Okdah	Mahmoud Mohey El Din	112,158	5.087
Equatorial Guinea	Marcelino Owono Edu	José Angel Borico Moises	4,089	0.185
Eritrea	Berhane Abrehe	Martha Woldegiorghis	2,628	0.119
Ethiopia	Sufian Ahmed	Mulu Ketsela	35,311	1.602
Gabon	Paul Toungui	Casimir Oye Mba	27,854	1.263
Gambia	Moussa G. Bala Gaye	Abdou B. Touray	3,995	0.181
Ghana	Kwadwo Baah-Wiredu	Paul A. Acquah	50,005	2.268
Guinea	Madikaba Camara	Eugene Camara	9,688	0.439
Guinea Bissau	Joao Aladje Mamadu Fadia	Maria Paula Costa Pereira	1,225	0.056
Kenya	David Mwiraria	Joseph K. Kinyua	32,248	1.463
Lesotho	Timothy Thahane	M. Majoro	3,941	0.179
Liberia	Lusinee F. Kamara, Sr.	Christian G. Herbert	4,855	0.220
Libya	Mohamed Ali M. El Huwej	Farhat O. Ben–Gdara	80,275	3.641
Madagascar	Andriamparany B. Radavidson	Harison Edmond Randriarimanana	14,750	0.669
Malawi	Goodall Gondwe	Patrick C. Kamwendo	7,097	0.322
Mali	Abou–Bakar Traore	Marimantia Diarra	10,135	0.460
Mauritania	Mohamed Ould El Abed	Abba Ould Ahmed–Tolba	3,838	0.174
Mauritius	Rima Krishna Sithanen	Krishnanand Guptar	14,682	0.666
Morocco	Fathallah Oualalou	Abdelatif Loudyi	72,894	3.306
Mozambique	Aiuba Cuereneia	Pedro Conceicao Couto	14,355	0.651

Appendix II-2
Board of Governors and Voting Powers of Member Countries on December 31, 2005

(Continued)

Country	Governor	Alternate	Total votes	Voting power %
Namibia	Saara Kuugongelwa–Amadhila	Carl–Herman G. Schlettwein	8,003	0.363
Niger	Ali Mahaman Lamine Zeine	Yacoubou Mahaman Sani	6,151	0.279
Nigeria	Ngozi Okonjo–Iweala	Nenadi Ousmane	197,860	8.974
Rwanda	Nshuti Paul Manasseh	Monique Nsanzabaganwa	3,585	0.163
São Tomé & Prin.	Maria Do Carmo Trovoada Sylveira	Eugenio Lourenzo Soares	2,113	0.096
Senegal	Abdoulaye Diop	Mamadou Faye	22,934	1.040
Seychelles	Patrick Pillay	Viviane Fock Tave	1,849	0.084
Sierra Leone	John O. Benjamin	Samura M.W. Kamara	5,924	0.269
Somalia	Mohamed Yassin Hassan	Mohamed M. Uluso	2,566	0.116
South Africa	Trevor A. Manuel	Lesetja Kganyago	89,124	4.042
Sudan	El Zubair Ahmed El Hassan	Hassan Ahmed Taha	9,454	0.429
Swaziland	Majozi Vincent Sithole	Absalom M.C. Dlamini	7,696	0.349
Tanzania	Basil Pesambili Mramba	Enos S. Bukuku	18,850	0.855
Togo	Payadowa Boukpessi	Hatadeema Non Saa	4,077	0.185
Tunisia	Mohamed Nouri Jouini	Mohamed Ali Mouelhi	31,037	1.408
Uganda	Ezra Suruma	M.C. Kassami	11,610	0.527
Zambia	Ngandu Peter Magande	Stumbeko Musokotwane	27,535	1.249
Zimbabwe	H.M. Murerwa	Willard L. Manugo	46,638	2.115
TOTAL REGIONALS			**1,325,080**	**60.102**

Appendix II-2
Board of Governors and Voting Powers of Member Countries on December 31, 2005

(Concluded)

Country	Governor	Alternate	Total Votes	Voting power %
Argentina	Felisa Josefina Micelina	Hernan Martin Perez Redrado	6,436	0.292
Austria	Karl–Heinz Grasser	Kurt Bayer	10,277	0.466
Belgium	Didier Reynders	Gino Alzetta	14,503	0.658
Brazil	Paulo Bernardo Silva	Jose Carlos Rocha Miranda	10,243	0.465
Canada	Pierre Pettigrew	Alister M. Smith	82,040	3.721
China	Zhou Xiaochuan	Li Ruogu	24,786	1.124
Denmark	Ole E. Moesby	Johnny Flento	25,722	1.167
Finland	Marjatta Rasi	Anneli Vuorinen	11,222	0.509
France	Xavier Musca	Ambroise Fayolle	82,040	3.721
Germany	Karin Kortmann	Rolf Wenzel	90,000	4.082
India	Shri P. Chidambaram	Rakesh Mohan	5,457	0.248
Italy	Giulio Tremonti	Ignazio Angeloni	52,967	2.402
Japan	Sadakazu Tanigaki	Toshihiko Fukui	119,340	5.413
Korea	Duck-Soo Han	Seung Park	10,277	0.466
Kuwait	Bader Al-Humaidhi	Hesham Al–Waqayan	10,333	0.469
Netherlands	Gerrit Zalm	Agnes Van Ardenne Van Der Hoeven	17,202	0.780
Norway	Anne M. Fagertun Stenhammer	Nils Haugstveit	25,722	1.167
Portugal	Fernando Teixeira Dos Santos	Carlos Costa Pina	5,497	0.249
Saudi Arabia	Mr. Yousef Al–Bassam	Ahmed M. Al-Ghannam	4,813	0.218
Spain	Mr. David Vera Figueras	Ramon Guzman Zapater	23,589	1.070
Sweden	Annika Söder	Stefan Emblad	34,025	1.543
Switzerland	Oscar Knapp	Serge Chappatte	32,325	1.466
United Kingdom	Hilary Benn	Gareth Thomas	36,970	1.677
United States of America	John W. Snow	Josette S. Shiner	143,846	6.525
Total Non-Regionals			**879,630**	**39.898**

Appendix II-3
Board of Directors' Voting Powers and Countries Represented on December 31, 2005

Executive Director	For	Total Votes	Voting Powers
Hubert J. C. ANDZE-OLINGA	Cameroon	23,194	
J. MOUTOU-KANGO (Alternate)	Congo	10,472	
	Burundi	5,797	
	Central African Rep.	1,598	
	Dem. Rep. Congo	23,365	
			2.922
Omar BOUGARA	Algeria	83,568	
Gabriela GOMES (Alternate)	Guinea Bissau	1,225	
	Madagascar	14,750	
			4.515
Philippe H. DACOURY-TABLEY	Côte d'Ivoire	78,473	
Juan MBA OWONO (Alternate)	Equatorial Guinea	4,089	
	Guinea	9,688	
			4.184
Alexandre FONTES	Cape Verde	2,297	
Oumar SYLLA (Alternate)	Senegal	22,934	
	Benin	4,871	
	Burkina Faso	10,128	
	Chad	2,265	
	Comoros	1,091	
	Gabon	27,854	
	Mali	10,135	
	Niger	6,151	
			3.979
Phiwayinkosi E. GININDZA	Swaziland	7,696	
Alex Cedric GOMANI (Alternate)	Malawi	7,097	
	Lesotho	3,941	
	Mauritius	14,682	
	South Africa	89,124	
	Zambia	27,535	
			6.807
Barminas Rick R. KUKURI	Namibia	8,003	
Andrew BVUMBE (Alternate)	Zimbabwe	46,638	
	Angola	25,963	
	Mozambique	14,355	
	Botswana	47,134	
			6.445

Appendix II-3
Board of Directors' Voting Powers and Countries Represented on December 31, 2005

(Continued)

Executive Director	For	Total Votes	Voting Powers
Foday MANSARAY	Sierra Leone	5,924	
Tugbeh DOE (Alternate)	Liberia	4,855	
	Gambia	3,995	
	Ghana	50,005	
	Sudan	9,454	
			3.367
Fouad SAMIR	Morocco	72,894	
Moncef BOUALLAGUI (Alternate)	Tunisia	31,037	
	Togo	4,077	
			4.899
Lawal Mohamed SANI	Nigeria	197,860	
Maria das N.C.B. de SOUSA (Alternate)	Sao Tome & Principe	2,113	
			9.070
Farouk A.H. SHAKWEER	Egypt	112,158	
Ali Hassan BAHDON (Alternate)	Djibouti	1,838	
			5.171
Ahmed Taher TABIB	Libya	80,275	
	Mauritania	3,838	
	Somalia	2,566	
			3.932
Gerald ZIRIMWABAGABO	Rwanda	3,585	
Andrew Peter SINON (Alternate)	Seychelles	1,849	
	Eritrea	2,628	
	Ethiopia	35,311	
	Kenya	32,248	
	Tanzania	18,850	
	Uganda	11,610	
			4.812

Appendix II-3
Board of Directors' Voting Powers and Countries Represented on December 31, 2005

(Concluded)

Executive Director	For	Total Votes	Voting Powers
François ARSENAULT	Canada	82,040	
Yousef G. AL-BADER (Alternate)	Kuwait	10,333	
	China	24,786	
	Korea	10,277	
	Spain	23,589	
			6.850
Richard DEWDNEY	U.K.	36,970	
Lily Mathilde TALAPESSY (Alternate)	Netherlands	17,202	
	Germany	90,000	
	Portugal	5,497	
			6.789
Cynthia Shepard PERRY	USA	143,846	
			6.525
Francesco PITTORE	Italy	52,967	
Emmanuel CARRERE (Alternate)	France	82,040	
	Belgium	14,503	
			6.781
Aud Marit WIIG	Norway	25,722	
Per Erik TRULSSON (Alternate)	Sweden	34,025	
	Denmark	25,722	
	Finland	11,222	
	India	5,457	
	Switzerland	32,325	
			6.099
Yasuaki YONEYAMA	Japan	119,340	
Carlos Rodolfo Bolo BOLANO (Alternate)	Argentina	6,436	
	Austria	10,277	
	Brazil	10,243	
	Saudi Arabia	4,813	
			6.854
Regional Total:			**60.102**
Non-Regional Total:			**39.898**
Grand Total:			**100.000**

Appendix III-1
Resolutions Adopted by the Board of Governors in 2005 for the Fund

B/BG/EXTRA/2005/1:	Election of the President of the African Development Bank.
F/BG/2005/02:	Selection of Executive Directors of the African Development Fund
F/BG/2005/03:	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/2005/04:	ADF Annual Report and Audited Financial Statements for the Financial Year ended 31 December 2004
F/BG/2005/05:	Dates and Venue of the Forty-First Annual Meeting of the Board of Governors of the Bank and the Thirty-Second Annual Meeting of the Board of Governors of the Fund (2006)
F/BG/2005/06:	Vote of Thanks of the Boards of Governors to His Excellency Olusegun Obasanjo, President of the Federal Republic of Nigeria
F/BG/2005/07:	Vote of Thanks of the Boards of Governors to the Outgoing Chairperson, the Bureau, and the Joint Steering Committee
F/BG/2005/08:	Vote of Thanks of the Boards of Governors to the Boards of Directors, Management, and Staff
F/BG/2005/09:	Vote of Thanks of the Boards of Governors to the National Organizing Committee of the 2005 Annual Meetings

Appendix III-2
Board of Governors and Voting Powers of State Participants and the ADB on December 31, 2005

	Country	Governor	Alternate	Total votes	Voting power %
1	African Development Bank			1000.000	50.000
2	Argentina	Felisa Josefina Micelina	Hernan Martin Perez Redrado	0.141	0.007
3	Austria	Karl–Heinz Grasser	Kurt Bayer	13.203	0.660
4	Belgium	Didier Reynders	Gino Alzetta	18.778	0.939
5	Brazil	Paula Bernardo Silva	Jose Carlos Rocha Miranda	9.117	0.456
6	Canada	Pierre Pettigrew	Alister M. Smith	82.731	4.137
7	China	Zhou Xiaochuan	Li Ruogu	17.818	0.891
8	Denmark	Ole E. Moesby	Johnny Flento	33.152	1.658
9	Finland	Marjatta Rasi	Anneli Vuorinen	19.186	0.959
10	France	Xavier Musca	Ambroise Fayolle	99.628	4.982
11	Germany	Karin Kortman	Rolf Wenzel	96.880	4.844
12	India	Shri P. Chidambaram	Rakesh Mohan	4.538	0.227
13	Italy	Giulio Tremonti	Ignazio Angeloni	63.033	3.152
14	Japan	Sadakazu Tanigaki	Toshihiko Fukui	136.517	6.826
15	Korea (Republic)	Duck-Soo Han	Seung Park	8.272	0.414
16	Kuwait	Bader Al-Humaidhi	Hesham Al–Waqayan	11.640	0.582
17	Netherlands	Gerrit Zalm	Agnes Van Ardenne Van Der Hoeven	33.287	1.664
18	Norway	Anne M. Fergetun Stenhammer	Nils Haugstveit	42.607	2.130
19	Portugal	Fernando Teixeira Dos Santos	Carlos Costa Pina	7.279	0.364
20	Saudi Arabia	Yousef Al–Bassam	Ahmed M. Al-Ghannam	16.327	0.816
21	Spain	David Vegara Figueras	Ramon Guzman Zapater	18.165	0.908
22	Sweden	Annika Söder	Stefan Emblad	52.403	2.619
23	Switzerland	Oscar Knapp	Serge Chappatte	41.686	2.084
24	United Arab Emirates	M. K. Bin Yousef Al Suweidi	Abdullah Hussain Dawood	0.634	0.032
25	United Kingdom	Hilary Benn	Gareth Thomas	47.878	2.394
26	United States of America	John W. Snow	Josette S. Shiner	125.101	6.255
Total				**2000.000**	**100.000**

Appendix III-3
ADF Board of Directors' Voting Powers and the Countries Represented on December 31, 2005

Executive Directors / Alternates	Participants	Total votes	Voting power %
Ahmed Taher TABIB**	ADB	8.333	
Omar BOUGARA**	ADB	8.333	
Gerald ZIRIMWABAGABO**	ADB	8.333	
Fouad SAMIR**	ADB	8.333	
Philippe H. DACOURY-TABLEY**	ADB	8.333	
Farouk A. SHAKWEER**	ADB	8.333	
			50.000
Cynthia Shepard PERRY	United States of America		
Adnan KIFAYAT	United States of America	6.255	
			6.255
Yasuaki YONEYAMA	Japan	6.826	
Claudio MACHADO	Saudi Arabia	0.816	
	Brazil	0.456	
	Austria	0.660	
	Argentina	0.007	
			8.765
Aud Marit WIIG	Norway	2.130	
Per Erik TRULSSON	Sweden	2.620	
	Switzerland	2.084	
	Denmark	1.658	
	Finland	0.959	
	India	0.227	
			9.679
Richard DEWDNEY	United Kingdom	2.394	
Lily Mathilde TALAPESSY	The Netherlands	1.664	
	Germany	4.844	
	Portugal	0.364	
			9.266
François ARSENAULT	Canada	4.137	
Yousef G. AL-BADER	Kuwait	0.582	
	Spain	0.908	
	China	0.891	
	Korea	0.414	
			6.931
Francesco PITTORE	Italy	3.152	
Emmanuel CARRERE	France	4.982	
	Belgium	0.939	
			9.072
Vacant	United Arab Emirates	0.032	
			0.032

APPENDIX III-4
Subscription of State Participants and the ADB on December 31, 2005

Participants		Contribution in UA
1	ADB	111,740,678
2	ARGENTINA	1,842,104
3	AUSTRIA	172,547,703
4	BELGIUM	245,412,175
5	BRAZIL	119,142,098
6	CANADA	1,081,210,235
7	CHINA	232,864,889
8	DENMARK	433,247,843
9	FINLAND	250,746,881
10	FRANCE	1,302,035,037
11	GERMANY	1,266,116,185
12	INDIA	59,307,983
13	ITALY	860,612,640
14	JAPAN	1,784,134,302
15	KOREA	108,108,308
16	KUWAIT	152,117,046
17	NETHERLANDS	446,995,726
18	NORWAY	572,234,301
19	PORTUGAL	95,134,879
20	SAUDI ARABIA	213,379,018
21	SOUTH AFRICA	9,702,488
22	SPAIN	237,399,911
23	SWEDEN	684,854,075
24	SWITZERLAND	544,793,076
25	U.A.E.	8,289,468
26	UNITED KINGDOM	632,845,342
27	U.S.A.	1,634,945,104
Sub-Total		**13,261,759,496**
Supplementary Contributions Through Accelerated Encashment to Reduce the Gap		26,458,202
Grand-Total		**13,288,217,698**

Slight differences may occur in totals due to rounding.

Annexes

Annex I **Classification of Regional Member Countries**

Annex II **Selected Statistics on Regional Member Countries**

II-1 Africa: Selected Social Indicators

II-2 Africa: Selected Macroeconomic Indicators

Data on Bank Group Operations

II-3 Bank Group Transfer of Resources to RMCs

II-4 Bank Group Transfer of Concessional Resources to RMCs

II-5 Bank Group Payments to Supplying Countries for Procurement by Origin of Supply

II-6 Bank Group Payments to Supplying Countries for Procurement by Source of Supply

II-7 Bank Group Loan and Grant Approvals by Country, 1967-2005

II-8 ADB Loan and Grant Approvals by Country, 1967-2005

II-9 ADF Loan and Grant Approvals by Country, 1974-2005

II-10 NTF Loan and Grant Approvals by Country, 1976-2005

II-11 Bank Group Loan and Grant Approvals by Sector, 1967-2005

II-12 ADB Loan and Grant Approvals by Sector, 1967-2005

II-13 ADF Loan and Grant Approvals by Sector, 1974-2005

II-14 NTF Loan and Grant Approvals by Sector, 1976-2005

Annex 1
Classification of Regional Member Countries

CATEGORY A - Countries Eligible for ADF Resources Only *

1	ANGOLA	20	KENYA
2	BENIN	21	LESOTHO
3	BURKINA FASO	22	LIBERIA
4	BURUNDI	23	MADAGASCAR
5	CAMEROON	24	MALAWI
6	CAPE VERDE	25	MALI
7	CENTRAL AFRICAN REPUBLIC	26	MAURITANIA
8	CHAD	27	MOZAMBIQUE
9	COMOROS	28	NIGER
10	CONGO	29	RWANDA
11	CONGO, DEM. REP. OF	30	SAO TOME & PRINCIPE
12	COTE D'IVOIRE	31	SENEGAL
13	DJIBOUTI	32	SIERRA LEONE
14	ERITREA	33	SOMALIA
15	ETHIOPIA	34	SUDAN
16	GAMBIA	35	TANZANIA
17	GHANA	36	TOGO
18	GUINEA	37	UGANDA
19	GUINEA BISSAU	38	ZAMBIA

CATEGORY B - Countries Eligible for a Blend of ADB and ADF

1	NIGERIA
2	ZIMBABWE

CATEGORY C - Countries Eligible for ADB Resources Only

1	ALGERIA
2	BOTSWANA
3	EGYPT
4	EQUATORIAL GUINEA
5	GABON
6	LIBYA **
7	MAURITIUS
8	MOROCCO
9	NAMIBIA
10	SEYCHELLES
11	SOUTH AFRICA
12	SWAZILAND
13	TUNISIA

** Except for limited ADB lending for enclave and private sector projects*

*** Libya is not a Borrowing Member Country*

Annex II-1
Africa: Selected Social Indicators

Country	Population (thousands) 2005	Life Expec-tancy at Birth (years) 2005	Infant Mortality Rate (per 1,000) 2005	Adult Illiteracy Rate (%) 2005	% of Population with Access to	
					Safe Water 2002	Saniatation 2002
Algeria	32,854	71.8	33.5	27.9	87	92
Angola	15,941	41.4	133.5	…	50	30
Benin	8,439	55.1	100.6	56.8	68	32
Botswana	1,765	35.0	45.9	18.6	95	41
Burkina Faso	13,228	48.5	118.0	71.5	51	12
Burundi	7,548	44.7	101.7	46.1	79	36
Cameroon	16,322	46.1	92.1	23.1	63	48
Cape Verde	507	71.1	26.7	22.0	80	42
Central African Republic	4,038	39.5	95.2	46.1	75	27
Chad	9,749	44.0	113.3	49.3	34	8
Comoros	798	64.3	52.1	43.2	94	23
Congo	3,999	52.9	69.7	14.2	46	9
Congo, Democratic Republic	57,549	44.1	114.9	31.9	84	40
Côte d'Ivoire	18,154	46.1	115.6	46.3	46	29
Djibouti	793	53.4	87.5	29.7	80	50
Egypt	74,033	70.5	32.7	40.8	98	68
Equatorial Guinea	504	42.3	97.5	12.9	44	53
Eritrea	4,401	55.0	60.0	39.5	57	9
Ethiopia	77,431	48.1	94.3	54.8	22	6
Gabon	1,384	53.8	53.8	…	87	36
Gambia	1,517	56.8	71.6	57.5	82	53
Ghana	22,113	57.5	58.3	23.0	79	58
Guinea	9,402	54.1	100.3	…	51	13
Guinea Bissau	1,586	45.1	114.5	55.2	59	34
Kenya	34,256	49.0	64.8	13.1	62	48
Lesotho	1,795	35.3	61.8	14.3	76	37
Liberia	3,283	42.5	136.0	41.1	62	26
Libya	5,853	74.1	17.7	15.9	72	97
Madagascar	18,606	55.8	74.3	29.5	45	33
Malawi	12,884	40.5	105.9	35.7	67	46
Mali	13,518	48.7	128.9	70.5	48	45
Mauritania	3,069	53.7	91.5	57.4	56	42
Mauritius	1,245	72.6	14.3	13.6	100	99
Morocco	31,478	70.4	34.0	46.5	80	61
Mozambique	19,792	41.8	94.8	49.6	42	27
Namibia	2,031	47.0	39.5	14.6	80	30
Niger	13,957	45.0	148.3	81.3	46	12
Nigeria	131,530	43.8	110.6	29.2	60	38
Rwanda	9,038	44.2	113.6	27.3	73	41
Sao Tome & Principe	157	63.6	79.8	…	79	24
Senegal	11,658	56.5	79.7	57.9	72	52
Seychelles	81	71.9	9.8	4.0	87	94
Sierra Leone	5,525	41.4	161.9	…	57	39
Somalia	8,228	47.8	118.3	…	29	25
South Africa	47,432	46.0	40.4	12.9	87	67
Sudan	36,233	56.7	67.8	36.9	69	34
Swaziland	1,032	31.1	67.5	17.1	52	52
Tanzania	38,329	46.4	104.2	19.9	51	34
Togo	6,145	55.1	89.5	36.5	82	80
Tunisia	10,102	73.7	20.3	23.8	73	46
Uganda	28,816	50.0	78.4	28.4	56	41
Zambia	11,668	38.4	91.0	17.8	55	45
Zimbabwe	13,010	37.3	60.2	8.1	83	57
Africa	**904,804**	**51.2**	**83.6**	**35.0**	**64**	**43**

Source : World Bank, World Development Indicators 2005; UN Population Division, The 2004 Revision; and ADB Statistics Division; WHO and UNICEF, 2002, 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 $) 2004	GDP Growth Rate (%) Annual Average 2000-2004	GDP Growth Rate (%) 2005	Investment (% of GDP) 2005	Consumer Price Inflation (%) 2005	Fiscal Balance (% of GDP) 2005	Debt Service (% of exports) 2005
Algeria	2,280	4.3	4.8	31.6	2.0	11.7	10.1
Angola	1,030	7.0	14.7	11.3	23.0	7.3	6.5
Benin	530	4.5	3.9	20.3	5.5	-2.4	7.5
Botswana	4,340	5.2	4.2	27.5	6.9	-0.7	17.4
Burkina Faso	360	5.6	3.5	17.9	6.4	-4.0	19.6
Burundi	90	1.9	5.0	11.8	19.2	-0.2	53.3
Cameroon	800	4.1	2.8	17.8	2.0	1.5	8.9
Cape Verde	1,770	5.9	6.3	22.5	0.4	-1.9	18.2
Central African Republic	310	-1.0	2.2	7.5	3.3	-2.7	..
Chad	260	12.0	5.9	18.8	8.5	-4.2	2.2
Comoros	530	2.2	2.8	10.9	3.5	-0.5	15.6
Congo	770	4.2	9.2	21.9	3.1	18.3	9.7
Congo, Democratic Republic	120	1.4	6.6	17.7	15.5	-2.8	6.5
Côte d'Ivoire	770	-1.1	1.0	8.8	3.9	-0.2	..
Djibouti	1,030	2.2	3.2	29.4	3.5	-2.2	6.5
Egypt	1,310	3.9	4.8	18.0	5.4	-6.0	11.1
Equatorial Guinea	..	27.8	0.2	9.5	7.6	16.3	0.6
Eritrea	180	0.3	0.8	23.7	15.0	-16.2	31.8
Ethiopia	110	4.4	7.3	25.0	8.2	-6.8	3.4
Gabon	3,940	0.8	2.2	22.7	0.3	11.0	8.7
Gambia	290	4.0	4.7	24.4	6.3	-5.6	31.7
Ghana	380	4.7	5.8	29.6	8.5	-1.4	5.6
Guinea	460	2.8	3.0	11.4	31.2	-0.5	12.8
Guinea Bissau	160	1.1	2.3	21.2	3.5	-14.4	14.3
Kenya	460	2.5	4.7	19.5	17.9	-1.7	1.1
Lesotho	740	3.0	0.8	31.3	4.1	-2.5	13.2
Liberia	110	..	..	..	15.5	..	..
Libya	4,450	4.5	4.3	20.3	8.5	24.4	..
Madagascar	300	2.6	6.3	24.8	18.4	-5.0	9.1
Malawi	170	1.5	2.1	16.3	14.8	-4.3	17.1
Mali	360	4.5	6.4	20.3	6.4	-4.6	7.1
Mauritania	420	5.2	5.4	32.7	15.5	-3.4	12.9
Mauritius	4,640	4.9	3.0	23.8	5.4	-5.1	5.6
Morocco	1,520	4.0	1.0	24.6	1.0	-5.2	14.1
Mozambique	250	7.6	7.7	21.3	5.8	-6.3	20.6
Namibia	2,370	3.3	3.6	23.7	1.7	-2.7	3.2
Niger	230	3.0	4.0	15.9	7.8	-4.0	13.6
Nigeria	390	5.3	3.9	22.5	17.8	10.0	17.9
Rwanda	220	5.4	4.0	21.1	11.9	-0.8	7.4
Sao Tome & Principe	370	3.8	3.2	37.3	15.2	51.4	24.1
Senegal	670	4.3	5.7	23.9	11.9	-3.5	16.9
Seychelles	8,090	-1.0	-2.8	11.7	0.9	7.2	5.8
Sierra Leone	200	13.2	7.5	20.6	13.9	-4.0	15.5
Somalia	..	..	..	..	9.0	..	83.8
South Africa	3,630	3.4	4.4	17.4	3.4	-1.9	8.0
Sudan	530	6.3	7.6	23.5	9.0	-0.2	11.1
Swaziland	1,660	2.4	2.0	17.8	3.4	-4.1	..
Tanzania	330	6.5	6.9	18.9	4.2	-4.5	11.2
Togo	380	2.4	3.0	28.1	6.7	1.4	7.3
Tunisia	2,630	4.5	5.0	24.7	1.8	-2.6	15.6
Uganda	270	5.5	5.9	23.8	8.5	-0.7	15.5
Zambia	450	4.4	5.0	22.9	18.3	-2.5	6.7
Zimbabwe	...	-5.8	-7.1	7.3	128.0	-16.1	5.2
Africa	**811**	**4.1**	**4.6**	**20.9**	**10.0**	**-0.3**	**10.6**

Sources : World Bank, Africa Live Database, February 2006 ; IMF, World Economic Outlook, September 2005 ; and ADB Statistics Division

Notes : … Data not available

- Magnitude zeros

Annex II-3
Bank Group Transfer of Resources of Regional Member Countries
(In millions of U.S. dollars)

Year	Gross Disbursements	Repayments of Principal	Net Disbursements	Interest and Charges	Net Transfers	Net Transfers as % of Gross Disbursements
1967	-	-	-	-	-	-
1968	0.1	-	0.1	-	0.1	100.0
1969	0.6	-	0.6	-	0.6	100.0
1970	2.4	-	2.4	0.2	2.2	91.7
1971	6.3	-	6.3	0.4	5.9	93.7
1972	13.5	0.1	13.4	1.3	12.1	89.6
1973	20.2	0.4	19.8	2.8	17.0	84.2
1974	24.0	0.6	23.4	4.5	18.9	78.8
1975	51.9	2.8	49.1	7.3	41.8	80.5
1976	62.0	7.6	54.4	10.7	43.7	70.5
1977	99.5	7.3	92.2	14.7	77.5	77.9
1978	141.9	14.0	127.9	23.3	104.6	73.7
1979	172.0	17.4	154.6	31.3	123.3	71.7
1980	220.1	20.3	199.8	40.0	159.8	72.6
1981	200.1	31.6	168.5	45.2	123.3	61.6
1982	280.2	34.1	246.1	53.5	192.6	68.7
1983	353.0	46.5	306.5	64.8	241.7	68.5
1984	288.6	59.8	228.8	75.8	153.0	53.0
1985	531.1	72.8	458.3	107.9	350.4	66.0
1986	672.3	106.6	565.7	150.7	415.0	61.7
1987	945.1	135.5	809.6	220.6	589.0	62.3
1988	1,166.9	171.3	995.6	245.7	749.9	64.3
1989	1,503.4	195.8	1,307.6	338.5	969.1	64.5
1990	1,874.4	265.6	1,608.8	414.0	1,194.8	63.7
1991	2,127.3	277.6	1,849.7	466.1	1,383.6	65.0
1992	2,171.6	315.8	1,855.8	586.4	1,269.5	58.5
1993	2,149.5	392.8	1,756.8	639.4	1,117.3	52.0
1994	2,089.6	583.2	1,506.5	836.3	670.2	32.1
1995	1,678.0	637.2	1,040.8	795.4	245.4	14.6
1996	1,641.6	760.1	881.5	843.1	38.4	2.3
1997	1,578.1	1,013.2	564.9	795.6	(230.7)	(14.6)
1998	1,249.6	868.0	381.6	714.0	(332.4)	(26.6)
1999	1,215.8	1,017.9	197.9	704.8	(506.8)	(41.7)
2000	896.7	881.2	15.5	629.2	(613.7)	(68.4)
2001	1,079.4	682.4	397.0	366.0	31.0	2.9
2002	1,425.0	1,489.5	(64.5)	786.3	(850.8)	(59.7)
2003	1,519.8	1,611.2	(91.4)	643.6	(735.0)	(48.4)
2004	2,043.0	1,713.4	329.6	580.3	(250.7)	(12.3)
2005	1,843.5	1,162.8	680.7	523.8	156.8	8.5
Total	**33,338.2**	**14,596.4**	**18,741.8**	**11,763.4**	**6,978.4**	**20.9**

Source: ADB Financial Control Department.

Notes : ADF and NTF transfers are included for the periods starting from 1974 and 1976, respectively.

- Magnitude zeros

Annex II-4
Bank Group Transfer of Concessional Resources to Regional Member Countries
(In millions of U.S. dollars)

Year	Gross Dis-bursements	Repay-ments of Principal	Net Dis-bursements	Interest and Charges	Net Transfers	Net Transfers as % of Gross Dis-bursements
1974	-	-	-	-	-	-
1975	3.9	-	3.9	-	3.9	100.0
1976	10.6	-	10.6	0.1	10.5	99.1
1977	26.4	0.1	26.3	0.2	26.1	98.9
1978	49.1	4.5	44.6	0.7	43.9	89.4
1979	64.4	1.9	62.5	1.5	61.0	94.7
1980	103.1	0.7	102.4	2.4	100.0	97.0
1981	100.7	2.3	98.4	3.1	95.3	94.6
1982	133.8	2.6	131.2	4.1	127.1	95.0
1983	163.4	2.2	161.2	5.2	156.0	95.5
1984	120.9	2.3	118.6	6.0	112.6	93.1
1985	229.1	5.9	223.2	8.4	214.8	93.8
1986	291.6	7.6	284.0	11.5	272.5	93.4
1987	404.8	11.1	393.7	16.4	377.3	93.2
1988	382.8	11.9	370.9	18.1	352.8	92.2
1989	506.7	14.1	492.6	21.3	471.3	93.0
1990	624.7	17.3	607.4	28.0	579.4	92.7
1991	653.4	24.7	628.7	25.1	603.6	92.4
1992	704.1	26.0	678.1	28.4	649.7	92.3
1993	715.2	32.4	682.8	37.5	645.3	90.2
1994	629.4	39.9	589.4	32.2	557.3	88.5
1995	619.6	50.0	569.6	49.8	519.7	83.9
1996	633.6	43.2	590.5	45.6	544.9	86.0
1997	650.9	55.5	595.4	53.3	542.2	83.3
1998	630.6	56.6	574.0	55.7	518.3	82.2
1999	516.3	57.5	458.8	54.2	404.6	78.4
2000	361.3	64.5	296.8	61.5	235.3	65.1
2001	470.2	63.4	406.8	17.9	388.9	82.7
2002	745.5	134.5	611.0	100.5	510.4	68.5
2003	550.6	112.3	438.3	79.9	358.4	65.1
2004	1,064.3	145.9	918.4	98.7	819.7	77.0
2005	992.6	142.3	850.2	94.2	756.0	76.2
Total	**13,153.6**	**1,133.3**	**12,020.3**	**961.6**	**11,058.7**	**84.1**

Source: ADB Financial Control Department.

Notes :ADF and NTF transfers are included for the periods starting from 1974 and 1976, respectively.
- Magnitude zeros

Annex II-5
Bank Group Payments to Supplying Countries for Procurement of Goods and Services, by Origin of Supply*

(In thousands of UA)

Country	2004 Amount	2004 %	2005 Amount	2005 %
Regionals				
Algeria	350	0.03	479	0.04
Angola	31	0.00	265	0.02
Benin	2,881	0.22	1,495	0.12
Botswana	3,081	0.23	169	0.01
Burkina Faso	7,001	0.53	19,675	1.53
Burundi	71	0.01	872	0.07
Cameroon	3,234	0.25	3,197	0.25
Cape Verde	1,018	0.08	1,321	0.10
Central African Republic	-	-	-	-
Chad	1,349	0.10	5,357	0.42
Comoros	-	-	-	-
Congo, Democratic Republic	-	-	128	0.01
Congo	512	0.04	-	-
Côte d'Ivoire	1,401	0.11	1,333	0.10
Djibouti	935	0.07	730	0.06
Egypt	799	0.06	1,481	0.11
Equatorial Guinea	257	0.02	443	0.03
Eritrea	2,828	0.21	2,197	0.17
Ethiopia	7,529	0.57	3,976	0.31
Gabon	1,074	0.08	263	0.02
Gambia	1,208	0.09	2,137	0.17
Ghana	18,169	1.38	8,275	0.64
Guinea	895	0.07	2,436	0.19
Guinea Bissau	85	0.01	94	0.01
Kenya	8,232	0.63	5,197	0.40
Lesotho	2,275	0.17	724	0.06
Liberia	-	-	-	-
Madagascar	20,308	1.54	4,973	0.39
Malawi	1,772	0.13	3,303	0.26
Mali	8,458	0.64	3,612	0.28
Mauritania	1,113	0.08	556	0.04
Mauritius	87	0.01	590	0.05
Morocco	10,409	0.79	8,453	0.66
Mozambique	3,572	0.27	8,442	0.65
Namibia	3,468	0.26	7,342	0.57
Niger	9,877	0.75	3,779	0.29
Nigeria	12,122	0.92	25,366	1.97
Rwanda	3,471	0.26	1,998	0.15
Sao Tome & Principe	267	0.02	327	0.03
Senegal	18,904	1.44	6,847	0.53
Seychelles	-	-	-	-
Sierra Leone	202	0,02	122	0,01
Somalia	-	-	-	-
South Africa	29,888	2.27	37,468	2.90
Sudan	-	-	-	-
Swaziland	936	0.07	81	0.01
Tanzania	6,605	0.50	6,668	0.52
Togo	23	0.00	131	0.01
Tunisia	79,824	6.07	21,026	1.63
Uganda	6,925	0.53	15,370	1.19
Zambia	2,828	0.21	3,162	0.25
Zimbabwe	1,763	0.13	1,528	0.12
Multinational	2,780	0.21	1,691	0.13
Sub-Total Regionals	**290,819**	**22.11**	**225,081**	**17.45**

Annex II-5 (continued)
Bank Group Payments to Supplying Countries for Procurement of Goods and Services, by Origin of Supply*
(In thousands of UA)

Country	2004 Amount	2004 %	2005 Amount	2005 %
Non-Regionals				
Argentina	-	-	20	0.00
Austria	-	-	-	-
Belgium	4,361	0.33	2,804	0.22
Brazil	5,179	0.39	6,206	0.48
Canada	10,487	0.80	5,790	0.45
China	30,283	2.30	66,863	5.18
Croatia	-	-	-	-
Denmark	8,719	0.66	5,114	0.40
Finland	2,855	0.22	1,180	0.09
France	90,156	6.85	58,890	4.57
Germany	18,294	1.39	16,908	1.31
India	1,972	0.15	4,522	0.35
Ireland	38	0.00	-	-
Italy	30,316	2.30	30,164	2.34
Japan	5,230	0.40	4,409	0.34
Korea	4,506	0.34	2,660	0.21
Kuwait	89	0.01	-	-
Netherlands	4,730	0.36	2,330	0.18
Norway	877	0.07	683	0.05
Portugal	10,805	0.82	3,289	0.26
Saudi Arabia	8,232	0.63	2,879	0.22
Spain	17,084	1.30	6,827	0.53
Sweden	1,313	0.10	63	0.00
Switzerland	3,193	0.24	3,485	0.27
United Arab Emirates	-	-	-	-
United Kingdom	15,665	1.19	11,022	0.85
USA	15,507	1.18	8,613	0.67
Sub-Total Non-Regionals	**289,891**	**22.04**	**244,722**	**18.97**
Net Advance Disbursements**	**434,524**	**33.03**	**270,490**	**20.97**
Disbursement for Policy-based Loans**	**300,308**	**22.83**	**549,514**	**42.60**
Total	**1,315,541**	**100.00**	**1,289,806**	**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*

(In thousands of UA)

	2004		2005	
Country	Amount	%	Amount	%
Regionals				
Algeria	744	0.06	229	0.02
Angola	31	0.00	307	0.02
Benin	3,884	0.30	2,043	0.16
Botswana	3,208	0.24	860	0.07
Burkina Faso	7,482	0.57	21,683	1.68
Burundi	182	0.01	1,192	0.09
Cameroon	3,626	0.28	2,580	0.20
Cape Verde	1,097	0.08	1,321	0.10
Chad	1,963	0.15	6,096	0.47
Comoros	-	-	-	-
Congo, Democratic Republic	-	-	161	0.01
Congo	-	-	65	0.01
Côte d'Ivoire	4,073	0.31	1,697	0.13
Djibouti	935	0.07	742	0.06
Egypt	190	0.01	1,540	0.12
Equatorial Guinea	257	0.02	443	0.03
Eritrea	2,851	0.22	1,447	0.11
Ethiopia	7,045	0.54	2,145	0.17
Gabon	5,901	0.45	295	0.02
Gambia	1,181	0.09	2,137	0.17
Ghana	17,383	1.32	8,821	0.68
Guinea	1,239	0.09	3,379	0.26
Guinea Bissau	129	0.01	418	0.03
Kenya	3,866	0.29	2,248	0.17
Lesotho	1,194	0.09	636	0.05
Madagascar	24,776	1.88	9,781	0.76
Malawi	4,531	0.34	3,404	0.26
Mali	9,514	0.72	3,775	0.29
Mauritania	1,310	0.10	921	0.07
Mauritius	37	0.00	6,377	0.49
Morocco	98,155	7.46	27,090	2.10
Mozambique	11,510	0.87	22,222	1.72
Namibia	4,412	0.34	8,786	0.68
Niger	10,366	0.79	4,206	0.33
Nigeria	28,044	2.13	33,485	2.60
Rwanda	3,732	0.28	4,227	0.33
Sao Tome & Principe	85	0.01	327	0.03
Senegal	19,235	1.46	7,475	0.58
Seychelles	-	-	-	-
Sierra Leone	445	0.03	140	0.01
Somalia	-	-	-	-
South Africa	21,178	1.61	33,836	2.62
Sudan	-	-	-	-
Swaziland	1,571	0.12	1,215	0.09
Tanzania	9,789	0.74	17,563	1.36
Togo	53	0.00	322	0.02
Tunisia	83,808	6.37	26,070	2.02
Uganda	7,505	0.57	13,751	1.07
Zambia	3,277	0.25	4,730	0.37
Zimbabwe	2,580	0.20	2,748	0.21
Multinational	7,978	0.61	15,488	1.20
Sub-Total Regionals	**422,351**	**32.10**	**310,423**	**24.07**

Annex II-6 (continued)
Bank Group Payments to Supplying Countries for Procurement of Goods and Services, by Source of Supply*
(In thousands of UA)

	2004		2005	
Country	Amount	%	Amount	%
Non-Regionals				
Argentina	-	--	-	-
Austria	--	--	-	-
Belgium	2,886	0.22	2,674	0.21
Brazil	5,329	0.41	5,944	0.46
Canada	6,534	0.50	5,561	0.43
China	25,110	1.91	39,962	3.10
Denmark	8,043	0.61	6,092	0.47
Finland	1,105	0.08	1,033	0.08
France	38,714	2.94	34,616	2.68
Germany	16,399	1.25	15,892	1.23
India	1,091	0.08	7,266	0.56
Italy	14,534	1.10	9,089	0.70
Japan	895	0.07	568	0.04
Korea	3,214	0.24	2,464	0.19
Kuwait	451	0.03	-	-
Netherlands	5,475	0.42	1,894	0.15
Norway	631	0.05	421	0.03
Portugal	3,194	0.24	2,414	0.19
Saudi Arabia	760	0.06	2,879	0.22
Spain	404	0.03	4,126	0.32
Sweden	404	0.03	1,999	0.16
Switzerland	6,622	0.50	1,600	0.12
United Arab Emirates	-	-	-	-
United Kingdom	5,608	0.43	8,305	0.64
USA	10,957	0.83	4,578	0.35
Sub-Total Non-Regionals	**158,359**	**12.04**	**159,380**	**12.36**
Net Advance Disbursements**	**434,524**	**33.03**	**270,490**	**20.97**
Disbursement for Policy-based Loans**	**300,308**	**22.83**	**549,514**	**42.60**
Total	**1,315,541**	**100.00**	**1,289,806**	**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, 1967-2005
(In millions of UA)

Country	2001	2002	2003	2004	2005	1967-2005
Algeria	-	148.9	0.4	-	-	1,889.1
Angola	9.6	13.5	4.6	-	17.5	339.4
Benin	33.1	19.3	51.7	21.2	59.5	489.8
Botswana	-	-	-	34.3	-	362.0
Burkina Faso	60.7	28.3	79.0	39.6	56.8	580.2
Burundi	-	-	-	20.2	12.3	308.8
Cameroon	53.1	34.7	46.5	12.1	25.6	775.9
Cape Verde	-	8.5	0.3	3.5	-	166.3
Central African Rep.	-	-	-	-	-	139.4
Chad	22.6	24.3	2.3	2.4	37.5	394.7
Comoros	-	-	-	-	-	64.7
Congo	-	-	0.9	7.0	-	286.0
Congo, Dem. Rep.	2.4	78.9	47.5	55.2	87.5	1,207.6
Cote d'Ivoire	-	83.3	-	-	-	1,143.5
Djibouti	3.4	6.4	6.9	5.3	0.3	114.2
Egypt	74.9	166.3	-	-	284.3	2,013.8
Equatorial Guinea	-	-	-	-	-	67.2
Eritrea	19.9	-	0.4	18.6	-	78.8
Ethiopia	185.8	21.0	102.4	62.0	43.6	1,463.1
Gabon	-	0.4	-	76.3	15.4	688.8
Gambia	9.6	11.9	0.4	5.0	5.5	220.6
Ghana	76.6	69.7	81.4	12.8	86.0	954.6
Guinea	36.0	24.5	-	-	22.7	563.2
Guinea-Bissau	12.9	-	7.2	-	1.4	179.1
Kenya	20.0	-	57.8	51.3	41.5	724.2
Lesotho	-	11.7	10.5	0.8	-	300.6
Liberia	-	-	0.3	-	-	154.0
Libya	-	-	-	-	-	-
Madagascar	14.9	10.3	25.0	45.2	57.3	577.6
Malawi	25.0	10.0	21.8	12.0	15.4	606.0
Mali	36.6	53.7	28.1	33.9	49.9	634.5
Mauritania	46.9	7.6	24.6	7.0	0.3	351.5
Mauritius	96.9	8.0	-	-	7.7	279.3
Morocco	133.8	245.3	177.0	369.3	175.7	3,891.1
Mozambique	40.7	24.9	55.2	30.0	9.5	915.1
Namibia	26.8	19.7	-	59.1	-	167.8
Niger	34.9	10.1	43.2	3.0	40.7	342.4
Nigeria	18.0	160.6	35.0	1.7	108.3	2,306.4
Rwanda	10.9	-	49.8	51.9	-	411.2
Sao Tome & Principe	1.8	4.0	-	-	-	99.6
Senegal	34.1	13.4	65.3	9.6	83.2	669.5
Seychelles	-	-	-	-	0.3	89.8
Sierra Leone	21.0	16.0	30.5	3.6	39.7	279.2
Somalia	-	-	-	-	0.3	151.1
South Africa	-	15.1	106.3	117.1	-	511.0
Sudan	-	-	0.3	-	-	350.9
Swaziland	29.6	14.6	50.0	-	0.4	294.6
Tanzania	118.8	16.9	31.3	114.7	-	924.7
Togo	-	-	14.6	-	-	185.2
Tunisia	362.5	86.2	196.3	140.2	181.7	3,501.8
Uganda	43.4	97.0	0.2	74.2	88.5	944.4
Zambia	17.7	-	22.0	13.7	0.4	658.0
Zimbabwe	-	-	-	-	0.4	726.9
Multinational	16.1	22.1	287.2	219.2	85.8	1,151.9
Total Approvals	**1,751.0**	**1,586.9**	**1,764.5**	**1,733.1**	**1,742.9**	**36,691.2**

Source : ADB Statistics Division

- Magnitude zero

Annex II-8
ADB Loan and Grant Approvals by Country, 1967-2005
(In millions of UA)

Country	2001	2002	2003	2004	2005	1967-2005
Algeria	-	148.9	0.4	-	-	1,886.4
Angola	-	-	-	-	0.3	204.9
Benin	-	-	-	-	-	24.4
Botswana	-	-	-	34.3	-	264.2
Burkina Faso	-	-	-	-	0.3	31.4
Burundi	-	-	-	-	0.3	49.3
Cameroon	-	34.3	-	-	-	484.0
Cape Verde	-	-	0.3	-	-	12.4
Central African Rep.	-	-	-	-	-	15.2
Chad	-	-	-	-	0.3	3.0
Comoros	-	-	-	-	-	10.0
Congo	-	-	0.4	-	-	267.4
Congo, Dem. Rep.	0.4	0.4	-	-	-	625.3
Cote d'Ivoire	-	-	-	-	-	871.8
Djibouti	-	-	6.9	0.3	0.3	8.0
Egypt	74.9	166.3	-	-	284.3	1,797.3
Equatorial Guinea	-	-	-	-	-	7.2
Eritrea	-	-	0.4	-	-	0.7
Ethiopia	-	-	0.4	-	-	240.9
Gabon	-	0.4	-	76.3	15.4	685.6
Gambia	-	-	0.4	-	-	22.1
Ghana	-	9.1	-	-	-	263.3
Guinea	-	-	-	-	-	224.3
Guinea-Bissau	-	-	-	-	-	11.4
Kenya	-	-	5.3	10.1	-	218.0
Lesotho	-	-	-	-	-	63.7
Liberia	-	-	0.3	-	-	116.8
Libya	-	-	-	-	-	-
Madagascar	-	-	-	0.3	-	68.2
Malawi	0.4	0.4	-	-	0.4	85.4
Mali	-	-	-	-	-	19.9
Mauritania	23.6	7.6	-	-	0.3	104.8
Mauritius	91.8	8.0	-	-	7.7	264.2
Morocco	133.8	245.3	177.0	369.3	175.7	3,826.7
Mozambique	0.4	-	28.9	-	0.4	128.9
Namibia	26.8	14.7	-	59.1	-	135.9
Niger	-	9.5	-	-	0.7	37.9
Nigeria	14.0	113.3	-	-	74.1	1,986.8
Rwanda	-	-	-	-	-	16.9
Sao Tome & Principe	-	-	-	-	-	-
Senegal	-	-	-	-	6.7	195.9
Seychelles	-	-	-	-	0.3	67.0
Sierra Leone	-	-	-	-	-	14.3
Somalia	-	-	-	-	0.3	8.2
South Africa	-	15.1	106.3	117.1	-	511.0
Sudan	-	-	0.3	-	-	105.1
Swaziland	29.6	9.7	50.0	-	0.4	235.2
Tanzania	-	-	-	-	-	60.0
Togo	-	-	14.6	-	-	33.0
Tunisia	362.5	86.2	196.3	140.2	181.7	3,501.8
Uganda	43.4	8.0	-	-	-	195.3
Zambia	-	-	-	-	0.4	293.2
Zimbabwe	-	-	-	-	0.4	645.0
Multinational	-	3.0	157.7	1.5	-	414.6
Total	**801.7**	**880.1**	**745.8**	**808.6**	**750.7**	**21,364.2**

Source : ADB Statistics Division

- Magnitude zero

Annex II-9
ADF Loan and Grant Approvals by Country, 1974-2005
(In millions of UA)

Country	2001	2002	2003	2004	2005	1974-2005
Algeria	-	-	-	-	-	2.7
Angola	9.6	13.5	4.6	-	17.2	134.5
Benin	33.1	19.3	47.7	21.2	59.5	445.9
Botswana	-	-	-	-	-	84.8
Burkina Faso	60.7	28.3	79.0	39.6	56.5	548.8
Burundi	-	-	-	20.2	12.0	246.2
Cameroon	53.1	0.4	46.5	12.1	25.6	291.9
Cape Verde	-	8.5	-	3.5	-	140.3
Central African Rep.	-	-	-	-	-	124.2
Chad	22.6	24.3	2.3	2.4	37.2	391.7
Comoros	-	-	-	-	-	54.7
Congo	-	-	0.5	7.0	-	18.6
Congo, Dem. Rep.	2.0	78.5	47.5	55.2	87.5	582.4
Cote d'Ivoire	-	83.3	-	-	-	268.8
Djibouti	3.4	6.4	-	5.0	-	102.2
Egypt	-	-	-	-	-	216.5
Equatorial Guinea	-	-	-	-	-	60.0
Eritrea	19.9	-	-	18.6	-	78.1
Ethiopia	185.8	21.0	102.0	62.0	43.6	1,211.2
Gabon	-	-	-	-	-	3.2
Gambia	9.6	11.9	-	-	5.5	184.2
Ghana	76.6	60.6	78.4	12.8	86.0	686.0
Guinea	36.0	24.5	-	-	22.7	322.6
Guinea-Bissau	12.9	-	3.7	-	1.4	161.6
Kenya	20.0	-	52.6	41.2	41.5	506.2
Lesotho	-	11.7	10.5	0.8	-	222.3
Liberia	-	-	-	-	-	33.6
Libya	-	-	-	-	-	-
Madagascar	14.9	10.3	25.0	44.9	57.3	496.8
Malawi	24.6	9.6	21.8	12.0	15.0	520.5
Mali	36.6	53.7	28.1	33.9	49.9	609.6
Mauritania	23.3	-	18.6	2.7	-	236.3
Mauritius	-	-	-	-	-	4.7
Morocco	-	-	-	-	-	64.4
Mozambique	40.3	24.9	26.3	30.0	9.2	779.3
Namibia	-	-	-	-	-	23.1
Niger	34.9	0.6	43.2	3.0	40.0	299.3
Nigeria	4.0	47.3	35.0	1.7	34.2	319.5
Rwanda	10.9	-	43.8	51.9	-	379.8
Sao Tome & Principe	1.8	4.0	-	-	-	94.6
Senegal	34.1	13.4	65.3	9.6	76.5	462.6
Seychelles	-	-	-	-	-	10.8
Sierra Leone	21.0	16.0	30.5	3.6	39.7	258.9
Somalia	-	-	-	-	-	136.9
South Africa	-	-	-	-	-	-
Sudan	-	-	-	-	-	245.8
Swaziland	-	-	-	-	-	49.5
Tanzania	118.8	16.9	31.3	114.7	-	851.0
Togo	-	-	-	-	-	141.7
Tunisia	-	-	-	-	-	-
Uganda	-	89.0	0.2	74.2	88.5	744.1
Zambia	17.7	-	22.0	13.7	-	364.8
Zimbabwe	-	-	-	-	-	81.9
Multinational	16.1	19.0	129.4	217.7	85.8	723.2
Total	**944.2**	**696.9**	**996.1**	**915.2**	**992.2**	**15,022.5**

Source : ADB Statistics Division

- Magnitude zero

Annex II-10
NTF Loan and Grant Approvals by Country, 1976-2005
(In millions of UA)

Country	2001	2002	2003	2004	2005	1976-2005
Algeria	-	-	-	-	-	-
Angola	-	-	-	-	-	-
Benin	-	-	4.0	-	-	19.4
Botswana	-	-	-	-	-	13.0
Burkina Faso	-	-	-	-	-	-
Burundi	-	-	-	-	-	13.4
Cameroon	-	-	-	-	-	-
Cape Verde	-	-	-	-	-	13.6
Central African Rep.	-	-	-	-	-	-
Chad	-	-	-	-	-	-
Comoros	-	-	-	-	-	-
Congo	-	-	-	-	-	-
Congo, Dem. Rep.	-	-	-	-	-	-
Cote d'Ivoire	-	-	-	-	-	2.9
Djibouti	-	-	-	-	-	4.0
Egypt	-	-	-	-	-	-
Equatorial Guinea	-	-	-	-	-	-
Eritrea	-	-	-	-	-	-
Ethiopia	-	-	-	-	-	11.0
Gabon	-	-	-	-	-	-
Gambia	-	-	-	5.0	-	14.4
Ghana	-	-	3.0	-	-	5.3
Guinea	-	-	-	-	-	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
Sao Tome & 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	**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, 1967-2005

(In millions of UA)

	2001	2002	2003	2004	2005	1967-2005
Agriculture and Rural Dev.	268.5	207.0	235.9	274.5	231.1	6,787.3
Social	198.2	284.2	333.0	157.1	233.7	4,292.9
Education	*62.6*	*82.0*	*158.7*	*39.8*	*114.0*	*2,348.9*
Health	*55.8*	*156.5*	*37.1*	*102.0*	*90.7*	*1,409.8*
Other	*79.8*	*45.7*	*137.3*	*15.4*	*29.1*	*534.1*
Water Supply & Sanitation	69.9	67.4	290.2	120.4	199.1	2,819.2
Power Supply	94.1	185.9	147.9	56.0	275.9	3,466.2
Communication	79.3	90.4	-	-	-	911.3
Transportation	330.2	130.1	292.7	499.3	212.1	6,036.2
Finance	263.7	335.1	301.3	174.0	218.6	4,585.1
Multisector	410.8	271.3	131.6	450.0	264.4	5,576.3
Industry, Mining and Quarrying	26.9	15.5	28.9	-	34.0	2,121.7
Urban Development	-	-	-	-	-	1.9
Environment	9.6	-	3.0	1.7	74.1	93.1
Total	**1,751.0**	**1,586.9**	**1,764.5**	**1,733.1**	**1,742.9**	**36,691.2**

Source : ADB Statistics Division
- Magnitude zero

Annex II-12
ADB Loan and Grant Approvals by Sector, 1967-2005

(In millions of UA)

	2001	2002	2003	2004	2005	1967-2005
Agriculture and Rural Dev.	39.5	17.0	10.0	22.9	23.1	2,595.8
Social	23.5	87.1	3.6	1.3	55.7	1,102.2
Water Supply & Sanitation	-	8.0	176.6	56.5	-	1,528.3
Power Supply	43.4	169.7	118.9	-	270.8	2,722.4
Communication	79.3	90.4	-	-	-	764.7
Transportation	175.9	72.8	108.1	372.8	-	3,313.9
Finance	263.7	316.6	299.7	174.0	211.8	4,525.5
Multisector	152.8	103.1	-	181.1	97.8	3,003.4
Industry, Mining and Quarrying	23.6	15.5	28.9	-	34.0	1,750.4
Urban Development	-	-	-	-	-	-
Environment	-	-	-	-	57.6	57.6
Total	**801.7**	**880.1**	**745.8**	**808.6**	**750.7**	**21,364.2**

Source : ADB Statistics Division
- Magnitude zero

Annex II-13
ADF Group Loan and Grant Approvals by Sector, 1974-2005

(In millions of UA)

	2001	2002	2003	2004	2005	1974-2005
Agriculture and Rural Dev.	229.0	185.0	226.0	242.4	208.0	3,984.2
Social	169.6	192.1	325.9	155.8	178.0	3,135.1
Education	51.8	76.6	155.2	39.8	64.0	1,462.8
Health	38.4	73.3	36.4	102.0	89.0	1,156.8
Other	79.4	42.3	134.4	14.1	25.0	515.5
Water Supply & Sanitation	69.9	59.4	107.5	63.9	199.1	1,273.7
Power Supply	50.7	16.2	28.9	56.0	5.1	730.2
Communication	-	-	-	-	-	118.4
Transportation	154.3	57.3	171.6	126.5	212.1	2,623.4
Finance	-	18.5	1.6	-	6.8	352.0
Multisector	258.0	168.2	131.6	268.9	166.7	2,573.0
Industry, Mining and Quarrying	3.3	-	-	-	-	195.0
Urban Development	-	-	-	-	-	1.9
Environment	9.6	-	3.0	1.7	16.5	35.5
Total	**944.2**	**696.9**	**996.1**	**915.2**	**992.2**	**15,022.5**

Source : ADB Statistics Division
- Magnitude zero

Annex II-14
NTF Loan and Grant Approvals by Sector, 1976-2005

(In millions of UA)

	2001	2002	2003	2004	2005	1976-2005
Agriculture and Rural Dev.	-	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	**5.1**	**10.0**	**22.5**	**9.3**	**-**	**304.6**

Source : ADB Statistics Division
- Magnitude zero

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